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LMS Capital PLC
20 March 2023

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LMS CAPITAL PLC
Final Results for the Year Ended 31 December 2022

The Board of LMS Capital plc (the "Company") is pleased to announce the Company's audited annual results for the year ended 31 December 2022.

Financial Summary

	31 December 2022	31 December 2021
Net asset value	£46.5m	£49.1m
Cash available at year end	£17.9m	£20.1m
Portfolio gains/(losses)	£-m	£3.8m
Running costs	(£1.7m)	(£1.8m)
Net asset value per share (p)	57.7p	60.8p
Dividends paid per share (p)	0.925p	0.9p
Dividends declared/recommended by Board (p)	0.925p	0.925p

2022 key points

Net Asset Value

- The net asset value ("NAV") at 31 December 2022 was £46.5 million, 57.7 pence per share (31 December 2021: £49.1 million, 60.8 pence per share); and
- Adjusting for the impact of dividends to shareholders, the NAV over the year decreased by a net £1.9 million, or 3.9%.

Portfolio gains and realisations

- An increase in value of £2.2 million on the new energy investment, Dacian Petroleum, was offset by an equal decrease in valuation on the mature asset portfolio, leaving the value of the portfolio overall flat year on year.
- New Investments - Energy
    - We are pleased with the performance of Dacian, the Romanian oil and gas production company in which we invested in 2020. Completion of Dacian's first acquisition occurred in November 2021, having been delayed by some 16 months whilst the necessary local regulatory approvals were obtained and therefore 2022 was its first full year of operation. The company was profitable and cash generative in its first year and we expect it to meet or exceed the target investment returns.
- Mature portfolio
    - The overall performance of the mature portfolio in 2022 was significantly influenced by the impact of reductions in value arising in two third-party managed fund positions, San Francisco Equity Partners and Eden Ventures. The result is disappointing, in both cases the reductions relate to the exit of the last remaining asset in the respective funds which are now being wound up by their general partners.

Running costs

- Running costs, including those incurred by subsidiaries, decreased by 5% to £1.7 million (2021: £1.8 million) reflecting continued focus on the management of costs and the benefit of income from co-investment activity. There were an additional £0.4 million of investment related costs (2021: £0.3 million).

Dividends

- A final dividend of 0.625 pence per share on the 2021 year was paid in June 2022, and an interim dividend of 0.3 pence per share for the 2022 year was paid in September 2022. A final dividend on the 2022 year of 0.625 pence per share is recommended by the Board and will be proposed for approval by shareholders at the Annual General Meeting.

Cash balances

- Group cash balances at the year-end, including amounts held by subsidiaries, were £17.9 million, representing 22.2 pence per share and 38.5% of the NAV (2021: £20.1 million and 24.9 pence per share and 41.0% of the NAV). The Company had no external debt.

Key themes for 2023

The Board recognises that 38.5% of the NAV is held in group cash balances and is focussed on translating the ground-work that has been done in 2022, in particular within real estate, into further new investment opportunities.

Dacian has had a successful first full year and having dealt with the operational challenges of taking over the assets acquired is positioned in 2023 to accelerate the execution of its business plan to further increase production. LMS will use its board position to support the Dacian team, develop the opportunities for additional capital deployment within the acquired Dacian portfolio, and more widely.

Robert Rayne, Chairman, commented:
"Although delayed in its execution, we are pleased to see Dacian's first year of operation successfully behind it and now look forward to the delivery of the business plan delivering growth in production levels through the extension of life of its portfolio of production assets. As we enter 2023, we are focused on bringing forward the real estate opportunities in our current pipeline and expanding our energy portfolio."

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For further information please contact:

LMS Capital plc
Nick Friedlos, Managing Director
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Chairman and Managing Director's Report
We are pleased to report our results for the year ended 31 December 2022 and to provide an update on progress within the business.

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

This remains the aim of our investment strategy.

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

There are three elements to our business

Mature asset portfolio - 31 December 2022 NAV £20.8 million (25.8 pence per share)
- this comprises investments which originate from the Company's strategy pre-2012. 91% of the value is held in four positions;
- the investments are managed with a view to optimising the realisation values;
- the portfolio largely comprises positions managed by third-party managers, with whom the Company maintains dialogue, although it does not control decision making; and
- there may be some liquidity from these assets in 2023, but the expectation is that liquidity will primarily be in 2024 and 2025.

New Investments - Dacian: 31 December 2022 NAV £10.1 million (12.5 pence per share)
- Dacian was the Company's first new investment following its return to self-management in early 2020. The investment was underwritten in August 2020 but only completed, following local Romanian regulatory approvals, in November 2021;
- the year just ended therefore represents the first full year of operation, which was profitable and cash generative;
- entering 2023 the business is positioned to execute its business plan to increase production; and
- the Board expects this investment to deliver returns that meet or exceed its target returns.

Cash less other net liabilities - 31 December 2022 NAV £15.6 million (19.1 pence per share)
- the Group cash amounts to £17.9 million; and
- other net liabilities amount to £2.3 million and relate mainly to accruals for income taxes, historic carried interest liabilities for one remaining asset and other sundry costs.

Deployment of capital
Investment themes
When the Company returned to self-management in 2020, the Board laid out a strategy for the deployment of capital, making new investments in areas where the Company has clear competitive advantage, through:
- working with management teams we know well, who are respected in their sector, experienced and with a track record of successful execution;
- "hard to access" assets, typically at the smaller end of their respective sectors, allowing more attractive acquisition pricing and giving the opportunity for value creation through more intensive management; and
- the opportunity to introduce co-investment capital alongside our own balance sheet.

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

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

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

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

Real estate investment

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

Energy

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

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

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Net Asset Value ("NAV") overview

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

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

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

Mature Assets

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

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

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

On other mature assets:

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

New Investments - Dacian

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

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

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

The rationale for the investment in Dacian was:

- the business is operationally cash flow positive from day one;
- a business focused on the extension of life of existing production assets that has an environmentally important role to play in the world's transition away from carbon fuels; and
- it was evaluated and the investment decision taken on the basis of:
    - attractive entry pricing;

- a founder team with extensive industry experience and a Romanian team with prior knowledge of the assets being acquired;
- a robust operating plan able to withstand volatility in energy prices;
- the opportunity for gains through production enhancing technology that can extend the productive life of mature assets; and
- overall, the potential to meet and exceed LMS's target investment returns.

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

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

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

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

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

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

Liquidity - Cash less other net liabilities
Cash
Cash balances in the Company and its subsidiaries at 31 December 2022 were £17.9 million (31 December 2021: £20.1 million).

Outflows during the year amounted to £2.7 million, this includes £1.7 million of running costs, £0.3 million of investment related costs, £0.7 million of dividend payments and £0.5 million of new capital invested in Elateral.

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

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

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

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

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

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

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

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

Looking forward in 2023, our priorities are:

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

We would like to express our appreciation for the support from our team and from the network of people with whom we work on a regular basis. We would also like to express our appreciation for the continued support of our shareholders. We look forward to reporting progress to you during 2023.

Robert Rayne
Chairman

Nicholas Friedlos
Managing Director

17 March 2023

PORTFOLIO MANAGEMENT REVIEW

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

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

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

Domestically, the outlook for 2023 looks uncertain. Interest rates have risen to their highest in 14 years and inflation remains close to 10%, due in part to the rapidly increasing energy prices seen throughout 2022.

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

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

Performance review
The movement in NAV during the year was as follows:

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

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

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

Realisations of £0.4 million in 2022 include:
- £0.1 million distribution from Brockton; and
- proceeds of £0.3 million from Medhost for the redemption of the preferred shares and accrued interest.

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

The fund calls are primarily for SFEP management fees.

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

	Year ended 31 December					
	2022			2021		
Mature investment portfolio	**UK £'000**	**US £'000**	**Total £'000**	UK £'000	US £'000	Total £'000
Quoted	**121**	**39**	**160**	218	165	383
Unquoted	**681**	**5,945**	**6,626**	924	7,744	8,668
Funds	**6,676**	**7,357**	**14,033**	7,242	6,687	13,929
	7,478	**13,341**	**20,819**	8,384	14,596	22,980
New investment portfolio	**UK £'000**	**US £'000**	**Total £'000**	UK £'000	US £'000	Total £'000
Quoted	**-**	**-**	**-**	-	-	-
Unquoted	**-**	**10,145**	**10,145**	-	7,958	7,958
Funds	**-**	**-**	**-**	-	-	-

	-	**10,145**	**10,145**	-	7,958	7,958
Total investments	**7,478**	**23,486**	**30,964**	8,384	22,554	30,938

Basis of valuation:

Quoted investments

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

Unquoted direct investment

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

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

Funds

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

Performance of the investment portfolio

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

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

The Company operates carried interest arrangements in line with normal practice in the private equity industry. The credit for incentive plans for the Company is £30,000 and for subsidiaries a charge of £98,000 for carried interest and other incentives relating to historic arrangements. The charge for carried interest incentive plan is included in the net losses on investments in the Income Statement.

Approximately 76% of the portfolio at 31 December 2022 is denominated in US dollars (31 December 2021: 73%) and the above table includes the impact of currency movements. In the year ended 31 December 2022, the weakening of sterling against the US dollar over the year as a whole resulted in an unrealised foreign currency gain of £2.74 million (2021: unrealised gain of £0.02 million). As a common practice in private equity investment, it is the Board's current policy not to hedge the Company's underlying non-sterling investments.

Quoted investments

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

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

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

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

Unquoted investments

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

Co-investments managed by SFEP
The net losses on the unquoted portfolio arose as follows:

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

Valuations are sensitive to changes in the following two inputs:

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

Comments on individual companies are set out below.

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

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

ICU Eyewear
This business, managed by San Francisco Equity Partners Fund 3, was in an exit process at year end and the valuation reflects the indicated outcome of that process in at 31 December. The exit was concluded during February 2023. LMS expects to receive its share of the proceeds by way of a distribution from the fund in due course. The proceeds are likely to be slightly, but not materially ahead of the valuation. This is a disappointing result. The business produced a windfall profit from the sale of PPE equipment during the Covid pandemic, from which LMS received £1.5 million. However, in its core business it has not been able successfully to diversify its customer base - it is heavily dependent on one customer with whom it has no long-term contract - and this poor quality revenue stream, coupled with low profitability is reflected in the poor outcome on exit.

Fund interests

		31 December	
		2022	2021
General partner	**Sector**	**£'000**	£'000
Brockton Capital Fund 1	UK real estate	**6,036**	5,635
Opus Capital Venture Partners	US venture capital	**5,275**	3,948
Weber Capital Partners	US micro-cap quoted stocks	**2,046**	2,644
EMAC ILF	UK	**341**	733
Simmons	UK	**262**	381
Eden Ventures	UK venture capital	**37**	494
San Francisco Equity Partners	US consumer & technology	**-**	55
Other interests	-	**36**	39
		14,033	13,929

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

Year ended 31 December	
2022	2021

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

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

Other fund interests

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

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

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

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

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

LMS CAPITAL PLC
17 March 2023

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

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

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

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

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

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

Website publication

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

Company Income Statement

For the year ended 31 December 2022

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

All activities of the Company are classed as continuing.

Company Statement of Other Comprehensive Income

For the year ended 31 December 2022

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

Company Statement of Financial Position

As at 31 December 2022

		31 December	
		2022	**2021**
	Notes	**£'000**	**£'000**
Assets			
Non-current assets			
Right-of-use assets	18	**70**	97
Investments	10	**68,207**	68,461
Amounts receivable from subsidiaries	13	**5,158**	5,191
Total non-current assets		**73,435**	73,749
Current assets			
Operating and other receivables	11	**71**	51
Cash	12	**14,542**	14,518
Total current assets		**14,613**	14,569
Total assets		**88,048**	88,318
Liabilities			
Current liabilities			
Operating and other payables	14	**(428)**	(394)
Amounts payable to subsidiaries	15	**(41,032)**	(38,740)

Total current liabilities		**(41,460)**	(39,134)
Non-current liabilities			
Other long-term liabilities	14	**(47)**	(75)
Total non-current liabilities		**(47)**	(75)
Total liabilities		**(41,507)**	(39,209)
Net assets		**46,541**	49,109
Equity			
Share capital	16	**8,073**	8,073
Share premium		**508**	508
Capital redemption reserve		**24,949**	24,949
Share-based equity	17	**128**	75
Retained earnings		**12,883**	15,504
Total equity shareholders' funds		**46,541**	49,109
Net asset value per ordinary share	24	**57.65p**	60.83p

Company Statement of Changes in Equity

For the year ended 31 December 2022

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

Company Cash Flow Statement

For the year ended 31 December 2022

		Year ended 31 December	
		2022	**2021**
	Notes	**£'000**	**£'000**
Cash flows from operating activities			
(Loss)/profit before tax		**(1,874)**	1,872
Adjustments for non-cash income and expense:			
Equity settled share-based payment	17	**53**	41

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

Notes to the Financial Statements

1. Principal accounting policies

Reporting entity

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

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

The financial information for the year ended 31 December 2022 and the year ended 31 December 2021 does not constitute the Company's statutory accounts for those years. Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors' reports on the accounts for 31 December 2022 and 31 December 2021 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Basis of preparation

These Financial Statements for the year ended 31 December 2022 have been prepared in accordance with UK adopted International Accounting Standards.

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

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

The Company's business activities and financial position are set out in the Strategic Report on pages 10 to 22 and in the Portfolio Management Review on pages 23 to 29. In addition, note 19 to the financial information includes a summary of the Company's financial risk management processes, details of its financial instruments and its exposure to credit risk and liquidity risk. Taking account of the financial resources available to it, the Directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources for the foreseeable future.

The Financial Statements are prepared on a going concern basis and the Directors considered this and concluded 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 10 to 22 and the Portfolio Management Review on pages 23 to 29. The Directors have carried out a robust assessment of the emerging and principal risks and concluded that they have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over a three-year period from the date of this report. This assessment included reviewing the liquidity forecasts of the Company that include the flexibility in the dividend policy and lack of any external debt, the significant cash balances on hand at 31 December 2022, the expected future expenditures and commitments and the latest report on the investment portfolio. In preparing this liquidity forecast, consideration has been given to the expected ongoing impact of the war in Ukraine on the Company and the wider Group as well as the potential impact on the underlying investee companies. The Directors have considered these factors for a period not less than 12 months from the date of this report.

New and revised accounting standards and amendments effective for the current period
New and revised accounting standards and amendments that are effective for annual periods beginning 1 January 2022 which have been adopted for the first time by the Company:

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

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

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

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

New accounting standards, amendments and interpretations not yet effective, and which have not been early adopted
Other standards and amendments that are effective for subsequent reporting periods beginning on or after 1 January 2023 and have not been early adopted by the Company include:

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

These standards and amendments are not expected to have a significant impact on the Financial Statements in the period of initial application and therefore detailed disclosures have not been provided.

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

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

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

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

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

Any awards granted 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

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 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 .

Use of estimates and judgements
The areas involving significant estimates are:

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

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

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

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

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

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

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

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

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

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

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

reporting date, would be achieved if the remaining assets in that scheme were realised at their fair value at the reporting date. An accrual is made equal to the amount which the Company would have to pay to any remaining scheme participants from a realisation of the reported value at the reporting date.

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

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

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

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

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

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

Financial assets held at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

2. Net gains/ losses on investments
Gains and losses on investments were as follows:

Year ended 31 December

	2022			2021		
Investment portfolio of the Company	Realised	Unrealised	Total	Realised	Unrealised	Total
Asset type	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted	-	-	-	(5)	-	(5)

Unquoted				(5)		(5)
	-	**-**	**-**	(5)	-	(5)
Credit for incentive plans			**30**			1
			30			(4)
Investment portfolio of subsidiaries						
Asset type						
Quoted	**(1)**	**(220)**	**(221)**	-	186	186
Unquoted	**24**	**(1,285)**	**(1,261)**	-	(90)	(90)
Funds	**-**	**108**	**108**	-	2,473	2,473
	23	**(1,397)**	**(1,374)**	-	2,569	2,569
Total	**23**	**(1,397)**	**(1,344)**	(5)	2,569	2,565
Credit/(charge) for incentive plans			**39**			(10)
			(1,305)			2,555
Operating and similar income of subsidiaries*			**1,081**			1,282
			(224)			3,837

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

The Company operates carried interest arrangements in line with normal practice in the private equity industry. The credit for incentive plans for the Company is £30,000 (2021: £1,000) and other incentives relating to historic arrangements. The charge for subsidiaries is included in the net gains/ losses on investments in the Income Statement.

3. Interest income

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

4. Operating expenses

Operating expenses comprise administrative expenses and include the following:

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

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

5. Directors' Remuneration

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

The average number of Directors was as follows:

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

6. Staff Expenses

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

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

The average number of staff was as follows:

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

7. Taxation

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

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

As at year end, there are cumulative potential deferred tax assets of £2.377 million (2021: £2.205 million) in relation to the Company's cumulative tax losses of £9.510 million (2021: £8.819 million). It is uncertain when the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

8. (Loss)/profit per ordinary share

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

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

(Loss)/profit per share	**Pence**	Pence
Basic	**(2.3)**	2.3
Diluted	**(2.3)**	2.3

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

9. Dividends paid

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

	Dividend date	Payment Date	Dividend £'000	Dividend per share pence
Final dividend payment for 2020	21 May 2021	14 June 2021	**484**	**0.6000**
Interim dividend payment for 2021	13 August 2021	03 September 2021	**243**	**0.3000**
Total as at 31 December 2021			**727**	**0.9000**
Final dividend payment for 2021	27 May 2022	23 June 2022	**505**	**0.6250**
Interim dividend payment for 2022	12 August 2022	12 September 2022	**242**	**0.3000**
Total as at 31 December 2022			**747**	**0.9250**

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

10. Investments

The Company's investments comprised the following:

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

		68,207	68,461

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

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

The movements in the investment portfolio were as follows:

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

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

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

The following table analyses investments carried at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets;
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3: inputs for the asset that are not based on observable market data (unobservable inputs such as trading comparables and liquidity discounts).

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information (see note 19 - Financial risk management).

The Company's investments are analysed as follows:

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

Level 3 includes:

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

Investment portfolio of subsidiaries includes quoted investments of £160,000 (2021: £383,000).
There were no transfers between levels during the year ending 31 December 2022.

11. Operating and other receivables

	31 December	
	2022	2021

	£'000	£'000
Other receivables and prepayments	**71**	51
	71	51

12. Cash

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

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

13. Amounts receivable from subsidiaries

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

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

14. Operating and other payables

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

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

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

15. Amounts payable to subsidiaries

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

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

16. Capital and reserves
Share capital

	2022	**2022**	**2021**	**2021**
Ordinary shares	**Number**	**£'000**	**Number**	**£'000**
Balance at the beginning of the year	**80,727,450**	**8,073**	80,727,450	8,073
Balance at the end of the year	**80,727,450**	**8,073**	80,727,450	8,073

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

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

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

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

17. Share awards
In 2020, the Company established a long-term incentive plan for the employees of the Company. The plan grants the Board the authority to allot up to 1,000 VCP units with both performance and service conditions attached. The VCP units can only be awarded at the end of the five-year vesting period, 30 June 2025, if certain minimum performance conditions are met. These minimum performance conditions include two performance targets over the measurement period, including a minimum hurdle rate such that the annualised TSR over the measurement period must be not less than 8% and a minimum share price of 52.8p. If the minimum performance targets are met, the amount that the plan participants will receive will

depend on the TSR performance of the Company achieved over the five-year vesting period. The Board retains the right to settle these awards in either shares or cash. As the Company does not have a present obligation to settle in cash, the awards are all recognised as equity settled share awards.
The first share awards were granted in 2020 with respect to the performance year ended 31 December 2020. There were no share awards granted for the year ending 31 December 2022 (2021: Nil).

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

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

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

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

18. Leases

Lease commitments

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

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

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

19. Financial risk management

Financial instruments by category

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

	31 December					
	2022			2021		
Financial assets	Fair Value through profit or loss £'000	Measured at amortised cost £'000	Total £'000	Fair Value through profit or loss £'000	Measured at amortised cost £'000	Total £'000
Investments	**68,207**	**-**	**68,207**	68,461	-	68,461
Amounts receivable from subsidiaries	**-**	**5,158**	**5,158**	-	5,191	5,191
Operating and other receivables	**-**	**60**	**60**	-	41	41
Cash	**-**	**14,542**	**14,542**	-	14,518	14,518
Total	**68,207**	**19,760**	**87,967**	68,461	19,750	88,211

	31 December			
	2022		2021	
	Fair Value through profit or	Measured at amortised	Fair Value through profit or	Measured at amortised

Financial liabilities	loss £'000	cost £'000	Total £'000	loss £'000	cost £'000	Total £'000
Operating and other payables	-	**400**	**400**	-	367	367
Amounts payable to subsidiaries	-	**41,032**	**41,032**	-	38,740	38,740
Lease liabilities	-	**75**	**75**	-	102	102
Total	-	**41,507**	**41,507**	-	39,209	39,209

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

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

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

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

Credit risk

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

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

The Company limits its credit risk exposure by only depositing funds with highly rated institutions. Cash holdings at 31 December 2022 and 2021 were held in institutions currently rated A or better by Standard and Poor. Given these ratings, the Company does not expect any counterparty to fail to meet its obligations and therefore, no allowance for impairment is made for bank deposits.

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

2022	Current £'000	More than 30 days past due £'000	More than 60 days past due £'000	More than 120 days past due £'000	Total £'000
Expected loss rate	-	-	-	**100%**	-
Other receivables	**60**	-	-	-	**60**
Total	**60**	-	-	-	**60**

2021	Current £'000	More than 30 days past due £'000	More than 60 days past due £'000	More than 120 days past due £'000	Total £'000
Expected loss rate	-	-	-	**100%**	-
Other receivables	**41**	-	-	-	**41**
Total	**41**	-	-	-	**41**

The Company recognised credit losses of the full value of receivable for trade receivables not recovered after 4 months. As at 31 December 2022, the Company does not have an outstanding trade receivable (2021: £nil).

For the year ending 31 December 2022, 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 (2021: £nil).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Its financing requirements are met through a combination of liquidity from the sale of investments and the use of cash resources.
The following table shows an analysis of the financial assets and financial liabilities by remaining expected maturities as at 31 December 2022 and 31 December 2021.

Financial assets:

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

2021	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Investment	-	-	-	68,461	68,461
Amounts receivable from subsidiaries	-	-	-	5,191	5,191

Operating and other receivables	41	-	-	-	41
Cash	14,518	-	-	-	14,518
Total	14,559	-	-	73,652	88,211

Financial liabilities:

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

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

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

Market risk

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

Currency risk

The Company is exposed to currency risk on those of its investments which are denominated in a currency other than the Company's functional currency which is pounds sterling. The only other significant currency within the investment portfolio is the US dollar; approximately 76% of the investment portfolio is denominated in US dollars.

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

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

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

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

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

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

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

A 10% strengthening of the US dollar against the pound sterling would have increased equity and increased profit by £2.6 million at 31 December 2022 (2021: increased equity and increased profit by £1.8 million). This assumes that all other variables, in particular interest rates, remain constant. A weakening of the US dollar by 10% against the pound sterling would have decreased equity and decreased the profit for the year by £2.2 million (2021: decreased equity and decreased the profit for the year by £1.4 million). This level of change is considered to be reasonable based on observations of current conditions.

Interest rate risk

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

An increase of 100 basis points in interest rates at the reporting date would have increased equity by £145,000 (2021: increase of £155,000) and increased the profit for the year by £145,000 (2021: increased the profit £155,000). A decrease of 100 basis points would have decreased equity and increased the loss for the year by the same amounts. This level of change is considered to be reasonable based on observations of current conditions.

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

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

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

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

The significant unobservable inputs used at 31 December 2022 in measuring investments categorised as level 3 in note 11 are considered below:

1. Unquoted securities (carrying value £17 million) are valued using the most appropriate valuation technique such as a revenue-based approach, an earnings-based approach, or a discounted cash flow approach. These investments are sensitive to both the overall market and industry specific fluctuations that can impact multiples and comparable company valuations. In most cases the valuation method uses inputs based on comparable quoted companies for which the key unobservable inputs are:
   - EBITDA multiples of approximately five times dependent on the business of each individual company, its performance and the sector in which it operates;
   - revenue multiples in the range 0.30-1.5 times, also dependent on attributes at individual investment level; and
   - discounts applied of up to 50%, to reflect the illiquidity of unquoted companies compared to similar quoted companies. The discount used requires the exercise of judgement taking into account factors specific to individual investments such as size and rate of growth compared to other companies in the sector.
   - Investments in funds (carrying value £14 million) are valued using reports from the general partners of the fund interests with adjustments made for calls, distributions and foreign currency movements since the date of the report (if prior to 31 December 2022). The Company also carries out its own review of individual funds and their portfolios to satisfy themselves that the underlying valuation bases are consistent with the basis of valuation and knowledge of the investments and the sectors in which they operate. However, the degree of detail on valuations varies significantly by fund and, in general, details of 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	
	2022	**2021**
	£'000	**£'000**
Effect of change in discount rate to 20%	**1,643**	1,059
Effect of change in discount rate to 40%	**(1,201)**	(840)

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 profit / (loss) is shown in the table below:

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

Capital management
The Company's total capital at 31 December 2022 was £47 million (2021: £49 million) comprising equity share capital and reserves. The Company had no borrowings at 31 December 2022 (2021: £nil).
In order to meet the Company's capital management objectives, the Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

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

20. Capital commitments

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

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

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

21. Related party transaction

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

22. Subsequent events

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

23. Subsidiaries

The Company's subsidiaries are as follows:

Name	**Country of incorporation**	**Holding %**	**Activity**
International Oilfield Services Limited	Bermuda	100	Investment holding
LMS Capital (Bermuda) Limited	Bermuda	100	Investment holding
LMS Capital Group Limited	England and Wales	100	Investment holding
LMS Capital Holdings Limited	England and Wales	100	Investment holding
Lioness Property Investments Limited	England and Wales	100	Investment holding
Lion Property Investments Limited	England and Wales	100	Investment holding
Lion Investments Limited	England and Wales	100	Investment holding
Lion Cub Property Investments Limited	England and Wales	100	Dormant
Tiger Investments Limited	England and Wales	100	Investment holding
LMS Tiger Investments (II) Limited	England and Wales	100	Investment holding
Westpool Investment Trust Plc	England and Wales	100	Investment holding
Cavera Limited	England and Wales	100	Trading
LMS Co-Invest Limited	England and Wales	100	Trading

The registered office addresses of the Company's subsidiaries are as follows:
Subsidiaries incorporated in England and Wales: 3 Bromley Place, London, United Kingdom, W1T 6DB.
Subsidiaries and partnerships incorporated in Bermuda: Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

24. Net asset value per share

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

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

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