



LMS  
CAPITAL

**1 August 2023**

**LMS CAPITAL PLC**

**Half year results for the six months ended 30 June 2023**

**Financial Update**

- Net Asset Value (“NAV”) at 30 June 2023 of £44.6 million, 55.2p per share, compared to £46.5 million (57.7p per share) at 31 December 2022;
- Realised and unrealised underlying portfolio gains of £0.6 million on the mature portfolio, offset by £1.1 million of unrealised foreign exchange losses;
- Running costs were £0.9 million and investment related costs were £0.3 million;
- Cash proceeds of £0.3 million from realisations during the half year;
- Final dividend payment in June 2023 of 0.625 pence per share for the year ended 31 December 2022; and
- Cash at 30 June 2023 was £16.5 million (31 December 2022: £17.9 million).

**Interim Dividend**

- The Board has approved an interim dividend in respect of the Company’s financial year to 31 December 2023 of 0.3 pence per share. The dividend will be paid on 12 September 2023 to shareholders on the share register at close of business on 11 August 2023 (with an ex-dividend date of 10 August 2023).

**Robert Rayne, Chairman, commented:**

“We remain focused on the prudent deployment of our capital and during the period, our team has been engaged in active negotiations in the retirement living space. On energy, the Dacian team continues work to bed down the assets acquired in late 2021. Good progress is being made streamlining the cost base, but equipment failures leading to interruptions in production are continuing to delay progress with the business plan, although these are being worked through. We hope to report progress on all fronts in the second half of the year”

**1 August 2023**

**Enquiries: LMS Capital plc**

**0207 935 3555**

**Robert Rayne, Chairman**

**Nicholas Friedlos, Managing Director**

## LMS CAPITAL plc

### Statement from the Chairman and the Managing Director

We are pleased to report the financial results of the Company for the first six months of the year and to provide an update on our portfolio and the direction of the business.

The NAV of the company at 30 June 2023 was £44.6 million, 55.2 pence per share (31 December 2022 £46.5 million, 57.7 pence per share) and is summarised below.

|                                    | 30 June<br>2023<br>(unaudited)<br>£'000 | 31 December<br>2022<br>(audited)<br>£'000 |
|------------------------------------|---|---|
| <b>Mature Investment Portfolio</b> |   |   |
| Unquoted investments               | 6,669                                   | 6,626                                     |
| Funds                              | 13,662                                  | 14,033                                    |
| Quoted investments                 | 161                                     | 160                                       |
|                                    | <b>20,492</b>                           | 20,819                                    |
| <b>New Investment Portfolio</b>    |   |   |
| Dacian                             | 9,660                                   | 10,145                                    |
|                                    | <b>9,660</b>                            | 10,145                                    |
| <b>Total Investments</b>           | <b>30,152</b>                           | 30,964                                    |
| Cash                               | 16,500                                  | 17,906                                    |
| Other net assets/liabilities       | (2,070)                                 | (2,329)                                   |
| <b>Net assets</b>                  | <b>44,582</b>                           | 46,541                                    |

After adjusting for the payment of the final dividend of 0.625 pence per share for the 2022 year, the overall NAV at 30 June 2023 is down 3.1% from the 31 December 2022 position and down 2.3% compared to 31 March 2023.

This overall decrease of £1.9 million comprises:

- Dividend payments £0.5 million
- Net income and fair value adjustments on the investment portfolio result in an overall valuation decrease of £0.5 million in the investment portfolio:
  - net increases in underlying investment values of £0.6 million on the mature asset portfolio;
  - offset by net decrease of £1.1 million from foreign exchange losses from the weakening of the US Dollar against sterling of which £0.6 million relates to the mature portfolio and £0.5 million to the investment in Dacian; and
  - no net underlying increase or decrease in the value of Dacian.
- management fee income for LMS of £0.1 million from Dacian;
- bank interest £0.3 million; and
- running costs of £0.9 million, investment related costs of £0.3 million principally associated with developing real estate deal opportunities and other net outflows of £0.1 million.

The Company's NAV comprises three distinct groups of assets:

**Mature Investments – 30 June 2023 NAV £20.5 million (25.4 pence per share)**

The Mature Portfolio comprises investments which originate from the Company's strategy pre-2012 and are currently managed with a view to optimising the realisation values. As noted in our 2022 Annual Report, we continue to expect progress on realisation of these assets mainly in 2024 and 2025.

During the first half of 2023, this group of investments showed net realised and unrealised underlying gains of £0.6 million, offset by foreign exchange losses of £0.6 million from the weakening of the US Dollar against sterling, and realisations of £0.3 million, resulting in an overall reduction of £0.3 million.

The underlying gains of £0.6 million, excluding foreign exchange losses, were as follows:

- Unquoted investments
  - The unquoted portfolio recorded net unrealised gains of £0.6 million:
    - Medhost: £0.6 million increase. We continue to follow the valuation of Primus, the lead investment manager, which shows an unrealised gain of £0.6 million in the most recent valuation. Medhost operates in a mature market and it continues to be cash generative and perform in line with budget; and
    - Elateral: no change in valuation. The company's financial performance has improved since mid 2022. It has shown some success at winning new business and is currently EBITDA positive. We continue to support the management in their strategy to return to sustainable sales growth.
- Fund investments
  - The fund investments showed neither a gain nor loss for the half year:
    - Opus: £0.8 million decrease. As reported in our Q1 2023 NAV update this was driven the fund manager's valuation primarily reflecting movements in public market comparables for the fund's two principal remaining assets;
    - Our investment in Brockton has increased by £0.4 million, reflecting the unwind of the discount in our discounted cash flow valuation; and
    - Our investment in Weber increased by £0.4 million reflecting the market price performance of the US listed microcap equities held in the fund.
- Quoted shares
  - Overall, the quoted portfolio showed neither a gain nor loss during the first half of 2023.

**Energy - Dacian – 30 JUNE 2023 NAV £9.7 million (12.0 pence per share)**

In the first six months of the year, oil and gas revenues, net of applicable royalties and windfall taxes were \$9.9 million. This was lower than budget due to a combination of lower pricing and, as explained below, lower production.

On the positive side, the team continue to take actions to reduce the cost base they inherited when they took over the business in late 2021. In the six months the cost reductions have more than offset lower revenues and the business is ahead of budget at the EBITDA level.

Management's aim has been to stabilise production at approximately 1,000 barrels of oil equivalent per day ("BOEPD") and from that base, build additional production through workover activity. It appeared in late 2022 and early 2023 that this stabilised level of production had been achieved. However, particularly in the second quarter the company has experienced further interruptions due to technical failures in equipment resulting in lost production and delayed progress on workovers. Production in the six months has averaged some 8% below the 1,000 BOEPD base level. The team's priority is to achieve consistent production at the stabilised base level and then to focus on the workover activity.

In recognition of the delays in the six months, whilst interest continues to be due and payable on the Company's loan notes, no net interest accrual has been recognised in the results for the half year. This will be reviewed at the year end in light of Dacian's progress during the second half of the year and prevailing market conditions.

The Dacian investment is denominated in US Dollars and is showing an unrealised foreign exchange loss of £0.5 million in the period.

The Company has benefitted from £0.1 million being six months' management fee income.

### **Liquidity – Cash less other net liabilities**

#### *Cash*

Cash balances in the Company and its subsidiaries at 30 June 2023 were £16.5 million (31 December 2022: £17.9 million).

Significant outflows during the six months were running costs net of interest income and management fees received of £0.9 million, investment related costs of £0.3 million and dividend payments of £0.5 million.

Portfolio inflows were £0.3 million being proceeds from the sale by SFEP of ICU.

#### *Net Liabilities*

Net liabilities of £2.1 million consist primarily of accruals for income taxes, historic carried interest liabilities for one remaining asset and other sundry costs.

### **Dividend policy**

A final dividend of 0.625 pence per share for the year ended 31 December 2022 was approved by shareholders at the AGM in May 2023 and paid in June 2023.

The Board has approved an interim dividend for the 2023 year of 0.3 pence per share to be paid on 12 September 2023 to shareholders on the share register at close of business on 11 August 2023 (with an ex-dividend date of 10 August 2023).

### **Looking forward**

A priority for 2023 is to bring to fruition for investors the work that has been undertaken with our real estate teams, particularly on the development side where we have been actively seeking opportunities in the later living sector. We see the potential for strong growth in sector generally and it offers the opportunity to combine our real estate skills with operating know how. From an investment perspective, the sector offers attractive returns in the medium to longer term for capital from LMS' balance sheet alongside its co-investors.

During the last six months we have been actively engaged in negotiations to acquire both operational retirement village assets as well as development sites. Whilst we are keen to deploy capital, we remain disciplined in our approach to the evaluation of all these opportunities.

In energy, we anticipate further opportunities to invest with the Dacian team in late life oil and gas production opportunities, although the priority for the team for the rest of this year remains to focus on the initial acquisition.

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 to you further on our progress.

**Robert Rayne**  
**Chairman**

**Nicholas Friedlos**  
**Managing Director**

**1 August 2023**

# LMS CAPITAL plc

## PORTFOLIO MANAGEMENT REVIEW

### Market background

Ongoing geopolitical tensions and domestic challenges in key markets are slowing any return to sustained growth. Domestically both inflation and interest rates remains high.

Sterling strengthened against the US Dollar during the period and whilst global equity markets saw some recovery, with the US S&P 500 Index increasing by nearly 16%, the FTSE 100 remained flat. The FTSE AIM 100 and SmallCap indices declined by 11% and 2%, respectively.

The Board and the Company continue to monitor closely the economic environment and capital markets, including the impact this has on the investment portfolio and its valuations.

### Performance review

The movement in NAV during the six months ended 30 June was as follows:

|   | <b>Six months ended 30 June</b> |              |
|---|---------------------------------|--------------|
|   | <b>2023</b>                     | <b>2022</b>  |
|   | <b>£'000</b>                    | <b>£'000</b> |
| Opening NAV   | <b>46,541</b>                   | 49,109       |
| Income and fair value adjustments on investment portfolio | <b>(495)</b>                    | (658)        |
| Dividends   | <b>(505)</b>                    | (505)        |
| Overheads and other net movements                         | <b>(959)</b>                    | (985)        |
| Closing NAV   | <b>44,582</b>                   | 46,961       |

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

|  | <b>Six months ended 30 June</b> |              |
|--|---------------------------------|--------------|
|  | <b>2023</b>                     | <b>2022</b>  |
|  | <b>£'000</b>                    | <b>£'000</b> |
| Proceeds from redemption of preference share | -                               | 353          |
| Distributions from funds and loan repayments | <b>326</b>                      | 68           |
| Total – gross cash realisations              | <b>326</b>                      | 421          |
| New and follow-on investments                | -                               | (263)        |
| Fund calls                                   | -                               | (105)        |
| Total – net                                  | <b>326</b>                      | 53           |

Realisations relate to the sale of ICU Eyeware, the last investment held through San Francisco Equity Partners (“SFEP”).

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

|                                    | 30 June             |                     |                        | 31 December         |                     |                        |
|------------------------------------|---------------------|---------------------|------------------------|---------------------|---------------------|------------------------|
|                                    | 2023                |                     |                        | 2022                |                     |                        |
| <b>Mature investment portfolio</b> | <b>UK<br/>£'000</b> | <b>US<br/>£'000</b> | <b>Total<br/>£'000</b> | <b>UK<br/>£'000</b> | <b>US<br/>£'000</b> | <b>Total<br/>£'000</b> |
| Quoted                             | 82                  | 79                  | 161                    | 121                 | 39                  | 160                    |
| Unquoted                           | 687                 | 5,982               | 6,669                  | 681                 | 5,945               | 6,626                  |
| Funds                              | 7,033               | 6,629               | 13,662                 | 6,676               | 7,357               | 14,033                 |
|                                    | <b>7,802</b>        | <b>12,690</b>       | <b>20,492</b>          | <b>7,478</b>        | <b>13,341</b>       | <b>20,819</b>          |
| <b>New investment portfolio</b>    | <b>UK<br/>£'000</b> | <b>US<br/>£'000</b> | <b>Total<br/>£'000</b> | <b>UK<br/>£'000</b> | <b>US<br/>£'000</b> | <b>Total<br/>£'000</b> |
| Unquoted                           | -                   | 9,660               | 9,660                  | -                   | 10,145              | 10,145                 |
|                                    | -                   | <b>9,660</b>        | <b>9,660</b>           | -                   | <b>10,145</b>       | <b>10,145</b>          |
| Total investments                  | <b>7,802</b>        | <b>22,350</b>       | <b>30,152</b>          | <b>7,478</b>        | <b>23,486</b>       | <b>30,964</b>          |

**Basis of valuation:**

**Quoted investments**

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

**Unquoted direct investments**

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

Valuation methods that may be used include:

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

**Funds**

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



## Performance of the investment portfolio

The return on investments for the six months ended 30 June 2023 was as follows:

| Asset type  | Six months ended 30 June 2023 |                                 |                | Six months ended 30 June 2022 |                                 |                |
|---|-------------------------------|---------------------------------|----------------|-------------------------------|---------------------------------|----------------|
|   | Realised gains/(losses) £'000 | Unrealised gains/(losses) £'000 | Total £'000    | Realised gains/(losses) £'000 | Unrealised gains/(losses) £'000 | Total £'000    |
| Quoted  | -                             | 1                               | 1              | -                             | (201)                           | (201)          |
| Unquoted  | 62                            | (864)                           | (802)          | 24                            | (1,123)                         | (1,099)        |
| Funds   | (9)                           | (339)                           | (348)          | -                             | 44                              | 44             |
|   | <b>53</b>                     | <b>(1,202)</b>                  | <b>(1,149)</b> | <b>24</b>                     | <b>(1,280)</b>                  | <b>(1,256)</b> |
| Accrued interest income                                   |                               |                                 | <b>654</b>     |                               |                                 | <b>598</b>     |
| Income and fair value adjustments on investment portfolio |                               |                                 | <b>(495)</b>   |                               |                                 | <b>(658)</b>   |

As noted in the commentary on page 5, no net benefit has been recognised in these interim financial statements from the interest accruing on the Dacian loan notes for the period January to June 2023. In order to comply with GAAP the £0.654 million entitlement to interest must be recognised as income and this is then adjusted down by an equal amount as part of the fair value adjustments and is included in the £0.864 million unrealised loss adjustment on unquoted investments in the table above.

Approximately 74% of the portfolio at 30 June 2023 is denominated in US Dollars (31 December 2022: 76%) and the above table includes the impact of currency movements. In the first six months of 2023, the strengthening of sterling against the US Dollar resulted in a significant unrealised foreign currency loss of £1.1 million of which £0.6 million relates to the mature portfolio and £0.5 million to the investment in Dacian (2022: unrealised gain of £2.6 million). As is common practice in private equity investment, it is the Board's current policy not to hedge the Company's underlying non-sterling investments.

## Quoted investments

| Company                      | Sector        | 30 June       | 31 December   |
|------------------------------|---------------|---------------|---------------|
|                              |               | 2023<br>£'000 | 2022<br>£'000 |
| Tialis Essential IT plc      | UK technology | 82            | 121           |
| Arsenal Digital Holdings Inc | US energy     | 56            | 13            |
| Others                       | -             | 23            | 26            |
|                              |               | <b>161</b>    | <b>160</b>    |

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

| Fair value increases/(decreases)           | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2023<br>£'000            | 2022<br>£'000 |
| <b>Unrealised</b>                          |                          |               |
| Tialis Essential IT plc                    | (39)                     | (73)          |
| Arsenal Digital Holdings Inc               | 44                       | (130)         |
| Other quoted holdings                      | (2)                      | (9)           |
| Unrealised foreign currency (losses)/gains | (2)                      | 11            |
| Total fair value increases/(decreases)     | <b>1</b>                 | <b>(201)</b>  |

### Unquoted investments

| Company           | Sector          | 30 June       | 31 December   |
|-------------------|-----------------|---------------|---------------|
|                   |                 | 2023          | 2022          |
|                   |                 | £'000         | £'000         |
| Dacian            | Romanian energy | 9,660         | 10,145        |
| Medhost Inc       | US technology   | 5,944         | 5,673         |
| Elaterral         | UK technology   | 599           | 599           |
| ICU Eyewear*      | US consumer     | -             | 232           |
| Tialis loan notes | UK technology   | 87            | 82            |
| Cresco            | US consumer     | 39            | 40            |
|                   |                 | <b>16,329</b> | <b>16,771</b> |

\*Co-investment with SFEP

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

| Fair value increases/(decreases)           | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2023                     | 2022           |
| £'000                                      |                          |                |
| <b>Realised</b>                            |                          |                |
| Medhost                                    | -                        | 24             |
| ICU Eyewear                                | 62                       | -              |
|  | <b>62</b>                | <b>24</b>      |
| <b>Unrealised</b>                          |                          |                |
| Dacian (see note on page 9)                | (644)                    | -              |
| Medhost                                    | 554                      | (1,032)        |
| Elaterral                                  | -                        | (443)          |
| ICU Eyewear                                | -                        | (1,376)        |
| Tialis loan notes                          | 5                        | (27)           |
| Unrealised foreign currency (losses)/gains | (779)                    | 1,755          |
|  | <b>(864)</b>             | <b>(1,123)</b> |
| Total fair value decreases                 | <b>(802)</b>             | <b>(1,099)</b> |
| <b>Income movements</b>                    |                          |                |
| Interest on Dacian Investment              | <b>654</b>               | 598            |

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. Medhost's financial performance in 2023 is expected to be profitable and cash generative and slightly up on EBITDA compared to budgets. This resulted in an increase to the valuation by the fund manager for the period.

#### ICU Eyewear

This was the only remaining asset in the SFEP III fund and was sold during the period realising a gain of £62,000.

### **Fund interests**

|                               |                     | <b>30 June</b> | <b>31 December</b> |
|-------------------------------|---------------------|----------------|--------------------|
| <b>General partner</b>        | <b>Sector</b>       | <b>2023</b>    | <b>2022</b>        |
|                               |                     | <b>£'000</b>   | <b>£'000</b>       |
| Brockton Capital Fund 1       | UK real estate      | <b>6,406</b>   | 6,036              |
| Opus Capital Venture Partners | US venture capital  | <b>4,263</b>   | 5,275              |
|                               | US micro-cap quoted |                |                    |
| GW 2001 Fund                  | stocks              | <b>2,329</b>   | 2,046              |
| EMAC ILF                      | Europe real estate  | <b>332</b>     | 341                |
| Simmons Parallel Energy       | UK energy           | <b>296</b>     | 262                |
| Eden Ventures                 | UK venture capital  | -              | 37                 |
| Other interests               | -                   | <b>36</b>      | 36                 |
|                               |                     | <b>13,662</b>  | 14,033             |

The changes in valuation on the Company's fund portfolio for the six months ended 30 June 2023 were as follows:

|   | <b>Six months ended 30 June</b> |              |
|---|---------------------------------|--------------|
| <b>Fair value increases/(decreases)</b>       | <b>2023</b>                     | <b>2022</b>  |
|   | <b>£'000</b>                    | <b>£'000</b> |
| <b>Unrealised</b>                             |                                 |              |
| Brockton Capital Fund 1                       | <b>369</b>                      | 401          |
| Opus Capital Venture Partners                 | <b>(783)</b>                    | 931          |
| GW 2001 Fund                                  | <b>383</b>                      | (1,063)      |
| Simmons Parallel Energy                       | <b>42</b>                       | (154)        |
| Eden Ventures                                 | <b>(5)</b>                      | (418)        |
| San Francisco Equity Partners                 | -                               | (89)         |
| Others (net)                                  | <b>2</b>                        | (392)        |
| Unrealised foreign currency (losses)/gains    | <b>(347)</b>                    | 828          |
| <b>Realised</b>                               |                                 |              |
| San Francisco Equity Partners                 | <b>(9)</b>                      | -            |
| <b>Total fair value (decreases)/increases</b> | <b>(348)</b>                    | 44           |

### **Fund interests**

- Brockton Capital Fund 1 - 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 £0.4 million for the first half of 2023 due to unrealised gains from the unwinding of the discount rate as the investment is valued on a discounted cash flow basis;
- GW 2001 Fund - holds US publicly traded micro-cap securities and showed an unrealised gain of £0.4 million reflecting an increase in the underlying equity prices; and
- Opus Capital - a US venture fund, showed an unrealised loss of £0.8 million from valuation losses on its two main assets, primarily due to movements in quoted market comparables for its two main remaining assets.

**Costs**

Group costs for the period (including £1.1 million incurred by the Company and £ 0.1 million by subsidiaries) were £1.2 million (2022: £1.1 million) which include running costs of £0.9 million and investment related costs of £0.3 million for support costs for real estate and co-investment activities.

**Taxation**

The Group tax provision for the period, all of which arose in the subsidiaries, is £0.1 million (2022: £0.6 million).

**Financial Resources and Commitments**

At 30 June 2023 cash holdings, including cash in subsidiaries, were £16.5 million (31 December 2022: £17.9 million) and neither the Company nor any of its subsidiaries had any external debt.

At 30 June 2023, subsidiary companies had commitments of £2.7 million (31 December 2022: £2.7 million) to meet outstanding capital calls from fund interests.

**LMS CAPITAL PLC**  
**1 August 2023**

## LMS Capital plc

### Unaudited Condensed Company Income Statement

|                                   | Notes | Six months ended 30 June |                |
|-----------------------------------|-------|--------------------------|----------------|
|                                   |       | 2023<br>£'000            | 2022<br>£'000  |
| Net losses on investments         | 5     | (716)                    | (484)          |
| Interest income                   |       | 275                      | 37             |
| Other income                      |       | 64                       | 49             |
| Total losses on investments       |       | (377)                    | (398)          |
| Operating expenses                |       | (1,089)                  | (940)          |
| Net losses on foreign currency    |       | (14)                     | (331)          |
| <b>Losses before tax</b>          |       | <b>(1,480)</b>           | <b>(1,669)</b> |
| Taxation                          |       | -                        | -              |
| <b>Losses for the period</b>      |       | <b>(1,480)</b>           | <b>(1,669)</b> |
| <b>Attributable to:</b>           |       |                          |                |
| Equity shareholders               |       | <b>(1,480)</b>           | <b>(1,669)</b> |
| Loss per ordinary share - basic   | 6     | <b>(1.8p)</b>            | (2.1p)         |
| Loss per ordinary share - diluted | 6     | <b>(1.8p)</b>            | (2.1p)         |

**LMS Capital plc**  
**Unaudited Condensed Company Statement of Other**  
**Comprehensive Income**

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2023</b>                     | <b>2022</b>    |
|  | <b>£'000</b>                    | <b>£'000</b>   |
| Losses for the period                          | (1,480)                         | (1,669)        |
| Other comprehensive income                     | -                               | -              |
| <b>Total comprehensive loss for the period</b> | <b>(1,480)</b>                  | <b>(1,669)</b> |
| <b>Attributable to:</b>                        |                                 |                |
| Equity shareholders                            | (1,480)                         | (1,669)        |

**LMS Capital plc**  
**Unaudited Condensed Company Statement of Financial**  
**Position**

|   |       | 30 June         | 31 December     |
|---|-------|-----------------|-----------------|
|   | Notes | 2023<br>£'000   | 2022<br>£'000   |
| <b>Assets</b>                           |       |                 |                 |
| <b>Non-current assets</b>               |       |                 |                 |
| Right of use assets                     |       | 55              | 70              |
| Investments                             | 8     | 67,487          | 68,207          |
| Amounts receivable from subsidiaries    |       | 5,298           | 5,158           |
| <b>Total non-current assets</b>         |       | <b>72,840</b>   | <b>73,435</b>   |
| <b>Current assets</b>                   |       |                 |                 |
| Operating and other receivables         |       | 119             | 71              |
| Cash                                    |       | 12,986          | 14,542          |
| <b>Total current assets</b>             |       | <b>13,105</b>   | <b>14,613</b>   |
| <b>Total assets</b>                     |       | <b>85,945</b>   | <b>88,048</b>   |
| <b>Liabilities</b>                      |       |                 |                 |
| <b>Current liabilities</b>              |       |                 |                 |
| Operating and other payables            |       | (352)           | (428)           |
| Amounts payable to subsidiaries         |       | (40,979)        | (41,032)        |
| <b>Total current liabilities</b>        |       | <b>(41,331)</b> | <b>(41,460)</b> |
| <b>Non-current liabilities</b>          |       |                 |                 |
| Other long-term liabilities             |       | (32)            | (47)            |
| <b>Total non-current liabilities</b>    |       | <b>(32)</b>     | <b>(47)</b>     |
| <b>Total liabilities</b>                |       | <b>(41,363)</b> | <b>(41,507)</b> |
| <b>Net assets</b>                       |       | <b>44,582</b>   | <b>46,541</b>   |
| <b>Equity</b>                           |       |                 |                 |
| Share capital                           |       | 8,073           | 8,073           |
| Share premium                           |       | 508             | 508             |
| Capital redemption reserve              |       | 24,949          | 24,949          |
| Share-based equity                      |       | 154             | 128             |
| Retained earnings                       |       | 10,898          | 12,883          |
| <b>Total equity shareholders' funds</b> |       | <b>44,582</b>   | <b>46,541</b>   |
| Net asset value per ordinary share      | 11    | 55.23p          | 57.65p          |

# LMS Capital plc

## Unaudited Condensed Company Statement of Changes in Equity

Six months ended 30 June 2023

|   | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Share-based equity<br>£'000 | Retained earnings<br>£'000 | Total equity<br>£'000 |
|---|------------------------|------------------------|-------------------------------------|-----------------------------|----------------------------|-----------------------|
| <b>Balance at 1 January 2023</b>                            | 8,073                  | 508                    | 24,949                              | 128                         | 12,883                     | 46,541                |
| <b>Comprehensive loss for the period</b>                    |                        |                        |                                     |                             |                            |                       |
| Loss for the period   | -                      | -                      | -                                   | -                           | (1,480)                    | (1,480)               |
| <b>Equity after total comprehensive loss for the period</b> | 8,073                  | 508                    | 24,949                              | 128                         | 11,403                     | 45,061                |
| <b>Contributions by and distributions to shareholders</b>   |                        |                        |                                     |                             |                            |                       |
| Share-based payments  | -                      | -                      | -                                   | 26                          | -                          | 26                    |
| Dividends (note 7)  | -                      | -                      | -                                   | -                           | (505)                      | (505)                 |
| <b>Balance at 30 June 2023</b>                              | 8,073                  | 508                    | 24,949                              | 154                         | 10,898                     | 44,582                |

Six months ended 30 June 2022

|   | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Share-based equity<br>£'000 | Retained earnings<br>£'000 | Total equity<br>£'000 |
|---|------------------------|------------------------|-------------------------------------|-----------------------------|----------------------------|-----------------------|
| <b>Balance at 1 January 2022</b>                            | 8,073                  | 508                    | 24,949                              | 75                          | 15,504                     | 49,109                |
| <b>Comprehensive loss for the period</b>                    |                        |                        |                                     |                             |                            |                       |
| Loss for the period   | -                      | -                      | -                                   | -                           | (1,669)                    | (1,669)               |
| <b>Equity after total comprehensive loss for the period</b> | 8,073                  | 508                    | 24,949                              | 75                          | 13,835                     | 47,440                |
| <b>Contributions by and distributions to shareholders</b>   |                        |                        |                                     |                             |                            |                       |
| Share-based payments  | -                      | -                      | -                                   | 26                          | -                          | 26                    |
| Dividends (note 7)  | -                      | -                      | -                                   | -                           | (505)                      | (505)                 |
| <b>Balance at 30 June 2022</b>                              | 8,073                  | 508                    | 24,949                              | 101                         | 13,330                     | 46,961                |



# LMS Capital plc

## Unaudited Condensed Company Statement of Cash flow

|   | Notes | Six months ended 30 June |                |
|---|-------|--------------------------|----------------|
|   |       | 2023<br>£'000            | 2022<br>£'000  |
| <b>Cash flows from operating activities</b>                 |       |                          |                |
| Losses for the period                                       |       | (1,480)                  | (1,669)        |
| Adjustments for non-cash income and expense:                |       |                          |                |
| Equity settled share-based payment                          |       | 26                       | 26             |
| Depreciation on right of use assets                         |       | 14                       | 14             |
| Interest expense on lease                                   |       | 2                        | 3              |
| Losses on investments                                       | 5     | 716                      | 484            |
| Other income  |       | (64)                     | (37)           |
| Interest income   |       | (275)                    | (49)           |
| Adjustments to incentives plans                             |       | 3                        | 13             |
| Exchange loss/(gain) on cash balances                       |       | 15                       | (69)           |
|   |       | <b>(1,043)</b>           | <b>(1,284)</b> |
| <b>Change in operating assets and liabilities</b>           |       |                          |                |
| Increase in operating and other receivables                 |       | (36)                     | (71)           |
| Decrease in operating and other payables                    |       | (76)                     | (116)          |
| (Increase)/decrease in amounts receivable from subsidiaries |       | (140)                    | 234            |
| (Decrease)/increase in amounts payable to subsidiaries      |       | (52)                     | 2,813          |
| <b>Net cash (used in)/from operating activities</b>         |       | <b>(1,347)</b>           | <b>1,576</b>   |
| <b>Cash flows from investing activities</b>                 |       |                          |                |
| Interest received   |       | 263                      | 26             |
| Other income received                                       |       | 64                       | 49             |
| <b>Net cash from investing activities</b>                   |       | <b>327</b>               | <b>75</b>      |
| <b>Cash flows from financing activities</b>                 |       |                          |                |
| Dividend paid   | 7     | (505)                    | (505)          |
| Repayment of principal lease liabilities                    |       | (14)                     | (5)            |
| Repayment of lease interest                                 |       | (2)                      | (3)            |
| <b>Net cash used in financing activities</b>                |       | <b>(521)</b>             | <b>(513)</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |       | <b>(1,541)</b>           | <b>1,138</b>   |
| Exchange (loss)/gain on cash balances                       |       | (15)                     | 69             |
| Cash at the beginning of the period                         |       | 14,542                   | 14,518         |
| <b>Cash at the end of the period</b>                        |       | <b>12,986</b>            | <b>15,725</b>  |

# **LMS Capital plc**

## **Notes to the unaudited financial information**

### **1. Reporting entity**

LMS Capital plc (“the Company”) is a public limited company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England. These unaudited condensed interim 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 7 March 2006 and commenced operations on 9 June 2006 when it received the demerged investment division of London Merchant Securities.

### **2. Statement of compliance and basis of preparation**

These condensed interim financial statements have been prepared in accordance with IAS 34: ‘Interim Financial Reporting’. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2022 which were prepared in accordance with UK adopted International Financial Reporting Standards.

The financial information presented in these interim results has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial information in these interim results are primarily unchanged from those used in the Company’s financial statements for the year ended 31 December 2022 and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 December 2023.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 17 March 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The financial information for the periods ended 30 June 2022 and 30 June 2023 are unaudited and have not been reviewed by the Company’s auditors.

### **3. Estimates and management judgements**

The preparation of the unaudited condensed interim financial statements requires 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.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation were the same as those that applied to the Company financial statements as at and for the year ended 31 December 2022.

### **4. Financial risk management**

The Company’s financial risk management objectives and policy are consistent with those disclosed in the Company financial statements as at and for the year ended 31 December 2022.

**LMS Capital plc**  
**Notes to the unaudited financial information (continued)**

**5. Net losses on investments**

The losses on investments were as follows:

| Asset type                                       | Six months ended 30 June 2023 |                                    |                | Six months ended 30 June 2022 |                                    |                |
|--|-------------------------------|------------------------------------|----------------|-------------------------------|------------------------------------|----------------|
|  | Realised gains<br>£'000       | Unrealised gains/(losses)<br>£'000 | Total<br>£'000 | Realised gains<br>£'000       | Unrealised gains/(losses)<br>£'000 | Total<br>£'000 |
| Quoted   | -                             | 1                                  | 1              | -                             | (201)                              | (201)          |
| Unquoted   | 62                            | (864)                              | (802)          | 24                            | (1,123)                            | (1,099)        |
| Funds  | (9)                           | (339)                              | (348)          | -                             | 44                                 | 44             |
|  | <b>53</b>                     | <b>(1,202)</b>                     | <b>(1,149)</b> | 24                            | (1,280)                            | (1,256)        |
| Accrued interest income                          |                               |                                    | <b>654</b>     |                               |                                    | 598            |
|  |                               |                                    | <b>(495)</b>   |                               |                                    | (658)          |
| (Charge)/credit for incentive plans              |                               |                                    | <b>(11)</b>    |                               |                                    | 85             |
| Net (losses)/gains on foreign currency           |                               |                                    | <b>(128)</b>   |                               |                                    | 763            |
| Net operating and other expenses of subsidiaries |                               |                                    | <b>(82)</b>    |                               |                                    | (674)          |
|  |                               |                                    | <b>(716)</b>   |                               |                                    | (484)          |

**6. Loss per ordinary share**

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

|   | Six months ended  |              |
|---|-------------------|--------------|
|   | 30 June 2023      | 30 June 2022 |
| <b>Losses</b>   |                   |              |
| Losses for the purpose of net profit per share attributable to equity holders of the parent (£'000) | <b>(1,480)</b>    | (1,669)      |
| <b>Number of shares</b>   |                   |              |
| Weighted average number of ordinary shares for the purposes of basic loss per share                 | <b>80,727,450</b> | 80,727,450   |
| <b>Loss per share</b>   |                   |              |
| Basic   | <b>(1.8p)</b>     | (2.1p)       |
| Diluted   | <b>(1.8p)</b>     | (2.1p)       |

# LMS Capital plc

## Notes to the unaudited financial information (continued)

### 7. Dividends

Dividends declared during the period ending 30 June 2023 and 30 June 2022 are as follows.

|  | Dividend date      | Payment date        | Dividend<br>£'000 | Pence per<br>share |
|--|--------------------|---------------------|-------------------|--------------------|
| <b>Final dividend payment for 2022</b> | <b>26 May 2023</b> | <b>16 June 2023</b> | <b>505</b>        | <b>0.625</b>       |
| <b>Total as at 30 June 2023</b>        |                    |                     | <b>505</b>        | <b>0.625</b>       |
| Final dividend payment for 2021        | 27 May 2022        | 17 June 2022        | 505               | 0.625              |
| Total as at 30 June 2022               |                    |                     | 505               | 0.625              |

The Board has approved the interim dividend for the 2023 year of 0.3 pence per share to be paid on 12 September 2023.

### 8. Investments

The Company's investments comprised the following:

|                                      | 30 June<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--------------------------------------|--------------------------|------------------------------|
| Total investments                    | 67,487                   | 68,207                       |
| These comprise:                      |                          |                              |
| Investment portfolio of subsidiaries | 30,152                   | 30,964                       |
| Other net assets of subsidiaries     | 37,335                   | 37,243                       |
|                                      | 67,487                   | 68,207                       |

The carrying amounts of the investments of the Company's subsidiaries were as follows:

|  | 30 June<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|--------------------------|------------------------------|
| <b>Investments portfolio of subsidiaries</b> | <b>2023</b>              | <b>2022</b>                  |
| Asset type                                   | £'000                    | £'000                        |
| Quoted                                       | 161                      | 160                          |
| Unquoted                                     | 16,329                   | 16,771                       |
| Funds  | 13,662                   | 14,033                       |
| Investment portfolio of subsidiaries         | 30,152                   | 30,964                       |
| Other net assets of subsidiaries             | 37,335                   | 37,243                       |
|  | 67,487                   | 68,207                       |

**LMS Capital plc**  
**Notes to the unaudited financial information (continued)**

**8. Investments (continued)**

The movements in the investment portfolio were as follows:

|                                    | <b>Quoted<br/>securities<br/>£'000</b> | <b>Unquoted<br/>securities<br/>£'000</b> | <b>Funds<br/>£'000</b> | <b>Total<br/>£'000</b> |
|------------------------------------|--|--|------------------------|------------------------|
| Balance at 1 January 2022          | 383                                    | 16,626                                   | 13,929                 | 30,938                 |
| Accrued interest                   | -                                      | 1,274                                    | -                      | 1,274                  |
| Purchases                          | -                                      | 427                                      | -                      | 427                    |
| Proceeds from disposals            | (2)                                    | -  | -                      | (2)                    |
| Distributions from partnerships    | -                                      | (375)                                    | (56)                   | (431)                  |
| Contributions to partnerships      | -                                      | 80                                       | 52                     | 132                    |
| Fair value adjustments             | (221)                                  | (1,261)                                  | 108                    | (1,374)                |
| <b>Balance at 31 December 2022</b> | <b>160</b>                             | <b>16,771</b>                            | <b>14,033</b>          | <b>30,964</b>          |
| <br>                               |  |  |                        |                        |
| Balance at 1 January 2023          | <b>160</b>                             | <b>16,771</b>                            | <b>14,033</b>          | <b>30,964</b>          |
| Accrued interest                   | -                                      | <b>654</b>                               | -                      | <b>654</b>             |
| Distributions from partnerships    | -                                      | <b>(294)</b>                             | <b>(32)</b>            | <b>(326)</b>           |
| Contributions to partnerships      | -                                      | -  | <b>9</b>               | <b>9</b>               |
| Fair value adjustments             | <b>1</b>                               | <b>(802)</b>                             | <b>(348)</b>           | <b>(1,149)</b>         |
| <b>Balance at 30 June 2023</b>     | <b>161</b>                             | <b>16,329</b>                            | <b>13,662</b>          | <b>30,152</b>          |

The following table analyses investments carried at fair value at the end of the period, 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.

## LMS Capital plc

### Notes to the unaudited financial information (continued)

The significant unobservable inputs used at 30 June 2023 in measuring investments categorised as level 3 in this note are considered below:

- Unquoted securities (carrying value £16.3 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 5 times dependent on the business of each individual company, its performance and the sector in which it operates; and
  - revenue multiples in the range 0.5–1.5 times, also dependent on attributes at individual investment level.
- Investments in funds (carrying value £13.7 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 30 June 2023). The Company also carries out its own review of individual funds and their portfolios to satisfy ourselves that the underlying valuation bases are consistent with our basis of valuation and knowledge of the investments and the sectors in which they operate. However, the degree of detail on valuations varies significantly by fund and, in general, details of unobservable inputs used are not available.

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

The Company's investments are analysed as follows:

|         | <b>30 June</b> | <b>31 December</b> |
|---------|----------------|--------------------|
|         | <b>2023</b>    | <b>2022</b>        |
|         | <b>£'000</b>   | <b>£'000</b>       |
| Level 1 | -              | -                  |
| Level 2 | -              | -                  |
| Level 3 | <b>67,487</b>  | 68,207             |
|         | <b>67,487</b>  | 68,207             |

**LMS Capital plc**  
**Notes to the unaudited financial information (continued)**

**8. Investments (continued)**

The reconciliation between opening and closing balance of level 3 assets are presented in the table below:

|  | <b>30 June</b> | <b>31 December</b> |
|--|----------------|--------------------|
|  | <b>2023</b>    | <b>2022</b>        |
|  | <b>£'000</b>   | <b>£'000</b>       |
| Opening balance                          | 68,207         | 68,461             |
| Unrealised losses                        | (1,202)        | (1,397)            |
| Purchases, sales, issues and settlements | 482            | 1,143              |
| Closing balance                          | <b>67,487</b>  | 68,207             |

Level 3 amounts include £30,152,000 (2022: £30,964,000) relating to the investment portfolios of subsidiaries including quoted investments of £161,000 (2022: £160,000) and £37,335,000 (2022: £37,243,000) in relation to the other net assets of subsidiaries.

There were no transfers between levels during the period ending 30 June 2023.

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

|  | <b>30 June</b> | <b>31 December</b> |
|--|----------------|--------------------|
|  | <b>2023</b>    | <b>2022</b>        |
|  | <b>£'000</b>   | <b>£'000</b>       |
| Effect of 10% decrease in investment value | (6,700)        | (6,800)            |
| Effect of 10% increase in investment value | <b>6,700</b>   | 6,800              |

**9. Capital commitments**

|                                  | <b>30 June</b> | <b>31 December</b> |
|----------------------------------|----------------|--------------------|
|                                  | <b>2023</b>    | <b>2022</b>        |
|                                  | <b>£'000</b>   | <b>£'000</b>       |
| Outstanding commitments to funds | <b>2,656</b>   | 2,674              |
|                                  | <b>2,656</b>   | 2,674              |

The outstanding commitments to funds comprise of unpaid calls in respect of funds where a subsidiary of the Company is a Limited Partner.

As of 30 June 2023, the Company has no other contingencies or commitments to disclose (2022: £nil).

# LMS Capital plc

## Notes to the unaudited financial information (continued)

### 10. Related party transactions

The related parties of LMS Capital plc are its Directors.

The salaries paid to the Directors of the Company for the period was £240,412 (June 2022: £232,180).

During the period, the Company paid rent of £16,390 (June 2022: £8,195) to The Rayne Foundation. Robert Rayne is the Chairman of The Rayne Foundation.

As at 30 June 2023, the following Directors of the Company had the following interests in the issued shares of the Company:

| Shareholders | 30 June 2023<br>Number of Shares | 31 December 2022<br>Number of Shares |
|--------------|----------------------------------|--------------------------------------|
| R Rayne      | 2,670,124 Ordinary Shares        | 2,670,124 Ordinary Shares            |
| N Friedlos   | 161,410 Ordinary Shares          | 161,410 Ordinary Shares              |
| P Harvey     | 20,000 Ordinary Shares           | 20,000 Ordinary Shares               |
| G Stedman    | 20,000 Ordinary Shares           | 20,000 Ordinary Shares               |

### 11. Net asset value per share

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

|                                    | 30 June<br>2023 | 31 December<br>2022 |
|------------------------------------|-----------------|---------------------|
| Net asset value (£'000)            | 44,582          | 46,541              |
| Number of ordinary shares in issue | 80,727,450      | 80,727,450          |
| Net asset value per share (pence)  | 55.23           | 57.65               |

### 12. Subsequent Events

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



## **Statement of Directors' responsibilities**

The Directors listed on pages 30-31 of the Company's Annual Report for the period ended 31 December 2022 continued in office during the six months ended 30 June 2023.

We confirm that to the best of our knowledge:

- a the condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority; and
- b the interim management report includes a fair review of the information required by:
  - i DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - ii DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

**Nicholas Friedlos**

**Director**

**1 August 2023**