

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 2014

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Corporate Summary

Investment Objective

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

Structure

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

Investment Manager

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

General Information

Board of Directors

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

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English Solicitors to the Company

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Independent Auditor

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Identifiers

ISIN: GG00B8C23S81
Sedol: B8C23S8
Ticker: LBOW
Website: www.lbow.co.uk

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Highlights

Investment Portfolio

- £18 million capital deployed during the half year in two new investments.
- Initial investment programme now completed with 98.3% of capital raised, net of costs, deployed in ten investments.
- Aggregate investments made at par £104.3million (31 January 2014: £86.0 million).
- Portfolio weighted average yield 7.39% with weighted average LTV of 60.4% and ICR of 153%.
- All investments are performing to business plan with no covenant breaches or impairment of value.
- £0.9 million partial repayment received on LM Real Estate Loan during the period.

Financing

- 3.6 million new Ordinary Shares issued raising £3.67 million capital (£3.52 million net of issue costs) to complete investment programme.

Performance

- Profit after tax £3.17 million for the six months to 31 July 2014 (31 July 2013: loss of £0.27 million).
 - 2.97 pence per share (31 July 2013: loss of 0.26 pence per share)
- Net Asset Value £107,069,358 (31 January 2014: £103,353,515).
 - 98.94 pence per share (31 January 2014: 98.79 pence per share)

Dividend

- 1st interim dividend of 1.5 pence per share paid in respect of period to 30 April 2014.
- 2nd interim dividend of 1.5 pence per share declared in respect of quarter ended 31 July 2014 (31 July 2013: nil pence per share).
 - Dividend ex-date: 1 October 2014
 - Dividend payment date: 17 October 2014

Post Balance Sheet Events

- LM Real Estate property portfolio sold and loan repaid. £11.935 million re-advanced to new owners on substantially the same terms.
 - Net repayment £1.35 million received together with prepayment and exit fees of £0.5 million
- £0.7 million partial repayment of the Northlands loan received together with exit and prepayment fees.
- Re-investment opportunities being evaluated.

Chairman's Statement

On behalf of the Board, I am pleased to present the Interim Financial Statements for ICG-Longbow Senior Secured UK Property Debt Investments Limited ("the Company") for the six month period ended 31 July 2014. This has been a period of good performance for the Company with Net Asset Value ("NAV") rising by 3.6% (including dividends paid) and the share price trading consistently at a premium to NAV.

During the period, the company completed its initial investment phase and is now fully invested. The final two investments, totalling approximately £18 million, were made utilising some additional capital raised through an issuance of approximately £4 million worth of shares in April. These shares were issued at a premium to NAV and accordingly the issue was accretive to value for all shareholders.

All of the loans are performing in line with business plans and in compliance with covenants. In addition, we have seen a general improvement across the loan portfolio in the loan to value ratio, while interest cover ratios have remained largely static. Further detail can be found in the Investment Manager's report on page 6.

Since the end of the period, we have had small amounts of capital repaid in accordance with the terms of the loan agreements. However, all the repayments have included the receipt of prepayment protections and fees so any redeployment of these small amounts of existing capital should be value enhancing compared to our original plans. We are actively looking at possibilities for redeploying this capital and I look forward to being able to report to you further on this in due course.

I should point out that we have witnessed a material return of capital to the sector with price competition spreading to the regions and consequently we do not currently foresee the opportunity to deploy any further new capital at levels which would be accretive to investors.

Corporate governance remains at the forefront of the Board's regular deliberations and during the period we have undertaken a review of and implemented some key regulatory changes in accordance with best practice. In addition, we have undertaken a review of the Investment Manager's processes and systems. I am pleased to be able to report that we found these to be strong and robust.

Following completion of the initial investment programme the Board's primary focus, and that of its Investment Manager, Longbow Real Estate Capital LLP ("ICG-Longbow"), will shift towards investment monitoring and portfolio management to ensure that the Company's fundamental objectives continue to be achieved.

As we have become fully invested we have been able to increase the dividend up to a level of 1.5 pence per quarter, in line with the target set at the initial offering. Accordingly, an interim dividend of 1.5 pence per share was declared on 19 June 2014 in respect of the period ended 30 April 2014. On behalf of the Board I am now pleased to declare a second interim dividend of 1.5 pence per share for the second quarter. Barring unforeseen circumstances, we expect this level of dividend to be sustainable in future. We also expect continuing modest appreciation of NAV towards par.

Jack Perry
Chairman

23 September 2014

Investment Manager's Report

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

The Company is advised by the Investment Manager, Longbow Real Estate Capital LLP ("ICG-Longbow"), and invests directly in real estate loans originated by ICG-Longbow and secured by way of first charge on primarily commercial property assets in the United Kingdom.

Summary

We are pleased to have completed two further investments (£17.9 million in aggregate) in the period to bring the initial investment programme to a close. The resultant portfolio of ten loans with nominal value of £104.8 million represents 98.3% of net capital raised. In line with the Company's objective the portfolio of ten loans is secured on a broad spread of properties displaying good sector, tenant and geographic diversity.

All loans continue to perform in line with business plan and comply with their respective financial covenants. The portfolio is set to produce a weighted average interest yield of 7.39% over its average residual term of 4.3 years.

Following the period end LM Real Estate disposed of substantially all of its property portfolio to ICP Active Real Estate Fund III ("ICP III") managed by Infrared Capital Partners, and a new loan was entered into with ICP III on substantially the same terms.

The LM Real Estate transaction resulted in a net repayment of £1.4 million. A second partial repayment of £0.7 million was received following the period end on the Northlands loan. We are pleased to report that the Company benefits from exit and payment protection fees on all of its investments and as a result has received fees of £0.5 million in respect of the repayments. Together the aggregate repayment proceeds received amounted to £2.1 million.

Company Performance

The Company's financial performance has made steady progress in line with the rate of investment. The initial investment programme was completed in May and as a result the Company produced a Profit After Tax for the six month period ended 31 July 2014 of 2.97 pence per share.

The Interim Financial Statements are prepared under the Effective Interest Rate method whereby arrangement and exit fees are spread over the term of each loan. The Company has accumulated an arrangement fee reserve of £1.75 million.

The Net Asset Value per share increased modestly since April to 98.84 pence per share. Following the post-tax profit per ordinary share of 1.29 pence was reported for the initial 14 month period ended 31 January 2014; the Company generated a post-tax profit for the six months ended 31 July 2014 of 2.97 pence per share, with surplus operating cashflows exceeding 3.0 pence per share for the same period.

Investment Manager's Report

(continued)

Portfolio Composition

The portfolio composition at 31 July 2014 was as follows:

Transaction	Region	Sector	Term start	Unexp term (yrs)	Day-1 Balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Current Balance (£m)	Current LTV (%)	Current ICR (%)
Mansion Student Fund	Midlands/ Scotland	Other (Student)	Jun-13	4.85	18.070	54.8	204	18.070	46.5	224 ⁽¹⁾
LM Real Estate	North West	Industrial/ Distribution	Jul-13	4.34	14.200	59.3	193	13.300	60.1	125 ⁽²⁾
Meadows RE Fund II	London	Retail	Sep-13	3.42	18.070	65.0	150	18.070	65.0	130
Northlands Portfolio	London	Mixed Use	Nov-13	4.32	7.200	61.7	192	7.200 ⁽³⁾	60.6	127
Hulbert	Midlands	Industrial/ Distribution	Dec-13	4.34	6.565	65.0	168	6.565	65.0	171
Halcyon Ground Rents	National	Industrial/ Distribution	Dec-13	4.35	8.600	64.8	116	8.600	64.8	116
Cararra Ground Rents	North West	Regional Office	Dec-13	4.35	1.300	65.0	113	1.300	65.0	113
Raees	London	Mixed Use	Dec-13	4.36	13.250	65.0	122	13.250	64.6	132
Lanos (York)	Yorks & Humberside	Other (Hotel)	Mar-14	4.42	10.000	64.9	122	10.000	61.1	120 ⁽¹⁾
Ramada Gateshead	North East	Other (Hotel)	Apr-14	4.75	7.983	64.4	180	7.983	64.4	180 ⁽¹⁾
Total				4.31	105.238	62.2	162	104.338	60.4	154⁽²⁾

⁽¹⁾ ICR reporting basis for hotel and student accommodation loans changed from quarterly to annual with effect from 31 July 2014 in order to eliminate the impact of seasonality.

⁽²⁾ Lettings on the LM Real Estate portfolio completed in the quarter and subject to rent free periods at the quarter end, will increase the interest coverage ratio from 125% to circa 190% after the period end, increasing portfolio ICR to circa 160%.

⁽³⁾ At 31 July 2014, following a property disposal by the Northlands borrower, the net proceeds were held on account under control of the Company. £0.7 million was applied to the partial repayment of the loan following the period end.

Given the Company's available capital has been deployed in 10 loans, the majority of which are of a multi-let nature and the fact that six of the 10 loans are themselves underpinned by portfolios of properties, a degree of low level change in the security portfolio can be expected from quarter to quarter. During Q2 2014 the LM Real Estate loan was part repaid by £0.9m, reducing it to £13.3m following a property disposal and the Northlands borrower also completed an asset disposal in the period which resulted in a subsequent, post period end, repayment of £0.7million. The Company received exit fees and prepayment fees in respect of both loans.

Investment Manager's Report

(continued)

It is anticipated that the aggregate repayment proceeds (£2.1 million) discussed above will be redeployed in a new investment or within the existing loan portfolio to finance value enhancing capital expenditure. The 10 loans in the portfolio have a weighted average coupon of 7.39% and a projected IRR of 8.41%. We believe the Company's loan portfolio to be strongly secured, given the first and only charge on all subject properties and a current weighted exposure of 60.4% and an Interest Coverage Ratio of 154%. The security of capital is further enhanced by the diversification of risk at portfolio level by sector and geography and at the loan level through the exposure predominantly to multi-property or multi-tenanted security. All of the loans are fully compliant with parameters set out in the Prospectus.

Outlook:

Underpinned by the favourable economic conditions and property market discussed below then subject to the continued performance of the 10 loans, we expect the portfolio to continue to generate surpluses to enable the Company to deliver its target dividend yield over the 4.3 year weighted average residual term of the loans.

As discussed in more detail below it is undoubted that, since the Company's IPO, the real estate debt markets have become more competitive through the weight of new capital being deployed into the sector which has led to the emergence of pricing competition in most sectors and regions. This competition will limit the Company's ability to deploy new capital in a manner accretive to its shareholders, however the current portfolio benefits from income protection on all of its loans, and as such is in a good position to reinvest capital receipts in the near term to maintain and potentially enhance its projected income stream.

Market Update

Underpinned by continued growth in GDP, low interest rates and increasing employment through the first and second quarters of 2014, and coupled with low levels of commercial real estate development over last six years, rental values have continued to increase across all property sectors in 2014. These economic factors have also led to an increased take up of vacant space across the UK, driven by still affordable rents in many locations. This in turn has started to have a positive impact in reducing vacancy levels in property portfolios throughout the UK, which is filtering through to produce increased net operating income, whether viewed at market, portfolio or individual property level.

With increased investor confidence in the property market, spurred by the economic growth and visible signs of an upswing in the occupational market, the recovery in property values outside of London has continued through the second quarter of 2014. The 12-month total return for the IPD quarterly index for the year to the end of June 2014 rose to 16.4%, with 10% growth in capital values over the year.

The first half of 2014 saw the increase in availability of debt for the UK commercial real estate sector gather pace. This has been characterised by the continued growth in the number of debt providers and the return of the UK banks to the regional lending market. This increased competition for business has had the effect of reducing interest rate margins. However, there has not been any material increase in risk appetite over the same period, with loan to value ratios for new lending remaining stable.

Economy and Financial Markets

The growth in UK GDP continued in Q2 2014, up 0.8% in the quarter and recording 3.2% growth year on year. The absolute level of GDP has now passed the previous pre-recession peak achieved in 2008, following six successive quarters' growth. Whilst GDP growth has been led by the service sector, both manufacturing and construction continue to perform steadily.

Unemployment continued to fall and in the first half of the year the unemployment rate dropped by 0.4% to 6.4%, with just over 2.1 million people out of work, significantly below the 7% level at which the Bank of England had previously indicated that it would begin to tighten monetary policy. Correspondingly, employment grew by over 250,000 during the 2nd quarter, with a record 30.64 million people in jobs (929,000 higher than a year previously).

Investment Manager's Report

(continued)

There continues to be a low inflation rate (fluctuating between 1.5% and 1.9% in recent months) but, importantly, average earnings growth continues to lag, being only 0.9% up on the year, which may have eased concerns over an imminent increase in interest rates and contributing to an easing of medium term swap rates over the quarter to circa 2.0% for a five year swap.

UK Commercial Property Market

Occupational Markets:

With the continuing strength in the economy, as detailed above and in particular the record number of people in employment in the UK, coupled with low levels of development over the last six years, rental levels have continued to increase across all property sectors in Q2 2014. As in previous quarters, retail growth remains patchy and overall only just positive. According to the CBRE Prime Rental Growth Index, whilst London and the South East lead rental growth in the office and retail sectors, the pace of growth generally declines further away from London, albeit with occasional hotspots such as the East Midlands retail and East of England offices. In the industrial sector, rental growth is more evenly spread throughout the UK and is led by the West and East Midlands.

Of at least equal relevance to the rental growth statistics are levels of occupancy and, in this regard, the economic factors discussed above have also led to increased take up of space across the UK, driven by still affordable rents in many locations. This in turn is filtering through to produce increased net operating income, whether viewed at market, portfolio or individual property level.

Investment Markets:

Investment activity picked up in Q2 2014, with transactions up 10% on the first quarter of the year and up 44% on the same period last year, according to the Lambert Smith Hampton UK Investment Transactions report.

The IPD quarterly capital values index showed strong growth of 3.3% over the quarter, with values up 10% over the year to June 2014, with values increasing now for five successive quarters. However, in the same quarter that UK GDP exceeded the 2008 peak, UK property capital values are still nearly 30% down on their 2007 peak.

The capital value growth was attributable to yield tightening across all sectors, possibly in anticipation of future income growth, with offices showing the greatest increase in value over the quarter at 4.1%, slightly above industrials at 3.9% and retail at 2.9%. However, within the retail sector, shopping centres showed an increase of 3.7%, driven by institutional investors (in part investing retail in- flows), seeking yield and security of income.

The IPF Consensus Forecast however points towards slower growth in property values over the next 12 months with capital growth levelling off beyond 2015.

UK Commercial Property Debt Market

According to the De Montfort University 2013 year-end report on the UK Commercial Property market, issued in May, the overall size of the market only declined by 8% over the year to £244 billion, with over £100 billion loan maturities projected through to the end of 2016. Additionally, taking advantage of the recent growth in values and strong market liquidity, we have seen banks increasing the velocity of loan book and loan by loan exits over 2014.

As widely reported, new pools of debt capital continue to enter the market, attracted by the ongoing attractive pricing relative to other asset classes and the benign property market conditions. In particular there is a strong supply of both senior debt and mezzanine in big-ticket and/or central London transactions, whilst the first half of 2014 has marked the partial return of UK banks to regional/mid-market opportunities. This increased competition for business has had the effect of reducing interest rate margins across almost all sectors. Research by De Montfort University and Savills confirm that interest rate margins had fallen by circa 0.75% over 2013, with a further 0.5%-1.0% since the beginning of 2014. However the research also confirms there has not been any material increase in risk appetite over the same period.

Investment Manager's Report

(continued)

As with the direct property market, the property debt market remains polarised, with the largest pools of liquidity focused on lending to large/prime/stabilised assets in all parts of the market (including mezzanine), often resulting in intense pricing competition. However, attractive whole loan and mezzanine opportunities remain to support property repositioning/value add initiative and debt buy backs from acquirers of loan books or directly from banks.

Outlook

We anticipate that the Company's investments will continue to benefit from the growing economy and the strong occupation and investment market dynamics of the direct property market discussed above.

The strong demand to buy assets and provide financing on them may increase the opportunities for our borrowers to sell properties if strong offers to buy or refinance are received but, as demonstrated through the sale of the LM Real Estate portfolio and Northlands part sale, the Company's earnings are protected from this dynamic through minimum earnings provisions in the loan portfolio and the potential to redeploy capital.

Portfolio Activity

Following the funding of the Gateshead and York Lanos loans (described below) at the beginning of the period the Company has now completed its initial investment programme and activity in the quarter to 31 July 2014 has been concentrated on managing the 10 loan portfolio.

As mentioned above the nature of the borrower portfolios is expected to give rise to some low level transaction activity at property level, and during the period LM Real Estates sold a property, the proceeds of which were fully applied to the payment of exit and break fees to the Company and a £0.9 million partial repayment of their loan, thereby improving the Company's residual risk position. The capital proceeds of the repayment were in turn redeployed into the Gateshead investment.

Northlands also completed a disposal in the period, the proceeds of which were held on account, under the control of the Company, pending potential reinvestment by the borrower. Subsequent to the period end the borrower elected to part repay the loan (£0.7million), holding the residual proceeds, after fees and costs, on account to undertake capital expenditure on the residual portfolio.

Transactions Completed post period end:

Following the period end LM Real Estate sold the majority of its property portfolio to an institutionally backed borrower, managed by Infrared Capital Partners. The Company through its subsidiary has entered into a new £11.935 million senior loan on substantially the same terms and secured on the residual portfolio. As a result the Company received a net repayment of £1.365 million on which exit and prepayment fees were received.

Infrared Capital Partners is a well-established asset management platform with the required skills to manage the properties, and we are pleased to have been able to maintain a position for the Company as lender to the underlying portfolio. In addition to fees due on the net repayment, the Company received a consent fee from LM Real Estate for facilitating the transaction.

ICG-Longbow will work together with the Board to identify opportunities to redeploy the proceeds from such repayments in a manner that will be accretive to the Company, but without increasing the risk profile of what remains a well-diversified and capital defensive portfolio of investments.

Investment Manager's Report

(continued)

Loan Portfolio

As set out above, as at 31 July 2014, the Company's portfolio comprised of ten loans each of which is discussed below.

Loan 1	Mansion Student Fund		
<p>A £18.07 million senior loan secured on two student accommodation blocks located in Birmingham and Glasgow, providing over 1,000 purpose built student bedrooms. The loan proceeds were used to refinance part of the Borrower's equity which funded the cash purchase of the properties.</p> <p>The loan benefits from security against two well located, purpose built (and now fully refurbished) student blocks, which offers conservative gearing against capital and income, whilst the Company's counterparty is managed by a highly experienced sector specialist. Following completion of the refurbishment of the Birmingham property, the valuation of the portfolio has increased from £33 million to £38.9 million, reducing the LTV ratio from 55% to 46.5%.</p> <p>The Borrower comprises two SPV companies, which are subsidiaries of the Mansion Student Accommodation Fund ("MSAF"). The Company's loan is fully ring fenced from the wider MSAF group and is secured by way of a first ranking charge over the subject properties; consequently the ongoing suspension of trading in MSAF units does not have any impact on the performance of the Company's loan.</p> <p>The properties continue to perform in line with our underwritten expectations. Pre-lets for the academic year 2014-15 give a total occupancy of 99% although there is usually some slight slippage from this level once the term actually starts.</p> <p>ICR has declined from the 260% figure reported last quarter due to a change in calculation basis from quarterly to annual, to eliminate seasonality in income flows.</p>			
Property Profile		Debt Profile	
No Properties	2	Debt Outstanding	£18,070,000
Property Value (£)	£38,900,000	Original term	6 years
Property Value (£/bed)	£38,553	Maturity	June 2019
Bedrooms	1,009	Current LTV	46.5%
No tenants	1,009	Current ICR	224%
Weighted lease length	n/a	Loan exposure per bed	£17,909

Investment Manager's Report

(continued)

Loan 2		LM Real Estate	
<p>Originally a £20 million senior loan facility, of which £14.2 million was drawn, to refinance a portfolio of five multi-let industrial and distribution warehouse units located in the North West of England. Since the loan was advanced, the availability of the undrawn £5.8 million facility, which had been made available to assist in further property acquisitions, has expired. The Borrower contracted to sell one of the security properties, as identified in the Borrower's initial business plan, resulting in an expected repayment of £0.9 million reducing the loan balance to £13.3 million.</p> <p>The Company's exposure represented 60.1% of the open market valuation of the remaining properties as at the date of the loan (£22.1 million). The portfolio comprises good secondary quality, industrial/distribution units located in the North West of England. The portfolio is well managed and benefits from high occupancy levels.</p> <p>During Q2 2014 the loan was partially repaid by £0.9m to £13.3m, whilst lettings completed in the quarter, currently subject to rent free periods, will increase the interest coverage ratio from 125% to circa 190% at the end of Q3 2014.</p> <p>Following the period end, the majority of the portfolio has been sold to an entity managed by Infrared Capital Partners, as discussed more fully above.</p>			
Property Profile		Debt Profile	
No Properties	6	Debt Outstanding	£13,300,000
Property Value (£)	£22,115,000	Original term	5.4 years
Property Value (£/sq ft)	£47	Maturity	December 2018
Property Area sq ft	467,151	Current LTV	60.1%
No tenants	16	Current ICR	125%
Weighted lease length	4.1 years	Loan exposure per sq ft	£28

Loan 3		Meadow Partners	
<p>A £18.07 million senior loan facility used to assist financing an established and well supported international real estate fund in the acquisition of a highly prominent retail park in north London.</p> <p>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. Meadow Partners' management team has significant real estate investment experience and a proven track record; investing across various transaction structures, geographic locations and property types.</p> <p>At 65% LTV and 130% ICR, the gearing is at the high end of the Company's investment parameters, especially given the short income profile. However, this remains a strong loan due to the quality and experience of the counterparty and the institutional quality of the property which benefits from a strong location with significant value-add opportunity through re-gearing tenants and maximising site density.</p> <p>The Borrower has been in discussions with the local authority to determine what additional development could be achieved at the site and continues to canvas tenant demand for the property.</p>			
Property Profile		Debt Profile	
No Properties	1	Debt Outstanding	£18,070,000
Property Value (£)	£27,800,000	Original term	4.3 years
Property Value (£/sq ft)	£299	Maturity	December 2017
Property Area sq ft	92,882	Current LTV	65%
No tenants	4	Current ICR	130%
Weighted lease length	1.0 year	Loan exposure per sq ft	£195

Investment Manager's Report

(continued)

Loan 4		Northlands Portfolio	
<p>A £7.20 million senior loan facility used to refinance existing senior debt secured on a mixed use portfolio of high street retail and tenanted residential units located predominantly in London and the South East. The security portfolio comprises 15 properties with a highly diverse income stream from 39 retail and 57 residential tenants, with the largest tenants being Argos Distributors Ltd and Tesco Stores Ltd, accounting for 10.3% and 8.5% of total rent, respectively.</p> <p>The Borrower is Northlands Holdings and group affiliates on a cross-collateralised basis.</p> <p>Whilst the portfolio is undoubtedly secondary in quality, the loan is satisfactorily secured from both a value and income perspective, reflected in the gearing of 60.6% LTV and comfortable interest cover of 127%. The LTV reduced following the disposal of a development site the proceeds of which were held on account and under the control of the lender at the period end and have subsequently been applied to the partial repayment of the loan. The debt and risk profile is reported on a net exposure basis.</p>			
Property Profile		Debt Profile	
No Properties	15	Debt Outstanding (net)	£6,477,250
Property Value (£)	£10,690,000	Original term	5.0 years
Property Value (£/sq ft)	£131	Maturity	November 2018
Property Area sq ft	81,656	Current LTV	60.6%
No tenants	96	Current ICR	127%
Weighted lease length	2.5 years	Loan exposure per sq ft	£79.32

Loan 5		Hulbert Properties	
<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 270,000sq ft Grazebrook Industrial Estate.</p> <p>The Borrower, Hulbert Properties Ltd, is a West Midlands based private property company. The multi-let portfolio benefits from high occupancy and provides strong interest coverage at 171% and the 65% LTV provides a low (£19) capital exposure per sq ft, materially below vacant possession trading values.</p> <p>No material activity on the loan or security portfolio took place during the reporting period.</p>			
Property Profile		Debt Profile	
No Properties	4	Debt Outstanding	£6,565,000
Property Value (£)	£10,100,000	Original term	5.0 years
Property Value (£/sq ft)	£35	Maturity	December 2018
Property Area sq ft	286,451	Current LTV	65%
No tenants	20	Current ICR	171%
Weighted lease length	3.5 years	Loan exposure per sq ft	£23

Investment Manager's Report

(continued)

Loan 6		Halcyon Ground Rents	
<p>A £8.6 million senior loan facility (Halcyon) was used to refinance a portfolio of freehold ground rents.</p> <p>The Halcyon security comprises a diversified portfolio of 21 freehold ground rent investments with a weighted unexpired lease term of 89 years, of which 72% are industrial with leasehold rents receivable geared to 22-25% of open market rentals, with the balance being leisure uses at leasehold gearings of 50%.</p> <p>At 65% LTV and with 116% ICR, the gearing is at the top of the Company's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loan benefits from very strong security.</p> <p>No material activity on the loan or security portfolio took place during the reporting period.</p>			
Property Profile		Debt Profile	
No Properties	21	Debt Outstanding	£8,600,000
Property Value (£)	£13,264,000	Original term	5.0 years
Property Value (£/sq ft)	£32	Maturity	December 2018
Property Area sq ft	415,430	Current LTV	65%
No tenants	21	Current ICR	116%
Weighted lease length	88.9 years	Loan exposure per sq ft	£21

Loan 7		Carrara Ground Rents	
<p>A £1.3 million senior loan facility was used to refinance an individual ground rent investment.</p> <p>The Carrara security comprises a single virtual freehold ground rent investment located in Leeds with an unexpired lease term of 98 years, subject to a 25% rental gearing. The property is a modern office building located on an established business park accessed from the M1 motorway, which is fully let to a strong covenant until 2018.</p> <p>At 65% LTV and 113% ICR the gearing is at the top of the Company's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loan benefits from very strong security.</p> <p>No material activity on the loan or security portfolio took place during the reporting period.</p>			
Property Profile		Debt Profile	
No Properties	1	Debt Outstanding	£1,300,000
Property Value (£)	£1,300,000	Original term	5.0 years
Property Value (£/sq ft)	£82	Maturity	December 2018
Property Area sq ft	24,470	Current LTV	65%
No tenants	1	Current ICR	113%
Weighted lease length	86.7 years	Loan exposure per sq ft	£53

Investment Manager's Report

(continued)

Loan 8		RAEES International	
<p>A £13.25 million refinance of a mixed retail and residential portfolio in good locations in North East London. The Borrower is 100% owned and controlled by an offshore investor, with asset management provided by a UK asset manager.</p> <p>Given the low yielding nature of the portfolio, which reflects the London retail and residential uses, interest cover is relatively low at 132% but the loan is satisfactorily secured at 65% LTV, due to the liquid nature of the security portfolio.</p> <p>No material activity on the loan or security portfolio took place during the reporting period</p>			
Property Profile		Debt Profile	
No Properties	22	Debt Outstanding	£13,250,000
Property Value (£)	£20,510,000	Original term	5.0 years
Property Value (£/sq ft)	£249	Maturity	December 2018
Property Area sq ft	69,133	Current LTV	64.6%
No tenants	150	Current ICR	132%
Weighted lease length	4.98 years	Loan exposure per sq ft	£161

Loan 9		Lanos York	
<p>A £10.0 million loan to Lanos (York) Limited, which has a maturity date of December 2018. The £10.0 million advance included the funding of a £2.5 million capital expenditure reserve, charged to the lender, to meet the costs of the refurbishment programme.</p> <p>The Borrower, part of a specialist hotel development and management group, operates the hotel under a franchise agreement.</p> <p>The Facility is secured by a first and only charge on the Best Western York Monkbar Hotel, which is located close to the city centre of York. The established mid-market 99 bed hotel benefits from a stabilised income profile and offers the potential to grow income and value through a planned refurbishment and 27 bedroom extension, which is to be funded through a ring-fenced element of the Facility.</p> <p>Works on the construction of the extension commenced in August 2014.</p>			
Property Profile		Debt Profile	
No Properties	1	Debt Outstanding	£10,000,000
Property Value (£)	£12,285,000	Original term	4.8 years
Property Value (£/bed)	£124,091	Maturity	December 2018
Bedrooms	99	Current LTV ^(*)	61.1%
		Current ICR	120%
net of charged capex reserve		Loan exposure per bed ^()	£75,758

Investment Manager's Report

(continued)

Loan 10		Ramada Gateshead	
<p>A £7.983 million loan to Quay Hotels Limited, which has a maturity date of March 2019.</p> <p>The Investment is secured by a first and only mortgage over the Ramada Encore hotel in Gateshead, a modern 200 bedroom hotel which was constructed in 2012. The 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>No material activity on the loan or security portfolio took place during the reporting period.</p>			
Property Profile		Debt Profile	
No Properties	1	Debt Outstanding	£7,982,500
Property Value (£)	£12,400,000	Original term	5.5 years
Property Value (£/bed)	£62,000	Maturity	April 2019
Bedrooms	200	Current LTV	64.4%
		Current ICR	180%
		Loan exposure per bed	£39,913

Longbow Real Estate Capital LLP

23 September 2014

Statement of Principal Risks for the Remaining Six Months of the period to 31 January 2015

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: 1) the loan values may exceed the recovery values, 2) inherently subjective valuations of property and property-related assets, 3) changes in tax legislation, and 4) loan principals may be paid earlier than anticipated.

The principal risks and uncertainties of the Company were identified in further detail in the Annual Financial Statements for the period ended 31 January 2014. There have been no changes to the Company's principal risks and uncertainties for the six months ended 31 July 2014 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.

Directors' Statement of Responsibilities

The Directors are responsible for preparing the interim 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 European Union; and
- the Chairman's Statement, Investment Manager's Report and Statement of Principal Risks meet the requirements of an interim management report, and include a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 1 February 2014 to 31 July 2014 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 financial period; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place from 1 February 2014 to 31 July 2014 and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the audited financial statements that could do so.

On behalf of the Board

Jack Perry
Chairman

23 September 2014

Condensed Consolidated Statement of Comprehensive Income

For the six month period to 31 July 2014

	Notes	Six months to 31 July 2014 £ (Unaudited)	29 Nov 2012 to 31 July 2013 £ (Unaudited)
Income			
Income from loans advanced		3,928,398	233,150
Other income from loans advanced	4	51,861	—
Income from cash and cash equivalents		14,794	256,971
Total income		3,995,053	490,121
Expenses			
Investment management fees	8	519,301	493,444
Administration fees	8	84,140	62,962
Directors' remuneration	8	71,250	97,041
Broker fees		29,992	24,176
Listing fees		20,795	3,252
Audit Fees		17,500	29,924
Legal & Professional Fees		3,612	13,417
Luxco operating expenses	1	36,238	13,397
Other expenses		40,474	23,390
Total expenses		823,302	761,003
Profit/(loss) for the period before tax		3,171,751	(270,882)
Taxation		1,534	1,372
Profit/(loss) for the period after tax		3,170,217	(272,254)
Total comprehensive income/(loss) for the period		3,170,217	(272,254)
Basic and diluted earnings/(loss) per Share (pence)	5	2.97	(0.26)

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

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

Condensed Consolidated Statement of Financial Position

As at 31 July 2014

	Notes	As at 31 July 2014 £ (Unaudited)	As at 31 January 2013 £ (Audited)
Assets:			
Loans advanced at amortised cost	4	103,044,246	86,014,863
Trade and other receivables		5,663	71,336
Cash and cash equivalents		4,425,508	17,696,629
Total assets		107,475,417	103,782,828
Liabilities			
Other payables and accrued expenses		406,059	429,313
Total liabilities		406,059	429,313
Net assets		107,069,358	103,353,515
Equity			
Share capital	6	106,048,522	102,526,866
Retained earnings		1,020,836	826,649
Total equity		107,069,358	103,353,515
Number of ordinary shares in issue at period end		108,219,250	104,619,250
Net asset value per ordinary share (pence)	5	98.94	98.79

The interim financial statements were approved by the Board of Directors on 23 September 2014 and signed on its behalf by:

Jack Perry
Chairman

Patrick Firth
Director

23 September 2014

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

Condensed Consolidated Statement of Changes in Equity

For the six month period to 31 July 2014

	Notes	Number of shares	Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total Equity £ (Unaudited)
As at 1 February 2014		104,619,250	102,526,866	826,649	103,353,515
Shares issued	6	3,600,000	3,672,000	—	3,672,000
Share issue costs	6	—	(150,344)	—	(150,344)
Profit for the period		—	—	3,170,217	3,170,217
Dividends paid	6	—	—	(2,976,030)	(2,976,030)
As at 31 July 2014		108,219,250	106,048,522	1,020,836	107,069,358

	Notes	Number of shares	Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total Equity £ (Unaudited)
As at 29 November 2012		—	—	—	—
Shares issued		104,619,250	104,619,250	—	104,619,250
Share issue costs		—	(2,092,384)	—	(2,092,384)
Loss for the period		—	—	(272,254)	(272,254)
As at 31 July 2013		104,619,250	102,526,866	(272,254)	102,254,612

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

Condensed Consolidated Statement of Cash Flows

For the six month period to 31 July 2014

	Notes	Six months to 31 July 2014 £ (Unaudited)	29 Nov 2012 to 31 July 2013 £ (Unaudited)
Cash flows from operating activities			
Profit/(loss) for the period		3,170,217	(272,254)
Adjustments for non-cash items:			
Movement in other receivables		65,673	(194,872)
Movement in other payables and accrued expenses		(31,005)	472,314
Increase in tax payable		7,751	1,391
Loan amortisation		593,957	—
		3,806,593	6,579
Loans advanced less arrangement fees		(17,623,340)	(31,624,600)
Net cash used in operating activities		(13,816,747)	(31,618,021)
Cash flow from financing activities			
Proceeds from issue of shares	6	3,672,000	104,619,250
Issue costs paid	6	(150,344)	(2,092,384)
Dividends paid	6	(2,976,030)	—
Net cash from financing activities		545,626	102,526,866
Net movement in cash and cash equivalents		(13,271,121)	70,908,845
Cash and cash equivalents at the start of the period		17,696,629	—
Cash and cash equivalents at the end of the period		4,425,508	70,908,845

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six month period to 31 July 2014

1. General information

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

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

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

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

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

2. Accounting policies

a) Basis of preparation

The Unaudited Condensed Consolidated Interim Financial Statements ("Interim Financial Statements"), included in this Interim Report, have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Conduct Authority.

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 Financial Statements and should be read in conjunction with the Company's Annual Financial Statements for the period to 31 January 2014, which are available on the Company's website (www.lbow.co.uk). The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The same accounting policies and methods of computation are followed in the Interim Financial Statements as in the Annual Financial Statements for the period ended 31 January 2014.

b) Going concern

The Directors, at the time of approving the financial statements, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. The Directors have considered the cash position, investment pipeline and performance 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 financial statements.

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

2. Accounting policies (continued)

c) Segmental reporting (continued)

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

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

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

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

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

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

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

Impairment is considered to be the most critical accounting judgement and estimate that the Directors make in the process of applying the Group's policies and which has the most significant effect on the amounts recognised in the financial statements (see note 4).

4. Loans advanced

	31 July 2014 Principal Advanced £	31 July 2014 At amortised cost £	31 Jan 2014 At amortised cost £
Loan 1 – Mansion Student Fund	18,070,000	17,929,250	17,878,735
Loan 2 – LM Real estate	13,300,000	13,040,204	13,998,514
Loan 3 – Meadows Retail Fund II	18,070,000	17,886,040	17,806,006
Loan 4 – Northlands Portfolio	7,200,000	7,112,724	7,089,034
Loan 5 – Hulbert	6,565,000	6,483,918	6,462,240
Loan 6 – Halcyon Ground Rents	8,600,000	8,491,393	8,462,536
Loan 7 – Cararra Ground Rents	1,300,000	1,283,583	1,279,221
Loan 8 – Raees International	13,250,000	13,082,752	13,038,577
Loan 9 – Lanos York	10,000,000	9,858,544	—
Loan 10 – Quay Hotels	7,982,500	7,875,838	—
	104,337,500	103,044,246	86,014,863

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

4. Loans advanced (continued)

The Directors consider that the carrying value amounts of the loans, recorded at amortised cost in the financial statements, are approximately equal to their fair value. No element of the loans advanced is past due or impaired.

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 ready secondary market. Whilst the terms of each loan includes repayment and prepayment fees, in the absence of a liquid secondary market, the Directors do not believe a willing buyer would pay a premium to the par value of the loans to recognise such terms and as such the amortised cost represents the fair value of the loans.

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.

During the period, the Group received a partial repayment of £0.9 million on the LM Real Estate loan. As part of this partial repayment the Group received a total of £51,569 in prepayment protection fees in accordance with the terms of the loan agreements.

5. Profit per share and net asset value per share

The calculation of basic earnings per Ordinary Share is based on the profit for the period of £3,170,217 (31 July 2013: loss of £272,254) and on the weighted number of Ordinary Shares in issue during the period of 106,627,692 (31 July 2013: 104,619,250) Ordinary Shares.

The weighted average number of Ordinary Shares has been calculated from 1 February 2014 to 31 July 2014, incorporating the share issue during the period. There are no potentially dilutive shares in issue.

The calculation of net asset value per Ordinary Share is based on net asset value of £107,069,358 (31 January 2014: £103,353,515) and the number of Ordinary Shares in issue at 31 July 2014 of 108,219,250 (31 January 2014: 104,619,250).

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

6. Share capital

As at 31 July 2014, the Company had 108,219,250 (31 January 2014: 104,619,250) issued and fully paid Ordinary Shares with a par value of £1 each.

On 3 April 2014, the Company issued 3.6 million new Ordinary Shares following a placing under the authority granted at launch. These shares were issued at a price of 102 pence per Ordinary Share, representing a premium to the then prevailing net asset value per share of 3.8% and raising gross proceeds of £3,672,000. The proceeds net of issue costs of £150,344 (4% of gross proceeds), amounted to £3,521,656.

Dividends paid

On 25 April 2014, the Directors declared a dividend in respect of the quarter ended 31 January 2014 of £1,352,741 equating to 1.25 pence per Ordinary Share to shareholders on the register as at the close of business on 9 May 2014.

On 19 June 2014, the Directors declared a dividend in respect of the quarter ended 30 April 2014 of £1,623,289 equating to 1.5 pence per Ordinary Share to shareholders on the register as at the close of business on 27 June 2014.

7. Financial Risk Management

The Group's activities expose it to a variety of financial risks. The main risks arising from the Group's financial instruments are; market risk, credit risk and liquidity risk.

These Unaudited Condensed Consolidated Interim Financial Statements do not include all financial risk management information and disclosure required in the Annual Financial Statements, and these should be read in conjunction with the Company's Consolidated Annual Financial Statements as at 31 January 2014.

8. Related Party Transactions and Directors' Remuneration

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

Mark Huntley, a Director of the Company, is also a Director of the Company's Administrator, Heritage International Fund Managers Limited. During the period, the Company incurred administration fees of £84,140 (31 July 2013: £62,962) of which £11,458 (31 January 2014: £11,508) was outstanding at the period end. Mark Huntley also received a Director's fee of £12,500 (31 July 2013: £16,775) of which £6,250 (31 January 2014: £6,250) was outstanding at the period end.

The Directors were remunerated for their services at an annual fee of £25,000 (£27,500 with effect from 1 August 2014), with Patrick Firth receiving an additional annual fee of £5,000 for acting as chairman of the Audit and Risk Management Committee. The Chairman received an annual fee of £37,500 (£40,000 with effect from 1 August 2014).

The total Directors' fees for the period amounted to £71,250 (31 July 2013: £97,041) with outstanding fees of £35,625 (31 January 2014: £35,625) due to the Directors at 31 July 2014.

Investment management fees for the period amounted to £519,301 (31 July 2013: £493,444) of which £267,289 (31 January 2014: £259,139) was outstanding at the period end.

9. Subsequent events

On 5 September 2014 LM Real Estate sold its property portfolio to the ICP Active Real Estate Fund III ("ICP III") managed by Infrared Capital Partners. The property transaction resulted in a partial repayment of the LM Real Estate loan (£1.4 million), and the Company, through its subsidiary, entering into a new loan (£11.935 million) with ICP III on substantially the same terms as the original LM Real Estate loan.

