LMS CAPITAL

Annual Report & Accounts 2024

For the year ended 31 December 2024

2024 HIGHLIGHTS

NET ASSET VALUE ("NAV")

£36.2m

The NAV at 31 December 2024 was £36.2 million, 44.8 pence per share (31 December 2023: £42.1 million, 52.2 pence per share).

DIVIDENDS TO SHAREHOLDERS

£0.7m

0.925 pence per share.

The Company paid a 2023 final dividend to shareholders of 0.625 pence per share in June 2024 and an interim dividend for the 2024 year of 0.3 pence per share in September 2024.

PORTFOLIO MOVEMENTS

£(4.9)m

The portfolio net decrease comprises:

- Unrealised foreign exchange gains £0.2 million;
- Net fund distributions £0.8 million;
- Other movements £0.6 million;
- Unrealised losses:
  - Brockton – £2.5 million
  - Dacian – £2.1 million
  - Opus – £0.9 million
- Offset by accrued interest of £1.0 million and net unrealised gains on other assets £0.8 million.

NET RUNNING COSTS

£1.7m

Net running costs, including those incurred by subsidiaries, were £1.7 million (2023: £1.8 million) and there were an additional £0.8 million (2023: £1.0 million) of investment related costs.

PORTFOLIO REALISATIONS

£1.5m

The final instalment on Medhost was received by LMS Capital (Bermuda) Limited in December 2024 (£1.5 million).

YEAR END CASH BALANCE

£13.5m

Cash balances at the year end, including amounts held by subsidiaries, were £13.5 million, representing 37.4% of the NAV (2023: £15.5 million and representing 38.7% of the NAV). Cash held by the Company was £11.6 million (2023: 9.0 million).

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For further investor information:
www.lmscapital.com

Chairman and Managing Director's Report

James Wilson
Chairman

Nicholas Friedlos
Managing Director

We are pleased to report our results for the year ended 31 December 2024.

On 13 February 2025, the Board announced that, mindful of the challenges facing the Company in terms of its size, limited secondary market liquidity and the discount to NAV at which the ordinary shares have been trading, it had determined to carry out a strategic review of the Company's future direction and was intending to consult with shareholders.

On 13 March 2025 the Company announced that following engagement with key shareholders, the Board had reached the conclusion that shareholder value would be best served by a managed realisation of the Company's assets and returns of capital over time (the "Managed Realisation").

The Board intends to publish a shareholder circular towards the end of April 2025 to convene a General Meeting at which it will seek approval from shareholders to change the Company's investment policy to permit the Managed Realisation and any related matters required.

Turning to the results for the year ended 31 December 2024:

- The 31 December 2024 NAV was £36.2 million and compares with NAV at the prior year end, 31 December 2023 of £42.1 million. Adjusting for £0.7 million dividends paid during the year, the NAV has decreased by a net £5.2 million, 12.4% during the year.
- Cash at the year end was £13.5 million. (2023: £15.5 million).

The principal underlying portfolio changes on a full-year basis were:

- A decrease of £2.5 million in Brockton Fund 1, reflecting the decision reported at the half-year to write down to nil the carrying value of the investment following the appointment of receivers to the Fund's remaining development asset in January 2024;
- A decrease of £0.9 million in the valuation of the Opus Capital Venture Partners fund. This fund has two principal remaining investments, both of which the manager believes, subject to market conditions, have good prospects for realisation;
- A decrease in Dacian of £1.3 million. This includes £0.8 million reduction reported at the half-year stage following restructuring of Dacian's balance sheet and a further reduction of £0.5 million In the second half;
- An increase in Castle View of £0.5 million. An update on retirement living and Castle View is set out below.

Other full-year movements include:

- Full-year running costs £1.7 million. Cost saving measures during the year have reduced the annual run rate of costs to approximately £1.6 million by December 2024.
- Investment costs of £0.8 million include the costs of the individuals who are focussed entirely on the operation and development of the retirement living business, together with some transitional costs associated with Castle View and professional fees in connection with the Dacian restructuring in July 2024.
- Other net income of £0.8 million, including unrealised foreign exchange gains of £0.2 million on non-portfolio assets, principally US Dollar bank accounts and bank interest of £0.6 million.

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

NET ASSET VALUE ("NAV") OVERVIEW

The NAV of the Company at 31 December 2024 was £36.2 million, 44.8 pence per share (31 December 2023: £42.1 million, 52.2 pence per share). The balance sheet at the year end can be summarised as follows:

	31 December	
	2024 £'m	2023 £'m
Mature Investment Portfolio[1]		
Quoted investments	**0.1**	0.1
Unquoted investments	**1.7**	1.7
Funds	**5.8**	9.5
	7.6	11.3
Other Investments		
Energy – Dacian	**9.3**	11.0
Retirement Living – Castle View	**6.6**	6.1
	15.9	17.1
Total Investments	**23.5**	**28.4**
Cash and cash equivalents	**13.5**	15.5
Other net liabilities	**(0.8)**	(1.8)
Net Assets	**36.2**	42.1

[1] Originate from the Company's strategy prior to 2012

Adjusting for £0.7 million dividends paid during the year, the NAV has decreased by a net £5.2 million, 12.4%, during the year, comprising:

- Unrealised foreign exchange gains on portfolio investments denominated in foreign currencies (mainly US Dollars) £0.2 million;
- Realised and unrealised underlying net losses on portfolio investments £3.7 million, comprising:
  - Castle View – £0.5 million gain;
  - Brockton Fund 1 – £2.5 million write down, reported at the half-year stage, following appointment of receivers at the Fund's remaining central London residential development;
  - Dacian – £1.3 net reduction of which £0.8 million was reported at the half-year stage following a reorganisation of the company's capital and a further £0.5 million in the second half of the year;
  - Opus Capital Fund V – £0.9 million reduction; and
  - Other net gains of 0.5 million.
- Running costs £1.7 million;
- Investment costs, relating to the development of the retirement living business and oversight of Dacian £0.8 million; and
- Interest income £0.8 million.

RUNNING COSTS

Running costs, net of Dacian fee income, for the year were £1.7 million. Based on cost saving measures implemented during the year the run rate for 2025 has been reduced to approximately £1.6 million. As part of the strategic review the Board will be looking to reduce costs further.

INVESTMENT COSTS

Investment costs of £0.8 million include the costs of the individuals who are focussed entirely on the operation and development of the retirement living business, together with some transitional costs associated with Castle View and professional fees in connection with the Dacian restructuring in July 2024.

LIQUIDITY – CASH LESS OTHER NET LIABILITIES

CASH

Cash balances in the Company and its subsidiaries at 31 December 2024 were £13.5 million (31 December 2023: £15.5 million).

NET LIABILITIES

Net liabilities in the Company and its subsidiaries of £0.8 million (31 December 2023: £1.8 million) consist primarily of deferred consideration payable on the Castle View acquisition, accruals for income taxes and other sundry costs.

RETIREMENT LIVING

CASTLE VIEW

LMS, though its wholly owned subsidiary LMS Retirement Living Limited, acquired its investment in Castle View Retirement Village ("Castle View") in December 2023 and has now completed its first full year of operation.

Castle View is a retirement development comprising 64 self-contained apartments close to Windsor town centre, together with communal facilities including 24 hour reception, lounges, bars, library and a restaurant facility.

Chairman and Managing Director's Report continued

Residents acquire their apartments, and the right to use the communal facilities, on 250-year leases and pay an annual service charge, which covers the day to day running of the scheme, plus a deferred fee on resale of an apartment. The deferred fee is designed to cover the costs of constructing the communal facilities, their ongoing maintenance and updating, and to provide a return on capital invested.

LMS acquired the freehold interest in Castle View, including 15 unsold apartments in December 2023 together with the operations and the right to receive the service charge fees and deferred fees in the future. The acquisition was made for £6.1 million from LMS (via its subsidiary) and £5.8 million of senior debt to be repaid from the proceeds of apartment sales.

Progress during the first year has been broadly as expected. Apartment sales were within the range of basic scenarios considered during the acquisition process, albeit at the lower end. During the year, sales of three apartments have been completed, and reservations have been taken on a further four, anticipated to complete in early 2025. As a result of the completed sales, debt has been reduced to £5.1 million.

The investment has been valued at the year end using a discounted cash flow model. The assumptions used are broadly consistent with those used to evaluate the acquisition and result in a small increase in carrying value.

RETIREMENT LIVING OUTLOOK

The acquisition of Castle View Retirement Village in Windsor, shortly before the end of 2023, represented the first step in developing an investment platform focussed on retirement living.

Underlying demand in the sector is driven by demographics in the UK. The number of 75+ year old households is expected to increase by 77% in the 25 years to 2043. This older population owns more than 40% of housing equity which can be released to finance retirement options and also free up stock for the wider family housing market.

The market is undersupplied, with relatively few developers or operators of scale and an increasing interest from institutional capital. A recent sale and leaseback transaction in the sector was the first of its kind and provides a potential model for future transactions which allow an exit for investors.

The Board continues to see opportunity in the sector, particularly in the acquisition of existing stock which offers long-term value potential but also provides attractive income. Accordingly, the Board may seek co-investment into the Company's retirement living subsidiary which could add additional assets to create a retirement living platform and ultimately enhance value.

DACIAN

INITIAL INVESTMENT

The Original Investor Group, which included and was led by LMS, invested in Dacian (a Romanian oil and natural gas production company) in 2020. LMS, through its wholly owned subsidiaries, invested $9.1 million as part of a $14.0 million financing by way of senior loan notes with a coupon of 14% per annum on a compounding basis (the "Senior Loan Notes"), and an equity subscription at nominal value giving the Company an equity stake of 32.3% in Dacian (the "Original Investment"). The Original Investor Group in total held 50% of the equity and the founding team (the "Founders") held 50%.

The Original Investor Group comprises the Company, certain third parties and three of the Company's directors, being Robert Rayne, James Wilson and Nicholas Friedlos, with the investment in 2020 having been made in accordance with the Company's published Co-Investment Policy.

Until 12 July 2024 the board of Dacian comprised two of the Company's Directors, Robert Rayne and Nicholas Friedlos, and three Dacian founder directors. Effective 12 July 2024, one of the founders resigned to be replaced by James Wilson, the Chairman of LMS.

BACKGROUND TO JULY 2024 RESTRUCTURE

As previously reported, Dacian had experienced lower than expected production levels through 2023 and in the first half of 2024 revenues and operating cash flows were significantly below expectations.

During the second quarter of 2024 it became clear that Dacian would benefit from additional financing to ensure it had sufficient working capital and also to ensure that it was able to meet its obligations to external debt providers and under a recently imposed Romanian solidarity tax.

In addition, due to the value of the Senior Loan Notes, with accrued coupon, being $22.1 million at 30 June 2024, Dacian's capital structure was in a deficit position which, under Romanian law, should be rectified.

On 15 July 2024, additional Bridge Loan financing of $1.0 million for Dacian was announced in conjunction with a proposal to restructure the balance sheet and for the Senior Loan Notes invested by the Original Investor Group in 2020 to be converted to equity, subject to the necessary Romanian regulatory approvals.

The approvals are still awaited but are expected to be forthcoming.

OPERATIONS SINCE THE RESTRUCTURING IN JULY 2024

At the time of the restructuring announced on 15 July 2024, Dacian underwent a process to review and reset achievable initial production targets, adjust its cost base to reflect the reset production levels and review its production optimisation plans to focus on projects which can be funded from operational cash flow and expected to deliver steady production gains during 2025.

- **Production:** Production in the second half of 2024 was at an average monthly rate of 647 barrels of oil equivalent per day ("BOEPD") which was approximately 5% below expectations due largely to an interruption to gas supply in December 2024.
- **Costs:** Dacian continues to implement headcount reductions. Headcount at the end of the year was 162 down from 191 in January 2024 without impacting its operations.

CASHFLOW

Since the July 2024 restructuring Dacian has continued to meet external obligations:

- in respect of external debt, the repayments of which were approximately $0.3 million per month, which were fully repaid in November 2024; and
- its obligations under a recently imposed Romanian solidarity tax of some $0.1 million per month payable until March 2025.

Dacian's cash flow is expected to improve in Q2 2025, once the company is free of its external debt obligations and after the tax obligations are discharged.

Against this background Dacian has sought to manage its working capital to ensure it can maintain access to supplies of spare parts, in particular replacement rods and tubes for its wells, which will ultimately enable it to stabilise and increase its production and which in turn will flow through to operating cash.

To allow for inevitable energy pricing fluctuations and to manage its working capital and plan with confidence for implementation of its production enhancement projects, Dacian has requested further advances of $0.8 million under the Bridge Loan to which certain of the original Bridge Lenders, Robert Rayne and James Wilson who are directors of the Company, have contributed. The additional advances are provided on the same terms as the Bridge Loan, being at an interest rate of 14% with a term of 30 June 2025 and an equity subscription right of 4% which is on the same basis pro rata as the original terms announced on 15 July 2024.

Assuming that the regulatory approvals for the July 2024 restructuring are received, and taking account of the additional subscription share rights granted to the providers of the original July 2024 Bridge Loan and the additional $0.8 million, the capital structure will be:

- the original investors will increase from 50% to 78.6%, of which LMS's holding will increase from 32.3% to 50.8%;
- the subscription shares for the Bridge Lenders will be 9.5%; and
- the Founders will be diluted from 50% to 11.9%.

The 78.6% of the shares held by the Original Investor Group has preferential distribution rights versus the shares held by both the Bridge Lenders and the Founders, the objective being, to the extent permissible under Romanian law, to leave the original investors as close as possible, to the position they would have been in had the Senior Loan Notes remained in place.

OUTLOOK FOR DACIAN

- We are pleased to announce that John Burkhart, an experienced oil industry executive will join the Dacian board as a non-executive director. John has spent the last 17 years of his career in senior leadership roles at Hunt Oil Company based in Texas. John's knowledge and experience will provide support to the Dacian team.
- Production stabilisation and enhancement:
  - Dacian has provided its shareholders with a costed project by project plan to stabilise and increase production, primarily through additional investment in maintenance to reduce break downs and lost production on active oil and gas wells.

Chairman and Managing Director's Report continued

  - The program overall shows an increase in average production from current levels to in excess of 900 BOEPD by the end of 2026 (or earlier if additional capital is raised).
  - Assuming the program is implemented in full, and at an oil price of average $75 per barrel, the operating cash flow should be in excess of $0.3 million per month.
- The alternative energy use opportunities for the Dacian estate continue to be progressed and the Board remains optimistic that this will bring additional benefits in due course.
- The Bridge Lenders, Dacian and the Original Investor Group note that the Bridge Loan is due for repayment by 30 June 2025 and are exploring the potential extension of the Bridge Loan term and/or the potential conversion of the Bridge Loan with accrued interest into equity, in circumstances where it makes commercial sense for Dacian to do so.

LOOKING FORWARD

As announced on 13 March 2025 regarding a proposed managed realisation, the Board is not proposing a dividend at this stage and will include proposals for future distributions in the circular to shareholders in April 2025.

We would like to express our appreciation for the support from our team and from the network of people with whom we work on a regular basis. We would also like to express our appreciation for the continued support of our shareholders.

James Wilson
Chairman

Nicholas Friedlos
Managing Director

27 March 2025

Portfolio Overview

The following are the principal portfolio investments of the Group, representing 98.2% of the total portfolio value:

PRINCIPAL UNQUOTED FUNDS

Castle View

CASTLE VIEW
RETIREMENT LIVING | WINDSOR

REGION: UK | YEAR: 2023 |
% Holding 100% | Valuation £6.6 million (2023: £6.1 million)

Castle View is a retirement living village located in Windsor comprising a development of 64 self-contained one and two bedroom apartments, completed in 2018.

Dacian

dacian petroleum
www.dacianpetroleum.ro

REGION: EU | YEAR: 2021 |
% Holding 51% (on a pro-forma basis) | Valuation £9.3 million (2023: £11.0 million)

Dacian is a newly formed Romanian oil and natural gas production company operating over 40 late-life onshore fields with nearly 100 producing wells.

Elateral

brandgility
www.elateral.com

REGION: UK | YEAR: 2000 |
% Holding: 62.5% | Valuation £1.7 million (2023: £1.7 million)

Elateral operates in the digital marketing sector and has developed cloud-based software which allows corporate marketing materials to be distributed to local marketing teams to enable content to be tailored whilst protecting brand identity. Elateral targets large international companies with multi-language requirements and has a concentration of global corporate customers.

PRINCIPAL FUNDS

Opus Capital Venture Partners

OPUS CAPITAL
www.opuscapitalventures.com

REGION: US | YEAR: 2006 |
Valuation £3.3 million (2023: £4.1 million)

Opus is a US fund that invests in early-stage technology opportunities with two principal assets remaining.

Weber Capital Partners

WEBER CAPITAL
www.webercapital.com

REGION: US | YEAR: 2001 |
Valuation £2.2 million (2023: £2.2 million)

Weber Capital GW 2001 is a fund that invests in listed US micro-cap stocks, primarily in the technology and medical sectors.

Strategic Report

LMS Capital is a listed investment company. It is self-managed and is entered by the FCA on the Register of Small Registered AIFMs.

This Strategic Report is set out in the following parts:

- Strategy
- Investment policy
- 2024 Company performance and 2025 objectives
- Risk management
- Viability statement

The Company announced on 13 March 2025, its intention to implement a Managed Realisation, which would require a change in the Company's investment policy and its strategy. Proposals relating to the Managed Realisation will be set out in the circular to shareholders that the Company intends to publish during April 2025, and are not covered in this report.

This Annual Report is required to explain the strategy that prevailed for the year ended 31 December 2024.

STRATEGY

The Board is focused on finding opportunities in the Company's core sectors that meet its return targets. It is also focused on progressing the existing portfolio, either through an orderly realisation or through financial support where the investment case validates this course of action.

The approach to the further deployment of capital is to seek opportunities, within chosen sectors, which not only offer attractive returns on the direct investment but also allow LMS to have influence and to participate in developing and bringing further capital into the underlying business – both from its own balance sheet and its co-investment network. This potentially creates additional fee streams and equity opportunity for LMS.

INVESTMENT **OBJECTIVES**

To deliver consistent long-term financial returns for our shareholders:

- an overall total return, net of costs, over the long term of 12% to 15% per annum;
- the total return to include an annual dividend, initially set at 1.5% of NAV and ultimately progressing to 3.0%; and
- to broaden the shareholder base and develop the Company into an attractive investment for family offices, high net worth investors and institutions attracted by the returns we can achieve and our access to deal flow.

INVESTMENT **APPROACH**

Focussed on areas where the Company has competitive advantages:

- real estate;
- energy; and
- late-stage private equity.

Our competitive advantage comes from:

- our significant experience and knowledge;
- our track record of successful investing; and
- our ability to access exceptional management teams, our experienced Advisory Groups and a strong pipeline of opportunities.

The characteristics of individual deals will include:

- an opportunity for LMS to contribute expertise as well as financial backing;
- assets at the smaller end of their respective sectors where market inefficiencies allow attractive entry pricing;
- situations requiring a level of management attention which larger funds are unable to support or are too complex for direct investment by family offices or individual investors; and
- controlling or influential minority positions:
  - board or investment committee representation; and
  - full information rights.

HOW WE **OPERATE**

The Company has assembled an experienced Board to oversee the development of its business and also to function as the Investment Committee that closely monitors existing investments and evaluates and approves new investments. Information on our Board is set out on pages 19 and 20 of this report.

The Company operates through a small core team, working closely with the management teams in the investee businesses.

We have a network of investment professionals with whom our core team work on individual opportunities.

Investment Policy

The current policy is set out below. A proposal to amend this policy will be included in the circular to shareholders that will be issued in April 2025.

The Company's investment objective, stated in the current investment policy approved by shareholders in August 2016, is to achieve total returns over the medium to longer term, principally through capital gains supplemented with the generation of a longer-term income yield. The Company is targeting a return on equity, after running costs, of between 12% and 15% per annum over the long term on new capital invested.

The investment strategy is focused predominantly on private equity investment and alternative, specialist asset classes:

- the Company will invest in profitable and cash generative businesses and investments;
- the focus will primarily be on smaller private investment opportunities below £50 million value where the Company believes there to be significant market inefficiencies which create opportunities for superior long-term returns and to leverage the experience of the investment team;
- investments may include alternative, specialist asset classes which target long-term illiquid strategies both through co-investment and fund opportunities on preferred terms; and
- the Company will optimise the value of existing holdings and, where growth prospects are clear, will preserve and support longer-term value creation.

No investment in any single company will (at the time of investment) represent more than 15% of the Company's net assets. Any investment in securities of a single company or investment fund, which represents more than 10% of the Company's net assets at the time the investment is made, requires Board approval.

The Company may invest in public or private securities. Investments may be made in the form of, *inter alia*, equity, equity-related instruments, derivatives and indebtedness. The Company may hold controlling or non-controlling positions and may invest directly or indirectly.

Whilst the Company has three focus areas, it is not restricted to specific sectors; its assets are and will continue to be predominantly invested in the United Kingdom, Europe and North America.

The Company may put in place bank facilities to help manage working capital, but indebtedness of the Company will not exceed 25% of NAV measured at the time of drawdown. The Company had no indebtedness, other than inter-group indebtedness, at 31 December 2024 or at the date of this report.

RESPONSIBLE INVESTING

The origins of the Company lie in the investment of family wealth, much of it used to endow charitable foundations focussed on a wide range of endeavours in society. The Board understands its responsibility to build on this history and evolve it to ensure that the Company adopts and adheres to an approach to business that is relevant to environmental, social and governance ("ESG") standards today.

2024 Company Performance

A detailed review of the management of the portfolio is set out on pages 15 to 18 of this Annual Report. The detailed financial results are set out in the accounts on pages 56 to 83.

The Board determines annual priorities and objectives for the Company with a view to achieving its long-term goals. These priorities and objectives will generally be focused on the following areas:

- achieving the annual returns target by:
  - effectively managing its active investments;
  - sourcing new investment opportunities, which meet its target returns, and deploying surplus cash; and
  - exercising strict control over its running costs.
- building the profile of the Company in the public markets and taking advantage of opportunities that arise to expand the capital base.

The table below provides a summary of the outcomes of the annual objectives set for 2024. The priorities for 2025 will be determined in light of the shareholder vote on the Managed Realisation proposals, which is expected to be in May 2025.

AREA OF ACTIVITY	COMMENTARY ON ACHIEVEMENTS IN 2024
Development of new investment opportunities	**REAL ESTATE – RETIREMENT LIVING** Objectives for 2024 were to transition Castle View from the previous owner manager to LMS Retirement Living ownership and to build on the investment as a cornerstone asset for the Company's further involvement in the sector. These objectives were achieved. **ENERGY** The objective for 2024 was to support the team to return to its program of workover projects which should enable production gains to be achieved. This objective was achieved.
Managing the mature portfolio	The bulk of the mature portfolio comprises interests in funds and minority equity positions where the Company has access to information and is able to engage with and seek to influence management but does not have control of decisions. The objective for 2024 was to continue to manage the portfolio, through our relationships with third-party managers where relevant and to seek to exert influence where we believe appropriate. Elateral, in which LMS is the majority investor and has a board seat, has shown improved financial performance during the year which has been reflected in its valuation. This investment continues to be managed with a view to achieving an exit.
Other	• The retirement living platform provides the opportunity for the Company to expand its shareholder base, alongside the objective of raising its profile in the public markets; • Other objectives include the implementation of measures to reduce running costs, which was achieved during 2024.

KEY PERFORMANCE INDICATORS

The Board's objective is to create wealth in the Company over the medium to longer term and takes decisions through the lens of this timeframe.

Progress towards the medium to longer-term objective may not be reflected in individual annual performance metrics. However, the Board recognises the need to report the Company's annual performance against these measures.

The Company's NAV per share total return, excluding the impact of dividends, was minus 12% and its share price total return was minus 28% for the year ended 31 December 2024. These measures compare to the FTSE All Share Index which showed a return of 9% for the year ended 31 December 2024.

Further information on the Company's performance is provided in the Portfolio Management Review on pages 15 to 18.

Risk Management

On behalf of the Board, the Audit Committee has responsibility for ensuring that the Company has an effective process to identify, assess and manage the various risks within its business.

The Company has carried out an assessment of the emerging and principal risks within its business and has considered the likelihood and potential impact of each risk and the effectiveness of the procedures to mitigate each risk.

The emerging and principal risks faced by the Company are reviewed annually by the Audit Committee in the form of a detailed risk matrix and they are described in the table below.

We work closely with the management teams of our investee businesses, with external input where required, to drive responsible, long-term decisions and ensure alignment with our own responsible investment principles.

The Board has not identified any emerging risks other than the principal risks disclosed that it deems could threaten the Company's business model and future performance, although it continues to monitor.

A summary of the principal risks identified is set out below.

PRINCIPAL RISKS IN EACH CATEGORY	TREND
Strategic risk Risk that the business model does not deliver target long-term returns of 12% to 15% per annum to shareholders or that the Board is unable to implement its strategy or cannot pay its target dividend.	No Change
Market risk Risk that macro market and geopolitical uncertainties have an adverse impact on investment values, liquidity and deal flow or otherwise disrupt the markets in which the Company operates.	No Change
Investment risk Risk that the Company's investments may perform below expectations or may not achieve target exit valuations or timing. New investments may not meet investment criteria or fit with the strategy set by the Board.	No Change
Financial risk Risk that the valuation of the investment portfolio is misstated.	No Change
Operational and Governance risk Risk that the Company does not have the appropriate resources in place to support the delivery of its strategy. This includes risk of heavy reliance on a small core team and the risk that Board make-up may no longer be appropriate.	No Change
Legal and Regulatory risk The risk that the Company does not comply with the legal and regulatory framework to which it is subject, including but not limited to the Companies Act 2006, the UK listing rules, disclosure guidance and transparency and the UK Market Abuse Regulation, the principles of the UK Corporate Governance Code and the UK adopted international accounting standards. Risk that changes to the legal or regulatory framework could impact the Company's business.	No Change

Key:

Increased No Change Decreased

REVIEW

GOVERNANCE

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MITIGATION

The Board establishes both long-term and annual objectives with KPIs against which it monitors the Company's performance. It also considers the Company's performance in the context of investment market conditions and developments generally.

Regular assessment at Board level of the effect of the macro environment on the Company's business overall and at the individual asset level.

The current significant level of cash held by the Company provides some protection against uncertainty in the short term.

Regular monitoring by the Board of underlying performance and realisation strategy for all investments.

Where the Company does not control the investment realisation decision, it maintains dialogue with external managers and regularly considers alternative realisation routes.

New investments are subject to a rigorous multi-stage assessment and approval process by the Investment Committee and Board.

The investment portfolio is valued at fair value in accordance with IPEV Guidelines and supported by third-party evidence where available. Valuation judgements are reviewed regularly by the Board and Audit Committee and also subject to external audit at each year end.

The core team whilst small, is supported by advisers in key areas and also by outsourced providers. The Company, through its Board, has a wide network of associates who provide additional input on an as needs basis and who could provide additional support were members of the core team to be unavailable.

The Board gives regular consideration to its effectiveness.

Compliance with the relevant legal and regulatory requirements is overseen by the Audit Committee and the Board. The Company has in place the necessary procedures and policies required by the regulatory framework and works with external advisers periodically to review its procedures and to ensure it is aware of relevant legislative or regulatory changes.

Viability Statement

The Directors have assessed the Company's current position and prospects as described in the Chairman and Managing Director's Report and the Portfolio Management Review, as well as the principal risks and uncertainties set out above. The Directors have carried out a robust assessment of the emerging and principal risks and concluded that they have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over a three-year period from the date of this report. The three-year timeframe reflects the Company's internal planning horizon as well as that of most of the companies in which it is invested. Given the illiquid nature of much of its investment portfolio, investment/divestment decisions tend to reflect a time period which can be up to three years or more.

In performing their assessment, the Directors considered principally:

- the Company's liquidity forecast, including the flexibility in the dividend policy and lack of any external debt;
- the significant cash balances on hand at 31 December 2024 compared to the level of annual running costs;
- the latest report on the investment portfolio which includes (for every Board meeting) an assessment of operational issues as well as broader market factors and each asset's cash needs (if any), outstanding commitments to funds and likely future cash generation (amount and timing);
- the potential impact on the Company's operations, portfolio and liquidity from the macroeconomic environment, geopolitical uncertainties and possible legal and regulatory changes; and
- shareholders approving the proposed Managed Realisation of the Company's assets and returns of capital over time, at a General Meeting which is expected to be held in May 2025.

The Directors' consideration of these reports was made against the background of the following:

- many of the Company's investments are in private companies for which the timing and amount of income and/or realisation is uncertain. In many cases the realisation of assets is in the hands of third-party managers and not the Company;
- at 31 December 2024 the Company continued to hold sufficient sources of liquidity from its available cash balances. The Board has reviewed the liquidity of the Company and considered commitments to private equity investments, long-term cash flow projections and the potential availability of gearing. It has also satisfied itself that assumptions regarding future cash inflows are reasonable;
- the Board has considered the downside risk in the value of marketable securities, where realisations of these form part of the liquidity forecast. This risk typically includes factors impacting the price of the security and the exchange rate against sterling of the currency in which it is denominated and uncertainty about the timing of its realisation; and
- in making its assessment, the Board has carried out a robust assessment of the emerging and principal risks, including taking into account the threats to the Company's solvency or liquidity incorporated in the principal risks and uncertainties, including potential impacts from the ongoing conflicts in Ukraine and the Middle East, and has satisfied itself that they are being addressed as outlined above.

Due to the uncertainty arising from the proposed Managed Realisation, the Directors have disclosed an uncertainty in respect of the outcome of the upcoming General Meeting, but not withstanding the outcome the Directors continue to adopt the going concern basis in preparing the Financial Statements. See page 61 for further details.

DIRECTORS' RESPONSIBILITIES PURSUANT TO SECTION 172 OF THE COMPANIES ACT 2006

The Directors are responsible for acting in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members. In doing so, they should have regard for the needs of its stakeholders and wider society. The Company's objective is to provide investors with an annual return of 12% to 15% over the long term through a combination of share price appreciation and distributions.

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 its key stakeholders is discussed further in the Corporate Governance Report. Key decisions were made or approved by the Directors during the year, with the overall aim of promoting the success of the Company while considering the impact on its members and wider stakeholders, this included the decision to have a shareholder consultation on the future direction of the Company.

Further details relating to this are set out in the long-term consequences of decisions section in the Companies Act Section 172 statement, on page 21.

For and on behalf of the Board

James Wilson
Chairman

27 March 2025

Portfolio Management Review

The movement in NAV during the year was as follows:

	2024 £'000	2023 £'000
Opening NAV	**42,141**	46,541
Net realised and unrealised reductions on investments	**(4,504)**	(2,761)
Investment interest income	**1,186**	1,374
Advisory fee income	**–**	160
Dividends	**(747)**	(747)
Overheads and other net movements	**(1,921)**	(2,426)
Closing NAV	**36,155**	42,141

Cash realisations and new and follow-on investments from the portfolio were as follows:

	Year ended 31 December	
	2024 £'000	2023 £'000
Proceeds from the sale of investments	**29**	5,770
Proceeds from redemption of convertible debt	**–**	88
Distributions from funds	**894**	62
Total – gross cash realisations	**923**	5,920
Fund calls	**(55)**	–
Total – net	**868**	5,920

Realisations in 2024 include distributions received from Simmons and Brockton CF (II) Scotland.

Below is a summary of the investment portfolio of the Company and its subsidiaries, which reflects all investments held by the Group:

	Year ended 31 December					
	2024			2023		
Mature investment portfolio	**GBP denominated £'000**	**USD denominated £'000**	**Total £'000**	GBP denominated £'000	USD denominated £'000	Total £'000
Quoted	**54**	**5**	**59**	107	37	144
Unquoted	**1,680**	**56**	**1,736**	1,680	38	1,718
Funds	**293**	**5,584**	**5,877**	3,139	6,330	9,469
	2,027	**5,645**	**7,672**	4,926	6,405	11,331
Other investments	**GBP denominated £'000**	**USD denominated £'000**	**Total £'000**	GBP denominated £'000	USD denominated £'000	Total £'000
Dacian	**–**	**9,258**	**9,258**	–	10,989	10,989
Castle View	**6,553**	**–**	**6,553**	6,130	–	6,130
	6,553	**9,258**	**15,811**	6,130	10,989	17,119
Total investments	**8,580**	**14,903**	**23,483**	11,056	17,394	28,450

BASIS OF VALUATION

QUOTED INVESTMENTS

Quoted investments for which an active market exists are valued at the closing bid price at the reporting date.

UNQUOTED DIRECT INVESTMENTS

Unquoted direct investments for which there is no active market are valued using the most appropriate valuation technique with regard to the stage and nature of the investment.

Valuation methods that may be used include:

- investments in an established business are valued using revenue or earnings multiples depending on the stage of development of the business and the extent to which it is generating sustainable revenue or earnings;
- investments in an established business which is generating sustainable revenue or earnings but for which other valuation methods are not appropriate are valued by calculating the discounted value of future cash flows;

Portfolio Management Review continued

- investments in debt instruments or loan notes are determined on a standalone basis, with the initial investment recorded at the price of the transaction and subsequent adjustments to the valuation are considered for changes in credit risk or market rates; and
- convertible instruments are valued by disaggregating the convertible feature from the debt instrument and valuing it using a Black-Scholes model.

FUNDS

Investments in managed funds are valued at fair value. The general partners of the funds will provide periodic valuations on a fair value basis, the latest available of which the Company will adopt provided it is satisfied that the valuation methods used by the funds are not materially different from the Company's valuation methods. Adjustments will be made to the fund valuation where the Company believes the evidence available supports an alternative valuation.

PERFORMANCE OF THE INVESTMENT PORTFOLIO

The return on investments for the year ended 31 December was as follows:

	Year ended 31 December					
	2024			2023		
Asset type	**Realised gains/ (losses) £'000**	**Unrealised gains/ (losses) £'000**	**Total £'000**	Realised gains/ (losses) £'000	Unrealised gains/ (losses) £'000	Total £'000
Quoted	**6**	**(62)**	**(56)**	(10)	–	(10)
Unquoted	**–**	**(1,690)**	**(1,690)**	1,498	366	1,864
Funds	**457**	**(3,210)**	**(2,753)**	(9)	(4,509)	(4,518)
	463	**(4,962)**	**(4,499)**	1,479	(4,143)	(2,664)
Charge for incentive plans			**(5)**			(100)
Income and fair value adjustments on investment portfolio			**(4,504)**			(2,764)
Net operating and other expenses of subsidiaries			**(8,520)**			(44,500)
			(13,024)			(47,264)

The Company historically operated carried interest arrangements in line with normal practice in the private equity industry. These arrangements have been in run-off since 2012 and only one investment, Medhost, remained subject to the arrangements. Following the sale of Medhost a payment was due based on the cash consideration received in 2023, and a further payment was due following receipt of the final part of the proceeds in December 2024. The charge for incentive plans for the Company is £nil and for subsidiaries £5,000 for carried interest and other incentives relating to historic arrangements. The charge for the carried interest incentive plan is included in the net movement on investments in the Income Statement.

Approximately 63% of the portfolio at 31 December 2024 was denominated in US Dollars (31 December 2023: 61%) and the above table includes the impact of currency movements. In the year ended 31 December 2024, the weakening of sterling against the US Dollar resulted in an unrealised foreign currency gain of £0.2 million (2023: unrealised loss of £1.1 million). As is common practice in private equity investment, it is the Board's current policy not to hedge the Company's underlying non-sterling investments.

QUOTED INVESTMENTS

Company	Sector	31 December 2024 £'000	2023 £'000
Tialis Essential IT plc	UK technology	**54**	107
Arsenal Digital Holdings Inc	US energy	**5**	10
Weatherford International Inc	US energy	**–**	27
		59	144

The changes in valuation on the quoted portfolio arose as follows:

Gains/(losses), net	Year ended 31 December 2024 £'000	2023 £'000
Realised		
Weatherford International Inc	**6**	(8)
Evolving Systems Inc	**–**	(2)
	6	(10)
Unrealised		
Tialis Essential IT plc	**(54)**	(13)
Arsenal Digital Holdings Inc	**(4)**	(4)
Other quoted holdings	**(2)**	17
Unrealised foreign currency losses	**(2)**	–
	(62)	–
Total net losses	**(56)**	(10)

UNQUOTED INVESTMENTS

Company	Sector	31 December 2024 £'000	2023 £'000
Dacian	Romanian energy	**9,258**	10,989
Castle View	Retirement living	**6,553**	6,130
Elateral	UK technology	**1,680**	1,680
Cresco	US consumer	**56**	38
		17,547	18,837

The changes in valuation on the unquoted portfolio arose as follows:

Gains/(losses), net	Year ended 31 December 2024 £'000	2023 £'000
Realised		
Medhost Inc	**–**	1,432
Updata	**–**	86
ICU Eyewear	**–**	62
	–	1,580
Unrealised		
Dacian	**(2,112)**	–
Castle View	**241**	–
Cresco	**18**	–
Elateral		1,081
Tialis loan notes		6
Unrealised foreign currency gains/(losses)	**163**	(803)
	(1,690)	284
Total net (losses)/gains	**(1,690)**	1,864

Valuations are sensitive to changes in the following inputs:

- the operating performance of the individual businesses within the portfolio;
- changes in the revenue and profitability multiples and transaction prices of comparable businesses, which are used in the underlying calculations;
- changes in the estimated future cash flows of the individual businesses which are derived based on judgemental inputs (see note 20 for further details); and
- the discount rates applied to valuations.

OVERVIEW GOVERNANCE FINANCIAL STATEMENTS

Portfolio Management Review continued

FUND INTERESTS

General partner	Sector	31 December 2024 £'000	31 December 2023 £'000
Brockton Capital Fund 1	UK real estate	**–**	2,526
Opus Capital Venture Partners	US venture capital	**3,329**	4,142
GW 2001 Fund	US quoted micro-caps	**2,243**	2,180
EMAC ILF	Europe real estate	**292**	330
Simmons Parallel Energy	UK energy	**1**	283
Other interests		**12**	8
		5,877	9,469

The changes in valuation on the Company's fund portfolio arose as follows:

Gains/(losses), net	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Realised		
Brockton CF (II) Scotland	**457**	–
San Francisco Equity Partners	**–**	(9)
	457	(9)
Unrealised		
Brockton Capital Fund 1	**(2,526)**	(3,510)
Opus Capital Venture Partners	**(870)**	(896)
GW 2001 Fund	**24**	222
Simmons Parallel Energy	**104**	27
Eden Ventures	**–**	(5)
Others (net)	**(13)**	(8)
Unrealised foreign currency gains/(losses)	**71**	(339)
	(3,210)	(4,509)
Total fair value decreases	**(2,753)**	(4,518)

COSTS

Running costs for the year were £1.7 million (2023: £1.8 million) and investment related costs being support costs for real estate and co-investment activities, were £0.8 million (2023: £1.0 million).

TAXATION

The Group tax provision for the year, all of which arose in the subsidiaries, is £0.1 million (2023: £0.2 million). This includes £0.1 million of withholding tax on foreign sourced income.

FINANCIAL RESOURCES AND COMMITMENTS

At 31 December 2024 cash holdings, including cash in subsidiaries, were £13.5 million (31 December 2023: £15.5 million) and neither the Company nor any of its subsidiaries had any external debt in either 2024 or 2023.

At 31 December 2024, subsidiary companies had commitments of £2.5 million (31 December 2023: £2.7 million) to meet outstanding capital calls from fund interests.

LMS Capital plc

27 March 2025

Board of Directors

JAMES WILSON
NON-EXECUTIVE CHAIRMAN

COMMITTEE MEMBERSHIPS:
Member of the Audit Committee, Investment Committee, Nomination Committee and Remuneration Committee

DATE APPOINTED TO THE BOARD:
28 November 2019

DATE APPOINTED AS CHAIRMAN:
15 May 2024

Directorships: Chairman and Managing Partner of Source Squared. Serves on the State Board of Advisors for The Salvation Army and the Advisory Board of the Cambridge Conservation Initiative at Cambridge University in the UK. Also a director of ZetaMotion Limited and Cambridge Photon Technology and Chairman of Acumentrics Inc and Aircuity Inc.

Experience: James has expertise in a wide range of sectors. He was a founding partner of Boston Ventures, one of the leading US media private equity funds, responsible for building the firm's practice in the information services industries.

NICHOLAS FRIEDLOS
MANAGING DIRECTOR

COMMITTEE MEMBERSHIPS:
Member of the Investment Committee and the Nomination Committee

DATE APPOINTED TO THE BOARD:
28 November 2019

DATE APPOINTED AS MANAGING DIRECTOR:
28 November 2019

Role and Experience: Managing Director, with overall responsibility for running the Company's operations, working with and supporting the activities of the investment teams as well as overseeing administrative and regulatory matters.

Nicholas is a chartered accountant and was a partner at PricewaterhouseCoopers. For the last 20 years he has worked as a consultant to and as CEO and CFO in alternative asset investment businesses including real estate, private equity and renewable energy.

Board of Directors continued

ROBERT RAYNE
NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIPS:
Chairman of the Investment Committee and the Nomination Committee

DATE APPOINTED TO THE BOARD:
6 April 2006

Directorships: Previously Chairman of The Rayne Foundation and a non-executive director/trustee of a number of charitable trusts and foundations, and also a director of Noven Inc.

Experience: Robert has expertise in a wide range of sectors, including real estate, media, consumer, technology and energy. He established the Company's investment activities in the early 1980s as Investment Director and later Managing Director and Chief Executive Officer of London Merchant Securities plc.

PETER HARVEY
NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIPS:
Chairman of the Audit Committee, member of the Investment Committee, Nomination Committee and Remuneration Committee

DATE APPOINTED TO THE BOARD:
28 November 2019

DATE APPOINTED AS CHAIRMAN OF THE AUDIT COMMITTEE:
28 November 2019

Directorships: Peter has a number of other roles with not-for-profit organisations in Cornwall, and is also a director of two substantial private businesses based in Cornwall.

Experience: Peter is a chartered accountant and prior to his retirement in 2010, was a partner at PricewaterhouseCoopers. He has been involved as Chairman of the shareholder group in a private company in the brewing sector and has worked closely with the board of this business.

GRAHAM STEDMAN
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIPS:
Chairman of the Remuneration Committee, member of the Audit Committee, Investment Committee and Nomination Committee

DATE APPOINTED TO THE BOARD:
28 November 2019

DATE APPOINTED AS CHAIRMAN OF THE REMUNERATION COMMITTEE:
28 November 2019

Directorships: Graham has a number of advisory roles and has a particular interest in mentoring smaller organisations both in the commercial and in the not-for-profit sectors to develop their businesses.

Experience: Graham is a lawyer and spent most of his career as a corporate law partner in London advising on mergers and acquisitions, takeovers, and other corporate transactions in both public markets and private equity and venture capital.

Corporate Governance Report

This report sets out the Company's corporate governance arrangements, which reflect the standards of practice required by the 2018 UK Corporate Governance Code (the 'Code') in relation to the management of the Company. The work of the Board during the year was conducted through four formal meetings and regular informal engagement with executive management. The Board has focussed on the investment strategy, including emphasis on retirement living as well as the management of the mature portfolio.

UK CORPORATE GOVERNANCE CODE AND SECTION 172 REPORTING

During 2024, we continued to abide by the overriding principles of the 2018 Code which are designed to:

- promote long-term sustainable success of the Company and business effectiveness;
- responsibility and accountability in accordance with Section 172 of the Companies Act 2006 ("Section 172") which requires Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, having regard to the factors set out in Section 172;
- provide suitable opportunity for employee engagement in the business;
- assist the effective review and monitoring of the Company's activities and successful deployment of its capital;
- help identify and mitigate significant risks to the Company, as set out in our Risk Report on pages 12 and 13; and
- provide the necessary disclosures to allow stakeholders to make a meaningful analysis of the Company's business activities and its financial position.

The Board is committed to delivering value to shareholders while maintaining high standards of corporate governance and business ethics. This report is made under the 2018 UK Corporate Governance Code ("the Code"). Copies of the Code are available from the Financial Reporting Council's website at www.frc.org.uk.

This report sets out how the Company has applied the principles in the Code and the extent to which it has complied with the detailed provisions set out therein. The Board considers that the Company has complied with all of the provisions of the Code, except where explanatory statements have been included below. The Board continues to consider the likely consequences of its decisions in the long term and the importance of maintaining a reputation for high standards of business conduct.

Corporate Governance Report continued

GOVERNANCE EVENTS

- During the year, the Company has continued to keep under review its documented policies and procedures, where required to comply with the various areas of regulation. The Company will continue to formally review its policies on a regular basis.
- In July 2024, the Financial Conduct Authority implemented comprehensive reforms to the UK Listing Rules. As a result, LMS Capital plc has transitioned from its previous premium listing to the new closed-ended investment funds category. This change aligns with the Company's structure and investment objectives. The Board has carefully reviewed the continuing obligations applicable to this category to ensure that the Company's governance and reporting practices comply with the updated regulatory framework.
- The Company's AGM is an opportunity for the Board to engage directly with shareholders. Since 2022, in addition to being invited to attend in person, shareholders have been provided with the opportunity to view the AGM remotely. All shareholders are encouraged to submit proxy votes and questions both before and during the meeting. It is intended that the 2025 AGM will again be held in person with the option of viewing online. Further details will be included in the Notice of AGM and accompanying notes that will be circulated ahead of the meeting.
- Looking ahead, the Board is mindful that the Corporate Governance Code published in January 2024 applies to the Company from 1 January 2025, and is therefore reviewing its governance practices in light of the new provisions. The Board is committed to maintaining high standards of corporate governance and will report on its implementation of the 2024 Code in the Company's next Annual Report.

UK CORPORATE GOVERNANCE CODE – EXPLICIT EXPLANATORY STATEMENTS RELATING TO NON COMPLIANCE

Provision 17 of the Code provides that the Board Chairman should not chair the Nomination Committee when it is dealing with the appointment of their successor. Robert Rayne did chair the Nomination Committee at the time when James Wilson was appointed as the new Board Chairman. However, as Mr Wilson was already on the Board and in the role of the Senior Independent Director this was a natural succession process rather than an external search. Therefore the Board was content for Mr Rayne to chair the Committee on that occasion.

Provision 20 of the Code requires that open advertising and/or an external search consultancy should generally be used for the appointment of the Chairman and Non-Executive Directors. Although this was not the case for the most recent director appointments in 2019 and the appointment of James Wilson as Non-Executive Chairman in 2024, given the particular circumstances, it is the Board's intention that an external search consultancy would be used for any future Board appointments.

Provision 21 of the Code requires that there should be a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chairman and individual Directors. The last externally facilitated Board effectiveness review was undertaken in respect of 2020 and an internal review was conducted in 2022. The Board conducted an internal review of its effectiveness in January 2022. The Board's operation will be reviewed again following the Company's General Meeting in May 2025.

Provision 24 of the Code provides that the Board Chairman should not be a member of the Audit Committee. James Wilson was on the Audit Committee before he took on the role of Board Chairman and the Board is of the view that it is appropriate for him to remain as a member of that committee given its size.

Provision 34 of the Code states that the remuneration for all Non-Executive Directors should not include share options or other performance-related elements. This Provision was not complied with as Robert Rayne is still a participant in the Company's historic carried interest plans. The carried interest relates to entitlements earned during previous years when he was an executive of the Company and, in this respect, he is not treated differently from other former executives who in some cases also retained carried interest entitlements. There have been no new carried interest plans introduced since the Company returned to internal management.

ENGAGEMENT WITH STAKEHOLDERS

Provision 5 of the Code requires the Board to understand the views of the Company's key stakeholders.

The Board regards the Company's people as its most valuable asset and is committed to responsible employment practices, by promoting the fair treatment of the workforce, providing equal opportunity, preventing discrimination and upholding human rights.

The Senior Independent Director, Graham Stedman, together with the Chairman, James Wilson is available to meet with shareholders as appropriate. Nicholas Friedlos, our Managing Director, and each of the Committee Chairmen are also available to engage with shareholders on significant matters related to their area of responsibility.

All Directors (including the Committee Chairmen) will be available at our AGM in 2025 to answer any questions. At the AGM the level of proxy votes lodged on each resolution is made available, both at the meeting and subsequently on the Company's website. Each substantially separate issue is presented as a separate resolution.

SHAREHOLDER COMMUNICATIONS

The Board remains in regular contact with the Company's major institutional shareholders and ensures that all Directors understand the views and concerns of investors. This is achieved by the Directors engaging with representatives of institutional shareholders from time to time to discuss matters of mutual interest relating to the Company and then reporting back to the Board.

The interim and annual results of the Company, along with all other press releases, are made available on the Company's website, www.lmscapital.com, as soon as possible after they have been announced to the market. The website also contains an archive of all documents sent to shareholders, as well as details of the Company's investments, strategy and share price.

REMUNERATION

The current Remuneration Policy was approved at the 2023 AGM by the majority of shareholders.

In accordance with the Code, the Remuneration Committee determines Executive Director remuneration policy and practices and addresses the following factors: clarity, simplicity, risk, predictability, proportionality and alignment to culture. During its deliberations, the Committee considers using its discretion, as appropriate, to override formulaic outcomes. The Committee is also entitled to invoke agreed safeguards, for example, clawback or withholding the payment of any sum or share award in certain circumstances.

The Committee reviews at least annually the ongoing appropriateness and relevance of the remuneration policy and consults with significant shareholders, as appropriate, on the policy or any other aspects of remuneration. In carrying out its role, the Committee takes advice from external remuneration consultants.

Detailed information on the remuneration arrangements for the Directors can be found in the Remuneration Report on pages 31 and 32.

ACCOUNTABILITY AND RISK

The Board formally reviews the Company's risk profile each year and regularly considers the principal and emerging risks facing the Company and appropriate controls and mitigations. Risk identification and mitigation form part of the Board's strategic decision making processes. Monitoring the Company's risk and assurance systems is key to the business and forms part of Board and Audit Committee meeting discussions.

Detailed information on how the Company manages risk can be found in the Strategic Report on pages 08 to 14 and the Audit Committee Report on pages 28 to 30.

DIVERSITY AND SUCCESSION PLANNING

The Nomination Committee has reviewed the combination of skills and experience on the Board and has evaluated its composition looking at both the existing and desired skill sets. The targets on diversity under the UK Listing Rules have not been met, but the Board recognises the need to increase diversity on the Board as and when future appointments are made.

The following table shows the breakdown of the Board in terms of gender and ethnic background:

	Number of directors	Percentage of the Board
Gender identity		
Male	5	100
Ethnic diversity		
White British or other white	5	100

Corporate Governance Report continued

LEADERSHIP AND BOARD EFFECTIVENESS

The structure of the Board and Committees is designed to ensure that the Board applies its focus to the overall objectives of the Company with an emphasis on strategy, monitoring the performance of the portfolio, risk and control issues. The Board ensures that the right people and leadership are in place and operating effectively to achieve the strategy and deliver the plans of the Company.

BOARD EVALUATION

The Board is mindful of the guidance on Board Effectiveness issued by the FRC in July 2018.

The composition and effectiveness of the Board will be reviewed following the Company's General Meeting expected to be held in May 2025.

BOARD OF DIRECTORS

The Board is responsible to the Company's shareholders for the Company's strategic direction, performance, values and governance. It provides the leadership necessary to enable the Company's business objectives to be met within the governance framework detailed below.

COMPOSITION

The Board currently comprises five Directors. Brief biographies of the Directors appear on pages 19 and 20. The Board considers that it has an appropriate balance of skills, knowledge and experience in place, and this is kept under review.

James Wilson is the Board Chairman, and he is responsible for the effective running of the Board, including setting its agenda and ensuring that all matters relating to performance and strategy are fully addressed. He is also responsible for ensuring that the Board's effectiveness is regularly evaluated. There is a role description for the Board Chairman which was reviewed in 2023.

NON-EXECUTIVE DIRECTORS

Each Non-Executive Director is appointed for an initial term of three years. Subject to agreement, satisfactory performance and re-election by shareholders, their appointments may be renewed for further terms of three years usually up to a maximum of nine years in total.

DIRECTOR INDEPENDENCE AND COMMITMENT

In the opinion of the Board, Peter Harvey, Graham Stedman and James Wilson are each considered to be independent in character and judgement and there are no relationships or circumstances which are likely to affect (or could appear to affect) their judgement.

Robert Rayne is not considered to be independent as he previously served as an executive director and is a major shareholder in LMS Capital plc.

Nicholas Friedlos is not considered to be independent as he is the Managing Director of the Company.

DIRECTORS' CONFLICTS OF INTERESTS

The Company's Articles of Association allow the Directors to authorise conflicts of interest and a register has been set up to record all actual and potential conflict situations which have been declared. All declared conflicts have been reviewed and approved by the Board at each Board meeting held during 2024. The Company has instituted procedures to ensure that Directors' outside interests do not give rise to conflicts with its operations and strategy.

The Board is of the view that the Chairman and each of the Non-Executive Directors who held office during 2024 committed sufficient time to fulfilling their duties as members of the Board.

CO-INVESTMENT POLICY

The Board has adopted a co-investment policy to provide guidance in situations where one or more members of the LMS team proposes to become a co-investor in one of the Company's new investments. The policy states that any such co-investment should be on the same or no better terms and at the same time as the Company's investment. The policy also sets out the regulatory requirements and requires all proposed LMS team co-investments to be reviewed and approved by an Independent Board, being the Board, but excluding any Board members who are part of the proposed co-investment. Should all Board members be proposed co-investors, the arrangement would be reviewed by the Company's financial adviser.

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director, Graham Stedman, acts as a sounding board for the Chairman and as an intermediary for the other Directors. The Directors consider that the Senior Independent Director is able to ensure sufficient engagement with shareholders.

DIRECTOR RE-ELECTION

In order to comply with the Code, all Directors will offer themselves for re-election by shareholders at each AGM.

BOARD SUPPORT

There is an agreed procedure for the Directors to take independent professional advice, if necessary, at the Company's expense. This procedure was not used during the year. In addition, all Directors have access to the advice and services of the Company Secretary. Newly appointed Directors are provided with comprehensive information about the Company and its investee Companies as part of their induction process.

While no formal structured continuing professional development programme has been established for the Non-Executive Directors, every effort is made to ensure that they are fully briefed before Board meetings on the Company's business and its investments. In addition, they receive updates from time to time from the Company's advisers and from the Company Secretary on recent developments in corporate governance and regulation. Each of the Non-Executive Directors independently ensures that they update their skills and knowledge sufficiently to enable them to fulfil their duties appropriately.

The Board has adopted a schedule of matters reserved to it for approval. These include the approval of financial statements, strategic plans and annual budgets, as well as acquisitions and disposals and major capital and operating expenditure. The Board delegates specific responsibilities to its Committees, which operate within written terms of reference approved by the Board. These Committees report regularly to the Board.

BOARD MEETINGS

Four scheduled Board meetings and six ad-hoc meetings were held in 2024. At each scheduled meeting, the Board received a report on current operations and significant business issues, such as major investment or divestment proposals and strategy, as well as financial reports. Papers for each scheduled Board meeting are usually provided during the week before the meeting.

ATTENDANCE AT BOARD MEETINGS

The Directors of the Company during 2024 and their attendance at scheduled meetings of the Board and Committees were as set out below:

2024	**Board**	**Audit**	**Nomination**	**Remuneration**	**Investment**
Meetings held	4	2	1	2	3
James Wilson	4	2	1	2	3
Nicholas Friedlos	4	2*	1	2*	3
Peter Harvey	4	2	1	2	3
Robert Rayne	4	2*	1	2*	3
Graham Stedman	4	2	1	2	3

* attended by invitation. Nicholas Friedlos was not present at any part of a remuneration committee meeting where his remuneration was discussed.

The Directors maintain a regular dialogue regarding the business of the Company outside of scheduled Board and Committee meetings. In months where no such meetings are scheduled, the Directors will arrange informal meetings, generally by way of conference calls.

BOARD COMMITTEES

The Board has an Audit Committee, a Remuneration Committee, a Nomination Committee, and an Investment Committee.

Each Board Committee has terms of reference detailing its responsibilities and authority.

Corporate Governance Report continued

AUDIT COMMITTEE

The Audit Committee comprises Peter Harvey (Committee Chairman), Graham Stedman and James Wilson. Peter Harvey is considered by the Board to have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

The Chairman of the Committee may invite non-members to attend Committee meetings and these typically include a representative of the Company's external auditor and other Directors. A report on the activities of the Audit Committee is set out on pages 28 to 30.

The terms of reference for the Committee, take into account the requirements of the Code. The role of the Committee is to assist the Board with the discharge of its responsibilities in relation to the Company's Financial Statements in the areas set out below.

The Committee Chairman reports to the full Board at each scheduled Board meeting immediately following a Committee meeting.

CORPORATE REPORTING

The Committee monitors the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance, with particular emphasis on reviewing any significant financial reporting judgements contained in them. It reviews the draft annual Financial Statements and half-year results statement prior to discussion and approval by the Board and reviews the external auditor's detailed reports on these.

It reports to the Board any matters which it considers the Board should take into account in ensuring that the published financial reports provide a fair, balanced and understandable assessment of the Company's position and prospects. In identifying any such matters, the Committee also takes into account the findings reported to it from the external audit process.

EXTERNAL AUDIT

In order to safeguard the independence and objectivity of the external auditor, the Committee is responsible for the development, implementation and monitoring of the Company's policy on the provision of non-audit services and oversight of the hiring of personnel from the external auditor, should this occur. The Audit Committee reviews the conduct of the external audit, including its effectiveness and independence on an annual basis and makes recommendations to the Board regarding the re-appointment or removal of the external auditor, their terms of engagement and the level of their remuneration. The Committee also reviews the process which is in place to ensure the independence and objectivity of the external auditor.

Each year, the Committee monitors the external audit as it proceeds. The Committee reviews, discusses and approves the external audit plan, then meets with the external auditor prior to the Board's consideration of the full-year and half-year results to consider their findings.

A policy regarding the engagement of the external auditor to supply non-audit services is in place. The policy recognises the importance of maintaining the objectivity and independence of the external auditor by carefully monitoring their involvement in projects of a non-audit nature. It is, however, also acknowledged that, due to their detailed understanding of the Company's business, it may sometimes be necessary or desirable to involve the external auditor in non-audit related work to the extent permitted. Any such work requires pre-approval by the Audit Committee.

INTERNAL CONTROL AND RISK MANAGEMENT

During the year, the Board decided to transition the accounting function in-house from IQ-EQ Administration Services (UK) Limited, which had been appointed in 2017. IQ-EQ Corporate Services (UK) Limited remains the Company Secretary, supporting the Board with governance procedures, particularly in planning the annual cycle of Board and Committee meeting agendas.

The transfer of accounting responsibilities was completed in May 2024, with all controls and procedures properly documented.

On 13 November 2024, the Company announced that IQ-EQ Corporate Services (UK) Limited had resigned as Corporate Company Secretary, effective immediately. IQ-EQ Secretaries (UK) Limited was appointed as the new Corporate Company Secretary on the same day.

This change was permitted under and did not alter the existing contractual arrangements.

Risk management and internal controls is a standing agenda item for each Audit Committee meeting. Although the Company has no internal audit function, the Committee reviews the effectiveness of the internal controls throughout the year and will take any necessary corrective actions should any significant failings or weaknesses be identified. When reviewing the effectiveness of the internal controls, the Committee considers published guidance from the FRC on the Corporate Governance Code, including that on Audit, Risk and Internal Control. More information is set out in the Audit Committee Report on pages 28 to 30. Details of the principal risks and uncertainties facing the Company can be found in the Strategic Report on pages 08 to 14.

The Board is satisfied with the implemented and documented controls and procedures now in place, following the transition of the day-to-day financial, accounting and administrative functions in-house.

Although not a regulatory requirement as a small self-managed alternative investment fund, the Company has retained the services of INDOS Financial Limited to act as its depository and provide additional internal controls for the safeguarding and record keeping of its assets.

NOMINATION COMMITTEE

All Directors are members of the Nomination Committee, which is chaired by Robert Rayne. The Committee is responsible for making recommendations about Board composition, including relevant aspects of diversity. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need arises. The selection process is, in the Board's view, both rigorous and transparent in order to ensure that appointments are made on merit and against objective criteria set by the Committee. In reviewing potential candidates, the Committee takes into account the need to consider the benefits of diversity on the Board, while ensuring that appointments are made based on merit and relevant experience.

When considering succession planning, the Committee looks at the balance, structure and composition of the Board and considers the future challenges and opportunities facing the Company.

The Nomination Committee meets as required, and at least once each year.

REMUNERATION COMMITTEE

The Remuneration Committee comprises: Graham Stedman (Committee Chairman), Peter Harvey and James Wilson. The Remuneration Committee has, under its Terms of Reference, been delegated the responsibility for setting the remuneration of the Executive Director. There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The Committee consults with external remuneration consultants as part of its annual review process.

The Remuneration Committee meets as required, but at least twice each year.

A report on the activities of the Remuneration Committee is set out on pages 31 to 44.

FINANCIAL REPORTING

The Directors have acknowledged, in the Statement of Directors' Responsibilities on page 48 their responsibility for preparing the Financial Statements of the Company. The external auditor has included, in the Independent Auditor's Report set out on pages 49 to 55, a statement about its reporting responsibilities.

The Directors are also responsible for the publication of a half-year report for the Company, which provides a balanced and fair assessment of the Company's financial position for the first six months of each accounting period.

James Wilson
Chairman

27 March 2025

Audit Committee Report

INTRODUCTION FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

I am pleased to present the report of the Audit Committee for 2024 which provides shareholders with an overview of the activities of the Committee during the year. These activities are focused on the following:

- the integrity of the Company's financial reporting;
- the quality and effectiveness of the external audit process, including the independence and objectivity of the external auditor;
- risk management and internal control; and
- the day-to-day accounting responsibilities, which are now undertaken in-house.

Throughout 2024 the Committee has overseen the financial reporting process and discharged its other responsibilities.

As Chairman of the Committee, I report to the full Board at each scheduled Board meeting immediately following a Committee meeting, and other times as appropriate.

A summary of how the Committee carried out its responsibilities during 2024 as well as the more significant issues addressed is set out in the report.

CORPORATE REPORTING

The Committee had two scheduled meetings during 2024 and also met on 4 March 2025. Each meeting was attended by the external auditor.

Since the publication of the 2023 Annual Report the Committee has reviewed the following:

- the 2024 half-year results and announcement;
- reports from BDO LLP on the planning of their audit for the year ended 31 December 2024;
- the report from BDO LLP on their audit of the results for the year ended 31 December 2024;
- the preliminary announcement of 2024 results; and
- the 2024 Annual Report.

ANNUAL REPORT

The Committee advises the Board on whether it believes that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. A report confirming this to be the case for the 2024 Annual Report was presented to the Board at a meeting where it considered the full-year results and Annual Report for 2024.

In formulating its report to the Board, the matters considered by the Committee included the following:

- the process underlying the preparation of financial and narrative information which is reported to the Board at each of its meetings;
- whether the information in the Strategic Report and the Portfolio Management Review was consistent with that reported to the Board throughout the year;
- ensuring that positive and negative factors affecting the Company's performance were given equal prominence; and
- the appropriateness of the key performance indicators and comments on them.

SIGNIFICANT ACCOUNTING JUDGEMENTS

During the year, the Committee considered the key accounting matters and judgements in respect of the Financial Statements and these are described below. In relation to the 2024 full-year results, the Committee has received relevant papers prepared by the internal team. These papers were subject to challenge by the Committee, as it considered appropriate in the circumstances.

INVESTMENT PORTFOLIO VALUATION

The principal focus for the Committee is the investment portfolio valuation; a full valuation is prepared and reported to the Committee at least twice a year and used for the preparation of the Company's half-year and full-year financial reports.

The following areas were of particular focus for the Committee in its consideration of the approach to investment valuation in 2024:

- ensuring that the valuation methodology complied with the International Private Equity and Venture Capital Valuation Guidelines (December 2018 edition), and the Company's stated accounting policy, and that the Guidelines had been applied on a consistent basis;
- the availability of third-party information to corroborate valuation results at individual investment level, including:
  - reports from general partners for the Company's fund interests;
  - market prices for its quoted investments; and
  - the nature and reason for any adjustments made to third-party information for the Company's valuation purposes.

The valuation of unquoted investments inevitably requires the exercise of judgement and the Committee studied in detail the variables underpinning the valuation of each unquoted investment, in particular:

- consideration of current trading and future prospects in determining the appropriate revenues or earnings base for valuation purposes;
- consistency of approach in the valuation, satisfying itself that any change made was appropriate; and
- ensuring that metrics from comparable quoted companies were appropriate and up to date.

At its meeting to consider the full-year results, the Committee considered a detailed report on the year end investment valuation and concluded that the valuation process had been properly carried out and that the valuation was appropriate in aggregate. In reaching this conclusion the Committee took into account the findings of the external auditor.

GOING CONCERN

The Financial Statements are prepared on a going concern basis. The Committee considered this and concluded that the use of the going concern basis continued to be appropriate. The Committee primarily considered the Company's liquidity forecast, the significant cash balances on hand at 31 December 2024 and the latest report on the investment portfolio.

As part of this review the Committee also satisfied itself that the Viability Statement in the Strategic Report and the statement on going concern under "Basis of preparation" in note 1 to the financial information were appropriate.

EXTERNAL AUDIT FINDINGS

The auditor also reported to the Committee the corrected and uncorrected judgemental differences and factual misstatements they had found during the course of their work.

INTERNAL CONTROL AND RISK MANAGEMENT

The Committee reviews the operation of the Company's internal financial control system to ensure it is sufficiently resourced and has the appropriate processes and controls over financial reporting to fulfil its duties. That assessment is considered by the Board which reviews and approves the risk matrix annually. Risk management and internal controls were reviewed by the Committee at each of its scheduled meetings during the year. The Committee has also reviewed the Company's detailed internal risk analysis and the disclosures in relation to risks and longer-term viability in the Strategic Report. The Committee is of the view that:

- risks have been properly identified;
- the systems and controls were operating satisfactorily during 2024 and up to the date of this report; and
- mitigation of the risks identified is satisfactory and appropriate to the Company's circumstances.

Audit Committee Report continued

INTERNAL AUDIT

The Committee has considered the need for an internal audit function and concluded that given the size and scale of the Company's operations, together with the risk management processes and internal controls in place, there is no current need for such a function. The Committee will continue to keep this under review.

EXTERNAL AUDIT

It is the responsibility of the Committee to review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit process. The Committee also ensures that the Company complies with EU audit reform as implemented in the UK.

Reports presented to the Committee by BDO LLP during 2024 and up to the date of this report covered:

- the results of their audit of the 2023 Financial Statements and Annual Report;
- their plans and proposed audit scope for 2024; and
- the results of their audit of the 2024 Financial Statements and Annual Report.

In addition, BDO LLP reported to the Committee their procedures to ensure their independence and objectivity and confirmed the compliance of the partners and staff assigned to the Company's audit with those procedures.

The Committee conducts an assessment of the external audit process each year which includes members of the Committee and members of the Company's finance team providing their comments and evaluation to the Chairman of the Committee on areas including:

- the procedures adopted by the external auditor to ensure their independence and objectivity;
- the appropriateness of risk identification in determining the external audit plan;
- their conduct of the audit process, including the extent of challenge of judgement areas; and
- the nature and content of reports presented to the Committee.

BDO LLP has been the Company's auditors for nine years. Orla Reilly was rotated onto the engagement in July 2021 in advance of the half-year review and was the Responsible Individual (RI) for the 2021, 2022 and 2023 year end audits. As a result of BDO LLP's internal changes to Audit Partner portfolios and unrelated to tenure requirements, Orla Reilly has been replaced by Gary Fensom as the audit partner for the 2024 year end audit. Orla Reilly has remained available to Gary Fensom to ensure a smooth transition. The Committee is satisfied that Gary Fensom has extensive experience in listed and unlisted investment fund portfolios and is therefore an appropriate replacement.

Listed companies are required to tender the external audit at least every ten years, and change audit firm at least every twenty years. The Committee last undertook an audit tender process in 2016 when BDO LLP was appointed as auditor in respect of financial years ended on or after 31 December 2016. The Company is required to tender the external audit no later than for the year ending 31 December 2026.

The Company has a formal policy governing the engagement of the external auditor to provide non-audit services, which includes procedures designed to limit such services to areas which would comply with relevant legislation and not result in potential conflict with the objectivity and independence of the external audit process.

During the year the amount of fees paid for non-audit services provided by BDO LLP was £9,000 (2023: £6,000). These permissible audit related services were in respect of the client money and custody assets limited assurance report for a subsidiary in 2022 and 2023. The subsidiary cancelled its FCA registration in 2024 and therefore the services are no longer applicable for the year ended 31 December 2024.

AUDIT COMMITTEE EFFECTIVENESS

The Board evaluation arrangements described on page 24 included the work of the Committee and concluded that the Committee was working satisfactorily.

Peter Harvey
Chairman, Audit Committee

27 March 2025

Remuneration Report

INTRODUCTION FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

I am pleased to present our Remuneration Committee Report, which summarises the work of the Remuneration Committee ("the Committee") during the year.

REMUNERATION COMMITTEE MEMBERSHIP

The members of the Committee, their dates of appointment and the number of meetings attended during the year are as follows:

Member	Date appointed	Meetings attended (held)
Graham Stedman (Chair)	28 November 2019	2 (2)
James Wilson	28 November 2019	2 (2)
Peter Harvey	28 November 2019	2 (2)

It is the intention of the Committee to meet whenever important matters of remuneration arise and at least annually.

REMUNERATION POLICY

The current remuneration policy was approved by shareholders at the 2023 AGM held on 17 May 2023 for the three years commencing 1 January 2023 as follows: votes in favour were 95.89%, votes against were 4.11%.

This approved policy, to which no further changes have been made is reproduced on pages 34 to 43 in Part 2 of this Remuneration Report.

2024 PERFORMANCE AND INCENTIVE OUTCOMES

The performance criteria for the Managing Director's bonus for 2024 included the continuing development of the Company's pipeline of investment opportunities in its chosen sectors, supporting the Dacian team and managing the mature assets. Establishing the Company's investment platform in the retirement living sector was a particular area of emphasis. The Committee, with input from the Board Chairman, has reviewed the performance of the Managing Director in 2024 against these criteria, and has approved a bonus for the year equal to 45% of his base salary. Further information on the 2024 performance review is set out on pages 10 and 11 and in this Remuneration Report on page 43. Objectives for 2025 will be determined in light of the outcome of the Company's General Meeting expected to be held in May 2025.

The Committee considers that these outcomes appropriately reflect its "pay for performance" principles, given the Company's performance as a whole for the year.

PART 1 – ANNUAL REPORT ON REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2024 (AUDITED)

SINGLE TOTAL FIGURE OF REMUNERATION

The tables below (which have been subject to audit) set out amounts paid to each Director during the financial years ended 31 December 2024 and 31 December 2023:

	Fixed Remuneration				Variable Remuneration			
2024	**Salary/ fees £'000**	**Taxable benefits £'000**	**Pension £'000**	**Total £'000**	**LTIP £'000**	**Bonus £'000**	**Total £'000**	**Total £'000**
N Friedlos	**241.3**	**10.6**	**20.5**[2]	**272.4**	**–**[3]	**108.5**	**108.5**	**380.9**
P Harvey	**50.0**	**–**	**–**	**50.0**	**–**	**–**	**–**	**50.0**
R Rayne	**59.2**	**22.1**[1]	**–**	**81.3**	**–**	**–**	**–**	**81.3**
G Stedman	**50.0**[4]	**–**	**–**	**50.0**	**–**	**–**	**–**	**50.0**
J Wilson	**65.8**	**–**	**–**	**65.8**	**–**	**–**	**–**	**65.8**
	466.3	**32.7**	**20.5**	**519.5**	**–**	**108.5**	**108.5**	**628.0**

PART 1 – ANNUAL REPORT ON REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2024 (AUDITED) CONTINUED

	Fixed Remuneration				Variable Remuneration			
2023	Salary/ fees £'000	Taxable benefits £'000	Pension £'000	Total £'000	LTIP £'000	Bonus £'000	Total £'000	Total £'000
N Friedlos	235.4	9.9	20.4[2]	265.7	–[3]	176.5	176.5	442.2
P Harvey	50.0	–	–	50.0	–	–	–	50.0
R Rayne	75.0	19.5[1]	–	94.5	–	–	–	94.5
G Stedman	50.0	–	–	50.0	–	–	–	50.0
J Wilson	50.0	–	–	50.0	–	–	–	50.0
	460.4	29.4	20.4	510.2	–	176.5	176.5	686.7

1 Amounts included for taxable benefits are insurance premiums for private healthcare.

2 Pension contributions are based on 10% of salary for all staff including Executive Directors and can be taken as cash in lieu.

3 The Company issued 300 VCP units to the Managing Director in June 2023. These units will vest in accordance with the rules of the Value Creation Plan in June 2028. For IFRS 2 purposes these units are estimated to have a fair value of £461 per unit, which will be recognised in the accounts evenly over the five-year vesting period. The charge for the year ended 31 December 2024 in relation to Mr Friedlos was £53,000 (2023: £27,000). The Company also issued 481,147 nil-cost options to Mr Friedlos in August 2023. These options will vest in August 2026 subject to the performance criteria being achieved. For IFRS2 purposes these options have a fair value of 21p per option, which will be recognised in the accounts evenly over the three-year vesting period. The charge for the year ended 31 December 2024 in relation to Mr Friedlos was £34,000 (2023: £13,000).

4 On being appointed Senior Independent Director on 15 May 2024, Mr Stedman became entitled to an additional annual fee of £5,000. Mr Stedman has waived this fee in respect of 2024 and for the future.

LTIP – VALUE CREATION PLAN AND SHARE OPTIONS

Following the 2023 AGM, the Committee made awards under the new LTIP arrangements.

- The July 2020 award of 500 units under the VCP was cancelled;
- 384 VCP units were awarded, of which 300 were awarded to the Managing Director at a share price of 26.46p and with a vesting date in June 2028. Performance of these units will be measured in accordance with the criteria set out on page 37.
- In August 2023, nil-cost share options were awarded to the Managing Director over 481,147 shares vesting, subject to performance criteria, in three years. The performance criteria are linked to deployment of the Company's capital into new investments and the performance in line with expectations of those investments.

CARRIED INTEREST

Robert Rayne, by virtue of his past executive roles with the business, continued to participate in the carried interest arrangements in place for staff involved in the management and development of the investment portfolio. Mr Rayne's participation in the carried interest is in run-off.

As previously reported there was only one remaining investment in respect of which carry could become payable to Mr Rayne. This investment was Medhost which was realised in December 2023.

The consideration on realisation of Medhost was payable in two stages. $7 million was received in cash on 27 December 2023 and a further $1.8 million in December 2024.

Mr Rayne is entitled to a payment of carried interest, reflecting the cash proceeds received in December 2023, of £226,888. This amount was paid in May 2024. A final £90,890 relating to the deferred consideration now received will be paid in March 2025.

The sale of Medhost brings to an end any entitlement to carried interest by Mr Rayne.

REVIEW GOVERNANCE FINANCIAL STATEMENTS

RELATIVE IMPORTANCE OF SPEND ON PAY

The Board recognises the importance of spend on pay for the current and previous years, and the percentage change, relative to remuneration paid to all employees, amounts paid as dividends and any other significant distributions. There was 1 new employee added in the Group during 2024.

The table below shows the spend on staff costs in 2024 and 2023, compared to the loss before tax and dividends:

	Year ended 31 December			
	2024 £'000	**% change**	2023 £'000	% change
Staff costs	**1,153**	**(11.2)**	1,299	9.3
Average number of staff	**7**	**(12.5)**	8	(11.1)
Loss before tax	**(5,354)**	**43.4**	(3,732)	99.1
Annual Dividends	**747**	**–**	747	–

The table below sets out the annual percentage change in fees for each director who served during the year ended 31 December 2024 (the current Board was appointed in November 2019 so no data is presented for the year ended 31 December 2020):

	Year ended 31 December			
	2024 %	2023 %	2022 %	2021 %
Nicholas Friedlos	**(13.9)**	20.4	5.2	(3.6)
Peter Harvey	**–**	–	–	–
Robert Rayne	**(14.0)**	2.2	(0.8)	0.5
Graham Stedman	**–**	–	–	–
James Wilson	**31.6**	–	–	–

PAYMENTS TO PAST DIRECTORS IN 2024 (AUDITED)

There were no payments to past Directors and no payments of compensation for loss of office.

PERFORMANCE GRAPH

The Committee considers the FTSE All-Share Index a relevant index for the Company's Total Shareholder Return performance comparison disclosure as it represents a broad equity market index of which the Company is a member.

The performance graph below shows the Company's Total Shareholder Return performance for the 10-year period ended 31 December 2024 compared with that of the FTSE All-Share Index.

Remuneration Report continued

PART 1 – ANNUAL REPORT ON REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2024 (AUDITED) CONTINUED

DIRECTORS' INTERESTS IN SHARES (AUDITED)

The beneficial interests of the Directors in the ordinary shares of the Company are set out below:

	31 December	
	2024	2023
N Friedlos	**661,410**	161,410
P Harvey	**20,000**	20,000
R Rayne	**2,670,124**	2,670,124
G Stedman	**20,000**	20,000
J Wilson	**1,041,905**	–

In addition, Robert Rayne has a non-beneficial interest in 7,767,173 ordinary shares held in trust.

There have been no changes in the above Directors' interests between 31 December 2024 and the date of this report.

The Company is not aware of any other interests of any Director in the ordinary share capital of the Company. There are no requirements or guidelines concerning share ownership by Directors.

No share awards vested in the year.

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE

The Remuneration Policy in place at 31 December 2024, which was developed with advice from independent external remuneration advisers MM&K, was approved by shareholders at the Company's AGM on 17 May 2023. No changes to that policy have been made or will be proposed at the 2025 AGM.

The Company is required, by company law, to seek shareholders' approval for its Directors' Remuneration Policy in a binding vote every three years. Accordingly, shareholders were asked at the 2023 AGM to approve the Company's proposed remuneration policy for a period of three years starting on the date of the AGM, the previous policy having been approved at the AGM in 2020.

The table below sets out the Company's policy for each component of Directors' remuneration:

SALARY (FIXED PAY)

Purpose and link to strategic objectives	Essential to provide a level of fixed cash income to support the recruitment and retention of Executive Directors of the calibre required to manage and grow the Company successfully and to deliver the Group strategy.
Operation	Reviewed annually with increases, if awarded, effective from 1 January each year.
Opportunity and recovery or withholding provisions	Base salaries will be set by the Committee taking into account a range of factors. Decisions about salary increases take account of increases in the cost of living but also other factors such as external market positioning, changes in the scope of the individual's responsibilities or level of experience and development in the role and the overall structure of total remuneration packages. In deciding on any salary increases for an Executive Director, the Committee will not sanction an increase any greater than that applied to the Company's workforce generally other than in exceptional circumstances or where there is a change in role and/or responsibilities justifying a larger increase. No recovery or withholding provisions.
Performance metrics	None, although the performance of the individual will be considered by the Committee when reviewing salaries each year.

PENSION (FIXED PAY)

Purpose and link to strategic objectives	To provide a means of retirement saving as part of a range of benefits alongside basic salary to help the recruitment and retention of high-calibre Executive Directors.
Operation	Executive Directors are offered a defined contribution, based on a percentage of salary, to a personal pension scheme or a cash salary supplement (or a combination of both) at their choice. Only the base salary is pensionable.
Opportunity and recovery or withholding provisions	Maximum pension contribution by the Company is 10%. This is in line with what is offered to all employees in the Company. No recovery or withholding provisions.
Performance metrics	None.

BENEFITS (FIXED PAY)

Purpose and link to strategic objectives	To provide a competitive and attractive range of benefits alongside basic salary to help recruit and retain high-calibre individuals to Executive Director roles.
Operation	Executive Directors are provided with family private medical insurance cover and death-in-service insurance. The extent of cover may be amended or adjusted in line with market practice. The Executive Directors are also covered by the Company's directors' and officers' liability insurance policy and have the benefit of an indemnity in the form permitted under the Company's Articles of Association. Executive Directors are also eligible to receive other minor benefits and expense payments in line with other employees of the Company. Additional benefits, which may include relocation or expatriation benefits, housing allowance or other benefits-in-kind, may be provided in certain circumstances if considered appropriate and reasonable by the Committee, typically only as may be required on a new recruitment.
Opportunity and recovery or withholding provisions	The cost of the benefits that are provided fluctuates depending on market conditions and will, therefore, determine the maximum value of benefits under the policy in any single year. There is therefore no overall maximum opportunity under this component of the policy. No recovery or withholding provisions.
Performance Metrics	None.

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE CONTINUED

SHORT-TERM INCENTIVE (VARIABLE PAY)	
Purpose and link to strategic objectives	To provide a simple, competitive short-term incentive plan to reward performance on an annual basis against key financial, operational and individual objectives. A key purpose of the annual bonus plan is to provide a real incentive to achieve the Company's short-term strategic objectives and KPIs.
Operation	Targets and weightings are set annually; performance is measured over a single year. Bonus awards are determined by the Committee after the year end based on achievement against targets. Bonus is not pensionable.
Opportunity and recovery or withholding provisions	The maximum bonus payable in a 12-month period is up to 100% of base salary. Exceptionally, the Committee may offer a bonus opportunity of up to 200% of salary to a new incoming Executive Director in their first full financial year in order to help recruit that executive. The ability to receive the maximum bonus may be split across two or more performance metrics. Other than for binary or milestone performance metrics, the intention will be that 25% of maximum is payable for threshold performance and 50% at target. All bonus payments are subject to the overriding discretion of the Committee which may adjust, downwards or upwards, the outcome of the annual bonus plan in any year if it believes that it does not properly reflect overall corporate performance. In order to be entitled to receive an annual bonus, an Executive Director must normally be in the Group's employment and not under notice of termination (either given or received) at the time the bonus is paid. Malus and clawback provisions apply so that in certain circumstances such as serious misconduct by a Director, the material misstatement of financial results or if bonus awards are based on erroneous figures, the Company will be entitled not to pay a bonus in any year or to claw back the value of any cash amount already paid under the annual bonus scheme, for a period of three years following the year end to which the bonus related.
Performance metrics	The Company's long-term objectives are creating total shareholder return ("TSR"). Its performance metrics on a year to year basis will typically be set around the necessary steps to be taken to achieve the longer-term objective. Specific performance targets will vary from year to year in accordance with the Company's short-term KPIs. Potential performance metrics may include: • deployment of capital in new deals; • performance of the underlying investment portfolio companies; • realisations and cash generation; • building the Company's co-investment capability; • development of a deal pipeline; • putting in place appropriate financial structures to support the Company's business objectives, which might include securing access to debt and consideration of equity structures to expand the capital base; • maintaining an effective shareholder communication programme; and • attainment of personal objectives.

LONG-TERM INCENTIVE (VARIABLE PAY)	
Purpose and link to strategic objectives	To provide a competitive long-term incentive plan to reward sustained performance over the long term. A key purpose of the long-term incentive plan is to provide a real incentive to achieve the Company's main long-term strategic objective, to deliver a TSR for shareholders over five years that is exceptional. It is considered vital that the Company has a truly competitive long-term incentive plan to enable it to recruit and retain the level of talent it needs to deliver on its longer-term strategic plan.
Changes to the Remuneration Policy approved at the AGM in May 2023	Following changes to the Company's Remuneration Policy approved at the AGM in May 2023, there are two elements to the Company's Long Term Incentive arrangements: • A Value Creation Plan ("VCP") with a significant direct link to TSR. The VCP structure most closely resembles a carried interest plan which is the standard type of long-term incentive in the private equity industry. The selection of TSR as the performance measure creates a strong alignment between participants and shareholders and communicates a strong message to participants that over the longer term the Company's TSR performance is its most important key performance indicator; and • An employee share incentive plan ("Share Plan") under which participants, at the discretion of the Committee, may receive annual option awards which, in normal circumstances vest after not less than three years, related to both continued employment and performance. The Committee believes the arrangements, as approved at the AGM in 2023, provide the Company with a relevant long-term incentive plan that is fit-for-purpose in a competitive employment market.
Operation of the VCP	The VCP is governed by a set of rules approved by shareholders at the AGM in 2020. The VCP, provides for participants, at the discretion of the Committee, to share in a pool of up to 1,000 VCP units, initially. Participants receive a share, proportionate to their share of the pool, in positive TSR generated by the Company measured over a period of five years from the award date. The share is calculated in accordance with the bandings set out below. If the Company raises additional capital, the Committee may award up to 1,000 additional VCP units enabling participants to share proportionately in any positive TSR generated by the Company on that additional capital over the period of five years from the award date in excess of a hurdle rate of return to be set by the Committee. Ordinarily, VCP units, subject to TSR performance, will vest five years after the initial grant date, at which point participants may be granted nil-cost share options to acquire ordinary shares in the Company or the Company may choose to settle by way of a cash amount. The maximum individual award levels for the VCP are 30% of the available pool (300 units) for VCP participants other than the Managing Director, for whom the maximum is 50% of the pool (500 units) Payments under the VCP are not pensionable.
VCP Performance metrics	The Company's TSR Performance over the five years commencing on the award date. The TSR targets have been set by the Committee with the aim of delivering increasing reward for greater outperformance. For the avoidance of doubt, the TSR Performance and the performance hurdles of the VCP for a subsequent award, following a capital raise, will be set at that time by the Committee.

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE CONTINUED

LONG-TERM INCENTIVE (VARIABLE PAY)	
VCP Opportunity and recovery or withholding provisions	384 VCP units were awarded in 2023, of which 300 units were awarded to the Managing Director and 84 units to other employees, who are not Directors. For the purposes of determining the TSR performance for these initial awards as well as the starting point from which the value created is to be measured for these awards, the starting share price was taken as 26.46p per share, being the average closing share price of an ordinary share over the previous six months. If the qualifying performance metric is met, the share that participants will receive will depend on the TSR performance achieved over the five years commencing on the date of the initial award of VCP units: • TSR up to 8% per annum compound: £nil; • if the TSR achieved exceeds 8% per annum compound but does not exceed 14%: 8% of the TSR performance above the 8% per annum hurdle; • if the TSR achieved exceeds 14% per annum compound but does not exceed 20%: 8% of the TSR performance between the 8% per annum hurdle and 14% per annum **plus** 15% of the TSR achieved above 14% per annum compound; and • if the TSR achieved exceeds 20% per annum compound: 8% of the TSR performance between the 8% per annum hurdle and 14% per annum, **plus** 15% of the TSR performance between 14% and 20% per annum, plus 17.5% of the TSR performance above 20% per annum. The closing share price, at the end of the performance period, will be taken as the average closing share price of an ordinary share over the three-month period ending on the day immediately preceding the vesting date. The dividend part of this calculation shall be taken as the aggregate value of dividends per share declared over the five-year performance period. On vesting, the value of VCP units will normally be settled by the Company granting nil-priced options over new ordinary shares which will be exercisable for a period of one year from the option grant date. However, the Committee may choose to settle the awards in cash if it considers that there are good reasons for doing so at the time. The maximum value of VCP units that may vest and therefore the maximum number of shares that may be issued on any date pursuant to options granted under the VCP and any other employees' share scheme adopted by the Company (including the Share Plan) in the 10 years preceding that date may not exceed 10% of the number of issued shares at the date. The value of VCP units at the end of the five-year performance period will in any event be subject to the overriding discretion of the Committee which may adjust, downwards or upwards, the outcome of the VCP at the vesting date if the Committee believes that the formulaic outcome does not properly reflect overall corporate performance. Malus and clawback provisions apply so that in certain circumstances, such as serious misconduct by a Director, the material misstatement of financial results or if unit awards or option grants are based on erroneous figures, the Company will be entitled not to grant or permit the exercise of an option in any year or to claw back the value of any shares transferred or cash amount already paid under the VCP, for a period of three years following the year end to which the award or option grant relates.
Remuneration Committee discretion under the VCP	If there is a longer-term structural change in markets, the Committee will have discretion, subject to consultation with the Company's principal shareholders, to amend the performance metrics and vesting criteria.

LONG-TERM INCENTIVE (VARIABLE PAY)	
Employee share incentive plan ("Share Plan")	The terms of the Share Plan allow for the Committee to utilise any reasonable equity-based long-term incentive award that may be available to it. For awards to date, the Committee has used nil-cost options. In future this will be assessed on a grant by grant basis depending on whether the Company has sufficient reserves. If there are not sufficient reserves, then the exercise price will need to be the "Nominal" value of the underlying share. Options have performance vesting criteria attached, measured over a minimum period of three years, that the Committee considers to be appropriate, and which are aligned with the delivery of the Company's overall strategy. Awards may be made each year at the discretion of the Committee and the conditions attaching to Options may be varied year to year according to the requirements of the business. Each time the terms of a new Award are finalised by the Committee the Board will meet to grant the proposed Award. The date the Board resolves to grant an Award will be the relevant date of grant. The terms of the Award Agreement will be specified in an Option Agreement that would need to be signed by the Company as well as the participant. Executive Directors, senior executives and employees and individuals engaged via consultancy arrangements may be eligible to receive an Award under the Share Plan. Participants will be selected at the discretion of the Committee. Where appropriate, the Managing Director may make nominations as to potential Awards – however, the final decision remains with the Committee at all times. The Share Plan has leaver provisions and malus and clawback arrangements consistent with those in the VCP. The number of shares issued under the Share Plan, taken together with VCP awards and any other employees' share scheme adopted by the Company, shall not result in shareholder dilution in excess of 10% in any 10-year period. The maximum individual award levels for the Share Plan are annual awards over shares having a market value equivalent to 100% of base salary (200% in exceptional circumstances).

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE CONTINUED

LONG-TERM INCENTIVE (VARIABLE PAY)	
Direct Awards	An important element of LMS's strategy is to bring co-investment funding alongside its own balance sheet when investing and to create opportunities in underlying businesses where, over time, further external capital can be introduced, benefitting both LMS's own capital and co-invest capital. To achieve this there may be situations where its executives are required to devote substantial proportions of their time to those underlying businesses. In these situations, which are anticipated to be rare, the Committee may determine that the executive should participate in an incentive pool linked directly to the investment returns in that underlying business ("a Direct Award"). Where a Direct Award is made it is likely that there would be a reduction in any further awards to the individual concerned, of VCP units or Share Plan awards under the policy. A Direct Award is likely only to be appropriate rarely and in a small number of situations. In determining whether to make a Direct Award, the Committee will consider all relevant criteria including: • the LMS executive will be heavily engaged in the development and growth of the Investment (i.e. quasi executive input as well as investor input); • the investment draws in material third-party money alongside LMS. Typically LMS will be a minority investor in these businesses, with the majority of equity investment coming from co-investors and others; and • LMS executive input is working not just for LMS but for a substantially wider pool of co-invest money. The structure and quantum of a Direct Award will depend on the circumstances of the investment to which it relates. It is envisaged that any Direct Award would be allocated from the incentive pool set aside for the wider team in the underlying business. The performance criteria would match the criteria applying to the wider team incentive pool. For a private company the performance criteria may be linked to exit values, capital raising or other long-term measures of value creation appropriate to the situation of the business. The accounting and actual cost of the incentive is likely to be borne by all investors in the relevant underlying business. The Committee will observe the Investment Association guidelines in relation to disclosures and procedures in relation to any Direct Awards.

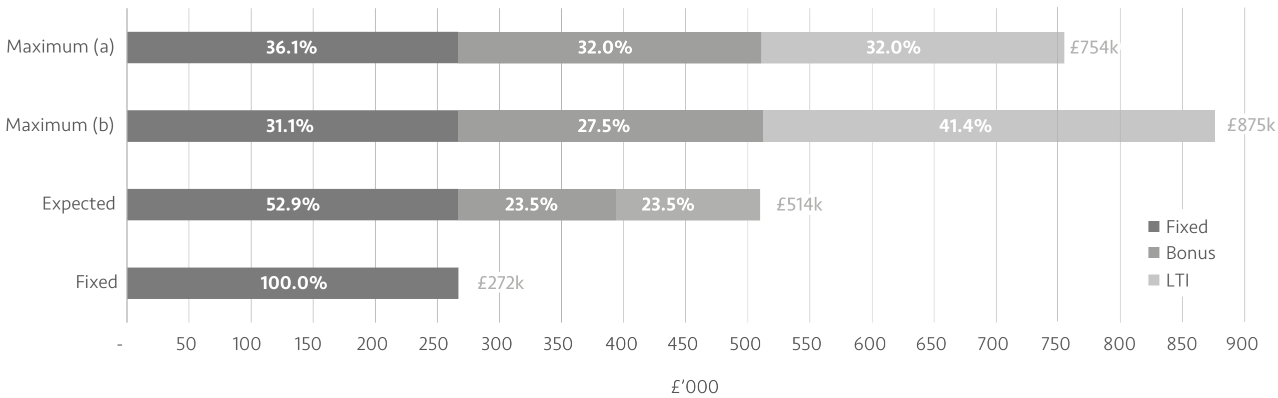
The table below sets out each component of the Chairman's and the other Non-Executive Directors' remuneration and the approach taken by the Company in relation to these:

CHAIRMAN AND
NON-EXECUTIVE DIRECTORS

Component	Approach
Chairman's and other Non-Executive Directors' fees	The Chairman's fee is determined by the Committee and the fees for the other Non-Executive Directors are set by the Board. These are reviewed periodically taking into account the responsibilities and time commitments required and Non-Executive Director fee levels generally. The Chairman and the Non-Executive Directors receive basic fees. Additional fees are paid for the chairmanship of the Audit and Remuneration Committees and to members of the Investment Committee and for the role of the Senior Independent Director.
Other pay and benefits	Robert Rayne previously participated as an executive in the Company's carried interest plans which are now in run-off, but under which payments could still arise in relation to unrealised historic investments. He is also covered under the Company's health insurance policy. The Chairman and the other Non-Executive Directors will not be able to participate in any variable pay scheme operated by the Company.

REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS BASED ON FUTURE POLICY

The chart below illustrates the future reward opportunities for the Managing Director based on his base salary for 2024 for "Fixed", "Expected" and "Maximum" scenarios:



The above illustrations are based on the following assumptions:

- the Fixed scenarios show the fixed level of remuneration, assuming there is no performance-related pay;
- the Expected scenarios illustrate the amounts receivable if performance is in line with expectations. Bonus awards are 50% of maximum bonus opportunity and share options vesting at 50%. No account is taken of share price movements. As the number of shares issuable under the VCP will not be known until five years after the award of the units, no amounts are included for the VCP in the Expected scenario; and
- the Maximum scenarios illustrate the levels of remuneration which would be payable if a maximum bonus award was received (100% of base salary) and share options vest at 100%. There are two Maximum illustrations. One assumes no share price movement and the other assumes a 50% share price uplift to comply with the reporting requirements in Schedule 8 to the Companies Act 2006. As the number of shares issuable under the VCP will not be known until five years after the award of the units, no amounts are included for the VCP in the Maximum scenarios.

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE CONTINUED

LETTERS OF APPOINTMENT AND SERVICE CONTRACT

The following table provides details of the Executive Director's service contract and the Non-Executive Directors' letters of appointment. These documents are available for inspection on request at the Company's registered office during normal business hours.

Name	Date of appointment	Date of expiry of current term
N Friedlos	28 November 2019	Rolling Service Contract
P Harvey	28 November 2019	27 November 2025
R Rayne	6 April 2006	27 November 2025
G Stedman	28 November 2019	27 November 2025
J Wilson	28 November 2019	27 November 2025

TERMS OF THE EXECUTIVE DIRECTOR'S SERVICE CONTRACT AND NED LETTERS OF APPOINTMENT

The Executive Director is engaged on a rolling service contract, which provides for six-months' written notice of termination from either the individual or the Company – except where there is a change of control of the business. In such circumstances, the notice period extends to 12 months, should the executive be given notice within the six months following the date that the change of control occurs.

Non-Executive Directors are engaged by letter of appointment for a period of up to three years, terminable on one-month's written notice from either the individual or the Company – except where termination is due to a shareholder resolution. Under such circumstances, termination will occur automatically from the date of ceasing to be a Director.

POLICY ON TERMINATION PAYMENTS

Any compensation payment made to an Executive Director for termination of employment will be determined with reference to the terms of the individual's service agreement and the rules of any incentive plan in which the individual is a participant.

The Committee reserves the right to make additional payments, where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

When deciding on the amount of any payment for loss of office, the Committee will seek to minimise the cost to the Company to the extent permitted by the circumstances of the particular case.

APPROACH TO THE REMUNERATION OF NEWLY APPOINTED DIRECTORS

Where an Executive Director is appointed by way of an external hire, their remuneration will be in accordance with the policy outlined above.

Where a suitable external candidate has been identified and can show that their transfer would lead to a loss of incentive payments from their previous employer, the Committee reserves the discretion to "buy out" the candidate's previous incentives if it deems it necessary to secure the candidate. The Committee will ensure that it avoids paying out more than is necessary to secure the candidate.

Where an Executive Director is appointed by way of internal promotion, the policy described above will apply from the date of promotion. Any pre-existing remuneration will continue until it expires or vests (as appropriate).

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

When making decisions about Directors' remuneration, and particularly the remuneration of Executive Directors, the Committee will take into account the Company's Remuneration Policy for the wider workforce.

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

The responsibility for creating the Remuneration Policy lies with the Committee and has been created by the Committee based upon their experiences and having reviewed relevant market practices.

PART 3 – IMPLEMENTATION OF REMUNERATION POLICY IN 2024

BASE SALARIES AND BENEFITS

The Committee, at its meeting in March 2025, considered the recent increase in annual inflation and therefore whether any adjustment should be made to the base salaries of the core team including the Managing Director. The Committee determined that for 2025 no cost of living adjustment will be made for any employees, including the Managing Director.

The Managing Director will continue to have access to Private Medical Insurance and, if implemented by the Company, Life Assurance.

The Company's employer pension contribution will be at 10% of pensionable salary, the same as that applicable to all members of staff.

ANNUAL BONUS – 2024 PERFORMANCE AND SUMMARY OF OBJECTIVES FOR 2025

The Committee, in conjunction with the Board, establishes goals in respect of each year. Individual goals are weighted according to their importance in determining the overall performance achieved in the year.

The performance criteria for 2024 included the continuing development of the Company's pipeline of investment opportunities in its chosen sectors of energy, real estate and late-stage private equity and, in particular, supporting the Dacian team in its second full year of operations. Criteria also included the management of the existing assets and the development of the Company's profile in the public markets.

The Committee has approved a bonus equal to 45% of base salary for the Managing Director in respect of 2024 that will be paid in March 2025.

The Committee will give consideration to objectives for 2025 in light of the outcome of the Company's General Meeting expected to be held in May 2025.

LTIP – VALUE CREATION PLAN AND SHARE OPTIONS

The Committee will consider additional LTIP awards to the Managing Director and the wider team during 2025 in accordance with the remuneration policy described above.

CHAIRMAN AND OTHER NON-EXECUTIVE DIRECTORS' FEES

The current fees of the Chairman and the other Non-Executive Directors will remain unchanged in 2025 at:

Chairman Fee (including all Committees)	£75,000
Basic Non-Executive Director Fee	£40,000
Additional Fee for being the Senior Independent Director	£5,000
Additional Fee for being Chair of a Board Committee	£5,000
Additional Fee for membership of the Investment Committee	£5,000

Remuneration Report continued

PART 3 – IMPLEMENTATION OF REMUNERATION POLICY IN 2024 CONTINUED

EXTERNAL ADVISERS

During the year the Committee received advice from MM&K. MM&K is a member of the Remuneration Consultants Group and adheres to its Code in relation to executive remuneration consulting in the UK.

MM&K assisted the Company with the design of the Directors' Remuneration Policy including the design of the VCP and the Share Plan as contained in the remuneration policy approved at the AGM in May 2023. MM&K did not have any other relationship with the Company.

This Directors' Remuneration Report was approved by the Board on 27 March 2025 and signed on its behalf by:

Graham Stedman
Chairman of the Remuneration Committee

27 March 2025

Directors’ Report

LMS Capital plc is an investment company whose shares are traded on the London Stock Exchange. Details of the Company’s strategy, risk management and performance in 2024 are included in the Strategic Report on pages 08 to 14 and the Portfolio Management Review on pages 15 to 18.

The Corporate Governance Report set out on pages 21 to 27 of the Annual Report forms part of the Directors’ Report.

DIRECTORS

The names and biographical details of the current Directors of the Company are given on pages 19 and 20. In addition, further information about the Board is set out in the Corporate Governance Report on pages 21 to 27.

Details of the current Directors’ letters of appointment (or service contract, in the case of the Managing Director), together with their interests in the Company’s shares, are shown in the Remuneration Report on pages 34 and 42. Directors’ and officers’ liability insurance is maintained by the Company.

The Directors may exercise all the powers of the Company subject to the provisions of relevant legislation and the Company’s Articles of Association.

CORPORATE SOCIAL RESPONSIBILITY

PERSONNEL AND RESOURCES

The average number of Directors and staff (both full and part time) was as follows:

	2024			2023		
	Male	**Female**	**Total**	Male	Female	Total
Directors	**5**	**–**	**5**	5	–	5
Staff	**1**	**1**	**2**	1	2	3
	6	**1**	**7**	6	2	8

ENVIRONMENT

LMS has a limited direct impact upon the environment and there are few environmental risks associated with its activities.

The Company is considered to be a low energy user and is therefore exempt from the Streamlined Energy and Carbon Reporting (“SECR”) regulations and is not required to disclose energy and carbon information.

CHARITABLE DONATIONS

The Company did not make any charitable contributions during 2024 (2023: £nil).

POLITICAL DONATIONS

The Company did not make any political donations during 2024 (2023: £nil).

Directors' Report continued

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Strategic Report on pages 08 to 14 and the Portfolio Management Review on pages 15 to 18. The Directors have carried out a robust assessment of the emerging and principal risks and concluded that they have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over a three-year period from the date of this report. This assessment included reviewing the liquidity forecasts of the Company that include the flexibility in the dividend policy, outstanding capital commitments to funds and lack of any external debt, the significant cash balances on hand at 31 December 2024, the expected future expenditures and commitments and the latest report on the investment portfolio. In preparing this liquidity forecast, consideration has been given to the expected ongoing impact of the conflicts in Ukraine and the Middle East on the Company and the wider Group as well as the potential impact on the underlying investee companies. The Directors have considered these factors for a period not less than 12 months from the date of this report. The Directors have adopted the going concern basis of accounting in preparing the Financial Statements. The Viability Statement of the Company is included in the Strategic Report on page 14.

CONTRACTUAL ARRANGEMENTS

There are no contracts or arrangements with third parties which the Board deems essential to the operation of the Company, or which take effect, alter or terminate on a change of control of the Company following a takeover bid.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 22 to the Financial Statements.

DIVIDENDS

The Company paid a £0.5 million final dividend in June 2024 or 0.625 pence per share for the year ended 31 December 2023 and £0.2 million or 0.3 pence per share for the 2024 interim dividend in September 2024.

SHARE CAPITAL

At 31 December 2024, the Company's issued share capital remains at 80,727,450 ordinary shares of 10p each. Each share carries one vote. No shares are currently held in treasury. There are no restrictions on the transfer of shares. There has been no change in the issued share capital between the year end and the date of this report.

SUBSTANTIAL SHAREHOLDINGS

As at 26 March 2025, the Company was aware of the following significant direct and indirect interests in the issued share capital of the Company.

Name of shareholder	Percentage of issued share capital
Rayne Family Holdings	42.08
First Equity Limited	15.82
Charles Stanley & Co Ltd	6.57
Lady R Lacey[1]	4.46
Ms T Woods[1]	4.40
Schroders plc	4.13
Worsley Investors Ltd	3.38
Robert Rayne[1,2]	3.31
A P Rayne[1]	3.21

Notes:

1. There are common interests in certain of these shares, which are held within charitable trusts.
2. Robert Rayne holds a non-beneficial interest in 7,767,173 ordinary shares held in trust and a personal interest in 2,670,124 ordinary shares.

ANNUAL GENERAL MEETING

The Company intends to hold the AGM on 14 May 2025. The notice of meeting, which includes explanatory notes and provides full details of the resolutions being proposed at the AGM will be provided separately and will also be available to view on the Company's website at www.lmscapital.com in due course.

AUDITORS

The auditors, BDO LLP, have indicated their willingness to continue in office and a resolution will be proposed at the AGM for their reappointment and to authorise the Directors to fix their remuneration.

The Directors who held office at the date of approval of this report each confirm that, so far as they are aware, there is no relevant audit information (as defined by Section 418 (3) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board.

IQ-EQ Secretaries (UK) Limited
Company Secretary

27 March 2025

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company 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. Under company 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors have ensured that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the position and performance, business model and strategy.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board.

James Wilson
Chairman

27 March 2025

Independent auditor's report to the members of LMS Capital plc

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of LMS Capital plc ('the Company') for the year ended 31 December 2024 which comprise the Company Income Statement, the Company Statement of Other Comprehensive Income, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Cash Flow Statement and notes to the Financial Statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

INDEPENDENCE

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors in November 2016 to audit the Financial Statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is nine years, covering the years ended 31 December 2016 to 31 December 2024. We remain 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 FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis accounting is included in the Key audit matters section below.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' Report in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

		2024	2023
Key audit matters	Valuation of unquoted and fund investments	✓	✓
	Going concern	✓	✗
Materiality	*Financial Statements as a whole* £723,000 (31 December 2023: £840,000) based on 2.0% (31 December 2023: 2.0%) of net assets (2023: net assets).		

REVIEW
GOVERNANCE
FINANCIAL STATEMENTS

Independent auditor's report to the members of LMS Capital plc continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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 year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including 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. The key audit matter is summarised below. 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 this matter.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr>
<td>Valuation of Unquoted and Fund Investments

(note 1 and note 11)</td>
<td>We considered the valuation of unquoted and fund investments to be the most significant audit area as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the Company.

Furthermore, the valuation of unquoted and fund investments are deemed to be subject to significant inherent estimation uncertainty.

We assess that there is a significant risk associated with valuation due to the quantum of the balance and the level of judgement associated with certain unobservable inputs. Therefore, this is one of the key areas that our audit is focussed on.

The valuation of unquoted and fund investments can be a highly subjective accounting estimate where there is an inherent risk of management override arising in the valuation prepared by management.

For these reasons we considered this to be a key audit matter.</td>
<td>Unquoted investments (75% of total investment portfolio of subsidiaries)

We assessed the design and implementation of controls in relation to the valuation of unquoted investments.

In respect of 100% of the unquoted investments which were not written down to nil, where relevant to the investment, our procedures included, inter alia:
• Evaluating whether the valuation methodology adopted was the most appropriate in the circumstances under the International Private Equity and Venture Capital ("IPEV") Guidelines;
• Re-performing the calculation of the investment valuations with reference to the Company's ownership / capital structures as confirmed by and received directly from the investee company, share certificates and Companies House filings;
• Challenging and agreeing inputs to the unquoted valuations with reference to information received directly from the underlying investee companies, market data, as well as our own research and assessed the impact of estimation uncertainty concerning these assumptions;
• Where relevant, challenging revenue multiples applied with reference to observable comparable quoted company market data. Where further adjustments are made by management, assessing this against our own research and expectations based on IPEV guidance and observed market practice;
• Performing procedures over the prior year fair value estimates made by management by comparing to the valuation estimates at the following quarter end and evaluating any differences for indicators of inaccuracies and potential bias;
• Utilising our internal valuations experts to assess management's determination of an appropriate risk-adjusted discount rate by comparing to our own discount rate range; and
• Where appropriate, performing sensitivity analysis on certain judgemental inputs in respect of unquoted investments.

Fund investments (25% of total investment portfolio of subsidiaries)

We assessed the design and implementation of controls in relation to the valuation of fund investments.

In respect of 100% of fund investments, where relevant to the investment, our procedures included:
• Evaluating whether the valuation methodology adopted was the most appropriate in the circumstances under the IPEV Guidelines;
• Inspecting the underlying fund manager report (or equivalent) and assessing the relevance and reliability of the information by assessing the appropriateness of the valuation guidelines utilised in the report, and reading relevant audit reports to determine whether there were any matters which could impact the valuation;
• Where applicable checking information in the fund manager report (or equivalent) to third party source, for example where a fund holds listed investments, checking the value of these investments to publicly available data;</td>
</tr>
</table>

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of Unquoted and Fund Investments

(note 1 and note 10)

(continued)</td><td></td><td>• Performing procedures by comparing the latest available audited reports with the unaudited fund manager reports and evaluating any differences for indicators of inaccuracies and potential bias;
• Challenging the appropriateness of any adjustments made to the value of the investment holding (for instance where reports available were not at the same year end date or more relevant information suggested an adjustment to the valuation) based on our own research and discussions with management; and
• Where appropriate, performing sensitivity analysis on certain judgemental inputs in respect of fund investments.

Key Observations:

Based on the procedures carried out, we found the valuation of the unquoted and fund investments to be reasonable and we are satisfied that the estimates and judgements made by the Directors in determining the unquoted and fund valuations are reasonable considering the significant level of estimation uncertainty.</td></tr>
<tr><td>Going concern

Refer to accounting policy in note 1</td><td>The Directors intend to publish a circular during April 2025 to convene a General Meeting at which it will seek approval from shareholders to change the Company's investment policy to permit the Managed Realisation.

The possible outcomes of the shareholder vote are as follows:
• Should the shareholders not approve the vote, the Company will continue with the current investment strategy, and there is a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due.
• Should the shareholders approve the vote, it is expected that the Managed Realisation will take place over time which is likely to be a period greater than 12 months from the date of this report and future financial information will be prepared on a basis other than going concern as required by UK adopted Internation Accounting Standards.

Given the circumstances set out above, and the resulting level of focus during our audit, we considered going concern to be a key audit matter.</td><td>We have performed the following procedures in response to the key audit matter:
• considering the appropriateness of the Directors' assessment and conclusion in relation to the upcoming shareholder vote in relation to the managed realisation of the Company's assets;
• evaluating the appropriateness of the Directors' method of assessing going concern in light of economic and market conditions by inspecting the information used by the Directors in completing their assessment;
• assessing the appropriateness of the Directors' assumptions and judgements made by comparing the prior year forecasted costs to the actual costs incurred to check that the projected costs are reasonable, including any future commitments;
• assessing the appropriateness of the Directors' assessment of the impact of significant downside scenarios and their consideration of available resources relative to forecast expenditure and commitments over the going concern period;
• challenging the Director's assumptions and judgements made with regards to forecasts by stress testing the dividends and the forecasted costs and corroborating any commitments to third party supporting documentation;
• considering any other factors which could impact on going concern such as non-compliance with laws and regulation, legal matters and the presence of contingencies and commitments; and
• assessing and challenging the completeness and accuracy of disclosures in relation to going concern and whether significant judgements, including the possible outcomes regarding the shareholder vote, have been appropriately disclosed.

Key observations:

Our conclusions are set out in the Conclusions related to going concern section of our report.</td></tr>
</table>

Independent auditor's report to the members of LMS Capital plc continued

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Financial Statements	
	2024 **£**	2023 £
Materiality	**723,000**	840,000
Basis for determining materiality	**2.0% of net assets**	2.0% of net assets
Rationale for the benchmark applied	As an investment company, the net asset value is the key measure of performance for users of the Financial Statements.	
Performance materiality	**542,000**	630,000
Basis for determining performance materiality	**75% of materiality**	75% of materiality
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of know and likely misstatements and the level of transactions in the year.	

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £36,000 (2023: £42,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

CORPORATE GOVERNANCE STATEMENT

The UK 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 or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 48; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 14.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 27; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 11 and 12; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 26 and 12; and • The section describing the work of the Audit Committee set out on page 29.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and • the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
Directors' remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities, 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.

Independent auditor's report to the members of LMS Capital plc continued

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.

EXTENT TO WHICH THE AUDIT WAS 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:

NON-COMPLIANCE WITH LAWS AND REGULATIONS

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and the those charged with governance; and
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the Companies Act 2006, the FCA's UK Listing and DTR rules, the principles of the UK Corporate Governance Code, and the applicable accounting framework.

Our procedures in respect of the above included:

- Agreement of the Financial Statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations; and
- Reading minutes of meetings of those charged with governance throughout the period for instances of non-compliance with laws and regulations.

FRAUD

We assessed the susceptibility of the Financial Statements to material misstatement, including fraud.

Our risk assessment procedures included:

- Enquiry of management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to (1) detecting and responding to the risk of fraud (2) Internal controls established to mitigate risks related to fraud.
- Reading minutes of meetings of those charged with governance throughout the period for any known or suspected fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the Financial Statements.

Based on our risk assessment, we considered the fraud risk areas to be management override of controls and the valuation of unquoted and Fund investments.

Our procedures in respect of the above included:

- The procedures set out in the Key Audit Matters section above relating to the valuation of unquoted and fund investments;
- Considered the opportunity and incentive to manipulate accounting entries and assessed the appropriateness of any post-closing adjustments made in the period end financial reporting process;

- Inspected any estimates and judgements applied by the Directors in the preparation of the Financial Statements to assess appropriateness and indicators of systematic bias;
- Considered the existence of any significant transactions outside the normal course of business; and
- Assessed adjusted and unadjusted audit differences, if any, for indicators of management bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Gary Fensom (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

27 March 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Company Income Statement
For the year ended 31 December 2024

		Year ended 31 December	
	Notes	**2024 £'000**	2023 £'000
Net loss on investments	2	**(13,024)**	(47,264)
Interest income	3	**1,416**	608
Other income		**427**	120
Dividend income	2	**8,000**	45,000
Total loss on investments		**(3,181)**	(1,536)
Interest payable	4	**(331)**	–
Operating expenses	5	**(1,842)**	(2,196)
Loss before tax		**(5,354)**	(3,732)
Taxation	8	**–**	–
Loss for the year		**(5,354)**	(3,732)
Attributable to:			
Equity shareholders		**(5,354)**	(3,732)
Loss per ordinary share – basic	9	**(6.6)p**	(4.6)p
Loss per ordinary share – diluted	9	**(6.6)p**	(4.6)p

All activities of the Company are classed as continuing.

The notes on pages 61 to 83 form part of these Financial Statements.

Company Statement of Other Comprehensive Income

For the year ended 31 December 2024

	Year ended 31 December	
	2024 £'000	2023 £'000
Loss for the year	**(5,354)**	(3,732)
Other comprehensive income	**–**	–
Total comprehensive loss for the year	**(5,354)**	(3,732)
Attributable to:		
Equity shareholders	**(5,354)**	(3,732)

The notes on pages 61 to 83 form part of these Financial Statements.

Company Statement of Financial Position

As at 31 December 2024

Company registration number 05746555

	Notes	31 December 2024 £'000	2023 £'000
Assets			
Non-current assets			
Right-of-use assets	19	**14**	42
Investments	11	**7,842**	20,854
Amounts receivable from subsidiaries	14	**17,805**	15,014
Total non-current assets		**25,661**	35,910
Current assets			
Operating and other receivables	12	**231**	135
Cash and cash equivalents	13	**11,646**	9,027
Total current assets		**11,877**	9,162
Total assets		**37,538**	45,072
Liabilities			
Current liabilities			
Operating and other payables	15	**(462)**	(422)
Amounts payable to subsidiaries	16	**(921)**	(2,493)
Total current liabilities		**(1,383)**	(2,915)
Non-current liabilities			
Lease liabilities	15	**–**	(16)
Total non-current liabilities		**–**	(16)
Total liabilities		**(1,383)**	(2,931)
Net assets		**36,155**	42,141
Equity			
Share capital	17	**8,073**	8,073
Share premium		**508**	508
Capital redemption reserve		**24,949**	24,949
Shares to be issued	18	**322**	207
Retained earnings		**2,303**	8,404
Total equity shareholders' funds		**36,155**	42,141
Net asset value per ordinary share	25	**44.79p**	52.20p

The Financial Statements on pages 56 to 83 were approved by the Board on 27 March 2025 and were signed on its behalf by:

James Wilson
Director

The notes on pages 61 to 83 form part of these Financial Statements.

Company Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Shares to be issued £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023	8,073	508	24,949	128	12,883	46,541
Comprehensive income for the year						
Loss for the year	–	–	–	–	(3,732)	(3,732)
Equity after total comprehensive income for the year	8,073	508	24,949	128	9,151	42,809
Contributions by and distributions to shareholders						
Share-based payments	–	–	–	79	–	79
Dividends (note 10)	–	–	–	–	(747)	(747)
As at 31 December 2023	8,073	508	24,949	207	8,404	42,141
Comprehensive income for the year						
Loss for the year	**–**	**–**	**–**	**–**	**(5,354)**	**(5,354)**
Equity after total comprehensive income for the year	**8,073**	**508**	**24,949**	**207**	**3,050**	**36,787**
Contributions by and distributions to shareholders						
Share-based payments	**–**	**–**	**–**	**115**	**–**	**115**
Dividends (note 10)	**–**	**–**	**–**	**–**	**(747)**	**(747)**
As at 31 December 2024	**8,073**	**508**	**24,949**	**322**	**2,303**	**36,155**

The notes on pages 61 to 83 form part of these Financial Statements.

Company Cash Flow Statement
For the year ended 31 December 2024

	Notes	Year ended 31 December 2024 £'000	2023 £'000
Cash flows from operating activities			
Loss before tax		**(5,354)**	(3,732)
Adjustments for non-cash income and expenses:			
Equity settled share-based payments	18	**115**	79
Depreciation of right-of-use assets	19	**28**	28
Interest expense on lease	19	**2**	4
Losses on investments	2	**13,024**	47,264
Interest income	3	**(1,416)**	(608)
Interest payable	4	**331**	–
Dividend income	2	**(8,000)**	(45,000)
Adjustments to incentive plans	2	**(12)**	3
Exchange differences on cash balances		**(6)**	17
		(1,288)	(1,945)
Changes in operating assets and liabilities			
Increase in operating and other receivables		**(93)**	(53)
Increase/(decrease) in operating and other payables		**55**	(8)
Increase in amounts receivable from subsidiaries		**(1,987)**	(9,856)
Increase in amounts payable to subsidiaries		**6,097**	6,460
Net cash from/(used in) operating activities		**2,784**	(5,402)
Cash flows from investing activities			
Interest received	3	**609**	598
Proceeds from sale of investments		**–**	86
Net cash from investing activities		**609**	684
Cash flows from financing activities			
Dividends paid	10	**(747)**	(747)
Repayment of principal lease liabilities	19	**(31)**	(28)
Repayment of lease interest	19	**(2)**	(5)
Net cash used in financing activities		**(780)**	(780)
Net increase/(decrease) in cash		**2,613**	(5,498)
Exchange gains/(losses) on cash balances		**6**	(17)
Cash and cash equivalents at the beginning of the year	13	**9,027**	14,542
Cash and cash equivalents at the end of the year	13	**11,646**	9,027

Cash flows from investing activities have been restated to exclude the movement relating to other income received of £120,000 for the year ended 31 December 2023 and to disclose this within the net cash on operating activities reflecting the nature of the cash flows. There is no impact on other line items in the Cash Flow Statement.

The notes on pages 61 to 83 form part of these Financial Statements.

Notes to the Financial Statements

1 MATERIAL ACCOUNTING POLICIES

REPORTING ENTITY

LMS Capital plc ("the Company") is a public limited company limited by shares incorporated in the United Kingdom and registered in England with company number 5746555. The address of the registered office is 3 Bromley Place, London W1T 6DB.

The Company was formed on 17 March 2006 and commenced operations on 9 June 2006 when it received the demerged investment division of London Merchant Securities plc.

BASIS OF PREPARATION

These Financial Statements for the year ended 31 December 2024 have been prepared in accordance with UK adopted International Accounting Standards. The Financial Statements are presented in sterling which is also the Company's functional currency.

LMS Capital plc adopted an amendment to IFRS 10 with effect from 11 January 2016, which exempts investment entities from presenting consolidated financial statements. As a result, the Company is not required to produce consolidated accounts and only presents the results of the Company.

The Financial Statements have been prepared on the historical cost basis except for investments which are measured at fair value, with changes in fair value recognised in the Income Statement.

The Company's business activities and financial position are set out in the Strategic Report on pages 08 to 14 and in the Portfolio Management Review on pages 15 to 18. In addition, note 20 to the financial information includes a summary of the Company's financial risk management processes, details of its financial instruments and its exposure to credit risk and liquidity risk. Taking account of the financial resources available to it, the Directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources for the foreseeable future.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Strategic Report on pages 08 to 14 and the Portfolio Management Review on pages 15 to 18. The Directors have carried out a robust viability assessment of the emerging and principal risks and concluded that they have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over a three-year period from the date of this report. This assessment included reviewing the liquidity forecasts of the Company that include the flexibility in the dividend policy and lack of any external debt, the significant cash balances on hand at 31 December 2024, the expected future expenditures and commitments and the latest report on the investment portfolio. In preparing this liquidity forecast, consideration has been given to the expected ongoing impact of the war in Ukraine on the Company and the wider Group as well as the potential impact on the underlying investee companies. The Directors have considered these factors for a period not less than 12 months from the date of approval of these Financial Statements.

The Directors acknowledge that they intend to publish a circular during April 2025 to convene a General Meeting at which it will seek approval from shareholders to change the Company's investment policy to permit the Managed Realisation.

In making their assessment, the Directors also considered the possible outcomes of the shareholder vote:

- The shareholders do not approve the change in the Company's investment policy. In this scenario, the Company will continue with the current investment strategy, and there is a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due.
- The shareholders approve the change in the Company's investment policy. In this scenario, it is expected that the Managed Realisation will take place over time which is likely to be a period greater than 12 months from the date of this report. In addition, the Directors have a reasonable expectation that the Company will meet its liabilities as they fall due over the period of the Managed Realisation. In the event that the change in the Company's investment policy is approved by the shareholders, future financial information will be prepared on a basis other than going concern as required by UK adopted Internation Accounting Standards. However, the Directors do not currently anticipate that this change will result in any changes to the recognition, measurement and/or classification of the Company's assets and liabilities included in the Balance Sheet.

Notes to the Financial Statements continued

1. MATERIAL ACCOUNTING POLICIES CONTINUED

Based on this assessment, the Directors consider that, although there is an uncertainty due to the upcoming shareholder vote at the proposed General Meeting in relation to the Managed Realisation, the Company will remain a going concern for a period of at least 12 months from the date of approval of the Financial Statements and have therefore prepared the Financial Statements on a going concern basis. The Financial Statements do not include any adjustments that would result from the basis of preparation being inappropriate.

NEW AND REVISED ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE FOR THE CURRENT PERIOD

New and revised accounting standards and amendments that are effective for annual periods beginning 1 January 2024 which have been adopted for the first time by the Company:

- Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective 1 January 2024)
- Amendments to IFRS 16 – Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024)

The adoption of the standards and amendments listed above did not have any material impact on the Company's results.

These amendments have been endorsed by the EU and adopted by the UK.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2024 that have had a material effect on the Company's Financial Statements.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE, AND WHICH HAVE NOT BEEN EARLY ADOPTED

Other standards and amendments that are effective for subsequent reporting periods beginning on or after 1 January 2025 and have not been early adopted by the Company include:

- Lack of Exchangeability (Amendment to IAS 21 – The Effects of Changes in Foreign Exchange Rates) (effective 1 January 2025)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 – Financial Instruments and IFRS 7) (effective 1 January 2026)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) (effective 1 January 2026)
- IFRS 18 – Presentation and Disclosure in Financial Statements (effective 1 January 2027)
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures. (effective 1 January 2027)

These standards and amendments are not expected to have a significant impact on the Financial Statements in the period of initial application and therefore detailed disclosures have not been provided. The Board is still assessing the potential impact of IFRS 18 – Presentation and Disclosure in Financial Statements.

IFRS 2 – SHARE-BASED PAYMENT

IFRS 2 – Share-based Payment requires an entity to recognise equity-settled share-based payments measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, together with a corresponding increase in other capital reserves, based upon the Company's estimate of the shares that will eventually vest, which involves making assumptions about any performance and service conditions over the vesting period. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. The vesting period is determined by the period of time the relevant participant must remain in the Company's employment before the rights to the shares transfer unconditionally to them. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates on the number of awards it expects to vest based on the service conditions.

Any awards granted are to be settled by the issuance of equity are deemed to be equity settled share-based payments, accounted for in accordance with IFRS 2 – Share-based Payment.

Where the terms of an equity-settled transaction are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

ACCOUNTING FOR SUBSIDIARIES

The Directors have concluded that the Company has all the elements of control as prescribed by IFRS 10 – Consolidated Financial Statements in relation to all its subsidiaries and that the Company continues to satisfy the three essential criteria to be regarded as an investment entity as defined in IFRS 10, IFRS 12 – Disclosure of lnterests in Other Entities and IAS 27 – Separate Financial Statements. The three essential criteria are such that the entity must:

- Obtain funds from one or more investors for the purpose of providing these investors with professional investment management services;
- Commit to its investors that its business purpose is to invest its funds solely for returns from capital appreciation, investment income or both; and
- Measure and evaluate the performance of substantially all of its investments on a fair value basis.

In satisfying the second essential criteria, the notion of an investment time frame is critical. An investment entity should not hold its investments indefinitely but should have an exit strategy for their realisation. Although the Company has invested in equity interests that have an indefinite life, it invests typically for a period of up to 10 years. In some cases, the period may be longer, depending on the circumstances of the investment, however, investments are not made with intention of indefinite hold. This is a common approach in the private equity industry.

Subsidiaries are therefore measured at fair value through profit or loss, in accordance with IFRS 13 – Fair Value Measurement and IFRS 9 – Financial instruments.

The Company's subsidiaries, which are wholly owned and over which it exercises control, are listed in note 24.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis; revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving significant judgements are:

- valuation technique selected in estimating fair value of unquoted investments – note 11;
- valuation technique selected in estimating fair value of investments held in funds – note 11;
- recognition of deferred tax asset for carried forward tax losses – note 8; and
- going concern – note 1.

The areas involving significant estimates are:

- estimated inputs used in calculating fair value of unquoted investments – note 11; and
- estimated inputs used in calculating fair value of investments held in funds – note 11.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have financial impact on the entity and that are believed to be reasonable under the circumstances.

Notes to the Financial Statements continued

1. MATERIAL ACCOUNTING POLICIES CONTINUED

SEGMENTAL REPORTING

The Board has considered the requirements of IFRS 8 – Operating Segments and is of the view that the Company is engaged in a single segment business, which is one of investing activities, and that therefore the Company has only a single operating segment.

INVESTMENTS IN SUBSIDIARIES

The Company's investments in subsidiaries are stated at fair value which is considered to be the carrying value of the net assets of each subsidiary. On disposal of such investments, the difference between net disposal proceeds and the corresponding carrying amount is recognised in the Income Statement.

VALUATION OF INVESTMENTS

The Company and its subsidiaries manage their investments with a view to profit from the receipt of dividends, interest income and increase in fair value of equity investments which can be realised on sale. Therefore, all quoted, unquoted and managed fund investments are designated at fair value through profit or loss which can be realised on sale and carried in the Statement of Financial Position at fair value.

Fair values have been determined in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. These guidelines require the valuer to make judgments as to the most appropriate valuation method to be used and the results of the valuations.

Each investment is reviewed individually with regard to the stage, nature and circumstances of the investment and the most appropriate valuation method selected. The valuation results are then reviewed and any amendment to the carrying value of investments is made as considered appropriate.

QUOTED INVESTMENTS

Quoted investments for which an active market exists are valued at the bid price at the reporting date.

UNQUOTED DIRECT INVESTMENTS

Unquoted direct investments for which there is no active market are valued using the most appropriate valuation technique with regard to the stage and nature of the investment. Valuation methods that may be used include:

- investments in an established business are valued using revenue or earnings multiples depending on the stage of development of the business and the extent to which it is generating sustainable revenue or earnings;
- investments in an established business which is generating sustainable revenue or earnings but for which other valuation methods are not appropriate are valued by calculating the discounted cash flow of future revenue or earnings;
- investments in debt instruments or loan notes are determined on a standalone basis, with the initial investment recorded at the price of the transaction and subsequent adjustments to the valuation are considered for changes in credit risk or market rates;
- convertible instruments are valued by disaggregating the convertible feature from the debt instrument and valuing it using a Black-Scholes model; and
- the Company has adopted the IPEV guidelines issued in December 2022.

FUNDS

Investments in managed funds are valued at fair value. The general partners of the funds will provide periodic valuations on a fair value basis, the latest available of which the Company will adopt provided it is satisfied that the valuation methods used by the funds are not materially different from the Company's valuation methods. Adjustments will be made to the fund valuation where the Company believes there is evidence available for an alternative valuation.

CARRIED INTEREST

The Company historically offered its executives, including Board executives, the opportunity to participate in the returns from successful investments. A variety of incentive and carried interest arrangements were put in place during the years up to and including 2011. No new schemes have been introduced since. As is commonplace in the private equity industry, executives may, in certain circumstances, retain their entitlement under such schemes after they have left the employment of the Company. The liability under such incentive schemes is accrued if its performance conditions, measured at the reporting date, would be achieved if the remaining assets in that scheme were realised at their fair value at the reporting date. An accrual is made equal to the amount which the Company would have to pay to any remaining scheme participants from a realisation of the reported value at the reporting date.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date and exchange differences are included in the Income Statement.

INTERCOMPANY RECEIVABLES

The Company measured intercompany receivables and other receivables at fair value less any expected credit losses. Expected credit losses are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses from possible default events within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is required for intercompany receivables and other receivables if the credit risk has increased significantly since initial recognition.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the expected credit losses decrease.

CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and at banks, and short-term deposits. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash, and that are subject to an insignificant risk of changes in value.

DIVIDEND PAYABLE

Dividend distribution to the shareholders is recognised as a liability in Financial Statements when approved at an annual general meeting by the shareholders. Interim dividend approved during the year is recorded upon payment.

INCOME

Gains and losses on investments

Realised and unrealised gains and losses on investments are recognised in the Income Statement in the period in which they arise.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Dividend income

Dividend income is recognised on the date the Company’s right to receive payment is established.

Notes to the Financial Statements continued

1. MATERIAL ACCOUNTING POLICIES CONTINUED

EXPENDITURE

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability approach, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

2. NET LOSS ON INVESTMENTS

Gains and losses on investments were as follows:

	Year ended 31 December					
	2024			2023		
Investment portfolio of the Company **Asset type**	**Realised £'000**	**Unrealised £'000**	**Total £'000**	Realised £'000	Unrealised £'000	Total £'000
Unquoted	**–**	**–**	**–**	86	–	86
	–	**–**	**–**	86	–	86
(Charge)/credit for incentive plans			**(12)**			3
			(12)			89
Investment portfolio of subsidiaries						
Asset type						
Quoted	**6**	**(62)**	**(56)**	(10)	–	(10)
Unquoted	**–**	**(1,690)**	**(1,690)**	1,412	366	1,778
Funds	**457**	**(3,210)**	**(2,753)**	(9)	(4,509)	(4,518)
	463	**(4,962)**	**(4,499)**	1,393	(4,143)	(2,750)
Total	**463**	**(4,962)**	**(4,511)**	1,479	(4,143)	(2,661)
(Charge)/credit for incentive plans			**7**			(103)
			(4,504)			(2,764)
Operating and similar (loss)/income of subsidiaries*			**(8,520)**			(44,500)
			(13,024)			(47,264)

* Includes operating and legal costs and taxation charges of subsidiaries.

During the year the Company and its subsidiaries carried out a further exercise to settle the debtor and creditor balances that had accumulated over a period of years between companies within the Group. This will achieve a simplification of accounting within the Group. Settlement of the balances was achieved through offsetting debtor and creditor amounts where appropriate and through the declaration of dividends by various subsidiary companies to holding companies within the Group. As part of this exercise a dividend of £8,000,000 (2023: £45,000,000) was declared by LMS Capital Group Limited to LMS Capital plc. The assets of LMS Capital plc increased by the amount of the dividend but as a result of this a reduction in the fair value of the investments in subsidiaries has been recognised. This exercise had no overall net effect on the net assets of the Company.

The Company operates carried interest arrangements in line with normal practice in the private equity industry. The charge for incentive plans for the Company is £12,000 (2023: credit of £3,000) and other incentives relating to historic arrangements. The charge for subsidiaries is included in the net gains/(losses) on investments in the Income Statement.

3. INTEREST INCOME

	Year ended 31 December	
	2024 £'000	2023 £'000
Bank interest	**612**	608
Interest receivable on intercompany loans	**804**	–
	1,416	608

4. INTEREST PAYABLE

	Year ended 31 December	
	2024 £'000	2023 £'000
Interest payable on intercompany loans	**331**	–
	331	–

5. OPERATING EXPENSES

Operating expenses comprise administrative expenses and include the following:

	Year ended 31 December	
	2024 £'000	2023 £'000
Directors' remuneration (note 6)	**811**	832
Staff expenses (note 7)	**342**	467
Depreciation on right-of-use assets	**28**	28
Other administrative expenses	**566**	761
Foreign currency exchange differences	**(6)**	17
Auditor's remuneration	**101**	91
	1,842	2,196

Audit fees for the subsidiaries of £54,000 (2023: £73,000) were directly charged to subsidiaries.

Notes to the Financial Statements continued

6. DIRECTORS' REMUNERATION

	Year ended 31 December	
	2024 £'000	2023 £'000
Directors' remuneration	**595**	657
Directors' social security contributions	**96**	86
Share-based payments	**87**	59
Directors' other benefits	**33**	30
	811	832
The highest paid Director was Nicholas Friedlos (2023 – Nicholas Friedlos)	**381**	442

The Directors are considered to be the only key management personnel.

7. STAFF EXPENSES

	Year ended 31 December	
	2024 £'000	2023 £'000
Wages and salaries	**242**	366
Employers' social security contributions	**47**	50
Share-based payments	**28**	20
Pension costs	**16**	23
Employees' other benefits	**9**	8
	342	467

Pensions costs are amounts payable to employees' defined contribution pension plans and are recognised on an accruals basis as they are incurred.

The average number of staff was as follows:

	2024	2023
Directors	**5**	5
Staff	**2**	3
Total	**7**	8

8. TAXATION

	Year ended 31 December	
	2024 £'000	2023 £'000
Current tax expense		
Current year	**–**	–
Total tax expense	**–**	–

RECONCILIATION OF TAX EXPENSE

	Year ended 31 December	
	2024 £'000	2023 £'000
Loss before tax	**(5,354)**	(3,732)
Corporation tax using the Company's domestic tax rate – 25.0% (2023: 23.5%)	**(1,339)**	(877)
Expenses not deductible/non-taxable income	**1,125**	534
Capital allowances	**–**	53
Company relief	**–**	(91)
Deferred tax asset not recognised	**22**	56
Group relief surrendered	**192**	325
Total tax expense	**–**	–

At year end, there are cumulative potential deferred tax assets of £2.713 million (2023: £2.516 million) in relation to the Company's cumulative tax losses of £10.852 million (2023: £10.064 million). It is uncertain when the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

9. LOSS PER ORDINARY SHARE

The calculation of the basic and diluted loss per share, in accordance with IAS 33, is based on the following data:

	Year ended 31 December	
	2024 £'000	2023 £'000
Loss		
Loss for the purpose of net loss per share attributable to equity holders of the parent	**(5,354)**	(3,732)

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**80,727,450**	80,727,450

	Pence	Pence
Loss per share		
Basic	**(6.6)**	(4.6)
Diluted	**(6.6)**	(4.6)

The Company share awards will be dilutive when the Company makes a profit.

OVERVIEW GOVERNANCE FINANCIAL STATEMENTS

Notes to the Financial Statements continued

10. DIVIDENDS

Dividends declared during the years ending 31 December 2024 and 31 December 2023 were as follows:

	Dividend date	Payment Date	Dividend £'000	Dividend per share pence
Final dividend payment for 2022	26 May 2023	23 June 2023	505	0.625
Interim dividend payment for 2023	11 August 2024	12 September 2024	242	0.300
Total as at 31 December 2023			747	0.925
Final dividend payment for 2023	31 May 2024	21 June 2024	**505**	**0.625**
Interim dividend payment for 2024	16 August 2024	13 September 2024	**242**	**0.300**
Total as at 31 December 2024			**747**	**0.925**

11. INVESTMENTS

The Company's investments comprised the following:

	Year ended 31 December	
	2024 £'000	2023 £'000
Total investments	**7,842**	20,854
These comprise:		
Investment portfolio of subsidiaries	**23,483**	28,450
Other net liabilities of subsidiaries	**(15,641)**	(7,596)
	7,842	20,854

The carrying amounts of the subsidiaries' investment portfolios were as follows:

	Year ended 31 December	
Investment portfolio of subsidiaries Asset type	**2024 £'000**	2023 £'000
Quoted	**59**	144
Unquoted	**17,547**	18,837
Funds	**5,877**	9,469
Investment portfolio of subsidiaries	**23,483**	28,450
Other net liabilities of subsidiaries	**(15,641)**	(7,596)
	7,842	20,854

The movement in the subsidiaries' investment portfolio were as follows:

	Quoted securities £'000	Unquoted securities £'000	Funds £'000	Other net assets/ (liabilities) of subsidiaries £'000	Total £'000
Balance at 1 January 2023	160	16,771	14,033	37,243	68,207
Accrued interest	–	1,373	–	–	1,373
Purchases	–	6,130	–	–	6,130
Proceeds from disposals	(6)	(7,301)	–	–	(7,307)
Distributions from partnerships	–	–	(55)	–	(55)
Contributions to partnerships	–	–	9	–	9
Fair value adjustments	(10)	1,864	(4,518)	–	(2,664)
Dividends paid	–	–	–	(45,000)	(45,000)
Other movements	–	–	–	161	161
Balance at 31 December 2023	144	18,837	9,469	(7,596)	20,854

	Quoted securities £'000	Unquoted securities £'000	Funds £'000	Other net assets/ (liabilities) of subsidiaries £'000	Total £'000
Balance at 1 January 2024	**144**	**18,837**	**9,469**	**(7,596)**	**20,854**
Accrued interest	**–**	**1,041**	**–**	**–**	**1,041**
Proceeds from disposals	**(29)**	**–**	**–**	**–**	**(29)**
Distributions from partnerships	**–**	**–**	**(894)**	**–**	**(894)**
Contributions to partnerships	**–**	**–**	**55**	**–**	**55**
Fair value adjustments	**(56)**	**(1,690)**	**(2,753)**	**–**	**(4,499)**
Dividends paid	**–**	**–**	**–**	**(8,000)**	**(8,000)**
Other movements*	**–**	**(641)**	**–**	**(45)**	**(686)**
Balance at 31 December 2024	**59**	**17,547**	**5,877**	**(15,641)**	**7,842**

* Other movements relate to investment related provisions no longer required.

The following table analyses investments carried at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs such as trading comparables and liquidity discounts).

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information (see note 20 – Financial risk management).

Notes to the Financial Statements continued

11. INVESTMENTS CONTINUED

The Company's investments are analysed as follows:

	31 December	
	2024 £'000	2023 £'000
Level 1	**–**	–
Level 2	**–**	–
Level 3	**7,842**	20,854
	7,842	20,854

Level 3 includes:

	31 December	
	2024 £'000	2023 £'000
Investment portfolio of subsidiaries	**23,483**	28,450
Other net liabilities of subsidiaries	**(15,641)**	(7,596)
	7,842	20,854

The investment portfolio of subsidiaries includes quoted investments of £59,000 (2023: £144,000). There were no transfers between levels during the year ending 31 December 2024.

12. OPERATING AND OTHER RECEIVABLES

	31 December	
	2024 £'000	2023 £'000
Other receivables and prepayments	**231**	135
	231	135

13. CASH AND CASH EQUIVALENTS

	31 December	
	2024 £'000	2023 £'000
Bank balances	**125**	1,451
Money market funds	**11,521**	7,576
	11,646	9,027

14. AMOUNTS RECEIVABLE FROM SUBSIDIARIES

	31 December	
	2024 £'000	2023 £'000
Amounts receivable from subsidiaries	**17,805**	15,014
	17,805	15,014

Amounts receivable from subsidiaries are intercompany loans repayable on demand and incur interest at 5% per annum with effect from 1 January 2024. In accordance with IAS 1.66 amounts receivable from subsidiaries are classified as non-current as the expectation is that the balances will not be received within 12 months of the balance sheet date.

15. OPERATING AND OTHER PAYABLES

	31 December	
	2024 £'000	2023 £'000
Trade payables	**37**	19
Lease liabilities	**16**	31
Other non-trade payables and accrued expenses	**409**	372
	462	422
Other long-term lease liabilities	**–**	16
	462	438

16. AMOUNTS PAYABLE TO SUBSIDIARIES

	31 December	
	2024 £'000	2023 £'000
Amounts payable to subsidiaries	**921**	2,493
	921	2,493

Amounts payable to subsidiaries are intercompany loans repayable on demand and incur interest at the rate of 5% per annum with effect from 1 January 2024.

17. CAPITAL AND RESERVES

Ordinary shares	**2024 Number**	**2024 £'000**	2023 Number	2023 £'000
Balance at the beginning of the year	**80,727,450**	**8,073**	80,727,450	8,073
Balance at the end of the year	**80,727,450**	**8,073**	80,727,450	8,073

The Company's ordinary shares have a nominal value of 10p per share and all shares in issue are fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

SHARE PREMIUM ACCOUNT

The Company's share premium account arose on the exercise of share options in prior years.

CAPITAL REDEMPTION RESERVE

The capital redemption reserve comprises the nominal value of shares purchased by the Company out of its own profits and cancelled.

Notes to the Financial Statements continued

18. SHARE AWARDS

Awards were made in accordance with the LTIP arrangements approved by shareholders at the Company's Annual General Meeting held on 17 May 2023.

EMPLOYEE SHARE INCENTIVE PLAN

On 15 August 2023, the Remuneration Committee approved the issue of 686,064 nil-cost options.

The options vest to 15 August 2026 and have both a performance and a continuous service condition attached to them.

PERFORMANCE CONDITION

The Performance Condition for the Award shall be determined by reference to the Company's performance in deploying its available uninvested capital at 31 December 2022. The level of performance and hence the amount of the Award that vests will be determined at the discretion of the Remuneration Committee.

The targets for deployment of Investible Capital are:

(a) At least 50% of Investible Capital should have been Deployed by 31 December 2024;

(b) 100% of Investible capital should have been Deployed by 31 December 2025.

(c) The investments into which capital has been Deployed should be performing satisfactorily, taking account of the relatively early stage of such investments at the time the Performance Conditions are assessed.

For the purposes of this award Investible Capital has been set at £12.4 million.

IFRS 2: Share-based Payment addresses the accounting for the Share Plan. This sets out the definition of a share-based payment and in this case the Share Plan is classified as an equity settled transaction with cash alternatives, the Company has the discretion to settle the liability fully or partly in cash. Since there is no present obligation to settle the award in cash, the scheme will be accounted for as equity settled.

Both the performance condition and the service condition, which is to be employed for three years from the effective date of award, are considered to be non-market vesting condition per IFRS 2. On this basis the Share Plan will be recognised at fair value at the date of the award and will be amortised over the life of the plan on a straight-line basis.

The LMS Capital plc share price on the date of the award was 21p. This gives a fair value of the award at the date of issue of £144,073.

Management expect the performance condition to be met and the award to vest in full. In the event the performance condition is not met, the Remuneration Committee has the discretion to settle the awards in full.

As there is a service condition attached to the Share Plan, an estimate of whether there will be leavers is required over the vesting period. In this instance there is no expectation that any members of staff will leave within three years and as such 100% of the award will be used to recognise the expense over three years.

	2024 Number of awards	2024 Weighted average fair value per award	2023 Number of awards	2023 Weighted average fair value per award
Outstanding at 1 January	**686,064**	**21.0**	–	–
Granted	**–**	**–**	686,064	21.0
Outstanding at 31 December	**686,064**	**21.0**	686,064	21.0
Exercisable at the year end	**–**	**–**	–	

VALUE CREATION PLAN

At the Annual General Meeting on 17 May 2023, shareholders approved the proposed amendments to the VCP whereby the original units awarded in 2020 would be cancelled and a smaller number of new units would be issued. 384 new units were awarded on 14 June 2023, with a fair value at grant of £461 per unit. The awards vest quarterly over five years provided the employee is still in service of the Company. The final vesting date is 14 June 2028.

	2024 Number of awards	2024 Weighted average fair value per award	2023 Number of awards	2023 Weighted average fair value per award
Outstanding at 1 January	**384**	**461.00**	625	413.48
Units cancelled	**–**	**–**	(625)	413.48
New units issued	**–**	**–**	384	461.00
Outstanding at 31 December	**384**	**461.00**	384	461.00
Exercisable at the year end	**–**	**–**	–	

19. LEASES

LEASE COMMITMENTS

The Company leases office space and information with regards to this lease is outlined below:

	31 December	
Rental Lease asset	**2024 £'000**	2023 £'000
Balance at 1 January	**42**	70
Depreciation for the year	**(28)**	(28)
Balance at 31 December	**14**	42

	31 December	
Rental Lease liability	**2024 £'000**	2023 £'000
Balance at 1 January	**46**	75
Unwinding of the discount on lease liability	**3**	5
Lease payments	**(33)**	(33)
Balance at 31 December	**16**	47

Notes to the Financial Statements continued

20. FINANCIAL RISK MANAGEMENT

The following tables analyse the Company's financial assets and financial liabilities in accordance with the categories of financial instruments in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are not included in the table below:

	31 December					
	2024			2024		
	Fair Value through profit or loss £'000	**Measured at amortised cost £'000**	**Total £'000**	Fair Value through profit or loss £'000	Measured at amortised cost £'000	Total £'000
Financial assets						
Investments	**7,842**	**–**	**7,842**	20,854	–	20,854
Amounts receivable from subsidiaries	**–**	**17,805**	**17,805**	–	15,014	15,014
Operating and other receivables	**–**	**164**	**164**	–	120	120
Cash and cash equivalents	**11,521**	**125**	**11,646**	7,576	1,451	9,027
Total	**19,363**	**18,094**	**37,457**	28,430	16,585	45,015
Financial liabilities						
Operating and other payables	**–**	**446**	**446**	–	392	392
Amounts payable to subsidiaries	**–**	**921**	**921**	–	2,493	2,493
Lease liabilities	**–**	**16**	**16**	–	46	46
Total	**–**	**1,383**	**1,383**	–	2,931	2,931

Intercompany payables to subsidiaries are all repayable on demand thus there are no discounted contractual cash flows to present.

Within cash and cash equivalents are investments in money market funds to the value of £11,521,000 (2023: £7,576,000) which are deemed to meet the classification as cash equivalent and are classed as level 2 within the fair value hierarchy.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, its policies for measuring and managing risk, and its management of capital.

CREDIT RISK

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables and its cash.

	31 December	
	2024 £'000	2023 £'000
Amounts receivable from subsidiaries	**17,805**	15,014
Operating and other receivables	**164**	120
Cash and cash equivalents	**11,646**	9,027
	29,615	24,161

The Company limits its credit risk exposure by only depositing funds with highly rated institutions. Cash holdings at 31 December 2024 and 2023 were held in institutions currently rated A or better by Standard and Poor. Given these ratings, the Company does not expect any counterparty to fail to meet its obligations and therefore, no allowance for impairment is made for bank deposits.

The loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows for trade receivables:

31 December 2024	**Current £'000**	**More than 30 days past due £'000**	**More than 60 days past due £'000**	**More than 120 days past due £'000**	**Total £'000**
Other receivables	**164**	**–**	**–**	**–**	**164**
Total	**164**	**–**	**–**	**–**	**164**

31 December 2023	**Current £'000**	**More than 30 days past due £'000**	**More than 60 days past due £'000**	**More than 120 days past due £'000**	**Total £'000**
Other receivables	**120**	**–**	**–**	**–**	**120**
Total	**120**	**–**	**–**	**–**	**120**

The Company recognised credit losses of the full value of receivable for trade receivables not recovered after four months. As at 31 December 2024, the Company does not have an outstanding trade receivable (2023: £nil).

For the year ending 31 December 2024, the Company did not witness significant increase in the credit risk since the initial recognition of the outstanding receivable from subsidiaries and other receivables, therefore, no expected losses were recognised during the year (2023: £nil).

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financing requirements are met through a combination of liquidity from the sale of investments and the use of cash resources.

Notes to the Financial Statements continued

20. FINANCIAL RISK MANAGEMENT CONTINUED

The following table shows an analysis of the undiscounted financial liabilities by remaining expected maturities as at 31 December 2024 and 31 December 2023:

Financial liabilities:

31 December 2024	**Up to 3 months £'000**	**3-12 months £'000**	**1-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Operating and other payables	**446**	**–**	**–**	**–**	**446**
Amount payable to subsidiaries	**921**	**–**	**–**	**–**	**921**
Lease liabilities	**8**	**8**	**–**	**–**	**16**
Total	**1,375**	**8**	**–**	**–**	**1,383**

31 December 2023	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Operating and other payables	391	–	–	–	391
Amount payable to subsidiaries	2,493	–	–	–	2,493
Lease liabilities	8	23	16	–	47
Total	2,892	23	16	–	2,931

In addition, some of the Company's subsidiaries have uncalled capital commitments to funds of £2,458,000 (2023: £2,661,000) for which the timing of payment is uncertain (see note 21).

MARKET RISK

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company aims to manage this risk within acceptable parameters while optimising the return.

CURRENCY RISK

The Company is exposed to currency risk on those of its investments which are denominated in a currency other than the Company's functional currency which is pounds sterling. The only other significant currency within the investment portfolio is the US dollar. Approximately 63% of the investment portfolio of the subsidiaries is denominated in US dollars.

The Company does not hedge the currency exposure related to its investments. The Company regards its exposure to exchange rate changes on the underlying investment as part of its overall investment return and does not seek to mitigate that risk through the use of financial derivatives.

The Company is exposed to translation currency risk on sales and purchases which are denominated in a currency other than the Company's functional currency. The currency in which these transactions are denominated is principally US dollars.

The Company's exposure to foreign currency risk was as follows:

	31 December					
	2024			2023		
	GBP £'000	**USD £'000**	**Other £'000**	GBP £'000	USD £'000	Other £'000
Investments	**1,037**	**6,805**		2,847	17,394	613
Amounts receivable from subsidiaries	**17,803**	**2**	**–**	15,014	–	–
Right-of-use assets	**14**	**–**	**–**	42	–	–
Operating and other receivables	**231**	**–**	**–**	135	–	–
Cash	**11,280**	**366**	**–**	8,680	347	–
Operating and other payables	**(462)**	**–**	**–**	(438)	–	–
Amount payable to subsidiaries	**(921)**	**–**	**–**	(2,493)	–	–
Net exposure	**28,982**	**7,173**	**–**	23,787	17,741	613

The aggregate net foreign exchange profit recognised in profit or loss were:

	31 December	
	2024 £'000	2023 £'000
Net foreign exchange profit/(loss) on investments	**232**	(1,141)
Net foreign exchange profit/(loss) on non-investments	**90**	(42)
Total net foreign exchange profit/(loss) recognised in profit before income tax for the year	**322**	(1,183)

At 31 December 2024, the rate of exchange was USD $1.25 = £1.00 (2023: $1.27 = £1.00).

A 10% strengthening of the US dollar against the pound sterling would have increased equity and increased profit by £0.8 million at 31 December 2024 (2023: increased equity and increased profit by £2.0 million). This assumes that all other variables, in particular interest rates, remain constant. A weakening of the US dollar by 10% against the pound sterling would have decreased equity and decreased the profit for the year by £0.7 million (2023: decreased equity and decreased the profit for the year by £1.6 million). This level of change is considered to be reasonable based on observations of current conditions.

INTEREST RATE RISK

At the reporting date, the Company's cash is exposed to interest rate risk and the sensitivity below is based on these amounts.

An increase of 100 basis points in interest rates at the reporting date would have increased equity by £116,000 (2023: increase of £118,000) and increased the profit for the year by £116,000 (2023: increased the profit £118,000). A decrease of 100 basis points would have decreased equity and increased the loss for the year by the same amounts. This level of change is considered to be reasonable based on observations of current conditions.

FAIR VALUES

All items not held at fair value in the Statement of Financial Position have fair values that approximate their carrying values.

Notes to the Financial Statements continued

20. FINANCIAL RISK MANAGEMENT CONTINUED

OTHER MARKET PRICE RISK

Equity price risk arises from equity securities held as part of the Company's portfolio of investments. The Company's management of risk in its investment portfolio focuses on diversification in terms of geography and sector, as well as type and stage of investment.

The Company's investments comprise unquoted investments in its subsidiaries. The subsidiaries' investment portfolios comprise investments in quoted and unquoted equity and debt instruments. Quoted investments are quoted on the main stock exchanges in London and New York. A proportion of the unquoted investments are held through funds managed by external managers.

As is common practice in the venture and development capital industry, the investments in unquoted companies are structured using a variety of instruments including ordinary shares, preference shares and other shares carrying special rights, options and warrants and debt instruments with and without conversion rights. The investments are held for resale with a view to the realisation of capital gains. Generally, the investments do not pay significant income.

The significant unobservable inputs used at 31 December 2024 in measuring investments categorised as level 3 in note 11 are considered below:

1. Unquoted securities (carrying value £17.5 million) are valued using the most appropriate valuation technique such as a revenue-based approach, an earnings-based approach, or a discounted cash flow approach. These investments are sensitive to both the overall market and industry specific fluctuations that can impact multiples and comparable company valuations. In most cases the valuation method uses inputs based on comparable quoted companies for which the key unobservable inputs are:

   - revenue multiples in the range 1.5–2.5 times, also dependent on attributes at individual investment level; and
   - Discounts applied of up to 40%, to reflect the illiquidity risk of the unquoted companies. The discount used requires the exercise of judgement taking into account factors specific to individual investments such as size and rate of growth compared to other companies in the sector.

2. Investments in funds (carrying value £5.9 million) are valued using the reported NAV from the general partners of the fund interests with adjustments made for calls, distributions and foreign currency movements since the date of the report (if prior to 31 December 2024). The reported NAVs of the funds are fair value based. The Company also carries out its own review of individual funds and their portfolios to satisfy ourselves that the underlying valuation bases are consistent with our basis of valuation and knowledge of the investments and the sectors in which they operate. However, the degree of detail on valuations varies significantly by fund and, in general, details of unobservable inputs used are not available.

Two of the Company's subsidiaries' underlying investments are valued using discounted cash flow ("DCF") models. These models rely on detailed cash flow forecasts and on substantial subjective judgemental inputs and the derived valuations are sensitive to small changes in these inputs as follows:

CASTLE VIEW – VALUATION £6.5 MILLION

A key driver of value is the right to receive Deferred Management Fee ("DMF") income in the future when units are resold. The current valuation assumes that 8 units will be resold each year in the future. With all other inputs being equal, applying an average unit turnover range of 5 to 9 units would result in a valuation range of £3.4 million to £7.1 million.

A discount rate of 11.1% has been applied to the valuation which reflects the entry IRR in December 2023. To demonstrate sensitivity, with all other inputs being equal, a discount range of 9% to 12% would result in a valuation range of £7.6 million to £6.2 million.

DACIAN PETROLEUM – VALUATION £9.3 MILLION

The valuation of Dacian Petroleum is sensitive to the following inputs:

- Oil price;
- Production levels; and
- Discount rate.

An oil price of $75 per barrel has been used in the valuation, being Dacian's expectation of the average oil price during 2025. The effect of a decrease or increase in oil price of $5 per barrel, with all other inputs being equal, would result in a valuation of between £7.5 million and £11.2 million.

The effect of a decrease or increase in production of 5%, with all other inputs being equal, would result in a valuation of between £7.8 million and £10.9 million.

A discount rate of 15% has been applied to the valuation which reflects a slight increase on the coupon of 14% on the original Senior Loan Notes before the anticipated conversion. To demonstrate sensitivity, with all other inputs being equal, a discount range of 14% to 16% would result in a valuation range of £9.8 million to £8.8 million.

The valuation of the investments in subsidiaries makes use of multiple interdependent significant unobservable inputs and it is impractical to sensitise variations of any one input on the value of the investment portfolio as a whole. Estimates and underlying assumptions are reviewed on an ongoing basis however inputs are highly subjective. Changes in any one of the variables, earnings or revenue multiples or illiquidity discounts could potentially have a significant effect on the valuation.

The reported values of the level 3 investments would change, should there be a change in the underlying assumptions and unobservable inputs driving these values. The Company has performed a sensitivity analysis to assess the overall impact of a 10% movement in these reported values of investments, on the profit for the year. The effect on loss is shown in the table below:

	31 December	
	2024 **£'000**	2023 £'000
Effect of 10% decrease in investment value	**(784)**	(2,085)
Effect of 10% increase in investment value	**784**	2,085

CAPITAL MANAGEMENT

The Company's total capital at 31 December 2024 was £36.2 million (2023: £42.1 million) comprising equity share capital and reserves. The Company had no borrowings at 31 December 2024 (2023: £nil).

In order to meet the Company's capital management objectives, the Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- Working capital requirements and follow-on investment capital for portfolio investments, including calls from funds;
- Capital available for new investments; and
- The annual dividend policy and other possible distributions to shareholders.

Notes to the Financial Statements continued

21. CAPITAL COMMITMENTS

	31 December	
	2024 £'000	2023 £'000
Outstanding commitments to funds	**2,458**	2,661

The outstanding commitments to funds comprise unpaid capital calls in respect of funds where a subsidiary of the Company is a limited partner. At the balance sheet date it is not expected that these outstanding commitments will be called.

As of 31 December 2024 the Company has no other contingencies or commitments to disclose (2023: £nil).

22. RELATED PARTY TRANSACTIONS

During the year, the Company paid rent of £32,780 (2023: £32,780) to The Rayne Foundation for its office space. Robert Rayne was the Chairman of The Rayne Foundation.

During the year the following transactions occurred with Group companies:

31 December 2024	**Advanced to £**	**Received from £**	**Received from £**	**Dividends/ fees received £**	**Balance due from/ (due to) £**
LMS Capital Group Limited	**14,000**	**8,000,000**	**2,122**	**8,000,000**	**48,052**
LMS Capital Holdings Limited	**8,061,499**	**5,970,862**	**(314,791)**	**–**	**(412,852)**
LMS Co-Invest Limited	**43,444**	**–**	**6,550**	**59,370**	**173,101**
Lion Investments Limited	**158,196**	**260,000**	**223,455**	**109,761**	**4,747,718**
Tiger Investments Limited	**1,128**	**–**	**–**	**–**	**–**
LMS Tiger Investments (II) Limited	**–**	**–**	**–**	**–**	**1,828**
Cavera Limited	**–**	**243,047**	**–**	**–**	**–**
LMS Retirement Living Limited	**1,857,604**	**12,017**	**352,119**	**126,828**	**8,074,860**
Lioness Property Investments Limited	**–**	**–**	**220,379**	**–**	**4,627,958**
Lion Property Investments Limited	**33**	**190,882**	**(16,637)**	**–**	**(508,434)**
Westpool Investment Trust plc	**37,077**	**36,367**	**–**	**129,285**	**129,321**
LMS Capital (Bermuda) Limited	**229,053**	**226,888**	**–**	**933**	**1,743**

31 December 2023	Advanced to £	Received from £	Fees received £	Balance due from/ (due to) £
LMS Capital Group Limited	45,012,930	45,000,000	45,000,000	31,930
LMS Capital Holdings Limited	45,175,126	30,325,581	–	(2,188,698)
LMS Co-Invest Limited	150,956	301,327	120,130	63,737
Lion Investments Limited	418,911	535,127	–	4,516,306
Tiger Investments Limited	6,436	–	–	(1,128)
LMS Tiger Investments (II) Limited	10,551,301	10,580,158	–	1,828
Cavera Limited	46,790	5,000	–	243,047
LMS Retirement Living Limited	5,750,326	–	–	5,750,326
Lioness Property Investments Limited	6,848,764	–	–	4,407,579
Lion Property Investments Limited	6,469	–	–	(300,948)
Westpool Investment Trust plc	11,900,544	–	–	(674)
LMS Capital (Bermuda) Limited	12,750,211	3,796,079	–	(1,355)
International Oilfield Services Limited	10,001,614	9,681,266	–	–

Details of Directors' remuneration are disclosed in note 6.

23. SUBSEQUENT EVENTS

On 13 March the Company announced that following engagement with key shareholders, the Board had reached the conclusion that shareholder value would be best served by a managed realisation of the Company's assets and returns of capital over time. Further details can be found in the Viability Statement on page 14 and in the Basis of preparation accounting policy on page 61.

There are no other subsequent events that would materially affect the interpretation of these Financial Statements.

24. SUBSIDIARIES

The Company's subsidiaries are as follows:

Name	Country of incorporation	Holding %	Activity
LMS Capital (Bermuda) Limited	Bermuda	100	Investment holding
LMS Capital Group Limited	England and Wales	100	Investment holding
LMS Capital Holdings Limited	England and Wales	100	Investment holding
Lioness Property Investments Limited	England and Wales	100	Investment holding
Lion Property Investments Limited	England and Wales	100	Investment holding
Lion Investments Limited	England and Wales	100	Investment holding
Tiger Investments Limited	England and Wales	100	Investment holding
LMS Tiger Investments (II) Limited	England and Wales	100	Investment holding
Westpool Investment Trust plc	England and Wales	100	Investment holding
Cavera Limited	England and Wales	100	Dormant
LMS Co-Invest Limited	England and Wales	100	Trading
LMS Retirement Living Limited	England and Wales	100	Investment holding

The registered office addresses of the Company's subsidiaries are as follows:

Subsidiaries incorporated in England and Wales: 3 Bromley Place, London, United Kingdom, W1T 6DB.

Subsidiaries incorporated in Bermuda: Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

International Oilfield Services Limited, a company registered in Bermuda, was dissolved on 2 December 2024. Lion Cub Property Investments Limited was dissolved on 7 January 2025.

25. NET ASSET VALUE PER SHARE

The net asset value per ordinary share in issue is as follows:

	31 December	
	2024	2023
Net assets (£'000)	**36,155**	42,141
Number of ordinary shares in issue	**80,727,450**	80,727,450
Net asset value per share (pence)	**44.79**	52.20

NAV per share is considered to be an Alternative Performance Measure ("APM").

Corporate Information

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Peter Harvey
Robert Rayne
Graham Stedman
James Wilson

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COMPANY WEBSITE

The Company's website provides further information on the Company's strategy and investments, as well as information for shareholders.
www.lmscapital.com

FINANCIAL CALENDAR 2025

Annual General Meeting – 14 May 2025
Half-year results – July 2025

LMS
CAPITAL

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