LMS CAPITAL PLC
REPORT & ACCOUNTS

For the year ended 31 December 2019

IN THIS REPORT

HIGHLIGHTS

- Appointed four new Board members on 28 November 2019 and commenced making the necessary changes to transition to internal management;
- The new Board declared a special dividend of 4.25 pence per share, which was paid on 15 January 2020;
- The net asset value ('NAV') at 31 December 2019 was £56.0 million, 69.3 pence per share (31 December 2018: £60.3 million, 74.7 pence per share);
- The special dividend of 4.25 pence per share declared by the new Board in December 2019 and paid on 15 January 2020 is required to be accounted for on a cash basis and accordingly is not reflected in the audited NAV at 31 December 2019. The impact of the dividend, had it been included, would have been to reduce the NAV per share by 4.25 pence to 65.1 pence per share;
- The portfolio showed an overall net reduction in value on the year of £0.8 million (2018: net reduction £2.3 million);
- The loss for the year was £4.5 million (2018: loss £4.2 million);
- Overhead costs, including those incurred by subsidiaries, were £3.2 million (2018: £1.6 million) including £1.4 million of non-recurring costs;
- Continued realisations in the year totalled £13.2 million (2018: £17.6 million);
- Cash balances at the year-end were £26.6 million, representing 47.5% (2018: 29.3%) of the NAV; a further 15% (2018: 9.6%) was held in quoted stocks. The Company had no debt; and
- The Company and its Board continue to closely monitor the impact of the ongoing Coronavirus global pandemic on markets and the economy.

STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

We find ourselves writing this statement in unexpectedly turbulent times. The Coronavirus crisis will almost certainly have far reaching implications for individuals, families and society as a whole as well as the financial markets.

The Company is taking steps to protect its people and its business as best as it is able.

The Company has a strong balance sheet, with significant cash balances, and is well positioned for the uncertainty ahead. It is almost certain that underlying valuations of the remaining portfolio will be reduced. The Company plans to issue an update on its 31 March 2020 net asset value before the end of April.

BACKGROUND

LMS Capital is a listed investment company. Following a shareholder meeting on 28 November 2019, a new Board was appointed and initiated the process of transitioning the Company to being internally managed. The Company served notice to terminate its contract with its former external manager on 29 November 2019; the termination became effective on 30 January 2020.

For 2019, the year being reported upon, the Company was managed by its former external manager, but from here on the Company will be internally managed and with a new Board supported by a new advisory team.

In this statement we have commented first upon the results for last year and then on the future direction of the business under the new team. We have considered in particular how this may be affected by the Coronavirus crisis and its aftermath.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The results of the Company for the year ended 31 December 2019 show a reduction in net asset value, but continued progress in realising assets, which has led to healthy cash balances available for deployment. The exit of Entuity was a good result, but we are disappointed in particular with the performance of the assets in San Francisco Equity Partners fund.

Cash position

The cash position of the Company and its subsidiaries has improved from £17.7 million at 31 December 2018 to £26.6 million at 31 December 2019. This includes cash of £25.1 million held by the Company and an additional £1.5 million held by its subsidiaries.

Of this cash, £3.4 million was returned to shareholders after the year end by way of the special dividend of 4.25p per share paid on 15 January 2020.

At the year end, 47.5% of the Company's net asset value (equal to approximately 33p per share) was represented by cash held by the Company and its subsidiaries. Adjusting for the dividend payment in January 2020, this reduces to approximately 44% (equal to approximately 28.75p per share).

Net asset value at 31 December 2019

Net asset value per share at 31 December 2019 was 69.3p. This was a reduction from 74.7p per share at 31 December 2018.

Overall portfolio net losses for the year, both realised and unrealised, were £0.8 million (2018: Losses £2.3 million). This net result is stated after the impact of realised and unrealised exchange losses of £0.5 million primarily from the weakening of the U.S. Dollar against Sterling (2018: exchange gains £1.8 million).

Despite the overall net reduction in value of the portfolio, a number of individual assets, as noted below, have performed in line or ahead of our expectations.

The reductions in value, before the impact of exchange gains, arose principally on:

- Assets managed by San Francisco Equity Partners ("SFEP") which reduced by net £7.7 million. This mainly includes a write down of YesTo, which has experienced a slowdown in growth compared to earlier years, required additional working capital financing from shareholders in 2019 and required changes in the company's management and operating structure. Additionally, an unrealised loss has been recognised on Penguin for a further reduction in the estimated deferred consideration to be received following the sale of this investment in June 2018;
- Medhost, a co-investment with one of the Company's fund interests, Primus Capital, reduced by £2.7 million reflecting a corresponding reduction in value in the latest available fund report;
- Other net portfolio reductions were £0.2 million.

Portfolio gains, before the impact of exchange gains, arose principally on:

- The sale of Entuity in August 2019, one of the Company's legacy technology investments, which resulted in a realised gain of £7.2 million;
- Shares in Gresham House showed a gain over the year of £1.4 million;
- Solaredge, a quoted investment, which increased by £1.1 million;
- Brockton Capital, included in the fund portfolio, which increased by £0.6 million.

Other movements in net asset value amounted to a net reduction of £3.5 million and include overhead costs of £3.2 million (2018: £1.6 million). Overheads include £1.4 million of non-recurring costs and £0.3 million of non-portfolio foreign exchange losses (2018: gains of £0.1 million).

STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

COMPANY OBJECTIVES

Guiding principles

The current Board members, prior to their appointment, wrote to shareholders in the run up to the General Meeting on 28 November 2019 and set out some guiding principles that the Company should adopt following a return to internal management.

The driving force behind the Company's investment philosophy should be the preservation and creation of wealth over the long term. Shareholders will benefit through share price appreciation and through distributions.

In order to achieve its objective, the Company will focus on areas where it has competitive advantage based on its long history. In practice this means:

- Sector knowledge and experience – focus on the sectors in which the team has deep knowledge and experience and has relationships which it can harness to create opportunities in late stage private equity and in the property and energy sectors.
- In each of its chosen investment areas, working with outstanding management teams that can demonstrate:
    - Experience and standing in their sector;
    - The ability to access and execute exceptional opportunities and to deliver attractive risk adjusted returns.
- "Hard to Access" assets that give the opportunity for wealth creation through nurturing and careful management.
    - Assets will typically be at the smaller/medium end of their respective sectors where pricing inefficiencies allow attractive entry pricing;
    - Assets will typically require a level of management attention which larger funds and pure financial investors are unable to support.
- Investors are expected to gain exposure to assets and opportunities which are generally not available through larger funds and are too specialist in nature or too management intensive to be accessible to most individual family offices or high net worth investors.

Since taking on its responsibilities in December 2019, the Board has identified several key areas of focus to enable the Company to deliver its strategy:

- Ensuring the Company has the necessary systems, processes, governance and resources;
- Managing the existing assets to optimise value and to provide liquidity for new investment;
- Developing a pipeline of new opportunities, meeting the Company's investment requirements in terms of both total return and current yield;
- Creating a co investment network which would invest in deals alongside the Company, allowing for greater diversification, an expanded pool of capital in the "sphere of influence" of the Company, and the opportunity for the Company to generate additional fee income and so reduce its net running costs.
- The Company has established a new wholly owned subsidiary, LMS Co-Invest Limited, to undertake the co-investment activity. This subsidiary is obtaining the required regulatory permissions and has resources to develop the co-investment activity;
- Identifying opportunities to expand the capital base of the Company through acquisitions.

Impact of the Coronavirus crisis

The Board has considered the potential impact of the Coronavirus crisis on its plans.

Its current view is that the overall aims, objectives and approach are not necessarily materially altered, although the context in which the Company is operating is likely to change.

The potential consequences of this could include

- The performance of the existing portfolio is likely to be worse than previously anticipated, both in terms of delayed timing of liquidity events and amounts realised;
- The returns available from deploying new capital could be greater than previously anticipated, but it may take some months for a stable investment environment to return;
- The opportunities for co-investment are likely to be improved in the medium term as deal flow builds post the current crisis. LMS Co-Invest Limited is actively developing the co-investment network;
- Expansion of the capital base, always an important objective, becomes a greater priority for the Company.

DEAL DEVELOPMENT AND DEPLOYMENT OF CASH

The Board has given careful consideration to its approach to managing liquidity and the deployment of its available cash resources, in light of the circumstances it faces and is likely to face as a result of the Coronavirus crisis. The context for the Board's consideration has been:

- Its long term objective remains unchanged – to broaden its shareholder base and develop the Company into an attractive investment for family offices, high net worth investors and institutions attracted by the returns it achieves and the character of its investments;
- In order to do this, the Company needs sufficient liquid resources to maintain its ability to operate – which means it can make new investments and can support existing investments where the investment case supports this;

STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

- Operationally, the Company has strong relationships which will continue to be important to delivering its longer term objective. Where possible it will be important to seek to find ways to support these relationships through the current crisis, albeit on a different basis to what might previously have been the case;
- Liquidity from the existing portfolio is likely to be a lower amount and take longer to realise than previously anticipated.

In reaching a decision on priorities for the deployment of its cash:

- The Board is mindful of its stated intent to make a further return of capital to shareholders and its intent to pay a regular dividend from 2021 onwards. In the current market climate, the Board intends to keep under review its options for doing this, pending clarity on the likely amount and timing of liquidity from the existing asset pool and its ability to generate income to cover any dividend;
- The Board believes that it should continue to support two new deals which it has been developing.
    - In the one case, there is no immediate capital commitment required;
    - In the other case, the Board proposes to make a conditional commitment, draw down against which will only be agreed if the Company is satisfied that sufficient stability has returned to markets.

The two opportunities which are being backed are:

Cavera

Cavera has been established by LMS as a vehicle to work with a successful real estate development team. The team previously founded Voreda, a management business that developed over 90,000 square metres of space in West London for its partners. LMS was an investor in phase 1 of Voreda's projects which produced an IRR for LMS of 16% in the period 2012-2015. Subsequent phases produced further good returns for investors, although LMS being in realisation mode at the time, was unable to participate.

Cavera does not require a significant capital commitment, but LMS will fund its operating costs to source opportunities for which LMS will then structure a "Project SPV" investment proposal for itself and co-investors.

George Capital

The Company has conditionally committed to invest in a niche real estate strategy based on the repositioning and enhancement of mixed use assets in regional city centres. The initial conditional commitment is £2.5 million. Further amounts may be committed depending on how markets develop.

This strategy has already been successfully implemented by the George Capital team, in its first two funds; Fund 1 is now largely realised.

Prior to unconditional commitment, LMS will need to be satisfied that sufficient stability has returned to financial markets to enable proposed deals to be properly evaluated.

As a cornerstone investor, LMS will receive enhanced economics and certain other rights, including two seats on the investment committee.

The investment strategy is to acquire income producing assets with the opportunity for improvement. Returns in the first two funds have included a significant income component. The team has demonstrated its ability to source well priced assets, taking advantage of pricing inefficiencies in the £5 – £20 million size. The team believes that attractive opportunities will continue to become available and is positioning itself to be able to take advantage of the market.

CONCLUSION AND OUTLOOK

The new Board recognises the need for the Company to deliver returns to its shareholders, both as cash distributions and through share price appreciation. This will be achieved through a combination of underlying investment performance, cost control and expansion of the capital base to increase liquidity in the shares. The development of our co-investment activity is an important contributor. This activity will increase the pool of capital for which the Company speaks, will generate income for the Company to reduce net running costs and, importantly, has the potential to attract investors to LMS.

In this statement we have set out our objectives and how we intend to operate. The Coronavirus crisis changes the landscape in which we will need to operate. However, it does not fundamentally change what we are setting out to do, which is to broaden the Company's shareholder base and develop it into an attractive investment for family offices, high net worth investors and institutions attracted by the returns it achieves and the character of its investments. This is a long term plan based on achieving the balance between preserving and growing wealth. It is also critically dependent on our network of relationships.

The Board's immediate priority is to manage, to the extent it is able to do so, the risks arising from the Coronavirus crisis and to develop its business with due regard to the challenges presented by the crisis. In doing so it will seek to continue to support and build its relationships.

The Company will provide an update on its net asset value at 31 March 2020 by the end of April. It is almost certain that underlying valuations will be reduced, potentially by a material amount. However, the Company has a strong balance sheet with considerable cash balances.

We are still at the beginning of the journey as an internally managed company. We look forward to reporting to you on our progress.

ROBERT RAYNE
CHAIRMAN

NICHOLAS FRIEDLOS
MANAGING DIRECTOR

15 April 2020

STRATEGIC REPORT

LMS Capital is a listed investment Company.

Following a shareholder meeting on 28 November 2019, a new Board was appointed and initiated the process of transitioning the Company to being internally managed.

The Company served notice to terminate its contract with Gresham House Asset Management Limited "GHAM" on 29 November 2019; the termination became effective on 30 January 2020, following the agreement of commercial terms between the Company and GHAM and the entry of the Company by the FCA in the register of small registered UK AIFMs.

Accordingly, for the year being reported upon the Company was managed by GHAM but at the date of this report and looking forward it will be internally managed and with a new Board.

The investment policy of the Company remains unchanged from that adopted by shareholders in August 2016. However, the strategy to implement that policy will now be the responsibility of the new Board with the Company internally managed.

The Strategic Report for this Annual Report is therefore set out in the following parts:

Part 1 – Strategy following the change to internal management

Part 2 – Investment Policy

Part 3 – Matters relating to the year ended 31 December 2019, under the previous management arrangements

Part 4 – Risk management and viability statement

PART 1 – INTERNAL MANAGEMENT STRATEGY

Since December 2019 the business has been reshaped, under the management of its own team, to be focused on investment in its known areas of expertise in real estate, energy and late stage private equity, with an emphasis on deals with well protected downside and a target overall return of 12% -15% per annum including a portion paid as a distribution.

This strategic focus has not changed since the impact of the Coronavirus shutdown. However, the tactical implementation of the strategy will need to adapt. The Company cannot foresee with certainty the economic impact of the crisis, but is planning for now, on the downside that it could involve a prolonged recession, and the Company will have less liquidity over the next year or so than might otherwise have been the case.

Our Objectives

To deliver financial returns for our shareholders

- An overall total return, net of costs, over the longer term of 12%-15% per annum;
- The total return to include an element of annual distribution to shareholders, with additional distributions from realised gains as these arise.

To broaden our shareholder base and develop the Company into an attractive investment for family offices, high net worth investors and institutions attracted by the returns we can achieve and our deal flow.

What we will do

We will invest in businesses operating in three broad areas where we have

- experience and knowledge;
- a track record of successful investing;
- access to exceptional teams and opportunities.

The three areas we will focus on are

- real estate;
- energy;
- late stage private equity.

The characteristics of individual deals will include

- an opportunity for LMS to contribute expertise as well as financial backing;
- assets at the smaller end of their respective sectors where pricing inefficiencies allow attractive entry pricing;
- situations requiring a level of management attention which larger funds are unable to support and is too complex for direct investment by individual family offices or high net worth investors;
- Controlling or influential minority positions
    - Board or investment committee representation;
    - Full information rights.

How we will operate

We have assembled an experienced Board to oversee the development of the business and also to function as the investment Committee. Information on our Board is set out on page 19 to 20 of this report.

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

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

We have appointed Advisory Groups in each of our three areas of focus, real estate, energy and late stage private equity. These groups comprise a combination of individuals with whom we are working on our investments and third parties with sector expertise. The groups provide additional external perspective and guidance for the Company. Details of our Advisory Groups are on page 21.

The Company expects to bring co-investment partners alongside its own investment on many of its deals.

Distribution policy

The Company's investment policy states that the Company intends to distribute in the region of 30% of annual cash realised profits. The new board has indicated that it intends to adopt an annual distribution policy, subject to the Company having sufficient distributable reserves and adequate liquid resources. As noted above, in the current climate the Board is keeping under review its options for implementing its distribution policy. Annual distributions will be taken into account in determining any additional distribution from realised cash profits.

Outlook and prospects

The Company has a strong balance sheet with significant holdings of cash and quoted stocks. The Coronavirus crisis is likely to have reduced the amount and have delayed the timing of liquidity from the existing investment portfolio. However the company is positioned well to restart its investment activities. A pipeline of potential opportunities is being developed, two of which are announced in this report.

The Company will be looking at all new investments to evaluate whether they meet its long term return requirements through the lens of a prolonged recession as a result of the Coronavirus crisis.

The Company is also focused on progressing the existing portfolio, either through an orderly realisation or through supporting where the investment case supports this course of action.

PART 2 – INVESTMENT POLICY

Investment objective

The Company's investment objective, stated in the current investment policy approved by shareholders in August 2016, is to achieve total returns over the medium to longer term, principally through capital gains and supplemented with the generation of a longer term income yield. The Company is targeting a return on equity, after running costs, of between 12% and 15% per annum over the long term on new capital invested.

The investment strategy is focused predominantly on private equity investment and alternative, specialist asset classes:

- The Company will invest in profitable and cash generative businesses and investments, targeting an annual return on equity of 12% -15% net of costs over the long term;
- The focus will primarily be on smaller private investment opportunities below £50 million value where the Company believes there to be significant market inefficiencies which create opportunities for superior long term returns and to leverage the experience of the investment team;
- Investments may include alternative, specialist asset classes which target long term, illiquid strategies both through co-investment and fund opportunities on preferred terms; and
- The focus is also on optimising the value of existing holdings and, where growth prospects are clear, to preserve and support longer term value creation.

No investment in any single company will (at the time of investment) represent more than 15% of the Company's net assets. Any investment in securities of a single company or investment fund, which represents more than 10% of the Company's net assets at the time the investment is made, requires the Board's approval.

The Company may invest in public or private securities; investments may be made in the form of, inter alia, equity, equity-related instruments, derivatives and indebtedness. The Company may hold controlling or non-controlling positions and may invest directly or indirectly.

Whilst the Company has three focus areas, it is not restricted to specific sectors; its assets are and will continue to be predominantly invested in the United Kingdom, Europe and North America. Indebtedness of the Company will not exceed 25% of net assets measured at the time of drawdown. The Company had no indebtedness, other than inter group indebtedness, at 31 December 2019 or at the date of this report.

PART 3 – MATTERS RELATING TO YEAR ENDED 31 DECEMBER 2019

Portfolio management – year ended 31 December 2019

In August 2016, GHAM was appointed by the Board to manage the Company's assets. On 29 November 2019, the Company served notice to terminate that contract. The termination became effective on 30 January 2020 following agreement of the commercial terms of the termination between GHAM and the Company and the entry by the FCA, of the Company in the register of small registered UK AIFMs.

During the year to 31 December 2019 GHAM was the Company's full scope UK AIFM. GHAM managed the Company's assets and investments in accordance with guidelines determined by the Directors and as specified in a formal portfolio management agreement. Further information about the performance of the portfolio can be found in the Portfolio Management Review on pages 11 to 18.

INDOS Financial Limited acted as the Company's depository.

The fees and principal terms of GHAM's appointment as AIFM were as set out in the AIFM and portfolio management agreement, dated 21 December 2018 and were as follows:

a) to the extent that the Company's net assets under management are £100 million or less, the manager was entitled to an annual management fee equal to 1.50% of the value of the assets. The fee charged for 2019 was £0.9 million (2018: £0.9 million);

b) subject to meeting certain hurdle return requirements, the manager was entitled to a performance fee equal to 15% of the gain in the NAV of investments made after August 2016. No performance fee was payable in respect of 2019 or 2018; and

c) On 25 June 2019, the Company entered into an agreement with GHAM that, were notice of termination of the management contract to be served before 30 November 2019, the notice period would be reduced and run until 31 May 2020 rather than a full 12 months' notice. Notice to terminate was served on 29 November 2019 and a deed of termination whereby the contract was terminated with immediate effect, was entered into between the Company and GHAM on 29 January 2020. Under the deed of termination, the Company has agreed to pay GHAM a fee calculated at a rate of 1.5% p.a. of the 29 January 2019 NAV for a period of 5 months to 31 May 2020. An amount on account has been paid to GHAM and an adjustment will be made before 31 March 2020 based on the audited 31 December 2019 NAV of the Company.

A dedicated investment committee of GHAM was responsible for the Company's portfolio and oversight of the investment appraisal process in relation to investments made in respect of the Company's portfolio. The Company had the right to nominate a member to this committee and during the year to 31 December 2019 nominated Robert Rayne.

The investment committee was responsible for assessing and monitoring existing assets, considering any new investment opportunities and for approving due diligence costs, abort costs exposure. The committee considered capital allocation and appropriate risk management.

The members of this committee during the year were:

- Tony Dalwood – CEO of Gresham House PLC and Chairman of the investment committee;
- Graham Bird – formerly leader of the Strategic Equity division of Gresham House PLC;
- Tim Farazmand – UK mid-market private equity professional, most recently MD at LDC, the private equity subsidiary of Lloyds Bank plc;
- Robert Rayne – The Company nominated member of the Investment Committee.

Performance

The following were the key performance indicators ("KPIs") considered by the previous Board and the Manager in assessing the Company's performance against its objectives, for the year ended 31 December 2019. The new Board will consider appropriate KPI's for future periods. The KPIs were:

Return on equity over the long term

The Company's objective was to achieve a return on equity, on new investments made under its investment policy adopted in August 2016 of between 12% and 15% per annum over the long term. There has been only one new investment, with a carrying value of £730,000, since August 2016. The return on this investment has been 20.5% per annum from the time of investment in April 2018 to 31 December 2019.

NAV per ordinary share total return and share price total return

The Company's NAV per share total return, with the special dividend of 4.25 pence per share added back, was minus 7.1% (2018: minus 6.6%) and its share price total return was a minus 14.7% for the year ended 31 December 2019.

These measures compare to the FTSE All Share Index which showed a positive return of 19.2% for the year ended 31 December 2019.

Further information on the Company's performance is given in the Portfolio Management Review on pages 11 to 18.

Personnel

The average number of Directors and staff was as follows:

	2019			2018		
	Male	Female	Total	Male	Female	Total
Directors	4	–	4	4	–	4
	4	–	4	4	–	4

* Following the Board changes on 28 November 2019, the Board size was increased to five Directors, of which one, the Managing Director, was an employee. There was no employee in 2018.

Environment

The Company has a limited direct impact upon the environment and there are few environmental risks associated with the Company's activities. Information on greenhouse gas emissions are set out in the Directors' Report on pages 43 to 44.

PART 4 – RISK MANAGEMENT AND VIABILITY STATEMENT

Risk management and principal risks and uncertainties

GHAM, as the Company's AIFM was responsible, during the year ended 31 December 2019, for the ongoing process of identifying, evaluating, monitoring and managing the risks facing the Company.

On behalf of the Board, the Audit Committee has responsibility for ensuring that the Company has an effective process to identify, document and assess those risks, which might impact the Company's performance and its achievement of its strategy.

Since its appointment on 29 November 2019, the new Board has carried out an assessment of the principal risks facing the Company and the procedures for mitigation of those risks, including risks that would threaten its business model, future performance, solvency or liquidity. In carrying out this assessment the Board has considered any impact of the change to internal management. A summary of the principal risks and uncertainties that could have a material adverse effect on the Company's strategy, performance and financial condition is set out below.

PRINCIPAL RISKS	CONSEQUENCES	COMPANY PROCEDURES
Market risk		
Economic instability, political uncertainty, low growth in the markets where the Company's investments operate and lack of liquidity in capital markets. The continuing uncertainty caused by Brexit trade negotiations is noted by the Board as are current developments in connection with the Coronavirus global pandemic.	Uncertain market factors may adversely impact the value of the Company's investment portfolio and may disrupt capital markets making the realisation of assets more difficult. Such a negative impact on performance and growth rates may lead to lower individual company valuations resulting in a decline of the Company's NAV. Inability to realise investments may lead to lack of liquidity to make new investments. Overall this could result in the Company's failure to meet its return targets and investment objective.	The Board receives regular reports on the trading, cash flows and prospects (including exit opportunities) of the investment portfolio to identify the impact on individual investments and on the Company's strategy. It also receives reports on the Company's actual and projected cash resources.
Volatility in listed equity prices, foreign currency rates.	At 31 December 2019, 29% of the Company's NAV comprised US Dollar denominated investments and 16% of NAV comprised quoted stocks. Movements in the USD/GBP exchange rate and/or the price of quoted stocks have a significant impact on the Company's NAV.	The Board regularly receives reports on the Company's foreign currency exposure in its investment portfolio. The Company does not currently hedge its underlying non-sterling investments. The Company's strategy for its quoted stocks are part of the overall monitoring function of the investment committee.

PRINCIPAL RISKS	CONSEQUENCES	COMPANY PROCEDURES
Investment risk		
The Company may not be able to implement its strategy if it has insufficient available funds or is unable to find suitable deals. New investments may not meet the investment criteria or may not fit with the strategy set by the Board.	If the Company is not able to meet its strategic objectives this may result in a decline in its NAV and share price.	The Board and Investment Committee regularly reviews a) the pipeline of potential deals; b) available cash resources; and c) likely realisations from existing investments. On the basis of this reporting the Board assess the Company's ability to identify and make new investments.
Investments fail to perform in line with original expectations or management's plans. Investment performance may be impacted by competition, regulatory changes or other market developments. Where the Company has only minority stakes in investments it may not be able to influence performance initiatives or exit strategy.	Poor performance by portfolio companies may result in the Company not meeting its investment return objectives or its realisation and cash distribution plans. This could impact the NAV and the market's view of the Company's prospects, with a consequent negative impact on its share price.	Regular reporting on the trading of individual companies in the investment portfolio as well as of the Company's overall investment performance.
Financial risk		
Many of the Company's investments produce little or no recurring income and the timing of realisations to provide working capital cannot be ascertained with certainty. The Company has made investments in private equity funds under the terms of which it may be obliged to make further capital contributions. Whilst the maximum amount of the future commitment is known, the timing of such capital contributions cannot be predicted with certainty.	Failure to meet future financial obligations (including capital calls to funds) could expose the Company to potential legal action and/or loss of value (to a fund investment).	Working capital requirements (including exposure to uncalled fund commitments) are reported on regularly to the Board.
Operational and Management risk		
Failure of the Company's internal processes and systems to ensure that it complies with all legal, regulatory and financial reporting obligations including all FCA compliance requirements.	Reputational damage and/or financial loss.	The Audit Committee, on behalf of the Board, regularly reviews the systems in respect of the principal operational risks, as well as reports on the Company's related risk management procedures. The changes in systems and procedures that are required as a result of the Company's change to internal management are reported on and monitored by the Audit Committee and the Board.
The membership of the Company's Board and its management resources may not be appropriate to the business circumstances.	Underperformance and failure to deliver strategy.	Nominations Committee reviews Board composition including management resources.

Viability statement

The Directors have assessed the Company's current position and prospects as described in the Chairman's Statement and the Portfolio Management Review, as well as the principal risks and uncertainties set out above. The Directors concluded that the appropriate period for this assessment should be the three years commencing 1 January 2020 since this timeframe reflects the Company's internal planning horizon as well as that of most of the companies in which it is invested. Given the illiquid nature of much of its investment portfolio, investment/divestment decisions tend to reflect a time period which can be up to three years or more.

In performing their assessment, the Directors considered principally:

- The Company's liquidity forecast for the three years from 1 January 2020;
- The significant cash balances on hand at 31 December 2019;
- The latest report on the investment portfolio which includes (for every Board meeting) an assessment of operational issues as well as broader market factors and each asset's cash needs (if any) and likely future cash generation (amount and timing); and
- The potential impact on the Company's operations, portfolio and liquidity from the rapidly developing Coronavirus global pandemic.

The Directors' consideration of these reports was made against the background of the following:

- Many of the Company's investments are in private companies for which the timing and amount of income and/or realisation is uncertain. The fair value of these investments is almost certain to decline in 2020 due to recent market events, but the Company has sufficient sources of other liquidity from its available cash balances and marketable securities;
- The Board has reviewed the liquidity of the Company and considered commitments to private equity investments, long term cash flow projections and the potential availability of gearing. It has also satisfied itself that assumptions regarding future cash inflows are reasonable;
- The Board has also considered likely downside risk in the value of marketable securities, including the impact of recent market declines due to the impact of the Coronavirus global pandemic, where realisations of these form part of the liquidity forecast. This risk typically includes factors impacting the price of the security and the exchange rate against sterling of the currency in which it is denominated; and
- In making its assessment, the Board has taken into account the threats to the Company's solvency or liquidity incorporated in the principal risks and uncertainties, including potential impacts from the Coronavirus global pandemic, and has satisfied itself that they are being addressed as outlined above.

Taking account of the above factors, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of this assessment.

Directors' Responsibilities Pursuant to Section 172 of the Companies Act of 2006

The Directors are responsible for acting in a way that they consider, in good faith, is the most likely to promote the success of the Company for the benefit of its members. In doing so, they should have regard for the needs of stakeholders and the wider society. The Company's objective is to provide investors with an annual return of 12% to 15% per annum over the long term through a combination of share price appreciation and distributions.

Key decisions are those that are either material to the Company or are significant to any of the Company's key stakeholders. The Company's engagement with its key stakeholders is discussed further in the Corporate Governance Report. The below key decisions were made or approved by the Directors during the year, with the overall aim of promoting the success of the Company while considering the impact on its members and wider stakeholders.

Dividends

The Board has approved a special dividend of 4.25 pence per share which was paid on 20 January 2020. The Board intends to implement an annual dividend policy but, as explained, in current market circumstances will keep under review its options for doing so.

Acquisitions

The Company acquired no new investments in 2019 but is evaluating potential alternatives to deploy its cash in 2020. The Board has an Investment Committee that reviews and considers each investment in the context of the Company's Investment Policy, availability of financing and the potential returns to investors as well as the context of sustainability and its impact on the surrounding community.

Board Composition

The Board composition changed significantly on 28 November 2019 when four new Directors were appointed after the conclusion of the Extraordinary General Meeting whereby shareholders approved the return to internal management. The structure of the Board and Committees are designed to ensure that the Board focuses on strategy, monitoring the performance of the portfolio, Company and governance, risk and control issues. As part of the implementation processes in order to adopt the 2018 Code, the Board will in 2020 participate in an externally facilitated evaluation of itself and its Committees to ensure that it can focus on driving transformational change.

For and on behalf of the Board.

ROBERT RAYNE
CHAIRMAN

15 April 2020

PORTFOLIO MANAGEMENT REVIEW

INTRODUCTION

GHAM was appointed investment manager in August 2016. In November 2019, the Company's shareholders approved a resolution to return the Company to internal management at a more effective cost structure. As explained in the Strategic Report, although the Company's contract with GHAM has now been terminated, for the year under review GHAM was the AIFM. The Company and the new Board will be responsible for all aspects of the portfolio management with effect from 30 January 2020.

2019 was a year of building cash resources. Cash in the group has grown from £17.7 million at the start of the year to £26.6 million at 31 December 2019, following realisations.

MARKET BACKGROUND

2019 saw a bullish start to the year as equities recovered from a sluggish end to 2018 that was negatively impacted by a global recessionary narrative coupled with ongoing Brexit negotiations in the UK. Markets were strong through most of the year, although there was a correction In October primarily from uncertainty around the U.S.-China trade deal and concerns about the global economic outlook. The domestic environment rebounded at the end of the year after the general election that dispelled some of the uncertainty around Brexit. The UK AIM and Small-cap indices ended the year up 12.1% and 14.2% respectively, and the sterling strengthened against the U.S. dollar hitting an 18-month high. Domestically there is more optimism that Brexit can be completed and end the uncertainty that has kept investors away from UK markets, possibly narrowing the discount to international peers. However, in recent weeks concerns about the impact of the Coronavirus global pandemic have had a significant impact on investment markets and are beginning to have significant implications for the world economy as the virus spreads through Europe and North America. The likelihood of a global recession is increasing, and there remain significant uncertainties about the overall impact that the Coronavirus pandemic will have on investment markets and the economy, including the duration of any shutdown of businesses. The Company is currently unable to assess the financial impact on its portfolio investments, and considers this to be a non-adjusting post balance sheet event and therefore no quantitative adjustment is made in the financial statements. Although the Company is currently unable to quantify any specific amounts, the key future impacts are expected to be as follows:

- Declines in the fair value of quoted investments as a result of the overall decline in the U.S. and U.K. equity markets;

- Potential declines in the fiscal 2020 valuations of unquoted and funds investments that are valued using market multiples. The declines may come from a decrease in the market multiples, or a decline in the underlying financial metric used in the valuation such as revenues or EBITDA; and

- Potential liquidity impacts to the underlying businesses in our portfolio investments from any tightening of the capital markets that could negatively impact the ability to access capital through either debt or equity.

The consequences of recent developments will be monitored closely by the Board.

PERFORMANCE REVIEW

The movement in NAV during the year was as follows:

	2019 £'000	2018 £'000
Opening NAV	**60,275**	64,488
Loss on investments	**(1,199)**	(2,482)
Overheads, and other net movements	**(3,118)**	(1,731)
Closing NAV	**55,958**	60,275

Cash realisations from the portfolio in 2019 were as follows:

	Year ended 31 December	
	2019 £'000	2018 £'000
Proceeds from the sale of investments	**12,411**	6,819
Distributions from funds and loan repayments	**788**	10,815
Total – gross	**13,199**	17,634
New and follow-on investments	**(426)**	(1,405)
Fund calls	**(898)**	(219)
Total – net	**11,875**	16,010

Realisations of £13.2 million in 2019 include:

- Proceeds of £12.3 million from the sale of the Company's interest in Entuity to a company that acquired the business in August 2019;

- £0.7 million of additional consideration from the 2018 sale of Penguin;

- £0.1 million from the sale of other investments; and

- Other fund distributions of £0.1 million.

The follow-on investments are primarily in respect of additional working capital funding for Elateral, a UK direct investment.

The fund calls are primarily in respect of SFEP for management fees and additional working capital funding required for YesTo.

Below is a summary of the investment portfolio of the Company and its subsidiaries:

Asset type	31 December 2019 UK £'000	2019 US £'000	2019 Total £'000	2018 UK £'000	2018 US £'000	2018 Total £'000
Quoted	**6,687**	**1,734**	**8,421**	4,814	947	5,761
Unquoted	**2,428**	**7,285**	**9,713**	7,223	11,101	18,324
Funds	**7,795**	**6,312**	**14,107**	7,375	13,423	20,798
	16,910	**15,331**	**32,241**	19,412	25,471	44,883

The principal investments at 31 December 2019 comprising 47.3% of the NAV shown below (82.1% of the remaining portfolio) are:

Name	Geography	Sector	Book value 31 December 2019 £'000	Book value 31 December 2018 £'000	% of Net asset value 31 December 2019
Quoted investments					
Gresham House plc	UK	Financial	**5,906**	4,469	**10.6%**
Solaredge	US	Renewable Energy	**1,717**	658	**3.1%**
Unquoted investments					
Medhost Inc	US	Technology	**5,460**	8,276	**9.7%**
Entuity	UK	Technology	**–**	4,925	**–**
Elateral	UK	Technology	**1,610**	1,610	**2.9%**
Fund investments					
YesTo, Inc*	US	Consumer	**3,096**	9,265	**5.5%**
Brockton Capital	UK	Property	**5,529**	4,922	**9.9%**
Opus Capital Venture Partners	US	Technology	**3,145**	3,115	**5.6%**

** includes holdings by SFEP and co-investments held by the Company*

BASIS OF VALUATION:

Quoted investments

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

Unquoted direct investments

Unquoted direct investments for which there is no ready 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 positive cash flows;
- investments in a business the value of which is derived mainly from its underlying net assets rather than its earnings are valued on the basis of net asset valuation;
- investments in an established business which is generating sustainable revenue or positive cash flows but for which other valuation methods are not appropriate are valued by calculating the discounted cash flow of future cash flows or earnings; and
- 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.
- the Company has adopted the updated IPEV guidelines which are effective from 1 January 2019. The main changes of the new guidelines are:
  - Price of a recent investment removed as a primary valuation technique; and
  - valuing debt investment is expanded;

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 2019 was as follows:

	Year ended 31 December					
	2019			2018		
Asset type	Realised gains/ (losses) £'000	Unrealised gains/ (losses) £'000	Total £'000	Realised gains/ (losses) £'000	Unrealised gains/ (losses) £'000	Total £'000
Quoted	**9**	**2,700**	**2,709**	43	(4,009)	(3,966)
Unquoted	**7,071**	**(3,870)**	**3,201**	1,930	1,912	3,842
Funds	**–**	**(6,708)**	**(6,708)**	242	(2,441)	(2,199)
	7,080	**(7,878)**	**(798)**	2,215	(4,538)	(2,323)
Charge for incentive plans			**(401)**			(159)
			(1,199)			(2,482)
Operating and similar expenses of subsidiaries			**(527)**			(862)
			(1,726)			3,344

The Company operates carried interest arrangements in line with normal practice in the private equity industry. The charge for incentive plans for the Company is £0.7 million and Subsidiaries a credit of £0.3 million for carried interest and other incentives relating to historic arrangements. The credit for subsidiaries is included in the Net losses on Investments in the Income Statement. In 2018 £0.2 million was treated as a net charge for incentive plans in subsidiaries however a charge for incentive plan of £0.2 million of this should have been to the Company and £36,000 treated as a credit for incentive plans in subsidiaries. The overall impact on LMS Capital plc net loss in 2018 is nil.

Approximately 48% of the portfolio at 31 December 2019 is denominated in US dollars (31 December 2018: 57%) and the above table includes the impact of currency movements. In the year ended 31 December 2019, the weakening of the US dollar against sterling over the year as a whole resulted in an unrealised foreign currency loss of £0.5 million (2018: unrealised gain £1.8 million. As is common practice in private equity investment, it is the Board's current policy not to hedge the Company's underlying non-sterling investments.

QUOTED INVESTMENTS

		31 December	
Company	Sector	2019 £'000	2018 £'000
Gresham House plc	UK financial	**5,906**	4,469
Solaredge	US renewable energy	**1,717**	658
IDE Group Holdings *(formerly Coretx Holdings)*	UK technology	**781**	345
Weatherford International	US energy	**7**	236
Others	–	**10**	53
		8,421	5,761

The net gains/(losses) on the quoted portfolio arose as follows:

Gains/(losses), net	Year ended 31 December 2019 £'000	2018 £'000
Realised		
Intermolecular Inc	**9**	–
Gresham House plc	**–**	43
	9	43
Unrealised		
Gresham House plc	**1,437**	411
Solaredge	**1,135**	(370)
IDE Group Holdings	**436**	(2,615)
Weatherford International	**(232)**	(1,470)
Other quoted holdings	**(3)**	(51)
Unrealised foreign currency (losses)/gains	**(73)**	86
	2,700	(4,009)
Total net gain/(loss)	**2,709**	(3,966)

Gresham House plc

The Gresham House share price rose from 454 pence at 31 December 2018 to 600 pence at 31 December 2019, following a year of substantial growth for the group.

At 31 December 2019 and 2018 the Company held 984,329 shares in Gresham House plc.

Solaredge

At both 31 December 2019 and 2018 the Company held 23,944 shares of Solaredge Technologies, Inc., a US listed company that manufactures a renewable energy solution that changes how solar power is harvested and managed, ultimately reducing the cost of solar energy. The share price increased from $35.07 at 31 December 2018 to $95.09 at 31 December 2019 due to significant quarterly revenue growth during 2019 and plans to launch a new product range.

IDE Group

The performance of IDE Group improved during 2019 following a disappointing 2018 that saw the share price fall substantially. In December 2019, the company announced that it secured several multi-year customer contract renewals and new contract wins to improve the pipeline of future revenue. IDE also announced in December 2019 that it raised £1.5 million from the issuance of new secured loan notes, which the Company did not participate.

Weatherford

The unrealised loss in the year reflect the dilutive impact on ordinary shareholder value of the restructuring following a bankruptcy declaration in May 2019. Weatherford restructured its debt obligations and re-emerged from bankruptcy proceedings in December 2019.

UNQUOTED INVESTMENTS

Company	Sector	31 December 2019 £'000	31 December 2018 £'000
Medhost Inc	US technology	**5,460**	8,276
Entuity	UK technology	**–**	4,925
Elateral	UK technology	**1,610**	1,610
ICU Eyewear*	US consumer	**1,508**	1,568
Yes To*	US consumer	**317**	927
Penguin Computing*	US technology	**–**	329
Northbridge	UK technology	**730**	600
IDE Group	UK technology	**88**	89
		9,713	18,324
Sold in year			
Entuity	UK technology	**12,327**	–

** These are co-investments with SFEP*

The net gains on the unquoted portfolio arose as follows:

Gains, net	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Realised		
Entuity	**7,177**	–
Eye-Fi	**36**	–
Penguin Computing	**(142)**	153
Brockton Capital LLP	**–**	617
Nationwide Energy Partners	**–**	633
Others	**–**	527
	7,071	1,930
Unrealised		
Medhost	**(2,672)**	(552)
Elateral	**(400)**	(890)
ICU Eyewear	**–**	784
Entuity	**–**	1,711
Penguin Computing	**–**	300
YesTo	**(722)**	1
Northbridge	**130**	–
Unrealised foreign currency (losses)/gains	**(206)**	558
	(3,870)	1,912
Total net gain	**3,201**	3,842

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.

Entuity

The sale of Entuity was completed in August 2019 and the Company realised £12.3 million in cash proceeds and a gain of £7.2 million during the year. During 2018 and 2019 Entuity increased its recurring revenues, streamlined its cost base and diversified its mix of clients, and the strategic value to the buyer resulted in a larger than anticipated gain.

Medhost

Medhost is a co-investment with funds of Primus Capital. Medhost's financial performance saw a decline in EBITDA during 2019 on lower revenues from the loss of some customer facilities, resulting in a lower valuation by the fund manager Primus Capital and an unrealised loss of £2.7 million for 2019.

Elateral

Additional funding of £0.4 million was required by the Company in 2019. The new team at Elateral has largely completed the process of re-engineering and upgrading its technology platform and reducing its cost structure. It continues to secure additional multinational "household" names as clients during 2019. The company is a relatively small organisation dealing with large multinational clients and has a long sales cycle. However, its new product has enabled it to accelerate the rate of new business wins in the second half of 2019.

ICU Eyewear

This investment had been written off in 2016. Following a restructuring and refinancing with new investors in 2017 the Company recognised a small positive carrying value at 31 December 2017. During 2019 the company has continued to demonstrate its ability to trade profitably and there was a small movement in the valuation from £1.568 million to £1.508 million due to unrealised foreign exchange losses.

Penguin Computing

The Company's total interests are held through its investment in SFEP and directly through a co-investment with SFEP. The amounts shown above relate to the directly held co-investment. As explained below, the business was sold in June 2018 and initial consideration has been received. The write-off in 2019 represents an estimate that no further proceeds will be received.

FUND INTERESTS

		31 December	
General partner	**Sector**	**2019 £'000**	**2018 £'000**
Brockton Capital Fund 1	UK property	**5,529**	4,922
Opus Capital Venture Partners	US venture capital	**3,145**	3,115
San Francisco Equity Partners	US consumer & technology	**2,570**	9,534
Eden Ventures	UK venture capital	**914**	1,100
Weber Capital Partners	US micro-cap quoted stocks	**563**	687
EMAC ILF	UK	**988**	1,052
Simmons	UK	**363**	302
Other interests	–	**35**	86
		14,107	20,798

Losses on the Company's funds portfolio for the year ended 31 December 2019 were as follows:

(Losses)/gains, net	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Realised		
Other funds	–	242
	–	242
Unrealised		
San Francisco Equity Partners	**(6,798)**	(4,072)
Eden Ventures	**(183)**	421
Brockton Capital Fund I	**607**	319
Simmons Parallel Energy	**81**	8
Opus Capital Venture Partners	**226**	154
Others (net)	**(433)**	(419)
Unrealised foreign currency (losses)/gains	**(208)**	1,148
	(6,708)	(2,441)
Total net loss	**(6,708)**	(2,199)

LMS Capital is the majority investor in SFEP (as opposed to the other fund interests where the Company has only a minority stake).

SFEP has one remaining investment, YesTo.

- YesTo – fund carrying value £2.8 million (31 December 2018: £8.4 million) was significantly reduced in 2019. A new management team had been appointed in 2016 and pursued an aggressive product launch and sales growth plan. Initially this was successful; there was a partial exit on attractive financial terms in 2017. However, the product range was over expanded, some new launches were unsuccessful, and margins were eroded. Sales volumes have fallen significantly short of budget in 2019 and the company incurred losses. Additional working capital funding was required from investors. A new team has been appointed and a plan to restore growth and profitability is being implemented during 2020. The company is valued primarily on a sales multiple and the reduction reflects the reduced sales for 2019 and projected for 2020, coupled with the impact of the additional financing requirements.

  In addition to the fund investments noted above the Company has a directly held co- investment in YesTo of £0.3 million (31 December 2018: £0.9 million). The Company's total investment in YesTo at 31 December 2019, via its SFEP fund interest and its co-investment is £3.1 million (31 December 2018: £9.3 million).

Other fund interests

- Eden Ventures – Eden has reached agreement to sell all but one of its assets in a secondary transaction, and the unrealised loss reflects the write down to the proposed exit values of those assets;

- Brockton Capital Fund I –The Company's investment represents its share (via the Brockton Fund) of preferred debt investments in "High End" central London residential development. The investment showed an increase in the valuation over the prior year as a result of an improvement in the terms and structure of the various debt instruments following refinancing negotiations; and

- Opus Capital, a US venture fund, showed an unrealised gain of £0.2 million from improvements in its two main assets.

OVERHEAD COSTS

Overhead costs for the year (including amounts incurred by subsidiaries) were £3.2 million (2018: £1.6 million). Amounts in 2019 include £1.4 million of one off exceptional legal and advisory fees.

The one off exceptional costs relate to (a) the costs of the former independent directors in running a tender process for the Company's investment management arrangements; (b) the costs of the circular and other shareholder communications, both for and against the proposals, leading up to the general meeting; (c) other advisory costs incurred by the parties in the course of seeking to resolve differences of view as to the investment management arrangements for the Company; and (d) amounts payable to GHAM in accordance with the termination arrangements agreed between the Company and GHAM.

TAXATION

The Group tax benefit for the year, all of which arose in the subsidiaries, is £nil (2018: £0.3 million tax charge).

FINANCIAL RESOURCES AND COMMITMENTS

At 31 December 2019 cash holdings, including cash in subsidiaries, were £26.6 million (31 December 2018: £17.7 million) and neither the Company nor any of its subsidiaries had any debt (2018: nil debt).

At 31 December 2019 subsidiary Companies had commitments of £3.1 million (31 December 2018: £3.1 million) to meet outstanding capital calls from fund interests.

LMS CAPITAL PLC
15 April 2020

BOARD OF DIRECTORS

ROBERT RAYNE
NON-EXECUTIVE CHAIRMAN

Committee memberships: Chairman of the Investment Committee and the Nomination Committee

Date appointed to the Board: 6 April 2006

Date appointed as Chairman: 28 November 2019

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

Experience: Robert has expertise in a wide range of sectors, including real estate, media, consumer, technology and energy. He established the Company's investment activities in the early 1980s as Investment Director and later Managing Director and Chief Executive Officer of London Merchant Securities.

NICK FRIEDLOS
MANAGING DIRECTOR

Committee memberships: Member of the Investment Committee and the Nomination Committee

Date appointed to the Board: 28 November 2019

Date appointed Managing Director: 28 November 2019

Role and experience: Managing Director, with overall responsibility of running the Company's operations going forward, working with and supporting the activities of the investment teams as well as overseeing the administrative and regulatory matters.

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

PETER HARVEY
NON-EXECUTIVE DIRECTOR

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

Date appointed to the Board: 28 November 2019

Date appointed as Chairman of Audit Committee: 28 November 2019

Directorships: Peter has a number of other roles with not for profit organisations in Cornwall.

Experience: Peter is a chartered accountant and, prior to his retirement in 2010, was a partner at PricewaterhouseCoopers. He has been involved as Chairman of the shareholder group in a private company in the brewing sector and has worked closely with the board of these business.

BOARD OF DIRECTORS

GRAHAM STEDMAN
NON-EXECUTIVE DIRECTOR

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

Date appointed to the Board: 28 November 2019

Date appointed as Chairman of the Remuneration Committee: 28 November 2019

Directorships: Number of advisory roles and has a particular interest in mentoring smaller organisations both in the commercial and in the not for profit sectors to develop their businesses.

Experience: Graham is a lawyer and spent most of his career as a corporate law partner in London advising on mergers and acquisitions, takeovers, and other corporate transactions in both public markets and private equity and venture capital.

JAMES WILSON
SENIOR NON-EXECUTIVE DIRECTOR

Committee memberships: Member of the Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee

Date appointed to the Board: 28 November 2019

Directorships: Chairman and Managing Partner of Source Squared. Serves on the State Board of Advisors for The Salvation Army, and the Advisory Board of the Cambridge Conservation Initiative at Cambridge University in the UK.

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

OUR ADVISORY GROUPS

REAL ESTATE

CHRIS DANCER
Property Development – development manager for Cavera, previously joint founder of Voreda

STEVE DYKES
Property Development – development manager for Cavera, previously joint founder of Voreda

ANTHONY WARDLE
Property Investment – asset manager at George Capital, previously a director of Ashtenne Investments and with Property Fund Management plc

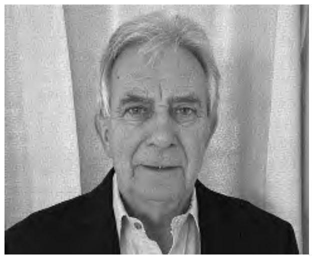
BEN YOUNG
Property Investment – Founder George Capital LLP, previously with Delancey and British Land

PRIVATE EQUITY

RICHARD FIDLER
Strategic and M&A adviser to private businesses. Has previously worked for Rothschild and Deutsche advising in energy, utilities and TMT sectors

KEITH HOLDT
Joint managing Partner Voyager Capital Partners. Previously director at LDC leading the Value Enhancement Team

PARDIP KHROUD
Joint managing partner Voyager Capital Partners. Previously investment director Gresham House and prior to that LDC and KPMG



CHRIS WETHERILL
Experienced investor in and adviser to private businesses. Chairman of Oakley Capital Investments Ltd. until September 2018

ENERGY

ANDY BECNEL
Experienced energy industry executive and adviser to a number of private projects. Previously CFO of Weatherford International

BERNARD DUROC DANNER
Previously CEO Weatherford International and currently consultant, adviser and investor in a number of energy projects around the world

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

UK CORPORATE GOVERANCE CODE AND S172 REPORTING

The Board of LMS Capital plc is committed to maintaining high standards of corporate governance and business ethics. The Financial Reporting Council updated the UK Corporate Governance Code in July 2018 (the "2018 Code"). The 2018 Code applies to reporting periods beginning on or after 1 January 2019. This report is made under the 2018 Code. Copies of the 2018 Code are available from the Financial Reporting Council's website at www.frc.org.uk.

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

This report sets out how the Company has applied the principles in the Code, the AIC Code and the extent to which it has complied with the detailed provisions set out therein. The Board considers that the Company has complied with all of the provisions of the 2018 Code, except where explanatory statement have been included below. The Board considers that the Company is making good progress towards full implementation of the Code for 2020.

GOVERNANCE KEY EVENTS

- Board changes
    - Resignation of Martin Knight, Neil Lerner and Rod Birkett on 28 November 2019;
    - Appointment of new directors to the Board on 28 November 2019. The New Board now consists of Robert Rayne (Chairman), Nick Friedlos (Managing Director), James Wilson (Senior Non-Executive Director), Peter Harvey (Non-Executive Director) and Graham Stedman (Non-Executive Director);
- Appointment of Senior Non-Executive Director
- New Board Committee structure
    - changes made to the audit committee and nomination committees of the New Board;
    - audit committee, now comprises Peter Harvey (as chair), James Wilson and Graham Stedman;
    - nomination committee, now comprises all of the directors, with Robert Rayne acting as chair;
    - remuneration committee formed, which comprises Graham Stedman (as chair), James Wilson and Peter Harvey;
- A continuing review of the Code, with steps taken towards full compliance for 2020.

UK CORPORATE GOVERNANCE CODE – EXPLICIT EXPLANATORY STATEMENTS

Provision 9 of the Code requires the chair should be independent on appointment when assessed against the circumstances set out in Provision 10. Robert Rayne is not considered to be independent as he previously served as an executive director and is a major shareholder in LMS Capital plc. While not independent, Robert Rayne is considered the most appropriate person to chair the Company during its transition to internal management and has been appointed accordingly.

Provision 13 of the Code the chair should hold meetings with the non-executive directors without the executive directors present. Until 29 November 2019, the Board was made up of non-executive directors; the executive director came onboard 1 month before the year-end and therefore this provision was not complied with. The Board will take the necessary steps to comply with Provision 13 is adhered to in 2020.

Provision 19 of the Code required the chair should not to remain in post beyond nine years from the date of their first appointment to the board. Robert Rayne has been on the Board for over 9 years and therefore Provision 19 has not been complied with. Robert Rayne is considered the most appropriate person to implementing the company's direction and strategy given the recent management changes and has been appointed accordingly.

Provision 20 of the Code requires that an open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. Given the circumstance around the management changes in September 2018 and detail in the EGM documents, this Provision was not adhered to. A board effective review will be undertaken in 2020, the feedback from this review will be taken into consideration.

Provision 34 of the Code states that the remuneration for all non-executive directors should not include share options or other performance-related elements. This Provision was not complied with as Robert Rayne received carrying interest. The carry interest relates to entitlements earned during previous years when he was an executive of the Company, and in this respect he is not treated differently than other former executives who in some cases also retained carried interest entitlements.

Provision 41 of the Code required that a description of the work of the remuneration committee be included in the Annual Report. Until 28 November 2019, the Board comprised only non-executive directors. The Board therefore concluded that there was no need for a remuneration committee and consequently Provision 41 of the Code was not complied with for the year ended 31 December 2019.

ENGAGEMENT WITH STAKEHOLDERS

Following the Board changes on 28 November 2019, a Senior Non-Executive Director, James Wilson was appointed, who together with the Chairman, is available to meet with shareholders as appropriate. Nick Friedlos our managing director and each of our Committee chairs is available to engage with shareholders on significant matters related to their area of responsibility.

All Directors will be available at our Annual General Meeting to answer any questions. At the AGM the level of proxy votes lodged on each resolution is made available, both at the meeting and subsequently on the Company's website. Each substantially separate issue is presented as a separate resolution. The Committee Chairmen are available to answer questions from shareholders.

Shareholder communications

The Company communicates regularly with its major institutional shareholders and ensures that all the Directors have an understanding of the views and concerns of investors about the Company. This is achieved by the Directors maintaining contact from time to time with representatives of institutional shareholders to discuss matters of mutual interest relating to the Company and reporting back to the Board. Shareholders have the opportunity to meet any of the Directors of the Company should they so wish.

The interim and annual results of the Company, along with all other press releases, are posted on the Company's website, www.lmscapital.com, as soon as possible after they have been announced to the market. The website also contains an archive of all documents sent to shareholders, as well as details on the Company's investments, strategy and share price.

REMUNERATION

The current Board has engaged with an external adviser and our major shareholders specifically on the subject of the Remuneration Policy which will be proposed for consideration at the 2020 annual general meeting.

In accordance with the Code, the Remuneration Committee when determine executive director remuneration policy and practices, address the following factors: clarity, simplicity, risk, predictability, proportionality and alignment to culture.

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

The Committee reviews at least annually the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders, as appropriate, on the policy or any other aspects of remuneration.

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

Nick Friedlos was appointed as Managing Directors and an executive board member on 28th November 2019. As approved by the Remuneration Committee, Mr. Friedlos is entitled to receive an annual salary of £220,000 per annum and is not entitled to any share rewards.

Detailed information on the remuneration arrangements for the Directors can be found in the Remuneration Report on pages 31 to 34.

ACCOUNTABILITY AND RISK

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

Detailed information on how the Company manages risk can be found in the Strategic Report on pages 5 to 10 and the Audit Report on pages 46 to 51.

DIVERSITY AND SUCCESSION PLANNING

The Board has reviewed the combination of skills and experience on the Board, has evaluated its composition looking at both the existing and desired skill sets. The Nomination committee recognises the need to keep this under review and is cognisant in respect of the diversity of the Board.

LEADERSHIP AND BOARD EFFECTIVENESS

The structure of the Board and Committees are designed to ensure that the Board focuses on strategy, monitoring the performance of the portfolio, Company and governance, risk and control issues. The Board ensures that the right people and leadership are employed and utilised appointed to achieve the strategy and plans of the Company.

As part of the implementation processes in order to adopt the 2018 Code, the Board will in 2020 participate in an externally facilitated evaluation of itself and its Committees to ensure that it can focus on driving transformational change at pace. The Board's effectiveness is regularly evaluated (see further comments on this below).

Board of Directors

The Board is responsible to the Company's shareholders for the performance of the Company and for its overall strategic direction, its values and its governance. It provides the leadership necessary to enable the Company's business objectives to be met within the framework of the internal controls detailed below.

Composition

The Board currently comprises five Directors. Brief biographies of the Directors appear on pages 19 to 21. The Board considers that it has an appropriate balance of skills, knowledge and experience available to it.

Robert Rayne is the Chairman and he is responsible for the effective running of the Board, including setting the Board's agenda and ensuring that all matters relating to performance and strategy are fully addressed. He is also responsible for ensuring that that Board's effectiveness is regularly evaluated (see further comments on this below). The role description of the Chairman is documented and has been approved by the Board.

Non-executive Directors

Each non-executive Director is appointed for an initial term of three years. Subject to agreement, satisfactory performance and re-election by shareholders, their appointments may be renewed for further terms of three years.

Director independence and commitment

In the opinion of the Board, Peter Harvey, Graham Stedman and James Wilson are each considered to be independent in character and judgement and there are no relationships or circumstances which are likely to affect (or could appear to affect) their judgement.

Robert Rayne is not considered to be independent as he previously served as an executive director and is a major shareholder in LMS Capital plc.

Nick Friedlos is not considered to be independent as he is the Managing Director of the Company.

Directors' conflicts of interests

The Company's Articles of Association allow the Directors to authorise conflicts of interest and a register has been set up to record all actual and potential conflict situations which have been declared. All declared conflicts have been approved by the Board. The Company has instituted procedures to ensure that Directors' outside interests do not give rise to conflicts with its operations and strategy.

The Board is of the view that the Chairman and each of the non-executive Directors who held office during 2019 committed sufficient time to fulfilling their duties as members of the Board.

Independent Senior Non-Executive Director

Senior Non-Executive Director, James Wilson was appointed on 28 November 2019. The Senior Non-Executive Director acts as a sounding board for the Chairman and acts as an intermediary for other Directors. The Directors consider that the senior non-executive director is able to ensure significant engagement with shareholders.

Director re-election

In order to comply with the Code, all Directors will offer themselves for re-election by shareholders at each AGM.

Board support

There are agreed procedures for the Directors to take independent professional advice, if necessary, at the Company's expense. All Directors have access to the advice and services of the Company Secretary. In addition, newly appointed Directors are provided with comprehensive information about the Company and its investee Companies as part of their induction process.

While no formal structured continuing professional development programme has been established for the non-executive Directors, every effort is made to ensure that they are fully briefed before Board meetings on the Company's business and its investments. In addition, they receive updates from time to time from the Company's advisers and from the Company Secretary on recent developments in corporate governance and compliance. Each of the non-executive Directors independently ensures that they update their skills and knowledge sufficiently to enable them to fulfil their duties appropriately.

The Board has adopted a schedule of matters reserved to it for approval. These include the approval of financial statements, strategic plans and annual budgets, as well as acquisitions and disposals and major capital and operating expenditure proposals above pre-determined limits agreed with the Manager. The Board delegates specific responsibilities to its Committees, which operate within written terms of reference approved by the Board. These Committees report regularly to the Board.

Board effectiveness

The Board carries out an annual board performance evaluation. It was conducted by the Chairman, supported by the Company Secretary in March 2019. A new Board was appointed on 28 November 2019. As part of the implementation processes in order to adopt the 2018 Code, the Board will in 2020 participate in an externally facilitated evaluation of itself and its Committees to ensure that it can focus on driving transformational change at pace. The external report will be made available to the Board for consideration and discussion.

Board meetings

Seven scheduled Board meetings were held in 2019. At each scheduled meeting, the Board considers a report on current operations and significant business issues, such as major investment or divestment proposals and strategy, as well as a financial report. Papers for each scheduled Board meeting are usually provided during the week before the meeting.

Attendance at Board meetings

The following were Directors of the Company during 2019. They attended the following number of scheduled meetings of the Board and (where they were members) its Committees during the year:

Pre 28 November 2019

	Board	Board independent sub-committee	Audit	Nomination
Meetings held	**4**	**4**	**2**	**1**
Martin Knight	4	4	2	1
Neil Lerner	4	4	2	1
Robert Rayne	4	–	–	1
Rod Birkett	4	4	2	1

Post 28 November 2019

	Board	Audit	Nomination	Remuneration
Meetings held	**1**	**0**	**0**	**1**
Robert Rayne	1	–	–	–
Nick Friedlos	1	–	–	–
Peter Harvey	1	–	–	1
Graham Stedman	1	–	–	1
James Wilson	1	–	–	1

In addition to the scheduled Board meetings noted above, the Board held two ad-hoc meetings during 2019.

At the Board meeting on 30 May 2019, the Board approved that an independent committee of the Board (made up of Martin Knight, Neil Lerner and Rod Birkett) be formed to consider the Company strategy and its investment management approach.

Robert Rayne was appointed Chairman of the Board and the Chair of the Nomination Committee and Investment Committee on 28 November 2019. In his role as the Chairman of the Board he is invited to other meetings as appropriate.

Board committees

The Board has an Audit Committee, a Remuneration Committee, a Nomination Committee and an Investment Committee. The Board has considered the recommendations of the AIC Code on Corporate Governance (the 'AIC Code') and decided that the Audit Committee should also undertake the duties and responsibilities of a Management Engagement Committee.

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

Audit Committee

The Audit Committee comprises: Peter Harvey (Committee Chairman), Graham Stedman and James Wilson. Peter Harvey is considered by the Board to have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

The Chairman of the Committee may invite non-members to attend Committee meetings and these typically include a representative of the Company's external auditor and other Directors. A report on the activities of the Audit Committee is set out on pages 29 to 30.

The terms of reference for the Committee take into account the requirements of the Code and the AIC Code and are available on the Company's website at www.lmscapital.com. The role of the Committee is to assist the Board with the discharge of its responsibilities in relation to the Company's financial statements in the areas set out below.

The Committee Chairman reports to the full Board at each scheduled Board meeting immediately following a Committee meeting.

Corporate reporting

The Committee monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, with particular emphasis on reviewing significant financial reporting judgements contained in them. It reviews the draft annual financial statements and half year results statement prior to discussion and approval by the Board and reviews the external auditor's detailed reports on these.

It then reports to the Board any matters which it considers the Board should take into account in ensuring that published financial reports provide a fair, balanced and understandable assessment of the Company's position and prospects. In identifying any such matters, the Committee also takes into account the findings reported to it from the external audit process.

External audit

The Audit Committee reviews the conduct of the external audit, including its effectiveness and independence on an annual basis and makes recommendations to the Board regarding the re-appointment or removal of the external auditor, their terms of engagement and the level of their remuneration. The Committee also reviews the process which is in place to ensure the independence and objectivity of the external auditor.

During the year the Committee monitors the external audit as it proceeds. The Committee reviews, discusses and approves the external audit plan for the current financial year; the Committee then meets with the external auditor prior to the Board's consideration of the full year and half year results to consider their findings.

A policy regarding the engagement of the external auditor to supply non-audit services is in place. The policy recognises the importance of maintaining the objectivity and independence of the external auditor by carefully monitoring their involvement in projects of a non-audit nature. It is, however, also acknowledged that, due to their detailed understanding of the Company's business, it may sometimes be necessary or desirable to involve the external auditor in non-audit related work to the extent permitted.

Internal control and risk management

GHAM was appointed by the Company in May 2018 as its AIFM to provide risk management, portfolio management, and other services to the Company. On 29 January 2020, the agreement with GHAM was terminated and the Company was recognized as a self-managed AIF.

Operational matters and the responsibility for the day-to-day management of the business during the year ended 31 December 2019 were delegated to the GHAM. Management arrangements between the Company and GHAM were set out in a portfolio management agreement. At the Board's scheduled meetings, GHAM reported on matters such as progress with the investment strategy, investment portfolio performance, and communication with shareholders. The Board also monitored the performance of the Manager in the context of the provisions of the portfolio management agreement.

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

Risk management and internal controls is a standing agenda item for each Audit Committee meeting.

The Committee reviews the effectiveness of the internal controls throughout the year and will take any necessary actions should any significant failings or weaknesses be identified. When reviewing the effectiveness of the internal controls, the Committee considers the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014 and are comfortable that these are adhered to. More information on the results of these reviews during 2019 are set out in the Audit Committee Report on pages 29 to 30.

Details of the principal risks and uncertainties potentially facing the Company can be found in the Strategic Report on pages 5 to 10.

The Company has no internal audit function. Following the appointment of IQ-EQ Administration Services (UK) Limited to manage the Company's day-to-day financial and administrative functions, the Board relies on third party reports to gain comfort on internal controls operated by IQ-EQ.

Nomination Committee

All Directors are members of the Nomination Committee, which is chaired by Robert Rayne. The Committee is responsible for assisting the Board in determining the composition, gender equality and make-up of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need arises. The selection process is, in the Board's view, both rigorous and transparent in order to ensure that appointments are made on merit and against objective criteria set by the Committee. In reviewing potential candidates, the Committee takes into account the need to consider the benefits of diversity on the Board, while ensuring that appointments are made based on merit and relevant experience.

When considering succession planning, the Committee looks at the balance, structure and composition of the Board and takes into account the future challenges and opportunities facing the Company.

The Nomination Committee meets as required, but at least once each year.

The Nomination Committee considers the gender balance of those in the senior management and their direct reports. During 2019, the company had 1 employee and 7 non-executive directors. At end-2019, the breakdown of employees and non-executives directors was 100% male.

Remuneration Committee

The Remuneration Committee comprises: Graham Stedman (Committee Chairman), Peter Harvey and James Wilson. The Remuneration Committee has, under its Terms of Reference been delegated responsibility of setting remuneration of the Directors. There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.

The Remuneration Committee meets as required, but at least once each year.

A report on the activities of the Remuneration Committee is set out on pages 31 to 34.

Financial reporting

The Directors have acknowledged, in the Statement of Directors' Responsibilities set out on page 45, their responsibility for preparing the financial statements of the Company. The external auditor has included, in the Independent Auditor's Report set out on pages 46 to 51, a statement about its reporting responsibilities.

The Directors are also responsible for the publication of a half year report for the Company, which provides a balanced and fair assessment of the Company's financial position for the first six months of each accounting period.

ROBERT RAYNE
CHAIRMAN

15 April 2020

INTRODUCTION FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

I am pleased to present the report of the Audit Committee for 2019 which provides shareholders with an overview of the activities of the Committee during the year. These activities are focused on the following:

- The integrity of the Company's financial reporting;
- The quality and effectiveness of the external audit process, including the independence and objectivity of the external auditor; and
- Risk management and internal control. The day to day accounting responsibilities are undertaken by a third-party service provider, IQ-EQ Administration Services (UK) Limited.

The composition of the Committee completely changed as a result of the board changes on 28 November 2019. The Committee prior to 29 November 2019 (the Previous Committee") was chaired by Neil Lerner and included Martin Knight and Rod Birkett as members. Since 29 November 2019 the Committee has been chaired by me ("the Current Committee") and includes James Wilson and Graham Stedman as members.

The Current Committee has been involved in the 2019 year-end reporting process but not with any matters earlier in the year, which were dealt with by the Previous Committee.

This report covers the activities of both the Previous Committee and the Current Committee. The Current Committee has reviewed minutes and other relevant documents relating to business dealt with by the Previous Committee. Nick Friedlos, now Managing Director and formerly investment director with GHAM, was present at all Committee meetings in 2019 and Robert Rayne was present at some meetings. Whilst not members of the Committee, their involvement has provided some continuity in compiling this report.

Going forward, as Chairman of the Committee, I report to the full Board at each scheduled Board meeting immediately following a Committee meeting, and other times as appropriate.

A summary of how the both the Current Committee and the Previous Committee carried out its responsibilities during 2019 as well as the more significant issues addressed is set out in the report.

PETER HARVEY
CHAIRMAN, AUDIT COMMITTEE

15 April 2020

CORPORATE REPORTING

The Previous Committee had two scheduled meetings during 2019; each meeting was attended by representatives of GHAM, the Manager in 2019 and the external auditor. The Previous Committee also met without GHAM but with the external auditor in attendance.

The Current Committee met on 13 March 2020 to consider the 2019 results and Annual Report.

Since the publication of the 2018 Annual Report the Committee has reviewed the following:

Matters considered by the Previous Committee

- The report from BDO LLP ("BDO") on the results of their review of the half year report for 2019; and
- The 2019 half year report;

Matters considered by the Current Committee

- Reports from BDO LLP ("BDO") on the planning and results of their audit for the year ended 31 December 2019.
- The preliminary announcement of 2019 results; and
- The 2019 Annual Report.

ANNUAL REPORT 2019

The Committee advises the Board on whether it believes that the 2019 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. A report confirming this to be the case was presented to the Board at the meeting where it considered the full year results and annual report.

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

- The roles of IQ-EQ in the reporting process;
- The process underlying the preparation of financial and narrative information which is reported to the Board at each of its meetings;
- Whether the information in the Strategic Report and the Portfolio Management Review is consistent with that reported to the Board throughout the year;
- Ensuring that positive and negative factors affecting the Company's performance are given equal prominence; and
- The appropriateness of the key performance indicators and comments on them.

SIGNIFICANT ACCOUNTING JUDGEMENTS

During the year, the Committee considered the key accounting matters and judgements in respect of the financial statements and these are described below. In relation to the 2019 half year results, the Previous Committee received papers from the GHAM setting out the assumptions used and conclusions reached. In relation to the 2019 full year results, the Current Committee has received relevant papers prepared by the internal team. These papers were subject to challenge by the Committee, as it considered appropriate in the circumstances.

Investment portfolio valuation

The principal focus for the Committee is the investment portfolio valuation; a full valuation is prepared and reported to the Committee at least twice a year and used for the preparation of the Company's half-year and full year financial reports.

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

The following areas were of particular focus for the Committee in its consideration of the approach to investment valuation in 2019:

- Ensuring that the valuation methodology complied with the International Private Equity and Venture Capital Valuation Guidelines (December 2018 edition) and the Company's stated accounting policy, and that the Guidelines had been applied on a consistent basis;
- The availability of third party information to corroborate valuation results at individual investment level, including;
- Reports from general partners for the Company's fund interests;
- Market prices for its quoted investments; and
- The nature and reason for any adjustments made to third party information for the Company's valuation purposes.

The valuation of unquoted investments inevitably requires the exercise of judgement and the Committee studied in detail the variables underpinning the valuation of each unquoted investment, in particular:

- Consideration of current trading and future prospects in determining the appropriate revenues or earnings base for valuation purposes;
- Consistency of approach in the valuation, satisfying itself that any change made was appropriate;
- Ensuring that metrics from comparable quoted companies were appropriate and up to date;
- For co-investments, comparing the Company's carrying value with (where available) the valuation used by the lead investor and ensuring that there were proper explanations for any differences; and

At its meeting to consider the full year results, the Committee considered a detailed report on the year end investment valuation and concluded that the valuation process had been properly carried out and that the valuation was appropriate in aggregate. In reaching this conclusion the Committee took into account the findings of the external auditor.

Going concern

The financial statements are prepared on a going concern basis and the Committee considered this and concluded that the use of the going concern basis continued to be appropriate.

As part of this review the Committee also satisfied itself that the Viability Statement in the Strategic Report and the statement on going concern under "Basis of preparation" in note 1 to the financial information were appropriate.

External audit findings

The auditor also reported to the Committee the corrected an uncorrected misstatements they had found during the course of their work.

INTERNAL CONTROL AND RISK MANAGEMENT

Risk management and internal controls were reviewed by the Committee at each of its scheduled meetings during the year. Since its appointment, the Current Committee has reviewed the Company's detailed internal risk analysis and the disclosures in relation to risks and longer-term viability in the Strategic Report. The Committee is of the view that:

- Risks have been properly identified;
- The systems were operating satisfactorily during 2019 and up to the date of this report; and
- Mitigation of the risks identified is satisfactory and appropriate to the Company's circumstances.

EXTERNAL AUDIT

It is the responsibility of the Committee to review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit process. The Committee also ensures that the Company complies with the EU audit reform as now implemented in the UK.

Reports presented to the Committee by BDO during 2019 and to the date of this report covered:

Reports presented to the Previous Committee

- The results of their audit of the 2018 financial statements and annual report;
- The results of their review of the 2019 half year report;

Reports presented to the Current Committee

- Their plans and proposed audit scope for 2019; and
- The results of their audit of the 2019 financial statements and annual report.

In addition, BDO reported to the Committee their procedures to ensure their independence and objectivity and confirmed the compliance of the partners and staff assigned to the Company's audit with those procedures.

The Committee conducts a written assessment of the external audit process each year which includes members of the Committee and certain representatives of the Manager providing their comments and evaluation to the Chairman of the Committee on areas including:

- The procedures adopted by the external auditor to ensure their independence and objectivity;
- The appropriateness of risk identification in determining the external audit plan;
- Their conduct of the audit process, including the extent of challenge of judgement areas; and
- The nature and content of reports presented to the Committee.

During the year, the Committee also reviewed the 2018 Audit Quality Inspections Annual Report and the Public Report on BDO by the FRC's Audit Quality Review Team. For 2019 the Committee was satisfied with the effectiveness and quality of the external audit process as provided by the firm.

The Company has a formal policy governing the engagement of the external auditor to provide non-audit services, which includes procedures designed to limit such services to areas which would comply with relevant legislation and not result in potential conflict with the objectivity and independence of the external audit process.

During the year the amount of fees paid for non-audit services provided by BDO was £15,000 (2018: £10,000). These permissible audit related services are in respect of the interim review for the 6 months to June.

AUDIT COMMITTEE EFFECTIVENESS

The annual Board evaluation described on page 23 included the work of the Committee and concluded that it was working satisfactorily.

PETER HARVEY
CHAIRMAN, AUDIT COMMITTEE

15 April 2020

INTRODUCTION FROM THE CHAIRMAN

Until 28 November 2019, the Board comprised only non-executive directors and there was considered to be no need for a Remuneration Committee. However, following the change to internal management in November 2019 the Board composition changed such that it included four non-executive and one executive director (Nick Friedlos, as Managing Director).

Given the need to set the remuneration for the new Executive Director, plus the likelihood of further hires in respect of executive director and senior management positions, it was decided by the Board that a Remuneration Committee ("the Committee") should be formed.

I was appointed Chairman of the Committee on 28 November 2019 and it met for the first time in December 2019. The initial important considerations were around the setting of the salary for the Managing Director, which represents a significant payment to a Director of the business in comparison to the previous management structure where there were only Non-Executive Directors who were paid accordingly. The proposed salary was set by the Committee and has been reviewed against a benchmarked group of appropriate listed companies. The Committee is satisfied that the proposed level of the Managing Director's fixed pay (including benefits and pension) is in line with market levels. The Committee did not use any powers of discretion during the financial year.

In terms of short and long term incentive structures, although the Committee has only been in existence for a short time, it has already made considerable strides in respect of setting up remuneration structures which will be focused on making sure that Executives and senior management are rewarded on a performance and results basis, with the delivering of returns to our long-standing shareholder base the main focus. The implementation of these structures will require a change of remuneration policy.

The Company's remuneration policy was last approved by shareholders at the 2017 AGM. At the AGM held on 25 May 2017 shareholders voted to approve the Company's remuneration policy for the three years commencing 1 January 2017 as follows: votes in favour were 99.77%, against 0.23%; 1,570,457 votes were withheld.

The Board will propose a revised remuneration policy for approval at the Company's 2020 Annual General Meeting. The new, proposed policy can be found on pages 35 to 42. As the three year tenure of the current remuneration policy came to an end on 31 December 2019, shareholders will be asked to vote on the new remuneration policy on a binding basis at the 2020 Annual General Meeting.

In addition to this, shareholders will also be asked at the 2020 AGM to approve a new long-term incentive plan for executive directors and senior management. The structure of this plan is as set out in the long-term incentive section of the remuneration policy table on page 37.

The rest of the Directors' Remuneration Report will be the subject of an advisory vote at the 2020 AGM. It includes information subject to audit. The Committee has taken into account the principles of the UK Corporate Governance Code, when putting together the Report in order to maintain high corporate governance standards.

GRAHAM STEDMAN
REMUNERATION COMMITTEE CHAIRMAN

15 April 2020

PART 1: ANNUAL REPORT ON REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2019

Single Total Figure of Remuneration

The tables below (which have been subject to audit) set out amounts paid to each Director during the financial years ended 31 December 2019:

Pre 28 November 2019

	Fees £'000	Taxable Benefits £'000	Pension £'000	Carried Interest £'000	Consulting Fees £'000	Bonus £'000	Total £'000
R Rayne	**36.6**	**23.8**[1]	–	–	–	–	**60.4**
M Knight	**55**	–	–	–	–	–	**55**
R Birkett	**36.6**	–	–	–	–	–	**36.6**
N Lerner	**41.2**	–	–	–	–	–	**41.2**
	169.4	**23.8**	–	–	–	–	**193.2**

[1] Amounts included for taxable benefits are insurance premiums for private healthcare.

From 28 November 2019

	Salary/ Fees £'000	Taxable Benefits £'000	Pension £'000	Carried Interest £'000	Consulting Fees £'000	Bonus £'000	Total £'000
R Rayne	**3.4**	**2.2**[1]	–	–	–	–	**5.6**
N Friedlos	**18.8**	–	**1.9**	–	–	–	**20.7**
P Harvey	**4.3**	–	–	–	–	–	**4.3**
G Stedman	**4.3**	–	–	–	–	–	**4.3**
	30.8	**2.2**	**1.9**	–	–	–	**34.9**

[1] Amounts included for taxable benefits are insurance premiums for private healthcare.

Annual fees of £4.3k were earned by James Wilson for the period from 29 November 2019 to 31 December 2020, but had not been paid at the year end.

There was no long-term incentive plan ("LTIP") in place during the financial year.

For the year to 31 December 2018

	2018						
	Annual Fees £'000	Taxable Benefits £'000	Pension £'000	Carried Interest £'000	Consulting Fees £'000	Bonus £'000	Total £'000
M Knight	60	–	–	–	–	–	60
R Birkett	40	–	–	–	–	–	40
N Lerner	45	–	–	–	–	–	45
R Rayne	40	26[1]	–	–	–	–	66
	185	26	–	–	–	–	211

[1] Amounts included for taxable benefits are insurance premiums for private healthcare.

There was no long term incentive plan ("LTIP") in place during the financial year.

Robert Rayne also had a consultancy agreement with the former AIFM for the provision of advice in relation to the portfolio of investments and potential investments. He was entitled to a fee of £60,000 per annum under the consultancy agreement. The agreement terminated on 28 November 2019.

CARRIED INTEREST

Robert Rayne, by virtue of his past executive roles with the business, participated in the carried interest arrangements in place for staff involved in the management and development of the investment portfolio. Mr Rayne's participation in carried interest is in run-off.

No amounts were paid in 2019 in accordance with these arrangements. At 31 December 2019, the earned but unpaid carried interest was £33,000 relating to the sale of Entuity in 2019. If the Company's investment portfolio was realised at its valuation at 31 December 2019, under these arrangements he would be entitled to further carried interest of £266,000.

RELATIVE IMPORTANCE OF SPEND ON PAY

The Board recognises the importance of spend on pay for the current and previous years, and the percentage change, relative to remuneration paid to all employees, amounts paid as dividends and any other significant distributions.

In terms of spend on pay, as there were no employees in the group for the 2018 and 2019 financial years (other than Mr Friedlos who was appointed as an executive director on 28 November 2019), the full level of pay disclosure is therefore set out in the above single figure remuneration tables. No dividends were paid during the 2019 financial year.

As a result of this position, there is no relevant disclosure to make this year.

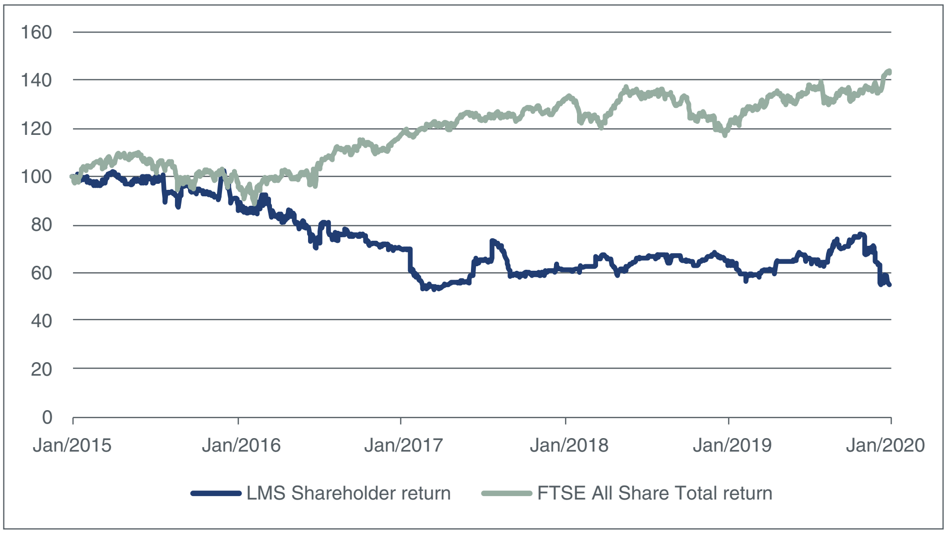
PAYMENTS TO PAST DIRECTORS IN 2019

There were no payments to past directors and no payments of compensation for loss of office.

PERFORMANCE GRAPH

The Committee considers the FTSE All-Share Index a relevant index for Total Shareholder Return and comparison disclosure as it represents a broad equity market index of which the Company is a member.

The performance graph below shows the Company's Total Shareholder Return performance for the five year period ended 31 December 2019 compared with that of the FTSE All-Share Index.



DIRECTORS' INTERESTS IN SHARES

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

	31 December	
	2019	**2018**
R Rayne	**2,670,124**	2,670,124
N Friedlos	**161,410**	161,410
P Harvey	**20,000**	–
G Stedman	**–**	–
J Wilson	**–**	–
M Knight	**–**	36,828
R Birkett	**–**	47,652
N Lerner	**–**	30,748

In addition, Robert Rayne holds a non-beneficial interest in 6,549,473 ordinary shares held in trust.

Except as stated above:

- There have been no changes in the above Directors' interests between 31 December 2019 and the date of this report; and
- The Company is not aware of any other interests of any Director in the ordinary share capital of the Company. There are no requirements or guidelines concerning share ownership by Directors.

No share awards were made or vested in the year.

REMUNERATION COMMITTEE MEMBERSHIP

The Remuneration Committee was created at a Board meeting on 2 December 2019, and held its first meeting on 10 December 2019, following the change to an internal management structure and introduction of executive directors and the appointment of new non-executive directors.

The members of the Remuneration Committee, their dates of appointment and the number of meetings attended during the year are as follows:

Member	Date appointed	Meetings attended (held)
G Stedman[1]	28 November 2019	1 (1)
J Wilson	28 November 2019	1 (1)
P Harvey	28 November 2019	1 (1)

[1] G Stedman was appointed Remuneration Committee Chair on 2 December 2019.

It is the intention of the Remuneration Committee to meet whenever important matters of remuneration arise and for the number of meetings to be not less than twice a year.

VOTING AT THE 2019 ANNUAL GENERAL MEETING

At the AGM held on 3 June 2019 shareholders voted to approve the Remuneration Committee Report in an advisory capacity as follows: votes in favour were 99.74%, against 0.07%; 65,458 votes were withheld.

PART 2: PROPOSED FUTURE REMUNERATION POLICY

DIRECTORS' REMUNERATION POLICY AND REMUNERATION COMMITTEE

The proposed remuneration policy for the three-year period commencing 1 January 2020 and which the Committee has developed after the year-end with advice from independent external advisers, is set out below.

Shareholders will be asked to approve this policy, for the three-year period commencing 1 January 2020, in a binding vote at the Company's 2020 Annual General Meeting, together with certain resolutions necessary to implement the policy.

In formulating the policy, the Committee has taken into consideration views expressed by shareholders with whom it has consulted. The Committee recognizes the value of constructive engagement. Its policy is to consult with the Company's principal shareholders on all major decisions concerning directors' and senior executives' remuneration.

FUTURE POLICY TABLE

Following its appointment at the beginning of December 2019, the Remuneration Committee has worked with a firm of external advisers to develop a remuneration policy for the Company going forward.

The table below sets out LMS Capital's proposed policy for each component of the executive directors' remuneration.

SALARY (FIXED PAY)

Purpose and link to strategic objectives	Essential to provide a level of fixed cash income to support the recruitment and retention of executive directors of the calibre required to manage and grow the Company successfully and to deliver the group strategy.
Operation	Reviewed annually with increases effective from 1 January each year.
Opportunity and recovery or withholding provisions	Base salaries will be set by the Remuneration Committee taking into account a range of factors. Salary increases are normally awarded by reference to any increase in the cost of living but may take into account other factors such as external market positioning, change in the scope of the individual's responsibilities or level of experience and development in the role. In deciding on any salary increases for an executive director, the Remuneration Committee will not sanction an increase any greater than that applied to the Company's workforce generally other than in exceptional circumstances or where there is a change in role and/or responsibilities justifying a larger increase. Year on year increases in basic salaries will not exceed inflation by more than 3%, other than in exceptional circumstances or where there is a change in role or responsibilities. No recovery or withholding provisions.
Performance Metrics	None, although the performance of the individual will be considered by the Committee when reviewing salaries each year.

PENSION (FIXED PAY)

Purpose and link to strategic objectives	To provide a means of retirement saving as part of a range of benefits alongside basic salary to help the recruitment and retention of high calibre executive directors.
Operation	Executive directors are offered a defined contribution, based on a percentage of salary, to a personal pension scheme or a cash salary supplement (or a combination of both) at their choice. Only the base salary is pensionable.
Opportunity and recovery or withholding provisions	Maximum pension contribution by the Company is 10%. This is in line with what is offered to all employees in the Company. No recovery or withholding provisions.
Performance Metrics	None.

BENEFITS (FIXED PAY)

Purpose and link to strategic objectives	To provide a competitive and attractive range of benefits alongside basic salary to help recruit and retain high calibre individuals in to executive director roles.
Operation	Executive directors may be provided with family private medical insurance cover and death-in-service insurance. This range may be amended or adjusted in line with market practice. The executive directors are also covered by the Company's directors' and officers' liability insurance policy and have the benefit of an indemnity under the Company's Articles of Association. Executive directors are also eligible to receive other minor benefits and expenses payments in line with other employees of the Company. Additional benefits, which may include relocation or expatriation benefits, housing allowance or other benefits-in-kind, may be provided in certain circumstances if considered appropriate and reasonable by the Committee, typically only as may be required on a new recruitment.
Opportunity and recovery or withholding provisions	The cost of the benefits that are provided fluctuates depending on market conditions and will, therefore, determine the maximum value of benefits under the Policy in any single year. There is therefore no overall maximum opportunity under this component of the Policy. No recovery or withholding provisions.
Performance Metrics	None.

SHORT TERM INCENTIVE (VARIABLE PAY)

Purpose and link to strategic objectives	To provide a simple, competitive short term incentive plan to reward performance on an annual basis against key financial, operational and individual objectives. A key purpose of the annual bonus plan is to provide a real incentive to achieve the Company's short term strategic objectives and KPIs.
Operation	Targets and weightings are set annually; performance is measured over a single year. Bonus awards are determined by the Committee after the year-end based on achievement against targets. Bonus is not pensionable.
Opportunity and recovery or withholding provisions	The maximum bonus payable in a twelve month period is up to 100% of base salary. Exceptionally, the Committee may offer a bonus opportunity of up to 200% of salary to a new incoming executive director in his or her first full financial year in order to help recruit that executive. The ability to receive the maximum bonus may be split across two or more Performance Metrics. Other than for binary or milestone Performance Metrics, the intention will be that 25% of maximum is payable for Threshold performance and 50% at Target. All bonus payments are subject to the overriding discretion of the Remuneration Committee who may adjust, downwards or upwards, the outcome of the annual bonus plan in any year if it believes that it does not properly reflect overall corporate performance. In order to be entitled to receive an annual bonus, an executive director must normally be in the group's employment and not under notice of termination (either given or received) at the time the bonus is paid. Malus and clawback provisions apply so that in certain circumstances such as serious misconduct by a director, the material misstatement of financial results or if bonus awards are based on erroneous figures, the Company will be entitled not to pay a bonus in any year or to claw back the value of any cash amount already paid under the annual bonus scheme, for a period of three years following the year end to which the bonus related.

Performance Metrics	The Company's long-term objectives are creating total shareholder return. Its performance metrics on a year to year basis will typically be set around the necessary steps to be taken to achieve the longer-term objective. Specific performance targets will vary from year to year in accordance with the Company's short term KPIs. Potential Performance metrics are likely to include: – Deployment of capital in new deals – Performance of the underlying investment portfolio companies – Realisations and cash generation – Building the Company's co-investment capability – Development of a deal pipeline – Putting in place appropriate financial structures to support the Company's business objectives, this might include securing access to debt and consideration of equity structures to expand the capital base – Developing effective shareholder communication program – Attainment of personal objectives

LONG-TERM INCENTIVE (VARIABLE PAY)

Purpose and link to strategic objectives	To provide a competitive long-term incentive plan to reward sustained performance over the long-term. A key purpose of the long-term incentive plan is to provide a real incentive to achieve the Company's main long-term strategic objective, to deliver a TSR for Shareholders over five years that is exceptional. It is considered vital that the Company has a truly competitive long-term incentive plan to enable it to recruit and retain the level of talent it needs to deliver on its longer term strategic plan.
Operation	The long-term incentive plan is structured as a value creation plan or VCP, under which participants share in a pool of VCP Units, awarded at the discretion of the Committee. The Committee may award up to 1,000 VCP units initially. Participants receive a share, proportionate to their share of the pool, in positive TSR generated by the Company measured over a period of five years from the award date. The share is calculated in accordance with the bandings set out below. If the Company raises additional capital, the Committee may award up to 1,000 additional VCP units enabling participants to share proportionately in any positive TSR generated by the Company on that additional capital over the period of five years from the award date in excess of a hurdle rate of return to be set by the Committee. Ordinarily, VCP units, subject to performance, will vest five years after the initial grant date, at which point participants may be granted nil-cost share options to acquire ordinary shares in the Company or receive a cash amount. The VCP is governed by a set of rules to be approved by shareholders. Payments under the VCP are not pensionable.
Opportunity and recovery or withholding provisions	For all awards under the Plan, there is a qualifying performance metric, such that if the TSR achieved does not equal or exceed 8% on an annualised basis on the eventual vesting date, then no VCP Units can vest and they will all then lapse on the vesting date. In addition, in respect of any awards made under the Plan, no awards will vest unless the closing share price on the vesting date, when added to the aggregated value of all dividends that are declared on that share over the performance period, equals or exceeds 52.8p (representing a TSR of 12% per annum over the performance period on a notional initial award price of 30p).

Opportunity and recovery or withholding provisions (continued)	If the qualifying performance metric is met, the share that participants will receive will depend on the TSR performance achieved over the five years commencing on the date of the initial award of VCP Units. In respect of the initial awards, if all 1,000 units are awarded, the share of TSR measured after five years which will be attributable to participants is as follows: TSR up to 6% per annum: £nil. If the TSR achieved exceeds 6% per annum, but does not exceed 12%: 8% of the TSR performance above the 6% per annum hurdle. If the TSR achieved exceeds 12% per annum, but does not exceed 20%: 8% of the TSR performance between the 6% per annum hurdle and 12% per annum **plus** 15% of the TSR achieved above 12% per annum. If the TSR achieved exceeds 20% per annum: 8% of the TSR performance between the 6% per annum hurdle and 12% per annum, **plus** 15% of the TSR performance between 12% and 20% per annum, **plus** 17.5% of the TSR performance above 20% per annum. For the purposes of determining the TSR performance for the initial awards (to be made soon after the AGM at which the Plan is approved) as well as the starting point from which the value created is to be measured for these awards, the starting share price will be taken as the greater of the average closing share price of an ordinary share over the previous six months and 30p. However, in respect of any award made in 2020 (only), given the wider market conditions caused by the Coronavirus pandemic, this starting share price may be replaced if, at the end of the 2020 financial year, the Company's share price has recovered significantly. In such circumstances, the Committee would use its discretion to adjust upwards (and only upwards) the relevant starting price and replace it with such other share price as is considered appropriate. Subsequent awards of VCP Units will have a starting price based on the average of the closing prices of an ordinary share over the three month period ending on the day immediately preceding the date of the award. The closing share price, at the end of the performance period, will be taken as the average closing share price of an ordinary share over the three month period ending on the day immediately preceding the vesting date. The dividend part of this calculation shall be taken as the aggregate value of dividends per share declared over the five year performance period On vesting, the value of VCP Units will normally be settled by the Company granting nil-priced options over new ordinary shares which will be exercisable for a period of one year from the option grant date. However, the Remuneration Committee may choose to settle the awards in cash if it considers that there are good reasons for doing so at the time. The maximum value of VCP Units that may vest and therefore the maximum number of shares that may be issued on the exercise of options will be capped so that the shareholder dilution will not exceed 10% of the number of issued shares at the date the initial award was made or the cash equivalent value thereof. Furthermore, this cap will apply to each VCP Unit so that the value of 100 Units (in aggregate) may not exceed 1% of the issued share capital of the Company at the initial award date. Not all VCP Units may necessarily be awarded. If, for example, only 800 Units are awarded, the cap on the maximum level of dilution will be reduced proportionately. Any Units awarded more than 12 months after the initial award date will have the basis of the TSR targets rebased at the then market price of an ordinary share in the company or, if higher, the market price of an ordinary share on the initial award date. The value of VCP Units at the end of the five year performance period will in any event be subject to the overriding discretion of the Remuneration Committee who may adjust, downwards or upwards, the outcome of the VCP at the vesting date if the Committee believes that the formulaic outcome does not properly reflect overall corporate performance. Malus and clawback provisions apply so that in certain circumstances, such as serious misconduct by a director, the material misstatement of financial results or if Unit awards or option grants are based on erroneous figures, the Company will be entitled not to grant or permit the exercise of an option in any year or to claw back the value of any shares transferred or cash amount already paid under the VCP, for a period of three years following the year end to which the award or option grant relates. The dilution under all long-term incentives will not exceed 10% of the Company's issued ordinary share capital in any 10 year period.

Performance Metrics	The Company's TSR Performance over the five years commencing on the award date The TSR targets have been set by the Remuneration Committee with the aim of delivering increasing reward for greater outperformance. For the avoidance of doubt, the TSR Performance and the performance hurdles of the Plan for a subsequent award, following a capital raise, will be set at that time by the Remuneration Committee.
Rationale for choice of LTIP Structure and performance measures for the long-term incentive and commentary with regard to the possible longer term effects of the Coronavirus	The Remuneration Committee has chosen a VCP for the Company's long-term incentive structure because this type of structure most closely resembles a carried interest plan which is the standard type of long-term incentive in the private equity industry. The Company needs to be able to retain and recruit talent of the highest quality. The Committee believes that only by offering participation in such a plan will the Company be able to do this. The choice of TSR performance as the long-term incentive performance measure is one that creates a very strong alignment between participants and shareholders. It also communicates a strong message to participants that over the longer term, the Company's TSR performance is its most important key performance indicator. The Remuneration Committee is aware that this Plan is being implemented at a time of considerable market uncertainty. The Committee has approached the calibration of the Plan on the assumption that, whilst the share price at the start of the Plan may be low, this should largely recover once the immediate Coronavirus crisis has subsided and the market has had time, at least to an extent, to recover. The design of the Plan therefore seeks to avoid participants benefitting from a temporary decline in share price which corrects within a reasonable period of time. The Committee will, at the end of 2020, review the starting point for measurement of performance and have discretion to adjust upwards (and only upwards) if considered appropriate. If the Committee's assumption in calibrating the plan is incorrect, and there is a longer term structural change in markets, the Committee will have discretion, subject to consultation with the Company's principal shareholders, to amend the performance metrics and vesting criteria. The Committee will complete its review following the end of the 2020 financial year and prior to the release of the preliminary results for that year."

The table below sets out each component of the Chairman's and the non-executive directors' remuneration and the approach taken by the Company in relation thereto:

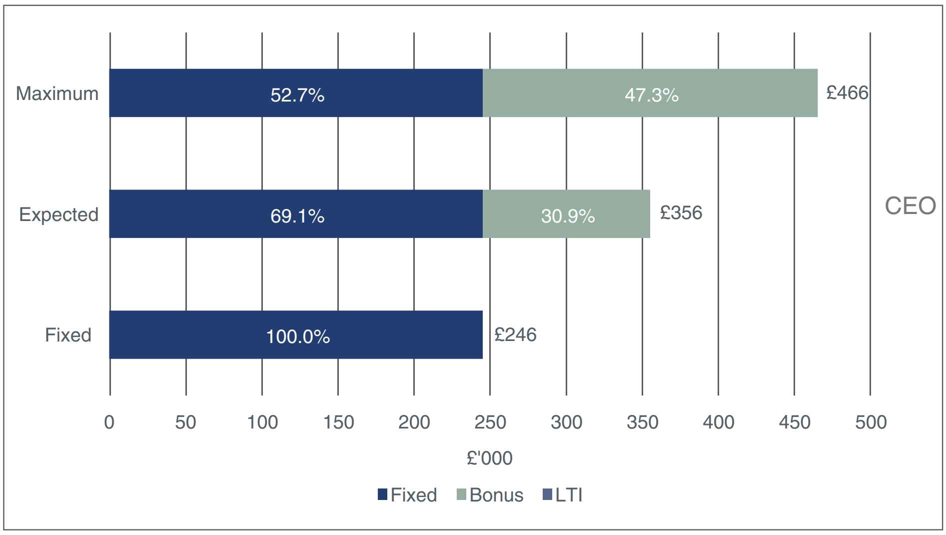
CHAIRMAN AND NON-EXECUTIVE DIRECTORS

Component	Approach	
Chairman's and non-executive directors' fees	The Chairman's fee is determined by the Remuneration Committee and the non-executive directors' fees are set by the Board. These are reviewed periodically taking into account the responsibilities and time commitments required and non-executive director fee levels generally. The Chairman and the non-executive directors receive basic fees. In addition, special fees are paid for the chairmanship of the Audit and Remuneration Committees and also for the role of being on the Investment Committee. The current fees of the Chairman and the non-executive directors on implementation of the Policy are as follows:	
	Chairman Fee (including all Committees)	£75,000
	Basic Non-Executive Director Fee	£40,000
	Additional Fee for being the Senior Independent Director	£5,000
	Additional Fee for being Chair of a Board Committee	£5,000
	Additional Fee for sitting on the Investment Committee	£5,000

Component	Approach
Other pay and benefits	The Chairman previously participated as an executive in the Company's carried interest plans which are now in run off, but under which payments could still arise in relation to unrealised historic investments, and is covered under the Company's health insurance policy. The Chairman and the non-executive directors will not be able to participate in any future variable pay scheme operated by the Company.

REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS BASED ON FUTURE POLICY

The chart below illustrates remuneration for the Managing Director in 2020 for "Fixed", "Expected" and "Maximum" scenarios.



The above illustrations are based on the following assumptions:

- The Fixed scenarios show the fixed level of remuneration, assuming there is no performance-related pay;
- The Expected scenarios illustrate the amounts receivable if performance is in line with expectations and bonus awards are 50% of maximum bonus opportunity. As the VCP does not pay out until year 5 and it is presumed that there is no adjustment for share price movement, then it is modelled that there will be no return in year one of the VCP.; and
- The Maximum scenarios illustrate the levels of remuneration which would be payable if maximum bonus is awarded (100% of base salary). As the VCP does not pay out until year 5 and it is presumed that there is no adjustment for share price movement, then it is modelled that there will be no return in year one of the VCP.

ILLUSTRATION OF OUTCOMES OVER THE LIFE OF THE LTIP AWARD

A 50% increase in share price during the performance period, on the assumption that the initial share price for the plan was 30p, even if the actual share price at the time were to be lower, would almost certainly be below the minimum performance hurdle required under the Plan. As a result, there would be no payout due to the Executive Director under the LTIP Award.

Other scenarios

On the assumption that the initial share price was 30p per share, the total shareholder return, including dividends paid during the performance period plus closing share price, would need to be 52.8p, representing a total shareholder return over the performance period of 12.5% per annum before any payout could occur under the LTIP award. At this level, the value of the LTIP for all participants would be £0.9m, representing 2.4% dilution for shareholders.

On the assumption that the initial share price was 30p per share, if the closing price of the share at the end of the performance period plus dividends paid during the performance period were 88p, this would represent a total shareholder return of 25% per annum compound over the performance period. The value of the LTIP for all participants would be £5.5 million, representing 8.4% dilution for shareholders.

On the assumption that the initial share price was 30p per share, if the closing price of the share at the end of the performance period plus dividends paid during the performance period were 128p, this would represent a total shareholder return of 35% per annum compound over the performance period. The value of the LTIP for all participants would exceed the 10% dilution limit and would therefore be capped at that limit which would be £9.7 million for all participants.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The following table provides details of the non-executive Directors' and executive Directors' letters of appointment. The letters are available on request at the Company's registered office during business hours.

Name	Date of Appointment	Date of expiry of current term
R Rayne	6 April 2006	27 November 2022
N Friedlos	28 November 2019	28 November 2022
P Harvey	28 November 2019	28 November 2022
G Stedman	28 November 2019	28 November 2022
J Wilson	28 November 2019	28 November 2022
M Knight	4 January 2012	**
R Birkett	16 June 2016	**
N Lerner	4 January 2012	**

** Director resigned as a member of the Board on 28 November 2019

TERMS OF THE EXECUTIVE DIRECTORS' SERVICE CONTRACTS AND NED LETTERS OF APPOINTMENT

Executive Directors are engaged on rolling service contracts, which provide for six months' written notice of termination from either the individual or the Company – except where there is a change of control of the business. In such circumstances, the notice period extends to 12 months, should the executive be given notice within the six months following the date that change of control occurs.

Non-Executive Directors are engaged by letter of appointment terminable on one month's written notice from either the individual or the Company – except where termination is due to shareholder resolution. Under such circumstances, termination will occur automatically from the date of ceasing to be a director.

POLICY ON TERMINATION PAYMENTS

Any compensation payment made to an Executive Director for termination of employment will be determined with reference to the terms of the individual's service agreement and the rules of any incentive plan in which the individual is a participant.

The Committee reserves the right to make additional payments, where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

When deciding on the amount of any payment for loss of office, the Committee will seek to minimise the cost to the Company to the extent permitted by the circumstances of the particular case.

APPROACH TO THE REMUNERATION OF NEWLY APPOINTED DIRECTORS

Where an Executive Director is appointed by way of an external hire, their remuneration will be in accordance with the policy outlined above.

Where a suitable external candidate has been identified and can show that their transfer would lead to a loss of incentive payments from their previous employer, the Committee reserves the discretion to "buy out" the candidate's previous incentives if it deems it necessary to secure the candidate. The Committee will ensure that it avoids paying out more than is necessary to secure the candidate.

Where an Executive Director is appointed by way of internal promotion, the policy described above will apply from the date of promotion. Any pre-existing remuneration will continue until it expires or vests (as appropriate).

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

When making decisions about directors' remuneration, and particularly the remuneration of Executive Directors, the Committee will take into account the Company's remuneration policy for the wider workforce. As there were no employees in the financial year, no employee consultation was undertaken during the year.

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

The responsibility for creating the remuneration policy lies with the Committee and has been created by the Committee based upon their experiences and having reviewed relevant market practices. However, as part of its ongoing dialogue with them, shareholders were consulted by the Chair of the Committee to ascertain their views in respect of planned remuneration.

PART 3: IMPLEMENTATION OF PROPOSED FUTURE REMUNERATION POLICY IN 2020

Base salaries and benefits

There will be no change to the Managing Director's annual salary of £220,000. The Managing Director will continue to have access to Private Medical Insurance and, if implemented by the Company, Life Assurance.

The company's employer pension contribution will be at 10% of pensionable salary.

Annual bonus – summary of KPIs for 2020

It is intended that only corporate (rather than individual) KPIs will apply to the annual bonus in 2020.

The KPI performance for 2020 will include implementing the necessary structure and processes to complete the Company's transition to internal management, development of a deal pipeline, building the Company's co-investment capability, monitoring and managing the existing assets through the coronavirus crisis and planning to expand the company's capital base.

Additional details, including achievement against targets will be disclosed in next year's report.

LTIP (VCP)

The VCP Unit award, on which shareholders will be invited to vote, will be made following the 2020 AGM. Whether the Units vest at the end of the five-year performance period will depend on the TSR performance of the Company over that period.

This Directors' Remuneration Report was approved by the Board on 11 April 2020 and signed on its behalf by:

GRAHAM STEDMAN

CHAIRMAN OF THE REMUNERATION COMMITTEE

15 April 2020

LMS Capital plc is an international investment company whose shares are traded on the London Stock Exchange. Details of the Company's strategy, risk management and performance in 2019 are included in the Strategic Report on pages 5 to 10 and the Manager's Review on pages 11 to 18.

The Corporate Governance report set out on pages 22 to 28 of the Annual Report form part of the Directors' Report.

DIRECTORS

The names and biographical details of the current Directors of the Company are given on pages 19 and 20. In addition, further information about the Board is set out in the Corporate Governance Report on pages 22 to 28.

Details of the current Directors' letters of appointment, together with their interests in the Company's shares, are shown in the Remuneration Report on pages 31 to 34. Directors' and officers' liability insurance is maintained by the Company.

The Directors may exercise all the powers of the Company subject to the provisions of relevant legislation and the Company's Articles of Association.

CORPORATE SOCIAL RESPONSIBILITY

Environment

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

From the end of March 2018 and through to 31 December 2019, the Company no longer occupied any office space as all of its operations were outsourced. The below table includes greenhouse gas emissions by scope for the period up to 31 March 2018, when the Company ceased to occupy any office space:

Greenhouse gas emissions by scope:

Total emissions

Scope	Source	Year ended 31 December 2019 (tonnes CO_2e)	 2018 (tonnes CO_2e)
Scope 1	Emissions from combustion of fuel	**0.0**	4.5
	Process or fugitive emissions	0.0	0.0
Scope 2	Emissions from electricity, heat, steam and cooling purchased for own use using location-based method	**0.0**	10.6
Total		**0.0**	15.1

	Year ended 31 December $kgCO_2e$	 $kgCO_2e$
Intensity – emissions per unit floor area		
Per square foot	0.0	8.2
Per square metre	0.0	88.3

Note: To meet the requirements of the GHG Protocol Scope 2 Guidance, the Company accounts for its Scope 2 emissions using a market-based method as well as a location-based method. The 2018 results represent three months of emissions data, which was assessed by prorating the 2017 annual data as an appropriate proxy given the office is no longer occupied. In 2019 the Company did not operate any premises nor own any Company vehicles, and hence has no emissions to report.

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

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

CHARITABLE DONATIONS

The Company did not make any charitable contributions during 2019 (2018: £nil).

POLITICAL DONATIONS

The Company did not make any political donations during 2019 (2018: £nil).

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Strategic Report on pages 5 to 10 and the Manager's Review on pages 11 to 18. The Directors have considered these factors for a period not less than twelve months from the date of this report.

The Directors have adopted the going concern basis of accounting in preparing the financial statements. The Viability Statement of the Company is in the Strategic Report on page 10.

CONTRACTUAL ARRANGEMENTS

Details of the Company's contractual arrangements are given in the Strategic Report on pages 5 to 10.

There are no other contracts or arrangements with third parties which the Board deems essential to the operation of the Company, or which take effect, alter or terminate on a change of control of the Company following a takeover bid.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 16 to the financial statements.

DIVIDENDS

A special interim dividend of 4.25 pence per share was paid on 15 January 2020 to shareholders on the register at close of business on 20 December 2019 (2018: £nil).

SUBSEQUENT EVENTS

Over recent weeks the Coronavirus global pandemic has spread and is likely to have a material impact on businesses in the Company's investment portfolio in both the UK and the US. This crisis is a developing situation as of the date of this report, and the Company continues to closely monitor the impact on its business and portfolio. The rapid development of the Coronavirus pandemic and its impact on the currently volatile equity and capital markets make it difficult to predict the ultimate impact it will have on the Company's portfolio valuation. At the date of this report, the Company is unable to assess the financial impact on its portfolio investments. This situation is considered to be a non-adjusting post balance sheet event in respect of the Statement of Financial Position and therefore no quantitative adjustment has been made to the financial statements. The Company will provide information to the markets in accordance with its established practice and regulatory requirements.

SHARE CAPITAL

At 31 December 2019, the Company's issued share capital remains at 80,727,450 ordinary shares of 10p each. Each share carries one vote. No shares are currently held in treasury. There are no restrictions on the transfer of shares. There has been no change in the issued share capital between the year-end and the date of this report.

SUBSTANTIAL SHAREHOLDINGS

As at 15 April 2020, the Company was aware of the following significant direct and indirect interests in the issued share capital of the Company.

Name of shareholder	Percentage of issued share capital
Rayne Family Holdings	42.07
Charles Stanley & Co Ltd	10.01
Armstrong Investment Management LLP	6.13
Rath Dhu Limited	5.82
Lady R Lacey(1)	4.68
Ms T Woods(1)	4.40
Schroders Plc	3.35
Robert Rayne(1),(2)	3.31
A P Rayne(1)	3.21

Notes:

(1) There are common interests in certain of these shares, which are held within charitable trusts.

(2) Robert Rayne holds a non-beneficial interest in 7,767,173 ordinary shares held in trust and a personal interest in 2,670,124 ordinary shares.

ANNUAL GENERAL MEETING

The Company intends to hold the AGM in mid-June 2020. The notice of meeting, which includes explanatory notes and provides full details of the resolutions being proposed at the AGM will be provided separately in due course and will also available to view on the Company's website at www.lmscapital.com in due course.

AUDITORS

The auditors, BDO LLP, have indicated their willingness to continue in office and a resolution will be proposed at the AGM for their reappointment and to authorise the Directors to fix their remuneration.

The Directors who held office at the date of approval of this report each confirm that, so far as they are aware, there is no relevant audit information (as defined by Section 418 (3) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board.

IQ-EQ CORPORATE SERVICES (UK) LIMITED
COMPANY SECRETARY

15 April 2020

STATEMENT OF DIRECTORS' RESPONSBILITIES

The Directors who served during the year ended 31 December 2019 and to the date of this Annual Report are as set out on pages 19 and 20. The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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, 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 its 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 are responsible for the maintenance and integrity of the company's website. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge the Annual Report and financial statements, taken as a whole and prepared in accordance with IFRS as adopted by the EU, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy, principal risks and business model of the Company.

For and on behalf of the Board.

ROBERT RAYNE
CHAIRMAN

15 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LMS CAPITAL PLC

OPINION

We have audited the financial statements of LMS Capital Plc (the 'Company') for the year ended 31 December 2019 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been properly prepared in accordance in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
Valuation, existence and title of Investments (Note 1 and Note 9) We consider the valuation, existence and title of investments to be the most significant audit area as investments represent the most significant balance and disclosures in the financial statements and underpin the principal activity of the entity. The valuation of unquoted and fund investments can be a highly subjective accounting estimate where there is an inherent risk of management override arising from the investment valuations as it is the principal driver of performance of the entity and therefore is a key audit matter.	**Quoted Investments** In respect of 100% of the quoted investment valuations we: • Confirmed the bid price has been used, by obtaining the year end bid prices from independent third party sources and undertaking a recalculation of the valuations. • Confirmed there were no contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. **Unquoted Investments** For 100% of the unquoted investments our procedures included, inter alia: • Evaluating whether the valuation methodology adopted by the directors was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and IFRSs. • Re-performing the calculation of the investment valuations, having regard to the application of enterprise value across the capital structures of the investee companies. • Agreeing unquoted investments to supporting third party valuation reports or third party data, where these were available. These valuations were agreed to the valuation per the financial statements. Variations were discussed with the directors to obtain their explanation and corroborated to supporting evidence. • Verifying and benchmarking key inputs and estimates, such as discount rates and volatility to independent information and our own research. Internal inputs such as revenue and earnings were reviewed for consistency with other areas of the financial statements and working projections. • Evaluating the significant judgments made by the directors in making their assessments by agreeing them to corroborating evidence where such evidence was available. Where corroborating evidence was not available we used auditor judgment to assess the reasonableness of the directors' assessment. • Performing sensitivity analysis on the valuation calculations in respect of investments where there was sufficient evidence to suggest reasonable alternative inputs might exist. **Fund Investments** Our testing was stratified according to risk. For the fund investments sampled our procedures included, inter alia: • Reviewing the underlying fund manager report and assessing the quality and reliability of the information. • Challenging the appropriateness of any adjustments made by the directors to the value of the investment holding (for instance where reports available were not at the same year-end date or more relevant information suggested an adjustment to the valuation). • Assessing the performance of the underlying investments using the steps noted under the unquoted investments above.

Matter	Audit response
	• We considered the appropriateness of the key assumptions in the valuation models and whether alternative reasonable assumptions could have been applied. We considered each assumption in isolation as well as in conjunction with other assumptions and the valuations as a whole. • Performing sensitivity analysis on the valuation calculations in respect of investments where there is sufficient evidence to suggest reasonable alternative inputs might exist. We also considered the completeness and clarity of disclosures regarding the valuation of investments in the financial statements against the requirements of the accounting standards. For 100% of fund investments and 91% of unquoted investments, by value, we agreed existence and title to direct confirmation from the underlying investee company. For 100% of quoted investments we agreed existence and title to depositary confirmation. Where available we also agreed existence and title to other supporting documents including share certificates, loan agreements and annual returns where available. **Key Observations** Based on the work undertaken, we consider the investment valuations to be within a reasonable range, and did not identify any material exceptions were noted with regards to existence and title. We consider the investment disclosures to be in line with the requirements of the accounting standards.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could reasonably influence the economic decisions of users that are taken on the basis of the financial statements.

The application of these key considerations gives risk to Financial Statement Materiality and Performance Materiality; the quantum and purpose of which are tabulated below. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

Materiality Measure	Purpose	Basis and key considerations	Quantum YE 2019 (£)	Quantum YE 2018 (£)
Financial Statement Materiality	Assessing whether the financial statements as a whole give a true and fair view.	Based on 1.5% of the underlying investment portfolio considering the nature of the investment portfolio and the level of judgement inherent in the valuation.	480,000	670,000
Performance Materiality	In performing the audit we apply a lower level of materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected an undetected misstatements exceeds financial statement materiality.	Based on 75% of materiality.	360,000	500,000

We agreed with the Audit Committee that we would report the committee all individual audit differences in excess of £9,000 (2018: £13,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken by the Board and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

How the audit was considered capable of detecting irregularities, including fraud

We obtained an understanding of the legal and regulatory framework applicable to the entity which includes but is not limited to the Companies Act 2006, the UK Listing rules, the DTR rules, IFRS accounting standards, VAT and other taxes. We considered compliance with this framework through discussions with the Audit Committee, management and the administrator and performed audit procedures on these areas as considered necessary.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the

Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of directors' responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by The Board of Directors in November 2016 to audit financial statements for the year ending 31 December 2016 and subsequent financial periods.

We were reappointed by the members of the Company to audit the financial statements for the year ended 31 December 2019 at the Annual General Meeting held on 3 June 2019. The period of total uninterrupted engagement is 4 years, covering the years ending 31 December 2016 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

NEIL FUNG-ON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF BDO LLP,
STATUTORY AUDITOR
London, UK

15 April 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Net losses on investments	2	**(1,726)**	(3,344)
Interest income	3	**180**	86
Dividend income	4	**30**	–
Total loss on investments		**(1,516)**	(3,258)
Operating expenses	5	**(2,955)**	(955)
Loss before tax		**(4,471)**	(4,213)
Taxation	7	**–**	–
Loss for the year		**(4,471)**	(4,213)
Attributable to:			
Equity shareholders		**(4,471)**	(4,213)
Loss per ordinary share – basic	8	**(5.5)p**	(5.2)p
Loss per ordinary share – diluted	8	**(5.5)p**	(5.2)p

The notes on pages 57 to 72 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019 £'000	2018 £'000
Loss for the year	**(4,471)**	(4,213)
Other comprehensive income	**–**	–
Total comprehensive loss for the year	**(4,471)**	(4,213)
Attributable to:		
Equity shareholders	**(4,471)**	(4,213)

The notes on pages 57 to 72 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Investments	9	**134,283**	135,092
Current assets			
Operating and other receivables	10	**166**	40
Cash and cash equivalents	11	**25,079**	15,440
Current assets		**25,245**	15,480
Total assets		**159,528**	150,572
Current liabilities			
Operating and other payables	12	**(1,585)**	(465)
Amounts payable to subsidiaries		**(101,985)**	(89,832)
Current liabilities		**(103,570)**	(90,297)
Total liabilities		**(103,570)**	(90,297)
Net assets		**55,958**	60,275
Equity			
Share capital	13	**8,073**	8,073
Share premium		**508**	508
Capital redemption reserve		**24,949**	24,949
Retained earnings		**22,428**	26,745
Total equity shareholders' funds		**55,958**	60,275

The financial statements on pages 52 to 72 were approved by the Board on 15 April 2020 and were signed on its behalf by:

NICK FRIEDLOS
DIRECTOR

The notes on pages 57 to 72 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	8,073	508	24,949	30,958	64,488
Total comprehensive income for the year					
Loss for the year	–	–	–	(4,213)	(4,213)
Balance at 31 December 2018	8,073	508	24,949	26,745	60,275
Total comprehensive income for the year					
Prior year's tax adjustments	–	–	–	154	154
Loss for the year	–	–	–	(4,471)	(4,471)
Balance at 31 December 2019	**8,073**	**508**	**24,949**	**22,428**	**55,958**

The notes on pages 57 to 72 form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £'000	2018 £'000
Cash flows from operating activities			
Loss for the year		**(4,471)**	(4,213)
Adjustments for:			
Losses on investments		**1,726**	3,344
Charge for incentive plans		**(710)**	–
Dividend income		**(30)**	–
Interest income		**(180)**	(86)
		(3,665)	(955)
Exchange losses/(gains) on cash and cash equivalents		**197**	(105)
Change in operating and other receivables		**(126)**	204
Change in operating and other payables		**1,120**	(827)
Change in amounts payable to subsidiaries		**12,100**	15,102
Net cash from operating activities		**9,626**	13,419
Cash flows from Investing activities			
Interest received	3	**180**	124
Dividend received		**30**	–
Purchase of investments		**–**	(3,541)
Proceeds from sale of investments		**–**	3,050
Net cash from/(used in) investing activities		**210**	(367)
Net increase in cash and cash equivalents		**9,836**	13,052
Exchange (losses)/gains on cash and cash equivalents		**(197)**	105
Cash and cash equivalents at the beginning of the year		**15,440**	2,283
Cash and cash equivalents at the end of the year		**25,079**	15,440

The notes on pages 57 to 72 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Reporting entity

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

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("Adopted IFRSs"). These financial statements were authorised for issue by the Directors on 15 April 2020.

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 5 to 10 and in the Portfolio Management Review on pages 11 to 18. In addition, note 14 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.

Accounting for subsidiaries

The Directors have concluded that the Group 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 "Consolidated and Separate Financial Statements". The three essential criteria are such that the entity must:

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

In satisfying the second essential criteria, the notion of an investment time frame is critical. An investment entity should not hold its investments indefinitely but should have an exit strategy for their realisation. Although the Company has invested in equity interests that have an indefinite life, it invests typically for a period of up to ten 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 18.

New standards effective in the year

IFRS 16 "Leases" is effective on or after accounting period beginning 1 January 2019.

The Company is exposed to IFRS 16 despite not having a lease in 2019 as there was a lease commitment present in 2018. The Company has adopted the 'Modified Retrospective approach'. This means there is no required restatement of comparative periods; instead the cumulative impact of applying IFRS 16 is accounted for as an adjustment to equity at the start of 1 January 2019, being the date of initial application. As there is no leases present in 2019 there is no quantitative impact on the numbers in the financial statements for the adoption of IFRS 16.

1. PRINCIPAL ACCOUNTING POLICIES continued

The standard removes the distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Directors will assess the impact of IFRS 16 when the Company signs a lease contract.

Use of estimates and judgements

The preparation of condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. 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 9
- valuation technique selected in estimating fair value of investment held in Funds –-note 9
- recognition of deferred tax asset for carried forward tax losses – note 7

The areas involving significant estimates are:

- estimate inputs used in calculating fair value of unquoted investments – note 9
- estimated inputs used in calculating fair value of investment held in Funds – note 9
- estimate percentage on impairment of financial assets – note 14

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 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 and 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.

The Company and its subsidiaries manage their investments with a view to profit from the receipt of dividends 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 and 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.

1. PRINCIPAL ACCOUNTING POLICIES continued

Quoted investments

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

Unquoted direct investments

Unquoted direct investments for which there is no ready 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 positive cash flows;
- investments in a business the value of which is derived mainly from its underlying net assets rather than its earnings are valued on the basis of net asset valuation; and
- investments in an established business which is generating sustainable revenue or positive cash flows but for which other valuation methods are not appropriate are valued by calculating the discounted cash flow of future cash flows 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.
- the Company has adopted the updated IPEV guidelines which are effective from 1 January 2019. The main changes of the new guidelines are:
    - price of a recent investment removed as a primary valuation technique; and
    - valuing debt investment is expanded;

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.

Impairment of financial assets

Expected credit losses are required to be 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 a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

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

1. PRINCIPAL ACCOUNTING POLICIES continued

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 common place 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 balance sheet date, would be achieved if the remaining assets in that scheme were realised at their fair value at the balance sheet date. An accrual is made equal to the amount which the Company would have to pay to any remaining scheme participants from a realisation at the balance sheet value at the balance sheet date. Employer's national insurance, where applicable, is also accrued.

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.

Operating and other receivables

Operating and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The assets held at amortised cost are immaterial.

Cash and cash equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand and cash equivalents, less overdrafts payable on demand.

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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 the Company's financial statements when approved at an annual general meeting by the shareholders for final dividends and interim dividends when paid.

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 recognized in other comprehensive income or directly in equity.

1. PRINCIPAL ACCOUNTING POLICIES continued

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 LOSSES ON INVESTMENTS

Losses and gains on investments were as follows:

	Year ended 31 December					
		2019			2018	
Investment portfolio of the Company **Asset type**	**Realised £'000**	**Unrealised £'000**	**Total £'000**	**Realised £'000**	**Unrealised £'000**	**Total £'000**
Quoted	**–**	**1,437**	**1,437**	43	411	454
Unquoted	**–**	**130**	**130**	–	–	–
Funds	**–**	**–**	**–**	–	–	–
	–	**1,567**	**1,567**	43	411	454
Charge for incentive plans			**(710)**			–
			857			454
Investments portfolio of subsidiaries **Asset type**						
Quoted	**9**	**1,263**	**1,272**	–	(4,420)	(4,420)
Unquoted	**7,071**	**(4,000)**	**3,071**	1,930	1,912	3,842
Funds	**–**	**(6,708)**	**(6,708)**	242	(2,441)	(2,199)
	7,080	**(9,445)**	**(2,365)**	2,172	(4,949)	(2,777)
Total	**7,080**	**(7,878)**	**(1,508)**	2,215	(4,538)	(2,323)
Credit/(charge) for incentive plans			**309**			(159)
			(1,199)			(2,482)
Operating and similar expenses of subsidiaries*			**(527)**			(862)
			(1,726)			(3,344)

* 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 charge for incentive plans for the Company is £0.7 million and Subsidiaries a credit of £0.3 million for carried interest and other incentives relating to historic arrangements. The credit for subsidiaries is included in the Net losses on Investments in the Income Statement. In 2018 £0.2 million was treated as a charge for incentive plans in subsidiaries however £0.2 million of this should have been a charge for incentive plans to the Company. The overall impact on LMS Capital plc net loss in 2018 is nil.

3. INTEREST INCOME

Interest income comprises of interest earned on bank deposits and on loans.

4. DIVIDEND INCOME

Dividend received from quoted equity shares are accounted for when the right to receive payments is established and the amount of the dividend can be measured reliably.

5. OPERATING EXPENSES

Operating expenses comprise administrative expenses and include the following:

	Year ended 31 December	
	2019 £'000	**2018 £'000**
Directors Remuneration (note 6)	**250**	230
Operating lease expense	**–**	69
Management fee	**1,284**	915
Other administrative expenses	**1,124**	(139)
Foreign currency exchange differences	**174**	(220)
Auditor's remuneration		
Fees to Group auditor		
– parent company	**35**	27
– subsidiary companies	**73**	63
– interim review for LMS Capital plc	**15**	10
	2,955	955

The audit fee comprises £35,000 (2018: £27,000) for LMS Capital plc, £72,500 (2018: £63,000) for the subsidiaries and £15,000 (2018: £10,000) for the interim review. The expenses in the table above vary from these numbers due to adjustments for opening and closing accruals.

Included within operating expenses are the following non-recurring costs:

- severance costs for Executive Directors and staff of £nil (2018: £60,000)
- one-off legal and advisory costs of £1,400,000 arising from the review of the investment management arrangements which culminated in the General Meeting on 28th November 2019. These costs include:

  a) £250,000 cost of the former independent directors in running a tender process for the Company's investment management arrangements (as referenced in the Company's announcement on 26 July 2019);

  b) £26,000 cost of the circular and other shareholder communications, both for and against the proposals, leading up to the general meeting;

  c) £724,000 other advisory costs incurred by the parties in the course of seeking to resolve the differences of view as to the investment management arrangements for the Company; and

  d) £400,000 payable to GHAM for the period January 2020 to May 2020 in accordance with the termination arrangements agreed between the Company and GHAM.

6. DIRECTORS REMUNERATION

	Year ended 31 December	
	2019 £'000	**2018 £'000**
Wages and salaries	**227**	206
Compulsory social security contributions	**23**	23
Contributions to defined contribution plans	**–**	1
	250	230

6. DIRECTORS REMUNERATION continued

The Company operates carried interest arrangements in line with normal practice in the private equity industry. The charge for incentive plans for the Company is £710,000 and Subsidiaries a credit of £309,000 for carried interest and other incentives relating to historic arrangements. The credit for subsidiaries is included in the Net losses on Investments in the Income Statement. In 2018 £159,000 was treated as a net charge for incentive plans in subsidiaries however a charge for incentive plan of £195,000 should have been to the Company and £36,000 treated as credit for incentive plans in subsidiaries. The overall impact on LMS Capital plc net loss in 2018 is nil.

The average number of Directors and staff was as follows:

	31 December 2019			31 December 2018		
Asset type	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Directors	**4**	**–**	**4**	4	–	4
	4	**–**	**4**	4	–	4

7. TAXATION

	Year ended 31 December	
	2019 £'000	**2018 £'000**
Current tax expense		
Current year	**–**	–
Total tax expense	**–**	–

Reconciliation of tax expense

	Year ended 31 December	
	2019 £'000	**2018 £'000**
Loss before tax	**(4,471)**	(4,213)
Corporation tax using the Company's domestic tax rate – 19% (2018: 19%)	**(850)**	(800)
Fair value adjustments not currently taxed	**94**	1,056
Non-deductible expenses	**100**	–
Non-taxable income	**(6)**	(421)
Deferred tax asset not recognised	**534**	–
Transfer pricing	**(700)**	(708)
Group relief	**828**	873
Total tax expense	**–**	–

As at the year end, there are cumulative potential deferred tax assets of £1.677million (2018: £1.143million) in relation to the Company's cumulative tax losses of £8.826million (2018: £6.015million). It is unlikely that the Company will generate sufficient taxable profits in future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

8. LOSS PER ORDINARY SHARE

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

	Year ended 31 December	
	2019 £'000	**2018 £'000**
Loss		
Loss for the purposes of loss per share being net loss attributable to equity holders of the parent	**(4,471)**	(4,213)
	Number	**Number**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**80,727,450**	80,727,450
	Pence	**Pence**
Loss per share		
Basic	**(5.5)**	(5.2)
Diluted	**(5.5)**	(5.2)

9. INVESTMENTS

The Company's investments comprised the following:

	Year ended 31 December	
	2019 £'000	**2018 £'000**
Total investments	**134,283**	135,092
These comprise:		
Investment portfolio of the Company	**6,636**	5,069
Investment portfolio of subsidiaries	**25,605**	39,814
Investment portfolio – total	**32,241**	44,883
Other net assets of subsidiaries	**102,042**	90,209
	134,283	135,092

The carrying amounts of the Company's and its subsidiaries' investment portfolios were as follows:

Investment portfolio of the Company	**31 December 2019**		**31 December 2018**	
Asset type	**£'000**	**£'000**	**£'000**	**£'000**
Quoted		**5,906**		4,469
Unquoted direct		**730**		600
Funds		**–**		–
		6,636		5,069
Investments portfolio of subsidiaries				
Asset type				
Quoted	**2,515**		1,292	
Unquoted direct	**8,983**		17,724	
Funds	**14,107**		20,798	
Other net assets of subsidiaries	**102,042**		90,209	
	127,647	**127,647**	130,023	130,023
		134,283		135,092

9. INVESTMENTS continued

The movements in the investment portfolio were as follows:

	Quoted securities £'000	Unquoted securities £'000	Funds £'000	Total £'000
Carrying value				
Balance at 1 January 2018	8,644	22,904	32,270	63,818
Purchases	4,133	1,072	51	5,256
Disposals – Carrying value	(3,007)	(6,353)	–	(9,360)
Distributions from partnerships	–	–	(8,495)	(8,495)
Fair value adjustments	(4,009)	701	(3,028)	(6,336)
Balance at 31 December 2018	5,761	18,324	20,798	44,883
Balance at 1 January 2019	**5,761**	**18,324**	**20,798**	**44,883**
Purchases	**–**	**514**	**573**	**1,087**
Disposals – Carrying value	**(178)**	**(7,694)**	**(681)**	**(8,553)**
Distributions from partnerships	**–**	**–**	**(66)**	**(66)**
Fair value adjustments	**2,838**	**(1,431)**	**(6,517)**	**(5,110)**
Balance at 31 December 2019	**8,421**	**9,713**	**14,107**	**32,241**

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 14 – Financial risk management).

The Company's investments are analysed as follows:

	31 December 2019 £'000	31 December 2018 £'000
Level 1	**5,906**	4,469
Level 2	**730**	600
Level 3	**127,647**	130,023
	134,283	135,092

Level 3 amounts include £25,605,000 (2018: £39,814,000) relating to the investment portfolios of subsidiaries (including quoted investments of £2,515,000 (2018: £1,292,000)) and £102,042,000 (2018: £90,209,000) in relation to the other net assets of subsidiaries.

10. OPERATING AND OTHER RECEIVABLES

	31 December 2019 £'000	31 December 2018 £'000
Other receivables and prepayments	**166**	40
	166	40

11. CASH AND CASH EQUIVALENTS

	31 December 2019 £'000	31 December 2018 £'000
Bank balances	**10,951**	4,096
Short-term deposits	**14,128**	11,344
	25,079	15,440

At 31 December 2019, a balance of £14.128 million (2018: £11.344 million) was held in short term deposit accounts with no maturity date meaning it was immediately available. In accordance with the definition of cash and cash equivalents the amounts in both the current and prior year are included as a current asset on the face of the balance sheet.

12. OPERATING AND OTHER PAYABLES

	31 December 2019 £'000	31 December 2018 £'000
Other liabilities	**710**	–
Trade payables	**225**	41
Other non-trade payables and accrued expenses	**650**	424
	1,585	465

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 2019, £710,000 has been accrued for in the Company and £629,000 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. In 2018 £939,000 was accrued for in the subsidiaries however £195,000 of this should have been accrued for in the Company. The overall impact on LMS Capital plc creditors 2018 is nil, however the amounts payable to third parties was understated by £195,000 and the amounts payable to subsidiaries was overstated by £195,000.

13. CAPITAL AND RESERVES

Share capital

Ordinary shares	2019 Number	2019 £'000	2018 Number	2018 £'000
Balance at the beginning of the year	**80,727,450**	**8,073**	80,727,450	8,073
Repurchase of shares	**–**	**–**	–	–
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.

There were no issue or repurchases of shares in the year (2018: £nil).

13. CAPITAL AND RESERVES continued

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.

14. FINANCIAL RISK MANAGEMENT

Financial Assets and Financial Liabilities

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					
	2019			2018		
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	**134,283**	**–**	**134,283**	135,092	–	135,092
Operating and other receivables	**–**	**166**	**166**	–	40	40
Cash and cash equivalents	**–**	**25,079**	**25,079**	–	15,440	15,440
Total	**134,283**	**25,245**	**159,528**	135,092	15,480	150,572

	31 December					
	2019			2018		
Financial Liabilities	Fair Value through profit or loss £'000	Measured at amortised cost £'000	Total £'000	Fair Value through profit or loss £'000	Measured at amortised cost £'000	Total £'000
Operating and other payables	**–**	**1,585**	**1,585**	–	465	465
Amounts payable to subsidiaries	**–**	**101,985**	**101,985**	–	89,832	89,832
Total	**–**	**103,570**	**103,570**	–	90,297	90,297

Intercompany payables to subsidiaries are all repayable on demand thus there are no undiscounted 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.

14. FINANCIAL RISK MANAGEMENT continued

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 and cash equivalents.

	31 December 2019 £'000	31 December 2018 £'000
Operating and other receivables	**166**	40
Cash and cash equivalents	**25,079**	15,440
	25,245	15,480

The Company limits its credit risk exposure by only depositing funds with highly rated institutions. Cash holdings at 31 December 2019 and 2018 were held in institutions currently rated A or better by Standard and Poor's. 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 2019 and 31 December 2018 was determined as follows for trade receivables:

2019	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%**	
Trade receivables	**–**	**–**	**–**	**59**	**59**
Other receivables	**166**	**–**	**–**	**–**	**166**
Loss allowance	**–**	**–**	**–**	**(59)**	**(59)**
Total	**166**	**–**	**–**	**–**	**166**

2018	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%	
Trade receivables	–	–	–	59	59
Other receivables	40	–	–	–	40
Loss allowance	–	–	–	(59)	(59)
Total	40	–	–	–	40

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.

Operating and other payables are due within six months or less.

In addition, certain of the Company's subsidiaries have uncalled capital commitments to funds of £3,065,000 (31 December 2018: £3,123,000) for which the timing of payment is uncertain (see note 15).

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.

14. FINANCIAL RISK MANAGEMENT continued

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 48% 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					
	2019			2018		
	GBP £'000	USD £'000	Other £'000	GBP £'000	USD £'000	Other £'000
Investments	**117,601**	**15,331**	**1,351**	107,579	26,160	1,353
Operating and other receivables	**166**	**–**	**–**	40	–	–
Cash and cash equivalents	**24,498**	**581**	**–**	14,668	772	–
Operating and other payables	**(103,570)**	**–**	**–**	(90,297)	–	–
Gross exposure	**38,695**	**15,912**	**1,351**	31,990	26,932	1,353
Forward exchange contracts	**–**	**–**	**–**	–	–	–
Net exposure	**38,695**	**15,912**	**1,351**	31,990	26,932	1,353

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

	31 December	
	2019 £'000	2018 £'000
Net foreign exchange (loss)/gain on investment	**(478)**	1,779
Net foreign exchange (loss)/gain on non-investment	**(272)**	99
Total net foreign exchange (losses)/gains recognised in profit before income tax for the period	**(750)**	1,878

At 31 December 2019, the rate of exchange was USD 1.33 = £1.00 (31 December 2018: USD 1.28 = £1.00). The average rate for the year ended 31 December 2019 was USD 1.28 = £1.00 (2018: USD 1.33 = £1.00).

A 10% strengthening of the US dollar against the pound sterling would have increased equity by £1.7 million at 31 December 2019 (31 December 2018: increase of £2.8 million) and decreased the loss for the year ended 31 December 2019 by £1.7 million (2018: decreased the loss by £2.8 million). This assumes that all other variables, in particular interest rates, remain constant. A weakening of the US dollar against the pound sterling 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.

Interest rate risk

At the reporting date the Company's cash and cash equivalents are 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 £203,000 (31 December 2018: increase of £89,000) and decreased the loss for the year by £203,000 (2018: £89,000). 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.

14. FINANCIAL RISK MANAGEMENT continued

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 USA. 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 2019 in measuring investments categorised as level 3 in note 8 are considered below:

1. Unquoted securities (carrying value £9.7 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 in the range 4-8 times dependent on the business of each individual company, its performance and the sector in which it operates;

    - revenue multiples in the range 0.75–3.5 times, also dependent on attributes at individual investment level; and

    - discounts applied of up to 50%, to reflect the illiquidity of unquoted companies compared to similar quoted companies. The discount used requires the exercise of judgement taking into account factors specific to individual investments such as size and rate of growth compared to other companies in the sector.

2. Investments in funds (carrying value £14.1 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 2019). The Company also carries out its own review of individual funds and their portfolios to satisfy ourselves that the underlying valuation bases are consistent with our basis of valuation and knowledge of the investments and the sectors in which they operate. However, the degree of detail on valuations varies significantly by fund and, in general, details of unobservable inputs used are not available.

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

If the valuation for level 3 category investments declined by 10% from the amount at the reporting date, with all other variables held constant, the loss for the year ended 31 December 2019 would have increased by £12.7 million (2018: loss increased by £13.0 million). An increase in the valuation of level 3 category investments by 10% at the reporting date would have an equal and opposite effect.

14. FINANCIAL RISK MANAGEMENT continued

Capital management

The Company's total capital at 31 December 2019 was £56 million (31 December 2018: £60.3 million) comprising equity share capital and reserves. The Company had borrowings at 31 December 2019 or of £nil 31 December 2018.

In order to meet the Company's capital management objectives, the Board monitor and review 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 possible other distributions to shareholders.

15. CAPITAL COMMITMENTS

	31 December	
	2019 £'000	2018 £'000
Outstanding commitments to funds	**3,065**	3,123

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

16. RELATED PARTY TRANSACTION

The increase in these costs due to the provision was provided for the termination arrangement agreed between the Company and the Gresham House Asset Management Limited.

Gresham House Asset Management Limited was appointed the investment manager of LMS Capital plc on 16 August 2016 and the agreement was terminated on 30 January 2020. Amounts charged by the Investment Manager in 2019 were £1,284,000 (2018: £915,000). During the year, the Company accrued additional £400,000 in relation to termination fees payable to Gresham House Asset Management Limited.

The Directors fee paid for the year was £202,000 (2018: £185,000).

17. SUBSEQUENT EVENTS

Lion Cub Investments Limited has changed its name to Cavera Limited, with effect from 9th January 2020. LMS Co-Invest Limited was incorporated in England and Wales on 10th January 2020. LMS Co-Invest Limited is a subsidiary of the Company and its registered address is: Two London Bridge, London SE1 9RA

The Company paid £3,431,000 (4.25p per share) to shareholders on 15 January 2020.

On 30 January 2020, the Company terminated the agreement between GHAM and the Company and with immediate effect upon the entry of the Company on the register of small registered UK AIFMs.

Over recent weeks the Coronavirus global pandemic has spread and is likely to have a material impact on businesses in the Company's investment portfolio in both the UK and the US. This crisis is a developing situation as of the date of this report, and the Company continues to closely monitor the impact on its business and portfolio. At the date of this report, the Company is unable to assess the financial impact on its portfolio investments. This situation is considered to be a non-adjusting post balance sheet event in respect of the Statement of Financial Position and therefore no quantitative adjustment has been made to the financial statements. The Company will provide information to the markets in accordance with its established practice and regulatory requirements.

17. SUBSEQUENT EVENTS continued

Although the Company is currently unable to quantify any specific amounts, the key future impacts are expected to be as follows:

- Declines in the fair value of quoted investments as a result of the overall decline in the U.S. and U.K. equity markets;
- Potential declines in the fiscal 2020 valuations of unquoted and funds investments that are valued using market multiples. The declines may come from a decrease in the market multiples, or a decline in the underlying financial metric used in the valuation such as revenues or EBITDA; and
- Potential liquidity impacts to the underlying businesses in our portfolio investments from any tightening of the capital markets that could negatively impact the ability to access capital through either debt or equity.

There are no other subsequent events that would materially affect the interpretation of these financial statements.

18. 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 (ECI) Limited	England and Wales	100	Investment holding
LMS Capital (General Partner) Limited	Bermuda	100	Investment holding
LMS Capital (GW) 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
LMS NEP Holdings Inc	United States of America	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 Investments Limited	England and Wales	100	Dormant
Lion Cub Property Investments Limited	England and Wales	100	Investment holding
Tiger Investments Limited	England and Wales	100	Investment holding
LMS 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

In addition to the above, certain of the Company's carried interest arrangements are operated through five limited partnerships (LMS Capital 2007 LP, LMS Capital 2008 LP, LMS Capital 2009 LP, LMS Capital 2010 LP and LMS Capital 2011 LP) which are registered in Bermuda.

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

Subsidiaries incorporated in England and Wales: Two London Bridge, London, SE1 9RA.

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

Subsidiary incorporated in the United States of America: c/o Two London Bridge, London, SE1 9RA.

19. NAV PER SHARE

The NAV per ordinary shares in issue are as follows:

	31 December	
	2019	2018
NAV (£'000)	**55,958**	60,275
Number of ordinary shares in issue	**80,727,450**	80,727,450
NAV per share (in pence)	**69.3 pence**	74.7 pence

CORPORATE INFORMATION

DIRECTORS
The Hon Robert Rayne
Nick Friedlos (appointed 28 November 2019)
Peter Harvey (appointed 28 November 2019)
Graham Stedman (appointed 28 November 2019)
James Wilson (appointed 28 November 2019)
Martin Knight (resigned 28 November 2019)
Rod Birkett (resigned 28 November 2019)
Neil Lerner (resigned 28 November 2019)

SECRETARY
IQ-EQ Corporate Services (UK) Limited
Two London Bridge
London SE1 9RA

INVESTMENT MANAGER AND AIFM
(resigned 30 January 2020)
Gresham House Asset Management Limited

AUDITOR
BDO LLP
150 Aldersgate Street
Barbican
London EC1A 4AB

BROKERS
Shore Capital Ltd
Cassini House
57 St James' Street
London
SW1A 1LD

BANKERS
Barclays Bank plc
1 Churchill Place
London E14 5HP

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

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

COMPANY WEBSITE
The Company's website provides further information on the Company's strategy and investments, as well as information for shareholders.
www.lmscapital.com

REGISTERED OFFICE
Two London Bridge
London SE1 9RA
Registered number 5746555

FINANCIAL CALENDAR 2020
Annual General Meeting – 20 May
Half-year results – July

LMS CAPITAL PLC

www.lmscapital.com