RNS Number : 2585A
ICG-Longbow Snr Sec UK Prop DebtInv
22 May 2023

ICG-Longbow Senior Secured UK Property Debt Investments Limited

Annual Report And Financial Statements

For the year ended 31 January 2023

All capitalised terms are defined in the Glossary of Capitalised Defined Terms unless separately defined.

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 and 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 Guernsey Financial Services Commission (GFSC) as a registered closed ended collective investment scheme. The Company's Ordinary Shares were admitted to the premium segment of the Financial Conduct Authority's (FCA) 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 share 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 acted historically 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 assumed the assets and liabilities of its former subsidiary.

Investment Manager

The Company has 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.

Financial Highlights
for the year ended 31 January 2023

Portfolio

£67.4 Million(1) invested in four loans as at 31 January 2023

£62.1 Million invested in four loans as at 22 May 2023

	31 January 2023	31 January 2022
Weighted average loan coupon(1)	7.43%	7.39%
Weighted average loan maturity(1)	0.31 years	0.97 years
Weighted average loan to value ratio(1)	80.9%	67.8%

Performance

	31 January 2023	31 January 2022

	31 January 2023	31 January 2022
Earnings Per Share	1.62 pence	6.05 pence
Total Income Per Share(1)	5.99 pence	7.85 pence
NAV Per Share(1)	63.77 pence	72.35 pence
Declared Dividend per Share (1)	3.6 pence	5.6 pence
Capital Distribution per Share (1)	6.0 pence	26.0 pence

(1) These are Alternative Performance Measures

Financial Summary

Performance

- The Company is continuing an orderly realisation of its assets. During the financial year, the Company returned £7.3 million of shareholder capital, equating to 6.0 pence per ordinary share.

- NAV of £77.35 million as at 31 January 2023 (31 January 2022: £87.77 million), equivalent to 63.77 pence per ordinary share (31 January 2022: 72.35 pence per ordinary share).

- Total income for the year ended 31 January 2023 was £7.27 million (31 January 2022: £9.52 million), and profit after tax was £1.96 million (31 January 2022: £7.34 million).

- The Company raised ECL provisions of £3.9 million. £2.3 million in respect of the Southport loan which was classified as Stage 3 following the appointment of an administrator over the borrower, and £1.6 million in respect of the RoyaleLife loan which was downgraded and is in default.

- Earnings per share of 1.62 pence (31 January 2022: 6.05 pence) with total dividends paid or declared for the year ended 31 January 2023 of 3.6 pence per share (31 January 2022: 5.6 pence per share).

- After allowing for shareholder capital return, pro forma NAV per share fell by 2.58 pence in the period.

- Following the year end, the Company returned a further £6.7 million of shareholder capital, equating to 5.5 pence per ordinary share. As at the date of this report, the Company has now returned 37.5 pence per ordinary share to shareholders, equating to £45.5 million in total.

Dividend and Capital Distributions

- Total dividends paid or declared for the year ended 31 January 2023 of 3.6 pence per share (31 January 2022: 5.6 pence per share), made up as follows:
  - Interim dividend of 1.1 pence per share paid in respect of quarter ended 30 April 2022
  - Interim dividend of 1.0 pence per share paid in respect of quarter ended 31 July 2022
  - Interim dividend of 1.0 pence per share paid in respect of quarter ended 31 October 2022
  - Interim dividend of 0.5 pence per share paid in respect of quarter ended 31 January 2023
- Total capital distributions paid or declared for the year ended 31 January 2023 of 6.0 pence per share (31 January 2022: 26.0 pence per share)

Investment Portfolio

- The portfolio weighted average LTV was 80.9% (31 January 2022: 67.8%), reflecting revaluations and changes to the composition of the loan portfolio.

- The portfolio weighted average residual term was 0.31 years (31 January 2022: 0.97 years).

- The Company's Northlands loan was partially repaid following the year end. As a result of these repayments, the Company's portfolio as at 22 May 2023 comprises four loans with an aggregate principal balance before impairment of £62.1 million and a pro forma portfolio weighted average LTV of 81.1%.

- A further return of capital will be made following additional anticipated repayments of the Northlands loan, expected during June 2023.

- Notwithstanding the property valuations received in preparation of this report, debt and property markets remain

- Notwithstanding the property valuations received in preparation of this report, debt and property markets remain challenging and shareholders' attention is drawn to the risks set out in the accounting policies, the stress analysis and elsewhere in the notes to the accounts.

- Following the period end, the Company, in conjunction with its fellow lenders, appointed an administrator over two of the companies providing security for the RoyaleLife loan. This is also discussed in the stress analysis and in Note 5 to the accounts.

*Unless stated otherwise, loan balances are stated gross of ECL provisions for impairment. Acomparison to the carrying value of the loans is set out in Note 5 to the accounts.

Chairman's Statement

Introduction

On behalf of the Board, I now present the tenth Annual Report for the Company, for the year ended 31 January 2023.

Economic and market conditions in the period were turbulent. Concerns over the war in Ukraine, double digit inflation and the rising interest rate environment led to widespread falls in global asset prices. In the UK, the impact and aftermath of the doomed autumn 'mini-budget' led to a rapid sell-off in UK Government bonds, amplified by forced selling by UK pension funds seeking to meet margin calls on their Liability Driven Investment portfolios. This rapidly resulted in a change of Chancellor and, ultimately, Prime Minister.

While the appointments of Jeremy Hunt and Rishi Sunak assuaged markets, many of the after-effects remain and, as the Investment Manager sets out below, the impact on pricing and liquidity in the property and commercial mortgage markets was marked. Transactional activity was severely reduced in the second half of 2022, although there has been a modest improvement in sentiment in 2023 as UK public finances have largely defied most negative forecasts. This has narrowed bid-ask spreads and allowed for markets to clear in certain instances. However, price discovery is still continuing in many sectors and both sales and refinancing transactions are taking longer to complete than in the recent past and many are aborting.

In this difficult period, the Company's investments were not immune from the dislocation. The sale and refinancing processes of a number of the Company's borrowers stalled, with the result that certain loans have now extended beyond their original contractual maturity dates. While unwelcome, this has been a market-wide rather than Company-specific phenomenon and the Investment Manager's approach of working consensually with borrowers towards exits, while charging increased coupons and fees, has helped in securing over £10 million of repayments since the beginning of the calendar year 2023 while also modestly improving earnings on those loans. More assertive action though has had to be taken on two of the Company's loans and this is discussed more fully below and in the Investment Manager's report.

As a result, the Company has continued its capital return programme and, as at the date of these accounts, the Company has paid capital distributions to shareholders totalling 37.5 pence per share. During the year, the Board has also been able to continue to distribute dividends from retained earnings and cashflow. In the financial year to 31 January 2023, dividends of 3.6 pence per ordinary share were declared or paid.

The Company's holdings now comprise a small number of remaining investments and these are undoubtedly those that have been more challenged by market conditions. The Company placed the Southport hotel into administration during the period and, following the receipt of bids by the administrator and an independent surveyor's revaluation, the Board now considers it prudent to recognise an impairment in respect of this investment of £2.3 million, equating to 1.8 pence per ordinary share.

The RoyaleLife borrower has faced liquidity issues as a result of Covid-19 and supply chain constraints delaying its business plan. As a result, the borrower has been unable to pay interest and the loan was placed in default. An independent valuation as at 31 December 2022 confirmed the investment remained secure from a loan to value perspective. However, it appears unlikely that the loan will repay at its maturity date in October 2023. As a result, the loan has been downgraded and an ECL provision for interest arrears and impairment of £1.6 million (1.35 pence per share) has been raised.

The Investment Manager was in discussions to restructure the loan. However, as a result of working capital challenges, notice of a winding up petition was filed by a third-party creditor against certain of the vehicles within the Company's borrower group. As a consequence, on 11 May 2023, the Investment Manager appointed administrators over these vehicles in order to protect the Company's position. The borrower itself and other group entities continue to operate. The administration process creates a less certain outlook for the Company's loan both in terms of debt service and eventual repayment. As a result, interest will be recognised on a gross basis and an ECL provision will be raised, and it is now our expectation that the repayment date may extend significantly. This is more fully discussed in the Investment Manager's report and notes to the financial statements

While the Board is satisfied with the net carrying values as at 31 January 2023 included in this report and accounts, we are operating in a market with a heightened level of risk, reduced credit availability and deteriorating economics in real estate. Accordingly, shareholders' attention is drawn to the risks to valuations as discussed in the principal risks, and notes to the financial statements. The Board believes that the stress analysis gives some guidance to the possible impact of deterioration in circumstances to the value of the portfolio, noting that deterioration may not be limited to the examples given.

The Board and Investment Manager will continue to evaluate any options to accelerate redemptions.

Portfolio

At 31 January 2023, the portfolio comprised four loans with a total principal balance outstanding of £67.4 million (before impairment).

During the year the Company received repayment in full of the LBS Properties Limited (LBS) loan (£6.5 million) and the remaining balance of the Quattro loan (£6.0 million). In each case the loan repayments were accompanied by exit and prepayment fees, enhancing shareholder returns. A £0.9 million partial repayment of the Northlands loan was also received in the period; a further £5.3 million of this loan repaid after period end, with further monies anticipated in June.

As highlighted above, while exit processes are underway for the remaining portfolio loans, some of these may be protracted and the outlook for the timing of the redemption of the RoyaleLife loan, in particular, is less certain. Various options are being explored by the administrator and Investment Manager. The property securing the Affinity loan is being marketed for sale into what is currently a difficult market and the sponsor is also pursuing refinance options. The Southport hotel securing our loan is under conditional offer, following the appointment of an administrator, albeit there is no assurance this sale will complete. This is discussed further in the Investment Manager's report.

Dividend

The Company paid dividends equating to 3.6 pence per share during the year despite the market disruption, the steadily reducing loan portfolio and the interruptions in interest income in certain of the Company's investments.

The dividend outlook for the Company is more challenging in the near term and is discussed in the outlook section.

Governance and Management

The orderly wind up of the Company's Luxembourg subsidiary company has helped reduce operating expenses by approximately £0.1 million in the period. The Board believes that the management structure of the Company remains appropriate for the reducing portfolio of investments.

Post Year End Trading

Between March and May 2023, the Company received partial repayments of the Northlands loan totalling £5.3 million. In May 2023, two companies connected to the RoyaleLife borrower were placed into administration.

Outlook

The Company remains committed to the timely realisation of its investment portfolio and intends to continue to return capital to shareholders as funds become available, taking account of the Company's working capital requirements.

However, the remaining loans in the portfolio are those where exits are currently more challenging due to the property and debt market conditions discussed in both this and the Investment Manager's statements as well as the specific issues with the Southport and RoyaleLife loans highlighted above. Moreover, as the portfolio reduces in size, the Company's fixed cost base will absorb a growing proportion of the portfolio income. As a consequence, the Board and Investment Manager are exploring the optimum way to manage this cost base and will consider alternative options for exiting the remaining positions.

The Board has also considered the Company's ability to pay further quarterly dividends to shareholders. We have previously signalled that the Company would seek to distribute an amount equal to an annualised 6% of the prevailing quarter's net asset value, while it was prudent to do so. Henceforth, the Board, will distribute dividends from earnings as and when profits and cashflow prudently allow.

There is no doubt that we are now operating in a more difficult market than when we reported to you in our last annual and interim reports. The market correction during the year has been responsible for a deterioration in the aggregate Loan to Value ratio from 67.8% to 80.9%. While the Board is satisfied with the net carrying value of our assets at 31 January 2023, we have in this report discussed the risks attendant to future realisations. We will continue to work with the Investment Manager to manage those risks and deliver the best outcome for shareholders in the most realistic timeframe.

Investment Manager's Report

The Investment Manager's Report refers to the performance of the loans and the portfolio for the year to 31 January 2023, and the general market conditions prevailing at that date. Any forward-looking statements in this report reflect the latest information available as at 22 May 2023.

Investment Objective

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

Fund facts

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

Share price & NAV at 31 January 2023	
Share price (pence per share):	52.25
NAV (pence per share) [1]:	63.77
Premium / (Discount) [1]:	(18.1%)
Approved dividend (pence per share)[2]:	0.5
Dividend payment date[2]:	4 May 2023

Key portfolio statistics at 31 January 2023	
Number of investments:	4
Percentage capital invested[1] [3]:	83.0%
Weighted avg. investment coupon:	7.43%
Weighted avg. LTV:	80.9%

(1) These are Alternative Performance Measures

(2) For the Quarter ended 31 January 2023

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

Summary

At 31 January 2023, the investment portfolio comprised four loans. Principal activity in the period included:

- Repayment in full of the remaining £6.0 million balance of the Quattro loan;
- Repayment in full of the £6.5 million LBS loan;
- Partial £0.9 million repayment of the Northlands loan;
- Working capital advance of £0.2 million on the Southport loan.

As a consequence of the above activity, total commitments at period end stood at £67.4 million* (31 January 2022: £80.9 million) with the par value of the loan portfolio being £69.9 million (31 January 2022: £80.5 million).

The weighted average loan to value ratio increased to 80.9% (31 January 2022: 67.8%) reflecting revaluations and the changes to the portfolio composition. The loans carry a contractual weighted average coupon rate of 7.43% (31 January 2022: 7.39%), with returns supplemented by fees and default interest charges.

At the year end, and as discussed further below, the Company made a £2.29 million provision for impairment against the Southport loan. The Company also made a £1.6 million ECL provision for impairment against the RoyaleLife loan. As a result, the current effective weighted average coupon rate is significantly below the 7.43% per annum stated above.

Following the year end, the Company received further repayments totalling £5.3 million on the Northlands loan. As a result, as at the date of this report, the Company's portfolio totals four investments with an aggregate committed balance of £62.1 million. The weighted average LTV is 81.1%.

Company Performance

During a period of considerable dislocation in property and finance markets, the Investment Manager has continued to

During a period of considerable dislocation in property and finance markets, the Investment Manager has continued to focus on monitoring the credit quality of the portfolio investments and taking steps to incentivise or deliver exits of the remaining assets. Certain of the portfolio investments have passed their contractual maturity dates, and all the lender's rights have been reserved in respect of these breaches, with default interest being charged.

During the period we appointed administrators over the borrower of the Southport loan following a breach in the LTV covenant which the borrower failed to cure. The hotel remains open and continues to trade satisfactorily and a sales process is ongoing with the property currently under conditional offer to a national hotel brand. There is however no assurance that any sale will complete and we consider it prudent to recognise an impairment provision of £2.3 million to the carrying value of the loan on an EIR basis to reflect the level of the current offer, costs of administration and sale. The Company has also recognised interest on a net basis after ECL provision on the loan with surplus operating cashflows being retained by the administrator as working capital for the continuing hotel operations. It is anticipated that surpluses, if any, will form part of the redemption proceeds upon exit.

The RoyaleLife borrower pursued a corporate refinance of its whole business during the period. However, these discussions fell away in Q4 2022 after a material change in terms offered by the incoming lender. Following extensive investment in planning and site infrastructure, the business became cash constrained as a result of depressed sales momentum during the pandemic and subsequent supply chain issues hampering completions. We believe the fundamental business model of the Royale group remains strong and, based on an independent valuation as at 31 December 2022, the loan capital remains adequately secured with an updated LTV of 72% (85.5% including outstanding interest and charges). However, cashflow constraints have affected interest service and the loan has been downgraded to sub-standard for the purpose of risk assessment, resulting in an ECL provision for impairment of £1.6 million reflecting the derecognition of accrued interest and the possibility of loss for a Stage 2 loan under the Company's IFRS 9 policy.

After period end, these cash constraints on the borrower's business led to winding up petitions being filed by a third-party creditor against two of the vehicles within the borrower group both of, which are security providers for the Company's loan. In response to this, the Company, in conjunction with its co-lenders, appointed an administrator over these vehicles on 11 May 2023 in order to protect the lenders' position. It is important to highlight that, as at the date of this report, the borrowing vehicle itself and the remaining group companies and security providers continue to operate.

The Company's loan to RoyaleLife is part of a larger lending syndication with other ICG private funds. The Investment Manager is now in discussions with its syndicate partners and the administrator to consider the next steps for the loan which, amongst other options, may include the provision of a working capital facility and extension of the loan beyond its current October 2023 maturity date. Until such time as a satisfactory resolution is reached in respect of the above, default interest will continue to accrue. However, we believe cash for interest service will be constrained in the near term and, as a result, recognition of interest will be recognised on a gross basis and an ECL provision will be raised.

*Unless stated otherwise, loan balances are stated gross of ECL provisions for impairment. Acomparison to the carrying value of the loans is set out in Note 5 to the accounts.

The property securing the Affinity loan was relaunched for sale in Q1 2023, following an abortive process in H2 2022 when property markets became severely dislocated. While the loan has passed its maturity date and default interest is being charged, the underlying occupational performance remains strong with occupancy in excess of 90%. In addition to a sale, the Sponsor is also pursuing refinancing options for the facility. Based on a revaluation in April 2023, the loan remains adequately secured with an LTV ratio of 85.9% as at the date of these accounts.

As a result of the repayments received during the year, the Company's loan commitments at period end stood at approximately £67.4 million, with all commitments fully drawn. Portfolio LTV was 80.9% on a weighted average basis, all secured by first ranking mortgage investments. The weighted average loan coupon of 7.43% is supplemented by default interest and contractual exit fees.

Portfolio

Portfolio statistics	**31 January 2023**	**31 January 2022**
Number of loan investments	4	6
Aggregate principal advanced	£67,443,056	£80,543,427
Weighted average LTV	80.9%	67.8%
Weighted average interest coupon	7.43%	7.39%
Weighted average unexpired loan term	0.31 years	0.97 years
Cash held	£9,209,494	£4,801,224

Investment Portfolio Summary as at 31 January 2023

Project	**Region**	**Sector**	**Maturity**	**Balance outstanding (£m)(2)**	**Current LTV (%)**
Affinity	South West	Office	March 2023	17.30	85.9%
Southport (1)	North West	Hotel	Feb 2023	15.20	104.8%
Northlands	London	Mixed use	Oct 2022	9.56	56.5%
RoyaleLife	National	Residential	Oct 2023	25.38	72.4%
Total / weighted average				**67.44**	**80.9%**

(1) LTV reflects balance outstanding before provision for impairment.

(2) Balance outstanding excludes accrued interest. A comparison to the carrying value of the loans is set out in Note 5 to the accounts.

Economy and Financial Market Update

Initial positive market expectations for 2022 were rapidly derailed by the Russian invasion of Ukraine and an intensifying energy crisis, leading to a very different year than the recovery period widely expected following the pandemic. The UK Government's initial forecasts of 7% economic growth and around 4% inflation were consequently wide of the mark, with GDP growth essentially flat during the year and the UK economy still below its pre-pandemic level.

As a result of both global and domestic inflationary pressures, the Bank of England commenced a programme of successive and rapid increases to the Bank rate, from 0.25% in January 2022 to 3.50% in January 2023 and 4.25% as at the date of these accounts. Given the lag in these increases feeding through to price changes, inflation continues to remain elevated, with CPI rising by 10.1% in the 12 months to end-March 2023.

These difficulties were amplified by the resignation of Boris Johnson in July 2023, and new Prime Minister Liz Truss's ill-fated September mini budget. The ensuing interest rate shock hit property markets hard, with significantly reduced transaction volumes as confidence among market participants fell and price discovery became challenging. During Q4 the benchmark five-year swap rate, which is a key market barometer, peaked at over 5%, leaving many borrowers unwilling or unable to transact on new loans.

Occupational Demand/Supply

Offices

Despite continued debate on the effects on offices of the rise in flexible working, positive occupational dynamics continued across many markets. London office leasing was 13% up in 2022, and regional office leasing was only 8% down on previous years, according to Savills, a far better result than many expected. We have observed that much of this take up has been driven by corporate occupiers seeking space with greater sustainability and wellbeing credentials, and this has magnified the distinction between prime and secondary assets, with the latter being more challenging to lease and sell. The demand/supply imbalance of ESG-compliant office space and limited development pipeline look set to continue to drive rental growth for best-in-class assets, despite subdued economic conditions.

Industrial

After a golden run for industrial property, industry giant Amazon sent shockwaves through the sector by returning space in 2022. Despite this, the market saw over 30 million sq ft in big box Grade A take up for the third year running, according to JLL. A lower proportion was taken by e-commerce tenants over the year, as manufacturing tenants increased their share of take up, seen by some as a response to the supply chain crisis and reshoring moves amid geopolitical uncertainty. In response to continued demand, prime headline rents increased by 12.9% and big box space under construction at year end increased by almost 10 million sq ft relative to the prior year. The wider industrial market (excluding big box units) mirrored this trend, with Colliers reporting 10% average rental growth across the sector.

Retail

The past year brought little respite for retail, as the cost of living crisis put pressure on consumer confidence. Total retail sales outperformed the prior two years according to Cushman & Wakefield, however this was considered to be a result of rampant price inflation rather than increasing volumes. At year end, the pain was somewhat offset for the high street by the proportion of December online sales (26.5%) being considerably lower than 2021 (30.5%). Average retail rents are now estimated at 17% below their 2018 peak, according to Carter Jonas, however retail's subsectors continued to show very disparate performance, with shopping centres and food stores seeing more pain than high street shops and retail warehouses in 2022. One green shoot in 2022 was a softening rate of rental decline, at only 1% over the last 12 months to January 2023.

Hotels

Average daily room rates in the UK recovered to above 2019 levels and while occupancy is lagging slightly, revenue per available room (RevPAR, a key performance metric) has pushed ahead, according to industry monitor STR. A key headwind for the sector is energy prices. By Q3 2022, it was estimated that utilities costs were 70% up on 2019 levels, and staff pay pressures are also rising, putting pressure on profitability.

Property Investment Market

After a gain of 20% during 2021, all property capital values fell by 13.3% in 2022, according to CBRE, reflecting a rapid repricing in the market in the second half of the year. Particularly affected were tightly priced industrial assets, which saw capital values drop 21% during the year, despite rental income growth. The total investment volume of over £52bn represented a fall from over £63bn in 2021 but remained above 2019 and 2020 levels according to RCA.

Property yields rose rapidly over the course of H2 2022. Savills estimate an increase in prime office yields of 75 bps in London and the South East in the 12 months to Jan 2023, and 125 bps in the UK regions. While industrial yields were estimated to have moved out 125 bps regardless of subsector, prime yields on retail vary widely, with high streets flat at 6.5%, shopping centres moving out 50 bps to 8.0% and retail warehousing a more modest 25 bps to 6.0%. Estimation of yields became increasingly difficult in the latter part of the year, with little transactional evidence in many markets and a number of abortive deals including Abrdn's £250m sale of the Churchill Square Shopping Centre in Brighton and Tesco Pension Fund's sale of £600m of its industrial assets. The most significant retail transaction of the year, the sale of the Fenwick's department store in Mayfair, transacted at £430m. This was seen as a redevelopment opportunity, and skewed sector volumes.

As a result of this market uncertainty and widening bid-ask spreads, several managers including Schroders, BlackRock and Columbia Threadneedle gated some of their open-ended property funds in the latter half of the year, as the market engaged in a period of repricing.

Finance Markets

Outstanding debt in the property markets grew marginally to £173.8bn over the year to January 2023, according to the Bank of England, however outstanding debt to development property dropped over 12% in the period.

The ultra-low interest rate environment which had supported low yields and rising valuations was eroded over the course of the year by the successive base rate increases to counter rising inflation. The biggest shock came in September, as gilt yields rose 120 bps in three days in response to the UK Government's disastrous mini budget. The 1.5% increase in the benchmark five-year swap rate seen in 2021 paled in comparison with last year's 2.25% increase in rates, with five year money peaking at over 5% in October 2022. We observed that both borrowers and lenders were unwilling (or unable) to transact in this period.

Financing conditions became more conservative in the latter part of the year, a result of asset repricing and a continued decline in LTV ratios offered by lenders, according to CBRE. This created particular difficulties for borrowers seeking refinancing, as we have observed both within our portfolio and across the wider market. At the end of H1 2022, over £35bn of UK real estate debt was due for refinancing within the following 12 months, according to the annual Bayes Commercial Real Estate Lending Survey, and we have seen many loans extended further or fail to repay at maturity.

Investment Policy

Investment Objective

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

Investment Policy

The assets of the Company are being realised in an orderly manner, returning cash to Shareholders at such times and in such manner as the Board may, in its absolute discretion, determine. The Board will endeavour to realise all the Company's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders.

The Company may not make any new investments save that:

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

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

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

Board of Directors

Jack Perry CBE - *Chairman and Non-Executive Independent Director*

Appointment: Appointed to the Board and as Chairman in November 2012

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

Investment Trust plc. He previously served as Chief Executive of Scottish Enterprise, Scotland's enterprise, innovation and investment agency for six years until November 2009.

Prior to this, he was the managing partner of Ernst & Young in Glasgow. In addition, he was Regional Industry Leader for Scotland and Northern Ireland for Ernst & Young's Technology & Communications and Consumer Products practices.

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

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

Committee Membership: Nomination Committee, Management Engagement Committee, Remuneration Committee

Stuart Beevor - *Non-Executive Independent Director*

Appointment: Appointed to the Board in November 2012

Experience: Stuart is an Independent Consultant with various roles advising clients in real estate fund management, investment, development and asset management. He is a Trustee Director of the Legal & General UK Senior Pension Scheme. From 2004 to 2013 he was a non-executive director at Unite Group Plc and from 2013 to 2020 a non-executive director of Metropolitan Thames Valley Housing. Furthermore, from 2016 to 2022, he was a non-executive director of Empiric Student Property plc. From 2002 to 2011 he was Managing Director of Grosvenor Fund Management Limited and a member of the Board of Grosvenor Group Limited, the international property group. Prior to joining Grosvenor, he was Managing Director at Legal and General Property Limited, having previously held a number of roles at Norwich Union (now Aviva). Stuart is a Chartered Surveyor with over 40 years' experience in real estate both in the UK and overseas.

Committee Membership: Audit and Risk Committee, Nomination Committee, Management Engagement Committee, Remuneration Committee

Fiona Le Poidevin - *Non-Executive Independent Director*

Appointment: Appointed to the Board in September 2020

Experience: A Chartered Director, Fellow of the Institute of Directors and Chartered Accountant (FCA), Fiona is a non-executive director with 25 years' experience working in financial services in both London and the Channel Islands across the accounting and tax professions with experience in strategy, marketing, PR and the regulatory and listed company environments. Among her appointments, Fiona is director of Sequoia Economic Infrastructure Income Fund Limited, a FTSE 250 company, and Audit Chair of ICG-Longbow Senior Secured UK Property Debt Investments Limited, both premium listed companies with shares admitted to trading on the Main Market of the LSE. She is also director and Chair of Doric Nimrod Air Two Limited and director of Doric Nimrod Air Three Limited, companies admitted to trading on the Specialist Fund Segment of the LSE.

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

Committee Membership: Audit and Risk Committee (Chair), Nomination Committee, Management Engagement Committee, Remuneration Committee

Paul Meader - *Non-Executive Independent Director*

Appointment: Appointed to the Board in November 2012

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

Paul is a Chartered Fellow of the Chartered Institute for Securities & Investments, a past Commissioner of the Guernsey Financial Services Commission and past Chairman of the Guernsey International Business Association.
He is a graduate of Hertford College, Oxford. Paul is a resident of Guernsey.

Committee Membership: Audit and Risk Committee, Nomination Committee, Management Engagement Committee, Remuneration Committee

Report of the Directors

The Directors hereby submit the Annual Report and Financial Statements for the Company for the year ended 31 January 2023. This Report of the Directors should be read together with the Corporate Governance Report.

General Information

The Company is a non-cellular company limited by shares incorporated in Guernsey on 29 November 2012 under the Companies Law. The Company's registration number is 55917 and it is registered with the GFSC as a registered closed-ended collective investment scheme. The Company's Ordinary Shares were admitted to the premium segment of the FCA's Official List and to trading on the Main Market of the London Stock Exchange on 5 February 2013. As previously reported, the Board resolved to simplify its corporate structure by collapsing the Luxembourg subsidiary company which acted historically as the lender for the Company's investments. These investments have now been transferred to the Company at par, and in a manner understood to be tax neutral for the Company. The subsidiary, ICG Longbow Senior Debt S.A., was dissolved under Luxembourg Law with effect from 18 January 2022.

Principal Activities

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

Business Review

A review of the Company's business and its likely future development is provided in the Chairman's Statementand in the Investment Manager's Report.

Listing Requirements

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

Results and Dividends

The results for the year are set out in the Financial Statements.

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

Dividend	Quarter Ended	Date of Declaration	Payment Date	Amount per Ordinary Share (pence)
Interim dividend	31 January 2022	24 March 2022	29 April 2022	1.1
Interim dividend	30 April 2022	23 June 2022	29 July 2022	1.1
Interim dividend	31 July 2022	21 September 2022	26 October 2022	1.0
Interim dividend	31 October 2022	1 December 2022	5 January 2023	1.0
Interim dividend	31 January 2023	6 April 2023	19 May 2023	0.5

Share Capital

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

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

Under Company Articles the Company may, from time to time, issue Redeemable B Shares in order to return capital to holders of Ordinary Shares. The Company made one such issuance during the year:

No. B Shares issued	Purpose	Date of Declaration	Payment Date	Par Value per Redeemable B Share (pence)
121,302,779	Return of Capital	18 May 2022	13 June 2022	6.0

As set out in the recent RNS announcement, the Directors resolved on 26 January 2023 to return a further 5.5 pence per share with a payment date of 10 February 2023.

Shareholdings of the Directors

The Directors' beneficial interests in the shares of the Company as at 31 January 2023 and 2022 are detailed below:

Director	Ordinary Shares of £1 each held 31 January 2023	% holding at 31 January 2023	Ordinary Shares of £1 each held 31 January 2022	% holding at 31 January 2022
Mr Perry	108,609	0.09	108,609	0.09
Mr Beevor	30,000	0.02	30,000	0.02
Mr Meader	305,921	0.24	290,766	0.24
Mrs Le Poidevin	-	0.00	-	0.00

During the year a person closely associated of Mr Meader ceased to be closely associated. This person closely associated held 20,766 shares. During the year an additional 35,921 shares were purchased by another person closely associated. Mr Perry purchased an additional 22,630 shares after the year end bringing the total holdings of Mr Meader and Mr Perry at the date of this report to 305,921 shares and 131,239 shares respectively.

Directors' beneficial interests in the shares of the Company as at 22 May 2023, being the most current information available, are unchanged from those disclosed above.

Directors' Authority to Buy Back Shares

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

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

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

Pursuant to this authority, and subject to the Companies Law and the discretion of the Directors, the Company may purchase shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for shares.

Shares purchased by the Company may be cancelled or held as treasury shares. The Company may borrow and/or realise investments in order to finance such share purchases.

The Company has not purchased any shares for treasury or cancellation during the year or to date. During the year, the Board considered if such a purchase of shares would be appropriate and concluded that it would not be in the best interests of shareholders.

Directors' and Officers' Liability Insurance

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

Substantial Shareholdings

As at 31 January 2023, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following substantial voting rights as shareholders of the Company.

Shareholder	Shareholding	% holding
Close Brothers Asset Management	21,432,570	17.67%
Almitas Capital	12,943,432	10.67%
Canopius	12,276,107	10.12%
TDC Pensionskasse	10,600,000	8.74%
Premier Miton Investors	10,500,000	8.66%
Intermediate Capital Group	10,000,000	8.24%
Hargreaves Lansdown, stockbrokers (Execution Only)	5,674,988	4.68%
RBC Brewin Dolphin, stockbrokers	5,357,129	4.42%
CG Asset Management	4,882,100	4.02%
Interactive Investor (EO)	3,680,328	3.03%

In addition, the Company also provides the same information as at 24 April 2023, being the most current information available.

Shareholder	Shareholding	% holding
Close Brothers Asset Management	21,547,570	17.76%
Almitas Capital	12,372,209	10.20%
Canopius	12,276,107	10.12%
TDC Pensionskasse	10,600,000	8.74%
Premier Miton Investors	10,000,000	8.66%
Intermediate Capital Group	6,113,761	8.24%
Hargreaves Lansdown, stockbrokers (Execution Only)	5,165,459	5.04%
RBC Brewin Dolphin, stockbrokers	4,882,100	4.26%
CG Asset Management	3,737,175	4.02%
Interactive Investor (Execution Only)	3,265,430	3.08%

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

Independent External Auditor

Deloitte LLP has been the Company's external auditor since the Company's incorporation. The Audit and Risk Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Company, which includes monitoring the use of the external auditor for non-audit services and the balance of audit and non-audit fees paid, as included in Note 14 to the Financial Statements. Following a review of the independence and effectiveness of the external auditor, a resolution was proposed and accepted at the 2022 Annual General Meeting to re-appoint Deloitte LLP. Each Director believes that there is no relevant information of which the external auditor is unaware. Each had taken all steps necessary, as a director, to be aware of any relevant audit information and to establish that Deloitte LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies Law. Further information on the work of the external auditor and reasons for not putting the audit service out to tender is set out in the Report of the Audit and Risk Committee.

Articles of Incorporation

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

NMPI Status

The Company will no longer meet the criteria to be an exempt NMPI and the Company expects to be removed from the AIC list of excluded securities.

AIFMD

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

AEOI Rules

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

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

Change of Control

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

Going Concern

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

It is intended that the investments will be realised as and when the loans fall due or a later date by negotiation with the loan sponsor or as a result of administration processes. Specific actions taken by the Company to maximise loan recoveries may result in delays to repayment beyond the original maturity date. Whilst the Directors are satisfied that the Company has adequate resources to continue in operation throughout the realisation period and to meet all liabilities as they fall due, given the Company is now in a managed wind down the Directors considered it appropriate to adopt a basis other than a going concern in preparing the financial statements, as was the case for the year ended 31 January 2022. No material adjustments to accounting policies or the valuation basis have arisen as a result of ceasing to apply the going concern basis.

Viability Statement

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

A change in Investment Policy was approved by the shareholders at the EGM on 14 January 2021 with the resultant intention that the Company undergo an orderly realisation of assets, returning capital to shareholders.

For this reason, and as discussed above, the Company is preparing the financial statements on a basis other than going concern due to the Company being in a managed wind down.

Since the EGM, seven loans have repaid in full and £45.5m of capital has been returned to Shareholders. Based on the maturity profile of the Company's investments, the Board expects the wind down of the Company to be completed within two years, although this cannot be guaranteed.

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

Having conducted a robust analysis on this basis, the Directors remain satisfied that the Company can, in all quarters, meet its liabilities as they fall due over the period under consideration to January 2025, if the Company continues in operation up until that date. The Company considers it likely, given the expected repayment profile of the remaining loans, that it will operate with a cashflow deficit in some quarters. Cash reserves will be held to cover this eventuality and will be re-assessed with each loan repayment. The Company will, on a prudent basis, maintain working capital reserves to meet all liabilities as they fall due through to the latest expected repayment date.

Directors' Responsibilities to Stakeholders

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

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

Stakeholder Group	Methods of Engagement	Benefits of Engagements
Shareholders Following the Covid-19 pandemic and the Company share price falling to a deep discount to NAV, shareholders supported a recommendation by the Board to wind down the Company. The Company sought to maintain shareholder satisfaction through: • Transparency of communication • Capital preservation • Payment of regular and sustainable dividends for as long as considered prudent and • Return of capital on loan repayments	The Company engages with its shareholders through the issue of regular portfolio updates in the form of RNS announcements and quarterly factsheets. The Company provides in depth commentary on the investment portfolio, corporate governance and corporate outlook in its semi-annual and annual financial statements. The Board receives quarterly feedback from its Broker in respect of their investor engagement and investor sentiment. The engagement with shareholders, including the AGM, will continue through the wind down period as capital is returned to investors.	In the financial year the Company issued: - 2 Portfolio updates by way of RNS - 4 Quarterly fact sheets. The Company has continued to execute the orderly realisation of assets of the Company during the year. Discussions involving Directors, the Investment Manager and the Company's brokers have been held directly with major shareholders during the year. Engagement with shareholders through regular announcements and fact sheets enables shareholders to take informed decision as to the winding up process and timetable.
Borrowers The Company's principal clients are its Borrowers to whom the Company provides term finance. The Board believes that the Company and its Investment Manager have a duty to act fairly in respect of its Borrowers and that strong engagement with Borrowers drives favourable outcomes for stakeholders and Borrowers themselves.	The Company engages with its Borrowers through its Investment Manager. The Investment Manager forms and maintains a close working relationship with Borrowers through the ongoing quarterly monitoring of loans over their respective terms. The Board monitors the timeliness and quality of these engagements through its regular engagement with the Investment Manager. The Investment Manager works closely with borrowers to support the delivery of their business plans.	During the course of the year, the Investment Manager has undertaken and the Board has reviewed four monitoring reports and the Investment Manager provides additional updates to the Board as required. The Investment Manager has regularly engaged with all its borrowers during the year in order to drive timely exits from the remaining loan positions. During the period, this led to two full loan repayments and one partial repayment.
Service Providers The Company does not have any direct employees; however, it works closely with a number of service providers (the Investment Manager, Administrator, Company Secretary, Broker and other professional service providers) whose interests are aligned to the success of the Company. The quality and timeliness of their service provision is critical to the success of the Company.	The Company's Management Engagement Committee has identified its key service providers. On an annual basis it undertakes a review of performance based on a questionnaire through which it also seeks feedback. Furthermore, the Board and its sub-committees engage regularly with its service providers on both a formal and informal basis. The Management Engagement Committee will also regularly review all material contracts for service quality and value.	The feedback given by the service providers is used to review the Company's policies, controls, and procedures to ensure open lines of communication, operational efficiency, robustness and, appropriate pricing for services provided.
Community & Environment As an investment company whose purpose is the provision of and investment in commercial real estate debt, the Company's direct engagement with the local community and the environment is limited. However, the Board recognises the role the Company can play in terms of the environment by supporting and guiding Borrowers to find environmentally friendly sustainable solutions in the maintenance of their properties and delivery of their business plan objectives more generally.	Within its investment strategy, the environmental and social impact of the properties on which the Company's loans are secured was an important consideration when it had made its investments.	In the year to 31 January 2023, the Company made no new loans, but previous loans included substantial capital expenditure facilities, generally to be applied towards the refurbishment of existing properties which has a substantially lower environmental impact than demolition and redevelopment. Such refurbishments generally seek to improve the energy performance of the target properties as well as providing improved working or living environments for their occupiers. The ESG report provides further information on the Investment Manager's approach to this important subject.

Key Decisions

Key decisions are defined as both those that are material to the Company but also those that are significant to any of our key stakeholders as discussed above.

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

During the year the Board decided to pay a dividend at1.1 pence per share for the first quarter, a dividend of 1.0 pence per share in respect of both quarter two and three, and a dividend of 0.5 pence per share in respect of the final quarter, during which the portfolio was being transitioned.

Given that some of the Company's loans were fully repaid, the Board approved one distribution of capital equating to a total of 6.0 pence per share for the year. A second distribution equivalent to 5.5 pence per Ordinary Share was approved after the year end.

Following a breach of LTV covenant, a failed sales process, and continuing default, the Company appointed an administrator in respect of the Southport hotel and provided a £0.2 million working capital loan to maintain its ongoing operation and preserve shareholder value.

The Board considered and reviewed the valuations, using third-party advisors and market evidence, of properties securing all loans together with the prospect of repayment at maturity given the dislocation in property and debt markets in 2022. In line with its IFRS 9 policy, the Board has raised a provision for the expected credit loss in respect of the Stage 3 Southport hotel and in respect of potential loss and unpaid interest on the Stage 2 RoyaleLife loan. The Board has permitted the extension of some loans, or a period of forbearance, during this period of market dislocation to maximise the potential for shareholder returns as compared to taking more aggressive action.

The Board has reviewed prospective cashflows under each loan and, as a result, determined to recognise interest on a net basis after allowance for ECL on the Stage 3 Southport loan. An ECL provision has also been raised against interest due on the Stage 2 RoyaleLife loan. Interest due on both loans will continue to be applied in accordance with the accounting policies set out in note 2, until such time as it is received.

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

Financial Risk Management Policies and Procedures
Financial Risk Management Policies and Procedures are disclosed in Note 11 to the Financial Statements.

Principal Risks and Uncertainties
Principal Risks and Uncertainties are discussed in the Corporate Governance Report.

Subsequent Events
Significant subsequent events have been disclosed in Note 17 to the Financial Statements.

Alternative Performance Measures
The Directors believe that the performance indicators detailed in the Financial Highlights and Financial Summary which are typical for entities investing in real estate debt, will provide shareholders with sufficient information to assess how effectively the Company is meeting its objectives.

Annual General Meeting
The AGM of the Company will be held at12:00 BST on 20June 2023 at Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY. Details of the resolutions to be proposed at the AGM, together with explanations of the AGM arrangements, will appear in the Notice of Meeting to be distributed to shareholders.

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

By order of the Board

Jack Perry
Chairman
22 May 2023

Directors' Responsibilities Statement

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

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

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

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the Financial Statements comply with Companies Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

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

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

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

Responsibility Statement of the Directors in Respect of the Annual Report under the Disclosure and Transparency Rules

Each of the Directors confirms to the best of their knowledge and belief that:

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

Responsibility Statement of the Directors in Respect of the Annual Report under the Corporate Governance Code

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the Directors consider the Annual Report and Financial Statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Jack Perry	**Fiona Le Poidevin**
Chairman	*Director*
22 May 2023	22 May 2023

Corporate Governance Report

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

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

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

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

The Board monitors developments in corporate governance to ensure the Board remains aligned with best practice.

Throughout the year ended 31 January 2023, the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Corporate Governance Code, except as set out below.

The Corporate Governance Code includes provisions relating to:

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

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

The Directors have access to the services provided by the Company Secretary, Ocorian Administration (Guernsey) Limited, who ensure statutory obligations of the Company are achieved.

As an investment company, the Company has no employees, all Directors are non-executive and independent of the Investment Manager and, therefore, the Directors consider the Company has no requirement for a Chief Executive or Senior Independent Director and the Board is satisfied that any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Report of the Audit and Risk Committee.

Environmental Social and Governance Report

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

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

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

The parent of the Investment Manager continues to develop its ESG policies and procedures. Its responsible investment policy is available to view at: ICG Website

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

Culture and Values

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

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

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

The Board

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

The Company believes that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected, as their biographies illustrate, to bring a breadth of knowledge, skills and business experience to the Company. All Directors are members of professional bodies and serve on other boards, which ensures that they are kept abreast of the latest technical developments in their areas of expertise. The Directors details, which set out their range of investment, financial and business skills and experience represented. In terms of gender balance, the Board has 25% female and 75% male representation. Fiona Le Poidevin is the Chair of the Audit and Risk Committee.

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

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

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

Board Tenure and Re-election

Three of the four remaining Directors were appointed in November 2012 and Fiona Le Poidevin was appointed on 1 September 2020. Therefore, three of the four members of the Board have served for longer than nine years to date. The issue with respect to long tenure has arisen and, in accordance with the AIC Code, when and if any Director shall have been in office (or on re-election would have at the end of that term of office) for more than nine years, the Company will consider further whether there is a risk that such a Director might reasonably be deemed to have lost independence through such long service.

The Nomination Committee takes the lead in any discussions relating to the appointment or re-appointment of Directors and gives consideration to Board rotation in advance of the nine-year tenure limit. The Board recognises that Directors serving nine years or more may appear to have their independence impaired. However, the Board nonetheless considers the Directors to remain independent as noted further below. In addition, the Board believes it is beneficial for shareholders that there is continuity of Board leadership during this final managed realisation phase before placing the Company in liquidation.

Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its composition and succession planning on an ongoing basis. The Company's Articles of Incorporation specify that at each annual general meeting of the Company all Directors shall retire from office and may offer themselves for election or re-election by the Members. Mr Perry, Mr Beevor,

Mr Meader and Mrs Le Poidevin will retire as Directors of the Company in accordance with the Articles and will be put forward for re-election at the forthcoming AGM.

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

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

The Company's policy on Chair tenure is that the Chair should not normally serve longer than nine years as a Director and/ or Chair unless it is determined to be in the best interests of the Company, its shareholders and stakeholders.

On 14 January 2021, the Company's shareholders voted for the orderly realisation of the Company's assets and the return of capital to shareholders. As the Company now has a finite remaining operating life, not expected to exceed one year from the date of this report, it is considered in the best interests of shareholders and stakeholders to maintain the continuity and experience of the existing Board. In addition, it is considered impractical to attract, recruit and induct new Board members for such a short period of time. Accordingly, the current Chair of the Company, barring unforeseen circumstances, is expected to remain in office until the Company is placed into liquidation. In practice this means that his tenure will continue to exceed the recommended nine-year term. Similarly, Mr Beevor and Mr Meader will also continue to exceed the recommended nine-year term for the reasons stated, until the Company is placed in liquidation.

Directors' Remuneration

The level of remuneration of the Directors reflects the time commitment and responsibilities of their roles. The Chairman is entitled to annual remuneration of £50,000 (31 January 2022: £50,000). The Chair of the Audit and Risk Committee is entitled to annual remuneration of £40,000 (31 January 2022: £40,000). The other independent Directors are entitled to annual remuneration of £35,000 (31 January 2022: £35,000). These levels of remuneration have remained unchanged since July 2017.

During the year ended 31 January 2023 and the year ended 31 January 2022, the Directors' remuneration was as follows:

	Expected fees 1 February 2023 to 31 January 2024	**1 February 2022 to 31 January 2023**	**1 February 2021 to 31 January 2022**
Director	**£**	**£**	**£**
Jack Perry	50,000	50,000	50,000
Paul Meader	35,000	35,000	35,000
Stuart Beevor	35,000	35,000	35,000
Fiona Le Poidevin[1]	40,000	40,000	38,024

Patrick Firth[2]	-	-	16,466

(1) Fiona Le Poidevin appointed 1 September 2020 and was appointed Audit and Risk Committee Chair on 28 June 2021

(2) Patrick Firth retired 28 June 2021

The Company Directors' fees for the year amounted to £160,000 (31 January 2022: £171,375) with outstanding fees of £31,250 due to the Directors at 31 January 2023 (31 January 2022: £31,250) (see Note 8).

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

Duties and Responsibilities

The Board has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. The Board has adopted a Schedule of Matters which sets out the particular duties of the Board. Such reserved powers include the following:

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

The Directors have access to the advice and services of the Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with Companies Law and applicable rules and regulations of the GFSC and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors, should this occur.

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

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

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

Attendance is further set out below:

Director	**Scheduled Board Meetings**	**Ad-hoc Board Meetings**	**Audit and Risk Committee Meetings**	**Ad-hoc Committee Meetings**	**Nomination Committee Meeting**	**Management Engagement Committee Meeting**	**Remuneration Committee Meeting**
	4	**3**	**4**	**4**	**1**	**1**	**1**
Stuart Beevor	4	3	4	3	1	1	1
Paul Meader	4	3	4	4	1	1	1
Jack Perry[1]	4	3	-	4	1	1	1
Fiona Le Poidevin	4	3	4	4	1	1	1

(1) Mr Perry has a standing invitation to Audit and Risk Committee meetings, however his attendance at the meetings is as an observer only and is not recorded.

The quorum for any Board meeting is two directors but attendance by all Directors at each meeting is encouraged.

Conflicts of interest

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

Committees of the Board

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

Each committee of the Board has written terms of reference, approved by the Board, summarising its objectives, remit and powers and are reviewed on an annual basis. Each committee has access to such external advice as it may consider appropriate.

All committee members are provided with an appropriate induction on joining their respective committees, as well as ongoing access to training. Minutes of all meetings of the committees are made available to all Directors and feedback from each of the committees is provided to the Board by the respective committee Chairs at the next Board meeting.

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

Audit and Risk Committee

The Audit and Risk Committee is chaired by Mrs Le Poidevin who was appointed Chair on 28 June 2021, after Mr Firth's retirement on 28 June 2021. The Committee also comprises Mr Beevor and Mr Meader, who held office throughout the year. Mr Perry has a standing invitation to attend meetings. However, his attendance at these meetings is as an observer only. The Chair of the Audit and Risk Committee, the Investment Manager and the external auditor, Deloitte LLP, have held discussions regarding the audit approach and identified risks. The external auditors attend Audit and Risk Committee meetings and a private meeting is held routinely with the external auditor to afford them the opportunity of discussions without the presence of the Investment Manager or Administrator. The Audit and Risk Committee's activities are contained in the Report of the Audit and Risk Committee.

Management Engagement Committee

The Management Engagement Committee is chaired by Mr Perry and also comprises Mr Meader, Mr Beevor and Mrs Le Poidevin, all of whom held office throughout the year. The Management Engagement Committee meets not less than once a year pursuant to its terms of reference, which are available on the Company's website.

The Management Engagement Committee's main function is to review and make recommendations in relation to the Company's service providers. The Management Engagement Committee will review, in particular, any proposed amendment to the Investment Management Agreement and will keep under review the performance of the Investment Manager (including effective and active monitoring and supervision of the activities of the

Investment Manager) in its role as investment manager to the Company as well as the performance of other principal service providers to the Company. The Audit and Risk Committee also reports on its relationship with the external auditor.

Nomination Committee

The Nomination Committee is chaired by Mr Perry and also comprises Mr Beevor, Mr Meader and Mrs Le Poidevin, all of whom held office throughout the year. Given that the Company is in orderly wind-down and that there is no expectation for the Committee/Board composition to change for the reasons provided in this Report, it was no longer deemed necessary for the committee to meet at least once a year. Therefore, the terms of reference were updated during the period to reflect that the committee is only required to meet as and when required, having last met on 22 June 2022. The Nomination Committee's remit is to review regularly the structure, size and composition of the Board, to give full consideration to succession planning for Directors, to keep under review the leadership needs of the Company and be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Board Performance Evaluation

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

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

The evaluation concluded that the Board is performing satisfactorily and is acquitting its responsibilities well in the areas reviewed which incorporated: investment matters; Board composition and independence; relationships and communication; shareholder value; knowledge and skills; Board processes; and the performance of the Chairman. The Board believes that the current mix of skills, experience and knowledge of the Directors is appropriate to the requirements of the Company.

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

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

Succession Planning

The Board recognises that Directors serving nine years or more may appear to have their independence impaired. However, the Board may nonetheless consider Directors to remain independent. The Board considers it beneficial for shareholders that there is continuity of Board leadership during this final, managed realisation phase before placing the Company in liquidation. Therefore, the Board has determined that, barring any unforeseen circumstances, the present complement of Directors will continue in office until the appointment of a liquidator.

Remuneration Committee

The Remuneration Committee is chaired by Mr Perry and comprises of Mr Meader and Mr Beevor who have held office from 12 December 2019, when the Remuneration Committee was formed, and Mrs Le Poidevin who was appointed to the Committee on 10 December 2020. The Remuneration Committee is responsible for recommending and monitoring the level and structure of remuneration for all the Directors, including any compensation payments, taking into account the time commitments and responsibilities of Directors and any other factors which it deems necessary, including the recommendations of the AIC Code.

There had been no changes to the Director fees since they were set on 1 July 2017 and they were not expected to change, subject to any unforeseen circumstances, so an annual meeting was no longer deemed necessary. As such, the terms of reference were updated in the period to reflect that the committee is only required to meet as and when required, having last met on 22 June 2022. It was agreed that there will be no increase to fees during the realisation period subject to any unforeseen circumstances. No change in remuneration is proposed for the year to 31 January 2024.

Internal Control and Financial Reporting

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

- the Board has delegated the day-to-day operations of the Company to the Administrator and Investment

Manager, however it remains accountable for all functions it delegates;

- the Board clearly defines the duties and responsibilities of the Company's agents and advisers, and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisers and continues to do so through the Management Engagement Committee;

- the Board monitors the actions of the Investment Manager at regular Board meetings and is also given frequent updates on developments arising from the operations and strategic direction of the underlying borrowers; and

- the Administrator provides administration and corporate secretarial services to the Company. The Administrator maintains a system of internal controls on which it reports to the Board.

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

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

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss. This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements. It is reviewed by the Board and is in accordance with the FRC's internal control publication: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Company has delegated the provision of services to external service providers whose work is overseen by the Management Engagement Committee at its regular scheduled meetings. Each year a detailed review of performance pursuant to their terms of engagement is undertaken by the Management Engagement Committee. An on-site review of the Investment Manager was undertaken by the Directors in January 2022 as part of the internal control environment, however, given the expected remaining life of the Company, it was not deemed necessary to undergo a visit in 2023. The conclusions of these reviews have been highly satisfactory, providing assurance to the Board. In addition, the Company maintains a website which contains comprehensive information, including regulatory announcements, share price information, financial reports, investment objectives and strategy, investor contacts and information on the Board.

Investment Management Agreement

The Company has entered into an agreement with the Investment Manager. This sets out the Investment Manager's key responsibilities, this includes being responsible to the Board for all issues relating to the maintenance and monitoring of existing investments.

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

Whistleblowing

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

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

Principal risks and uncertainties

During the year the Board has overseen the Company's risk management framework and risk culture. The Audit and Risk Committee undertook a robust assessment of the Company's principal risks and associated risk appetite, taking into account changes in the business and the external environment. Determination of the risk appetite allows the Company to assess the nature and extent of principal risks that it is exposed to and/or willing to take to achieve objectives.

The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an ongoing basis and these risks are reported and discussed at Board meetings. This ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are adhered to.

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

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

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

Description	**Nature of Risk**	**Potential Impact**	**Mitigation**
Inability to secure sales or refinancing of underlying properties to facilitate timely capital repayments	As market and economic conditions are currently volatile, the Company's borrowers may find it challenging to secure sales or refinancing of underlying properties.	This could result in delayed repayment of loans and therefore delayed repayment of capital to the Company's investors which could, as a consequence, impact its share price.	The Company has the ability to extend loans where its borrowers are unable to sell or refinance properties due to a market dislocation. The Investment Manager maintains an active dialogue with all remaining borrowers and keeps the Board and shareholders informed of any issues arising. Loans are monitored on at least a quarterly basis to identify any deterioration and look for signs of underperformance or distress. All loans include covenants which give the Company the opportunity to intervene and take protective action at an early stage if the value of the underlying property or the income profile reduces materially. The Investment Manager remains an active participant in the UK CRE financing market and as such is continually monitoring property and finance market conditions, meaning it is well placed to anticipate any issues. Delays are being experienced with the Affinity loan repayment and the borrowers for the RoyaleLife loan and the Southport loans are in administration. Impairment provisions have been raised against the Southport and RoyaleLife loans which will likely result in a deferral of repayment. The Board recognises that such uncertainty may cause concern amongst shareholders and ultimately

			share price weakness.
Non-payment of interest	Economic conditions or other challenges may mean that some businesses, including tenants of the Company's borrowers, are unwilling or unable to pay rents when due.	Should a material number of the tenants in the properties securing the Company's investments fail to pay rents, the Company may, consequently, experience a shortfall in receipts of interest over the coming quarters.	The Board and the Investment Manager work pro-actively with borrowers to monitor, mitigate and manage any issues and, where appropriate, will capitalise interest and/or reserve its rights. Currently, the Southport hotel is in administration and therefore the Company is not receiving interest. The RoyaleLife loan is behind on interest payments and the borrower faces liquidity issues, with certain of the borrower group companies placed into administration after period end. Both of these developments are being monitored closely by the Investment Manager and the Board. Given these developments and the diminishing portfolio, the Company will recognise interest on the above two loans on a receipts basis only, and has amended its working capital forecasts and dividend policy accordingly, to ensure the Company is able to meet its liabilities as they fall due.
Fall in collateral values, and accuracy of valuations	Commercial property values are typically linked to a property's ability to generate cashflows. The property industry may not therefore be able to value accurately certain UK commercial real estate assets. Economic and market volatility create material uncertainty in terms of property valuations.	This may impact the Company's ability to accurately determine collateral values, to test financial covenants and to appropriately consider the permanent impairment of any particular investment.	The current volatile market conditions make the accuracy of valuations somewhat less reliable. All the loans are now due for repayment or will be due within 6 months of the date of this report, with only 4 loans outstanding. As things stand at the time of review, the market for refinancing loans or the sale of underlying properties is uncertain and constrained.
Portfolio Diversification	As loans repay and capital is returned to shareholders over time, the value of the Company's assets has reduced and is concentrated in fewer holdings.	As the loan portfolio reduces, the effect on the Company of any challenges experienced on the remaining investments (such as non-payment of interest or inability to refinance or sell) will be magnified and could lead to increased volatility in cashflows or net asset values. Furthermore, some of the Company's costs are fixed and will therefore comprise a greater proportion of the Company's revenues which may impact the amount of funds available for distribution to shareholders.	As part of the orderly realisation, the Investment Manager and the Board have stepped up monitoring of the individual investments and the Investment Manager provides updates to the Board on at least a quarterly basis. The Board also continues to closely monitor the Company's costs, to ensure best value is obtained during the realisation of the portfolio. However, with only 4 loans outstanding, the portfolio's concentration risk has increased significantly and will continue to increase as loans are repaid.
Liquidation process and timeliness of final capital distribution	The Company's liquidation is expected to follow repayment of the	Liquidation may be delayed and the Company may continue to operate with high	The performance of all loans and timings of repayment is monitored closely.

	repayment of the final loan and the discharge of all creditors and claims, timings of which is uncertain for the reasons set out above.	to operate with high fixed costs relative to the remaining income streams.	The Board and Investment Manager will continue to weigh the merits of accelerated exits versus orderly repayment to maximise shareholder returns where possible. Potential claims and liabilities will be identified and addressed in advance wherever possible.

The Company's principal risk factors are fully set out in the Company's 2018 Prospectus available on the Company's website (www.lbow.co.uk) and should be reviewed by shareholders, together with the supplemental prospectus issued in 2019, albeit in the context that the Company has now adopted a new Investment Policy and is in managed wind down which has changed the nature of the principal risk factors to some extent, as described above.

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

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

By order of the Board

Jack Perry
Chairman
22 May 2023

Fiona Le Poidevin
Director
22 May 2023

Report of the Audit and Risk Committee

The Audit and Risk Committee, chaired by Mrs Le Poidevin, operates within clearly defined terms of reference (which are available from the Company's website) and includes all matters indicated by Disclosure and Transparency Rule 7.1, the AIC Code and the UK Code. Its other members are Mr Beevor and Mr Meader.

Only independent Directors can serve on the Audit and Risk Committee. Members of the Audit and Risk Committee must be independent of the Company's external auditor and Investment Manager. The Audit and Risk Committee will meet no less than twice a year, and at such other times as the Audit and Risk Committee Chair shall require.

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

The duties of the Audit and Risk Committee in discharging its responsibilities include reviewing the Annual Report and Financial Statements and the Interim Report, the system of internal controls, and the terms of appointment of the Company's independent auditor together with their remuneration. It is also the formal forum through which the auditor will report to the Board of Directors. The objectivity of the auditor is reviewed by the Audit and Risk Committee which will also review the terms under which the external auditor is appointed to perform non-audit services and the fees paid to them or their affiliated firms overseas.

Responsibilities
The main duties of the Audit and Risk Committee are:

- reviewing and monitoring the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;

- reporting to the Board on the appropriateness of the Company's accounting policies and practices including critical judgement areas;

- reviewing any draft impairment reviews of the Company's investments prepared by the Investment Manager, and making a recommendation to the Board on any impairment in the value of the Company's investments;

- meeting regularly with the external auditor to review their proposed audit plan and the subsequent audit report and assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;

- making recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor and approving their remuneration and the terms of their engagement;

- monitoring and reviewing annually the auditor's independence, objectivity, expertise, resources, qualification and non-audit work;

- considering annually whether there is a need for the Company to have its own internal audit function;

- monitoring the internal financial control and risk management systems on which the Company is reliant;

- reviewing and considering the UK Code, the AIC Code and the FRC Guidance on Audit and Risk Committees; and

- reviewing the risks facing the Company and monitoring the risk matrix.

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

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

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

- the quality and acceptability of accounting policies and practices;

- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;

- material areas in which significant judgements have been applied or where there has been discussion with the external auditor including the going concern status and viability statement;

- whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and

- any correspondence from regulators in relation to the Company's financial reporting.

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

Meetings
During the year ended 31 January 2023, the Audit and Risk Committee met formally on four occasions. The matters discussed at those meetings included:

- review of the terms of reference of the Audit and Risk Committee for approval by the Board;
- review of the accounting policies and format of the Financial Statements;
- detailed review of the Annual Report and Financial Statements, Interim Report and recommendation for approval by the Board including the basis other than that of a going concern and the viability statement;
- detailed review and updating of the Company's risk matrix;
- review and approval of the audit plan and final Audit and Risk Committee report of the auditor;
- discussion and approval of the fee for the external audit;
- assessment of the independence of the external auditor;
- assessment of the effectiveness of the external audit process as described below; and
- review of the Company's key risks and internal controls.

Primary Area of Judgement

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

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

The Board reviews the compliance of all loans with terms and covenants at each Board meeting. The Board also receives updates from the Investment Manager regarding the trading performance for each borrower, the borrower's performance under the loans and on the general UK property market. As a result, the Board seeks to determine the level, if any, of impairment to the loans.

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

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

The Audit and Risk Committee focused their work on disclosures required in the Annual Report following requirements under the AIC Code, consideration of emerging risks, environmental, social and governance matters and on subsequent event disclosures.

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

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

The Audit and Risk Committee also reviewed the income recognition and the treatment of arrangement and exit fees which were based on effective interest rate calculations prepared by the Investment Manager and the Administrator. The internal credit rating of each loan as at 31 January 2023 was reviewed. Whilst past due, and in default, the Northlands loan was considered to be Stage 1, with no risk of loss, given the advanced stage of realisation through sales. Two loans, Affinity and RoyaleLife were identified as Stage 2 and as such have an ECL over a twelve-month period of £0.61 million together with a provision against accrued and unpaid interest of £1.03 million. The Southport loan has been identified as Stage 3 as the Company has appointed an administrator in respect of this loan and considers it prudent to recognise an impairment provision of £2.3 million on that investment. All loans were discussed at the Audit and Risk Committee meeting to review the Annual Report, with the Investment Manager, the Administrator and Auditor. In line with requirements of IFRS as set out in the accounting policies, interest accruing and unpaid on Stage 3 loans is not recognised as income in the Statement of Comprehensive Income, whilst interest accrued and unpaid on the Stage 2 loan RoyaleLife has been recognised as income and impaired as an ECL provision.

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

Risk Management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit and Risk Committee. The work of the Audit and Risk Committee is driven primarily by the Company's assessment of its principal risks and uncertainties as set out in the Corporate Governance Report, and it receives reports from the Investment Manager and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified. Furthermore, the Investment Manager monitors the risks associated with the investments and the compliance of the investment portfolio with the investment restrictions of the Company.

Internal Audit

The Audit and Risk Committee continues to review the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and the Investment Manager, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards shareholders' investment and the Company's assets, is maintained. Furthermore, the visit to the Investment Manager's London office in January 2022 gave the board assurance around the Investment Manager's internal controls and included a discussion with the Investment Manager's head of internal audit. An internal audit function specific to the Company is therefore considered unnecessary.

External Audit

Deloitte LLP has been the Company's external auditor since the Company's inception. This is the tenth audit period and therefore the Company is obliged to consider tendering for a new audit firm. As the Company is in a managed realisation, the Audit and Risk Committee has determined that Deloitte LLP should remain as auditor until the Company has wound up.

The external auditor is required to rotate the audit partner every five years. The current Deloitte LLP lead audit partner, Mr David Becker, started his tenure in 2020 (in respect of the year ended 31 January 2020) and his current rotation will end with the audit of the 2024 Annual Report and Financial Statements. The Audit and Risk Committee has considered the re-appointment of the auditor and decided not to put the provision of the external audit out to tender, given the limited life of the Company.

The objectivity of the auditor is reviewed by the Audit and Risk Committee which also reviews the terms under which the external auditor may be appointed to perform non-audit services. The Audit and Risk Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to any non-audit work that the auditor may undertake. In order to safeguard auditor independence and objectivity, the Audit and Risk Committee ensures that any other advisory and/or consulting services provided by the external auditor do not conflict with its statutory audit responsibilities. Advisory and/or consulting services will generally only cover reviews of Interim Reports and capital raising work. Any non-audit services conducted by the auditor outside of these areas will require the consent of the Audit and Risk Committee before being initiated.

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

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

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

Notwithstanding such services, the Audit and Risk Committee considers Deloitte LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit as appropriate safeguards are in place.

To fulfil its responsibility regarding the independence of the auditor, the Audit and Risk Committee will consider:

- discussions with or reports from the auditor describing its arrangements to identify, report and manage any conflicts of interest; and

- the extent of non-audit services provided by the auditor and arrangements for ensuring the independence, objectivity, robustness and perceptiveness of the auditor and their handling of key accounting and audit judgements.

To assess the effectiveness of the auditor, the Audit and Risk Committee will review:

- the auditor's fulfilment of the agreed audit plan and variations from it;

- discussions or reports highlighting the major issues that arose during the course of the audit;

- feedback from other service providers evaluating the performance of the audit team;

- arrangements for ensuring independence and objectivity;

- the robustness of the auditor in handling key accounting and audit judgements; and

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

The Audit and Risk Committee is satisfied with Deloitte LLP's effectiveness and independence as auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the auditor remains independent and effective, the Audit and Risk Committee has recommended to the Board that Deloitte LLP be reappointed as auditor for the year ending 31 January 2024.

The Board's recommendation to shareholders on the re-appointment of Deloitte LLP as external auditor will be put to shareholders at the Annual General Meeting.

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

On behalf of the Audit and Risk Committee

Fiona Le Poidevin
Chair of the Audit and Risk Committee
22 May 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICG-LONGBOW SENIOR SECURED UK PROPERTY DEBT INVESTMENTS LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of ICG-Longbow Senior Secured UK Property Debt Investments Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 January 2023 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. Basis for opinion

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

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

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

3. Emphasis of matter - Financial statements prepared other than on a going concern basis

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

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • The assessment of expected credit losses (ECL) on loans advanced; and • Income recognition. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £1.6 million which was determined on the basis of approximately 2% of the forecast net asset value.
Scoping	We preformed a full scope audit to respond to the risks of material misstatement.
Significant changes in our approach	As described in in note 2a), the Company has taken responsibility for the remaining assets and liabilities of its previous sole subsidiary. Our approach has been adapted to the extent required to reflect the fact that the Company no longer prepares consolidated financial statements.

5. Key audit matters

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

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

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

Key audit matter description	As at 31 January 2023, the aggregate value of loans advanced at amortised cost amounted to £69.0 million (2022: £83.3 million) representing 89% of total assets (2022: 94%). As described in the Report of the Audit and Risk Committee, the Company's loans are the key value driver for the net asset value and income from loans. Judgements over the level

of potential impairment of loan values using the expected credit losses (ECL) model under IFRS 9, and the recoverability thereof, has been identified as a key audit matter.
As the contractual maturity of all loans is within the next 12 months, a key source of estimation uncertainty within in the ECL model is the determination of the loss given default ('LGD'), which is made with reference to collateral asset values and net proceeds receivable from the sale or refinance of those assets. Management may seek to manipulate the assumptions adopted to influence key performance indicators. As such, there is an incentive to overstate the value of loans and we identified this as a potential area for fraud.

The estimate also considers the impact of loan-specific matters included in the loan monitoring reports such as:

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

This matter is explained further in the Report of the Audit and Risk Committee. Note 2(k) and note 3 to the financial statements set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, note 5 set out the composition of the debt portfolio as well as the stress analysis and note 11 sets out details of the associated risk factors, including credit risk.

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

We have:

- Obtained an understanding of relevant controls relating to the loan loss provisioning review process;
- Challenged the estimated net proceeds receivable for the underlying collateral of loans. For realised disposals, this was performed with reference to actual proceeds received. For unrealised disposals, we involved our internal valuation specialists to challenge assumptions made by management in respect of the collateral valuation;
- In light of the above procedure and with the involvement of our internal credit specialists, challenged the estimation of LGD by performing scenario analysis, including the impact of discounting, and recalculating the headroom or deficit to carrying value;
- With the involvement of our internal credit specialists, challenged the judgments (including evaluation of qualitative and quantitative criteria) related to the categorisation of loans into the various credit stages required under IFRS 9. We considered this in the context of management's definition of Significant Increase in Credit Risk and performed an assessment of the Loan Monitoring Reports to assess evidence of changes in credit risk;
- Obtained evidence to assess the reasonableness of estimates applied to determine the Probability of Default and Exposure at Default for each stage within which loans are classified and their compliance with IFRS 9 requirements;
- Tested the clerical accuracy of the expected credit loss provision based on the above inputs; and
- Evaluated the appropriateness of disclosures made in the financial statements in light of the requirements of IFRS 9.

Key observations

Having carried out the procedures, we concluded that the resulting ECL provision was appropriately accounted for.

5.2. Income recognition

Key audit matter description

Interest income from loans advanced totalled £7.1 million for the year ended 31 January 2023 (2022: £9.3 million), with other fee income from loans of £0.1 million (2022: £0.2 million). Management applies the effective interest rate ('EIR') method to amortise any premium/discount over the loan asset life with further assumptions made as to these loan assets' future cash flows.
There is a risk that revenue may be recognised in the incorrect period due to differences in the timing between cash receipts of interest and investment principal repayments, and the application of the EIR method. In addition the existence of prepayments and exits arising from early repayments in the period will have an impact on the recorded income and may not be correctly recorded in accordance with the EIR requirements set out in IFRS 9.
The timing of recognition of these one-off fees including the consideration of any contractual restriction is considered a potential fraud risk given the involvement of management judgement.
The key accounting policies related to this key audit matter can be found in note 2(e), 2(f) and note 3 to the financial statements. This matter is also described in the Report of the Audit and Risk Committee.

How the scope of our audit responded to the

We have:

- Obtained an understanding of and tested the relevant controls relating to the

Key audit matter	recognition of income from loans advanced; • Assessed management's judgements in respect of the inclusion of the upfront fees and exit fees in the EIR calculation; • Recalculated the interest income from loans accrued under the EIR method, taking into account any prepayments on the investments and the impact on interest income recognised; • Evaluated the impact of any loan loss provisioning on the recognition and valuation of interest income recorded in the period; • Evaluated the impact of any prepayments or exit fees from early repayments on the interest income recorded in the period; and • Agreed cash receipts in the year to and from the bank statements.
Key observations	Having carried out the procedures, we determined that interest income and loan related fees are appropriately accounted for in the financial statements.

6. Our application of materiality

6.1. Materiality

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

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

Materiality	£1.6 million (2022: £1.8 million)
Basis for determining materiality	2% (2022: 2%) of net asset value
Rationale for the benchmark applied	We believe net asset value is the most appropriate benchmark as it is considered one of the principal considerations in assessing financial performance. Furthermore, as the focus of the Company is on the realisation of its loan investments and expected to be the key driver of future distributions to investors, we no longer consider it necessary to apply a lower threshold to loan interest income and expenses.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

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

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £80,000 (2022: £87,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including internal control, and assessing the risks of material misstatement of the company. We performed a full scope audit.

7.2. Our consideration of the control environment

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

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the company's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 1 December 2022;
- results of our enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities,
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including credit specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

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

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

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Company's regulatory licences and The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

11.2. Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

12. Corporate Governance Statement

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

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

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were re-appointed by board on 9 May 2023 to audit the financial statements for the year ending 31 January 2023. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 January 2014 to 31 January 2023.

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

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

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Becker
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
22 May 2023

Statement of Comprehensive Income

For the year ended 31 January 2023

	Notes	1 February 2022 to 31 January 2023 £	1 February 2021 to 31 January 2022 £
Income			
Income from loans	**2 e)**	7,136,574	9,310,030
Other fee income from loans	**2 f)**	133,051	207,739
Income from cash and cash equivalents		2,864	-
Total income		**7,272,489**	**9,517,769**
Expenses			
Investment Management fees	**13**	761,047	1,165,922
Directors' remuneration	**12**	160,000	171,375
Audit fees for the Company	**14**	42,353	46,454
Finance cost	**16**	-	63,351
Reorganisation Costs		-	129,941
ECL provision on financial assets	**5**	3,940,181	-
Other expenses	**15**	409,085	594,049
Total expenses		**5,312,666**	**2,171,092**
Profit for the year before tax		**1,959,823**	**7,346,677**
Taxation charge	**4**	-	10,912
Profit for the year after tax		**1,959,823**	**7,335,765**
Total comprehensive income for the year		**1,959,823**	**7,335,765**
Basic and diluted Earnings per Share (pence)	**9**	**1.62**	**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 had no recognised gains or losses for either period other than those included in the results above.

The accompanying notes from 1 to 17 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 January 2023

	Notes	31 January 2023 £	31 January 2022 £
Assets			
Current Assets			
Loans advanced at amortised cost	**5**	68,963,675	83,257,529
Trade and other receivables	**6**	43,435	502,485
Cash and cash equivalents	**7**	9,209,494	4,801,224
Total current assets		**78,216,604**	**88,561,238**
Total assets		**78,216,604**	**88,561,238**

	Notes		
Total assets		**78,216,604**	**88,561,238**
Liabilities			
Current Liabilities			
Trade and other payables	**8**	861,653	793,223
Total current liabilities		**861,653**	**793,223**
Total liabilities		**861,653**	**793,223**
Net assets		**77,354,951**	**87,768,015**
Equity			
Share capital	**10**	80,298,419	87,576,589
Retained (loss) / earnings		(2,943,468)	191,426
Total equity attributable to the owners of the Company		**77,354,951**	**87,768,015**
Number of Ordinary Shares in issue at year end	**10**	**121,302,779**	**121,302,779**
Net Asset Value per Ordinary Share (pence)	**9**	**63.77**	**72.35**

The Financial Statements were approved by the Board of Directors on 22 May 2023 and signed on their behalf by:

Jack Perry
Chairman
22 May 2023

Fiona Le Poidevin
Director
22 May 2023

The accompanying notes from 1 to 17 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 January 2023

	Notes	**Number of shares**	**Ordinary Share capital** £	**B Share capital** £	**Retained (loss) / earnings** £	**Total** £
As at 1 February 2022		121,302,779	87,576,589	-	191,426	87,768,015
Total comprehensive income		-	-	-	1,959,823	1,959,823
Dividends paid	10	-	-	-	(5,094,717)	(5,094,717)
B Shares issued May 2022	10	121,302,779	(7,278,170)	7,278,170	-	-
B Shares redeemed & cancelled May 2022	10	(121,302,779)	-	(7,278,170)	-	(7,278,170)
As at 31 January 2023		**121,302,779**	**80,298,419**	**-**	**(2,943,468)**	**77,354,951**

For the year ended 31 January 2022

	Notes	Number of shares	Ordinary Share capital £	B Share capital £	Retained earnings £	Total £
As at 1 February 2021		121,302,779	119,115,310		133,829	119,249,139
Total comprehensive income		-	-	-	7,335,765	7,335,765
Dividends paid	10	-	-	-	(7,278,168)	(7,278,168)
B Shares issued Sept 2021	10	121,302,779	(6,671,651)	6,671,651	-	-
B Shares redeemed & cancelled Sept 2021	10	(121,302,779)	-	(6,671,651)	-	(6,671,651)
B Shares issued Dec 2021	10	121,302,779	(7,884,681)	7,884,681	-	-
B Shares redeemed & cancelled Dec 2021	10	(121,302,779)	-	(7,884,681)	-	(7,884,681)
B Shares issued Jan 2022	10	121,302,779	(16,982,389)	16,982,389	-	-
B Shares redeemed & cancelled Jan 2022	10	(121,302,779)	-	(16,982,389)	-	(16,982,389)
As at 31 January 2022		121,302,779	87,576,589	-	191,426	87,768,015

The accompanying notes from 1 to 17 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 January 2023

	Notes	1 February 2022 to 31 January 2023 £	1 February 2021 to 31 January 2022 £
Cash flows generated from operating activities			
Profit for the year		1,959,823	7,335,765
Adjustments for non-cash items and working capital movements:			
Movement in other receivables		459,050	731,350
Movement in other payables and accrued expenses		68,430	(675,545)
Movement in tax payable		-	(1,679)
Loan amortisation		1,193,484	(1,321,983)
		3,680,787	6,067,908
Loans advanced less arrangement fees		(487,610)	(1,643,473)
Arrangement fees received		64,740	-
Loans repaid at par		13,523,240	30,420,038
Net loans repaid less arrangement fees		13,100,370	28,776,565
Net cash generated from operating activities		**16,781,157**	34,844,473
Cash flows used in financing activities			
Dividends paid	**10**	(5,094,717)	(7,278,168)
Return of Capital paid	**10**	(7,278,170)	(31,538,721)
Net cash (used in) financing activities		**(12,372,887)**	(38,816,889)
Net increase / (decrease) in cash and cash equivalents		4,408,270	(3,972,416)
Cash and cash equivalents at the start of the year		4,801,224	8,773,640
Cash and cash equivalents at the end of the year		**9,209,494**	4,801,224

The accompanying notes from 1 to 17 form an integral part of these Financial Statements.

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.

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 Company's investments. The subsidiary was dissolved on 18 January 2022. Under Luxembourg Law, and as sole shareholder, the Company has taken responsibility for the remaining assets and liabilities of its subsidiary following its dissolution.

2. Accounting policies

a) Basis of preparation

The Financial Statements for the year ended 31 January 2023 have been prepared in accordance with UK adopted IFRS and the Companies (Guernsey) Law, 2008.

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 year ended 31 January 2023 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 Financial Statements as in the Annual Report and Financial Statements for the year ended 31 January 2022.

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

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

		Effective for periods commencing
IFRS 3	Business Combinations (Amendments regarding updating references to the Conceptual Framework for Financial Reporting)	01 January 2022
IFRS 9	Financial Instruments (Amendments regarding fees to be included in the 10% test for derecognition of financial liabilities)	01 January 2022
IAS 16	Property, Plant and Equipment (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use)	01 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments regarding the costs to include when assessing whether a contract is onerous)	01 January 2022

The following new and revised IFRS standards and interpretations that have been issued and are not yet effective. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

		Effective for periods commencing
IFRS 17	Insurance Contracts (Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023))	01 January 2023
IAS 1	Presentation of Financial Statements (Amendments regarding the classification of liabilities)	01 January 2024
IAS 1	Presentation of Financial Statements (Amendments regarding the classification of debt with covenants)	01 January 2024
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments regarding the definition of accounting estimates)	01 January 2023
IAS 12	Income Taxes (Amendments regarding deferred tax on leases and decommissioning obligations	01 January 2023

b) Going concern

The Directors, at the time of approving the Financial Statements, are required to satisfy themselves that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and whether there is any threat to the going concern status of the Company. At the EGM of the Company on 14 January 2021, following a recommendation from the Board published in a circular on 16 December 2020, shareholders voted by the requisite majority in favour of a change to the Company's Objectives and Investment Policy which would lead to an orderly realisation of the Company's assets and a return of capital to shareholders.

It is intended that the investments will be realised as and when the loans fall due and the Directors expect that the investments will be held to maturity with the last loan currently due for repayment by the end of 2023. The Company may take actions with the consequence of accelerating or delaying repayment in order to optimise shareholder's returns in the context of the Company's size. 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 that of going concern in preparing the financial statements. In the absence of a ready secondary market in real estate loans by which to assess market value, the basis of valuation for investments is amortised cost net of impairment, recognising the realisable value of each investment in the orderly wind down of the Company. In accordance with the Company's IFRS 9 Policy there has been a change in the carrying value of some investments following the need for a lifetime ECL allowance on two Stage two loans and a lifetime ECL on one Stage three loan, as detailed in note 5. No material adjustments have arisen solely as a result of ceasing to apply the going concern basis.

c) Functional and presentation currency

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

d) Foreign currencies

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

e) Interest income

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

For financial assets in stage 3, interest is recognised on a net basis after allowance for ECL. For financial assets in Stage 2, where the Company considers that the quantum or timeliness of the economic benefit cannot be measured reliably, in accordance with IFRS, interest will be recognised on a gross basis and an ECL provision will be raised.

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

f) Other fee income

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

g) Operating expenses

Operating expenses are the Company's costs incurred in connection with the ongoing management of the Company's investments and administrative costs. Operating expenses are accounted for on an accruals basis.

h) Taxation

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

i) Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's obligation to make payment has been established. Dividends paid during the year are disclosed in the Statement of Changes in Equity. Dividends declared post year end are disclosed in Note 17.

j) 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.

k) Financial instruments

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

Financial Assets

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, financial assets at fair value through Other Comprehensive Income or financial assets at amortised cost.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

i) *Loans and receivables*

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

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

ii) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iii) *Effective interest rate method*

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

iv) *Impairment of financial assets*

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

v) *Significant increase in credit risk*

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

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

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

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

(1) The financial instrument has a low risk of default;
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) Adverse changes in economic and business conditions have not, or will not in the foreseeable future, reduce the ability of the borrower to fulfil its contractual cash flow obligations. Where the ability to meet cashflow obligations, including payment of interest, are impacted the risk associated with the financial instrument may be considered to have increased.

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

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

vi) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria may not be fully recoverable:
• when there is a breach of financial covenants by the debtor which has not be waived or where the lender's rights have not be reserved pending action by the borrower; or
• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

There is a rebuttable presumption that where loans are past due or interest is unpaid for more than 30 days, this leads to a significant increase in credit risk or that if unpaid for more than 90 days this leads to an event of default. However, the Company may elect to waive the default or give a period of forbearance and reserve its rights in respect of the default to enhance returns and hence may rebut the presumption that there is a significant increase in credit risk or an event of default.

vii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (vi));
(c) the lenders to the borrower, for economic or contractual reasons relating to the borrower's financial difficulty having granted to the borrower concessions that the lenders would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

viii) *Write-off policy*

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

ix) *Measurement and recognition of ECL*

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

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

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

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

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

Twelve-month ECL are recognised in stage 1, while lifetime ECL are recognised in stages 2 and 3. The Company's remaining loan book has a residual contractual maturity of less than one year and as a result 12 month and lifetime ECL will be the same.

x) *Modification of cash flows*

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

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

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

xi) Derecognition of financial assets

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

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

Financial liabilities

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

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

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

i) Financial liabilities measured at amortised cost

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

ii) Derecognition of financial liabilities

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

l) Equity instruments

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

3. Critical accounting judgements and estimates in applying the 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements

In assessing the ECL, the Board have made critical judgements in relation to the staging of the loans and assessments which impact the loss given default. In assessing whether the loans have incurred a significant increase in credit risk the Investment Manager, on behalf of the Board, assesses the credit risk attaching to each of the loans. The Company has adopted the Investment Manager's internal credit rating methodology and has used its loss experience to benchmark investment performance and potential impairment for Stage 1, Stage 2 and Stage 3 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 residual life of the loan. It is noted that the Company's remaining loans all have a residual contractual maturity of less than one year. The Investment Manager and the Board will also take into consideration the likely repayment term of loans that have become past due, and of actions taken to repay such loans. Consequently a loan which is past due, but otherwise performing, may continue to be assessed as Stage 1 where there is an active repayment plan in place, or supporting evidence that the loan can be repaid in full and the Company has given a period of forbearance whilst reserving its rights to, or charging, default interest.

The Board identified three of the remaining loans as having shown evidence of heightened credit risk since origination reflecting the prolonged impacts of Covid-19 on the property markets and, more recently, the increase in UK interest rates. In considering the staging of loans with heightened credit risk the Board, advised by the Investment Manager, has made assumptions, supported by third party valuation evidence, regarding the realisable collateral value and headroom over the principal loan amounts as well as the residual term of the loans. Two of these loans have been identified as Stage 2 assets, one as a Stage 3 asset. Whilst all loans have a residual contractual maturity of less than one year the 12 months and lifetime assessment of ECL shall be the same.

The Board has also considered the likelihood and timeliness of future interest payments under all remaining loans. For Stage 3 loans interest will be recognised on a net basis after allowance for ECL, where payment is likely to be sourced from any surplus on the realisation of the loan. In the case of the Stage 2 RoyaleLife loan, the Board recognises that interest payments are unlikely in the near term and has, and will continue to, raise ECL provisions against accrued interest which in its judgement is unlikely to be received in the near term.

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.

In line with the Company's investment strategy at the time, most benefited from significant LTV headroom at origination, with business plans designed to deliver further value increases over time. This combined with tight covenants have, to date, 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.

Inflation rates in the UK, and the fiscal and monetary tightening that has followed, remain a concern for the portfolio given its short residual duration and the Company's intention to wind down. The UK base rate increased from 0.1% during Covid-19 to 4.25% as at the date of this report and is now forecast to remain higher for longer. Higher interest rates are having a material impact on refinancing and property sales and hence the timing of repayment of the Company's remaining loans. Property values have fallen generally, as the cost of finance impacts investor returns and LTV headroom in the remaining loans has been eroded as a result.

However, the Stage 1 and Stage 2 loans continue to benefit from a lower but still adequate equity buffers. No loss allowance has been recognised based on 12-month expected credit losses for the loan in Stage 1. A £1,651,530 (31 January 2022: £nil) provision for lifetime losses has been recognised for the in Stage 2 loans which includes a provision for the non-receipt of accrued interest in the case of the RoyaleLife loan. The Southport loan has been assessed as Stage 3 following the appointment of an administrator over the hotel, which continues to trade, and a provision for impairment of £2,288,651 (31 January 2022: £nil) has been recognised, reflecting the estimated net present value of the sales proceeds expected from the current offer to purchase the hotel, less the Company's estimate of sales and administrative costs.

Revenue recognition is considered a significant accounting judgement and estimate that the Directors make in the process of applying the Company's accounting policies (see Notes 2e) and 2 f)). In view of the trading conditions of the Southport hotel and liquidity challenges facing the RoyaleLife loan, the Directors consider it prudent to recognise interest on a net basis after allowance for ECL in respect of the Stage 3 Southport loan, and to make a provision against the potential non-receipt of accrued interest in respect of the Stage 2 RoyaleLife loan. In both cases interest on these loans will be recognised in the Statement of Comprehensive Income as set out in Accounting Policies Note 2 above. Following the period end, certain of the companies providing security to the RoyaleLife loan were placed into administration by the lenders, however an independent valuation undertaken at 31 December 2022 confirms that the aggregate property values continue to exhibit an equity buffer above the carrying value of the Company's loan participation. The assumptions and sensitivities in assessing ECL of the loan portfolio are set out in note 5 below.

4. Taxation

The tax charge of £10,912 for the previous year ended 31 January 2022 consisted of taxes levied on Luxco, before it was dissolved. As a result, no tax was chargeable for the current year ended 31 January 2023. The net wealth tax charge, set at a rate of 0.5% for the year ended 31 January 2022 on Luxco's global assets (net worth), was determined as at the 1 January of each calendar year before dissolution of Luxco.

	1 February 2022 to 31 January 2023	1 February 2021 to 31 January 2022
	£	£
Net wealth tax - current year	-	7,199
Net wealth tax - prior year	-	3,713
	-	10,912

5. Loans advanced at amortised cost

(i) Loans advanced

	1 February 2022 to 31 January 2023	1 February 2021 to 31 January 2022
	£	£
Loans Advanced:	72,903,856	83,257,529
Less: Expected Credit Losses	(3,940,181)	-
	68,963,675	83,257,529

	31 January 2023 Principal advanced	31 January 2023 At amortised cost	31 January 2022 Principal advanced	31 January 2022 At amortised cost
	£	£	£	£
Northlands	9,561,076	9,829,286	10,431,143	10,548,056
Quattro*	-	-	5,956,304	5,984,263
Affinity	17,299,963	17,774,436	17,299,963	17,706,033
Southport	15,200,000	15,988,651	15,000,000	15,348,830
RoyaleLife	25,382,017	29,311,483	25,382,017	27,145,110
LBS*	-	-	6,474,000	6,525,237
	67,443,056	72,903,856	80,543,427	83,257,529

*repaid in full during the period

(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 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 and updated valuations are obtained as deemed appropriate. 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. Other than the Stage 3 Southport loan, 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 after allowance for expected credit losses as set out in this note. The Board now considers it prudent to recognise an impairment in respect of the Southport loan of £2.28 million (31 January 2022: £nil) representing accrued outstanding interest and the net present value of the expected net sales proceeds.

(iii) IFRS 9 - Impairment of Financial Assets

Whilst the UK economy has largely recovered from the immediate impacts of Covid-19, supply pressures, exacerbated by the impact of the devasting war in Ukraine, have led to spiralling inflation in the energy, food and raw material sectors and consequently The Bank of England has, in line with most central banks, embarked upon a policy of monetary tightening in an attempt to reduce inflation, with base rate now at 4.25% and inflation forecast to remain above the 2% target through to 2025. The Investment Manager has reviewed the plans in place and prospects for repayment of each loan over its residual term, and whilst the prospect of a recession looks less unlikely, the economic outlook is less certain than at 31 January 2022, impacting property values. However, with respect to the Stage 1 and Stage 2 loans, the balance outstanding in each case remains at an adequate discount to the value of the underlying real estate on which they are secured. The Southport loan has been subject to an ECL allowance of £0.53 million in respect of arrears of interest and £1.75 million in respect of the expected loss as set out in the table below. Whilst the RoyaleLife loan remains Stage 2 reflecting the level of equity surplus in the independent property valuation, the loan's credit rating has been downgraded to substandard resulting in an ECL provision of £0.61 million against the loan and £1.03 million against the unpaid accrued interest. The Directors do not currently consider any loan, other than Southport and RoyaleLife, 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.

On 11 May 2023 the Company, acting together with its co-lenders, appointed an administrator over two of the companies providing security to the RoyaleLife loan. This was a defensive measure following the filing of winding up petitions, against these two group companies, by a third-party creditor. Whilst the appointment was a post balance sheet event and the 31 December 2022 property valuation pointed to there being an adequate equity buffer above the carrying value of the Company's participation in the loan, the Board and the Investment Manager have considered the potential impact of administration on the Company's investment, and this is discussed further in the sensitivity analysis below.

The internal credit rating of each loan as at 31 January 2023 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 now identified as Stage 3, with an ECL provision of £2,288,651 (31 January 2022: £nil). Two other loans that were identified as Stage 1 assets showed deterioration and are considered as Stage 2 assets with an ECL over a twelve-month period of £1,651,530 (31 January 2022: £nil).

As at 31 January 2023

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	9,561,076	42,681,981	15,200,000	67,443,056
Gross carrying value	9,829,286	47,085,919	15,988,651	72,903,856
Less ECL allowance	-	(1,651,530)	(2,288,651)	(3,940,181)
	9,829,286	45,434,389	13,700,000	68,963,675

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

Two loans were considered as Stage 2 loan as at 31 January 2023 (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.

Southport, the second Stage 2 loan as at 31 January 2022, has been recognised as Stage 3 as at 31 January 2023. This follows an unsuccessful sales process by the borrower and the subsequent appointment of an administrator by the Company. The administrator has remarketed the property on behalf of the creditors, of which the Company is the first ranking senior secured creditor, and is progressing a conditional offer for sale at £14.5 million. The administrator and advisors are working with the prospective purchaser to satisfy the conditions to completion of the sale.

The Affinity loan has been identified as Stage 2 as at 31 January 2023 following a fall in its internal credit rating reflecting a reduction in the underlying property value in line with the wider UK property market.

The RoyaleLife Loan has been identified as Stage 2, following a 13% fall in the valuation of the underlying properties reflecting lower expected profits on the sale of residential units and a higher discount rate being applied to the long-term income they generate.

The LBS loan, identified as stage 1 as at 31 January 2022, was repaid in full in January 2023 following a refinancing of the property securing the loan.

The Northlands loan has shown no material deterioration since inception or over the course of the financial period and has been significantly de-risked following the financial year end through the sale of a number of properties, with further sales contracted which are expected to repay the loan in full together with interest and fees. The Northlands loan, whilst past due, is considered as Stage 1 asset with no ECL over a twelve-month period reflecting the advanced sales process.

A reconciliation of the ECL allowance is presented as follows:

Expected Credit Loss Allowances

	Expected Credit Loss Allowances
	£
Affinity	12,702
Southport	2,288,651
RoyaleLife	1,638,828
	3,940,181

(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.

Other than Southport, loans are currently expected to be capable of repayment in full in due course at their carrying value. The Company, together with its co-lenders and the administrator, is considering its next steps in respect of the RoyaleLife loan, however it is anticipated an extended period will be required to allow for realisation.

In respect of its Stage 1 and Stage 2 assets, 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 and considered the impact of impairment over the life of the loans.

As discussed above the recent rise in UK interest rates and worsening near term economic outlook have impacted the UK property market in most sectors, reducing value and liquidity. As a consequence, the Company's equity buffer has been eroded. However, based on the latest market valuations all loans, except the Southport loan, could withstand a further 10% fall in property values before the Company faced risk of loss. Notwithstanding the valuation of the underlying collateral represents the most significant judgement, any delays in realising this collateral or increases in the costs of realisation could also impact on the eventual proceeds from each loan position.

Within ICG's benchmark portfolio the Covid-19 pandemic, and its impact on valuation of 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.

Stress test impact on Expected Credit Loss at 31 January 2023

Stage 1 and Stage 2 Loans	31 January 2023	31 January 2022
One grade deterioration in credit rating	£3,286,000	£166,000
Two grade deterioration in credit rating	£5,072,000	£654,000
Three grade deterioration in credit rating	£5,412,000	£3,137,000

In addition to the standard stress tests described above, the Company has considered the potential impact of the post balance sheet appointment of an administrator over two of the RoyaleLife group companies. The Company has considered a number of scenarios with respect to timeframe for repayment and potential net realisable value relative to the latest valuation as well as ability to service debt during that period. The downside outcomes of those scenarios fall within the bounds of the standard stress test impacts set out above.

The Southport loan has been recognised as a Stage 3 asset with a provision for impairment of£2,288,651 based on the current conditional offer for sale being progressed by the administrator. A further 10% fall in the property value, would result in an additional ECL of £1,450,000.

The current performance of each loan is discussed in the Investment Manager's report.

6. Trade and other receivables

	31 January 2023	31 January 2022
	£	£
Other receivables	43,435	502,485

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

The Company has management policies in place to ensure that all receivables are received within the credit time frame. The

Directors consider that the carrying amount of all receivables approximates to their fair value.

During the period we appointed administrators over the borrower of the Southport loan following a breach in the LTV covenant. While, the hotel remains open and continues to trade with a sale process ongoing, it was decided to recognise interest on a net basis after allowance for ECL.

Following the date of this report an administrator was appointed over two of the companies providing security for the RoyaleLife loan. Payment of the accrued interest receivable to date is likely to be delayed due to the administration process. Whilst the loan will continue to accrue default interest, such interest income will be subject to ongoing ECL provisions for impairment and recognised as and when received.

7. Cash and cash equivalents

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

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

	31 January 2023 £	31 January 2022 £
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	-	1,266,096
Lloyds Bank International Limited	581,954	396,016
Barclays Bank plc	581,983	396,056
Butterfield Bank (Guernsey) Limited	582,571	396,076
Royal Bank of Scotland International Limited	7,462,986	2,346,980
	9,209,494	4,801,224

8. Trade and other payables

	31 January 2023 £	31 January 2022 £
Investment Management fees (see Note 13)	517,343	289,107
Directors' remuneration (see Note 12)	31,250	31,250
Administration fees (see Note 13)	43,283	22,188
Broker fees	-	51,650
Audit fees (see note 14)	50,138	29,723
Other expenses	40,465	44,419
Trade creditors	179,174	324,886
	861,653	793,223

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

9. Earnings per share and Net Asset Value per share

Earnings per share

	1 February 2022 to 31 January 2023	1 February 2021 to 31 January 2022
Profit for the year (£)	1,959,823	7,335,765
Weighted average number of Ordinary Shares in issue	121,302,779	121,302,779
Basic and diluted EPS (pence)	1.62	6.05
Adjusted basic and diluted EPS (pence)	1.50	5.25

The calculation of basic and diluted earnings per share is based on the profit for the year and on the weighted average number of Ordinary Shares in issue in for the year ended 31 January 2023.

There are no dilutive shares in issue at 31 January 2023 (31 January 2022: none).

Net Asset Value per share

	31 January 2023	31 January 2022
NAV (£)	77,354,951	87,768,015
Number of Ordinary Shares in issue	121,302,779	121,302,779
NAV per share (pence)	63.77	72.35

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

10. Share capital

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

	31 January 2023	31 January 2022
	Number of shares	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	121,302,779	-
B Shares redeemed and cancelled May 2022	(121,302,779)	-
	-	-

	£	£
Share capital brought forward	87,576,589	119,115,310
Repaid in the year	(7,278,170)	(31,538,721)
Share capital carried forward	80,298,419	87,576,589

Dividends

Dividends are recognised by the Company in the quarterly NAV calculation following the declaration date. A summary of the dividends declared and/or paid during the year ended 31 January 2023 and 31 January 2022 are set out below:

	Dividend per share	Total dividend
1 February 2022 to 31 January 2023	Pence	£
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	1,334,331
Interim dividend in respect of quarter ended 31 July 2022	1.00	1,213,028
Interim dividend in respect of quarter ended 31 October 2022	1.00	1,213,027
	4.20	5,094,717
	Dividend per share	Total dividend
1 February 2021 to 31 January 2022	Pence	£
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

As two of the remaining investments have significant ECL provisions, there is projected to be a significantly reduced level of operating cashflow in the next two quarters, and no forecast cash inflows thereafter until investments repay. This will have a considerable impact on the Company's ability to pay a dividend.

The Company has a predictable cost base and the ability to hold back capital from the imminent (contracted) and prospective future repayments to meet costs and preserve working capital over the medium to long-term. However, it is no longer considered appropriate to distribute a regular dividend until and unless profits and cashflow prudently allow.

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 in the year and have returned a total amount of 6 pence per Ordinary Share to shareholders, being 121,302,779 in total based on the current number of Ordinary Shares in issue. This return of capital was effected by way of an issue of redeemable B Shares to existing shareholders pro rata to their shareholding on the record date set out below and the subsequent redemption of those B Shares.

	Return of Capital per share	Total Return of Capital
1 February 2022 to 31 January 2023	Pence	£
Return of Capital May 2022	6.00	7,278,170
	6.00	7,278,170

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

Rights attaching to Shares

The Company has a single class of Ordinary Shares which are not entitled to a fixed dividend. The company had one issue of redeemable B shares which were redeemed throughout the year on a Return of Capital payment to shareholders of the redeemable B shares. At any General Meeting of the Company each Ordinary Shareholder is entitled to have one vote for each share held. The Ordinary Shares also have the right to receive all income attributable to those shares and participate in distributions made and such income shall be divided pari passu among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them.

The Company's Articles include a B Share mechanism for returning capital to Shareholders and following Shareholder approval on 14 January 2021, the Company has and will continue to utilise this mechanism in future. When the Board determines to return capital to Shareholders, the Company has issued B Shares, paid up out of

the Company's assets, to existing Shareholders pro rata to their holding of Ordinary Shares at the time of such issue. The amount paid up on the B Shares will be equal to the cash distribution to be made to Shareholders via the B Share mechanism. The B Shares shall be redeemable at the option of the Company following issue and the redemption proceeds (being equal to the amount paid up on such B Shares) paid to the holders of such B Shares

on such terms and in such manner as the Directors may from time to time determine. It is therefore expected that the B Shares will only ever be in issue for a short period of time and will be redeemed for cash shortly after their issue in order to make the return of capital to Shareholders.

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

11. Risk Management Policies and Procedures

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

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

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

Market risk

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

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

Currency risk

The Company's currency risk exposure is considered to be immaterial as all investments have been and will be made in Pounds Sterling.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments and related income from cash and cash equivalents will fluctuate due to changes in market interest rates.

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

The following table shows the portfolio profile of the material financial assets as at 31 January 2023 and 31 January 2022:

	31 January 2023 £	31 January 2022 £
Floating rate		
Cash	9,209,494	4,801,224
Fixed rate		
Loans advanced at amortised cost, net of ECL allowance	68,968,675	83,257,529
	78,178,169	88,058,753

Credit risk

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

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

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

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

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

Grade	Description	Maximum credit risk exposure 2023	Maximum credit risk exposure 2022
AAA, AA+	Virtually no risk	-	-
AA to A	Low risk	-	-
BBB	Moderate risk	9,595,622	10,548,056
BB	Average risk	17,182,749	49,155,980
B	Acceptable risk	-	20,956,304
CCC+	Borderline Risk	-	-
CCC	Special Mention	-	-
CC	Substandard	26,405,642	-
D	Doubtful	15,734,452	-
D	Loss	-	-

The classification of loans for the purpose of considering expected credit loss are discussed in the company's accounting policies and in note 5 above, these include a deterioration in credit rating from the date of initial recognition and are not based solely on the absolute credit rating at a point in time.

The Company has used the Investment Manager's loss experience to benchmark investment performance and potential impairment for both Stage 1 and Stage 2 loans under IFRS 9 considering both probability of default and expected credit loss. The total exposure to credit risk arises from default of the loan counterparty and the carrying amounts of other financial assets best represent the maximum credit risk exposure at the year-end date, including the principal advanced on loans, interest outstanding on loans and cash and cash equivalents. As at 31 January 2023, the maximum credit risk exposure was £68,918,465 (31 January 2022: £80,660,340).

The Investment Manager has adopted procedures to reduce credit risk exposure through the inclusion of covenants in loans issued, along with conducting credit analysis of the counterparties, their business and reputation, which is monitored on an on-going basis. The Investment Manager routinely analyses the profile of the Company's underlying risk in terms of exposure to significant tenants, reviewing market data and forecast economic trends to benchmark borrower performance and to assist in identifying potential future stress points.

Collateral held as security

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

To diversify credit risk the Company maintains its cash and cash equivalents across four (31 January 2022: four) different banking groups as shown below. In order to cover operational expenses, a working capital balance at Royal Bank of Scotland International Limited is maintained and monitored. This is subject to the Company's credit risk monitoring policies.

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

	Rating	**31 January 2023**	**31 January 2022**
		£	**£**
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	A-	-	1,266,096
Lloyds Bank International Limited	A	581,954	396,016
Barclays Bank plc	A	581,983	396,056
Butterfield Bank (Guernsey) Limited	BBB+	582,571	396,076
Royal Bank of Scotland International Limited	A-	7,462,986	2,346,980
		9,209,494	4,801,224

The carrying amount of these assets approximates their fair value.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its liabilities as they fall due. The Company's loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice.

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

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

	Less than one year	**Between one and five years**	**Total as at 31 January 2023**
	£	**£**	**£**
Northlands - principal	9,561,076	-	9,561,076
Northlands - interest and exit fees	316,874	-	316,874
Affinity - principal	17,299,963	-	17,299,963
Affinity - interest and exit fees	326,231	-	326,231
Southport - principal	15,200,000	-	15,200,000
Southport - interest and exit fees	534,452	-	534,452
RoyaleLife - principal	25,382,017	-	25,382,017
RoyaleLife - interest and exit fees	4,261,464	-	4,261,464
	72,882,077	-	72,882,077

	Less than one year	**Between one and five**	**Total as at**

		years	31 January 2022
	£	£	£
Northlands - principal	10,431,142	-	10,431,142
Northlands - interest and exit fees	715,242	-	715,242
Quattro - principal	5,956,304	-	5,956,304
Quattro - interest and exit fees	203,167	-	203,167
Affinity - principal	17,299,963	-	17,299,963
Affinity - interest and exit fees	801,862	-	801,862
Southport - principal	-	15,000,000	15,000,000
Southport - interest and exit fees	1,050,000	483,904	1,533,904
RoyaleLife - principal	-	25,382,017	25,382,017
RoyaleLife - interest and exit fees	2,030,561	5,268,400	7,298,961
LBS - principal	6,474,000	-	6,474,000
LBS - interest and exit fees	571,451	-	571,451
	45,533,692	46,134,321	91,668,013

The Company could also be exposed to prepayment risk, being the risk that the principal may be repaid earlier than anticipated, causing the return on certain investments to be less than expected. The Company, where possible, seeks to mitigate this risk by inclusion of income protection clauses that protect the Company against any prepayment risk on the loans advanced for some of the period of the loan. To date, all loans advanced have included income protection clauses in the event of prepayment of the loans for the majority of the loan term.

The Company has loans and receivables with a prepayment option embedded. Given the low probability of exercise and indeterminable exercise date, the value attributed to these embedded derivatives is considered to be £nil (31 January 2022: £nil).

Capital management policies and procedures

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

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

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

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

12. Related Party Transactions and Directors' Remuneration

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

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

Directors

The Directors' fees for the year amounted to £160,000 (31 January 2022: £171,375) with outstanding fees of £31,250 due to the Directors at 31 January 2023 (31 January 2022: £31,250) (see Note 8).

13. Material Agreements

Investment Manager Agreement

Investment Management fees for the year amounted to £761,047 (31 January 2022: £1,165,922), of which £517,343 (31 January 2022: £289,107) was outstanding at the year-end (see Note 8).

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

The Investment Manager's agreement became effective from 25 November 2020 and shall continue thereafter unless terminated in accordance with the terms of the agreement. The Investment Manager's appointment cannot be terminated by the Company with less than 12 months' notice. The Company may terminate the Investment Management Agreement with immediate effect if the Investment Manager has committed any material, irremediable breach of the Investment Management Agreement or has committed a material breach and fails to remedy such breach within 30 days of receiving notice from the Company requiring it to do so; or the Investment Manager is no longer authorised and regulated by the FCA or is no longer permitted by the FCA to carry on any regulated activity necessary to perform its duties under the Investment Management Agreement. The Investment Manager may terminate their appointment immediately if the Company has committed any material, irremediable breach of the Investment Management Agreement or has committed a material breach and fails to remedy such breach within 30 days of receiving notice from the Company requiring it to do so.

Administration Agreement

The Administrator has been appointed to provide day to day administration and company secretarial services to the Company, as set out in the Administration Agreement. Under the terms of the Administration Agreement, the Administrator is entitled to a fixed fee of £90,000 per annum for services such as administration, corporate secretarial services, corporate governance, regulatory compliance and stock exchange continuing obligations provided to the Company. The Administrator will also be entitled to an accounting fee charged on a time spent basis with a minimum fee of £40,000 per annum. Administration and accounting fees for the year amounted to £155,832 (31 January 2022: £205,285) of which £43,283 (31 January 2022: £22,188) was outstanding at the year end.

Registrar Agreement

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

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual fee from the Company equal to £1.78 per shareholder per annum or part thereof, subject to a minimum of £7,500 per annum. Other Registrar activities will be charged for in accordance with the Registrar's normal tariff as published from time to time.

Depositary Agreement

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

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

14. Auditor's Remuneration

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

	31 January 2023	**31 January 2022**
	£	£
Audit fees for the Company	48,025	46,454
Total Audit fees	48,025	46,454

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

15. Other Expenses

	31 January 2023	**31 January 2022**
	£	**£**
Luxco operating expenses	-	95,358
Broker fees	25,550	76,925
Administration fees	155,832	205,285
Regulatory fees	21,415	16,524
Listing fees	15,239	14,573
Legal and professional fees	71,296	122,555
Other expenses	119,753	62,829
	409,085	594,049

16. Finance Costs

Finance costs comprise £Nil (31 January 2022: £63,351) relating to the amortisation of arrangement fees on a revolving credit facility.

17. Subsequent events

On 6 April 2023, the Company declared a dividend of 0.5 pence per Ordinary Share, £606,513.90, in respect of the quarter ended 31 January 2023, which was paid on 4 May 2023.

On 11 May 2023, the Company, together with its co-lenders, appointed an administrator over two of the companies providing security for the RoyaleLife loan. This is discussed further in the Chairman's Statement, Investment Manager's Report, the Accounting Policies and in Note 3 and 5.

ALTERNATIVE PERFORMANCE MEASURES

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

GLOSSARY OF CAPITALISED DEFINED TERMS

"**Administrator**" means Ocorian Administration (Guernsey) Limited*;*

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

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

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

"**Affinity**" means Impact Spectrum Limited;

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

"**AIC**" means the Association of Investment Companies;

"**AIC Code**" means the AIC Code of Corporate Governance;

"**AIFMD**" means the Alternative Investment Fund Managers Directive;

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

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

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

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

"**Capital Distribution Per Share**" means the total annual Return of Capital to shareholders divided by the number of Shares in issue (other than shares held in treasury);

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

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

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

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

"Covid-19" means the global coronavirus pandemic;

"CRS" means Common Reporting Standard;

"**ECL**" means expected credit losses;

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

"**ESG**" means Environmental, Social and Governance;

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

"**Euro**" or "**€**" means Euro;

"**FATCA**" means Foreign Account Tax Compliance Act;

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

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

"**FRC**" means the Financial Reporting Council;

"**FTSE**" means the Financial Times Stock Exchange;

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

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

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

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

"**GFSC Code**" means the GFSC Finance Sector Code of Corporate Governance;

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

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

"**ICR**" means interest coverage ratio;

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

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

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

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

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

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

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

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

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

"**LBS**" means LBS Properties Limited;

"**LGD**" means loss given default;

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

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

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

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

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

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

"**Memorandum**" means the Company's memorandum;

"**NAV per share**" means the Net Asset Value per Ordinary Share divided by the number of Shares in issue (other thanshares 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;

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

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

"**OBR**" means the Office of Budget Responsibility;

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

"**ONS**" means Office for National Statistics;

"**PD**" means probability of default;

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

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

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

"**RevPar**" means revenue per available room;

"**RoyaleLife**" means the Time GB Properties LendCo Limited;

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

"**Southport**" means the Waterfront Southport Properties Limited and Waterfront Hotels (Southport) Limited - now in administration;

"**Sq ft**" means square feet;

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

"**UK Government Bond**" means a gilt, a type of bond issued by HM Treasury and listed on the London Stock Exchange;

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

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

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

DIRECTORS AND GENERAL INFORMATION

Board of Directors Jack Perry (Chair) Stuart Beevor Paul Meader Fiona Le Poidevin **Audit and Risk Committee** Fiona Le Poidevin (Chair)	**Independent Auditor** Deloitte LLP PO Box 137 Regency Court Glategny Esplanade St. Peter Port Guernsey GY1 3HW	**English Solicitors to the Company** Gowlings WLG (UK) LLP 4 More London Riverside London United Kingdom SE1 2AU **Guernsey Advocates to**

Stuart Beevor
Paul Meader

Management Engagement Committee
Jack Perry
(Chair)
Paul Meader
Fiona Le Poidevin
Stuart Beevor

Nomination Committee
Jack Perry (Chair)
Stuart Beevor
Paul Meader
Fiona Le Poidevin

Remuneration Committee
Paul Meader (Chair)
Jack Perry
Stuart Beevor
Fiona Le Poidevin

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

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

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 Sampson
Guernsey
GY2 4LH

Corporate Broker and Financial Adviser
Cenkos Securities plc
6-8 Tokenhouse Yard
London
United Kingdom
EC2R 7AS

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

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

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

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

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

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

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

ICG-Longbow Senior Secured UK Property Debt Investments Limited
P.O. Box 286
Floor 2, Trafalgar Court
Les Banques, St Peter Port, Guernsey
GY1 4LY, Channel Islands.

T +44 (0) 1481 742742
F +44 (0) 1481 742698

Further information available online:
www.lbow.co.uk

ACSBRGDULDDDGXD