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LMS Capital PLC
19 March 2024

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19 March 2024

LMS CAPITAL PLC
Final Results for the Year Ended 31 December 2023

The Board of LMS Capital plc (the "Company") is pleased to announce the Company's audited annual results for the year ended 31 December 2023.

Financial Summary

	31 December 2023	**31 December 2022**
Net asset value	£42.1m	£46.5m
Cash available at year end	£15.5m	£17.9m
Portfolio losses	(£1.4m)	£-m
Net running costs	£1.8m	£1.7m
Net asset value per share (p)	52.2p	57.7p
Dividends paid per share (p)	0.925p	0.925p
Dividends declared/recommended by Board (p)	0.925p	0.925p

2023 key points

Net Asset Value

- The net asset value ("NAV") at 31 December 2023 was £42.1 million, 52.2 pence per share (31 December 2022: £46.5 million, 57.7 pence per share).
- Adjusting for the impact of dividends to shareholders, the NAV over the year decreased by a net £3.7 million, or 7.9%.
- The portfolio net decrease comprises:
  - o Unrealised foreign exchange losses £1.2 million;
  - o Unrealised loss on revaluation of Brockton Fund 1 £3.5 million; partly offset by
  - o Realised gain on sale of Medhost £1.4 million;
  - o Accrued interest income on Dacian £1.4 million; and
  - o Net unrealised gains on other assets £0.5 million.
- We reported good progress on two fronts in December:
  - o Our real estate activity in the retirement living sector has enabled us to make our first investment - Castle View Retirement Village, Windsor ("Castle View") - which we see as a foundation for further investment in the sector;
  - o The sale of Medhost represents a material realisation from our mature asset portfolio, generating $7.0 million cash in 2023, and a deferred payment of $1.7 million with a coupon of 11.25% due in December 2024. This produced a gain on the sale of £1.4 million which after accounting for foreign exchange movements resulted in a net gain of £1.1 million
- Portfolio performance:
  - o Positives in the portfolio were the Medhost realisation and an increase in the Elateral value;
  - o Dacian experienced production difficulties during the year which meant performance fell short of its budget, but it continued to service its third party loan note obligations, and the Board

expects the debt obligations to its investors, including LMS, to be met.

  - o Overall performance was impacted materially by the £3.5 million reduction in value of the Company's holding in Brockton Fund 1. The fund's remaining investment is a debt participation in a "Super Prime" residential development in Mayfair, London. The scheme is complete and has achieved sales but in January 2024 the senior lenders to the scheme appointed receivers. Brockton continue to expect that the scheme will produce a return for Brockton Fund 1 investors, including LMS and we will keep the position under review.

Dividends

- A final dividend of 0.625 pence per share in respect of the year ending 31 December 2022 was paid in June 2023, and an interim dividend of 0.3 pence per share for the half year ending 30 June 2023 was paid in September 2023. A final dividend for the year ending 31 December 2023 of 0.625 pence per share is recommended by the Board and will be proposed for approval by shareholders at the Annual General Meeting.

Net Running Costs

- Net Running costs, including those incurred by subsidiaries, were £1.8 million (2022: £1.7 million) and there were an additional £1.0 million (2022: £0.4 million) of investment related costs, including £0.6 million acquisition costs relating to Castle View.

Cash balances

- Group cash balances at the year-end, including amounts held by subsidiaries, were £15.5 million, representing 19.2 pence per share and 36.7% of the NAV (2022: £17.9 million and 22.2 pence per share and 38.5% of the NAV). The Company has no external debt.

Robert Rayne, Chairman, commented:

"The company had a strong end to the year with the realisation of Medhost and the completion of our first investment in the retirement living sector, although the write down on Brockton is disappointing.

While we continue to nurture and support all of our investments we see our real estate activities, particularly in retirement living, as being a key area of focus over the next period in establishing a portfolio which can deliver our long-term goal. In particular we will be focussed on identifying additional investment opportunities and funding partners with whom to develop our investment platform in the retirement living sector. I look forward to reporting further progress across our portfolio during 2024."

For further information please contact:

LMS Capital plc
Nick Friedlos, Managing Director
0207 935 3555

Chairman and Managing Director's Report

We are pleased to report our results for the year ended 31 December 2023.

- The 31 December 2023 NAV is £42.1 million and compares with NAV at the prior year end, 31 December 2022 of £46.5 million. Adjusting for £0.7 million dividends paid during the year, the NAV has decreased by a net £3.7 million, 7.9%, during the year.
- There was good progress on two fronts in December:
  - o Our real estate activity in the retirement living sector has enabled us to make our first investment - Castle View Retirement Village, Windsor ("Castle View") - which we see as a foundation for further investment in the sector;
  - o The sale of Medhost represents a material realisation from our mature asset portfolio, generating $7.0 million cash in 2023, and a deferred payment of $1.7 million with a coupon of 11.25% due in December 2024. After accounting for foreign exchange differences, this produces a net gain of £1.1 million.
- A significant contributor to the net decrease was the £3.5 million reduction in valuation of the Company's interest in Brockton Fund 1, of which the only remaining asset is loan participation in a high-end residential development in Mayfair, London. This reduction reflects the risks for the development in the current market and, following the news on 26 January 2024 that the senior lender to the scheme had appointed a receiver, an allowance for the costs of the receivership process and potential disruption to sales. Brockton continues to expect that the scheme will generate a return for LMS and we will keep the situation under review.
- Notwithstanding the £6.1 million investment in Castle View and with the Medhost proceeds, cash at the year end was £15.5 million. (2022: £17.9 Million).
- Dividend - a final dividend of 0.625 pence per share for the year ended 31 December 2023 is recommended by the Board.

Real estate - retirement living: NAV £6.1 million (7.6 pence per share)

Our real estate activities in 2022 and 2023 have been focussed on identifying opportunities to invest in specialist use real estate in the retirement living sector. During this time, we have developed our knowledge and understanding and evaluated potential acquisition opportunities.

The sector offers the opportunity for growth and allows us to deploy our real estate investment expertise.

- Underlying demand is driven by demographics in the UK. The number of 75+ year old households is expected to increase by 77% in the 25 years from 2018 to 2043;
- The older population owns in excess of 40% of housing equity which can be released to finance retirement options and also free up stock for the wider family housing market;
- The market is undersupplied, with relatively few developers or operators of scale and an increasing interest from institutional capital.

The investment in Castle View shortly before the end of the year, represents the first step in developing an investment platform focussed on retirement living.

There are a variety of business models in the sector. Our goal is initially to establish an investment platform based around Integrated Retirement Communities ("IRC"), in which residents live independently in their own self-contained home, with access to communal facilities and amenities and the availability of optional support and care services, if needed.

Consideration will be given both to investment in development sites as well as in established businesses.

The business is capital intensive but has the capability to generate long-term income streams for investors. Our objective during 2024 is to identify further investment opportunities alongside funding partners, to develop the investment platform.

Mature portfolio -NAV £11.3 million (14.0 pence per share)

Medhost

We had positive news on progress in the realisation of the mature portfolio, with the sale in December 2023, of Medhost, in which LMS had a co investment of 9.4%. The sale produced total proceeds for LMS of $8.7 million (£6.8 million) of which $7.0 million (£5.5 million) was received in cash before the year end and a deferred payment of $1.7 million (£1.3 million) with a coupon of 11.25% is due in December 2024. After accounting for foreign exchange differences, this produces a net gain of £1.1 million.

This was a minority investment, in which LMS did not have a board seat, but LMS nonetheless maintained a dialogue with the Medhost management and the lead fund manager encouraging the push towards an exit and so it is gratifying that this has now been achieved.

Other mature assets

Following the Medhost sale and the reduction in valuation of Brockton, the mature portfolio is reduced to £11.3 million, all of which originates from the Company's strategy pre-2012. The portfolio largely comprises positions managed by third-party managers where the Company is not able to control or direct decision making. 92.9% of the mature portfolio is held in four investments.

The Board balances the goals of optimising realisation value of these investments and achieving liquidity within an acceptable time frame. The Board keeps under review progress by the third-party managers towards realisation and monitors opportunities to accelerate realisation of the Company's holdings in the secondary markets.

Energy - Dacian: NAV £11.0 million (13.6 pence per share)

Although underwritten in August 2020, completion of this investment only occurred, following local Romanian regulatory approvals, in November 2021. The year just ended therefore represents the second full year of operation.

The business was financed at the outset with some $14.0 million of seven-year high-coupon loan notes from investors (of which LMS was the lead investor, investing $9.1 million) and an additional $6.0 million of third-party three-year loan notes provided via the vendor and which are required to be serviced in preference to the investor loan notes.

The investor loan notes also carried with them, for nominal consideration, 50% of the equity of the business. Dividends can only be paid on the shares once the investor loan notes and accrued interest have been paid in full.

The business was budgeted to generate sufficient cash in 2023 to meet its service obligations on the third-party loan notes and also to start servicing the investor notes. Actual performance in 2023 has been below budget due to a significant engineering problem which disrupted gas production in Q2 and Q3 leading to lost revenue. Unaudited revenue, stated net of applicable royalties and taxes, for 2023 was $19.1 million (2022: $21.6 million) and EBITDA was $2.7 million (2022: $4.5 million).

The business has continued to service the third-party loan notes - which should be fully repaid by November 2024, but has not generated cash this year to service the investor notes.

Notwithstanding the difficulties of 2023, the Board expects the loan notes to be serviced in full. At present no value is given to the equity in the accounts.

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Net Asset Value ("NAV") overview

The NAV of the Company at 31 December 2023 was £42.1million, 52.2 pence per share (31 December 2022: £46.5 million, 57.7 pence per share). The balance sheet at the year end can be summarised as follows:

	31 December	
	2023	**2022**
	£'m	**£'m**
Mature assets	**11.3**	20.8
Real estate - Retirement Living	**6.1**	-
Energy - Dacian	**11.0**	10.1
Debtor - Medhost deferred consideration	**1.7**	-
Cash	**15.5**	17.9
Other net liabilities / provisions	**(3.5)**	(2.3)
	42.1	46.5

This represents a decrease of £4.4 million on the prior year and comprises:

- dividends paid of £0.7 million;
- £3.5 million decrease in valuation of Brockton Fund 1
- net increase on other portfolio investments, including realised and unrealised amounts, of £0.7 million;
- increase of £1.4 million being accrued interest on Dacian;
- other net reductions of £2.3 million, comprising:
  - £0.7 million of interest income;
  - £1.8 million for running costs;
  - £0.4 million of investment costs principally associated with developing real estate deal opportunities;
  - £0.6 million of one off transaction costs; and
  - Taxation of £0.2 million, foreign exchange losses on non-portfolio assets of £0.1 million and other net income of £0.1 million.

After adjusting for the 0.925 pence per share distributed as dividends during 2023, the NAV has shown a decrease on the year of 7.9%.

Mature Assets
This portfolio showed overall a net reduction in the year of £2.8 million, made up of

- £1.2 million unrealised foreign exchange losses on US dollar denominated investments, reflecting appreciation of sterling against the US dollar during the year of 5.2%;
- £1.4 million realised gain on the sale of Medhost;
- £3.5 million unrealised loss on Brockton Fund 1 investments; and
- £0.5 million unrealised gains on other mature assets.

Medhost: *Realised gain £1.4 million* - As discussed above, Medhost was realised shortly before the year end. Cash consideration of $7.0 million was received in December and a further $1.7 million is payable under a loan note due December 2024.

Brockton Fund 1: *Unrealised loss £3.5 million* - Brockton Fund 1's remaining investment is its participation in a "Super Prime" Mayfair residential development. In reporting the Q3 NAV estimate, we reduced the valuation of our share of the fund by £1.1 million to reflect the risk of slower sales and higher interest costs in current market conditions. Following the decision in January 2024 of the senior lender to the development to appoint a receiver, we have made a further £2.4 million reduction in carrying value as at 31 December 2023.

- The 32 apartments in the scheme were completed in May 2023 and whilst prices on apartments sold to date have been good, the pace of sale has been slower than anticipated;
- Brockton's current expectation is that all parties involved will continue to pursue an orderly sale of the remaining apartments and that there will ultimately be proceeds available to fund investors. We have taken the view that at this stage, given the difficulty in estimating the likely outcome, that it is prudent to reduce the valuation to allow for the costs of the receivership process and any potential disruption to the sale process;
- We will keep the position under review during 2024.

Other Mature assets portfolio: *Unrealised gains £0.5 million*
Net underlying gains were £0.5 million, the principal elements of which were:

- Elateral **-** Unrealised gain £1.1 million, reflecting the improved financial performance, and progress in sales and marketing strategy**;**
- GW 2001 Fund - Unrealised gain £0.2 million**,** reflecting market movements in the fund's portfolio of micro-cap US companies;
- Opus Capital Venture Partners - Unrealised loss £0.9 million, reflecting reductions in the quoted market comparable companies for the fund's two principal remaining investments; and
- Other investments **-** Unrealised net gains £0.1 million.

Dacian
Interest for the year of £1.4 million is payable on the Company's loan investment in Dacian and has been accrued.

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

LMS's $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's share of equity is 32%. The balance of the equity is held by LMS's co-investors, 18%, and management 50%. Distributions to equity can only occur once the senior loan notes and accrued coupon are fully repaid.

Interest accrued from the time of the investment to date on the loan amounts to £3.8 million, against which £0.4 million of withholding tax has been recognised in the accounts.

Running Costs
Running costs, net of Dacian fee income, for the year were £1.8 million. Steps have been taken to make savings across a number of back office functions which are budgeted to result in reductions in 2024.

Investment Costs
Investment costs of £1.0 million include the cost of the advisory group we have assembled to help develop our presence in the retirement living sector, and professional costs associated with evaluating and investigating potential site and business acquisitions. The most significant element of cost in 2023 being the acquisition costs of Castle View.

Real estate - Castle View: 31 December 2023 NAV £6.1 million
The Company, through its wholly owned subsidiaries, completed its investment in Castle View on 20 December 2023. The investment was structured as an investment in the group of companies ("Castle View Group") which own the asset. Castle View comprises a development of 64 self-contained one and two bedroom apartments close to Windsor town centre, completed in 2018. Communal facilities include 24 hour reception, library, lounges, roof terrace, bars, private dining room and a restaurant facility.

Residents acquire individual apartments on 250 year leases and pay an annual service charge, which covers the day to day running of the scheme, plus a deferred fee on resale of an apartment. Of the 64 apartments, 49 have been sold and 15 remain to be sold.

The value of the Castle View Group, on a debt free and cash free basis was £11.9 million. LMS invested £6.1 million and the balance of the price was funded by a loan of £5.8 million from Terido (part of Octopus Group). Castle View Group owns the Castle View freehold, including the unsold apartments, employs the team responsible for running the village and holds the right to receive the service charge fees and deferred fees in the future. The loan is repayable over three years from the proceeds of sale of the remaining 15 unsold apartments.

Castle View generates investment returns in two ways:

Sale of 15 unsold apartments
- Construction was completed at the end of October 2018 and in the year from November 2018 to November 2019, 19 apartments were sold. The pandemic and lockdowns in 2020 and 2021 impacted the rate of sales, but rates have increased again in 2022 and 2023;
- Sales rates for new developments in the sector are recognised to be slower than rates for regular market new build apartments and houses. We have taken a conservative view of sales rates for the remaining apartments in evaluating the investment but expect to maintain or improve upon the historic rates;
- Under the current financing structure of Castle View proceeds from apartment sales will first be used to pay down the Terido loan, as noted above.

Deferred fees on resale of apartments
- The deferred fees are payable to Castle View, by the vendor, out of the proceeds of resale as and when an apartment is resold. The level of deferred fee depends on length of ownership starting at 4% and increasing to a maximum of 20% from the beginning of the fifth year of ownership. The deferred fee is designed to recover the costs of constructing the communal facilities, to cover their ongoing maintenance and updating and to provide a return on the capital invested;
- The timing and amount of the investment return from the deferred fees will depend on the actual timing and value of resales and will inevitably be uneven year to year. The average period of ownership in independent retirement communities such as Castle View is eight years. Once village occupancy is stabilised, meaning all units are sold and the pattern of occupancy established, on average, approximately 12.5% of the scheme would be expected to be resold each year. Allowing for the time for the village to achieve stabilised occupancy the base case investment appraisal model shows overall income returns in excess of 11%.

Liquidity - Cash less other net liabilities
Cash
Cash balances in the Company and its subsidiaries at 31 December 2023 were £15.5 million (31 December 2022: £17.9 million). Net outflows were £2.4 million (31 December 2022: £2.2 million).

Net liabilities
Net liabilities in the Company and its subsidiaries of £3.5 million (31 December 2022: £2.3 million) consist primarily of deferred consideration payable on the Castle View acquisition, accruals for income taxes, historic carried interest liabilities for one remaining asset and other sundry costs.

DIVIDEND POLICY
The Company paid £0.7 million in dividends during the year comprising a final dividend for the year ended 31 December 2022 of 0.625 pence per share, paid on 23 June 2023 and an interim dividend for

the year ended 31 December 2023 of 0.3 pence per share paid on 12 September 2023.

A final dividend of 0.625 pence per share for the year ended 31 December 2023 is recommended by the Board. Subject to approval by shareholders at the AGM in May 2024, the dividend will be paid to shareholders in early June 2024.

The dividend policy laid out by the Board in 2020 was to pay a dividend in respect of each financial year equal to approximately 1.5% of the closing NAV for that year. The proposed dividend for 2023 will amount to approximately 1.8% 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 recommended to continue the dividend at the current amount.

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.

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.

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 its knowledge and experience of particular sectors and its access to teams and opportunities within those sectors. The principal areas of focus have been real estate and energy.

We see our real estate activities, particularly in retirement living as being a key area of focus over the next period in establishing a portfolio which can deliver our long-term goal. In particular we will be focussed on identifying additional investment opportunities and funding partners with whom to develop our investment platform in the retirement living sector.

We will continue to nurture and support our other investments.

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 2024.

Robert Rayne
Chairman

Nicholas Friedlos
Managing Director

PORTFOLIO MANAGEMENT REVIEW
Market background
Sterling had its best year against the US dollar since 2017. Having begun the year at $1.21, the pound hit 15-month highs in July of more than $1.31 as investors bet that UK interest rates could rise as high as 6.5%.
But sterling then fell back through the autumn, as UK inflation eased and the City began to conclude that monetary policy would not need to be quite so restrictive.

With inflation now down to 4.0% (CPI December 2023), and UK interest rates probably at their peak at 5.25%, the pound ended the year at about $1.27.

Oil has had a volatile year, with prices both pushed down by fears of a global downturn and lifted by concerns that geopolitical tensions would hurt supply.

The price of crude ended the year down by about 10%, despite the Opec cartel's best efforts to prop up prices by cutting production. Having started January at $86 a barrel, Brent crude finished the year about 10% lower, at $77.50.

Domestically, the outlook for 2024 looks more positive. Interest rates are expected to begin to be cut and inflation continues to fall.

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

Performance review

The movement in NAV during the year was as follows:	**2023 £'000**	2022 £'000
Opening NAV	**46,541**	49,109
Net realised and unrealised reductions on investments	**(2,761)**	(1,305)
Investment interest income (Dacian)	**1,374**	1,274
Advisory fee income	**160**	165

Advisory fee income	**[illegible]**	[illegible]
Dividends	**(747)**	(747)
Overheads and other net movements	**(2,426)**	(1,955)
Closing NAV	**42,141**	46,541

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

	Year ended 31 December	
	2023	2022
	£'000	£'000
Proceeds from the sale of investments	**5,770**	2
Proceeds from redemption of convertible debt	**88**	-
Proceeds from redemption of preference shares	**-**	336
Distributions from funds and loan repayments	**62**	97
Total - gross cash realisations	**5,920**	435
New and follow-on investments	**-**	(428)
Fund calls	**-**	(41)
Total - net	**5,920**	(34)

Realisations of £5.9 million in 2023 include:

- cash proceeds of £5.5 million from the sale of Medhost;
- Proceeds from the sale of ICU of £0.2 million: and
- Other realisations of £0.2 million.

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					
	2023			2022		
Mature investment portfolio	**GBP denominated £'000**	**USD denominated £'000**	**Total £'000**	GBP denominated £'000	USD denominated £'000	Total £'000
Quoted	**107**	**38**	**145**	121	39	160
Unquoted	**1,680**	**37**	**1,717**	681	5,945	6,626
Funds	**3,139**	**6,330**	**9,469**	6,676	7,357	14,033
	4,926	**6,405**	**11,331**	7,478	13,341	20,819
Other investments						
Castle View	**6,130**	**-**	**6,130**	-	-	-
Dacian	**-**	**10.989**	**10,989**	-	10,145	10,145
	6,130	**10,989**	**17,119**	-	10,145	10,145
Total investments	**11,056**	**17,394**	**28,450**	7,478	23,486	30,964

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 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 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.

Performance of the investment portfolio

The return on investments for the year ended 31 December 2023 was as follows:

	Year ended 31 December					
	2023			2022		
	Realised	**Unrealised**		Realised	Unrealised	

Asset type	**gains/ (losses) £'000**	**gains/ (losses) £'000**	**Total £'000**	gains/ (losses) £'000	gains/ (losses) £'000	Total £'000
Quoted	**(10)**	**-**	**(10)**	(1)	(220)	(221)
Unquoted	**1,498**	**366**	**1,864**	24	(1,285)	(1,261)
Funds	**(9)**	**(4,509)**	**(4,518)**	-	108	108
	1,479	**(4,143)**	**(2,664)**	23	(1,397)	(1,374)
(Charge)/credit for incentive plans			**(100)**			69
			(2,764)			(1,305)
Operating and similar (loss)/income of subsidiaries			**(44,500)**			1,081
			(47,264)			(224)

The Company historically operated carried interest arrangements in line with normal practice in the private equity industry. These arrangements have been in run-off since 2012 and only one investment, Medhost, remains subject to the arrangements. Following the sale of Medhost a payment will be due based on the cash consideration received, and a further payment will be due following receipt of the final part of the proceeds in December 2024.The credit for incentive plans for the Company is £3,000 and for subsidiaries a charge of £103,000 for carried interest and other incentives relating to historic arrangements. The charge for carried interest incentive plan is included in the net movement on investments in the Income Statement.

Approximately 61% of the portfolio at 31 December 2023 is denominated in US dollars (31 December 2022: 76%) and the above table includes the impact of currency movements. In the year ended 31 December 2023, the strengthening of sterling against the US dollar over the year as a whole resulted in an unrealised foreign currency loss of £1.14 million (2022: unrealised gain of £2.74 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**	**2023 £'000**	2022 £'000
Tialis Essential IT plc	UK technology	**107**	121
Arsenal Digital Holdings Inc	US energy	**10**	13
Others	-	**28**	26
		145	160

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

	Year ended 31 December	
Gains/(losses), net	**2023 £'000**	2022 £'000
Realised		
Weatherford International Inc	**(8)**	-
Evolving Systems Inc	**(2)**	-
Tialis Essential IT plc	**-**	(1)
	(10)	(1)
Unrealised		
Tialis Essential IT plc	**(13)**	(94)
Arsenal Digital Holdings Inc	**(4)**	(135)
Other quoted holdings	**17**	(2)
Unrealised foreign currency gains / (losses)	**-**	11
	-	(220)
Total net losses	**(10)**	(221)

Unquoted investments

		31 December	
Company	**Sector**	**2023 £'000**	2022 £'000
Dacian	EU energy	**10,989**	10,145
Castle View	UK retirement living	**6,130**	-
Medhost Inc	US technology	**-**	5,673
Elateral	UK technology	**1,680**	599
ICU Eyewear	US consumer	**-**	232
Tialis loan notes	UK technology	**-**	82
Cresco	US consumer	**37**	40
		18,836	16,771

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

Year ended 31 December	
2023	2022

Gains/(losses), net	**2023** **£'000**	2022 £'000
Realised		
Medhost Inc	**1,432**	24
Updata	**86**	-
ICU Eyewear	**62**	-
	1,580	24
Unrealised		
Tialis loan notes	**6**	(25)
Elateral	**1,081**	(645)
Medhost Inc	**-**	(691)
ICU Eyewear	**-**	(1,778)
Unrealised foreign currency (losses)/gains	**(803)**	1,854
	284	(1,285)
Total net gains/(losses)	**1,864**	(1,261)

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.

Fund interests

		31 December	
		2023	2022
General partner	**Sector**	**£'000**	£'000
Brockton Capital Fund 1	UK real estate	**2,526**	6,036
Opus Capital Venture Partners	US venture capital	**4,142**	5,275
Weber Capital Partners	US micro-cap quoted stocks	**2,180**	2,046
EMAC ILF	EU	**330**	341
Simmons	UK	**283**	262
Eden Ventures	UK venture capital	**-**	37
Other interests	-	**8**	36
		9,469	14,033

The net gains on the Company's fund portfolio for the year ended 31 December 2023 were as follows:

	Year ended 31 December	
	2023	2022
Gains/(losses), net	**£'000**	£'000
Realised		
San Francisco Equity Partners	**(9)**	-
	(9)	-
Unrealised		
Opus Capital Venture Partners	**(896)**	755
Brockton Capital Fund I	**(3,510)**	458
Primus Capital Fund V	**(3)**	(7)
San Francisco Equity Partners	**-**	(103)
Simmons Parallel Energy	**27**	(144)
EMAC Illyrian Land Fund II	**(5)**	(419)
Eden Ventures	**(5)**	(457)
Weber Capital Partners Fund 1	**222**	(855)
Unrealised foreign currency (losses)/gains	**(339)**	880
	(4,509)	108
Total net gains	**(4,518)**	108

Costs

Running costs for the year were £1.8 million (2022: £1.7 million) and investment related costs being support costs for real estate and co-investment activities, were £1.0 million (2022: £0.4 million) which includes £0.6 million of acquisition costs in relation to the Castle View investment.

Taxation

The Group tax provision for the year, all of which arose in the subsidiaries, is £0.2 million (2022: £0.4 million). This includes £0.2 million of withholding tax on our foreign sourced income.

Financial Resources and Commitments

At 31 December 2023 cash holdings, including cash in subsidiaries, were £15.5 million (31 December 2022: £17.9 million) and neither the Company nor any of its subsidiaries had any external debt in either 2023 or 2022.

At 31 December 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

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.

accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Financial Statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

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

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

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

Website publication

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

For and on behalf of the Board.

Robert Rayne
Chairman

Company Income Statement

For the year ended 31 December 2023

		Year ended 31 December	
		2023	**2022**
	Notes	**£'000**	**£'000**
Net loss on investments	2	**(47,264)**	(224)
Interest income	3	**608**	189
Other income		**120**	107
Dividend income	2	**45,000**	-
Total gain on investments		**(1,536)**	72
Operating expenses	4	**(2,196)**	(1,946)
Loss before tax		**(3,732)**	(1,874)
Taxation	7	**-**	-
Loss for the year		**(3,732)**	(1,874)
Attributable to:			
Equity shareholders		**(3,732)**	(1,874)
Loss per ordinary share - basic	8	**(4.6)p**	(2.3)p
Loss per ordinary share - diluted	8	**(4.6)p**	(2.3)p

All activities of the Company are classed as continuing.

Company Statement of Other Comprehensive Income

For the year ended 31 December 2023

	Year ended 31 December	
	2023	**2022**
	£'000	**£'000**
Loss for the year	**(3,732)**	(1,874)
Total comprehensive loss for the year	**(3,732)**	(1,874)
Attributable to:		
Equity shareholders	**(3,732)**	(1,874)

Company Statement of Financial Position

As at 31 December 2023

		31 December	
		2023	**2022**
	Notes	**£'000**	**£'000**
Assets			
Non-current assets			
Right-of-use assets	18	**42**	70
Investments	10	**20,854**	68,207
Amounts receivable from subsidiaries	13	**15,014**	5,158
Total non-current assets		**35,910**	73,435
Current assets			
Operating and other receivables	11	**135**	71
Cash	12	**9,027**	14,542
Total current assets		**9,162**	14,613
Total assets		**45,072**	88,048
Liabilities			
Current liabilities			
Operating and other payables	14	**(422)**	(428)
Amounts payable to subsidiaries	15	**(2,493)**	(41,032)
Total current liabilities		**(2,915)**	(41,460)
Non-current liabilities			
Lease liabilities	14	**(16)**	(47)
Total non-current liabilities		**(16)**	(47)
Total liabilities		**(2,931)**	(41,507)
Net assets		**42,141**	46,541
Equity			
Share capital	16	**8,073**	8,073
Share premium		**508**	508
Capital redemption reserve		**24,949**	24,949
Share-based equity	17	**207**	128
Retained earnings		**8,404**	12,883
Total equity shareholders' funds		**42,141**	46,541
Net asset value per ordinary share	24	**52.20p**	57.65p

Company Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Share-based equity £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2022	**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**
Comprehensive income for the year						
Loss for the year	**-**	**-**	**-**	**-**	**(3,732)**	**(3,732)**
Equity after total comprehensive income for the year	**8,073**	**508**	**24,949**	**128**	**9,151**	**42,809**
Contributions by and distributions to shareholders						
Share-based payments	**-**	**-**	**-**	**79**	**-**	**79**
Dividends	**-**	**-**	**-**	**-**	**(747)**	**(747)**
As at 31 December 2023	**8,073**	**508**	**24,949**	**207**	**8,404**	**42,141**

Company Cash Flow Statement

For the year ended 31 December 2023

		Year ended 31 December	
		2023	**2022**
	Notes	**£'000**	**£'000**
Cash flows from operating activities			
Loss before tax		**(3,732)**	(1,874)
Adjustments for non-cash income and expense:			
Equity settled share-based payments	17	**79**	53
Depreciation on right-of-use assets	18	**28**	27
Interest expense on lease	18	**4**	6
Losses on investments	2	**47,264**	224
Interest income	3	**(608)**	(189)
Other income		**(120)**	(107)
Dividend income	2	**(45,000)**	-
Adjustments to incentives plans	2	**3**	30
Exchange losses/(gains) on cash balances		**17**	(71)
		(2,065)	(1,901)
Change in operating assets and liabilities			
(Increase)/decrease in operating and other receivables		**(53)**	16
(Increase)/decrease in operating and other payables		**(8)**	34
(Increase)/decrease in amounts receivable from subsidiaries		**(9,856)**	33
Increase in amounts payable to subsidiaries		**6,460**	2,292
Net cash (used in)/from operating activities		**(5,522)**	474

Cash flows from investing activities			
Interest received	3	**598**	152
Other income received		**120**	107
Proceeds from sale of investments		**86**	-
Net cash from investing activities		**804**	259
Cash flows from financing activities			
Dividends paid	9	**(747)**	(747)
Repayment of principal lease liabilities	18	**(29)**	(27)
Repayment of lease interest	18	**(4)**	(6)
Net cash used in financing activities		**(780)**	(780)
Net decrease in cash		**(5,498)**	(47)
Exchange (losses)/gains on cash balances		**(17)**	71
Cash at the beginning of the year	12	**14,542**	14,518
Cash at the end of the year		**9,027**	14,542

Notes to the Financial Statements

1. Material 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 2023 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 11 to 18 and in the Portfolio Management Review on pages 19 to 23. 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 that 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 11 to 18 and the Portfolio Management Review on pages 19 to 23. 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 2023, 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 2023 which have been adopted for the first time by the Company:

- Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 - Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2023 that have had a material effect on the Company's Financial Statements.

New accounting standards, amendments and interpretations not yet effective, and which have not been early adopted
Other standards and amendments that are effective for subsequent reporting periods beginning on or after 1 January 2024 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 (effective 1 January 2024).
- 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.

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

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

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

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

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

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

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

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

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

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.

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 2023.

Funds

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

Carried interest

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

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

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

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

A loss allowance for full lifetime expected credit losses is required for intercompany receivables and other receivables if the credit risk has increased significantly since initial recognition.
Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the expected credit losses decrease.

Cash
Cash comprises cash on hand and demand deposits.

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					
	2023			**2022**		
Investment portfolio of the Company	**Realised**	**Unrealised**	**Total**	**Realised**	**Unrealised**	**Total**
Asset type	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Unquoted	**86**	**-**	**86**	-	-	-
	86	**-**	**86**	-	-	-
Credit for incentive plans			**3**			30
			89			30

Investment portfolio of subsidiaries						
Asset type						
Quoted	**(10)**	**-**	**(10)**	(1)	(220)	(221)
Unquoted	**1,412**	**366**	**1,778**	24	(1,285)	(1,261)
Funds	**(9)**	**(4,509)**	**(4,518)**	-	108	108
	1,393	**(4,143)**	**(2,750)**	23	(1,397)	(1,374)
Total	**1,479**	**(4,143)**	**(2,661)**	23	(1,397)	(1,344)
(Charge)/credit for incentive plans			**(103)**			39
			(2,764)			(1,305)
Operating and similar (loss)/income of subsidiaries*			**(44,500)**			1,081
			(47,264)			(224)

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

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

The Company operates carried interest arrangements in line with normal practice in the private equity industry. The credit for incentive plans for the Company is £3,000 (2022: £30,000) and other incentives relating to historic arrangements. The charge for subsidiaries is included in the net gains/ losses on investments in the Income Statement.

3. Interest income

	Year ended 31 December	
	2023	**2022**
	£'000	**£'000**
Bank interest	**608**	189
	608	189

4. Operating expenses

Operating expenses comprise administrative expenses and include the following:

	Year ended 31 December	
	2023	**2022**
	£'000	**£'000**
Directors' remuneration (note 5)	**832**	726
Staff expenses (note 6)	**467**	462
Depreciation on right-of-use assets	**28**	27
Other administrative expenses	**761**	670
Foreign currency exchange differences	**17**	(24)
Auditor's remuneration		
Fees to Company auditor	**91**	85
- parent company	***91***	*67*
- interim review for LMS Capital plc	***-***	*18*
	2,196	1,946

Audit fees for the subsidiaries of £73,000 (2022: £103,700) were directly charged to subsidiaries.

5. Directors' Remuneration

	Year ended 31 December	
	2023	**2022**
	£'000	**£'000**
Directors' remuneration	**657**	584
Directors' social security contributions	**86**	77
Share-based payments	**59**	39
Directors' other benefits	**30**	26
	832	726

The highest paid Director was Nicholas Friedlos (2022 - Nicholas Friedlos)	**442**	367

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

6. Staff Expenses

	Year ended 31 December	
	2023	**2022**
	£'000	**£'000**
Wages and salaries	**366**	378
Employers' social security contributions	**50**	54
Share-based payments	**20**	13
Pension costs	**23**	11
Employees' other benefits	**8**	6
	467	462

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

The average number of staff was as follows:

	2023	**2022**
Directors	**5**	5
Staff	**4**	4
Total	**9**	9

7. Taxation

	Year ended 31 December	
	2023	**2022**
	£'000	**£'000**
Current tax expense		
Current year	**-**	-
Total tax expense	**-**	-

Reconciliation of tax expense	**Year ended 31 December**	
	2023	**2022**
	£'000	**£'000**
Loss before tax	**(3,732)**	(1,874)
Corporation tax using the Company's domestic tax rate - 23.5% (2022: 19%)	**(877)**	(356)
Expenses not deductible / non-taxable income	**534**	47
Capital allowances	**53**	(3)
Company relief	**(91)**	476
Deferred tax asset not recognised	**56**	85
Group relief surrendered / (received)	**325**	(249)
Total tax expense	**-**	-

As at year end, there are cumulative potential deferred tax assets of £2.516 million (2022: £2.377 million) in relation to the Company's cumulative tax losses of £10.064 million (2022: £9.510 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.

8. Loss 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	
	2023	**2022**
	£'000	**£'000**
Loss		
Loss for the purposes of loss per share being net loss attributable to equity holders of the parent	**(3,732)**	(1,874)
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**80,727,450**	80,727,450

Loss per share	Pence	Pence
Basic	**(4.6)**	(2.3)
Diluted	**(4.6)**	(2.3)

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

9. Dividends paid

Dividends declared during the year ending 31 December 2023 are as follows.

	Dividend date	Payment Date	Dividend £'000	Dividend per share pence
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**
Final dividend payment for 2022	26 May 2023	23 June 2023	**505**	**0.6250**
Interim dividend payment for 2023	11 August 2023	12 September 2023	**242**	**0.3000**
Total as at 31 December 2023			**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 15 May 2024, will be paid out in early June 2024.

10. Investments

The Company's investments comprised the following:

	Year ended 31 December	
	2023	**2022**
	£'000	**£'000**
Total investments	**20,854**	68,207
These comprise:		
Investment portfolio of subsidiaries	**28,450**	30,964
Other net (liabilities)/assets of subsidiaries	**(7,596)**	37,243
	20,854	68,207

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

	Year ended 31 December	
	2023	**2022**
Investment portfolio of subsidiaries		
Asset type	**£'000**	**£'000**
Quoted	**144**	160
Unquoted	**18,837**	16,771
Funds	**9,469**	14,033
	28,450	30,964
Other net (liabilities)/assets of subsidiaries	**(7,596)**	37,243
	20,854	68,207

The movements in the investment portfolio were as follows:

	Quoted securities £'000	**Unquoted securities £'000**	**Funds £'000**	**Other net assets / (liabilities) of subsidiaries £'000**	**Total £'000**
Balance at 1 January 2022	**383**	**16,626**	**13,929**	**37,523**	**68,461**
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)**
Other movements	**-**	**-**	**-**	**(280)**	**(280)**
Balance at 31 December 2022	**160**	**16,771**	**14,033**	**37,243**	**68,207**

Other net assets /

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

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 2023 £'000	2022 £'000
Level 1	**-**	-
Level 2	**-**	-
Level 3	**20,854**	68,207
	20,854	68,207

Level 3 includes:

	31 December 2023 £'000	2022 £'000
Investment portfolio of subsidiaries	**28,450**	30,964
Other net (liabilities)/assets of subsidiaries	**(7,596)**	37,243
	20,854	68,207

Investment portfolio of subsidiaries includes quoted investments of £144,000 (2022: £160,000).
There were no transfers between levels during the year ending 31 December 2023.

11. Operating and other receivables

	31 December 2023 £'000	2022 £'000
Other receivables and prepayments	**135**	71
	135	71

12. Cash

	31 December 2023 £'000	2022 £'000
Bank balances	**1,451**	201
Demand deposits	**7,576**	14,341
	9,027	14,542

13. Amounts receivable from subsidiaries

13. Amounts receivable from subsidiaries

	31 December 2023 £'000	31 December 2022 £'000
Amounts receivable from subsidiaries	**15,014**	5,158
	15,014	5,158

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

During the year the Company and its subsidiaries carried out an exercise to settle the debtor and creditor balances that had accumulated over a period of years between companies within the Group (see note 2).

14. Operating and other payables

	31 December 2023 £'000	31 December 2022 £'000
Carried interest provision	**-**	9
Trade payables	**19**	41
Lease liabilities	**31**	28
Other non-trade payables and accrued expenses	**372**	350
	422	428
Other long-term lease liabilities	**16**	47
	438	475

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 2023, £nil (2022: £9,000) has been accrued for in the Company and £523,000 (2022: £419,000) has been accrued for in the subsidiaries. Carried interest accrued for in the subsidiaries is included in the amounts owing to subsidiaries in the Statement of Financial Position.

15. Amounts payable to subsidiaries

	31 December 2023 £'000	31 December 2022 £'000
Amounts payable to subsidiaries	**2,493**	41,032
	2,493	41,032

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

During the year the Company and its subsidiaries carried out an exercise to settle the debtor and creditor balances that had accumulated over a period of years between companies within the Group (see note 2).

16. Capital and reserves

Share capital

Ordinary shares	**2023 Number**	**2023 £'000**	**2022 Number**	**2022 £'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

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

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

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

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

The targets for deployment of Investible Capital are:

(a) At least 50% of Investible Capital should have been Deployed by 31 December 2024;
(b) 100% of Investible capital should have been Deployed by 31 December 2025.
(c) The investments into which capital has been Deployed should be performing satisfactorily, taking account of the relatively early stage of such investments at the time the Performance Conditions are assessed.

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

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

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

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

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

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

	Number of awards	**Weighted average fair value per award**
Outstanding at 1 January 2023	-	-
Granted	686,064	£0.21
Outstanding at 31 December 2023	**686,064**	**£0.21**
Exercisable at year end	-	

Value Creation Plan
At the Annual General Meeting on 17 May 2023, shareholders approved the proposed amendments to the VCP whereby the original units awarded in 2020 would be cancelled and a smaller number of new units would be issued. 384 new units were awarded on 14 June 2023.

Grant date	**Type of award**	**Number of shares awarded**	**Fair value/ share**	**Vesting conditions**	**Final vesting date**
14 June 2023	Shares	384	£461	Awards vest quarterly over five years provided the employee is still in service of the Company.	14 June 2028

	Number of awards	**Weighted average fair value per award**

		award
Outstanding at 1 January 2022	625	£413.48
Granted	-	-
Outstanding at 31 December 2022	**625**	**£413.48**
Units cancelled	(625)	£413.48
New units issued	384	£461.00
Outstanding at 31 December 2023	**384**	**£461.00**
Exercisable at year end	-	

18. Leases

Lease commitments

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

Rental lease asset	**£'000**
Balance at 1 January 2022	97
Depreciation for the year	(27)
Balance at 31 December 2022	**70**
Depreciation for the year	**(28)**
Balance as at 31 December 2023	**42**

Rental lease liability	**£'000**
Balance at 1 January 2022	102
Unwinding of the discount on lease liability	6
Payments for lease	(33)
Balance at 31 December 2022	**75**
Unwinding of the discount on lease liability	**4**
Payments for lease	**(33)**
Balance as at 31 December 2023	**46**

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					
	2023			**2022**		
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	**20,854**	**-**	**20,854**	68,207	-	68,207
Amounts receivable from subsidiaries	**-**	**15,014**	**15,014**	-	5,158	5,158
Operating and other receivables	**-**	**120**	**120**	-	60	60
Cash	**-**	**9,027**	**9,027**	-	14,542	14,542
Total	**20,854**	**24,161**	**45,015**	68,207	19,760	87,967

	31 December					
	2023			**2022**		
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	**-**	**392**	**392**	-	400	400
Amounts payable to subsidiaries	**-**	**2,493**	**2,493**	-	41,032	41,032
Lease liabilities	**-**	**46**	**46**	-	75	75
Total	**-**	**2,931**	**2,931**	-	41,507	41,507

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

· 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	
	2023	**2022**
	£'000	**£'000**
Amounts receivable from subsidiaries	**15,014**	5,158
Operating and other receivables	**120**	60
Cash	**9,027**	14,542
	24,161	19,760

The Company limits its credit risk exposure by only depositing funds with highly rated institutions. Cash holdings at 31 December 2023 and 2022 were held in institutions currently rated A or better by Standard and Poor. Given these ratings, the Company does not expect any counterparty to fail to meet its obligations and therefore, no allowance for impairment is made for bank deposits.

The loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables:

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

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**
Other receivables	**60**	**-**	**-**	**-**	**60**
Total	**60**	**-**	**-**	**-**	**60**

The Company recognised credit losses of the full value of receivable for trade receivables not recovered after four months. As at 31 December 2023, the Company does not have an outstanding trade receivable (2022: £nil).

For the year ending 31 December 2023, the Company did not witness significant increase in the credit risk since the initial recognition of the outstanding receivable from subsidiaries and other receivables, therefore, no expected losses were recognised during the year (2022: £nil).

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

The following table shows an analysis of the undiscounted financial liabilities by remaining expected maturities as at 31 December 2023 and 31 December 2022.

Financial liabilities:

2023	**Up to 3 months £'000**	**3-12 months £'000**	**1-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Operating and other payables	**392**	**-**	**-**	**-**	**392**
Amount payable to subsidiaries	**2,493**	**-**	**-**	**-**	**2,493**
Lease liabilities	**7**	**23**	**16**	**-**	**46**
Total	**2,892**	**23**	**16**	**-**	**2,931**

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
Total	41,438	22	47	-	41,507

In addition, some of the Company's subsidiaries have uncalled capital commitments to funds of

£2,661,000 (2022: £2,674,000) 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.

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

	31 December					
	2023			2022		
	GBP £'000	USD £'000	Other £'000	GBP £'000	USD £'000	Other £'000
Investments	**2,847**	**17,394**	**613**	44,118	23,486	603
Amounts receivable from subsidiaries	**15,014**	**-**	**-**	5,157	1	-
Right-of-use assets	**42**	**-**	**-**	70	-	-
Operating and other receivables	**135**	**-**	**-**	71	-	-
Cash	**8,680**	**347**	**-**	14,228	314	-
Operating and other payables	**(438)**	**-**	**-**	(440)	(35)	-
Amount payable to subsidiaries	**(2,493)**	**-**	**-**	(41,014)	(18)	-
Gross exposure	**23,787**	**17,741**	**613**	22,190	23,748	603
Forward exchange contracts	**-**	**-**	**-**	-	-	-
Net exposure	**23,787**	**17,741**	**613**	22,190	23,748	603

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

	31 December	
	2023 £'000	2022 £'000
Net foreign exchange (loss)/profit on investment	**(1,141)**	2,769
Net foreign exchange (loss)/profit on non-investments	**(42)**	439
Total net foreign exchange (loss)/profit recognised in profit before income tax for the year	**(1,183)**	3,208

At 31 December 2023, the rate of exchange was USD \$1.27 = £1.00 (2022: \$1.21 = £1.00).

A 10% strengthening of the US dollar against the pound sterling would have increased equity and increased profit by £2.0 million at 31 December 2023 (2022: increased equity and increased profit by £2.6 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 £1.6 million (2022: decreased equity and decreased the profit for the year by £2.2 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 £118,000 (2022: increase of £145,000) and increased the profit for the year by £118,000 (2022: increased the profit £145,000). 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

The Company's management of risk in its investment portfolio focuses on diversification in terms of geography and sector, as well as type and stage of investment.

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

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

The significant unobservable inputs used at 31 December 2023 in measuring investments categorised as level 3 in note 11 are considered below:

1. Unquoted securities (carrying value £18.8 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 £9.5 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 2023). 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 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 reasonable possible change for the purpose of the sensitivity analysis.

	31 December	
	2023	**2022**
	£'000	**£'000**
Effect of change in discount rate to 20%	**740**	1,643
Effect of change in discount rate to 40%	**(517)**	(1,201)

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 of a 10% movement in these reported values of investments, on the profit for the year. The effect on loss is shown in the table below:

	31 December	
	2023	**2022**
	£'000	**£'000**
Effect of 10% decrease in investment value	**(2,000)**	**(6,800)**
Effect of 10% increase in investment value	**2,000**	**6,800**

Capital management

The Company's total capital at 31 December 2023 was £42.1 million (2022: £46.5 million) comprising equity share capital and reserves. The Company had no borrowings at 31 December 2023 (2022: £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 2023 £'000	31 December 2022 £'000
Outstanding commitments to funds	**2,661**	2,674

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

21. Related party transactions

During the year, the Company paid rent of £32,780 (2022: £32,780) to The Rayne Foundation for its office space. Robert Rayne is the Chairman of The Rayne Foundation.

During the year the following transactions occurred with Group companies:

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

31 December 2022	Advanced to £	Received from £	Fees received £	Balance due from/ (due to) £
LMS Capital Group Limited	9,500	-	-	19,000
LMS Capital Holdings Limited	142,819	135,319	-	(17,038,244)
LMS Co-Invest Limited	175,583	28,097	106,220	214,107
Lion Investments Limited	126,490	409,960	-	4,632,521
Tiger Investments Limited	4,500	-	-	(7,564)
LMS Tiger Investments (II) Limited	4,500	-	-	30,685
Cavera Limited	73,346	-	-	201,257
Lioness Property Investments Limited	4,500	56,325	-	(2,441,185)
Lion Property Investments Limited	4,545	-	-	(307,417)
Westpool Investment Trust plc	316,041	514,946	-	(11,901,218)
LMS Capital (Bermuda) Limited	10,596	2,052,882	-	(8,955,487)
International Oilfield Services Limited	-	-	-	(320,348)

Details of Directors' remuneration is disclosed in note 5.

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
			Investment

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	Dormant
LMS Co-Invest Limited	England and Wales	100	Trading
LMS Retirement Living Limited	England and Wales	100	Investment holding

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

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

Subsidiaries 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	
	2023	**2022**
NAV (£'000)	**42,141**	46,541
Number of ordinary shares in issue	**80,727,450**	80,727,450
NAV per share (in pence)	**52.20**	57.65

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