



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

**Annual Report and Financial Statements**  
For the year ended 31 January 2024

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## 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.

### INVESTMENT MANAGER

The Company has appointed ICG Alternative Investment Limited as external discretionary investment manager, under the Alternative Investment Fund Managers Directive (AIFMD) within a remit set by the Board.

## FINANCIAL SUMMARY

### KEY DEVELOPMENTS

- The Company is continuing to pursue an orderly realisation of its assets, against a backdrop of difficult market conditions. During the year, the Company returned £15.7 million of shareholder capital, equating to 12.9 pence per ordinary share.
- As at the date of this report, the Company has now returned capital of 44.90 pence per ordinary share to shareholders, equating to £54.46 million in total.
- The Company is now seeking to realise its investments through formal enforcement actions on all of its remaining loans with the appointment of receivers or administrators over the properties or borrowers in each case.
- Since 31 July 2023, the Company has increased ECL provisions by £11.16 million to £32.48 million. This brings the total ECL provisions made during the year to 31 January 2024 to £28.54 million. The movement in ECL provisions during the year to 31 January 2024 comprises:
  - £6.31 million in respect of the Southport loan, increasing the total provision to £8.60 million.
  - £15.54 million in respect of the RoyaleLife loan, increasing the total provision to £17.18 million.
  - £6.68 million in respect of the Affinity loan, increasing the total provision to £6.70 million.
- Total loans outstanding at gross carrying value, excluding ECL adjustments, amount to £66.12 million as at 31 January 2024. Total loans outstanding after ECL adjustments amount to £33.64 million as at 31 January 2024.
- Following extensive discussion between the Board and the Investment Manager, their fee will reduce to 0.5% of Net Asset Value from 1% previously.

### PERFORMANCE

- NAV of £36.22 million as at 31 January 2024 after ECL adjustments of £(32.48 million) (31 January 2023: £77.35 million after ECL adjustments of £(3.94 million)), (31 July 2023: £55.37 million after ECL adjustments of £(21.32 million)).
- NAV per share as at 31 January 2024 of 29.86 pence.
- (Loss)/profit after tax of £(24.87) million for the year ended 31 January 2024 (31 January 2023: £1.96 million).
- (Loss)/Earnings per share for the year of (20.51) pence (31 January 2023: 1.62 pence).

### DIVIDEND

- No dividends were declared for the year ended 31 January 2024 (31 January 2023: 3.6 pence per share).
- A Dividend of 0.5 pence per share of £0.61 million, declared in respect of the period ended 31 January 2023 was paid in May 2023.

### INVESTMENT PORTFOLIO

- As at 31 January 2024, the Company's investment portfolio comprised three loans with an aggregate principal balance of £58.01 million, and a carrying value after provision for ECL of £33.64 million (31 January 2023: five loans with an aggregate principal balance of £67.4 million, and a carrying value of £68.96 million).

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

## CHAIRMAN'S STATEMENT



**JACK PERRY** CHAIRMAN

### INTRODUCTION

On behalf of the Board, I present the eleventh Annual Report for the Company, for the year ended 31 January 2024.

The last 12 months have clearly been very difficult for commercial property and finance markets. The headwinds have been well documented with conflicts in Ukraine and the Middle East, inflationary pressures and a tightening of monetary policy across most western economies creating uncertainty and volatility in many markets. In the UK, rising short- and long-term interest rates, combined with valuation uncertainties, have led to a severe slowdown in commercial property transaction volumes which has continued into 2024.

At the end of 2023 the UK slipped into a technical recession and, while monthly data for 2024 suggest a return to limited GDP growth, economic and property market conditions are widely expected to remain sluggish in the near term.

Focusing on the sectors relevant to the Company's remaining investments, 2023 is likely to have been one of the worst years on record for the office sector, housing markets having been impacted by higher mortgage costs, while hotel transactions were also at a 10-year low, as the Investment Manager notes below. Offices have undoubtedly been affected by negative sentiment, including from the USA where high vacancy rates across key metropolitan markets and rising costs of finance have led to widespread loan defaults and significant valuation declines. While UK and European markets typically have higher occupancy rates than their US peers, investor views on the sector remain heavily bearish.

In the context of the above, shareholders will be aware that this has been a difficult period for the Company as it seeks to realise its remaining investments in what continue to be challenging market conditions. While the Company's Northlands loan repaid during the year with ahead of target returns due to default interest and fees, the Company has, through enforcement processes, taken control away from the borrowers of all assets securing the remaining loans. Those assets are either on the market for sale or being readied for sale.

It is important to be clear with shareholders that as the Company's remaining investments are impaired

with receivers or administrators in place, the only exit route is through sale of the underlying assets or loans themselves – refinancing by the borrowers is no longer a plausible route to exit. This exposes the Company to the potential for further delay in realisations, with conditions not supportive of quick or easy asset sales.

As I set out in our Interim Report, an illiquid market with few buyers is clearly unhelpful for any seller, and it is not clear how long it may take for liquidity to improve materially. Buyers are under no pressure to acquire assets and demand steep discounts, as well as being able to stretch out buying processes where there is a lack of competitive bidding. Accordingly, the market environment for the Company to exit its remaining investments is expected to remain challenging in the near term.

Shareholders will recall that, in recognition of the poor market conditions and falling property values, as at 31 July 2023 we recognised Expected Credit Loss (ECL) allowances against our three remaining assets equivalent to 17.57 pence per share. Reflecting the continuing difficult market conditions, which have prevailed since then, along with agency advice and indicative bidding levels for the remaining properties, the Board has determined it necessary to make further provision for impairment against the Company's remaining loans, totalling 5.96 pence per share, as set out further below. This brings the total ECL allowance recognised during the year ended 31 January 2024 to 23.53 pence per share. The total provision for ECL against the remaining investments, including those raised in prior periods, is 26.77 pence per share.

The carrying values as at 31 January 2024 included in this report and accounts have been, as highlighted above, established in a market facing a continued period of uncertainty, reduced credit availability and deteriorating values in many sectors. 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 further deterioration in the value of the underlying properties securing its investment portfolio, noting that any further deterioration may not be limited to the examples given.

## CHAIRMAN'S STATEMENT (CONTINUED)

As a consequence of the difficult sales environment for the remaining assets, the Board and Investment Manager have been focused on seeking to drive operating performance at property level as well as seeking efficiencies within the Company. In particular, I am aware that shareholders have been eager to see improved alignment of the Investment Management fee structure. Accordingly, as a result of extensive discussion between the Board and the Investment Manager, their fee will reduce to 0.5% of Net Asset Value from 1% previously. This halving of the investment management fee will result in meaningful savings for shareholders over the remaining life of the Company and will apply from today's date. This is discussed further below and in note 13 to the accounts.

### PORTFOLIO

At 31 January 2024, the portfolio comprised three loans with a total principal balance outstanding of £58.01 million (before impairment).

During the year the Company received staged repayments, and ultimately full redemption, of the £9.6 million balance of the Northlands loan. With fees and default interest charges, this realised returns for shareholders modestly ahead of underwritten levels.

As highlighted above, exit processes are underway for the remaining portfolio loans, although in order to avoid having to accept a 'forced sale' price, some of these may be protracted. The outlook for the timing of the redemption of the RoyaleLife loan, in particular, is uncertain, and various options are being explored by the Investment Manager as set out below. The property securing the Affinity loan is being readied for sale following some leasing success, although conditions for the office sector remain difficult. The Southport hotel securing our loan continues to attract interest; however, interested parties are under no competitive pressure to accelerate their processes. This is discussed further in the Investment Manager's report below.

### DIVIDEND

The Company paid a 0.50 pence per share dividend in May 2023, covering the three months to 31 January 2023. Given the current status of the portfolio, the Board considers it unlikely that any further dividends will be declared which is in line with previous communications to the market.

### GOVERNANCE AND MANAGEMENT

As mentioned above, the Board is acutely aware that shareholders additionally wish to see a reduction in central costs and overheads as the Company's portfolio continues to shrink and that this includes the costs of the Board itself. In this crucial stage of the Company's winding up process, the Board and I feel that retaining the varied skillsets of all the Directors is critical to ensuring the best outcome for shareholders. The Directors' fees have remained unchanged in the past year, as they have for the past six years, despite inflationary pressures and the intensity of oversight required of the remaining investments.

### OUTLOOK

In our Interim Report and accounts I wrote to you highlighting that the Board expects to have to make difficult decisions on the remaining investments in the context of property market conditions which remain challenging. Despite a somewhat improved economic backdrop I have to report that we have not seen any improvement since that time: liquidity remains constrained, and the market environment is not conducive to quick and easy exits. In my discussions with shareholders during the year, most of you have highlighted a wish for an orderly realisation avoiding the forced sale of assets and this has been uppermost in the minds of the Board as we seek to balance the acceleration of sales processes with optimising the value to be realised from the remaining investments.

During our regular dialogue with major shareholders over the past year, we have acknowledged the frustration you have with the apparent lack of progress in realising loans, combined with the disappointment of having to recognise further substantial impairment provisions and associated poor share price performance. As I have highlighted previously, regrettably there is no easy way to accelerate realisations without compromising unduly on price. As a result, the Board's focus is on actively managing the remaining assets to deliver value, to control costs and to continue to seek the optimal recovery possible. We will continue to consult shareholders through our final wind down.

**JACK PERRY**  
Chairman

8 May 2024

## 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 2024, and the general market conditions prevailing at that date. Any forward-looking statements in this report reflect the latest information available as at 1 May 2024.

### INVESTMENT OBJECTIVE

The investment objective of the Company, as approved by its shareholders in January 2021, is to conduct an orderly realisation of the assets of the Company.

### SUMMARY

As at 31 January 2024 the Company had three investments remaining, all of which are being managed and realised through enforcement processes. This report provides a summary update on the realisation process for each investment, and steps being taken by the Investment Manager to secure optimum outcomes.

At the year end, and as discussed further below, the Company made further provisions for impairment against each of its remaining loans reflecting deteriorating market conditions

and property values. The aggregate carrying value of the investments is now £33.64 million, or 27.73 pence per ordinary share, against the aggregate principal advanced of £58.01 million.

### COMPANY PERFORMANCE

During the period, the Company received a series of partial repayments of the Northlands loan, following sales of certain of the portfolio properties, with full repayment received in December 2023. These payments totalled £9.6 million, together with £0.5 million in aggregate of interest, default interest and fees.

At the period end, the Company had £2.9 million of cash, which is largely held in high-interest accounts with rated clearing banks. The Company's available cash balances are considered sufficient to cover all the Company's ongoing costs and expected working capital needs while maintaining a prudent liquidity buffer and further capital to invest in the underlying assets, should it prove necessary. At the date of this report, no such investment has been committed although where appropriate we will consider the merits of modest further investment to preserve and enhance value.

### PORTFOLIO SUMMARY

Portfolio statistics	31 January 2024	31 July 2023 (unaudited)	31 January 2023
Number of loan investments	3	4	4
Aggregate principal advanced <sup>(1)</sup>	£58,007,806	£57,967,369	£67,443,056
Aggregate carrying value after ECL	£33,639,051	£44,612,344	£68,963,675
Cash held	£2,945,897	£11,348,746	£9,209,494

<sup>(1)</sup> During the 6 months from 31 July 2023 to 31 January 2024, £85,389 principal in the Northlands loan was repaid, £174,174 of trapped cash was allocated against the Affinity loan and there was a £300,000 increase to the Southport loan principal.

### RECONCILIATION OF CHANGES IN BOOK VALUE

Project	Balance outstanding (£m) <sup>(1)</sup>	31 January 2024		31 July 2023 (unaudited)		31 January 2023	
		Book Value after ECL (£m)	Book Value per share (p)	Book Value after ECL (£m)	Book Value per share (p)	Book Value after ECL (£m)	Book Value per share (p)
Affinity	17.13	11.34	9.3	15.99	13.2	17.76	14.6
Southport	15.50	7.91	6.5	9.38	7.7	13.70	11.3
RoyaleLife	25.38	14.39	11.9	18.72	15.4	27.67	22.8
Northlands	-	-	-	0.52	0.4	9.83	8.1
<b>Total</b>	<b>58.01</b>	<b>33.64</b>	<b>27.7</b>	<b>44.61</b>	<b>36.7</b>	<b>68.96</b>	<b>56.8</b>

<sup>(1)</sup> Balance outstanding excludes accrued interest. A comparison to the carrying value of the loans is set out in Note 5 to the accounts.

### INVESTMENT UPDATE

#### Southport

The Company's Southport hotel loan continues to be run by the administrator appointed by the Company, with services provided by hotel sector specialists Michels & Taylor. Despite the uncertainty caused by the administration and cost pressures on hotel operations nationally, the asset traded profitably in 2023 while maintaining the same local management team. Trading at the hotel is seasonal, with

revenues strongest from April to October. Despite the administration, the hotel has seen revenue performance rise to close to the pre-Covid peak. On the costs side, pressure on wages continues although falling utilities prices should help the bottom line in 2024. Nonetheless, given the seasonal nature of trading and impact of administration costs and empty running costs of the adjoining leisure site, the Company does not anticipate distributing any interest or capital repayments from the loan in the near term.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

### INVESTMENT UPDATE (CONTINUED)

As reported last year, the property had previously been under offer for sale to a large trade buyer, however certain of the purchase conditions linked to freeholder consent could not be satisfied and the buyer withdrew. Following this process we, through the administrator, introduced a new joint selling agent and relaunched the sales process which uncovered further interested parties. At the time of writing, heads of terms have been agreed with a North West focused hotelier known to ICG who have made a credible bid, albeit subject to debt, at a level that supports the carrying value of the loan. While that financing process is being pursued, the agents continue to speak with other interested parties.

### RoyaleLife

The Company and its co-lenders appointed administrators over parts of the borrower group in May 2023 and the entire borrower group in August 2023. The Investment Manager, on behalf of the Company and its co-lenders, has continued to work to restructure the loan and underlying business to maintain existing operations, improve efficiency and create a clean, marketable structure for the medium term. This has been undertaken against the backdrop of a corporate insolvency of the borrower entities and bankruptcy of the ultimate beneficial owner, resulting in material reputational risk to the brand.

During the reporting period and concluding in January, the sites securing the loan were transferred into a new structure with a new operator, with the in-place debt retained. The Company's loan was fully cross-collateralised with a second facility provided by the Company's co-lenders, allowing the Company the benefit of a more diversified security pool, a wider operating platform and greater economies of scale. Given the potential for a conflict of interest in this arrangement, the Board took independent legal advice on the cross-collateralisation before agreeing to this restructure.

Additionally, the restructure also incurred certain legal, working capital and stamp duty costs funded by the co-lenders, and the Board determined that in view of the Company's liquidity position it would seek to meet its share of these costs through a dilution of its share in the transferred loan rather than through a cash payment.

Ahead of the restructure the administrator appointed selling agents to run a marketing process covering the majority of the security properties. The process was short with limited data available to bidders. However, all of the sites marketed received bids (some multiple bids) and three bids were received for the entire marketed portfolio. While much of the bidding interest can be characterised as opportunistic, two institutional bidders emerged and discussions with one of these is ongoing, which, if concluded, may lead to a partial disposal and realisation in the near term. Again, this bidding interest is supportive of the carrying value of the loan.

In tandem, the new operator has developed an independent plan for the relaunch of the business with a view to selling the portfolio and platform as a going concern after stabilisation. This is being run in parallel with sales discussions and we continue to explore the optimal route for recovery.

Whilst population demographics and housing sector tailwinds remain compelling for the portfolio, the nature of the administration and some of the associated publicity has undoubtedly affected buyer liquidity and pricing, which is

reflected in the carrying value of the loan. We would refer shareholders to the sensitivity analysis set out in the financial statements (Note 5 (iv)) which reflect the range of potential outcomes for the investment. The Investment Manager and the Board are seeking to balance the prospect of earlier liquidity against the optimal proceeds from realisation, noting significant shareholder feedback received advocating against any 'fire sale' of the assets and balancing these against the holding costs of the investment.

### Affinity

We have previously reported that the office property securing this loan has been historically well occupied, and as at the date of these accounts a new letting was in solicitors' hands with a UK Government entity on the primary vacant space, at a new record rental level for the building. Elsewhere, a lease extension of the lower ground floor was recently completed at a 16% increase to prior levels, illustrative of the continued growth in rental levels in the Bristol market and at the property.

On the downside, one of the larger office tenants exercised a break clause on part of its space within the building which it then vacated in March 2024. While this reduces total income, the Company will not be liable for empty business rates (as there is a receiver appointed), mitigating the bottom line impact. We would highlight that the overall rates shelter provided by the receivership significantly outweighs the cost of the receivership fees incurred and will continue to do so until closer to full occupancy is achieved. Nonetheless, the weighted average length remaining on the leases will continue to reduce, leading to the potential for further tenant turnover in 2025.

Since placing the property into receivership we have worked closely with the receiver and appointed selling agents to better prepare the property for marketing, including discussing an extension of the head leasehold interest with the freeholder, Bristol City Council and have commissioned several third party reports which should help provide comfort to potential buyers and streamline the sale process. In recent months we have seen a small number of office sales conclude in Bristol, after a very challenged 2023, and this combined with the recent rental evidence could allow for a somewhat improved marketing environment. However, we would caution that liquidity remains extremely thin in this market and pricing levels are considered unlikely to rebound or show any signs of strengthening in the near term.

### ECONOMY AND FINANCIAL MARKET UPDATE

After a year of uncertainty and periods of volatility in key economic data, the UK economy finished 2023 in a technical recession, after a contraction between October and December. Whilst GDP growth for 2023 remained marginally positive at 0.1%, the wider macroeconomic picture was subdued, with the UK and European economies lagging the growth seen in the United States.

While there have undoubtedly been times where it felt otherwise, the UK's political leadership showed more stability than in 2022, although the significant erosion in support for the governing Conservative party has led to ongoing speculation of the timing of a general election and the expectation of a change in government. Often election uncertainty can lead to a period of inactivity in markets, however there is a perception that the UK outcome is a forgone conclusion, with the US elections perhaps more likely to cause market jitters.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

As in 2022, inflation and interest rates were key drivers of market activity. As with other western economies, the UK saw a significant period of disinflation in the year as base effects took historical energy price rises out of the index. CPI inflation fell from 10.1% to 3.4% for the year to end February, however the high inflation levels observed in the first half of 2023 led to sustained interest rate rises over the period, from 3.5% to 5.25% in August. The combination of these factors, plus the freeze on income tax thresholds, led to a year of heavy pressure on household finances, in many cases more than offsetting wage increases.

As set out below, these macro factors led to a subdued level of activity in the commercial property sector, with uncertainty affecting occupational, purchasing and lending decisions. More recently, as inflation levels have fallen, early GDP data has been more positive and the outlook for interest rates points to cuts, we have seen signs of a return to optimism in certain sectors, leaving market participants to redraw their business plans once again.

### OCCUPATIONAL DEMAND/SUPPLY

#### Offices

Central London office uptake stood flat year on year, with strong pre-let activity and high single-digit prime rental growth indicative of a flight to quality in the occupational markets, particularly in the prime West End market, where prime rents moved to £140 per sq ft. Outside of London, the market showed strength in the Thames Valley and parts of the South East, however uptake amongst the big six regional markets was down 15% year on year across 2023. Reflecting the continued mantra of quality over quantity, Manchester and Edinburgh recorded both the highest rental increases (8% and 12% respectively) as well as the highest overall prime rents (£43 per sq ft), whilst other markets lagged – Bristol take up was at a five-year low, and prime rents remained flat year on year.

#### Retail & Industrial

The fate of the two other traditional property sectors has at times seemed to be inversely correlated – as occupier demand for physical retail has suffered in recent years, as shoppers migrated online, industrial (including logistics) demand grew ever higher with occupiers seeking to service this consumer need. The market in 2023 tempered this pattern somewhat, as demand for retail saw tentative green shoots emerge just as rampant demand for the industrial sector cooled slightly.

Contradiction in economic indicators was also present in retail. Despite an upswing in the GfK Consumer Sentiment Index to -22 in December (+20 pts year on year, only 10 pts below the long-term average), Christmas trading was weaker than expected. Strong Black Friday spending coincided with an increase in consumer credit of £2.0bn, indicating the cost of living weighing heavily on households. Interlinking with softer industrial growth, the e-commerce share of retail spend broadly flatlined in 2023.

The occupational retail leasing story, depressed in the earlier quarters of 2023 due to economic uncertainty, showed positive momentum, driven by retailers competing for prime high street pitches and higher quality stores. Locations such as Mount Street in London and Edinburgh's Princes Street saw rental growth in 2023, as international new entrants (e.g. Sephora) and previously online only retailers (e.g. Gymshark, Maniere de Voir)

took prime retail space. Overall, the sector remains polarised with the best space in demand and weaker space remaining out of favour.

In the industrial sector, availability at end Q4 stood at 66.5m sq ft, 16% up year on year, and construction slowed, hampered by factors such as lower demand a relative lack of funding and higher build costs, helpfully mitigating the risk of market oversupply.

Vacancy rates have increased in most markets over the course of 2023, ranging between 4% (Midlands) and 8% (South Yorkshire) across the regions. Prime rents have largely stabilised in the last months of 2023, and a strong Q4 took annual industrial take up to 32.5m sq ft, just 2% below the pre-pandemic average, signalling market normalisation. Whilst larger units lagged due to lessened demand from third party logistics operators and retailers, small and mid-sized units remained strong, reinforcing the sector's resilience.

#### Leisure

Operationally, the hotel sector witnessed one of the strongest years in memory in terms of topline performance, with Average Daily Rates (ADR) growing 26% over the pre-Covid 2019 baseline. Whilst occupancy remained 40 bps below 2019, RevPAR (Revenue per available room, a key metric) was positive overall. Notably, London's phenomenal performance over 2023 eclipsed the UK regions, which saw much more measured growth with owners attempting to absorb significant cost increases.

Whilst 2023 saw minimal supply growth, weakness in the office markets has accelerated the number of conversions to hotel use underway, converging with a strong push from the Government to return beds currently used to house asylum seekers, implying impending growth in the supply pipeline.

### PROPERTY INVESTMENT MARKET

Full year 2023 investment volumes stood at c. £43bn, with office, industrial and residential at c. £10bn each. Apart from residential, volumes remain below long term averages across the board, in what some consider may mark the low point of the cycle. Alternative asset classes continue to be in high demand, and the Build to Rent sector in particular catapulted forward with landmark transactions including a 3,900 unit, £819m Blackstone purchase in Q4, and multiple substantial student housing transactions.

Overall, 2023 saw widespread rebasing of market prices, although early 2024 has seen some signs of confidence re-emerging in certain sectors. As government bond yields have fallen, the spread to commercial real estate yields increased, bolstering the relative attractiveness of the asset class. The strain on construction also eased, and while costs remain high and contractor insolvencies persist, the most significant squeeze is believed to be surmounted, with materials availability and labour cost becoming less of an issue. As in previous quarters, the 2023 theme of flight to quality continued to play out across all asset classes on the investment side. Whilst a number of issues remain on the horizon for 2024, not least the UK and US elections and a largely flatlining economy, the anticipated lowering of interest rates and fall off in inflation bode positively.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

### PROPERTY INVESTMENT MARKET (CONTINUED)

In the office sector, 2023 was one of the worst years on record for investment in both London and the regions. The continued concerns over flexible working, occupier space requirements and ESG retrofitting costs, combined with limited buyer appetite and debt availability being scarce, has pushed yields towards double digit levels for many previously sought after assets.

Industrial investment, previously buoyant, likewise recorded a relatively weaker year, driven by a lack of larger assets transacting, and yields repricing in the face of sustained higher interest rates. A continued bid ask spread stalemate and higher debt cost may weigh on investment volumes into 2024, albeit anecdotally some of our borrower clients are reporting highly competitive bidding re-emerging.

Despite occupational buoyancy in the hotel market, transaction volumes were down year on year, and stood at a 10-year low (excluding the Covid-impacted 2020). The regional market was particularly impacted, and yields moved out 75-100 bps over the year. Holiday Park operators reported a marked drop in caravan and lodge sales in 2023, particularly at the upper end, on the back of the economic climate, and both leisure parks and regional pubs saw outward movements in yields over the course of year.

### FINANCE MARKETS

We believe loan to value ("LTV") ratios for new lending have restabilised at lower levels and as such, a clearer picture of the debt funding gap is emerging. As a consequence of reduced property values and lower LTVs, in addition to declining interest coverage ratios, there is a significant gap between available debt capital and that required to refinance existing loans. Across Europe, in both the public (listed) and private sectors, this gap has been estimated at €300bn. While this may reduce as interest rates come off, the gap remains a significant issue to borrowers seeking refinance.

Whilst alternative debt funds were well poised to take a large slice of this gap, a different obstacle to this has become more prominent over 2023 – the after-effects of pension funds and insurers rebalancing their portfolios (and reducing their real estate debt allocation) has led to a reduction in the ability of many of these players to raise funds and take advantage of this situation.

### ICG REAL ESTATE

8 May 2024

## 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 a director and Chairman of the audit committee of the Witan Investment Trust PLC. He will retire as Chairman of European Assets Trust PLC in May 2024. 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. 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

## BOARD OF DIRECTORS (CONTINUED)



**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 over 25 years' experience working in financial services in both London and the Channel Islands with experience in accounting, tax, strategy, marketing, PR and the regulatory and listed company environments.

Among her appointments, in addition to that with the Company, Fiona is director of Sequoia Economic Infrastructure Income Fund Limited, a FTSE 250 company. 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. Fiona is also a member of the AIC Channel Islands Committee.

Until the end of July 2020, Fiona was Chief Executive Officer of The International Stock Exchange Group Limited and prior to that she was CEO of Guernsey Finance, the promotional body for Guernsey's finance industry internationally. Previously, she was an auditor and latterly tax adviser at PwC (London and Channel Islands) and KPMG (Channel Islands) for over 13 years.

**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 2024. This Report of the Directors should be read together with the Corporate Governance Report on pages 19 to 26.

### BUSINESS REVIEW

A review of the Company's business and its likely future development is provided in the Chairman's Statement on pages 3 to 4 and in the Investment Manager's Report on pages 5 to 8.

### LISTING REQUIREMENTS

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

### RESULTS AND DIVIDENDS

The results for the year are set out in the Financial Statements on pages 36 to 58.

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 2023	06 April 2023	04 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 Shares are entitled to all dividends paid by the Company and, on a winding up, providing the Company has satisfied all 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 two such issuances during the year, which were redeemed and cancelled:

No. B Shares issued	Purpose	Date of Declaration	Payment Date	Par Value per Redeemable B Share (pence)
121,302,779	Return of Capital	26 January 2023	17 February 2023	5.50
121,302,779	Return of Capital	11 August 2023	1 September 2023	7.40

### SHAREHOLDINGS OF THE DIRECTORS

The Directors' beneficial interests in the shares of the Company as at 31 January 2024 and 2023 are detailed below:

Director	Ordinary Shares of £1 each held 31 January 2024	% holding at 31 January 2024	Ordinary Shares of £1 each held 31 January 2023	% holding at 31 January 2023
Mr Perry	108,609	0.09	108,609	0.09
Mr Beevor	30,000	0.02	30,000	0.02
Mr Meader	305,921	0.25	305,921	0.24
Mrs Le Poidevin	–	0.00	–	0.00

Directors' beneficial interests in the shares of the Company as at 2 May 2024, being the most current information available, are unchanged from those disclosed above.

## REPORT OF THE DIRECTORS (CONTINUED)

### 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 realise optimal recoveries 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.

### SUBSTANTIAL SHAREHOLDINGS

As at 31 January 2024, 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	21,029,244	17.34%
Almitas Capital	12,372,209	10.20%
Canopus	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)	6,868,641	5.66%
Philip J Milton, stockbrokers	5,467,607	4.51%
CG Asset Management	4,882,100	4.02%
RBC Brewin Dolphin, stockbrokers	3,309,670	2.73%

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.

## REPORT OF THE DIRECTORS (CONTINUED)

### SUBSTANTIAL SHAREHOLDINGS (CONTINUED)

In addition, the Company also provides the same information as at 23 April 2024, being the most current information available.

Shareholder	Shareholding	% holding
Close Brothers Asset Management	20,657,247	17.03%
Canopus	12,276,107	10.12%
Almitas Capital	11,972,209	9.87%
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)	6,903,552	5.69%
Philip J Milton, stockbrokers	5,702,660	4.70%
CG Asset Management	4,882,100	4.02%
RBC Brewin Dolphin, stockbrokers	3,122,970	2.57%

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 2023 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 on pages 27 to 29.

### ARTICLES OF INCORPORATION

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

### NMPI STATUS

The Company no longer meets the criteria to be an exempt NMPI and the Company was removed from the AIC list of excluded securities in the prior year.

### 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 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, following the appointment of receivers or administrators in respect of the last remaining loans, the investments will be realised as and when the underlying property assets, or loans upon which they are secured, can be sold in an orderly manner. The Company may take actions with the consequence of accelerating or delaying realisation in order to optimise shareholders' 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 than going concern in preparing the financial statements.

## REPORT OF THE DIRECTORS (CONTINUED)

In the absence of a ready secondary market in real estate loans by which to assess market value of the loans, the basis of valuation for investments is amortised cost net of impairment, recognising the realisable value of each property in the orderly wind down of the Company. In accordance with the Company's IFRS 9 Policy the staging of each loan has been reviewed and all loans are now considered to be at Stage 3. Consequently, valuations reflect the ECL assuming a twelve month realisation period, as detailed in Note 5. No material adjustments have arisen solely 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, 8 loans have repaid in full and £54.46 million of capital has been returned to Shareholders. The Company's remaining three loans are now past due and receivers or administrators have been appointed to accelerate the realisation of the security underpinning the loans. As discussed elsewhere in this report, market conditions have been, and remain, unfavourable to near term realisations except to opportunistic buyers seeking material discounts to value in the face of high funding costs in order to generate their target returns.

The valuations applied to the loans reflect the Board's current expectations of realisable values in a twelve month period,

however the Board have considered the Company's working capital requirements, assuming no further income or capital receipts over a two year period.

Cashflow projections are prepared regularly. 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 meet its liabilities as they fall due over the period under consideration to February 2026, if the Company continues in operation up until that date. The Company is likely to operate with a cashflow deficit in some quarters. Cash reserves are held to cover these periods 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 only to UK domiciled companies. Nonetheless, the AIC Code requires that the matters set out in section 172 are reported on by all companies, irrespective of domicile. This requirement does not conflict with Guernsey company law.

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

Stakeholder Group	Methods of Engagement	Benefits of Engagements
<p><b>Shareholders</b></p> <p>The major investors in the Company's shares are set out on page 13.</p> <p>Following a series of economic shocks and the Company share price falling to a deep discount to NAV, shareholders supported a recommendation by the Board in 2021, to wind down the Company.</p> <p>The Company sought to maintain shareholder satisfaction through:</p> <ul style="list-style-type: none"> <li>■ Transparency of communication</li> <li>■ Capital preservation</li> <li>■ Payment of regular and sustainable dividends for as long as considered prudent and</li> <li>■ Return of capital on loan repayments</li> </ul>	<p>The Company engages with its shareholders through the issue of portfolio updates in the form of RNS announcements.</p> <p>The Company provides in depth commentary on the investment portfolio, corporate governance and corporate outlook in its semi-annual and annual financial statements.</p> <p>The Board receives quarterly feedback from its Broker in respect of their investor engagement and investor sentiment.</p> <p>The engagement with shareholders, through update calls and the AGM, will continue through the wind down period as capital is returned to investors.</p>	<p>In the financial year the Company issued:</p> <ul style="list-style-type: none"> <li>■ 4 Portfolio updates by way of RNS</li> </ul> <p>The Company has continued in its objective to execute the orderly realisation of assets of the Company during the year. During a period when market conditions have not been favourable towards this goal, discussions involving Directors, the Investment Manager and the Company's brokers have been held directly with major shareholders during the year.</p> <p>Engagement with shareholders through these announcements enables shareholders to take informed decision as to the winding up process and timetable.</p>

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS' RESPONSIBILITIES TO STAKEHOLDERS (CONTINUED)

Stakeholder Group	Methods of Engagement	Benefits of Engagements
<p><b>Borrowers/Administrators and Receivers</b> The Company's principal clients are the borrowers to whom the Company provides term finance.</p> <p>During the year, other than in respect of its Northlands loan which was repaid, the Company has appointed administrators or receivers in respect of its remaining loans, and, consequently the receiver/administrator now fulfils the duties of the borrower and acts on behalf of any other relevant creditors to the borrower entity.</p>	<p>The Company engaged with its Borrowers, and now engages with the administrators and receivers, through its Investment Manager.</p> <p>The Investment Manager has formed and maintained a close working relationship with these parties through regular update calls and the ongoing quarterly monitoring of loans over their respective terms.</p> <p>Following the appointment of receivers/administrators, the Investment Manager holds regular meetings to monitor the performance of the underlying properties and actions being undertaken to protect, enhance and ultimately realise their value.</p> <p>The Board monitors the timeliness and quality of these engagements through its regular engagement with the Investment Manager.</p> <p>A Director of the Company has met with two of the administrators/receivers and conducted site visits at certain of the secured properties to understand the specific market dynamics impacting liquidity and value of the subject properties.</p>	<p>During the course of the year, the Investment Manager has provided and the Board reviewed regular updates to the portfolio and investments. Further specific updates have been provided on investment specific matters throughout the year.</p> <p>The Investment Manager regularly engaged with all its Borrowers during the year to seek orderly repayment of the Company's loans, as was the case with Northlands, but has ultimately appointed of receivers/administrators due to the borrowers' defaults under the terms of the original loans.</p> <p>Through its engagement with the administrators and receivers, the Investment Manager is able to advise on and monitor all actions being taken to prepare assets for sale and the ensuing sales process, and take actions to support the asset level performance to protect or enhance value.</p>
<p><b>Service Providers</b> The Company does not have any direct employees; however, it works closely with a number of service providers (the Investment Manager, Administrator, Company Secretary, Broker and other professional service providers) whose interests are aligned to the success of the Company.</p> <p>The quality and timeliness of their service provision is critical to the success of the Company.</p>	<p>The Company's Management Engagement Committee has identified its key service providers. On an annual basis it undertakes a review of performance based on a questionnaire through which it also seeks feedback.</p> <p>Furthermore, the Board and its sub-committees engage regularly with its service providers on both a formal and informal basis.</p> <p>The Management Engagement Committee will also regularly review all material contracts for service quality and value.</p>	<p>The information provided 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. Feedback has been given to all relevant service providers during the year.</p> <p>In addition, following extensive discussion between the Board and the Investment Manager, their fee will reduce to 0.5% of Net Asset Value from 1% previously, as discussed in the Chairman's statement.</p>
<p><b>Community &amp; Environment</b> As an investment company whose purpose was the provision of and investment in commercial real estate debt, the Company's direct engagement with the local community and the environment is limited.</p> <p>However, the Board recognises the role the Company can play in terms of the environment by supporting and guiding Borrowers to find environmentally friendly sustainable solutions in the maintenance of their properties and delivery of their business plan objectives more generally.</p>	<p>Within its investment strategy, the environmental and social impact of the properties on which the Company's loans are secured was an important consideration when it had made its investments, and has remained so through the monitoring of the loans and actions of the Borrowers.</p> <p>The community, environmental and social impact has also been a consideration in the choice to appoint receivers/administrators in respect of the Company's remaining loans.</p>	<p>In the year to 31 January 2024, the Company made no new loans.</p> <p>In monitoring its investments and providing working capital facilities for the protection of development of the properties the Investment Manager and the Board have continued to consider the environmental and social impact or such developments or expenditure.</p> <p>With respect to the loans now in administration or receivership the Investment Manager, on behalf of the Company, continues to engage with the relevant parties to ensure that the properties are being maintained in good order for their occupants and in the case of operational properties a duty of care to all stakeholders is being observed.</p> <p>The ESG report provides further information on the Investment Manager's approach to this important subject.</p>

## REPORT OF THE DIRECTORS (CONTINUED)

### 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:

Given that further of the Company's loans were fully repaid, the Board approved two distributions of capital equating to 5.50 and 7.40 pence per share for the year.

The Board agreed to the Investment Manager's recommendation that the Company exercise its security interests and appoint an administrator over the RoyaleLife borrower companies and a receiver over the Spectrum Affinity property.

In order to protect the value of its underlying property security, the Board approved a restructure of the RoyaleLife loan, which resulted in the cross collateralisation of its security with other assets securing a similar loan made to the same borrower group by its co-lenders.

The Board determined to retain a working capital buffer to ensure the Company's viability in the absence of any further income or capital receipts during the foreseeable realisation period of the remaining investments.

The Board reviewed the performance of the Investment Manager, which was considered to be satisfactory. The Board has agreed to a reduction to the Investment Manager's fees to control the Company's cost base and improve the ultimate value returned to shareholders. 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 on pages 53 to 56.

### PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties are discussed in the Corporate Governance Report on pages 19 to 26.

### SUBSEQUENT EVENTS

Significant subsequent events have been disclosed in Note 16 to the Financial Statements on page 58.

### ALTERNATIVE PERFORMANCE MEASURES

The Directors believe that the performance indicators detailed in the Financial Highlights and Financial Summary on pages 1 and 2, which are typical for entities investing in real estate debt, will provide shareholders with sufficient information to assess how effectively the Company is meeting its objectives. The alternative performance measures are described in the table on page 59.

### ANNUAL GENERAL MEETING

The AGM of the Company will be held at 12pm BST on 18 June 2024 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

8 May 2024

## 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 UK adopted international accounting standards ("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](http://www.lbow.co.uk)).

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

### RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the Directors, whose names are set out on pages 10 and 11, 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**  
Chairman

8 May 2024

**FIONA LE POIDEVIN**  
Director

8 May 2024

## CORPORATE GOVERNANCE REPORT

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

The Company became a member of the AIC effective 27 February 2013 and has therefore put in place arrangements to comply with the AIC Code 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](http://www.theaic.co.uk).

The Company is subject to the GFSC Code, which applies to all companies registered as collective investment schemes in Guernsey. The GFSC has also confirmed that companies which report against the 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 2024, 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;
- the need for an internal audit function; and
- succession.

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 other than succession 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 on page 28.

As the Company is in wind down, the Board has determined not to implement a succession plan for Directors as outlined on page 23. The Board considers all Directors remain independent.

### 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](#)

As the Company will no longer make any new investments and is actively seeking to realise the remaining assets in its portfolio, the opportunities to support borrowers in ESG matters is limited. However, where receivers and administrators have been appointed to realise the value of the underlying security assets, the Company and the Investment Manager remain mindful of its ESG responsibilities particularly toward the stakeholders in the operating assets.

### 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. In holding the Investment Manager to account, the Board regularly raises robust challenges of the choices and recommendations made by them.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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 all 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 or have served on other boards, which ensures that they are kept abreast of the latest technical developments in their areas of expertise. The Directors details are listed on pages 10 and 11 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### DIRECTORS' REMUNERATION

The level of remuneration of the Directors reflects the time commitment and responsibilities of their roles. The Chairman is entitled to annual remuneration of £50,000 (31 January 2023: £50,000). The Chair of the Audit and Risk Committee is entitled to annual remuneration of £40,000 (31 January 2023: £40,000). The other independent Directors are entitled to annual remuneration of £35,000 (31 January 2023: £35,000). These levels of remuneration have remained unchanged since July 2017.

During the year ended 31 January 2024 and the year ended 31 January 2023, the Directors' remuneration was as follows:

Director	Expected fees 1 February 2024 to 31 January 2025 £	1 February 2023 to 31 January 2024 £	1 February 2022 to 31 January 2023 £
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	40,000	40,000	40,000

The Company Directors' fees for the year amounted to £160,000 (31 January 2023: £160,000) with outstanding fees of £31,250 due to the Directors at 31 January 2024 (31 January 2023: £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 on page 18. 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### DUTIES AND RESPONSIBILITIES (CONTINUED)

Attendance is further set out below:

Director	Scheduled Board Meetings	Ad-hoc Board Meetings	Audit and Risk Committee Meetings	Ad-hoc Committee Meetings	Nomination Committee Meeting	Management Engagement Committee Meeting	Remuneration Committee Meeting
Stuart Beevor	4	5	6	2	0	2	0
Paul Meader	4	2	6	2	–	2	–
Jack Perry <sup>(1)</sup>	4	5	–	2	–	2	–
Fiona Le Poidevin	4	5	6	2	–	2	–

<sup>(1)</sup> 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. 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 on pages 27 to 29.

### 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. 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. The Nomination Committee met on 4 April 2024 and confirmed that its terms of reference remained appropriate. Board composition and tenure were discussed and the policy on both issues was agreed as disclosed in the Corporate Governance Report above. The directors' independence was also reviewed and each individual director was considered as independent.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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 Nomination 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. The Remuneration Committee met on 4 April 2024 and confirmed that its terms of reference remained appropriate. 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 therefore proposed for the year to 31 January 2025.

### 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, as explained on page 28.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### INTERNAL CONTROL AND FINANCIAL REPORTING (CONTINUED)

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 ISAE3402 report: Assurance Report on Controls at a Service Organisation Audit which is provided to the Board when finalised. The last available report is dated 23 March 2023 and covers the year to 31 October 2021. The report for the period to 31 October 2022 is expected shortly. For the period to 31 October 2023, the Administrator is undertaking a Global Service Organisation Control (SOC-1) Report which will be available in Q2 2024. The Board has received an assurance from the Administrator that there have been no material changes in their control environment that would adversely affect the Auditor's Opinion in the most recently published ISAE 3402 and the Directors have held further satisfactory discussions with the Administrator around key controls employed. 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 on 8 February 2024 as part of the internal control environment. Given the uncertainty in regards to the remaining life of the Company, the Board may consider a further visit to the Investment Manager's office, if required. The conclusions of these reviews have been satisfactory, providing assurance on the control environment 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 agreed all recommendations proposed by the Audit and Risk Committee. 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 and 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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

Description	Nature of Risk	Potential Impact	Mitigation
Inability to secure sales of underlying properties to facilitate timely capital repayments	<p>Market, geopolitical and economic conditions are currently volatile and the outlook unsure. The Company's three key loans are in administration or receivership.</p> <p>The Company's Borrowers retain a right of redemption but have been unable to raise sufficient equity to refinance the current loans.</p> <p>In adverse market conditions with low transaction volumes and high costs of debt, the appointed Receivers and Administrators may find it challenging to secure sales.</p>	<p>This could result in delayed sale of the underlying properties and/or reduced quantum of capital proceeds.</p> <p>The thin market liquidity combined with receivership/administrator sales may also attract only opportunistic buyers seeking high returns and deep discounts in order to proceed with a perceived distressed sale with very limited indemnities or warranties being offered.</p>	<p>The Investment Manager has appointed a receiver or administrator to each of the three key loans remaining and is ensuring the property securing each loan is being actively managed, with income and condition being maintained wherever possible and economic to do so.</p> <p>The Investment Manager maintains an active dialogue with all the administrators/receivers and keeps the Board informed of any issues arising. Loans and the underlying security are monitored on an ongoing basis to identify any further deterioration or distress.</p> <p>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 deal with any issues. Current conditions mean that reconciling a timely exit with maximising shareholder value is challenging.</p>
Fall in collateral values, and accuracy of valuations	Commercial property values are typically linked to a property's ability to generate cashflows and are benchmarked against comparable properties. Economic and market volatility create material uncertainty in terms of property valuations.	This may impact the Company's ability to accurately determine collateral values and to appropriately consider the level of permanent impairment of any particular investment, within the target timeframe to realise that investment.	<p>The current volatile market conditions may make the accuracy of valuations somewhat unreliable with significant but unknown bid offer spreads between buyer and seller aspirations. As things stand at the time of review, the market for refinancing loans or the sale of underlying properties is uncertain.</p> <p>The Board obtains external valuations as appropriate but also makes judgements based on offers in hand, valuer and agency advice and outlook for each specific property.</p> <p>Given the market uncertainty and lack of transactional evidence, the Company applies a probability weighted approach to the range of outcomes based on differing realisation scenarios.</p>
Portfolio Diversification	The Company is in wind down with only three loans remaining.	<p>The Company no longer benefits from portfolio diversification, but carries the specific risks associated with the remaining loans.</p> <p>The remaining loans are in receivership or administration and, as such, the Company's income generation is and cashflow are unpredictable.</p> <p>Furthermore, the Company's fixed costs will thereof comprise a greater proportion of the Group's revenues which may impact the amount of funds available for distribution to shareholders.</p>	<p>As part of the orderly realisation, the Investment Manager and the Board have stepped up monitoring of the individual investments and the Board receives frequent formal and informal reports from the Investment Manager.</p> <p>The Board also continues to closely monitor the Company's costs, to ensure optimum value is obtained during the realisation of the portfolio.</p> <p>However, with only three loans outstanding, the portfolio's concentration risk has increased significantly and will continue to increase as loans are repaid.</p> <p>The Board will adopt a prudent approach to the repayment of capital to shareholders to ensure that the Company remains viable and avoids becoming a distressed seller through the final realisation process.</p>

## CORPORATE GOVERNANCE REPORT (CONTINUED)

Description	Nature of Risk	Potential Impact	Mitigation
Liquidation process and timeliness of final capital distribution	The Company's liquidation is expected to follow repayment of the final loan and the discharge of all creditors and claims, timings of which is uncertain for the reasons set out above.	Liquidation of the Company may be delayed and it may continue to operate with high fixed costs relative to the remaining income streams.	<p>The performance of all loans and timings of repayments is monitored closely.</p> <p>The Board and Investment Manager will continue to weigh the merits of accelerated exits versus orderly repayment to maximise shareholder returns where possible.</p> <p>Potential claims and liabilities will be identified and addressed in advance wherever possible.</p>

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

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

8 May 2024

**FIONA LE POIDEVIN**  
Director

8 May 2024

## 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.

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

### MEETINGS

During the year ended 31 January 2024, 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 Company's remaining loans are past due and, in each case, the underlying assets are subject to either receivership or administration process at the behest of the Company. The Committee reviews the Investment Manager's monitoring of the subject properties and performance of its appointed asset managers, receivers, administrators and sales agents to ensure all reasonable steps are being taken in the orderly realisation of the assets.

The Committee also receives updates from the Investment Manager regarding the trading performance of each property. As a result, the Committee seeks to determine the level of impairment to the loans.

The Audit and Risk Committee notes that critical judgements have been made in relation to the assessment of the estimation of the loss given default to each of the remaining three loans.

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 and loss given default in relation to the loan portfolio. The Audit and Risk Committee has reviewed detailed impairment analysis and current loan performance reports prepared by the Investment Manager together with the consideration of the current collateral values underpinning the loan portfolio.

The Audit and Risk Committee also 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 2024 was reviewed. All three loans, Affinity, RoyaleLife and Southport were identified as Stage 3 and have an impairment provision of £32.48 million. 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 9 as set out in the accounting policies, interest accruing and unpaid on Stage 3 loans recognised as Income net of ECL allowance in the Statement of Comprehensive Income.

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

### RISK MANAGEMENT

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit and Risk Committee. The work of the Audit and Risk Committee is driven primarily by the Company's assessment of its principal risks and uncertainties as set out on pages 24 to 26 of the Corporate Governance Report, and it receives reports from the Investment Manager and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified. Furthermore, the Investment Manager monitors the risks associated with the investments and the compliance of the investment portfolio with the investment restrictions of the Company.

### INTERNAL AUDIT

The Audit and Risk Committee continues to review the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and the Investment Manager, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards shareholders' investment and the Company's assets, is maintained. Furthermore, the visit to the Investment Manager's London office on 8 February 2024 gave the Committee 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.

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

### EXTERNAL AUDIT

Deloitte LLP has been the Company's external auditor since the Company's inception. This is the eleventh 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.

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 2025.

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

8 May 2024

## 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 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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 16.

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 2 b) in 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

<b>Key audit matters</b>	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none"> <li>■ The assessment of expected credit losses (ECL) on loans advanced</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li> Newly identified</li> <li> Increased level of risk</li> <li> Similar level of risk</li> <li> Decreased level of risk</li> </ul>
<b>Materiality</b>	The materiality that we used in the current year was £0.72 million which was determined on the basis of approximately 2% of the net asset value.
<b>Scoping</b>	We performed a full scope audit to respond to the risks of material misstatement.
<b>Significant changes in our approach</b>	We have not identified income recognition as a key audit matter this year. The reason is that all remaining loans were defaulted, and income was generated on stage 3 loans on a net carrying amount after deduction of expected credit loss provision. Income has been recognised from the Northland loan which was largely repaid during the year.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 5. KEY AUDIT MATTERS

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

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

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

##### Key audit matter description

As at 31 January 2024, the aggregate value of loans advanced at amortised cost amounted to £33.6 million (2023: £69.0 million) representing 92% of total assets (2023: 89%).

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 *Financial Instruments*, and the recoverability thereof, has been identified as a key audit matter.

As the contractual maturity of all loans was past due, a key source of estimation uncertainty within 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, the expected timing of the sale or refinance of those assets. In valuing the underlying collateral, the Investment Manager has historically engaged with external valuation experts and for the current year has also relied on a mixture of offers received and real estate agencies advice. In doing so the Investment Manager has determined a number of probability weighted scenarios.

The Investment Manager and the Board 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 which are mainly the judgements around the values of the collaterals such as:

- adequacy of valuations performed by external valuation experts and real estate agencies as well as scenarios proposed by the Investment Manager;
- credibility of third party offers;
- weightings and discounts adopted between different scenarios;
- estimated cost to sell underlying collateral; and
- estimated timing of collateral disposals.

This matter is explained further in the Report of the Audit and Risk Committee on page 28. 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 and tested relevant controls relating to the ECL assessment process;
- Obtained valuations reports for the underlying collateral as well as real estate agencies advice received;
- Assessed the competence, capability, and objectivity of valuation experts and real estate agencies used;
- With involvement of our valuation specialists we estimated net proceeds receivable for the underlying collateral and assessed assumptions made by the Investment Manager in respect of the collateral valuation including:
  - adequacy of the valuations;
  - credibility of third party offers;
  - weightings and discounts adopted; and
  - estimated cost to sell and the estimated timing of such disposals;
- Alongside our credit specialists, we assessed the appropriateness of the ECL provision by challenging the Investment Manager's scenario analysis and performing our own assessment. The assumptions considered included:
  - Collateral value;
  - Offers received on the underlying collateral and likelihood of completion; and
  - Estimated net proceed and impact of discounting (if any);
- Tested the mathematical accuracy of the ECL provision model;
- Performed a stand back analysis and assessed the ECL provision retrospectively; and
- Evaluated the appropriateness of disclosures made in the financial statements in light of the requirements of IFRS 7 *Financial Instruments: Disclosures*.

##### Key observations

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 6. OUR APPLICATION OF MATERIALITY

#### 6.1. Materiality

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

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

<b>Materiality</b>	£0.72 million (2023: £1.6 million)
<b>Basis for determining materiality</b>	2% (2023: 2%) of net asset value ("NAV")
<b>Rationale for the benchmark applied</b>	We believe net asset value is the most appropriate benchmark as it is considered one of the principal considerations in assessing financial performance.

  

#### 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 2024 audit (2023: 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 £36,000 (2023: £80,000), 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. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

#### 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. We tested the controls around the ECL provision however, we did not place reliance on the controls.

#### 7.3. Our consideration of climate-related risks

As described in the Environmental Social and Governance Report included in the Corporate Governance Report, the Company's activities only have a limited direct impact on the environment as set out in page 19. We have performed the following procedures:

- held discussions with management to understand the process of identifying climate-related risks and the impact on the Company's financial statements.
- read the Environmental Social and Governance Report included in the Corporate Governance Report to consider whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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](http://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;
- results of our enquiries of management, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's sector;
- 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 and real estate valuation specialist, 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 area:

- The assessment of expected credit losses (ECL) on loans advanced;

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD (CONTINUED)

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 framework 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 Company'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 expected credit losses (ECL) on loans advanced as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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 the 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 set out on page 14;
- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 14;
- the directors' statement on fair, balanced and understandable set out on page 18;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 18;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 23; and
- the section describing the work of the Audit and Risk Committee set out on page 22.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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 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 the board on 6 November 2023 to audit the financial statements for the year ending 31 January 2024. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 31 January 2014 to 31 January 2024.

#### 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

8 May 2024

STATEMENT OF **COMPREHENSIVE INCOME**

For the year ended 31 January 2024

	Notes	1 February 2023 to 31 January 2024 £	1 February 2022 to 31 January 2023 £
<b>Income</b>			
Income from loans	2 e)	4,896,000	7,136,574
Other fee income from loans	2 f)	5,168	133,051
Income from cash and cash equivalents		53,518	2,864
<b>Total income</b>		<b>4,954,686</b>	<b>7,272,489</b>
<b>Expenses</b>			
Investment Management fees	13	551,167	761,047
Directors' remuneration	12	160,000	160,000
Audit fees for the Company	14	63,013	42,353
ECL provision on financial assets	5	28,507,897	3,940,181
Other expenses	15	548,860	409,085
<b>Total expenses</b>		<b>29,830,937</b>	<b>5,312,666</b>
<b>(Loss)/profit for the year before tax</b>		<b>(24,876,251)</b>	<b>1,959,823</b>
Taxation charge	4	-	-
<b>(Loss)/profit for the year after tax</b>		<b>(24,876,251)</b>	<b>1,959,823</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(24,876,251)</b>	<b>1,959,823</b>
<b>Basic and diluted (Loss)/Earnings per Share (pence)</b>	9	<b>(20.51)</b>	<b>1.62</b>

All items within the above statement have been derived from discontinuing activities on the basis of the orderly realisation of the Company's assets.

The Company had no recognised gains or losses for either period other than those included in the results above.

## STATEMENT OF FINANCIAL POSITION

As at 31 January 2024

	Notes	31 January 2024 £	31 January 2023 £
<b>Assets</b>			
<b>Current Assets</b>			
Loans advanced	5	33,639,051	68,963,675
Trade and other receivables	6	30,718	43,435
Cash and cash equivalents	7	2,945,829	9,209,494
<b>Total current assets</b>		<b>36,615,598</b>	<b>78,216,604</b>
<b>Total assets</b>		<b>36,615,598</b>	<b>78,216,604</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	391,470	861,653
<b>Total current liabilities</b>		<b>391,470</b>	<b>861,653</b>
<b>Total liabilities</b>		<b>391,470</b>	<b>861,653</b>
<b>Net assets</b>		<b>36,224,128</b>	<b>77,354,951</b>
<b>Equity</b>			
Share capital	10	64,650,361	80,298,419
Retained loss		(28,426,233)	(2,943,468)
<b>Total equity attributable to the owners of the Company</b>		<b>36,224,128</b>	<b>77,354,951</b>
<b>Number of Ordinary Shares in issue at year end</b>	10	<b>121,302,779</b>	<b>121,302,779</b>
<b>Net Asset Value per Ordinary Share (pence)</b>	9	<b>29.86</b>	<b>63.77</b>

The Financial Statements were approved by the Board of Directors on 8 May 2024 and signed on their behalf by:

**JACK PERRY**  
Chairman

8 May 2024

**FIONA LE POIDEVIN**  
Director

8 May 2024

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2024

	Notes	Number of shares	Ordinary Share capital £	B Share capital £	Retained (loss)/ earnings £	Total £
<b>As at 1 February 2023</b>		121,302,779	80,298,419	-	(2,943,468)	77,354,951
Total comprehensive loss		-	-	-	(24,876,251)	(24,876,251)
Dividends paid	10	-	-	-	(606,514)	(606,514)
B Shares issued February 2023	10	121,302,779	(6,671,653)	6,671,653	-	-
B Shares redeemed & cancelled February 2023	10	(121,302,779)	-	(6,671,653)	-	(6,671,653)
B Shares issued August 2023	10	121,302,779	(8,976,405)	8,976,405	-	-
B Shares redeemed & cancelled August 2023	10	(121,302,779)	-	(8,976,405)	-	(8,976,405)
<b>As at 31 January 2024</b>		<b>121,302,779</b>	<b>64,650,361</b>	<b>-</b>	<b>(28,426,233)</b>	<b>36,224,128</b>

For the year ended 31 January 2023

	Notes	Number of shares	Ordinary Share capital £	B Share capital £	Retained (loss)/ earnings £	Total £
<b>As at 1 February 2022</b>		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)
<b>As at 31 January 2023</b>		<b>121,302,779</b>	<b>80,298,419</b>	<b>-</b>	<b>(2,943,468)</b>	<b>77,354,951</b>

The accompanying notes from 1 to 16 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOWS

For the year ended 31 January 2024

	Notes	1 February 2023 to 31 January 2024 £	1 February 2022 to 31 January 2023 £
<b>Cash flows generated from operating activities</b>			
(Loss)/profit for the year		(24,876,251)	1,959,823
Adjustments for non-cash items and working capital movements:			
Movement in other receivables	6	12,718	459,050
Movement in other payables and accrued expenses	8	(296,009)	68,430
Loan amortisation and ECL provision		25,889,373	1,193,484
		729,831	3,680,787
Loans advanced less arrangement fees		(308,400)	(487,610)
Arrangement fees received		-	64,740
Loans repaid	5	9,569,476	13,523,240
Net loans repaid less arrangement fees		9,261,076	13,100,370
<b>Net cash generated from operating activities</b>		<b>9,990,907</b>	<b>16,781,157</b>
<b>Cash flows used in financing activities</b>			
Dividends paid	10	(606,514)	(5,094,717)
Return of Capital paid	10	(15,648,058)	(7,278,170)
<b>Net cash (used in) financing activities</b>		<b>(16,254,572)</b>	<b>(12,372,887)</b>
Net (decrease)/increase in cash and cash equivalents		(6,263,665)	4,408,270
Cash and cash equivalents at the start of the year		9,209,494	4,801,224
<b>Cash and cash equivalents at the end of the year</b>		<b>2,945,829</b>	<b>9,209,494</b>

The accompanying notes from 1 to 16 form an integral part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2024

### 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.

### 2. ACCOUNTING POLICIES

#### a) Basis of preparation

The Financial Statements for the year ended 31 January 2024 have been prepared in accordance with UK adopted international accounting standards and the Companies (Guernsey) Law, 2008.

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 2023.

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 17	Insurance Contracts (Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published)	01 January 2023
IAS 1	Presentation of Financial Statements (Amendments regarding the disclosure of accounting policies)	01 January 2023
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

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 7	Financial Instruments: Disclosures (Amendments regarding supplier finance arrangements)	01 January 2024
IFRS 16	Leases (Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions)	01 January 2024
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 7	Statement of Cash Flows (Amendments regarding supplier finance arrangements)	01 January 2024

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. ACCOUNTING POLICIES (CONTINUED)

#### b) 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 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, following the appointment of receivers or administrators in respect of the last remaining loans, the investments will be realised as and when the underlying property assets, or loans upon which they are secured, can be sold in an orderly manner. The Company may take actions with the consequence of accelerating or delaying realisation in order to optimise shareholders' 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 than 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 of the loans, the basis of valuation for investments is amortised cost net of impairment, recognising the realisable value of each property in the orderly wind down of the Company. In accordance with the Company's IFRS 9 Policy the staging of each loan has been reviewed and all loans are now considered to be at Stage 3. Consequently, valuations reflect the ECL assuming a twelve month realisation period, 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 £1,600 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. Any dividends that are declared post year end are disclosed in note 16.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 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 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 total claim value 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 a 12-month ECL for trade receivables and loan receivables that fall under stage 1 assets. For stage 2 assets, the Company recognises a lifetime ECL when there has been a significant increase in credit risk since initial recognition. In respect of the Stage 3, non-performing loans, lifetime expected credit losses are also recognised, and interest is calculated on the net carrying amount and subject to further provision for impairment in the event that it is unlikely to be received. The ECL on Stage 1 and Stage 2 loans 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 12-month ECL.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. ACCOUNTING POLICIES (CONTINUED)

#### k) Financial instruments(continued)

The ECL for Stage 3 loans is assessed based on the expected net realisable value of the underlying properties, taking inputs from various external sources including property valuations, agency advice, comparable evidence and offers received. Where specific valuation evidence is not available or unclear, a risk probability weighted approach will be applied to a range of outcomes.

#### 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 any 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 been reserved pending action by the borrower;
- 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); or
- when the Company have appointed administrators or receivers to the debtor.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. ACCOUNTING POLICIES (CONTINUED)

#### k) Financial instruments(continued)

##### vii) Credit-impaired financial assets

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

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

##### 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 are all past due 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. ACCOUNTING POLICIES (CONTINUED)

#### k) Financial instruments (continued)

##### 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.

##### i) 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 KEY SOURCES OF ESTIMATION UNCERTAINTY 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 accounting 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, and the value of the properties on which they are secured. 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 are all now past due, and that receivers or administrators have been appointed over the Company's security.

The Investment Manager and the Board will also take into consideration the likely repayment term of loans that have become past due and the actions to be taken, by the appointed receiver or administrator 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY IN APPLYING THE COMPANY'S ACCOUNTING POLICIES (CONTINUED)

#### Critical accounting judgements (continued)

The Investment Manager and the Board will also take into account prevailing economic and market conditions, investor sentiment and outlook over the expected term of the investments to realisation or repayment. In this regard the sustained rise in UK interest rates over the past eighteen months, and interest rate outlook implied by the five year swap rate, has dramatically reduced liquidity in property and finance markets as well as affecting asset prices in many property sectors. As a result, the number of UK commercial property transactions in the first half of 2023 was over 50% lower than the same period in the prior year, and 37% below the 10-year average. The UK economy fell into a technical recession at the end of 2023, and whilst headline inflation is now falling core pressures remain, with rate cuts not now expected until H2 2024. Geopolitical concerns are high with the continuing war in Ukraine, escalating hostilities in the Gaza and the Middle East, and further uncertainties caused by an upcoming general elections in the UK and US.

Against the backdrop of interest rate rises and liquidity issues as discussed in the Investment Manager's Report, the Investment Manager and Board agree that all remaining investments have a heightened credit risk. At the reporting date all three loans are subject to enforcement action and, in the absence of an active and liquid property market, are considered as Stage 3 assets with a material risk of credit loss.

#### Key sources of estimation uncertainty

The measurement of both the initial and ongoing ECL allowance for loan receivables measured at amortised cost is an area that has required the use of significant assumptions about credit behaviour such as likelihood of borrowers continuing to support their properties through interest payments and equity injections, or defaulting and the resulting losses.

In assessing the probability of default for loans at Stage 1 and Stage 2, 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 loans benefited from significant LTV headroom at origination, with business plans designed to deliver further value increases over time. This combined with tight covenants generally enabled the Investment Manager to manage risk over the term of the loans. However, following the change in Investment Strategy to one of orderly wind down and the reduction of the portfolio to just three remaining assets, the Investment Manager and the Board have placed greater emphasis on the source and delivery of repayment of each loan when assessing valuation and the risk of capital loss.

As discussed above, a material reduction in transactional evidence and higher funding costs have led to a fall in property values generally, but with those sectors subject to structural change (e.g. offices), and interest rates (e.g. residential housing for sale) being particularly impacted. As a result all remaining loans have evidence of heightened credit risk with the equity buffer having been eroded by falls in property values, and as such have been assessed as Stage 3 loans.

The Board's valuation of Stage 3 assets (those loans considered to have a material risk of credit loss), is first informed by third party property valuations and supporting comparative transactional evidence, including marketing processes being undertaken. The Investment Manager and the Board will then overlay property level cashflows, expected sales costs and other factors considered necessary to achieve exits within the target timeframes for returning capital to shareholders.

All of the Company's Stage 3 assets are subject to enforcement action in the form of administration or receivership at the reporting date. As a result, the Company has considered the likelihood of achieving sales at the most recent third-party valuation or at discounts to reflect the current lack of liquidity in the relevant property sector and the Company's target timeframes and the probability of such outcomes. These probabilities and discounts are further informed by prospective purchasers' offers or expressions of interest where properties have been marketed.

In arriving at the investment valuations, the Investment Manager has overlaid the expected costs of sale and exit timeframes to determine a weighted average valuation of each loan under the expected interest rate method and, thereby, the expected credit loss for each loan that may result.

Revenue recognition is considered a significant accounting judgement and estimate that the Directors make in the process of applying the Company's accounting policies. In respect of the Company's Stage 3 loans, interest income will be recognised through in the Statement of Comprehensive Income net of ECL allowance. In view of the trading conditions of the Southport hotel and liquidity challenges facing the RoyaleLife loan, the Directors consider it unlikely that interest payments will be received in the near term. The Affinity property remains well occupied and able to meet its interest liabilities in full from rents receivable, however the receiver will likely reserve some cash for working capital purposes in order to prepare the property for sale with a full due diligence pack. Interest on the Affinity Loan will therefore also be recognised on a net basis after ECL allowance, whilst any cash withheld by the receiver will form part of the final settlement.

### 4. TAXATION

No tax was chargeable for the current year ended 31 January 2024. (31 January 2023: £Nil)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. LOANS ADVANCED

#### (i) Loans advanced

	1 February 2023 to 31 January 2024 £	1 February 2022 to 31 January 2023 £
Loans gross carrying value:	66,116,828	72,903,856
Less: Expected Credit Losses	(32,477,777)	(3,940,181)
	33,639,051	68,963,675

	31 January 2024 Principal advanced £	31 January 2024 Carrying value before ECL allowance £	31 January 2023 Principal advanced £	31 January 2023 At amortised cost before ECL allowance £
Northlands <sup>(1)</sup>	–	–	9,561,076	9,829,286
Affinity	17,125,789	18,033,451	17,299,963	17,774,436
Southport <sup>(2)</sup>	15,500,000	16,511,470	15,200,000	15,988,651
RoyaleLife	25,382,017	31,571,907	25,382,017	29,311,483
	58,007,806	66,116,828	67,443,056	72,903,856

<sup>(1)</sup> Repaid in full during the year

<sup>(2)</sup> There was a £300,000 increase to the Southport loan principal during the year.

#### (ii) Valuation considerations

As noted above, the Company is now in the process of an orderly wind down. It had been the intention of the Investment Manager and Directors to hold loans through to their repayment date, and seek a borrower led repayment in order to maximise value for the shareholders. Economic and property market conditions have not enabled this, with commercial property transactions in some sectors at their lowest levels for 15 years.

The carrying value amounts of the loans in the Financial Statements have been adjusted for expected credit losses. For further information regarding the status of each loan and the associated risks see the Investment Manager's Report.

As loans have fallen past due and enforcement actions have been taken, the Directors have also reassessed the likelihood and timing of receipt of any exit fees associated with the loans in the context of the current underlying property value and weak market conditions.

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 have been obtained over the term of the loans as deemed appropriate, based on the performance of the subject properties and prevailing macro and micro market conditions. All investments are made on a hold to maturity basis. Each investment is being closely monitored including a review of the performance of the underlying property security.

Third party property valuations are typically based on the specific particulars of the property (rent, Weighted Average Unexpired Lease Term (WAULT), vacancy, condition and location) and assume a normal marketing period and sales process. Valuers benchmark against comparative evidence from recent transactions in similar properties in similar locations.

All the remaining Investments are considered to be Stage 3 assets and were, at year end, subject to enforcement action. Accordingly, the carrying value of each loan has been reviewed and further provisions for expected credit loss raised. The carrying value of each Stage 3 investment has been calculated to reflect the net present value of the expected net proceeds from, and timing of, exit under a range of scenarios reflecting the latest property valuation, the cost of disposal (including enforcement action taken), and potential discount to valuation that a willing buyer may offer in the current market for a purchase out of administration/receivership in an accelerated process with limited vendor warranties and indemnities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5. LOANS ADVANCED (CONTINUED)****(iii) IFRS 9 – Impairment of Financial Assets**

As discussed above, during 2023 the UK commercial property market has experienced a period of historically low transaction volumes, as buyers adjust their pricing in order to generate target returns in a higher interest rate environment with uncertain occupational demand in many sectors. Conversely, unless forced, sellers are inclined to hold properties where they can in the expectation of improved liquidity as the economic outlook stabilises and medium-term interest rates fall. In this context, valuation and, therefore, the ECL for each investment has been recalculated based on the underlying property performance and property valuations together with any sales/marketing experience to date and is discussed further below.

The internal credit rating of each loan as at 31 January 2024 has been reviewed. Southport was identified as a Stage 3 asset at 31 January 2023, and the loan has remained a Stage 3 asset, with an ECL provision of £8,597,121 (31 January 2023: £2,288,651). The RoyaleLife and Affinity loans, that were identified as Stage 2 assets at 31 January 2023, when third party property valuations exceeded the debt outstanding, however, both are now identified as Stage 3 assets, with aggregate ECL provisions of £23,880,311 (31 January 2023: £1,651,530).

**As at 31 January 2024**

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	–	–	58,007,806	58,007,806
Gross carrying value	–	–	66,116,828	66,116,828
Less ECL allowance	–	–	(32,477,777)	(32,477,777)
	–	–	33,639,051	33,639,051

**As 31 July 2023**

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	85,389	–	57,881,980	57,967,369
Gross carrying value	517,935	–	65,414,598	65,932,533
Less ECL allowance	–	–	(21,320,189)	(21,320,189)
	517,935	–	44,094,409	44,612,344

**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

The Northlands loan, identified as stage 1 as at 31 January 2023, was repaid in stages through the year and then in full in December 2023, through a combination of property sales, and a refinance of the residual assets.

The Southport hotel was identified as a Stage 3 asset at 31 January 2023. This followed the appointment of an administrator who marketed the hotel for sale and was proceeding with a conditional offer at £14.50 million reflected in the ECL at the time. The prospective purchaser was unable to satisfy a condition of its offer, linked to planning consents, and withdrew from the process. The Hotel, which continues to trade positively, is now subject to an offer at £9.25 million, slightly below valuation and agency guidance. In assessing the ECL as at 31 January 2024, the Investment Manager and the Board have considered a range of potential outcomes based on the current offer, valuation and market advice and adopted a probability weighted approach, discounting the resultant cashflows to the balance sheet date.

Following failed attempts by the borrower of the Affinity loan to complete a refinance of the Company's loan, or to repay via a sale, the Affinity loan was identified as a stage 3 asset at the time of the Company's interim report given the risk of loss that was emerging. Subsequently, the Investment Manager, on behalf of the Company, appointed a receiver over the property in September 2023, in order to take control of the exit process. Whilst the property remains well occupied with new leases and regears being completed, there are rolling lease events at the property over the coming twelve months. Investor demand for regional offices is at a low due to uncertainties surrounding occupational demand and capital expenditure requirements in a post Covid, remote working, environment. These uncertainties combining with a higher interest rate environment have materially impacted the valuation of the property which is down by approximately 40% from over £20 million in April 2023, in line with the wider market where there are very few if any bidders for regional office assets. The receiver is preparing the property for market and intends to launch a sales process shortly. The Investment Manager and the Board have considered the agency and receiver advice to determine the likely net realisable value of the property and timeframe in which it might be achieved. As with the other the Stage 3 loans, a range of outcomes have been considered and probabilities applied to each in determining the ECL of the loan as at 31 January 2024.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. LOANS ADVANCED (CONTINUED)

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

As previously reported, the companies holding the sites securing the RoyaleLife loan were placed into administration during 2023 to protect the assets from other creditor claims. Whilst the sites remain open and continue to trade, it became apparent through the work of the administrator that the business was unable to support itself and the Sponsor no longer had the means, or was unwilling, to inject further capital for working capital purposes. The Investment Manager appointed a new operator to take over the running of the sites in order to protect their cashflows. Furthermore, given the specific nature of the sites and planning consents in place, it was necessary to protect the property security from other creditor claims and sites were transferred into a new holding structure, along with part of the debt, at the end of 2023. As part of this process, a shortform sales process was undertaken by the administrator, and a new valuer appointed.

The Investment Manager continues to work with the replacement operator, administrator and other advisors to maximise the potential outcome for lenders, exploring in parallel a sale and relaunch of the parks under a new brand. Given the latest valuation and the outcome of the administrator-led sales process, the Board and Investment Manager consider there to be a material risk of loss and the loan was categorised as Stage 3 at the time of the Company's interim report. In determining the ECL as at 31 January 2024 the Board and the Investment Manager have adopted the same probability weighted approach and considered a range of outcomes linked to sale of the properties, where negotiations continue with an institutional buyer, and to the relaunch of the underlying business with an exit over time. The Company together with its co-lenders retain the rights, under the original loan, to any recoveries linked to the administration process and the bankruptcy proceedings against the previous beneficial owner, albeit no value has been attached to such claims.

A reconciliation of the ECL allowance is presented as follows:

	Expected Credit Loss Allowances		
	At 31 January 2023 £	Movement in ECL Allowance during year £	At 31 January 2024 £
Affinity	(12,702)	(6,684,609)	(6,697,311)
Southport	(2,288,651)	(6,308,470)	(8,597,121)
RoyaleLife	(1,638,828)	(15,544,517)	(17,183,345)
	<b>(3,940,181)</b>	<b>(28,537,596)</b>	<b>(32,477,777)</b>

	Movement in ECL Allowance during year £	Other adjustments <sup>(1)</sup> £	ECL allowance charged to SOCI £
All loans	<b>(28,537,596)</b>	<b>(29,699)</b>	<b>(28,507,897)</b>

<sup>(1)</sup> Other adjustments include Spectrum trapped cash adjustment.

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

The carrying values of the remaining investments above contemplate sales in a difficult market and have been adjusted for expected credit losses, making allowance for the potential impact sales out of receivership/administration, on the properties' underlying liquidity and attractiveness to buyers, as well as the timeframe in which the Company is seeking to realise its investments.

The remaining loans are all subject to enforcement processes, which may be an additional factor in the liquidity of and buyer pools for the subject assets. Following the additional provision for ECL, all three of those loans are held at 100% LTV. Two of the loans (Southport and RoyaleLife) are secured against operating assets which brings additional complexity for buyers when compared to, say, single tenant investment properties and, in the case of RoyaleLife, operates in a new and emerging sector of retirement living.

The Investment Manager and the Board have considered the impact of a further 10%, 20% and 30% reduction in the underlying property values, broadly reflecting a one, two and three stage credit deterioration as previously presented, and recalculated its probability weighted valuations on this basis. The negative impact of these further declines in property values on the portfolio as a whole is set out below.

#### Stress test impact on Expected Credit Loss at 31 January 2024

	31 January 2024	31 January 2023
One grade deterioration in credit rating	£3,279,000	£3,286,000
Two grade deterioration in credit rating	£6,558,000	£5,072,000
Three grade deterioration in credit rating	£9,837,000	£5,412,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5. LOANS ADVANCED (CONTINUED)****(iv) IFRS 9 Impairment – Stress Analysis (continued)**

All efforts continue to be made by the Investment Manager and the Board to crystallise the value in the remaining investments in a reasonable time frame in order to return capital to shareholders and proceed to the liquidation of the Company. However, as discussed above, in the current market many properties for sale are not receiving any bids, even where they are considered distressed, and the limited number of buyers active in the market are seeking out the maximum distress in order to achieve best relative value and maximise their potential returns. Accordingly, the timing of the final realisation of the Company's remaining assets cannot be predicted with certainty. The Board and Investment Manager have considered the impact of a delay in the realisation of the remaining loans. A 3 month delay would, at 31 January 2024, reduce the net present value of the cashflows arising by 2.5% (£780,000), whilst a 6 month delay would result in a 5.0% (£1,540,000) reduction in the net present value of the cashflows arising.

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

**6. TRADE AND OTHER RECEIVABLES**

	31 January 2024 £	31 January 2023 £
Other receivables	30,718	43,435

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.

**7. CASH AND CASH EQUIVALENTS**

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

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

	31 January 2024 £	31 January 2023 £
Lloyds Bank International Limited	590,594	581,954
Barclays Bank plc	590,594	581,983
Butterfield Bank (Guernsey) Limited	594,252	582,571
Royal Bank of Scotland International Limited	1,170,389	7,462,986
	2,945,829	9,209,494

**8. TRADE AND OTHER PAYABLES**

	31 January 2024 £	31 January 2023 £
Investment Management fees (see Note 13)	236,597	517,343
Directors' remuneration (see Note 12)	31,250	31,250
Administration fees (see Note 13)	67,917	43,283
Audit fees (see note 14)	17,150	50,138
Other expenses	38,556	40,465
Trade creditors	–	179,174
	391,470	861,653

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

#### Earnings per share

	1 February 2023 to 31 January 2024	1 February 2022 to 31 January 2023
Loss/(profit) for the year (£)	(24,876,251)	1,959,823
Weighted average number of Ordinary Shares in issue	121,302,779	121,302,779
Basic and diluted (Loss)/EPS (pence)	(20.51)	1.62

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/profit for the year and on the weighted average number of Ordinary Shares in issue in for the year ended 31 January 2024.

There are no dilutive shares in issue at 31 January 2024 (31 January 2023: none).

#### Net Asset Value per share

	31 January 2024	31 January 2023
NAV (£)	36,224,128	77,354,951
Number of Ordinary Shares in issue	121,302,779	121,302,779
NAV per share (pence)	29.86	63.77

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 2024 Number of shares	31 January 2023 Number of shares
<b>Authorised</b>		
Ordinary Shares of no par value	Unlimited	Unlimited
B Shares of no par value	Unlimited	Unlimited

	Total No	Total No
<b>Ordinary Shares</b>	121,302,779	121,302,779
<b>B Shares</b>		
B Shares issued May 2022	-	121,302,779
B Shares redeemed and cancelled May 2022	-	(121,302,779)
B Shares issued February 2023	121,302,779	-
B Shares redeemed and cancelled February 2023	(121,302,779)	-
B Shares issued August 2023	121,302,779	-
B Shares redeemed and cancelled August 2023	(121,302,779)	-
	-	-

	£	£
Share capital brought forward	80,298,419	87,576,589
Repaid in the year	(15,648,058)	(7,278,170)
<b>Share capital carried forward</b>	<b>64,650,361</b>	<b>80,298,419</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**10. SHARE CAPITAL (CONTINUED)****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 2024 and 31 January 2023 are set out below:

1 February 2023 to 31 January 2024	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2023	0.50	606,514
	0.50	606,514

1 February 2022 to 31 January 2023	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2022	1.10	1,334,331
Interim dividend in respect of quarter ended 30 April 2022	1.10	1,334,331
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

Following shareholder approval of proposed changes to the Company's Investment Objectives and Investment Policy which allows an orderly realisation of the Company's assets and return of capital to shareholders, the Board has made it clear that payment of quarterly dividends would continue only whilst it remained prudent to do so.

Due to the enforcement actions in place over all three remaining assets, trading levels have been reduced and accordingly levels of operating cashflow are projected to be significantly reduced.

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.

**Return of Capital**

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

The Directors announced two returns in the year and have returned a total amount of 12.90 pence per Ordinary Share to shareholders, being £15,648,058 in total based on the current number of Ordinary Shares in issue. This return of capital was effected by way of an issue of redeemable B Shares to existing shareholders pro rata to their shareholding on the record date set out below and the subsequent redemption of those B Shares.

1 February 2023 to 31 January 2024	Return of Capital per share Pence	Total Return of Capital £
Return of Capital February 2023	5.50	6,671,653
Return of Capital August 2023	7.40	8,976,405
	12.90	15,648,058

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. SHARE CAPITAL (CONTINUED)

#### Rights attaching to Shares

The Company has a single class of Ordinary Shares which are not entitled to a fixed dividend. The company had two issues of redeemable B shares which were redeemed throughout the year on a Return of Capital payment to shareholders of the redeemable B shares.

At any General Meeting of the Company each Ordinary Shareholder is entitled to have one vote for each share held. The Ordinary Shares also have the right to receive all income attributable to those shares and participate in distributions made and such income shall be divided pari passu among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them.

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

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The following table shows the portfolio profile of the material financial assets as at 31 January 2024 and 31 January 2023:

	31 January 2024 £	31 January 2023 £
<b>Floating rate</b>		
Cash	2,945,829	9,209,494
<b>Fixed rate</b>		
Loans advanced, net of ECL allowance	33,639,051	68,968,675
	36,584,880	78,178,169

The timing of interest payments on the loans advanced is summarised in the table on page 56.

**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.

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 2024	Maximum credit risk exposure 2023
AAA, AA+	Virtually no risk	–	–
AA to A	Low risk	–	–
BBB	Moderate risk	–	9,595,622
BB	Average risk	–	17,182,749
B	Acceptable risk	–	–
CCC+	Borderline Risk	–	–
CCC	Special Mention	–	–
CC	Substandard	–	26,405,642
D	Doubtful	60,493,105	15,734,452
D	Loss	–	–

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 previously used the Investment Manager's loss experience to benchmark investment performance and potential impairment for Stage 1 and Stage 2 assets under IFRS 9 considering expected loss given default. In the case of Stage 3 assets the Company considers the net realisable value of the underlying property security in determining 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 2024, the maximum credit risk exposure was £60,493,105 (31 January 2023: £68,918,465).

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 ongoing 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. To diversify credit risk the Company maintains its cash and cash equivalents across four (31 January 2023: 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 2024 £	31 January 2023 £
Lloyds Bank International Limited	A	590,594	581,954
Barclays Bank plc	A	590,594	581,983
Butterfield Bank (Guernsey) Limited	BBB+	594,252	582,571
Royal Bank of Scotland International Limited	A-	1,170,389	7,462,986
		2,945,829	9,209,494

The carrying amount of these assets approximates their fair value.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**11. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)****Liquidity risk**

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

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

Liquidity risks arise in respect of other financial liabilities of the Company due to counterparties. The Company's loan assets are all now past due and in default and the financial liabilities all have maturity dates within one year. An analysis of the maturity of financial assets classified as loans advanced is shown in the table below:

	Less than one year £	Between one and five years £	Total as at 31 January 2024 £
Affinity – principal	17,125,789	–	17,299,963
Affinity – interest and exit fees	326,231	–	527,335
Southport – principal	15,500,000	–	15,500,000
Southport – interest and exit fees	490,356	–	277,089
RoyaleLife – principal	25,382,017	–	25,382,017
RoyaleLife – interest and exit fees	4,261,464	–	4,322,659
	63,085,857	–	63,309,063

	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

**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 ongoing basis.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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 2023: £160,000) with outstanding fees of £31,250 due to the Directors at 31 January 2024 (31 January 2023: £31,250) (see Note 8).

### 13. MATERIAL AGREEMENTS

#### Investment Manager Agreement

Investment Management fees for the year amounted to £551,167 (31 January 2023: £761,047), of which £236,597 (31 January 2023: £517,343) was outstanding at the year-end (see Note 8).

The Investment Manager was 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 Board has agreed an amendment to the Investment Manager's fee structure to align more closely with market capitalisation of the Company and ultimate value returned to shareholders and as a result of extensive discussion between the Board and the Investment Manager, it has been agreed that fee will reduce to 0.5% of Net Asset Value from 1% previously. This halving of the investment management fee will result in meaningful savings for shareholders over the remaining life of the Company and will apply from today's date.

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 £239,806 (31 January 2023: £155,832) of which £67,917 (31 January 2023: £43,283) 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.

#### Depository Agreement

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**14. AUDITOR'S REMUNERATION**

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

	31 January 2024 £	31 January 2023 £
Audit fees for the Company	63,013	48,025
<b>Total Audit fees</b>	<b>63,013</b>	<b>48,025</b>

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

**15. OTHER EXPENSES**

	31 January 2024 £	31 January 2023 £
Broker fees	50,000	25,550
Administration fees	239,806	155,832
Regulatory fees	17,872	21,415
Listing fees	13,230	15,239
Legal and professional fees	118,645	71,296
Other expenses	109,307	119,753
	<b>548,860</b>	<b>409,085</b>

**16. SUBSEQUENT EVENTS**

There are no material subsequent events noted after the reporting date.

## 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);

**“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;

**“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;

**“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 UK adopted international accounting standards;

**“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;

**“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;

**“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;

## GLOSSARY OF CAPITALISED DEFINED TERMS (CONTINUED)

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

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

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

**“NAV per share”** means the Net Asset Value per Ordinary Share divided by the number of Shares in issue (other than shares held in treasury);

**“Net Asset Value”** or **“NAV”** means the value of the assets of the 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;

**“Official List”** is the Premium Segment of the FCA’s Official List;

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

**“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;

**“RoyaleLife”** means collectively, Time GB Properties LendCo Limited, Royal Parks Limited, Ambassador Royale Parks Parent Limited and Ambassador Royale Parks Intermediate Limited;

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

**“SOCl”** means the Statement of Comprehensive Income;

**“Southport”** means 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;

**“£”** 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)*  
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

### Independent Auditor

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

### Guernsey Administrator and Company Secretary

Ocorian Administration (Guernsey) Limited  
P.O. Box 286  
Floor 2  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 4LY

### Depositary

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

### Registrar

Link Asset Services (Guernsey) Limited  
Mont Crevett House  
Bulwer Avenue  
St Sampson  
Guernsey  
GY2 4LH

### Corporate Broker and Financial Adviser

Cavendish 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](http://www.lbow.co.uk)

### English Solicitors to the Company

Gowling WLG (UK) LLP  
4 More London Riverside  
London  
United Kingdom  
SE1 2AU

### Guernsey Advocates to the Company

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

### Bankers

Butterfield Bank (Guernsey) Limited  
PO Box 25  
Regency Court  
Glategny Esplanade  
St Peter Port  
Guernsey  
GY1 3AP

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

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

The Royal Bank of Scotland International  
Royal Bank Place  
1 Glategny Esplanade  
St Peter Port  
Guernsey  
GY1 4BQ

## CAUTIONARY STATEMENT

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

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

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

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

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

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

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

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