LMS CAPITAL

Annual Report & Accounts 2022

For the year ended 31 December 2022

Who We Are and Why Invest?

LMS Capital plc ("LMS" or "the Company") is a listed Investment Company.

We harness experience, capital and access to deal flow to create enhanced shareholder returns for family offices, high net worth investors and others.

Our competitive advantage lies in our long experience, our relationships with exceptional management teams with knowledge of, and connections in, the sectors where we focus – particularly in real estate, energy and late-stage private equity.

We seek to achieve a balance between preserving and growing wealth. We expect to deliver an attractive rate of return – 12% to 15% per annum over the medium to long term – of which an element will include an annual dividend. Dividends were commenced in 2020 at 1.5% of our year end NAV with the intention to progressively increase as the investment portfolio evolves.

We invest in high-quality portfolio companies that generally require a level of management attention which larger funds are unable to support or are too complex for direct investment by individual family offices or individual investors.

2022 HIGHLIGHTS

NET ASSET VALUE ("NAV")

£46.5m

The net asset value ("NAV") at 31 December 2022 was £46.5 million, 57.7 pence per share (31 December 2021: £49.1 million, 60.8 pence per share).

DIVIDENDS TO SHAREHOLDERS

£0.7m

The Company paid 0.925 pence per share being a 2021 final dividend to shareholders of 0.625 pence per share in June 2022 and an interim dividend for the 2022 year of 0.3 pence per share in September 2022.

PORTFOLIO VALUE MOVEMENTS

£nil

The portfolio showed no overall net increase or decrease in value in the year. Net realised and unrealised losses on the mature portfolio were £2.2 million (31 December 2021: £2.6 million increase), offset by net gains, interest income and foreign exchange movements on the new energy investment of £2.2 million (31 December 2021: £1.2 million net increase).

NET RUNNING COSTS

£1.7m

Net Running costs, including those incurred by subsidiaries, were £1.7 million (31 December 2021: £1.8 million) and there were an additional £0.4 million (31 December 2021: £0.3 million) of investment related costs.

PORTFOLIO REALISATIONS

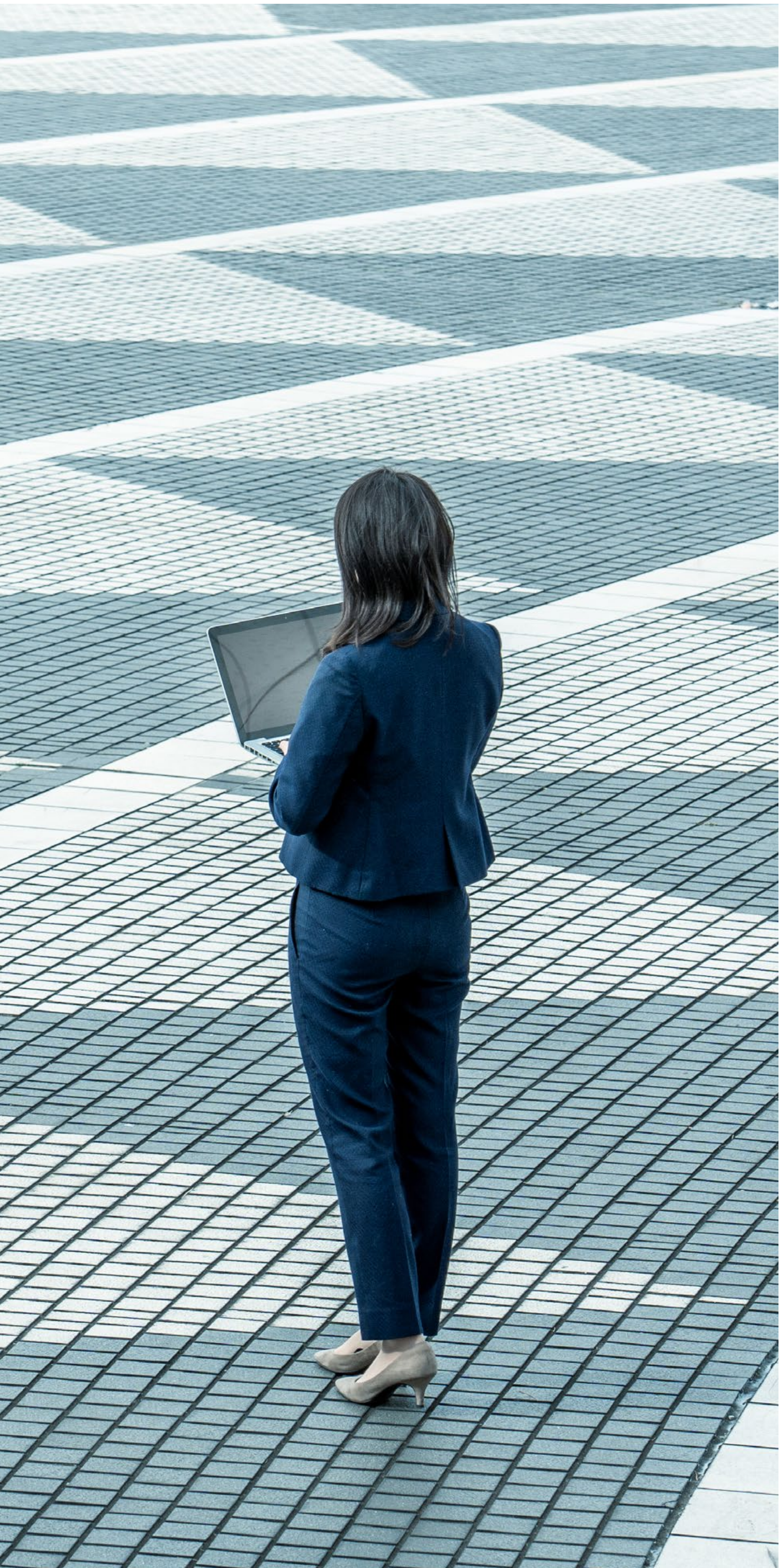
£0.4m

Cash proceeds from portfolio realisations in the year totalled £0.4 million, mainly from the redemption of Medhost preference shares (31 December 2021: £2.7 million).

YEAR END CASH BALANCE

£17.9m

Cash balances at the year end, including amounts held by subsidiaries, were £17.9 million, representing 38.5% of the NAV (31 December 2021: £20.1 million and representing 41.0% of the NAV).



IN THIS REPORT

Review

Governance

Financial Statements

Other Information

For further investor information:
www.lmscapital.com

LMS at a Glance

2022 NAV AT A GLANCE

CASH

£17.9m

MATURE INVESTMENTS

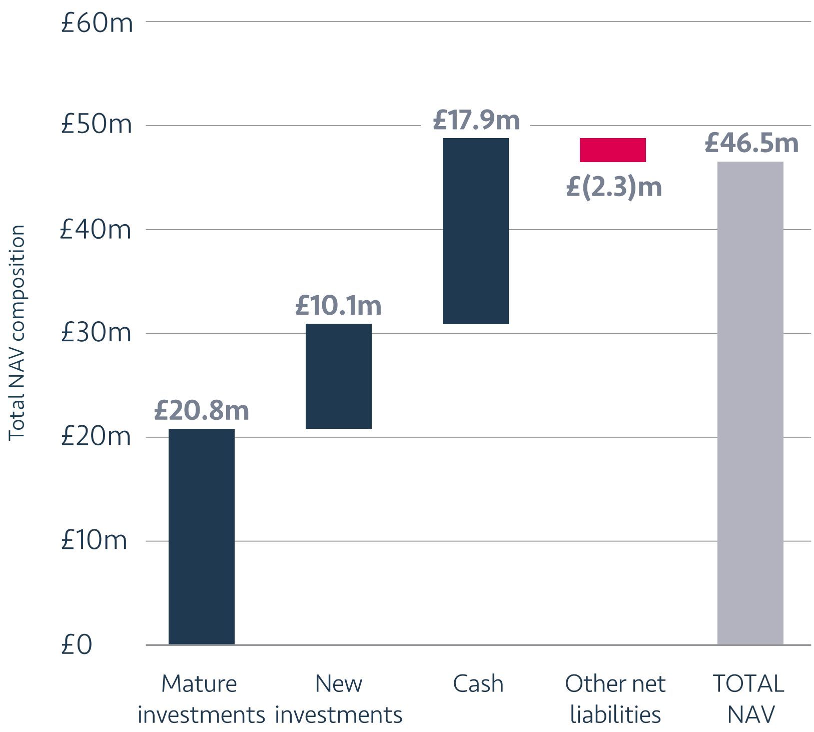
£20.8m

OTHER NET LIABILITIES

£(2.3)m

NEW INVESTMENTS

£10.1m



There are three elements to our business today.

MATURE INVESTMENTS

- originate from the Company's strategy prior to 2012;
- held with a view to optimising realisation proceeds in a one to three-year period;
- approximately 91% of the mature portfolio consists of four investments;
- managed largely by third-party managers; and
- liquidity is expected mainly in 2024 and 2025.

NEW INVESTMENTS – ENERGY

- Dacian, which was completed in 2021, is a cornerstone investment for LMS that highlights our ability to lead a co-investment group that enabled Dacian to complete its first acquisition of onshore oil and gas production fields in Romania.

CASH AVAILABLE FOR DEPLOYMENT

- we seek opportunities within our three chosen sectors – real estate, energy and late-stage private equity – that offer:
  - attractive returns on the direct investment; and
  - cornerstone position allowing 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.

SECTORS

REAL ESTATE

LMS has a long history of investing in real estate and providing cornerstone funding to entrepreneurs for the creation of niche real estate businesses.

ENERGY

LMS has deep relationships in the energy sector giving it a competitive advantage in sourcing opportunities.

LATE-STAGE PRIVATE EQUITY

LMS has a track record of success in late-stage private equity investment, creating wealth for both its shareholders and entrepreneurs.

Chairman and Managing Director's Report

Robert Rayne
Chairman

Nicholas Friedlos
Managing Director

We are pleased to report our results for the year ended 31 December 2022 and to provide an update on progress within the business.

The Board set out an approach, when the Company returned to self-management in 2020, based on investing in those sectors where the Company has a clear competitive advantage – primarily energy and real estate – with the aim to generate a return on equity, after running costs, of between 12% and 15% per annum over the long term.

This remains the aim of our investment strategy.

We view the year as one of solid progress but also recognise that uninvested cash is a drag on returns and appreciate the importance of translating our work into new investments which will generate the longer-term returns we are targeting.

There are three elements to our business.

MATURE ASSET PORTFOLIO – 31 DECEMBER 2022 NAV £20.8 MILLION (25.8 PENCE PER SHARE)

- this comprises investments which originate from the Company's strategy pre-2012. 91% of the value is held in four positions;
- the investments are managed with a view to optimising the realisation values;
- the portfolio largely comprises positions managed by third-party managers, with whom the Company maintains dialogue, although it does not control decision making; and
- there may be some liquidity from these assets in 2023, but the expectation is that liquidity will primarily be in 2024 and 2025.

NEW INVESTMENTS – DACIAN: 31 DECEMBER 2022 NAV £10.1 MILLION (12.5 PENCE PER SHARE)

- Dacian was the Company's first new investment following its return to self-management in early 2020. The investment was underwritten in August 2020 but only completed, following local Romanian regulatory approvals, in November 2021;
- the year just ended therefore represents the first full year of operation, which was profitable and cash generative;
- entering 2023 the business is positioned to execute its business plan to increase production; and
- the Board expects this investment to deliver returns that meet or exceed its target returns.

CASH LESS OTHER NET LIABILITIES – 31 DECEMBER 2022 NAV £15.6 MILLION (19.1 PENCE PER SHARE)

- the Group cash amounts to £17.9 million; and
- other net liabilities amount to £2.3 million and relate mainly to accruals for income taxes, historic carried interest liabilities for one remaining asset and other sundry costs.

DEPLOYMENT OF CAPITAL

INVESTMENT THEMES

When the Company returned to self-management in 2020, the Board laid out a strategy for the deployment of capital, making new investments in areas where the Company has clear competitive advantage, through:

- working with management teams we know well, who are respected in their sector, experienced and with a track record of successful execution;
- "hard to access" assets, typically at the smaller end of their respective sectors, allowing more attractive acquisition pricing and giving the opportunity for value creation through more intensive management; and
- the opportunity to introduce co-investment capital alongside our own balance sheet.

These areas are principally in energy and real estate. Other late-stage private equity opportunities are considered and evaluated but at present are not the primary focus.

We seek investments which not only meet our return criteria, but also give LMS a "cornerstone" position in the underlying business, enabling us to influence and benefit from future growth and capital raising.

The approach leads to a slower pace of deployment of capital, but the Board continues to believe this is the right approach to create long-term growth for the Company and value for shareholders.

REAL ESTATE DEVELOPMENT

We continue to see opportunity in the creation of specialist use real estate. During 2022, we have been working with our team to explore opportunities in retirement living – a sector in which we believe there will be strong growth in the coming years. The sector offers the opportunity to combine our real estate skills with operational partners.

REAL ESTATE INVESTMENT

We are developing a management and investment structure which will allow LMS to invest in assets alongside co-investors and derive a return not just from the underlying asset but also from the management platform.

ENERGY

The Company has a history of investing in the energy sector and has connections with management teams that enable it to identify and execute on opportunities not readily accessible to others.

In relation to carbon-based energy, we see the extension of life of existing production assets and industrial infrastructure to reduce the carbon footprint per barrel produced, as having a key and environmentally important role to play in the world's transition away from carbon fuels over the next few decades. We also see opportunities in renewable energy and in the businesses that service the generation of that energy.

NAV

£46.5m

DIVIDEND

0.925

pence per share

REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

Statement from the Chairman and the Managing Director continued

NET ASSET VALUE ("NAV") OVERVIEW

The NAV of the Company at 31 December 2022 was £46.5 million, 57.7 pence per share (31 December 2021: £49.1 million, 60.8 pence per share). This represents a decrease of £2.6 million on the prior year and comprises:

- net decrease on portfolio investments of £1.3 million, which includes net realised and unrealised portfolio losses;
- increase of £1.3 million, being accrued interest on Dacian;
- net reduction of £1.9 million for other items including running costs, taxation, the investment costs principally associated with developing real estate deal opportunities and foreign exchange gains on non-portfolio assets; and
- reduction of £0.7 million for dividends paid to shareholders.

After adjusting for the 0.925 pence per share distributed as dividends during 2022, the NAV has shown a decrease on the year of 3.7%.

MATURE ASSETS

This portfolio showed a net reduction in the year of £2.2 million. In part, this movement reflects the unrealised effect of net "ups and downs" arising from fluctuations in exchange rates (76% of the portfolio is US dollar denominated) and in the public market comparables used in the valuations. £1.6 million of the reduction is due to write downs which reflect either actual or imminent realisations of assets by third-party fund managers.

The four largest assets comprise 91% of the mature portfolio:

- **Medhost** (NAV £5.7 million) – co-investment, alongside Primus Capital, in this US software company serving the mid-sized hospital market in America. A mature business with strong and consistent revenues, earnings and cash flows. The unrealised decrease in NAV for the year, excluding the impact of foreign exchange gains, was £0.7 million, primarily as a result of changes in the public market comparators;
- **Brockton Capital Fund I** (NAV £6.0 million) – the remaining asset in this real estate fund, of which the Company holds 16.7%, is a preferred debt investment in a "Super Prime" residential development in Mayfair, central London. During 2022, the fund has secured medium-term finance to allow adequate time to sell the apartments. The investment, which is valued on a discounted cash flow basis showed an unrealised increase in NAV for the year of £0.5 million;
- **Opus Capital Venture Partners** (NAV £5.3 million) – the Company holds 2.3% of this 2008 vintage US early-stage technology fund, managed by Opus Capital Venture Partners. The fund life has now been exceeded, the manager is no longer charging annual fees. The fund has two significant remaining investments, both of which are cash generative and performing well. The manager's expectation is that, subject to market conditions, an exit will be sought in the reasonably near term, but meantime both assets continue to grow. The unrealised increase in NAV during the year, excluding the impact of foreign exchange gains was £0.8 million; and
- **Weber Capital Partners** (NAV £2.0 million) – this US micro-cap stock fund is managed by Weber Capital Partners with whom the Company has worked closely for over 20 years. The theme is substantially but not exclusively around technology and medical stocks. Historic returns have been excellent. To 31 December 2022, average rolling five-year returns since 2006 and three-year returns since 2002 have been 16.6% and 19.6%, respectively. The NAV decrease on this investment during 2022, excluding the impact of foreign exchange gains, was £0.9 million, as a result of downward movements in the market price of its quoted securities.

On other mature assets:

- **Elateral** (NAV £0.6 million) – further working capital was invested in Elateral during the year. The company has invested in its revenue growth strategy, and has gained new business in the last three to six months. The company's outsourced software development resources in Ukraine, Russia and Belarus have been disrupted by the war, but it has successfully mitigated the consequences through a restructuring of its development activities; and
- **ICU Eyewear** (NAV £0.2 million) – this investment is managed by San Francisco Equity Partners (SFEP). In 2020 it produced a windfall profit from its opportunistic move into distribution of PPE equipment, from which LMS received distributions of £1.6 million. Since then, it has returned largely to its core eyewear activity. The December 2022 valuation reduction of £1.5 million, excluding the impact of foreign exchange gains, reflects the

estimated proceeds from a sale that has completed since the year end. This is a disappointing outcome and is the last asset managed by SFEP.

NEW INVESTMENTS – DACIAN

In 2021, LMS led the funding group which, including $9.1 million from LMS itself, invested $14 million in Dacian, a newly formed Romanian oil and gas production company formed to acquire and operate mature onshore energy production assets.

With this investment, together with $6 million of external debt, Dacian was able to make its first acquisition of onshore oil and gas assets.

LMS' $9.1 million is structured principally as senior secured loan notes, which are entitled to interest of 14% per annum gross before a withholding tax of 10%. LMS' share of equity is 32%. The balance of the equity is held by LMS' co-investors, 18%, and management 50%. Distributions to equity can only occur once the senior loan notes and accrued coupon are fully repaid.

The rationale for the investment in Dacian was:

- the business is operationally cash flow positive from day one;
- a business focused on the extension of life of existing production assets has an environmentally important role to play in the world's transition away from carbon fuels; and
- it was evaluated and the investment decision taken on the basis of:
    - attractive entry pricing;
    - a founder team with extensive industry experience and a Romanian team with prior knowledge of the assets being acquired;
    - a robust operating plan able to withstand volatility in energy prices;
    - the opportunity for gains through production enhancing technology that can extend the productive life of mature assets; and
    - overall, the potential to meet and exceed LMS's target investment returns.

The investment was underwritten in August 2020 but then underwent a protracted period obtaining the necessary regulatory approvals in Romania, and completion only occurred in November 2021. The year just ended therefore is the first full year of operation.

For the first six to nine months of operation backlog maintenance issues, inherited at completion, caused mechanical breakdowns and interruptions to production. These operational issues diverted resources to reactive repairs and away from workover projects designed to deliver long-term gains in production.

During the final quarter of the year, management's actions, in particular securing an inventory of replacement components and additional maintenance equipment, appear to have enabled production to be stabilised.

Notwithstanding the operational issues, workover projects added some 250 barrels of oil equivalent per day ("BOEPD") in 2022. Production in December 2022 exceeded 1,000 BOEPD and management plan during 2023 to build from this base through workover projects and ongoing continued reactive and preventative maintenance programs.

Revenues in 2022, based on the unaudited management accounts, were approximately $32 million and the business was cash flow positive after investing some $3 million in additional equipment and inventory.

We expect this investment to meet or exceed our target returns.

LIQUIDITY – CASH LESS OTHER NET LIABILITIES

CASH

Cash balances in the Company and its subsidiaries at 31 December 2022 were £17.9 million (31 December 2021: £20.1 million).

Outflows during the year amounted to £2.7 million, this includes running costs, investment related costs, dividend payments and new capital invested in Elateral.

Inflows were £0.5 million and include a £0.1 million distribution from Brockton, £0.4 million redemption of Medhost preference shares, plus sundry fund distributions.

NET LIABILITIES

Net liabilities of £2.3 million (31 December 2021: £1.9 million) consist primarily of accruals for income taxes, historic carried interest liabilities for one remaining asset and other sundry costs.

Statement from the Chairman and the Managing Director continued

DIVIDEND POLICY

The Company paid £0.7 million in dividends during the year comprising a final dividend for the year ended 31 December 2021 of 0.625 pence per share, paid on 23 June 2022 and an interim dividend for the year ended 31 December 2022 of 0.3 pence per share paid on 12 September 2022.

A final dividend of 0.625 pence per share for the year ended 31 December 2022 is recommended by the Board. Subject to approval by shareholders at the AGM in May 2023, the dividend will be paid to shareholders in early June 2023.

The dividend policy laid out by the Board in 2020 was to pay a dividend in respect of each financial year initially equal to approximately 1.5% of the closing NAV for that year. The proposed dividend for 2022 will amount to approximately 1.6% of closing NAV. Having regard to the Company's cash position and, whilst the dividends currently exceed the net cash income, the Board is confident of the Company's ability to generate future annual income and has therefore continued the policy.

The Board's ambition is to increase the level of dividend and will keep the current policy under review. The actual level of dividend each year will take account of market conditions generally, the Company's financial position and its distributable reserves.

DOUG MILLS

We operate with a small core team, a key member of which was Doug Mills who oversaw our finance function and, given his background in the energy industry, also supported the Dacian team. Doug passed away very suddenly and at a young age on 20 September last year. We would like publicly to record our appreciation for Doug's contribution to the business and for his friendship and support as a colleague.

LOOKING FORWARD

The Company's objective is the preservation and creation of wealth for its shareholders over the longer term. Its target is to deliver returns, net of costs, of between 12% and 15% over the longer period.

Looking forward in 2023, our priorities are:

- to bring to fruition the work that has been undertaken, particularly with our real estate teams, to deploy new capital from our own balance sheet in conjunction with our co-investors;
- to support the Dacian team as it enters its second year of operation with an emphasis on its workover program to increase production; and
- to continue to manage the mature asset portfolio to optimise realisation proceeds.

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. We look forward to reporting progress to you during 2023.

Robert Rayne
Chairman

Nicholas Friedlos
Managing Director

17 March 2023

"The Dacian team has made good progress during its first year, the business has been profitable and cash generative and we believe is now positioned to show growth in 2023."

NICHOLAS FRIEDLOS
Managing Director

Portfolio Overview

The following are the principal portfolio investments of the Company, representing 96.2% of the total portfolio value:

DACIAN PETROLEUM

REGION: EU | YEAR: 2021 |
% Holding: 32% | NAV: £10.1 million
(31 December 2021: £7.9 million)

www.dacianpetroleum.ro

Dacian is a Romanian oil and natural gas production company which completed its first acquisition in 2021. It operates approximately 100 producing wells across 40 onshore oil and gas fields in Romania. These are late-life assets, and the business plan is to prolong the life of this established industrial infrastructure through careful management and investment in a program of workover projects designed to increase production.

PRINCIPAL UNQUOTED INVESTMENTS

Medhost

www.medhost.com

REGION: US | YEAR: 2008 |
% Holding: 8.8% | NAV: £5.7 million (31 December 2021: £6.0 million)

Medhost, a co-investment with funds of Primus Capital, is a healthcare information technology group that provides cloud-based enterprise, departmental and healthcare engagement solutions to over 1,000 community and specialty hospitals. Its products include cloud-based clinical, financial and operational solutions as well as maintenance, support and consulting services.

Elateral

www.elateral.com

REGION: UK | YEAR: 2008 |
% Holding: 62.5% | NAV: £0.6 million (31 December 2021: £0.8 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

Brockton Capital Fund I

www.brocktoneverlast.com

REGION: UK | YEAR: 2008 |
NAV: £6.0 million (31 December 2021: £5.6 million)

Brockton is a UK real estate fund with one remaining investment in a super prime London residential development. The Company's investment represents its share of preferred debt investments via the Brockton fund.

Opus Capital Venture Partners

www.opuscapitalventures.com

REGION: UK | YEAR: 2008 |
NAV: £5.3 million (31 December 2021: £3.9 million)

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

Weber Capital Partners

www.webercapital.com

REGION: UK | YEAR: 2008 |
NAV: £2.0 million (31 December 2021: £2.6 million)

Weber Capital GW 2001 is a fund that invests in listed U.S. microcap 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
- Responsible investing
- Company performance for the year ended 31 December 2022 and objectives for 2023
- Risk management
- Viability statement

STRATEGY

Since 2020, the Board has reshaped the Company to focus on investment in its known areas of expertise in real estate, energy and late-stage private equity. The emphasis across each of these themes is on deals with a well protected downside and a target overall return over the longer term of 12% to 15% per annum, net of all costs, and including the annual dividend payment to shareholders.

OUR INVESTMENT **OBJECTIVES**

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

- an overall total return, net of costs, over the longer 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 our 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.

OUR INVESTMENT **APPROACH**

We will focus on areas where we have 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**

We have assembled an experienced Board to oversee the development of our 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 30 to 31 of this report.

We operate through a small core team, working closely with the management teams in our investee businesses.

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

We have appointed advisory groups of individuals with relevant experience in each of our three areas of focus. The groups provide additional external perspective, access to further investment opportunities in their sectors and guidance for the Company.

BOARD & INVESTMENT COMMITTEE

Robert Rayne
Nicholas Friedlos
James Wilson

Peter Harvey
Graham Stedman

← **ADVISORY GROUPS**

CORE TEAM

Nicholas Friedlos
Gary Cresswell

Aimee Fraser
Chris Garrod

REAL ESTATE

Chris Dancer
Ben Young
Tim Willis

ENERGY

Bernard Duroc-Danner
Thomas Bruni

PRIVATE EQUITY

Richard Fidler
Tim Willis
Josh Lamstein

LMS CO-INVEST

Tim Willis

Strategic Report continued

OUR CO-INVESTMENT **ACTIVITY**

We seek to bring co-investors to deals to invest alongside the Company's own capital. Each deal will be different, but LMS sees the opportunity for each £1 of its own capital to bring at least as much again from co-investors.

Our co-investors gain the opportunity to invest directly in deals which they would be unlikely to access directly.

LMS benefits from influencing a larger pool of capital, participation in a more diversified range of deals, the possibility of enhanced economics and the ability to recover fees to offset against its costs.

Our first cornerstone investment under internal management, Dacian, is an example of our ability to attract co-investment capital. We invested $9.1 million in senior loan notes and a 32% equity ownership in Dacian and also led a co-investment group that invested an additional $5.0 million in senior loan notes and an 18% equity ownership.

OUTLOOK AND PROSPECTS

The Board is focused on finding opportunities in our three core sectors that meet our return targets and allow us to have influence over the underlying business.

We are 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.

Our approach to the further deployment of capital is to seek opportunities, within our 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.

This approach results in fewer, but more significant transactions. One consequence of this is that individual deals can take longer – Dacian has been an example of this. However, we believe this approach to be the most effective one given the current size of the Company and our ambition to grow.

INVESTMENT POLICY

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 make additional investment where growth prospects are clear, to 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 the Board's 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 2022 or at the date of this report.

Responsible Investing

The Task Force on Climate-Related Financial Disclosures ("TCFD") Recommendations, first launched in 2017, are designed to encourage consistent and comparable reporting on climate-related risks and opportunities by companies to their stakeholders. The TCFD Recommendations are structured around four content pillars: (i) Governance; (ii) Strategy; (iii) Risk Management; and (iv) Metrics & Targets. This responsible investing section reflects a summary of our progress made to date towards our goal of incorporating climate risk and opportunity identification and management into our overall business strategy.

OUR APPROACH

The origins of the Company lie in the investment of family wealth, much of it used to endow charitable foundations focused 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.

As a small investment company, much of our ESG impact is driven by the companies in which we choose to invest. We believe that investing in businesses that place an emphasis on ESG issues both protects and creates value for our shareholders.

GOVERNANCE AND STRATEGY

The Board has overall responsibility for the development and implementation of our ESG principles, including climate risks and opportunities. The Board has ensured that ESG principles are integrated into the Company's investment strategy. We are committed to maintaining high standards of corporate governance. As a company listed on the London Stock Exchange, we are diligent in our own internal procedures and reporting to shareholders.

Our ESG considerations are guided by our core responsible investment principles:

- integrate ESG considerations throughout our investment process;
- focus on making responsible, long-term decisions, supported by the expertise of our network, that minimise the risks associated with poor ESG practices; and
- maintain high standards of corporate governance.

RISK MANAGEMENT

Our risk management procedures include carrying out an assessment of the principal risks within our business and considering the likelihood and potential impact of each risk and the effectiveness of the procedures to mitigate each risk (see pages 20 to 21).

We have a broad investment universe in the sectors we focus on, and we aim to increase the potential for long-term success by minimising our exposure to companies which are at risk of disruption, litigation, regulation or loss of business as a result of poor ESG practices. As part of our investment process, we aim to integrate ESG considerations throughout – from the identification of potential investments in our pipeline of opportunities, to time of investment, throughout our ownership and ultimately to exit.

We also target new investments where we have influence over the management team.

New investments are subject to a rigorous multi-stage assessment and approval process by the Investment Committee and Board. Our evaluation of investments includes, but is not limited to, consideration of climate change impacts, the business ethics of an investee company, its human resource practices, health and safety record and, overall, the way it implements, monitors and manages its own ESG policies. The relative significance of individual factors will vary from business to business according to the nature of its operations.

We work closely with the management teams of our investee businesses, with input from our Advisory Groups with specific sector knowledge, to drive responsible, long-term decisions and ensure alignment with our own responsible investment principles.

METRICS

The Company monitors its greenhouse gas ("GHG") emissions annually (see pages 57 to 58) and continues to maintain low GHG emissions levels due to its small size and limited office footprint.

DACIAN PETROLEUM

Dacian is a Romanian oil and natural gas production company with 40 mature fields. The production of natural resources, while essential to our current daily lives, also contributes to some of the environmental issues at the forefront of society today. The Company considered the climate change impact and other ESG factors when making its decision to invest in Dacian. The key factors the Company considered were:

- Dacian has a portfolio of later-life assets where the extension of life of these ageing assets allows for low-carbon footprint per barrel and molecule produced because the existing industrial infrastructure is put to further use;
- the business is primarily focused on a workover programme that extends the life of existing wells as opposed to exploration and drilling activity that has a significantly higher carbon footprint; and
- the natural gas production is primarily utilised in the generation of electricity and displaces coal, which has a much higher carbon footprint, in that mix of natural resources.

On an ongoing basis the following factors are monitored:

- the company continues to retain a local, Romanian workforce and has a minimal number of expatriates; and
- the company's management team puts the health and safety of its employees at the forefront of its business operations.

Company Performance in 2022 and Objectives for 2023

A detailed review of the management of the portfolio is set out on pages 24 to 29 of this Annual Report. The detailed financial results are set out in the accounts on pages 70 to 97.

The Board's overall aim is to create value for the Company's shareholders, through a combination of annual dividends and share price appreciation. To achieve this aim, the Board is focused on delivering its stated target returns, and its success will be measured by the Total Shareholder Return ("TSR") generated by the Company's shares over the longer term. The Board is also aware of the need to expand and diversify the capital base of the Company.

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 2022 and an indication of the priorities and objectives for 2023.

AREA OF ACTIVITY	COMMENTARY ON ACHIEVEMENTS IN 2022 AND OBJECTIVES FOR 2023
Development of new investment opportunities	**ENERGY** Dacian completed in November 2021 and 2022 was its first full year of operation. Objectives for 2022 were to work with the Dacian team to implement its business plan, in particular around the capital and to identify further opportunities to build an energy business focused on mature production assets. The company is well positioned to execute its business plan in 2023. LMS has provided support to the team, in particular around its financial reporting. Our objectives for 2023 are to continue supporting Dacian as it seeks to commence the implementation of its workover program to achieve a 10%-20% step up in production rates during the year. **REAL ESTATE** Objectives for 2022 were to create opportunities with both our development and investment partners. Work has been undertaken on building expertise and identifying potential site acquisitions in the retirement living sector. Good progress has been made from a "standing start" and we expect to be able to deploy capital in 2023. The investment market has seen some uncertainty due to the macro economic environment, particularly in the UK. Together with our partners we are positioning to be able to take advantage of opportunities that may arise. Our objectives for 2023 are to deploy capital in the retirement living sector and in investment opportunities, in conjunction with our operational partners; in both cases introducing capital from our co-investment network alongside our own.

AREA OF ACTIVITY	COMMENTARY ON ACHIEVEMENTS IN 2022 AND OBJECTIVES FOR 2023
Development of new investment opportunities continued	**LATE-STAGE PRIVATE EQUITY** Our focus during 2022 has been on energy and real estate, where we believe we have greatest competitive advantage, and less on late-stage private equity. For 2023, we will continue to consider opportunities, in particular those which have some cross over or connection with the energy or real estate sectors, whilst remaining disciplined in our approach.
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 underlying performance of the mature portfolio during the year showed a net reduction overall of £2.2 million. We are disappointed that this primarily relates to the realisation of the final assets by two funds SFEP and Eden. Additional capital was introduced into Elateral and the business is being supported to achieve a return on the additional investment through sales growth and a successful exit. The objective for 2023 is to continue to manage the portfolio through our relationships with third-party managers and to seek to exert influence where we believe appropriate.
Other	The Company's other objectives for 2022 included continuing to develop its co-investment network and building its public markets profile. We believe these two objectives flow from the development of new investment opportunities and expect to make progress in 2023.

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 3.7% (31 December 2021: plus 4.0%) and its share price total return was minus 16% for the year ended 31 December 2022. These measures compare to the FTSE All Share Index which showed a return of nil% for the year ended 31 December 2022.

Further information on the Company's performance is provided in the Portfolio Management Review on pages 24 to 29.

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

PRINCIPAL RISKS IN EACH CATEGORY

Strategic risk

Risk that the business model does not deliver target long-term returns of 12% to 15% to shareholders or that the Board is unable to implement its strategy or cannot pay its target dividend.

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.

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, including the Company's Environmental, Social and Governance ("ESG") direction.

Financial risk

Risk that the valuation of the investment portfolio is misstated.

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 the risk of heavy reliance on a small core team and the risk that Board makeup may no longer be appropriate.

Legal and Regulatory risk

The risk that the Company does not comply with the legal regulatory framework to which it is subject, including but not limited to the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code and the UK international accounting standards. Risk that changes to the legal or regulatory framework could impact the Company's business.

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 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 the 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 Board also integrates ESG considerations throughout the whole investment process, including consideration of how an investee company monitors and manages its own ESG impact.

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 auditor review.

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 was appointed in November 2019 and regularly reviews its effectiveness through a combination of internal and external reviews.

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 2022 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) and likely future cash generation (amount and timing); and
- the potential impact on the Company's operations, portfolio and liquidity from the macroeconomic environment, geopolitical uncertainties and possible legal and regulatory changes.

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 2022 the Company continues 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 Coronavirus global pandemic, and has satisfied itself that they are being addressed as outlined above.

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 the 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 stakeholders and the wider society.

The Company’s objective is to provide investors with an annual return of 12% to 15% per annum over the longer 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. The below 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.

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 32.

DIVIDENDS

It is the Company’s stated intention that a return should be paid to shareholders by way of an annual dividend of 1.5% of the Net Asset Value. A final dividend payment for the year 2021 of 0.625 pence per share was paid in June 2022 and an interim dividend of 0.3 pence per share for the year to 31 December 2022 was paid in September 2022. A final dividend for the year of 0.625 pence per share will be recommended by the Board to shareholders at the AGM and if approved, will bring the dividend for the year to 1.6%. In paying the interim dividend and recommending a final dividend, the Board will take account of progress towards covering the dividend with income, other circumstances relevant to the Company’s financial condition and market conditions.

For and on behalf of the Board

Robert Rayne
Chairman
17 March 2023

Portfolio Management Review

INTRODUCTION

During 2022, the Company's mature asset portfolio showed a net reduction in value of £2.2 million (9.8%) as a result of underlying foreign exchange gains, offset by reductions in the underlying values of the assets. Dacian, its first new investment, showed an increase in value of £2.2 million (27.8%) as a result of foreign exchange gains and accrued income. Portfolio realisations totalled £0.4 million during 2022, primarily from the redemption of the Medhost preference shares.

Cash in the Group at 31 December 2022 was £17.9 million (31 December 2021: £20.1 million), including £14.5 million held by the Company and £3.4 million held by subsidiaries. Inflows, as noted above, were £0.4 million. Significant outflows have been £0.7 million of dividend payments and £0.4 million invested in Elateral. Other net cash movements amounted to an outflow of £2.3 million, including £1.9 million of running costs and £0.4 million of investment-related costs.

MARKET BACKGROUND

There was optimism as we entered 2022, with the successful rollout of the Covid-19 vaccine programme and the prospect of no further lockdown restrictions. However, Russia's invasion of Ukraine in February 2022 created further uncertainty in the markets and resulted in a refugee and humanitarian crisis in Europe. International food and energy supplies were affected, and global inflation returned. Later in the year, political factors in the UK also created market uncertainty, resulting in sterling falling to a record low against the US dollar.

Domestically, the outlook for 2023 looks uncertain. Interest rates have risen to their highest in 14 years and inflation remains high, due in part to the rapidly increasing energy prices seen throughout 2022.

The consequences of recent developments and the impact of macroeconomic and domestic issues will continue to be monitored closely by the Board.

As reported last year, Elateral one of our direct investments was directly impacted by events in Ukraine, where it had outsourced much of its software development work. The company has successfully managed the consequences of that disruption.

PERFORMANCE REVIEW

The movement in NAV during the year was as follows:

	2022 £'000	2021 £'000
Opening NAV	**49,109**	47,923
(Loss)/profit on investments	**(1,305)**	2,556
Investment interest income	**1,274**	1,241
Advisory fee income	**165**	–
Dividends	**(747)**	(727)
Overheads and other net movements	**(1,955)**	(1,884)
Closing NAV	**46,541**	49,109

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

	Year ended 31 December	
	2022 £'000	2021 £'000
Proceeds from the sale of investments	**2**	–
Proceeds from redemption of convertible debt	**–**	750
Proceeds from redemption of preference shares	**336**	–
Distributions from funds and loan repayments	**97**	1,916
Total – gross cash realisations	**435**	2,666
New and follow-on investments	**(428)**	(7,153)
Fund calls	**(41)**	(43)
Total – net	**(34)**	(4,530)

Realisations of £0.4 million in 2022 include:

- £0.1 million distribution from Brockton; and
- proceeds of £0.3 million from Medhost for the redemption of the preferred shares and accrued interest.

The new and follow-on investments relate to £0.4 million of additional equity and working capital funding for Elateral, a UK direct investment.

The fund calls are primarily for SFEP management fees.

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					
	2022			2021		
Mature investment portfolio	**UK £'000**	**US £'000**	**Total £'000**	UK £'000	US £'000	Total £'000
Quoted	**121**	**39**	**160**	218	165	383
Unquoted	**681**	**5,945**	**6,626**	924	7,744	8,668
Funds	**6,676**	**7,357**	**14,033**	7,242	6,687	13,929
	7,478	**13,341**	**20,819**	8,384	14,596	22,980
New investment portfolio	**UK £'000**	**US £'000**	**Total £'000**	UK £'000	US £'000	Total £'000
Quoted	**–**	**–**	**–**	–	–	–
Unquoted	**–**	**10,145**	**10,145**	–	7,958	7,958
Funds	**–**	**–**	**–**	–	–	–
	–	**10,145**	**10,145**		7,958	7,958
Total investments	**7,478**	**23,486**	**30,964**	8,384	22,554	30,938

BASIS OF VALUATION:

QUOTED INVESTMENTS

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

UNQUOTED DIRECT INVESTMENT

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 cash flows;
- 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 there is evidence available for an alternative valuation.

Portfolio Management Review continued

PERFORMANCE OF THE INVESTMENT PORTFOLIO

The return on investments for the year ended 31 December 2022 was as follows:

	Year ended 31 December					
	2022			2021		
Asset type	**Realised gains/ (losses) £'000**	**Unrealised gains/ (losses) £'000**	**Total £'000**	Realised gains/ (losses) £'000	Unrealised gains/ (losses) £'000	Total £'000
Quoted	**(1)**	**(220)**	**(221)**	–	186	186
Unquoted	**24**	**(1,285)**	**(1,261)**	(5)	(90)	(95)
Funds	**–**	**108**	**108**	–	2,473	2,473
	23	**(1,397)**	**(1,374)**	(5)	2,569	2,564
Credit/(charge) for incentive plans			**69**			(9)
			(1,305)			2,555
Operating and similar income of subsidiaries	**–**	**–**	**1,081**	–	–	1,282
			(224)			3,837

The Company operates carried interest arrangements in line with normal practice in the private equity industry. The credit for incentive plans for the Company is £30,000 and for subsidiaries a credit of £39,000 for carried interest and other incentives relating to historic arrangements. The charge for carried interest incentive plan is included in the net losses on investments in the Income Statement.

Approximately 76% of the portfolio at 31 December 2022 is denominated in US dollars (31 December 2021: 73%) and the above table includes the impact of currency movements. In the year ended 31 December 2022, the weakening of sterling against the US dollar over the year as a whole resulted in an unrealised foreign currency gain of £2.74 million (31 December 2021: unrealised gain of £0.02 million). As a 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

		31 December	
Company	**Sector**	**2022 £'000**	2021 £'000
Tialis Essential IT plc (formally IDE Group Holdings)	UK technology	**121**	218
Arsenal Digital Holdings Inc (formally Global Green Solutions)	US energy	**13**	139
Others	**–**	**26**	26
		160	383

The net gains and losses on the quoted portfolio arose as follows:

	Year ended 31 December	
Gains/(losses), net	**2022 £'000**	2021 £'000
Realised		
Tialis Essential IT plc	**(1)**	–
	(1)	–
Unrealised		
Tialis Essential IT plc	**(94)**	100
Arsenal Digital Holdings Inc	**(135)**	78
Other quoted holdings	**(2)**	9
Unrealised foreign currency gains/ (losses)	**11**	(1)
	(220)	186
Total net gains/(losses)	**(221)**	186

TIALIS ESSENTIAL IT PLC (FORMALLY IDE GROUP HOLDINGS)

Having shown signs of recovery in 2021 following the Coronavirus pandemic, the performance of Tialis Essential IT declined further during 2022, resulting in a £0.1 million unrealised loss. In February 2023, the company announced that it had completed the acquisition of three profitable partner contracts which are expected to add around 50% to the revenues in 2023.

UNQUOTED INVESTMENTS

		Year ended 31 December	
Company	**Sector**	**2022 £'000**	2021 £'000
Dacian	US energy	**10,145**	7,959
Medhost Inc	US technology	**5,673**	5,997
Elateral	UK technology	**599**	817
ICU Eyeware*	US consumer	**232**	1,746
Tialis loan notes	UK technology	**82**	107
Cresco	US consumer	**40**	–
		16,771	16,626

* Co-investment managed by SFEP.

The net gains and losses on the unquoted portfolio arose as follows:

	Year ended 31 December	
Gains/(losses), net	**2022 £'000**	2021 £'000
Realised		
Medhost	**24**	–
Northbridge	**–**	(5)
	24	(5)
Unrealised		
Tialis loan notes	**(25)**	35
Elateral	**(645)**	21
Medhost	**(691)**	235
YesTo	**–**	(74)
ICU Eyewear	**(1,778)**	(313)
Unrealised foreign currency gains	**1,854**	6
	(1,285)	(90)
Total net losses	**(1,261)**	(95)

Valuations are sensitive to changes in the following two inputs:

- the operating performance of the individual businesses within the portfolio; and
- changes in the revenue and profitability multiples and transaction prices of comparable businesses, which are used in the underlying calculations.

Comments on individual companies are set out below:

MEDHOST

Medhost is a co-investment with funds of Primus Capital. The company operates in a mature market and continues to be profitable and cash generative and is performing in line with budgets. The Company relies on valuations provided by Primus Capital which resulted in an unrealised loss of £0.7 million for 2022, primarily as a result of changes in the public market comparators. In June 2022, the Medhost's preference shares were redeemed resulting in gross proceeds of $460,000.

ELATERAL

Elateral was, as noted above, impacted by events in Ukraine and required additional investment for working capital and to invest in a revenue growth strategy. In the last quarter of the year, the company has won new revenue and is now trading at or around breakeven. Whilst it is believed that there is scope to grow the company and create value, until a longer period of sustained growth can be demonstrated, a cautious view is taken on valuation.

ICU EYEWEAR

This business, managed by San Francisco Equity Partners Fund 3, was in an exit process at year end and the valuation reflects the indicated outcome of that process at 31 December. The exit was concluded during February 2023. LMS expects to receive its share of the proceeds by way of a distribution from the fund in due course. The proceeds are likely to be slightly, but not materially ahead of the valuation. This is a disappointing result. In 2020 the business produced a windfall profit from the sale of PPE equipment during the Covid pandemic, from which LMS received £1.6 million. However, in its core business it has not been able successfully to diversify its customer base – it is heavily dependent on one customer with whom it has no long-term contract – and this poor quality revenue stream, coupled with low profitability is reflected in the poor outcome on exit.

Portfolio Management Review continued

FUND INTERESTS

General partner	Sector	31 December 2022 £'000	2021 £'000
Brockton Capital Fund I	UK real estate	**6,036**	5,635
Opus Capital Venture Partners	US venture capital	**5,275**	3,948
Weber Capital Partners	US micro-cap quoted stocks	**2,046**	2,644
EMAC ILF	UK	**341**	733
Simmons	UK	**262**	381
Eden Ventures	UK venture capital	**37**	494
San Francisco Equity Partners	US consumer & technology	**–**	55
Other interests	–	**36**	39
		14,033	13,929

The net gains on the Company's fund portfolio for the year ended 31 December 2022 were as follows:

Gains/(losses), net	Year ended 31 December 2022 £'000	2021 £'000
Realised		
Other funds	**–**	–
	–	–
Unrealised		
Opus Capital Venture Partners	**755**	398
Brockton Capital Fund I	**458**	1,528
Primus Capital Fund V	**(7)**	5
San Francisco Equity Partners ("SFEP")	**(103)**	(389)
Simmons Parallel Energy	**(144)**	53
EMAC Illyrian Land Fund II	**(419)**	(56)
Eden Ventures	**(457)**	118
Weber Capital Partners Fund 1	**(855)**	801
Unrealised foreign currency gains	**880**	15
	108	2,473
Total net gains	**108**	2,473

SAN FRANCISCO EQUITY PARTNERS

SFEP Fund 1 no longer has significant assets and holds a small interest in ICU, which has been sold, as explained above. The general partner is in the process of winding the fund up.

OTHER FUND INTERESTS

- Brockton Capital Fund I – the Company's investment represents its share (via the Brockton Fund) of preferred debt investments in a Super Prime central London residential development. The investment showed an increase in the valuation of £0.5 million for 2022 due to unrealised gains from the unwinding of the discount rate as the investment is valued on a discounted cash flow basis;
- Weber Capital – holds U.S. publicly traded micro-cap securities and showed an unrealised loss of £0.9 million reflecting a decrease in the underlying equity prices, partially offset by £0.3 million in foreign exchange gains;
- Opus Capital – a U.S. venture fund, showed an unrealised gain of £0.8 million from valuation gains in its two main assets along with unrealised foreign exchange gains of £0.6 million; and
- Eden Ventures – Eden has now sold all of its assets and is in the process of being wound up. The unrealised loss of £0.5 million reflects primarily the decrease in value on sale of the last asset.

COSTS

Running costs for the year were £1.7 million (31 December 2021: £1.8 million) and investment related costs, being support costs for real estate and co-investment activities, were £0.4 million (31 December 2021: £0.3 million).

TAXATION

The Group tax provision for the year, all of which arose in the subsidiaries, is £0.4 million (31 December 2021: £0.1 million). This includes £0.2 million of withholding tax on our foreign sourced income.

FINANCIAL RESOURCES AND COMMITMENTS

At 31 December 2022 cash holdings, including cash in subsidiaries, were £17.9 million (31 December 2021: £20.1 million) and neither the Company nor any of its subsidiaries had any external debt in either 2022 or 2021.

At 31 December 2022, subsidiary companies had commitments of £2.7 million (31 December 2021: £2.7 million) to meet outstanding capital calls from fund interests.

LMS Capital plc
17 March 2023

Board of Directors

ROBERT RAYNE
NON-EXECUTIVE CHAIRMAN

NICHOLAS FRIEDLOS
MANAGING DIRECTOR

"Our Board operates through both formal and informal interactions and is closely involved with the direction of the business."

ROBERT RAYNE
Chairman

NICHOLAS FRIEDLOS
Managing Director

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

DATE APPOINTED TO THE BOARD:
6 April 2006

DATE APPOINTED AS CHAIRMAN:
28 November 2019

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

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.

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 going forward, working with and supporting the activities of the investment teams as well as overseeing the administrative and regulatory matters.

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

PETER HARVEY
NON-EXECUTIVE DIRECTOR

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

DATE APPOINTED TO THE BOARD:
28 November 2019

DATE APPOINTED AS CHAIRMAN OF AUDIT COMMITTEE:
28 November 2019

Directorships: Peter has a number of other roles with not-for-profit organisations 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
NON-EXECUTIVE DIRECTOR

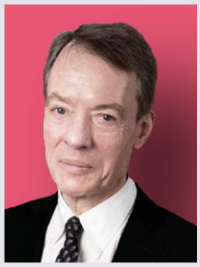
COMMITTEE MEMBERSHIPS:
Chairman of the Remuneration Committee, member of the Audit Committee, Nomination Committee and Investment Committee

DATE APPOINTED TO THE BOARD:
28 November 2019

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

Directorships: 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.



JAMES WILSON
SENIOR NON-EXECUTIVE DIRECTOR

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

DATE APPOINTED TO THE BOARD:
28 November 2019

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.

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

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 five formal meetings and regular informal engagement with executive management.

Key areas of focus this year have been executing our strategy, articulating our purpose and values, reviewing and managing our portfolio and maintaining close dialogue with our shareholders, through both formal and informal interactions.

UK CORPORATE GOVERNANCE CODE AND S172 REPORTING

During 2022, we continued to abide by the overriding principles of the 2018 Code which are designed to:

- promote long-term sustainable success of the Company, business effectiveness, efficiency, responsibility and accountability in accordance with section 172 of the Companies Act 2006 ("S172") 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, including stakeholder factors, set out in section 172(1)(a) to (f) of the Companies Act 2006;
- provide suitable opportunity for employee engagement in the business;
- assist the effective review and monitoring of the Company's activities;
- help identify and mitigate significant risks to the Company, as set out in our Risk Report on pages 20 to 21; and
- provide the necessary disclosures to 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**.

The Board has adopted the voluntary AIC Code of Corporate Governance issued in February 2019 ("the AIC Code"). Copies of the AIC Code are available from the AIC's website at **https://www.theaic.co.uk**.

This report sets out how the Company has applied the principles in the Code, the AIC 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 made good progress in the full implementation of the Code and shall continue 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 and to ensure that in 2023 any changes will be monitored to guarantee adherence to the Code is applied.

GOVERNANCE KEY EVENTS

- Over the course of 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. A policy relating to co-investment by Directors, employees or consultants was added in 2022 and is described on page 35. The Company shall continue to formally review its policies on an annual basis.
- The Company's AGM is an opportunity to engage directly with shareholders. In 2022, in addition to being invited to attend in person, shareholders were provided with the opportunity to listen to the AGM's presentation remotely, and shareholders were encouraged to submit proxy votes and to submit questions before and after the meeting. It is intended that the 2023 AGM will be held as per the normal process, but the Company shall continue to provide the opportunity to join the proceedings remotely and also monitor any relevant advice from the UK Government and Public Health England. Further details will be set out in the Notice of AGM that will be circulated ahead of the meeting.
- A continuing review of the Code, with steps taken towards full compliance.

UK CORPORATE GOVERNANCE CODE – EXPLICIT EXPLANATORY STATEMENTS

Provision 6 of the Code requires the Board to ensure that there is a means in which the workforce may raise concerns in confidence, and if they wish anonymously. During 2020, the Company updated its whistleblowing policy and provided training to its staff, that has remained in force since.

Provision 9 of the Code requires that the Chair of the Company should be independent on appointment when assessed against the circumstances set out in Provision 10. Robert Rayne is not considered to be independent, as defined by the Code, as he previously served as an Executive Director and is a major shareholder in LMS Capital plc. While not independent, the Board considers that Robert Rayne remains to be the most appropriate person to chair the Company to ensure the adherence to good governance. The Board recognises that Robert Rayne continues to offer substantive and intellectual challenge to other Board members and strong leadership. The Board are satisfied that Robert Rayne's role as Chair is clearly separated from that of the Managing Director, and he therefore continues to be appointed accordingly.

Provision 13 of the Code requires the Chair to hold meetings with the Non-Executive Directors without the Executive Director being present. In January 2022 and again in February 2023 the Board reviewed the performance of the Executive Director for the preceding year and agreed performance objectives, and such meetings were held without the Executive Director present. The Board consider these reviews sufficient.

Provision 19 of the Code requires that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board. Robert Rayne has been on the Board for over nine years and therefore the Company is not in compliance with Provision 19. Robert Rayne continues to be considered the most appropriate person to chair the Board following the management changes and he remains appointed accordingly.

Provision 20 of the Code requires that an open advertising and/or an external search consultancy should generally be used for the appointment of the Chair and Non-Executive Directors. Given the circumstance around the management changes in November 2019 and detail in the EGM documents, this Provision was not adhered to.

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 Chair and individual Directors. A Board effectiveness review, facilitated by an external consultant, was undertaken in respect of 2020. In respect of 2021, the Board conducted an internal review of its effectiveness in January 2022 and plans to have a further internal review in March 2023.

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 still retains a participation 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.

Corporate Governance Report continued

ENGAGEMENT WITH STAKEHOLDERS

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

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

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

All Directors will be available at our AGM in 2023 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. The Committee Chairmen are available to answer questions from shareholders.

SHAREHOLDER COMMUNICATIONS

The Board has stayed in regular contact with its major institutional shareholders and ensures that all its members have an understanding of the views and concerns of investors about the Company. This is achieved by the Directors maintaining contact from time to time with representatives of institutional shareholders to discuss matters of mutual interest relating to the Company and reporting back to the Board.

The interim and annual results of the Company, along with all other press releases, are posted 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 on the Company's investments, strategy and share price.

REMUNERATION

The Remuneration Policy was approved at the AGM held in 2020. In 2021 and 2022 it was the subject of an advisory vote at the AGMs.

At the 2023 AGM, this being the third anniversary of the previous approval vote, the remuneration policy will be put to shareholders again for approval. The proposed policy is set out in the Remuneration Report on pages 42 to 56.

In accordance with the Code, the Remuneration Committee determines the Executive Director remuneration policy and practices and addresses the following factors: clarity, simplicity, risk, predictability, proportionality and alignment to culture.

When determining remuneration schemes and the remuneration policy, the Committee considers the use of discretion by the Committee to override formulaic outcomes.

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.

The Committee is further entitled to invoke agreed safeguards, for example, clawback or withholding the payment of any sum or share award in certain circumstances.

Detailed information on the remuneration arrangements for the Directors can be found in the Remuneration Report on page 44.

ACCOUNTABILITY AND RISK

The Board formally reviews the Company's risk profile each year and periodically discusses principal and emerging risks facing the Company and appropriate controls. Risk identification and mitigation regularly form part of the Board's deliberations on strategic decisions. Monitoring the Company's risk and assurance systems is key to the business and forms part of Board meeting discussions.

Detailed information on how the Company manages risk can be found in the Strategic Report on pages 12 to 23 and the Audit Committee Report on pages 39 to 41.

DIVERSITY AND SUCCESSION PLANNING

The Board 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 Nomination Committee recognises the need to keep this under review and is cognisant in respect of the diversity of the Board.

CO-INVESTMENT POLICY

An important part of the Company's strategy is developing a co-investment network, and this can include one or more of the Company's Directors, employees or consultants ("the LMS Team"). 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 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 advisor.

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 emphasis on strategy, monitoring the performance of the portfolio, risk and control issues. The Board ensures that the right people and leadership are employed and utilised to achieve the strategy and plans of the Company.

BOARD EVALUATION

The Board considers the guidance on Board Effectiveness issued by the FRC in July 2018.

The Board aims to review its own performance annually. The assessment covers the effectiveness and performance of the Board as a whole, the Board Committees and an evaluation of each Director. It is led by the Chairman, and includes an independent evaluation of the Chairman by the Senior Independent Non-Executive Director.

In respect of 2021, the Board conducted an internal review of its effectiveness in January 2022, that was led by the Chairman. The assessment concluded that the Board and each Committee continue to operate effectively and that all Board members (including the Chairman) continue to operate effectively and are committed to providing support, advice and challenge to the Chairman and Managing Director. It also concluded that the Board had been able to act effectively and responsively during the Covid-19 pandemic despite all the challenges.

The overall conclusion was that the Board was operating effectively with no significant areas requiring to be addressed.

A further internal review of the Company's strategy, including the effectiveness of its Board and each Committee as well as revision of performance of the Chairman will be carried out in March 2023.

BOARD OF DIRECTORS

The Board is responsible to the Company's shareholders for the performance of the Company and for its overall strategic direction, its values and its 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 30 to 31. The Board considers that it has an appropriate balance of skills, knowledge and experience available to it.

Robert Rayne is the Chairman, and he is responsible for the effective running of the Board, including setting the Board's 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. The role description of the Chairman was reviewed, documented and approved by the Board in November 2020, and was reviewed again in January 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 were renewed for further terms of three years. The appointments expired in November 2022 and have been extended for a further three years, subject to each Director offering themselves for re-election annually at the AGM.

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.

Corporate Governance Report continued

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 2022. 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 2022 committed sufficient time to fulfilling their duties as members of the Board.

INDEPENDENT SENIOR NON-EXECUTIVE DIRECTOR

The Senior Non-Executive Director, James Wilson, acts as a sounding board for the Chairman and acts as an intermediary for other Directors. The Directors consider that the Senior Non-Executive Director is able to ensure significant 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 are agreed procedures for the Directors to take independent professional advice, if necessary, at the Company's expense. This was not used during the year, however all Directors have access to the advice and services of the Company Secretary. In addition, newly appointed Directors would be 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 compliance. 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

Five scheduled Board meetings were held in 2022. At each scheduled meeting, the Board considered a report on current operations and significant business issues, such as major investment or divestment proposals and strategy, as well as a financial report. Papers for each scheduled Board meeting are usually provided during the week before the meeting.

ATTENDANCE AT BOARD MEETINGS

The following were Directors of the Company during 2022. They attended the following number of scheduled meetings of the Board and (where they were members) its Committees during the year:

	Board	Audit	Nomination	Remuneration	Investment
Meetings held	**5**	**3**	**1**	**3**	**4**
Robert Rayne	5	–	1	–	4
Nicholas Friedlos	5	–	1	–	4
Peter Harvey	5	3	1	3	4
Graham Stedman	5	3	1	3	4
James Wilson	5	3	1	3	4

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 established terms of reference detailing its responsibilities and authority. These are available in the Investor Relations section of the Company's website at www.lmscapital.com.

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 39 to 41.

The terms of reference for the Committee, which are reviewed on an annual basis, take into account the requirements of the Code and the AIC 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 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 then reports to the Board any matters which it considers the Board should take into account in ensuring that 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 reappointment 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.

During the year, the Committee monitors the external audit as it proceeds. The Committee reviews, discusses and approves the external audit plan for the current financial year; the Committee 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.

INTERNAL CONTROL AND RISK MANAGEMENT

IQ-EQ Administration Services (UK) Limited, appointed in 2017, continue to manage the Company's day-to-day financial and administrative functions, acting within delegated authority limits and in accordance with clearly defined systems of control. IQ-EQ Corporate Services (UK) Limited appointed in 2017 also continue as Company Secretary and support the Board in the delivery of governance procedures, in particular the planning of agendas for the annual cycle of Board and Committee meetings.

Corporate Governance Report continued

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 the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014 and are comfortable that these are adhered to. More information on the results of these reviews during 2022 are set out in the Audit Committee Report on pages 39 to 41. Details of the principal risks and uncertainties potentially facing the Company can be found in the Strategic Report on pages 12 to 23.

Following the appointment of IQ-EQ Administration Services (UK) Limited to manage the Company's day-to-day financial and administrative functions, the Board continues to be reliant on third-party reports to gain comfort on internal controls operated by IQ-EQ.

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

The Board considers that every member of the Board plays an important role in the decision-making process and hence all Directors are members of the Nomination Committee, which is chaired by Robert Rayne. The Committee is responsible for assisting the Board in determining the composition, gender equality and make-up of the Board. 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 gender and ethnic 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 takes into account 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 responsibility of setting the remuneration of the Directors. 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 42 to 56.

FINANCIAL REPORTING

The Directors have acknowledged, in the Statement of Directors' Responsibilities set out on page 60, 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 62 to 69, 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.

Robert Rayne
Chairman
17 March 2023

Audit Committee Report

INTRODUCTION FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

I am pleased to present the report of the Audit Committee for 2022 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 undertaken by a third-party service provider, IQ-EQ Administration Services (UK) Limited.

Throughout 2022, 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 2022 as well as the more significant issues addressed is set out in the report.

CORPORATE REPORTING

The Committee had three scheduled meetings during 2022 and also met on 7 March 2023; each meeting was attended by the external auditor.

Since the publication of the 2021 Annual Report the Committee has reviewed the following:

- the report from BDO LLP ("BDO") on the results of their review of the half-year report for 2022;
- the 2022 half-year results and announcement;
- reports from BDO on the planning of their audit for the year ended 31 December 2022;
- the report from BDO on their audit of the results for the year ended 31 December 2022;
- the preliminary announcement of 2022 results; and
- the 2022 Annual Report.

ANNUAL REPORT 2022

The Committee advises the Board on whether it believes that the 2022 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 was presented to the Board at a meeting where it considered the full-year results and Annual Report.

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

- the roles of IQ-EQ in the reporting process;
- 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 is consistent with that reported to the Board throughout the year;
- ensuring that positive and negative factors affecting the Company's performance are given equal prominence; and
- the appropriateness of the key performance indicators and comments on them.

Audit Committee Report continued

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 2022 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.

As part of its review of each valuation report the Committee receives comments on the valuations from the external auditor – based on their review of the 30 June (half-year) valuation and audit of the 31 December (full-year) valuation.

The following areas were of particular focus for the Committee in its consideration of the approach to investment valuation in 2022:

- 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;
- ensuring that metrics from comparable quoted companies were appropriate and up to date; and
- for co-investments, comparing the Company's carrying value with (where available) the valuation used by the lead investor and ensuring that there were proper explanations for any differences.

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 and 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 2022, 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 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 taken into account by the Board that 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. Since its appointment, the Committee has 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 were operating satisfactorily during 2022 and up to the date of this report; and
- mitigation of the risks identified is satisfactory and appropriate to the Company's circumstances.

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 the EU audit reform as now implemented in the UK.

Reports presented to the Committee by BDO during 2022 and to the date of this report covered:

- the results of their audit of the 2021 Financial Statements and Annual Report;
- the results of their review of the 2022 half-year report;
- their plans and proposed audit scope for 2022; and
- the results of their audit of the 2022 Financial Statements and Annual Report.

In addition, BDO 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 have been auditors for the Company for seven years. A new audit partner Orla Reilly was rotated onto the engagement in July 2021 in advance of the half-year review and was the Responsible Individual ("RI") for both the 2021 and 2022 year end audits.

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 was £18,250 (31 December 2021: £23,250). These permissible non-audit related services were in respect of the interim review for the six months to 30 June in both 2022 and 2021 and the client money and custody assets limited assurance report for a subsidiary in 2021 and 2022.

AUDIT COMMITTEE EFFECTIVENESS

The Board evaluation arrangements described on page 35 include each year the work of the Committee and have concluded that it was working satisfactorily.

Peter Harvey
Chairman, Audit Committee
17 March 2023

Remuneration Report

INTRODUCTION FROM THE CHAIRMAN

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

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)
G Stedman (Chair)	28 November 2019	3 (3)
J Wilson	28 November 2019	3 (3)
P Harvey	28 November 2019	3 (3)

It is the intention of the Committee to meet whenever important matters of remuneration arise and for the number of meetings to be not fewer than two per year.

REMUNERATION POLICY

The current remuneration policy was approved by shareholders at the 2020 AGM held on 24 June 2020 for the three years commencing 1 January 2020 as follows: votes in favour were 99.83%, against 0.17%; 11,676 votes were withheld.

At the 2020 AGM, the shareholders also approved the long-term incentive arrangements, structured as a Value Creation Plan ("VCP") linked to Total Shareholder Return ("TSR") , for Executive Directors and senior management: votes in favour were 96.22%, 3.78% against and 349,288 votes were withheld.

At the 2023 AGM, being the third anniversary of the shareholder approval, the remuneration policy is, in accordance with the provisions of the Code, required to be laid before shareholders for approval for a further three years.

In proposing the policy for the 2023 AGM, the Committee has conducted a full review of the effectiveness of the policy and is proposing certain changes to the long-term incentive arrangements because:

- the domestic and economic backdrop has changed significantly since the VCP was adopted in 2020 – a longer deeper Covid impact, war in Ukraine, inflation and potential recession;
- the VCP as approved in 2020 was devised during Covid with the emphasis on avoiding any artificial enhancement from a Covid recovery; and
- the VCP will lapse in July 2025. The first three years of the current plan have not resulted in any payment to participants and, as currently calibrated, the VCP is unlikely to deliver any significant value to participants, regardless of performance in the next few years. On its own, therefore, the Committee believes that the VCP is unlikely to help the Company attract, retain and motivate key executives in a competitive employment market.

The proposed new arrangements are set out in detail on pages 46 to 52. In summary these arrangements propose:

- retaining the VCP, linked to TSR, but with a reduced number of units with a further five-years performance measurement period; and
- introducing, alongside the VCP, a share option scheme under which annual awards may be made with time-based vesting criteria (specifically to encourage retention) and performance-based vesting criteria linked to Company performance measured over a three-year period and continued employment.

The Committee believes the proposed revised arrangements provide the Company with a relevant long-term incentive plan in a competitive employment market and, through the introduction of the share option scheme, allow greater flexibility in its approach to incentivisation and retention. The Committee considers that the retention of an element of VCP is appropriate to the circumstances of the Company because this structure resembles a carried interest plan which is the standard type of long-term incentive plan in the private equity industry.

In carrying out its review the Committee has taken specialist external advice from MM&K Limited ("MM&K"), acting solely as remuneration consultants and who have no other relationship with the Company. MM&K helped the Company to apply the principles set in Provision 40 of the Code and in so doing helped to ensure that the terms of our Remuneration Policy are transparent, simple and predictable. At the same time, we also consulted with some of our principal shareholders.

2022 PERFORMANCE AND INCENTIVE OUTCOMES

The Company continued to make progress towards its goals and strategies in 2022.

The performance criteria for the Managing Director's bonus for 2022 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 supporting the Dacian team during its first year of operation. Criteria also included the management of the existing assets. The Committee has reviewed the performance of the Managing Director in 2022 against these criteria, in conjunction with the Chairman, and has approved a bonus for the year equal to 54.5% of his base salary. Further information on the 2022 performance review and 2023 objectives is set out on pages 18 to 19.

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

Remuneration Report continued

PART 1 – ANNUAL REPORT ON REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2022 (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 2022 and 31 December 2021:

	Fixed Remuneration			**Variable Remuneration**		
2022	**Salary/ fees £'000**	**Taxable benefits £'000**	**Pension £'000**	**LTIP £'000**	**Bonus £'000**	**Total £'000**
R Rayne	**75.0**	**17.5**[1]	**–**	**–**	**–**	**92.5**
N Friedlos	**220.0**	**7.9**	**19.4**[2]	**–**[3]	**120.0**	**367.3**
P Harvey	**50.0**	**–**	**–**	**–**	**–**	**50.0**
G Stedman	**50.0**	**–**	**–**	**–**	**–**	**50.0**
J Wilson	**50.0**	**–**	**–**	**–**	**–**	**50.0**
	445.0	**25.4**	**19.4**	**–**	**120.0**	**609.8**

	Fixed Remuneration			Fixed Remuneration		
2021	**Salary/fees £'000**	**Taxable benefits £'000**	**Pension £'000**	**LTIP £'000**	**Bonus £'000**	**Total £'000**
R Rayne	75.0	18.2[1]	–	–	–	93.2
N Friedlos	220.0	4.1	19.4[2]	–[3]	105.6	349.1
P Harvey	50.0	–	–	–	–	50.0
G Stedman	50.0	–	–	–	–	50.0
J Wilson	50.0	–	–	–	–	50.0
	445.0	22.3	19.4	–	105.6	592.3

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 500 VCP units to the Managing Director in July 2020. Subject to any changes to the Remuneration Policy approved by shareholders at the 2023 AGM, these units will vest in accordance with the rules of the VCP in July 2025. For IFRS 2 purposes these units are estimated to have a fair value of £418.44 per unit, which will be recognised in the accounts evenly over the five-year vesting period. The charge for the year ended 31 December 2022 in relation to Mr. Friedlos was £42,000 (31 December 2021: £42,000).

CARRIED INTEREST

Robert Rayne, by virtue of his past executive roles with the business, participated 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.

No amounts of carried interest became payable to Mr. Rayne in 2022 or in 2021. There is only one remaining investment in respect of which carry could become payable to Mr. Rayne. If this investment was realised at its valuation at 31 December 2022, Mr. Rayne would be entitled to further carried interest payments of £249,000.

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 were no new employees added in the Group during 2022.

The table below shows the spend on staff costs in 2022 and 2021, compared to the (loss)/profit before tax and dividends:

	2022 £'000	2021 £'000
Staff costs	**£1,188**	£1,025
Average number of staff	**9**	10
(Loss)/profit before tax	**(£1,874)**	£1,872
Annual Dividends (excluding Special Dividends)	**£747**	£727

PAYMENTS TO PAST DIRECTORS IN 2022 (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 ten-year period ended 31 December 2022 compared with that of the FTSE All-Share Index.

DIRECTORS' INTERESTS IN SHARES (AUDITED)

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

	31 December	
	2022	2021
R Rayne	**2,670,124**	2,670,124
N Friedlos	**161,410**	161,410
P Harvey	**20,000**	20,000
G Stedman	**20,000**	20,000
J Wilson	**–**	–

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 2022 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 were vested in the year and no new awards were granted. In July 2020, the Company issued 500 VCP units to the Managing Director at a share price of 33.816p. For accounting purposes, these units have a fair value of £418.44 per unit.

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE

The remuneration policy in place at 31 December 2022, which was developed with advice from independent external advisers MM&K, was approved by shareholders at the Company's AGM on 24 June 2020.

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 will be 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 proposed policy ("the 2023 Proposals") is unchanged except in relation to the long-term incentive arrangements referred to on pages 48 to 52 and set out in more detail below.

The table below sets out the Company's policy for each component of Directors' remuneration. Changes to the policy which was in place for the whole of 2022 are highlighted in the table.

SALARY (FIXED PAY)	(NO PROPOSED CHANGE TO THE POLICY IN 2023 PROPOSALS)
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 take into account other factors such as external market positioning, change 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)	(NO PROPOSED CHANGE TO THE POLICY IN 2023 PROPOSALS)
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)	(NO PROPOSED CHANGE TO THE POLICY IN 2023 PROPOSALS)
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.

SHORT-TERM INCENTIVE (VARIABLE PAY)	(NO PROPOSED CHANGE TO THE POLICY IN 2023 PROPOSALS)
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 his or her 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 who 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.

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE CONTINUED

SHORT-TERM INCENTIVE (VARIABLE PAY)	(NO PROPOSED CHANGE TO THE POLICY IN 2023 PROPOSALS)
Performance metrics	The Company's long-term objectives are creating total shareholder return. 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)	(PROPOSED CHANGES AS PART OF THE 2023 PROPOSALS ARE HIGHLIGHTED BELOW)
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.
Rationale for the proposed new policy and for changes to the current policy	The Committee is proposing a change to the current LTIP arrangements which are based entirely on participation in the VCP approved by shareholders at the AGM in May 2020. In summary the Committee's revised proposals are: • to retain the existing VCP but cancel the existing units, which have a vesting period which expires in June 2025, and issue a reduced number of new units which will vest, subject to TSR performance measures, in five years from date of issue; and • to supplement the amended VCP with a new employee share incentive plan ("Share Plan") under which it is proposed that 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 2023 Proposals provide the Company with a relevant long-term incentive plan that is fit-for-purpose in a competitive employment market: • through the revised VCP, albeit on a reduced basis, the 2023 Proposals retain a significant direct link to TSR. The Committee has resolved to retain a VCP structure because it 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 • through the proposed Share Plan, the 2023 Proposals provide the flexibility to supplement the TSR-based VCP, with a share-based incentive linked to corporate performance measures, which in the opinion of the Committee underlie and contribute to the overall TSR goal.

LONG-TERM INCENTIVE (VARIABLE PAY)	(PROPOSED CHANGES AS PART OF THE 2023 PROPOSALS ARE HIGHLIGHTED BELOW)
	In recommending the new proposals the Committee has noted that: • the existing LTIP arrangements have not had any adverse effects, either in terms of impact on NAV, cash cost to the Company or dilution; and • the 2023 proposals will not provide any element of reward for the past three years. Existing VCP awards will be cancelled and the potential value of any new VCP award or award under the Share Plan will be measured only by reference to future performance and/or retention criteria from the date of issue. In addition, in rare circumstances, the Committee may determine that an executive should participate in an incentive pool linked directly to the investment returns in one of the underlying investments ("a Direct Award"). The Committee is proposing that the Remuneration Policy be amended to provide the flexibility to make a Direct Award in limited circumstances, as explained in more detail below.
Operation of the VCP	The VCP is governed by a set of rules approved by shareholders at the AGM on 24 June 2020. The cancellation of the existing VCP units awarded and proposed issue of new VCP units following the AGM in 2023, can be implemented within the current VCP rules so will not require any change to the existing framework. 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. 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 Plan for a subsequent award, following a capital raise, will be set at that time by the Committee.
VCP Opportunity and recovery or withholding provisions for current awards; and Proposed changes for approval at 2023 AGM	625 VCP units were awarded 2020, of which 500 units were awarded to the Managing Director and 125 units to other employees, who are not Directors. It is proposed that those awards will be cancelled to be replaced by new awards. 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 the greater of the average closing share price of an ordinary share over the previous six months and 30p (resulting in a starting price of 33.816p per share). It is proposed that the average of the closing share price of an ordinary share over the previous six months will be the starting share price for any new VCP units awarded following approval of the 2023 Proposals. For all current awards under the Plan, there is a qualifying performance metric, such that if the TSR achieved does not equal or exceed 8% on an annualised basis on the eventual vesting date, then no VCP units can vest and they will all then lapse on the vesting date. In addition, in respect of any awards made under the Plan, no awards will vest unless the closing share price on the vesting date, when added to the aggregated value of all dividends that are declared on that share over the performance period, equals or exceeds 52.8p.

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE CONTINUED

LONG-TERM INCENTIVE (VARIABLE PAY)	(PROPOSED CHANGES AS PART OF THE 2023 PROPOSALS ARE HIGHLIGHTED BELOW)
VCP Opportunity and recovery or withholding provisions for current awards continued; and Proposed changed for approval at 2023 AGM continued	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. In respect of awards made following the 2023 AGM, if all available units are awarded, the share of TSR measured after five years from the award date which will be attributable to participants is as follows: • 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 Remuneration 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 proposed 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 Remuneration Committee who 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 units 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	In making the initial awards in 2020, the Committee was aware that, due to the Coronavirus crisis, the Plan was being implemented at a time of considerable market uncertainty. The design of the Plan therefore sought to avoid participants benefitting from a temporary decline in share price during 2020 which corrected within a reasonable period of time. The Committee reviewed the share price at which VCP units were issued during 2020 and concluded that no upward adjustment to the price was appropriate. 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. It is proposed that the Committee will have a similar level of flexibility under the 2023 Proposals.

LONG-TERM INCENTIVE (VARIABLE PAY)	(PROPOSED CHANGES AS PART OF THE 2023 PROPOSALS ARE HIGHLIGHTED BELOW)
Proposed employee share incentive plan ("Share Plan")	The terms of the Share Plan will allow for the Committee to utilise any reasonable equity-based long-term incentive award that may be available to it. The current intention is to use nil-cost options subject to the Company having sufficient reserves. This will need to be assessed on a grant-by-grant basis. If there are not sufficient reserves, then the exercise price will need to be the "Nominal" value of the underlying share. Options will 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 Plan. Participants will be selected at the discretion of the Committee. Where appropriate, the MD may make nominations as to potential Awards – however, the final decision remains with the Committee at all times. The Share Plan will have 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 ten-year period.
Direct Awards	An important element of LMS' 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' 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 described in Appendix 1. • A Direct Award is likely only to be appropriate rarely and in a small number of situations.

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE CONTINUED

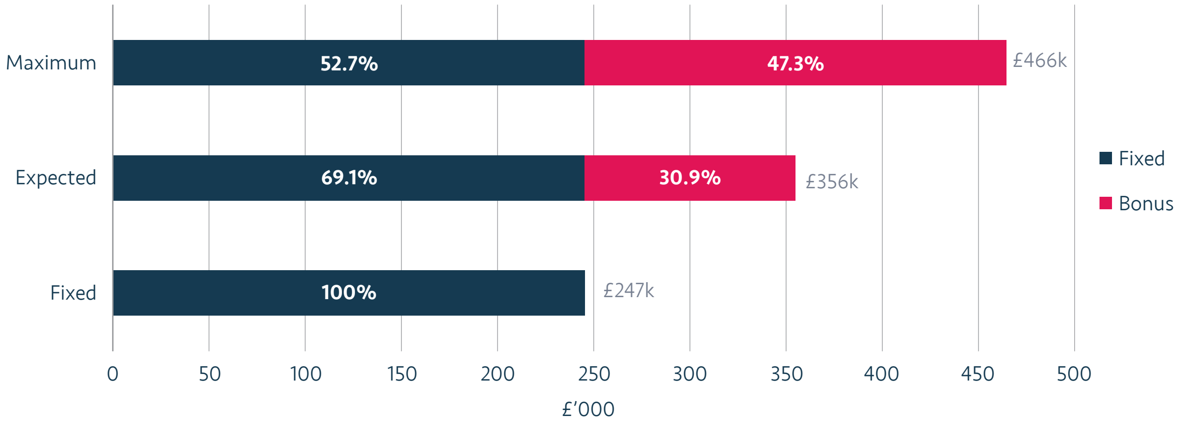
LONG-TERM INCENTIVE (VARIABLE PAY)	(PROPOSED CHANGES AS PART OF THE 2023 PROPOSALS ARE HIGHLIGHTED BELOW)
Direct Awards continued	• In determining whether to make a Direct Award, the Committee will consider all relevant criteria including: – the LMS executive will be heavily engaged in the development 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 business, 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 Non-Executive Directors' remuneration and the approach taken by the Company in relation thereto:

CHAIRMAN AND NON-EXECUTIVE DIRECTORS	(NO PROPOSED CHANGE TO THE POLICY IN THE 2023 PROPOSALS)
Chairman's and Non-Executive Directors' fees	The Chairman's fee is determined by the Committee and the Non-Executive Directors' fees 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. In addition, special fees are paid for the chairmanship of the Audit and Remuneration Committees and also for the role of being on the Investment Committee and for the role of the Senior Independent Director.
Other pay and benefits	The Chairman 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, and is covered under the Company's health insurance policy. The Chairman and the 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 remuneration for the Managing Director in 2021 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. As the VCP does not pay out until year five and there is no adjustment for share price movement, there are no amounts 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). As the VCP does not pay out until year five and there is no adjustment for share price movement, there are no amounts included for the VCP in the Maximum scenario.

The total remuneration for the Managing Director in 2022 was £367,300, which was just above the Expected scenario.

LETTERS OF APPOINTMENT AND SERVICE CONTRACT

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

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

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. The three-year appointments made in 2019 and early 2020 have expired, and have been renewed through to 2025 as noted above.

Remuneration Report continued

PART 2 – DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE CONTINUED

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. The Committee has engaged with principal shareholders in relation to the 2023 Proposals and thanks shareholders for their positive commitment to that process.

PART 3 – IMPLEMENTATION OF REMUNERATION POLICY IN 2023

BASE SALARIES AND BENEFITS

The Committee, at its meeting in February 2023, 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 noted that in 2022 an adjustment had been made to the salaries of some employees in the team but not the Managing Director. The Committee determined that for 2023 all employees, including the Managing Director should be treated equally and an adjustment equal to a 7% increase in basic salary will be made for all employees.

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 – SUMMARY OF KPIS FOR 2022

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 2022 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 first 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 reviewed performance for the year, in conjunction with the Board, and without the Managing Director present. The Committee has approved a bonus equal to 54.5% of base salary for the Managing Director in respect of 2022 that will be paid in March 2023.

The Committee in conjunction with the Board has also considered performance goals for 2023, with weighting on deal flow, capital deployment and developing the Company's profile generally and in particular in the public markets.

LTIP – VALUE CREATION PLAN

Following the 2023 AGM, the Committee proposes to implement the 2023 Proposals for the Share Plan and amendments to the operation of the VCP, as described in this report. Shareholders will be asked to approve the proposed Share Plan rules at the AGM.

Remuneration Report continued

PART 3 – IMPLEMENTATION OF REMUNERATION POLICY CONTINUED

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' FEES

The current fees of the Chairman and the Non-Executive Directors on implementation of the remuneration policy are as follows:

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 sitting on the Investment Committee	£5,000

These fees will remain at this level for 2023.

EXTERNAL ADVISORS

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 its documentation in 2020. In 2022, MM&K assisted with the remuneration outcomes and the preparation of this report and also the proposed remuneration policy to be put for approval by shareholders at the AGM in 2023. MM&K did not have any other relationship with the Company.

This Directors' Remuneration Report was approved by the Board on 17 March 2023 and signed on its behalf by:

Graham Stedman
Chairman of the Remuneration Committee
17 March 2023

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 2022 are included in the Strategic Report on pages 12 to 23 and the Portfolio Management Review on pages 24 to 29.

The Corporate Governance Report set out on pages 32 to 38 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 30 to 31. In addition, further information about the Board is set out in the Corporate Governance Report on pages 32 to 38.

Details of the current Directors' letters of appointment, together with their interests in the Company's shares, are shown in the Remuneration Report on pages 44 to 45. 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 was as follows:

	2022			2021		
	Male	**Female**	**Total**	Male	Female	Total
Directors	**5**	**–**	**5**	5	–	5
Staff	**2**	**2**	**4**	3	2	5
	7	**2**	**9**	8	2	10

ENVIRONMENT

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

Since June 2020 and throughout 2022, the Company occupied office space under a rental agreement, which comprises 596 square feet. The table below includes greenhouse gas emissions by scope:

TOTAL EMISSIONS

		Year ended 31 December	
Scope	Source	**2022 tonnes CO_2e**	2021 tonnes CO_2e
Scope 1	Emissions from combustion of fuel	**0.00**	0.00
	Process or fugitive emissions	**0.00**	0.00
Scope 2	Emissions from electricity, heat, steam and cooling purchased for own use using location-based method	**1.23**	1.60
Scope 3	Emissions from employee travelling	**5.05**	0.00
		6.28	1.60

Directors' Report continued

TOTAL EMISSIONS CONTINUED

	Year ended 31 December	
Intensity	**2022 tonnes CO_2e**	2021 tonnes CO_2e
– emissions per square metre of floor area	**0.11**	0.04
– emissions per £100,000 of revenue	**0.38**	0.13
– emissions per FTE	**1.26**	0.32

Note: To meet the requirements of the GHG Protocol Scope 2 Guidance, the Company accounts for its Scope 2 emissions using a market-based method as well as a location-based method.

The Company has reported on all the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within the Financial Statements. The Company has no responsibility for any emissions sources which are not included in the Financial Statements.

The Company has used the GHG Protocol Corporate Accounting and Reporting Standard and the GHG Protocol Scope 2 Guidance, data gathered from its operations, emission factors from UK Government's Conversion Factors for Company Reporting 2017 and emission factors relating to electricity supply and the UK grid mix. The Company is considered a low emission company.

CHARITABLE DONATIONS

The Company did not make any charitable contributions during 2022 (31 December 2021: £nil).

POLITICAL DONATIONS

The Company did not make any political donations during 2022 (31 December 2021: £nil).

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 12 to 23 and the Portfolio Management Review on pages 24 to 29. 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 and lack of any external debt, the significant cash balances on hand at 31 December 2022, 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 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 22.

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 21 to the Financial Statements.

DIVIDENDS

The Company paid a £0.5 million final dividend in June 2022 of 0.625 pence per share for the year ended 31 December 2021 and £0.2 million or 0.3 pence per share for the 2022 interim dividend in September 2022.

SHARE CAPITAL

At 31 December 2022, 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 17 March 2023, 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	14.07
Charles Stanley & Co Ltd	10.80
Lady R Lacey[1]	4.53
Schroders Plc	4.83
Ms T Woods[1]	4.40
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 17 May 2023. The notice of meeting, which includes explanatory notes and provides full details of the resolutions being proposed at the AGM will be provided separately in due course 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 Corporate Services (UK) Limited
Company Secretary
17 March 2023

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, is 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 or 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.

Robert Rayne
Chairman
17 March 2023

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 2022 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 2022 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and notes to the Financial Statements, including a summary of significant accounting policies. 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 and subsequently by the members at the Annual General Meeting held on 21 April 2017 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 seven years, covering the years ended 31 December 2016 to 31 December 2022. 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 of accounting included:

- 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 for the next 12 months, including any future commitments and expected dividends;
- evaluating the Director's method of assessing the going concern in light of market volatility and the present uncertainties, by considering whether reasonable factors which could impact the cash position over the next 12 months were factored into the assessment;
- challenging the Director's assumptions and judgements made with regards to stress-testing forecasts by stress-testing further the dividends and the expenditure and corroborating the commitments figure to third-party supporting documentation;
- calculating key financial ratios, including net asset value, net current assets/liabilities and running costs as a multiple of cash, to ascertain the financial health of the Company; and
- 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.

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 12 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' statement 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

		2022	2021
Key audit matters	Valuation and ownership of investments (Excluding other net assets of subsidiaries)	✓	✓
Materiality	*Financial Statements as a whole* £690,000 (31 December 2021: £730,000) based on 1.5% (31 December 2021: 1.5%) of net assets.		

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

<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 and Ownership of Investments (Excluding other net assets of subsidiaries)

(Note 1 and note 10)</td>
<td>The investment portfolio at the year end comprised quoted equity, unquoted investments, fund investments and net assets of subsidiary companies held at fair value through profit or loss.

The valuation of unquoted and fund investments can be a highly subjective accounting estimate where there is an inherent risk of management override arising from the investment valuations as it is the principal driver of performance of the entity.

There is also a risk that errors made in the recording of these investment holdings result in the incorrect reflection of investments owned by the Company.

Therefore, we considered the valuation and ownership of these investments to be the most significant audit area as they represent the most significant balance and disclosures in the Financial Statements and underpin the principal activity of the entity.

Furthermore, we consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the Financial Statements.</td>
<td>Unquoted Investments (54% of total investments)

In respect of 100% of the unquoted investments, which were not written down to nil, 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 and UK-adopted international accounting standards.
• reperforming the calculation of the investment valuations.
• agreeing the unquoted investment valuations to supporting third-party data, where these were relevant. Variations were discussed with management to obtain their explanation and corroborated to independent supporting evidence.
• evaluating the significant valuation judgements and assumptions made by management which included verifying and benchmarking key inputs and estimates, such as discount rates and volatility to independent information and our own research. Internal inputs such as revenue and earnings were assessed for consistency by comparing to management accounts and financial statements provided independently by the investee companies. Where corroborating evidence was not available professional judgement was used to assess the reasonableness of the Directors' assessment.
• performing sensitivity analysis on the valuation calculations in respect of investments where there was sufficient evidence to suggest reasonable alternative inputs might exist.
• for 100% of unquoted investments, by value, we agreed ownership to a direct confirmation from the underlying investee company and to other supporting documents including share certificates or loan agreements as applicable.

Fund Investments (45% of total investments)

For the fund investments our procedures included, inter alia:
• reviewing the underlying fund manager report and assessing the quality and reliability of the information through assessing the expertise of the administrators preparing the reports, assessing the appropriateness of the valuation guidelines utilised by the administrators and reading the audit report to determine whether there were any matters which could impact the valuation.</td>
</tr>
</table>

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and Ownership of Investments (Excluding other net assets of subsidiaries) *continued*	For these reasons we considered this to be a key audit matter.	• 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) through consultations with our internal valuation experts and discussions with management. • we considered the appropriateness of the key assumptions in the valuation models based on our knowledge of the investment valuations from previous years and events and conditions present in the current year, considering each assumption in isolation as well as in conjunction with other assumptions and the valuations as a whole. • where appropriate, performing sensitivity analysis on the valuation calculations in respect of investments where there was sufficient evidence to suggest reasonable alternative inputs might exist. • for 99.7% of fund investments, by value, we agreed ownership to direct confirmation from the underlying investee company and to other supporting documents including share certificates or loan agreements as applicable. We also considered the completeness and clarity of disclosures regarding the valuation of these investments in the Financial Statements against the requirements of the accounting standards. **Key observations:** Based on the work undertaken, we did not find any matters to suggest that the valuation and ownership of the unquoted and fund investments were inappropriate. We consider the investment disclosures to be in line with the requirements of the accounting standards.

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	
	2022 **£**	2021 £
Materiality	**690,000**	730,000
Basis for determining materiality	**1.5% of net assets**	1.5% of net assets
Rationale for the benchmark applied	Net assets has been used as we consider this to be the most significant determinant of the Company's financial performance used by shareholders and other users of the Financial Statements.	
Performance materiality	**510,000**	540,000
Basis for determining performance materiality	75% of materiality based on our risk assessment and consideration of the control environment. We also considered the history of misstatements based on our knowledge obtained in the previous year, aggregation effect of planned nature of testing and the overall size and complexity of the entity.	

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £13,000 (31 December 2021: £14,000). 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 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; and • the Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and • the section describing the work of the Audit Committee.

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

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 the 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.

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:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates through discussions with management and our brought forward knowledge, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and UK adopted international accounting standards.

We also assessed the susceptibility of the Financial Statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and the valuation of unquoted and fund investments.

Our procedures to in response to the above included:

- agreement of the Financial Statement disclosures to underlying supporting documentation;
- enquiries of management and Those Charged With Governance of any instances of non-compliance with laws and regulations or known or suspected instances of fraud;
- testing a sample of journal postings made during the year to supporting documentation to identify potential management override of controls;
- review of legal invoices, legal correspondence and minutes of Board meetings throughout the period for any instances of non-compliance with laws and regulations or known or suspected instances of fraud; and
- the procedures set out in the key audit matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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.

Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
17 March 2023

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 2022

	Notes	Year ended 31 December 2022 £'000	2021 £'000
Net (loss)/gain on investments	2	**(224)**	3,837
Interest income	3	**189**	23
Other income		**107**	–
Total gain on investments		**72**	3,860
Operating expenses	4	**(1,946)**	(1,988)
(Loss)/profit before tax		**(1,874)**	1,872
Taxation	7	**–**	–
(Loss)/profit for the year		**(1,874)**	1,872
Attributable to:			
Equity shareholders		**(1,874)**	1,872
(Loss)/profit per ordinary share – basic	8	**(2.3)p**	2.3p
(Loss)/profit per ordinary share – diluted	8	**(2.3)p**	2.3p

All activities of the Company are classed as continuing.

The notes on pages 75 to 97 form part of these Financial Statements.

Company Statement of Other Comprehensive Income
For the year ended 31 December 2022

	Year ended 31 December	
	2022 **£'000**	2021 £'000
(Loss)/profit for the year	**(1,874)**	1,872
Total comprehensive (loss)/income for the year	**(1,874)**	1,872
Attributable to:		
Equity shareholders	**(1,874)**	1,872

The notes on pages 75 to 97 form part of these Financial Statements.

REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

Company Statement of Financial Position

As at 31 December 2022

Company registration number 05746555

	Notes	31 December 2022 £'000	31 December 2021 £'000
Assets			
Non-current assets			
Right-of-use assets	18	**70**	97
Investments	10	**68,207**	68,461
Amounts receivable from subsidiaries	13	**5,158**	5,191
Total non-current assets		**73,435**	73,749
Current assets			
Operating and other receivables	11	**71**	51
Cash	12	**14,542**	14,518
Total current assets		**14,613**	14,569
Total assets		**88,048**	88,318
Liabilities			
Current liabilities			
Operating and other payables	14	**(428)**	(394)
Amounts payable to subsidiaries	15	**(41,032)**	(38,740)
Total current liabilities		**(41,460)**	(39,134)
Non-current liabilities			
Other long-term liabilities	14	**(47)**	(75)
Total non-current liabilities		**(47)**	(75)
Total liabilities		**(41,507)**	(39,209)
Net assets		**46,541**	49,109
Equity			
Share capital	16	**8,073**	8,073
Share premium		**508**	508
Capital redemption reserve		**24,949**	24,949
Share-based equity	17	**128**	75
Retained earnings		**12,883**	15,504
Total equity shareholders' funds		**46,541**	49,109
Net asset value per ordinary share	24	**57.65p**	60.83p

The Financial Statements on pages 70 to 97 were approved by the Board on 17 March 2023 and were signed on its behalf by:

Robert Rayne
Director

The notes on pages 75 to 97 form part of these Financial Statements.

Company Statement of Changes in Equity
For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based equity £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	8,073	508	24,949	34	14,359	47,923
Comprehensive income for the year						
Profit for the year	–	–	–	–	1,872	1,872
Equity after total comprehensive income for the year	8,073	508	24,949	34	16,231	49,795
Contributions by and distributions to shareholders						
Share-based payments	–	–	–	41	–	41
Dividends	–	–	–	–	(727)	(727)
As at 31 December 2021	8,073	508	24,949	75	15,504	49,109
Comprehensive income for the year						
Loss for the year	**–**	**–**	**–**	**–**	**(1,874)**	**(1,874)**
Equity after total comprehensive loss for the year	**8,073**	**508**	**24,949**	**75**	**13,630**	**47,235**
Contributions by and distributions to shareholders						
Share-based payments	**–**	**–**	**–**	**53**	**–**	**53**
Dividends	**–**	**–**	**–**	**–**	**(747)**	**(747)**
As at 31 December 2022	**8,073**	**508**	**24,949**	**128**	**12,883**	**46,541**

The notes on pages 75 to 97 form part of these Financial Statements.

Company Cash Flow Statement
For the year ended 31 December 2022

	Notes	Year ended 31 December **2022 £'000**	2021 £'000
Cash flows from operating activities			
(Loss)/profit before tax		**(1,874)**	1,872
Adjustments for non-cash income and expense:			
Equity settled share-based payment	17	**53**	41
Depreciation on right-of-use assets	18	**27**	28
Interest expense on lease	18	**6**	8
Losses/(gains) on investments	2	**224**	(3,837)
Interest income	3	**(189)**	(23)
Other Income		**(107)**	–
Adjustments to incentives plans	2	**30**	1
Exchange gains on cash balances		**(71)**	(4)
		(1,901)	(1,914)
Change in operating assets and liabilities			
Decrease in operating and other receivables		**16**	16
Decrease/(increase) in operating and other payables		**34**	(23)
Decrease in amounts receivable from subsidiaries		**33**	119
Increase/(decrease) in amounts payable to subsidiaries		**2,292**	(7)
Net cash from/(used in) operating activities		**474**	(1,809)
Cash flows from investing activities			
Interest received	3	**152**	23
Other income received		**107**	–
Proceeds from redemption of convertible debt	10	**–**	750
Investment in subsidiaries		**–**	(75)
Net cash from investing activities		**259**	698
Cash flows from financing activities			
Dividends paid	9	**(747)**	(727)
Repayment of principal lease liabilities	18	**(27)**	(25)
Repayment of lease interest	18	**(6)**	(8)
Net cash used in financing activities		**(780)**	(760)
Net decrease in cash		**(47)**	(1,871)
Exchange gains on cash balances		**71**	4
Cash at the beginning of the year	12	**14,518**	16,385
Cash at the end of the year		**14,542**	14,518

The notes on pages 75 to 97 form part of these Financial Statements.

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

REPORTING ENTITY

LMS Capital plc ("the Company") is domiciled in the United Kingdom. These Financial Statements are presented in pounds sterling because that is the currency of the principal economic environment of the Company's operations.

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 2022 have been prepared in accordance with UK adopted International Accounting Standards.

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 12 to 23 and in the Portfolio Management Review on pages 24 to 29. In addition, note 19 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.

The Financial Statements are prepared on a going concern basis and the Directors considered this and concluded the use of the going concern basis continued to be appropriate. 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 12 to 23 and the Portfolio Management Review on pages 24 to 29. 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 and lack of any external debt, the significant cash balances on hand at 31 December 2022, 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 this report.

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 2022 which have been adopted for the first time by the Company:

- Annual Improvements 2018 – 2020: Amendments to IFRS 9 – Financial instruments.
- Annual Improvements 2018 – 2020: Amendments to IFRS 16 – Leases.

The adoption of the standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

These have been endorsed by the EU/adopted by the UK.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have had a material effect on the Company's Financial Statements.

Notes to the Financial Statements continued

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 2023 and have not been early adopted by the Company include:

- Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (effective 1 January 2023).
- Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023).
- Amendments to IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023).
- Amendments to IAS 12 – Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).
- Amendments to IFRS 16 – Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024).

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.

AMENDMENT TO IFRS 16 – LEASES

IFRS 16 – Leases was issued in January 2016 and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16. A rent concession granted after the reporting period is a non-adjusting event, as defined in IAS 10 Events after the Reporting Period, which is subject to disclosure in the Financial Statements for the current reporting period, if material.

In June 2020, the Company entered into a lease agreement with The Rayne Foundation. The interest rate used by the Company is based on the incremental borrowing rate of 6.5%.

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 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 timeframe 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 ten years. In some cases, the period may be longer, depending on the circumstances of the investment, however, investments are not made with the 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 23.

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 10;
- valuation technique selected in estimating fair value of investments held in funds – note 10; and
- recognition of deferred tax asset for carried forward tax losses – note 7.

Notes to the Financial Statements continued

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

USE OF ESTIMATES AND JUDGEMENTS

The areas involving significant estimates are:

- estimated inputs used in calculating fair value of unquoted investments – note 10; and
- estimated inputs used in calculating fair value of investments held in funds – note 10.

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.

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.

RIGHT-OF-USE ASSETS

Right-of-use assets are initially measured at the amount of the lease liability. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

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.

FINANCIAL ASSETS HELD AT AMORTISED COST

The Company recognises trade receivables as financial assets classified at amortised cost. These are recognised initially at fair value. Subsequent to initial recognition, these are measured at amortised cost, less any expected credit losses.

Expected credit losses for these financial assets are measured using the simplified approach to the credit loss model. Under the simplified credit loss model approach, a provision is recognised based on the expectation of default rates over the full lifetime of the financial assets without the need to identify significant increases on credit risk on these assets.

Notes to the Financial Statements
continued

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

CASH

Cash, for the purpose of the cash flow statement, comprises cash in hand only.

FINANCIAL LIABILITIES

The Company's financial liabilities include operating and other payables. These are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest method.

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.

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 GAINS/LOSSES ON INVESTMENTS

Gains and losses on investments were as follows:

	Year ended 31 December					
	2022			2021		
Investment portfolio of the Company **Asset type**	**Realised £'000**	**Unrealised £'000**	**Total £'000**	Realised £'000	Unrealised £'000	Total £'000
Unquoted	**–**	**–**	**–**	(5)	–	(5)
	–	**–**	**–**	(5)	–	(5)
Credit for incentive plans			**30**			1
			30			(4)
Investment portfolio of subsidiaries **Asset type**						
Quoted	**(1)**	**(220)**	**(221)**	–	186	186
Unquoted	**24**	**(1,285)**	**(1,261)**	–	(90)	(90)
Funds	**–**	**108**	**108**	–	2,473	2,473
	23	**(1,397)**	**(1,374)**	–	2,569	2,569
Total			**(1,344)**			2,565
Credit/(charge) for incentive plans			**39**			(10)
			(1,305)			2,555
Operating and similar income of subsidiaries*			**1,081**			1,282
			(224)			3,837

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

The Company operates carried interest arrangements in line with normal practice in the private equity industry. The credit for incentive plans for the Company is £30,000 (31 December 2021: £1,000) 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

Interest income comprises interest earned on bank deposits and on loan investments.

Notes to the Financial Statements continued

4. OPERATING EXPENSES

Operating expenses comprise administrative expenses and include the following:

	Year ended 31 December	
	2022 £'000	2021 £'000
Directors' remuneration (note 5)	**726**	716
Staff expenses (note 6)	**462**	309
Depreciation on right-of-use assets	**27**	28
Other administrative expenses	**670**	752
Foreign currency exchange differences	**(24)**	130
Auditor's remuneration		
Fees to Company auditor	**85**	53
– Parent Company	**67**	35
– interim review for LMS Capital plc	**18**	18
	1,946	1,988

The audit fee comprises £67,200 (31 December 2021: £34,500) for LMS Capital plc, £18,250 (31 December 2021: £18,250) for the interim review. Audit fees for the subsidiaries of £103,700 (31 December 2021: £72,500) were directly charged to subsidiaries.

5. DIRECTORS' REMUNERATION

	Year ended 31 December	
	2022 £'000	2021 £'000
Directors' remuneration	**584**	570
Directors' social security contributions	**77**	92
Directors' other benefits	**65**	54
	726	716
The highest paid Director was Nicholas Friedlos (31 December 2021 – Nicholas Friedlos)	**367**	349

The average number of Directors was as follows:

	31 December 2022			31 December 2021		
	Male	**Female**	**Total**	Male	Female	Total
Average number of Directors	**5**	**–**	**5**	5	–	5
	5	**–**	**5**	5	–	5

6. STAFF EXPENSES

	Year ended 31 December	
	2022 £'000	2021 £'000
Wages and salaries	**378**	253
Employers' social security contributions	**54**	30
Employers' other benefits	**30**	26
	462	309

Staff benefits includes pension and health insurance. These benefits are recognised as expenses on an accrual basis as they are incurred.

The average number of staff was as follows:

	2022	2021
Average number of staff	**4**	5
	4	5

7. TAXATION

	Year ended 31 December	
	2022 £'000	2021 £'000
Current tax expense		
Current year	**–**	–
Total tax expense	**–**	–

RECONCILIATION OF TAX EXPENSE

	Year ended 31 December	
	2022 £'000	2021 £'000
(Loss)/profit before tax	**(1,874)**	1,872
Corporation tax using the Company's domestic tax rate – 19% (31 December 2021: 19%)	**(356)**	356
Fair value adjustments not currently taxed	**261**	(486)
Non-deductible income	**(214)**	(214)
Difference between taxable and accounting profit on disposal	**–**	29
Capital allowances	**(3)**	(3)
Company relief	**476**	406
Deferred tax asset not recognised	**85**	155
Group relief received	**(249)**	(243)
Total tax expense	**–**	–

As at year end, there are cumulative potential deferred tax assets of £2.377 million (31 December 2021: £2.205 million) in relation to the Company's cumulative tax losses of £9.510 million (31 December 2021: £8.819 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.

Notes to the Financial Statements
continued

8. (LOSS)/PROFIT PER ORDINARY SHARE

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

	Year ended 31 December	
	2022 £'000	2021 £'000
(Loss)/profit		
(Loss)/profit for the purposes of (loss)/profit per share being net (loss)/profit attributable to equity holders of the parent	**(1,874)**	1,872
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/profit per share	**80,727,450**	80,727,450
	Pence	Pence
(Loss)/profit per share		
Basic	**(2.3)**	2.3
Diluted	**(2.3)**	2.3

The Company share awards issued will be dilutive if and when vested.

9. DIVIDENDS PAID

Dividends declared during the year ending 31 December 2022 are as follows.

	Dividend date	Payment Date	Dividend £'000	Dividend per share pence
Final dividend payment for 2020	21 May 2021	14 June 2021	484	0.6000
Interim dividend payment for 2021	13 August 2021	3 September 2021	243	0.3000
Total as at 31 December 2021			727	0.9000
Final dividend payment for 2021	27 May 2022	23 June 2022	**505**	**0.6250**
Interim dividend payment for 2022	12 August 2022	12 September 2022	**242**	**0.3000**
Total as at 31 December 2022			**747**	**0.9250**

A final dividend of 0.625p per share is recommended by the Board and, subject to approval by shareholders at the AGM on 17 May 2023, will be paid out in early June 2023.

10. INVESTMENTS

The Company's investments comprised the following:

	Year ended 31 December	
	2022 £'000	2021 £'000
Total investments	**68,207**	68,461
These comprise:		
Investment portfolio of subsidiaries	**30,964**	30,938
Other net assets of subsidiaries	**37,243**	37,523
	68,207	68,461

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

	Year ended 31 December	
Investment portfolio of subsidiaries **Asset type**	**2022 £'000**	2021 £'000
Quoted	**160**	383
Unquoted	**16,771**	16,626
Funds	**14,033**	13,929
	30,964	30,938
Other net assets of subsidiaries	**37,243**	37,523
	68,207	68,461

The movements in the investment portfolio were as follows:

	Quoted securities £'000	**Unquoted securities £'000**	**Funds £'000**	**Total £'000**
Balance at 1 January 2021	197	10,138	11,858	22,193
Purchases	–	8,394	–	8,394
Proceeds from disposal	–	(750)	–	(750)
Distributions from partnerships	–	(1,586)	(445)	(2,031)
Contribution to partnerships	–	115	43	158
Fair value adjustments	186	(95)	2,473	2,564
Reclassification of withholding tax*	–	410	–	410
Balance at 31 December 2021	383	16,626	13,929	30,938

* As at 31 December 2020, unquoted securities investment fair value included a provision for withholding tax on distributions. This distribution was received in the first quarter of 2021 and the remaining estimated withholding tax liability of £0.4 million was reclassified to current liabilities as at 31 December 2021.

Notes to the Financial Statements
continued

10. INVESTMENTS CONTINUED

	Quoted securities £'000	Unquoted securities £'000	Funds £'000	Total £'000
Balance at 1 January 2022	**383**	**16,626**	**13,929**	**30,938**
Accrued interest	**–**	**1,274**	**–**	**1,274**
Purchases	**–**	**427**	**–**	**427**
Proceeds from disposal	**(2)**	**–**	**–**	**(2)**
Distributions from partnerships	**–**	**(375)**	**(56)**	**(431)**
Contribution to partnerships	**–**	**80**	**52**	**132**
Fair value adjustments	**(221)**	**(1,261)**	**108**	**(1,374)**
Balance at 31 December 2022	**160**	**16,771**	**14,033**	**30,964**

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 19 – Financial risk management).

The Company's investments are analysed as follows:

	31 December	
	2022 £'000	2021 £'000
Level 1	**–**	–
Level 2	**–**	–
Level 3	**68,207**	68,461
	68,207	68,461

Level 3 includes:

	31 December	
	2022 £'000	2021 £'000
Investment portfolio of subsidiaries	**30,964**	30,938
Other net assets of subsidiaries	**37,243**	37,523
	68,207	68,461

Investment portfolio of subsidiaries includes quoted investments of £160,000 (31 December 2021: £383,000).

There were no transfers between levels during the year ending 31 December 2022.

11. OPERATING AND OTHER RECEIVABLES

	31 December	
	2022 £'000	2021 £'000
Other receivables and prepayments	**71**	51
	71	51

12. CASH

	31 December	
	2022 £'000	2021 £'000
Bank balances	**201**	351
Demand deposits	**14,341**	14,167
	14,542	14,518

At 31 December 2022, the total Group's cash balance is £17.906 million (31 December 2021: £20.113 million) which includes cash held in subsidiaries of £3.364 million (31 December 2021: £5.595 million).

13. AMOUNTS RECEIVABLE FROM SUBSIDIARIES

	31 December	
	2022 £'000	2021 £'000
Amounts receivable from subsidiaries	**5,158**	5,191
	5,158	5,191

Amounts receivable from subsidiaries are intercompany loans repayable on demand and are interest free.

14. OPERATING AND OTHER PAYABLES

	31 December	
	2022 £'000	2021 £'000
Carried interest provision	**9**	35
Trade payables	**41**	43
Other non-trade payables and accrued expenses	**378**	316
	428	394
Other long-term lease liabilities	**47**	75
	475	469

The Company operates carried interest arrangements in line with normal practice in the private equity industry, calculated on the assumption that the investment portfolio is realised at its year end carrying amount. As at 31 December 2022, £9,000 (31 December 2021: £35,000) has been accrued for in the Company and £419,000 (31 December 2021: £438,000) has been accrued for in the subsidiaries. Carried interest accrued for in the subsidiaries is included in the amounts owing to subsidiaries on the Statement of Financial Position.

As at 31 December 2022, other non-trade payables and accrued expenses of 378,000 (31 December 2021: 316,000) includes current lease liability of 28,000 (31 December 2021: 26,000).

Notes to the Financial Statements continued

15. AMOUNTS PAYABLE TO SUBSIDIARIES

	31 December 2022 £'000	31 December 2021 £'000
Amounts payable to subsidiaries	**41,032**	38,740
	41,032	38,740

Amounts payable to subsidiaries are intercompany loans repayable on demand and are interest free.

16. CAPITAL AND RESERVES

SHARE CAPITAL

Ordinary shares	2022 Number	2022 £'000	2021 Number	2021 £'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.

17. SHARE AWARDS

In 2020, the Company established a long-term incentive plan for the employees of the Company. The plan grants the Board the authority to allot up to 1,000 VCP units with both performance and service conditions attached. The VCP units can only be awarded at the end of the five-year vesting period, 30 June 2025, if certain minimum performance conditions are met. These minimum performance conditions include two performance targets over the measurement period, including a minimum hurdle rate such that the annualised TSR over the measurement period must be not less than 8% and a minimum share price of 52.8p. If the minimum performance targets are met, the amount that the plan participants will receive will depend on the TSR performance of the Company achieved over the five-year vesting period. The Board retains the right to settle these awards in either shares or cash. As the Company does not have a present obligation to settle in cash, the awards are all recognised as equity-settled share awards.

The first share awards were granted in 2020 with respect to the performance year ended 31 December 2020. There were no share awards granted for the year ending 31 December 2022 (31 December 2021: Nil).

Grant date	Type of award	Number of shares awarded	Fair value/ share £	Vesting conditions	Final vesting date
30 June 2020	Shares	500	£418.44	Awards vest quarterly over five years provided the employee is still in service of the Company.	30 June 2025
17 November 2020	Shares	125	£393.63	Awards vest quarterly over five years provided the employee is still in service of the Company.	30 June 2025

The fair value of the option granted in 2020 has been estimated using the Monte Carlo simulation. The principal assumptions used in the calculation were as follows:

	2020
Share price at 30 June 2020	**£ 0.328**
Share price at 17 November 2020	**£ 0.299**
Exercise price	**–**
Expected life	**5 years**
Weighted average risk-free rate	**(0.04%)**
Dividend yield	**2.0%**

	Number of awards	Weighted average fair value per award
Outstanding at 1 January 2021	625	£413.48
Granted	–	–
Outstanding at 31 December 2021	**625**	**£413.48**
Granted	**–**	**–**
Outstanding at 31 December 2022	**625**	**£413.48**

Notes to the Financial Statements continued

18. LEASES

LEASE COMMITMENTS

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

Rental lease asset	£'000
Leased asset recognised under IFRS 16 at 1 January 2021	125
Depreciation for the year	(28)
Balance at 31 December 2021	**97**
Depreciation for the year	**(27)**
Balance as at 31 December 2022	**70**

Rental lease liability	£'000
Leased asset recognised under IFRS 16 at 1 January 2021	127
Unwinding of the discount on lease liability	8
Payments for lease	(33)
Balance at 31 December 2021	**102**
Unwinding of the discount on lease liability	**6**
Payments for lease	**(33)**
Balance as at 31 December 2022	**75**

19. FINANCIAL RISK MANAGEMENT

FINANCIAL INSTRUMENTS BY CATEGORY

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					
	2022			2021		
Financial assets	**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
Investments	**68,207**	**–**	**68,207**	68,461	–	68,461
Amounts receivable from subsidiaries	**–**	**5,158**	**5,158**	–	5,191	5,191
Operating and other receivables	**–**	**60**	**60**	–	41	41
Cash	**–**	**14,542**	**14,542**	–	14,518	14,518
	68,207	**19,760**	**87,967**	68,461	19,750	88,211

	31 December					
	2022			2021		
Financial liabilities	**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
Operating and other payables	**–**	**400**	**400**	–	367	367
Amounts payable to subsidiaries	**–**	**41,032**	**41,032**	–	38,740	38,740
Lease liabilities	**–**	**75**	**75**	–	102	102
	–	**41,507**	**41,507**	–	39,209	39,209

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

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	
	2022 £'000	2021 £'000
Amounts receivable from subsidiaries	**5,158**	5,191
Operating and other receivables	**60**	41
Cash	**14,542**	14,518
	19,760	19,750

The Company limits its credit risk exposure by only depositing funds with highly rated institutions. Cash holdings at 31 December 2022 and 2021 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.

Notes to the Financial Statements
continued

19. FINANCIAL RISK MANAGEMENT CONTINUED

The loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

2022	**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**
Expected loss rate	**–**	**–**	**–**	**100%**	**–**
Other receivables	**60**	**–**	**–**	**–**	**60**
	60	**–**	**–**	**–**	**60**

2021	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
Expected loss rate	–	–	–	100%	–
Other receivables	41	–	–	–	41
	41	–	–	–	41

The Company recognised credit losses of the full value of receivable for trade receivables not recovered after four months. As at 31 December 2022, the Company does not have an outstanding trade receivable (31 December 2021: £nil).

For the year ending 31 December 2022, the Company did not witness a significant increase in the credit risk of the outstanding receivables from subsidiaries and other receivables, therefore no expected losses were recognised during the year (31 December 2021: £nil).

LIQUIDITY RISK

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

The following table shows an analysis of the financial assets and financial liabilities by remaining expected maturities as at 31 December 2022 and 31 December 2021.

Financial assets:

2022	**Up to 3 months £'000**	**3–12 months £'000**	**1–5 years £'000**	**Over 5 years £'000**	**Total £'000**
Investment	**–**	**–**	**–**	**68,907**	**68,907**
Amounts receivable from subsidiaries	**–**	**–**	**–**	**5,158**	**5,158**
Operating and other receivables	**60**	**–**	**–**	**–**	**60**
Cash	**14,542**	**–**	**–**	**–**	**14,542**
	14,602	**–**	**–**	**74,065**	**88,667**

2021	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Investment	–	–	–	68,461	68,461
Amounts receivable from subsidiaries	–	–	–	5,191	5,191
Operating and other receivables	41	–	–	–	41
Cash	14,518	–	–	–	14,518
	14,559	–	–	73,652	88,211

Financial liabilities:

2022	**Up to 3 months £'000**	**3–12 months £'000**	**1–5 years £'000**	**Over 5 years £'000**	**Total £'000**
Operating and other payables	**400**	**–**	**–**	**–**	**400**
Amount payable to subsidiaries	**41,032**	**–**	**–**	**–**	**41,032**
Lease liabilities	**6**	**22**	**47**	**–**	**75**
	41,438	**22**	**47**	**–**	**41,507**

2021	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Operating and other payables	367	–	–	–	367
Amount payable to subsidiaries	38,740	–	–	–	38,740
Lease liabilities	6	21	75	–	102
	39,113	21	75	–	39,209

In addition, some of the Company's subsidiaries have uncalled capital commitments to funds of £2,674,000 (31 December 2021: £2,665,000) for which the timing of payment is uncertain (see note 20).

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 76% of the investment portfolio 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.

Notes to the Financial Statements
continued

19. FINANCIAL RISK MANAGEMENT CONTINUED

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

	31 December					
	2022			2021		
	GBP £'000	**USD £'000**	**Other £'000**	GBP £'000	USD £'000	Other £'000
Investments	**44,118**	**23,486**	**603**	44,794	22,554	1,113
Amounts receivable from subsidiaries	**5,157**	**1**	**–**	5,172	11	8
Right-of-use assets	**70**	**–**	**–**	97	–	–
Operating and other receivables	**71**	**–**	**–**	41	–	–
Cash	**14,228**	**314**	**–**	14,018	500	–
Operating and other payables	**(440)**	**(35)**	**–**	(434)	(35)	–
Amount payable to subsidiaries	**(41,014)**	**(18)**	**–**	(31,597)	(7,143)	–
Gross exposure	**22,190**	**23,748**	**603**	32,091	15,887	1,121
Forward exchange contracts	**–**	**–**	**–**	–	–	–
Net exposure	**22,190**	**23,748**	**603**	32,091	15,887	1,121

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

	31 December	
	2022 £'000	2021 £'000
Net foreign exchange profit on investment	**2,769**	21
Net foreign exchange profit on non-investment	**439**	172
Total net foreign exchange profit recognised in profit before income tax for the year	**3,208**	193

At 31 December 2022, the rate of exchange was USD \$1.21 = £1.00 (31 December 2021: \$1.35 = £1.00).

A 10% strengthening of the US dollar against the pound sterling would have increased equity and increased profit by £2.6 million at 31 December 2022 (31 December 2021: increased equity and increased profit by £1.8 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 £2.2 million (31 December 2021: decreased equity and decreased the profit for the year by £1.4 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 £145,000 (31 December 2021: increase of £155,000) and increased the profit for the year by £145,000 (31 December 2021: increased the profit £155,000). 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.

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 and investments in quoted investments. 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 2022 in measuring investments categorised as level 3 in note 11 are considered below:

1. Unquoted securities (carrying value £17 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:
   - EBITDA multiples of approximately five times dependent on the business of each individual company, its performance and the sector in which it operates;
   - revenue multiples in the range 0.30–1.5 times, also dependent on attributes at individual investment level; and
   - discounts applied of up to 50%, to reflect the illiquidity of unquoted companies compared to similar quoted 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 £14 million) are valued using reports 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 2022). The Company also carries out its own review of individual funds and their portfolios to satisfy themselves that the underlying valuation bases are consistent with the 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 the unobservable inputs used are not available.

Two of the Company's subsidiaries' underlying investments are valued using discounted cash flow ("DCF") models. The table below shows the effect on profit/(loss) of increasing or decreasing the discount rate used on the valuation on these investments. The base-case discount rate used is 30% and a change to 20% or 40% is considered to be a reasonable possible change for the purpose of the sensitivity analysis.

	31 December	
	2022 £'000	2021 £'000
Effect of change in discount rate to 20%	**1,643**	1,059
Effect of change in discount rate to 40%	**(1,201)**	(840)

Notes to the Financial Statements
continued

19. FINANCIAL RISK MANAGEMENT CONTINUED

The valuation of the investments in subsidiaries makes use of multiple interdependent significant unobservable inputs and it is not meaningful 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 on the profit for the year of a 10% movement in these reported values of investments. The effect on profit/(loss) is shown in the table below:

	31 December	
	2022 £'000	2021 £'000
Effect of 10% decrease in investment value	**(6,800)**	(6,800)
Effect of 10% increase in investment value	**6,800**	6,800

CAPITAL MANAGEMENT

The Company's total capital at 31 December 2022 was £47 million (31 December 2021: £49 million) comprising equity share capital and reserves. The Company had no borrowings at 31 December 2022 (31 December 2021: £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.

20. CAPITAL COMMITMENTS

	31 December	
	2022 £'000	2021 £'000
Outstanding commitments to funds	**2,674**	2,665

The outstanding capital commitments to funds comprise unpaid calls in respect of funds where a subsidiary of the Company is a limited partner.

As of 31 December 2022, the Company has no other contingencies or commitments to disclose (31 December 2021: £nil).

21. RELATED PARTY TRANSACTION

During the year, the Company paid rent of £32,780 (31 December 2021: £32,780) to The Rayne Foundation. Robert Rayne is the Chairman of The Rayne Foundation.

22. SUBSEQUENT EVENTS

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

23. SUBSIDIARIES

The Company's subsidiaries are as follows:

Name	Country of incorporation	Holding %	Activity
International Oilfield Services Limited	Bermuda	100	Investment holding
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
Lion Cub Property Investments Limited	England and Wales	100	Dormant
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	Trading
LMS Co-Invest Limited	England and Wales	100	Trading

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

24. NET ASSET VALUE PER SHARE

The net asset value per ordinary shares in issue are as follows:

	31 December	
	2022	2021
NAV (£'000)	**46,541**	49,109
Number of ordinary shares in issue	**80,727,450**	80,727,450
NAV per share (in pence)	**57.65**	60.83

REVIEW GOVERNANCE **FINANCIAL STATEMENTS**

Corporate Information

DIRECTORS

Robert Rayne
Nicholas Friedlos
Peter Harvey
Graham Stedman
James Wilson

SECRETARY

IQ EQ Corporate Services (UK) Limited
4th Floor, 3 More London Riverside
London SE1 2AQ

AUDITOR

BDO LLP
55 Baker Street
London W1U 7EU

BROKERS

Shore Capital Limited
Cassini House
57 St. James's Street
London SW1A 1LD

REGISTERED OFFICE

3 Bromley Place
London W1T 6DB
Registered number 05746555

BANKERS

Barclays Bank plc
1 Churchill Place
London E14 5HP

REGISTRARS

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: (UK) 0871 664 0300
(Outside UK) +44 (0)20 8639 3399
Email: enquiries@linkgroup.co.uk

SOLICITORS

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF

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 2022

Annual General Meeting – 17 May 2023
Half-year results – July 2023

Notes

Notes

FSC Logo to go here

WORLD LAND TRUST™

CARBON BALANCED PRINTER

www.carbonbalancedprinter.com
Registration No. CBP2269

Printed by a carbon balanced, FSC®-recognised printer, certified to ISO 14001 environmental management system using 100% renewable energy. This product has been made of material from well-managed, FSC®-certified forests and other controlled sources. Both paper and production are measured and carbon balanced, based on a third party, audited, calculation.

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The printer contributes to the World Land Trust's 'Conservation Coast' project in Guatemala. This scheme supports many landowners and local communities to register and obtain their own land and thereby protect thousands of acres of threatened coastal forest. The local organisation FUNDAECO works with over 3000 families to help transform local livelihoods through job creation and ecotourism.

Designed and produced by **emperor**
Visit us at **emperor.works**

LMS
CAPITAL

LMS Capital plc
3 Bromley Place
London
W1T 6DB

0207 935 3555
info@lmscapital.com

LMS Capital plc Annual Report & Accounts 2022