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13 February 2025

## LMS CAPITAL PLC

### Company Update and Net Asset value ("NAV") Estimate as at 31 December 2024

LMS Capital plc ("LMS" or the "Company") the listed investment company provides the following update and estimate of net asset value ("NAV") as at 31 December 2024.

#### KEY POINTS

##### Financial Update

- The 31 December 2024 NAV estimate is £36.2 million (44.8p per share) and compares with £34.9 million (43.3p per share), being most recently reported NAV estimate at 30 September 2024;
- The increase of £1.3 million since 30 September 2024 is principally the result of:
  - Net increases of £0.5 million in the underlying portfolio valuations;
  - Unrealised foreign exchange gains of £1.0 million on US Dollar denominated investments;
  - Interest and other income of £0.3m; and
  - Net reduction of £0.5 million in running costs and investment costs minus exchange gains on cash balances.
- 1.8 million cash was received in December 2024, being the final deferred consideration due on the sale of Medhost in line with the sale agreement.
- Cash at the year end was £13.5 million (16.2p per share) (2023: £15.5 million, 19.2p per share).

##### Strategic Review

The Board is mindful of the challenges facing the Company in terms of its size, limited secondary market liquidity and the discount to NAV at which the Ordinary Shares have been trading and has determined to carry out a strategic review of the Company's future direction. It will also review the Company's cost base with the objective of reducing the ongoing costs.

The review may lead to a change in the Company's investment policy in conjunction with asset realisations with a return of capital to shareholders in due course.

The review process will cover the Company's investment mandate and focus in all areas. In relation to retirement living, the Board continues to see opportunity and may seek external investors into the Company's retirement living subsidiary which could add additional assets to create a retirement living platform and ultimately enhance realisation value.

The Board intends to seek shareholder views over the coming weeks.

#### NET ASSET VALUE ESTIMATE

The Company has commenced the year end valuation review process which is based on the latest performance updates from portfolio companies and third-party fund manager valuations.

The Board currently estimates that the year end NAV will be in the region of £36.2 million which equates to 44.8p per share. This NAV estimate reflects information currently available to the Board on the performance and prospects of individual investments in the Company's portfolio and is subject to further evaluation as well as completion of the annual audit.

The estimated 31 December 2024 NAV is summarised below:

	Estimated 31 December 2024	Most recently reported 30 September 2024	Audited 31 December 2023
	£'m		
Mature Assets	7.6	7.3	11.3
Dacian	9.3	9.1	11.0
Retirement Living - Castle View	6.6	6.1	6.1
<b>Total Investment Portfolio</b>	<b>23.5</b>	<b>22.5</b>	<b>28.4</b>
Cash	13.5	12.4	15.5
Other Net Liabilities	(0.8)	-	(1.8)
<b>Net Asset Value</b>	<b>36.2</b>	<b>34.9</b>	<b>42.1</b>
<b>NAV per Share</b>	<b>44.8p</b>	<b>43.3p</b>	<b>52.2p</b>

The valuation methodology and policy adopted is consistent with prior years and is in line with IPEV guidelines. The carrying value of the funds is based on the latest available information from the respective fund managers, generally the 30 September 2024 fund valuation reports except for Weber which is based on a 31 December 2024 valuation.

The increase of £1.3 million in NAV during the last quarter of the year comprises:

- Net increase of £0.5 million in underlying portfolio valuations:
  - £0.5 million, increase in valuation of Castle View (see below);
  - £0.5 million, income from final distribution of profit share from former real estate fund investment; and
  - £0.5 million further reduction in estimated valuation of Dacian reflecting the company's need for further working capital (see below).
- Unrealised foreign exchange gains on non sterling denominated assets of £1.0 million;
- Running costs of £0.4 million and investment costs of £0.2 million; and
- Interest income and other foreign exchange gains £0.4 million.

For the year as a whole, the Company's estimated NAV, after adding back dividends paid, has decreased by £5.2 million, most of which occurred in the first half and was reported at 30 June 2024. The principal underlying portfolio changes on a full year basis were:

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

Other full year movements include:

- Full year running costs £1.8 million. Cost saving measures during the year have reduced the annual run rate of costs to approximately £1.6 million by December 2024.
- Investment costs of £0.8m include the costs of the individuals who are focussed entirely on the operation and development of the retirement living business, together with some transitional costs associated with Castle View and professional fees in connection with the Dacian restructuring in July 2024.
- Other net income of £0.9 million, including unrealised foreign exchange gains of £0.2 million on non-portfolio assets, principally US Dollar bank accounts, bank interest of £0.6 million and other net income received of £0.1 million.

Further information on the performance of the portfolio, underlying investment valuations and changes during the year will be included in the Company's audited results for the year ended 31 December 2024, which it expects to announce in March 2025.

## RETIREMENT LIVING

### Castle View

LMS acquired its investment in Castle View Retirement Village ("Castle View") in December 2023 and has now completed its first full year of operation.

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

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

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

Progress during the first year has been broadly as expected. Apartment sales were within the range of basic scenarios considered during the acquisition process, albeit at the lower end. During the year, sales of 3 apartments have been completed, and reservations have been taken on a further 3, anticipated to complete in early 2025. As a result of the completed sales, debt plus accrued interest has been reduced to £5.1 million.

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

### **Retirement Living Outlook**

The acquisition of Castle View represented the first step in developing an investment platform focussed on retirement living.

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

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

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

### **DACIAN**

As announced on 15 July 2024, investors in Dacian, including the Company, agreed to a restructuring of Dacian, the details of which are contained in that announcement. As explained in the July announcement, the restructuring required Romanian regulatory approval, which has been applied for and is still awaited, but expected to be received.

At the time of the July restructuring, Dacian underwent a process to review and reset achievable production targets and adjust its cost base to reflect the reset production levels.

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

Dacian has continued to meet external obligations. Its external debt, the repayments of which were approximately 300,000 per month, was fully repaid in November 2024. Obligations under a recently imposed Romanian Solidarity tax of some 100,000 per month will be payable until March 2025.

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

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

To allow for inevitable energy pricing fluctuations and to manage its working capital and plan with confidence for implementation of its production enhancement projects, Dacian has requested further advances of 800,000 under the Bridge Loan to which certain of the original Bridge Lenders, Robert Rayne and James Wilson who are directors of the Company, have contributed. The additional advances are provided on the same terms as the Bridge Loan, being at an interest rate of 14% with a term of 30 June 2025 and an equity subscription right of 4% which is pro rata the same basis as the original terms announced on 15 July 2024.

Assuming that the regulatory approvals for the July 2024 restructuring are received, and taking account of the additional subscription share rights granted to the providers of the original July 2024 Bridge loan and the additional 800,000, the capital structure will be:

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

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

### **Outlook for Dacian**

- We are pleased to announce that John Burkhart, an experienced oil industry executive will join the Dacian board as a non-executive director. John has spent the last 17 years of his career in senior leadership roles at Hunt Oil Company based in Texas. John's knowledge and experience will provide support to the Dacian team.

- Production stabilisation and enhancement:
  - Dacian has provided its shareholders with a costed project by project plan to stabilise and increase production, primarily through additional investment in maintenance to reduce break downs and lost production on active oil and gas wells.
  - The program overall shows an increase in average production from current levels to in excess of 900 BOEPD by the end of 2026 (or earlier if additional capital is raised).
  - Assuming the program is implemented in full, and at an oil price of average 75 per barrel, the operating cash flow should be in excess of 300,000 per month.
- The alternative energy use opportunities for the Dacian estate continue to be progressed and the Board continue to be optimistic that this will bring additional benefits in due course.
- The Bridge Lenders, Dacian and the Original Investor Group note that the Bridge loan is due for repayment by 30 June 2025 and are exploring the potential extension of the Bridge Loan term and/or the potential conversion of the Bridge Loan with accrued interest into equity, in circumstances where it makes commercial sense for Dacian to do so.

The person responsible for the release of this announcement on behalf of the Company is IQ EQ Secretaries (UK) Limited, the Company Secretary.

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