



## **Annual Report & Accounts**

**31 December 2025**

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

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### 2025 Highlights

- Net Asset Value (“NAV”) - £29.0 million  
The NAV at 31 December 2025 was £29.0 million, 35.9 pence per share (31 December 2024: £36.2 million, 44.8 pence per share).
- Return of Capital to Shareholders - £1.6 million, 2.0 pence per share  
The Company made its first return of capital to shareholders in July 2025 of 2.0 pence per share.
- Portfolio Movements - £0.3 million reduction  
The portfolio net decrease comprises:
  - Valuation changes:
    - Unrealised foreign exchange losses £1.1 million;
    - Net realised gains and unrealised underlying losses in portfolio £2.5 million.
  - Additional investment in Dacian and Castle View £4.7 million; and
  - Realisations £1.4 million.
- Net Running Costs - £1.4 million  
Net running costs, including those incurred by subsidiaries, were £1.4 million (2024: £1.7 million) and there were an additional £0.9 million (2024: £0.8 million) of investment related costs.
- Portfolio Realisations - £1.4 million  
Realisations include Weber £0.7 million, Brockton £0.6 million and others £0.1 million.
- Year End Cash Balance - £6.8 million  
Cash balances at the year end, including amounts held by subsidiaries, were £6.8 million, representing 23.3% of the NAV (2024: £13.5 million and representing 37.4% of the NAV). Cash held by the Company was £6.6 million (2024: £11.6 million).

# **LMS CAPITAL plc**

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### **Chairman and Managing Director's Report**

We are pleased to report our results for the year ended 31 December 2025.

In February 2025, the Board announced that, mindful of the challenges facing the Company in terms of its size, limited secondary market liquidity and the discount to NAV at which the ordinary shares had been trading, it had determined to carry out a strategic review of the Company's future direction and was intending to consult with shareholders. Following that consultation, the Board reached the conclusion that shareholder value would be best served by a managed realisation of the Company's assets and returns of capital to shareholders over time (the "Managed Realisation").

A general meeting was convened in May 2025 at which shareholders voted in support of proposals, set out in a circular to shareholders, for a change to the Company's investment policy to permit the Managed Realisation and any related matters required.

The focus of the Board and the team therefore since May 2025 has been on the optimum route to realisation of the Company's assets in a reasonable period of time. To date, a total of 4p per share (£3.2 million), comprising 2 pence per share in July 2025 and a further 2 pence per share in January 2026, has been returned to shareholders. This was financed principally through realisations of the Weber Fund, the most readily liquid investment, and a final distribution from Brockton Fund 1 in Q3 2025.

#### **Net Asset Value ("NAV") overview**

The NAV of the Company at 31 December 2025 was £29.0 million, 35.9 pence per share (31 December 2024: £36.2 million, 44.8 pence per share).

For the year as a whole, the Company's estimated NAV, after adjusting for the July 2025 distribution, has decreased by £5.6 million, most of which occurred in the first half and was reported at 30 June 2025. The principal underlying portfolio changes on a full year basis were:

- A decrease of £1.1 million from unrealised foreign exchange losses on US dollar denominated investments;
- Underlying portfolio net decrease £2.5 million comprising:
  - Decrease in Dacian £2.0 million, the bulk of which was recognised prior to the additional investment made in July 2025 and reflecting the impact of the additional funding on the prior investment valuation;
  - Decrease in Castle View £0.5 million, reflecting additional working capital required pending the sale of the stock of apartments;
  - Decrease in Elateral £0.6 million; and
  - £0.6 million realised gain, reported in Q3 and being clawback by the Brockton Fund, now dissolved, of historic carried interest payments to its managers.
- Full year running costs, including those of the subsidiaries, were £1.4 million. Cost saving measures during the year have reduced the annual run rate of costs to approximately £1.3 million by December 2025;
- Investment costs for the year of £0.9 million. This includes one-off amounts of £0.4 million during the first half of the year, relating to the issue of the circular to shareholders and implementation of the B Share scheme and the write off of historic management fees on Dacian. Other costs relate principally to the individuals who are focussed entirely on the oversight and development of the retirement living business; and
- Other net income of £0.3 million comprising bank interest of £0.4 million less unrealised foreign exchange losses of £0.1 million on non-portfolio assets.

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**Chairman and Managing Director’s Report (continued)**

The balance sheet at the year end can be summarised as follows:

**Financial results for the year ended 31 December 2025**

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£’m</b>	£’m
<b>Mature Investment Portfolio</b>		
Quoted investments	-	0.1
Unquoted investments	1.1	1.7
Funds	4.9	5.8
	<b>6.0</b>	7.6
<b>Other Investments</b>		
Energy – Dacian	9.7	9.3
Retirement Living – Castle View	7.5	6.6
	<b>17.2</b>	15.9
<b>Total Investments</b>	<b>23.2</b>	23.5
Cash and cash equivalents	6.8	13.5
Other net liabilities	(1.0)	(0.8)
<b>Net Assets</b>	<b>29.0</b>	36.2

**Liquidity – Cash less other net liabilities**

*Cash*

Cash balances in the Company and its subsidiaries (excluding investee companies – see note 24) at 31 December 2025 were £6.8 million (31 December 2024: £13.5 million).

*Net liabilities*

Net liabilities in the Company and its subsidiaries of £1.0 million (31 December 2024: £0.8 million) consist primarily of accruals for income taxes and other sundry costs.

**Retirement Living**

**Castle View**

LMS, through its wholly owned subsidiary LMS Retirement Living Limited, acquired its investment in Castle View Retirement Village (“Castle View”) in December 2023.

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

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### **Chairman and Managing Director's Report (continued)**

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

At the half year we reported that there were sale reservations on two apartments to the value of £1.3 million. During the autumn, both these reservations proceeded to completed sales, at the indicated prices.

The purchase of retirement apartments is typically financed by the sale of an existing larger property, and slowness in the housing market overall, has a knock-on effect on the ability of purchasers to complete on retirement apartments.

To accelerate full occupancy and to reduce the holding costs of unoccupied units and create additional income, the decision was taken to offer apartments for rental alongside sale. Rental demand has been good. Two rentals were concluded prior to the year end and a further two in 2026 to date.

Of the 15 units which were unsold when the village was acquired in December 2023, 5 currently remain unoccupied and are for sale or rental. Rental transactions are in progress on a further 1 apartment with a continuing flow of new enquiries.

The current debt facility on Castle View does not permit rentals. The Company has invested £1.0 million to pay down the current debt on the units rented prior to the year end and is in discussions to secure a new facility which will allow it to refinance in part this investment and will provide finance for further rental units.

The increase in valuation of Castle View from £6.6 million at the half year to £7.5 million reflects the additional investment by the Company in the rental units. The acquisition debt has been reduced from £4.8 million at the half year to £3.0 million at the year end, as a result of the two sales noted above and the paydown of debt on the rental units.

#### **Retirement Living Outlook**

The Board has previously stated that it continues to see opportunity in the sector. This remains the case, particularly in the acquisition of existing stock which offers long-term value potential but also provides attractive income. Accordingly, the Board may seek to attract outside investment into the Company's retirement living subsidiary which could add additional assets to create a retirement living platform and enhance realisation value.

#### **Dacian**

##### **Additional working capital investment during 2025**

In August 2025 the Company announced that, following a detailed review of the business in conjunction with a new leadership team at Dacian, it had agreed to invest up to \$5.3 million of additional capital.

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### Chairman and Managing Director's Report (continued)

Other investors agreed to invest a further \$0.24 million. Whilst acknowledging the risks inherent in the oil and gas industry and Dacian's past track record, the Board reached the view that the returns on the additional investment are attractive and will offer investors the prospect of a materially better overall financial outcome on realisation than seeking an immediate sale.

Key elements of the plan to be executed by the new team were

- Investment in inventory of replacement components and implementation of a maintenance plan to reduce the frequency of equipment failures and consequent interruptions to production;
- Carrying out a programme of well workovers and interventions, financially evaluated and risk adjusted in accordance with industry best practice, to enhance production over the next 12 months;
- Taking opportunities to monetise some unutilised land and equipment held by Dacian;
- Evaluating and presenting to external capital, an identified set of additional development projects within Dacian's fields; and
- Continuing to work with partners in the development of other opportunities including in clean energy initiatives.

Execution of the plan is still in process but progress to date has been satisfactory. The new team structure has worked well since being put in place in mid-2025.

Mobilisation of resources and inventory for the maintenance plan and for the workover programme were initially slower than anticipated, but are now well underway. Early indications are that the capital cost of projects is at or slightly below budgeted cost. An early major workover, accounting for approximately 10% of the overall production gain, began flowing in January 2026 and is delivering the planned level of production. More detailed discussions with potential partners on opportunities in clean energy have commenced.

Whilst there is still much to be delivered the Board remains confident in the team and the plan.

#### Dacian capital structure

As previously reported, the investment in 2020 by the Original Investor Group, structured as senior loan notes with a coupon of 14% per annum on a compounding basis (the "Senior Loan Notes") and an equity subscription at nominal value, was restructured by a debt to equity swap in July 2024. Further bridge finance has also been provided in 2024 and 2025. In summary the Dacian financing has been provided as follows:

- **Initial Investment in 2020**, structured as senior loan notes with a coupon of 14% per annum on a compounding basis (the "Senior Loan Notes"), and an equity subscription at nominal value;
- **Debt to equity swap in July 2024**, which converted the initial investment to equity and diluted the Founder team; and
- **Bridge finance during 2024 and 2025**. The tranches all have a maturity date of June 2026 and entitle the lenders to additional equity shares.

The debt to equity swap, whilst agreed between all shareholders, has been awaiting regulatory approval in Romania, which approval we have always been advised should be forthcoming. We are pleased to report that the regulatory approval was finally received on 5 February 2026.

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**Chairman and Managing Director's Report (continued)**

As a result of its participation in the initial investment and participation in the bridge finance since May 2025, LMS in aggregate will have invested \$14.7 million and owns 60% of the equity in Dacian and holds \$5.6 million of loan instruments. The other members of the Original Investor Group own 37% and hold \$3.5 million of loan instruments.

**Looking forward**

As previously announced in connection with the Managed Realisation, the Board is not proposing an annual dividend. Any future distributions will be considered in the context of the Managed Realisation and communicated to shareholders as appropriate.

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

**James Wilson**  
**Chairman**

**18 March 2026**

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



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### Portfolio Overview

The following are the principal portfolio investments of the Group, representing 98.7% of the total portfolio value:

### Principal Unquoted Investments

#### Castle View

REGION: UK | YEAR: 2023 |

% Holding 100% | Valuation £7.5 million (2024: £6.6 million)

Castle View is a retirement living village located in Windsor comprising a development of 64 self-contained one and two bedroom apartments, completed in 2018.

#### Dacian

REGION: EU | YEAR: 2021 |

% Holding 60% (on a pro-forma basis) | Valuation £9.7 million (2024: £9.3 million)

Dacian is a Romanian oil and natural gas production company operating over 40 late-life onshore fields with nearly 100 producing wells.

#### Elatel

REGION: UK | YEAR: 2000 |

% Holding 62.7% | Valuation £1.1 million (2024: £1.7 million)

Elatel operates in the digital marketing sector and has developed cloud-based software which allows corporate marketing materials to be distributed to local marketing teams to enable content to be tailored whilst protecting brand identity. Elateral targets large international companies with multi-language requirements and has a concentration of global corporate customers.

### Principal Funds

#### Opus Capital Venture Partners

REGION: US | YEAR: 2006 | Valuation £3.1 million (2024: £3.3 million)

Opus is a US fund that invests in early-stage technology opportunities with two principal assets remaining.

#### Weber Capital Partners

REGION: US | YEAR: 2001 | Valuation £1.5 million (2024: £2.2 million)

Weber Capital GW 2001 is a fund that invests in listed US micro-cap stocks, primarily in the technology and medical sectors.

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### **Strategic Report**

LMS Capital is a listed investment company. It is self-managed and is entered by the FCA on the Register of Small Registered AIFMs.

This Strategic Report is set out in the following parts:

- Strategy
- Investment policy
- 2025 Company performance and 2026 objectives
- Risk management
- Viability statement

This Annual Report is required to explain the strategy that prevailed for the year ended 31 December 2025.

#### **Strategy**

Following shareholder approval in May 2025, the Board's strategy is focused on the orderly realisation of the Company's existing portfolio and the return of capital to shareholders. The Board continues to monitor and support the portfolio to maximise value, with no further capital deployed into new investments. The Company will make follow-on investments where the Board believes this will lead to a better realisation for investors in a reasonable period of time.

On 8 July 2025, the Company announced the first return of capital via a B Share issue, distributing over £1.6 million to shareholders.

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## **Annual Report & Accounts 2025**

### **Investment Policy**

The Company's investment objective, stated in the current investment policy approved by shareholders in May 2025 is to conduct an orderly realisation of its assets in a manner that seeks to optimise the value of the Company's investments whilst progressively returning cash to shareholders.

The Company will pursue its investment objective by effecting an orderly realisation of its assets in a manner that seeks to achieve a balance for shareholders between maximising the value received from those assets and making timely returns of capital to shareholders.

This process might include sales of the individual assets or groups of assets (such as retirement living or energy portfolios), or a combination thereof.

The Company will cease to make any new investments or to undertake capital expenditure except where:

- the investment is a follow-on investment made in connection with an existing asset in order to comply with the Company's preexisting obligations; or
- failure to make the follow-on investment or capital expenditure may result in a breach of contract or applicable law or regulation by the Company; or
- the investment or capital expenditure is considered by the Board necessary or desirable to protect or enhance the value of any existing investments or to facilitate orderly disposals.

The Company may take on new borrowings, only where such borrowings are necessary or desirable to protect or enhance an investment's realisable value as part of the orderly realisation of the Company's assets and provided that any new borrowings do not exceed 33.33% of the Group's Gross Asset Value at the time such borrowings are incurred. For the avoidance of doubt, borrowings by investee companies which are non-recourse to the Company or other members of the Group shall not be subject to this proviso.

The net proceeds from realisations will be used to make timely returns of capital to shareholders in such manner as the Board considers appropriate.

Any material changes to the Company's investment policy set out above will only be made with the prior approval of the Financial Conduct Authority and of shareholders by way of an ordinary resolution.

The Board will ensure a liquidity management system is employed for monitoring the Company's liquidity risks. The Board will ensure, on behalf of the Company, that the Company's liquidity position is consistent at all times with its investment policy, liquidity profile and working capital requirements. Any cash received by the Company as part of the realisation process will be held by the Company as cash on deposit and/or will be invested in cash equivalents, near cash instruments, bearer bonds and money market instruments pending its return to shareholders.

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### **2025 Company Performance**

A detailed review of the management of the portfolio is set out on pages 16 to 21 of this Annual Report. The detailed financial results are set out in the accounts on pages 63 to 92.

Following the approval of the Managed Realisation strategy in 2025, the Board's priorities are focused on:

- Maximising value from the existing portfolio through active management and, where appropriate, supporting investments to protect or enhance value;
- Managing costs efficiently; and
- Returning capital to shareholders as assets are realised.

No new investment opportunities were pursued during the year, in line with the Company's revised strategy to focus on the orderly realisation of the existing portfolio. Activities in 2025 were limited to managing and supporting current assets to maximise value for shareholders.

The Board continued to actively oversee the existing portfolio, engaging with management teams and third-party managers to optimise realisation outcomes. Where appropriate, support was provided to protect or enhance value ahead of exit. The focus remained on progressing realisations and returning capital to shareholders

The Company continued to implement cost-saving measures, resulting in a further reduction in running costs during the year.

Shareholder communications and governance arrangements were maintained to ensure transparency and compliance throughout the realisation process.

2 pence per share was returned to Shareholders in July 2025 and a further 2 pence per share was returned in January 2026, reflecting proceeds from the initial realisation activity.

#### **Key performance indicators**

Following the adoption of the Managed Realisation strategy in 2025, the Board's primary objective is to maximise value from the existing portfolio and return capital to shareholders.

Performance is assessed by reference to:

- Proceeds realised from asset disposals;
- Capital returned to shareholders;
- Net asset value per share; and
- Running cost efficiency.

The Company's NAV per share total return, excluding the impact of dividends, was minus 15% and its share price total return was 5% for the year ended 31 December 2025. These measures compare to the FTSE All Share Index which showed a return of 24% for the year ended 31 December 2025.

Further information on the Company's performance is provided in the Portfolio Management Review on pages 16 to 21.

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### Risk Management

On behalf of the Board, the Audit Committee is responsible for ensuring that the Company maintains an effective process to identify, assess, and manage risks.



During the year, the Company reviewed both principal and emerging risks, considering their likelihood, potential impact, and the effectiveness of mitigation procedures. The Audit Committee reviews the risk matrix annually and oversees the Company's risk management framework.

With the adoption of the Managed Realisation strategy, the Company's risk profile has shifted towards risks associated with asset realisation, market conditions, and the efficient return of capital to shareholders. The Board continues to monitor these risks closely, supported by management and take appropriate action as required.

A summary of the principal risks is set out in the table below.

Principal risks in each category	Trend	Mitigation
<b>Strategic risk</b> Risk that the Board is unable to implement the Managed Realisation strategy or return capital as planned.		The Board sets clear objectives for the realisation of assets and monitors progress against these, considering market conditions and developments.
<b>Market risk</b> Risk that macroeconomic and geopolitical uncertainties adversely impact asset values, liquidity, or the timing of realisations.		Regular assessment at Board level of market conditions and their effect on the Company's assets. The Company's significant cash reserves provide some protection against short-term uncertainty.
<b>Investment risk</b> Risk that investments may perform below expectations or may not achieve target exit valuations or timing.		Active monitoring of portfolio performance and realisation strategy for all investments. Where the Company does not control the realisation decision, ongoing dialogue with external managers and consideration of alternative exit routes.
<b>Financial risk</b> Risk that the valuation of the investment portfolio is misstated.		The investment portfolio is valued at fair value in accordance with IPEV Guidelines, supported by third-party evidence where available. Valuation judgements are reviewed regularly by the Board and Audit Committee and subject to external audit.

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**Risk Management (continued)**

<p><b>Operational and Governance risk</b>  Risk that the Company does not have the appropriate resources in place to support the delivery of its strategy, including reliance on a small core team.</p>		<p>The core team is supported by advisers and outsourced providers. The Board has access to a network of associates who can provide additional support if required. Regular consideration is given to Board effectiveness.</p>
<p><b>Legal and Regulatory risk</b>  Risk that the Company does not comply with the legal and regulatory framework, or that changes to the framework could impact the business.</p>		<p>Compliance is overseen by the Audit Committee and the Board. The Company maintains necessary procedures and policies and works with external advisers to review and update these as required.</p>

**Key:**



**Increased**



**No change**



**Decreased**

The Board has not identified any emerging risks, beyond those principal risks disclosed above, that could materially threaten the Company's business model or future performance. The Board and Audit Committee continue to monitor the risk environment on an ongoing basis.

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### **Viability Statement**

The Directors have assessed the Company's current position and prospects as described in the Chairman and Managing Director's Report and the Portfolio Management Review, as well as the principal risks and uncertainties set out above. The Directors have carried out a robust assessment of the principal and emerging risks and have a reasonable expectation that the Company will be able to continue to realise its assets and meet its liabilities as they fall due over a three-year period from the date of this report. The three-year timeframe reflects the expected period over which the Managed Realisation strategy will be implemented.

In making this assessment, the Directors considered:

- The Company's liquidity position, including significant cash balances and the absence of external debt;
- The latest portfolio reports, including asset realisation plans, operational issues, and cash flow forecasts;
- The potential impact of macroeconomic and geopolitical factors on asset values and realisation timing; and
- The uncertainties inherent in the timing and value of realisations, particularly where assets are managed by third parties.

The Board is satisfied that, following the approval of the Managed Realisation strategy in 2025, the Company has sufficient resources and flexibility to implement the strategy and return capital to shareholders over the viability period.

#### **Basis of preparation and going concern**

Based on the above, the Directors intend to cease trade of the Company. Therefore, the Directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. On this basis, the Directors have prepared the financial statements on a basis other than going concern.

#### **Directors' Responsibilities pursuant to Section 172 of the Companies Act 2006**

The Directors are responsible for acting in good faith in a way most likely to promote the success of the Company for the benefit of its members, while having regard to the interests of stakeholders and wider society.

During the year, the Board made key decisions with the overall aim of maximising value for shareholders through the orderly realisation of the Company's portfolio and the return of capital, following consultation with shareholders on the future direction of the Company.

Further details on stakeholder engagement and the long-term consequences of Board decisions are set out in the Corporate Governance Report and in the Section 172 statement on page 24.

For and on behalf of the Board



**James Wilson**  
**Chairman**  
**18 March 2026**

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### Portfolio Management Review

The movement in NAV during the year was as follows:

	2025 £'000	2024 £'000
Opening NAV	36,155	42,141
Net realised and unrealised reductions on investments	(3,838)	(4,504)
Investment interest income	339	1,186
Dividends	-	(747)
Return of Capital	(1,615)	-
Overheads and other net movements	(2,024)	(1,921)
Closing NAV	29,017	36,155

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

	Year ended 31 December	
	2025 £'000	2024 £'000
Proceeds from the sale of investments	119	29
Proceeds from redemption of convertible debt	-	-
Distributions from funds	1,325	894
Total – gross cash realisations	1,444	923
Fund calls	-	(55)
Follow on investments	(4,642)	-
Total – net	(3,198)	868

Realisations in 2025 include distributions received from GW 2001 Fund and Brockton Capital Fund 1.

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

	31 December 2025			31 December 2024		
	GBP denominated £'000	USD denominated £'000	Total £'000	GBP denominated £'000	USD denominated £'000	Total £'000
<b>Mature investment portfolio</b>						
Quoted	-	44	44	54	5	59
Unquoted	1,100	-	1,100	1,680	56	1,736
Funds	256	4,587	4,843	293	5,584	5,877
	1,356	4,631	5,987	2,027	5,645	7,672
<b>Other investments</b>						
Dacian	-	9,669	9,669	-	9,258	9,258
Castle View	7,526	-	7,526	6,553	-	6,553
	7,526	9,669	17,195	6,553	9,258	15,811
Total investments	8,882	14,300	23,182	8,580	14,903	23,483

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### **Portfolio Management Review (continued)**

#### **Basis of valuation:**

##### ***Quoted investments***

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

##### ***Unquoted direct investments***

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

Valuation methods that may be used include:

- investments in an established business are valued using revenue multiples depending on the stage of development of the business and the extent to which it is generating sustainable revenue or earnings;
- investments in an established business which is generating sustainable revenue or earnings but for which other valuation methods are not appropriate are valued by calculating the discounted value of future cash flows;

##### ***Funds***

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

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### Portfolio Management Review (continued)

#### Performance of the investment portfolio

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

Asset type	Year ended 31 December					
	2025			2024		
	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Total £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Total £'000
Quoted	(12)	37	25	6	(62)	(56)
Unquoted	23	(4,177)	(4,154)	-	(1,690)	(1,690)
Funds	572	(281)	291	457	(3,210)	(2,753)
	<b>583</b>	<b>(4,421)</b>	<b>(3,838)</b>	463	(4,962)	(4,499)
Charge for incentive plans			-			(5)
Income and fair value adjustments on investment portfolio			(3,838)			(4,504)
Net operating and other expenses of subsidiaries			(4,180)			(8,520)
Provision against amounts receivable from subsidiaries			4,267			-
Net loss on investments			<b>(3,751)</b>			<b>(13,024)</b>

Approximately 62% of the portfolio at 31 December 2025 was denominated in US Dollars (31 December 2024: 63%) and the above table includes the impact of currency movements. In the year ended 31 December 2025, the strengthening of sterling against the US Dollar resulted in an unrealised foreign currency loss of £1.1 million (2024: unrealised gain of £0.2 million). As is common practice in private equity investment, it is the Board's current policy not to hedge the Company's underlying non-sterling investments.

#### Quoted investments

Company	Sector	31 December	
		2025 £'000	2024 £'000
Tialis Essential IT plc	UK technology	-	54
Arsenal Digital Holdings Inc	US energy	44	5
		<b>44</b>	<b>59</b>

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### Portfolio Management Review (continued)

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

	Year ended 31 December	
	2025 £'000	2024 £'000
<b>Gains/(losses), net</b>		
<b>Realised</b>		
Weatherford International Inc	-	6
Tialis Essential IT plc	(12)	-
	(12)	6
<b>Unrealised</b>		
Tialis Essential IT plc	-	(54)
Arsenal Digital Holdings Inc	37	(4)
Other quoted holdings	-	(2)
Unrealised foreign currency losses	-	(2)
	37	(62)
Total fair value increases/(decreases)	25	(56)

#### Unquoted investments

		31 December	
		2025 £'000	2024 £'000
<b>Company</b>	<b>Sector</b>		
Dacian	Romanian energy	9,669	9,258
Castle View	Retirement living	7,526	6,553
Elateral	UK technology	1,100	1,680
Cresco	US consumer	-	56
		18,295	17,547

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

	Year ended 31 December	
	2025 £'000	2024 £'000
<b>Gains/(losses), net</b>		
<b>Realised</b>		
Medhost Inc	23	-
	23	-
<b>Unrealised</b>		
Dacian	(2,036)	(2,112)
Castle View	(879)	241
Cresco	1	18
Elateral	(580)	-
Unrealised foreign currency (losses)/gains	(683)	163
	(4,177)	(1,690)
Total fair value decreases	(4,154)	(1,690)

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Portfolio Management Review (continued)

Valuations are sensitive to changes in the following inputs:

- the operating performance of the individual businesses within the portfolio;
- changes in the revenue multiples and transaction prices of comparable businesses, which are used in the underlying calculations;
- changes in the estimated future cash flows of the individual businesses which are derived based on judgemental inputs (see note 20 for further details); and
- the discount rates applied to valuations.

#### **Fund interests**

		<b>31 December</b>	
<b>General partner</b>	<b>Sector</b>	<b>2025</b>	<b>2024</b>
		<b>£'000</b>	<b>£'000</b>
Brockton Capital Fund 1	UK real estate	-	-
Opus Capital Venture Partners	US venture capital	<b>3,092</b>	3,329
GW 2001 Fund	US quoted micro-caps	<b>1,495</b>	2,243
EMAC ILF	Europe real estate	<b>256</b>	292
Simmons Parallel Energy	UK energy	-	1
Other interests		-	12
		<b>4,843</b>	<b>5,877</b>

The changes in valuation on the Company's fund portfolio arose as follows:

		<b>Year ended 31 December</b>	
		<b>2025</b>	<b>2024</b>
		<b>£'000</b>	<b>£'000</b>
<b>Gains/(losses), net</b>			
<b>Realised</b>			
Brockton CF (II) Scotland		-	457
Brockton Capital Fund 1		<b>572</b>	-
		<b>572</b>	<b>457</b>
<b>Unrealised</b>			
Brockton Capital Fund 1		-	(2,526)
Opus Capital Venture Partners		<b>(8)</b>	(870)
GW 2001 Fund		<b>155</b>	24
Simmons Parallel Energy		<b>(1)</b>	104
Others (net)		<b>(63)</b>	(13)
Unrealised foreign currency (losses)/gains		<b>(364)</b>	71
		<b>(281)</b>	<b>(3,210)</b>
<b>Total fair value increases/(decreases)</b>		<b>291</b>	<b>(2,753)</b>

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Portfolio Management Review (continued)**

#### **Costs**

Running costs, including those of the subsidiaries, for the year were £1.4 million (2024: £1.7 million) and investment related costs being support costs for real estate and co-investment activities, were £0.9 million (2024: £0.8 million) which included one-off amounts of £0.4 million during the first half of the year, relating to the issue of the circular to shareholders and implementation of the B Share scheme and the write off of historic management fees on Dacian.


#### **Taxation**

The tax provision for the year is £nil (2024: £0.1 million).

#### **Financial Resources and Commitments**

At 31 December 2025 cash holdings, including cash in subsidiaries, were £6.8 million (31 December 2024: £13.5 million) and neither the Company nor any of its subsidiaries had any external debt in either 2025 or 2024.

At 31 December 2025, subsidiary companies had commitments of £0.4 million (31 December 2024: £2.5 million) to meet outstanding capital calls from fund interests.



**LMS CAPITAL plc**  
**18 March 2026**

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Board of Directors

**James Wilson**

Non-Executive Chairman

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

**Date appointed to the Board:** 28 November 2019

**Date appointed as Chairman:** 15 May 2024

**Directorships and other interests:** 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. Also a director of Zeta Motion Limited and Cambridge Photon Technology and Chairman of Acumentrics Inc and Aircuity Inc.

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

**Nicholas Friedlos**

Managing Director

**Committee memberships:** Member of the Nomination Committee

**Date appointed to the Board:** 28 November 2019

**Date appointed as Managing Director:** 28 November 2019

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

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

**Robert Rayne**

Non-Executive Director

**Committee memberships:** Chairman of the Nomination Committee

**Date appointed to the Board:** 6 April 2006

**Directorships and other interests:** Previously Chairman of The Rayne Foundation and a non-executive director/trustee of a number of charitable trusts and foundations, and also a director of Noven Inc.

**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 plc.

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Board of Directors (continued)

**Peter Harvey**

Non-Executive Director

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

**Date appointed to the Board:** 28 November 2019

**Date appointed as Chairman of The Audit Committee:** 28 November 2019

**Date appointed as Senior Independent Director:** 15 May 2024

**Directorships and other interests:** Peter has a number of other roles with not-for-profit organisations in Cornwall, and is also a director of two substantial private businesses based 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 this business.

**Graham Stedman**

Senior Independent Non-Executive Director

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

**Date appointed to the Board:** 28 November 2019

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

**Directorships and other interests:** Graham has a 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.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Corporate Governance Report**

This report sets out the Company's corporate governance arrangements for the year ended 31 December 2025. During the year, the Board held four formal meetings and engaged regularly with executive management. The Board's focus included the implementation of the Managed Realisation strategy and the ongoing oversight of the Company's existing portfolio.

The Board is responsible for the governance of the Company and for ensuring that appropriate standards of corporate governance are applied.

For the financial year ended 31 December 2025, the Board reported against the AIC Corporate Governance Code (the "AIC Code") as the Company's corporate governance framework, available at [www.theaic.co.uk](http://www.theaic.co.uk). The AIC Code is specifically designed for closed-ended investment companies and has been endorsed by the Financial Reporting Council as an appropriate means for such companies to meet their obligations under the UK Corporate Governance Code and the UK Listing Rules.

Accordingly, the Board considers that reporting against the Principles and Provisions of the AIC Code enables the Company to meet its corporate governance obligations under the UK Listing Rules, and the Company has therefore not reported separately against the UK Corporate Governance Code for the year.

The Board is committed to:

- Promoting the strategy of the Company as agreed by the shareholders;
- Acting in accordance with Section 172 of the Companies Act 2006, having regard to the interests of shareholders, stakeholders and wider society;
- Maintaining effective risk management and internal controls; and
- Ensuring transparency and accountability through clear and meaningful disclosures.

This report explains how the Company has applied the Principles of the AIC Code and sets out the extent to which the Company has complied with the AIC Code's Provisions during the year. The Company has complied with all of the Principles and Provisions of the AIC Code except where explained below, and the Board considers that any departures are appropriate and proportionate having regard to the Company's size, structure and circumstances.

#### **Governance events**

During the year, the Company continued to review and update its documented policies and procedures to ensure compliance with applicable legal and regulatory requirements. The Board remains committed to the regular formal review of these policies.

In July 2024, the Financial Conduct Authority implemented reforms to the UK Listing Rules, including the introduction of the closed-ended investment funds category. LMS Capital plc transitioned to this category, which aligns with the Company's structure and investment objectives. The Board has reviewed the continuing obligations applicable to this category and is satisfied that the Company's governance and reporting arrangements remain compliant.

The Company's AGM provides an opportunity for the Board to engage directly with shareholders. Shareholders are able to attend in person and are encouraged to submit proxy votes and questions in advance of, or during, the meeting. The 2025 AGM was held in person with the option of online viewing. Further details of the 2026 AGM are set out in the Notice of AGM and accompanying notes.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Corporate Governance Report (continued)**

Where a resolution receives votes against of 20 per cent or more of the votes cast, the Board will consult with shareholders to understand the reasons for the result and will publish an update on the actions taken within six months of the meeting.

#### **AIC Corporate Governance Code – explanations for departures from the Provisions**

The Board has applied the Principles of the AIC Corporate Governance Code throughout the year ended 31 December 2025 and has complied with the Provisions of the Code except where explained below. The Board considers that the governance arrangements in place during the year were appropriate having regard to the Company's size, structure, investment strategy and stage of development.

#### **Nomination Committee and succession planning**

The AIC Code provides that the chair should not chair the nomination committee when it is dealing with the appointment of their successor. In connection with the appointment of the Chairman, the Nomination Committee was chaired by an existing non-executive director. The appointment was made following a considered succession process from within the Board, and the Board was satisfied that the approach adopted was appropriate in the circumstances. The Board intends to consider the use of external search support in future appointments, as appropriate.

#### **Board appointments**

The AIC Code recommends that open advertising and or the use of an external search consultancy should generally be considered when appointing the chair and non-executive directors. The Board has, from time to time, appointed directors following internal consideration of the Board's composition and succession needs. The Board believes that this approach has supported continuity and stability and will continue to keep its approach to appointments under review, including the use of external search consultants for future appointments.

#### **Board evaluation**

The AIC Code recommends regular evaluation of the performance of the Board, its committees, the chair and individual directors, with external facilitation considered periodically. The Board undertakes ongoing consideration of its effectiveness and reviewed its performance following the Company's Annual General Meeting in May 2025. The Board will continue to review the timing and format of future evaluations, including the use of external facilitation, and currently expects to commission an externally facilitated evaluation within the next review cycle.

As a result of the evaluation process, the Board considered matters including committee composition, information flows and the skills required to support the Managed Realisation strategy, and agreed to continue its focus on these areas during the year.

#### **Audit Committee membership**

The AIC Code provides that the chair should not chair the audit committee. The Chairman has remained a member of the Audit Committee, and the Board considers that this arrangement is appropriate given the size and composition of the Board and the experience of its members.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Corporate Governance Report (continued)**

#### **Directors' remuneration**

The AIC Code provides that remuneration for non-executive directors should not include performance-related elements. Certain historic arrangements relating to prior executive service continue to apply to a non-executive director. These arrangements are in run-off, and no new performance-related remuneration arrangements for non-executive directors will be introduced.

#### **Engagement with shareholders stakeholders**

The Board recognises the importance of maintaining effective engagement with shareholders and other stakeholders. The Chairman and Senior Independent Director are available to engage with shareholders where appropriate, and the Managing Director and committee chairs also engage with shareholders on matters within their areas of responsibility.

The Board seeks to maintain an open and constructive dialogue with shareholders and to understand the views of the Company's investor base. The Board remains in contact with major institutional shareholders, and Directors engage with shareholder representatives from time to time to discuss matters of mutual interest relating to the Company, with relevant feedback reported to the Board.

In fulfilling its duties under Section 172 of the Companies Act 2006, the Board considers the interests of shareholders and other stakeholders, the likely long-term consequences of its decisions, and the need to maintain effective relationships. During the year, these considerations informed key decisions including the implementation of the Managed Realisation strategy and the timing and structure of returns of capital to shareholders.

#### **Shareholder communications**

The Board seeks to ensure that shareholders are provided with clear, timely and balanced information on the Company's performance, strategy and governance.

The interim and annual results of the Company, together with other regulatory announcements, are made available on the Company's website as soon as practicable following release to the market. The website also contains an archive of documents provided to shareholders, together with information on the Company's investments, strategy and share price.

The Annual General Meeting provides shareholders with the opportunity to meet the Board and ask questions. Where a resolution receives votes against of 20 per cent or more of the votes cast, the Board will consult with shareholders to understand the reasons for the result and will publish an update on the actions taken within six months of the meeting.

#### **Remuneration**

The Board has established a Remuneration Committee to oversee the Company's remuneration framework and practices. The Committee seeks to ensure that remuneration arrangements are clear, proportionate and aligned with the Company's strategy and long-term objectives.

The Remuneration Committee is responsible for determining the remuneration of the Executive Director and for setting the remuneration of the Chairman.

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Corporate Governance Report (continued)

Further details of the Directors' remuneration arrangements, together with the work of the Remuneration Committee during the year, are set out in the Remuneration Report on pages 37 to 48.

#### Accountability and risk

The Board is responsible for overseeing the Company's risk management framework and internal control systems. The Board reviews the Company's risk profile on a regular basis and considers the principal and emerging risks facing the Company, together with the controls and mitigations in place.

The Board also regularly reviews the Company's share price performance, including the discount or premium to net asset value, and considers appropriate shareholder communication and capital measures in the context of the Managed Realisation strategy.

The Board has carried out a review of the effectiveness of the Company's internal control systems for the year ended 31 December 2025 and confirms that these systems were effective during the year.

Further information on the Company's approach to risk management is set out in the Strategic Report and the Audit Committee Report on pages 33 to 36.

#### Diversity and succession planning

The Nomination Committee keeps under review the composition of the Board, including the balance of skills, experience and knowledge required to support the Company's strategy and ongoing governance requirements.

Succession planning is considered on an ongoing basis, taking into account the Company's circumstances and the skills required to support the Managed Realisation strategy. The Board recognises the importance of diversity and inclusion and will continue to consider these matters as part of its approach to future appointments.

The following table sets out the composition of the Board as at 31 December 2025 in accordance with applicable disclosure requirements.

	Number of directors	Percentage of the Board
<b>Gender identity</b>		
Male	5	100
<b>Ethnic diversity</b>		
White British or other white	5	100

#### Leadership and Board effectiveness

The Board is responsible for establishing the Company's purpose, values and strategy, and for ensuring that these are aligned with the Company's business model.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Corporate Governance Report (continued)**

The Board monitors the Company's culture through regular interaction with management, consideration of behaviours and decision-making processes, and review of operational and financial performance. Culture is considered as part of Board discussions on strategy, risk and governance, and the Board seeks to ensure that conduct and behaviours remain consistent with the Company's values and long-term objectives.

The Board undertakes ongoing consideration of its effectiveness and reviewed its performance following the Company's Annual General Meeting in May 2025. As part of this process, the Board considered matters including committee composition, information flows and the skills required to support the Company's strategy. The Board will continue to review the timing and format of future evaluations, including the use of external facilitation.

#### **Board evaluation**

The Board keeps its effectiveness under regular review, taking into account relevant guidance on board effectiveness and governance best practice. The composition and operation of the Board were considered following the Company's Annual General Meeting in May 2025, and the Board continues to reflect on its effectiveness on an ongoing basis.

#### **Board of Directors**

The Board is accountable to shareholders for the Company's strategic direction, performance, values and governance. It provides leadership within the governance framework described in this report.

#### **Composition**

The Board currently comprises five Directors. Brief biographies of the Directors appear on pages 22 and 23. The Board considers that it has an appropriate balance of skills, knowledge and experience in place, and this is kept under review.

James Wilson is the Chairman of the Board and he is responsible for the effective operation of the Board, including setting its agenda and ensuring that all matters relating to strategy performance are appropriately addressed. The Chairman also has responsibility for overseeing the evaluation of the Board's effectiveness. The role description for the Chairman was most recently reviewed in 2023.

#### **Non-Executive Directors**

Each Non-Executive Director is appointed for an initial term of three years. Subject to satisfactory performance, Board agreement and re-election by shareholders, appointments may be renewed for further terms, typically up to a maximum of nine years.

During the year, the Non-Executive Directors agreed to the extension of their appointments for a further period of one year, with the continuation of those appointments subject to shareholder approval at the 2026 Annual General Meeting.

#### **Director independence and commitment**

The Board considers the independence of each Director on an ongoing basis, having regard to their character, judgement and any relationships or circumstances which could affect, or be perceived to affect, their independence.

In the opinion of the Board, Peter Harvey, Graham Stedman and James Wilson are considered to be independent in character and judgement.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Corporate Governance Report (continued)**

Robert Rayne is not considered to be independent due to his previous executive role within the Company and his significant shareholding.

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

The Board annually reviews the time commitment of the Chairman and each of the Non-Executive Directors, including consideration of other external appointments, and is satisfied that they devoted sufficient time to the discharge of their responsibilities.

#### **Directors' conflicts of interest**

The Company's Articles of Association permit the Directors to authorise conflicts of interest, and the Board maintains a register of actual and potential conflicts which have been declared. Declared conflicts are reviewed by the Board as appropriate, and procedures are in place to ensure that Directors' external interests do not conflict with the Company's strategy or operations. The Board confirms that any significant concerns raised by Directors during Board discussions are appropriately minuted and, where applicable, a departing Director may provide a written statement for circulation to the Board.

#### **Co-investment policy**

The Board has adopted a co-investment policy which applies where members of the LMS team propose to co-invest alongside the Company. The policy provides that any such co-investment should be made on the same, or no more favourable, terms and at the same time as the Company's investment. Proposed co-investments are subject to review and approval by the Board, excluding any Directors with a relevant interest. Where appropriate, external advice may be sought.

#### **Senior Independent Director**

The Senior Independent Director, Graham Stedman, provides support to the Chairman and acts as an intermediary for other Directors where required. The Board considers that the role of the Senior Independent Director supports effective engagement with shareholders.

#### **Director re-election**

In accordance with the AIC Corporate Governance Code, all Directors will offer themselves for re-election by shareholders at the 2026 Annual General Meeting.

#### **Board support**

The Directors have access to independent professional advice at the Company's expense where considered necessary. In addition, all Directors have access to the advice and services of the Company Secretary. Newly appointed Directors are provided with appropriate information about the Company and its investee companies as part of their induction process.

The Board recognises the importance of ensuring that Directors maintain an appropriate level of knowledge and understanding of the Company's business and the regulatory environment in which it operates. Directors are fully briefed in advance of Board meetings and receive updates from time to time from the Company's advisers and the Company Secretary on relevant developments in corporate governance, regulation and market practice. Each Director is responsible for ensuring that they maintain the skills and knowledge required to fulfil their duties effectively.

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Corporate Governance Report (continued)

The Board has adopted a schedule of matters reserved to it for decision. These include approval of the Company's financial statements, strategy and annual budgets, as well as acquisitions, disposals and significant capital and operating expenditure. Day-to-day management of the Company's operations is delegated to executive management, within clearly defined authorities and subject to Board oversight. The Board has established committees to which it delegates certain responsibilities, each operating within written terms of reference approved by the Board. The committees report to the Board on a regular basis.

#### Board meetings

Four scheduled Board meetings were held during the year, together with a number of additional meetings held as required. At scheduled meetings, the Board received updates on the Company's operations and significant business matters, including investment and divestment activity, strategy and financial performance. Papers are normally circulated to Directors in advance of scheduled meetings.

#### Attendance at Board meetings

The Directors of the Company during 2025 and their attendance at scheduled meetings of the Board and Committees were as set out below:

#### 2025

	Board	Audit	Nomination	Remuneration
<b>Meetings held</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>3</b>
James Wilson	4	1	1	3
Nicholas Friedlos	4	2*	1	3*
Peter Harvey	4	2	1	3
Robert Rayne	4	2*	1	3*
Graham Stedman	4	2	1	3

\* attended by invitation. Nicholas Friedlos was not present at any part of a Remuneration Committee meeting where his remuneration was discussed.

The Directors maintain a regular dialogue regarding the business of the Company outside of scheduled Board and Committee meetings. Where appropriate, informal discussions take place between meetings to ensure that matters are progressed in a timely manner.

#### Board Committees

The Board has an Audit Committee, a Remuneration Committee and a Nomination Committee.

Each committee operates within written terms of reference approved by the Board, which set out its responsibilities and authority.

#### Audit Committee

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

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Corporate Governance Report (continued)**

The Chairman of the Committee may invite non-members to attend meetings, which typically include representatives of the Company's external auditor and, where appropriate, other Directors. A report on the activities of the Audit Committee is set out on pages 33 to 36.

The terms of reference of the Audit Committee take into account the requirements of the AIC Corporate Governance Code. The Committee assists the Board in fulfilling its responsibilities in relation to corporate reporting, risk management, internal controls and the relationship with the external auditor. The Chairman of the Committee reports to the Board following Committee meetings.

#### **Corporate reporting**

The Audit Committee monitors the integrity of the Company's financial statements and formal announcements relating to financial performance, with particular attention to significant accounting judgements. The Committee reviews the draft annual financial statements and half-year results prior to their consideration by the Board and reviews reports received from the external auditor.

The Committee reports to the Board on matters it considers relevant to ensuring that the Company's financial reporting is fair, balanced and understandable.

#### **External audit**

The Audit Committee is responsible for overseeing the relationship with the external auditor and safeguarding their independence and objectivity. The Committee reviews the effectiveness of the external audit on an annual basis and makes recommendations to the Board regarding the appointment, re-appointment or removal of the external auditor, their terms of engagement and remuneration.

The Committee reviews and approves the external audit plan and meets with the external auditor to consider their findings in advance of the Board's consideration of the Company's results.

A policy governing the provision of non-audit services by the external auditor is in place. The policy recognises the importance of maintaining auditor independence while allowing, where appropriate, for non-audit services to be provided within permitted limits. Any such engagement requires the prior approval of the Audit Committee.

During the year, the Board approved a change of external auditor following a formal tender process. BDO LLP resigned as auditor with effect from 3 October 2025, and Gravita Audit II Limited was appointed as the Company's auditor on the same date. Shareholder approval to confirm this appointment will be sought at the 2026 Annual General Meeting.

#### **Internal control and risk management**

Risk management and internal controls are standing agenda items at Audit Committee meetings. While the Company does not maintain a separate internal audit function, the Committee keeps the effectiveness of the Company's internal controls under review and considers whether additional assurance is required.

Further information is set out in the Audit Committee Report on pages 33 to 36, and details of the principal risks and uncertainties facing the Company are included in the Strategic Report on pages 10 to 15.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Corporate Governance Report (continued)**

The Board is satisfied that appropriate controls and procedures are in place following the transition of day-to-day financial, accounting and administrative functions in-house during the prior year.

#### **Nomination Committee**

All Directors are members of the Nomination Committee, which is chaired by Robert Rayne.

The Committee is responsible for reviewing the composition and structure of the Board and for making recommendations on succession planning and appointments, taking into account the skills, experience and balance required to support the Company's strategy. The Committee also considers matters relating to diversity as part of its review of Board composition.

The Committee meets as required and at least annually.

#### **Remuneration Committee**

The Remuneration Committee comprises Graham Stedman (Committee Chairman), Peter Harvey and James Wilson.

Under its terms of reference, the Committee is responsible for overseeing the Company's remuneration framework and for determining the remuneration of the Executive Director and the Chairman. The Committee seeks to ensure that remuneration arrangements are appropriate, proportionate and aligned with the Company's strategy and long-term objectives. In carrying out its responsibilities, the Committee may take advice from external remuneration consultants where appropriate.

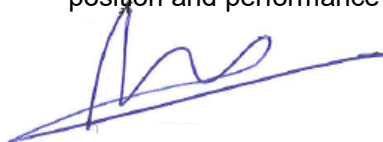
The Remuneration Committee meets as required and at least twice each year.

A report on the activities of the Remuneration Committee is set out in the Remuneration Report on pages 37 to 48.

#### **Financial reporting**

The Directors acknowledge their responsibility for preparing the Company's financial statements, as set out in the Statement of Directors' Responsibilities on pages 52 to 53. The responsibilities of the external auditor are described in the Independent Auditor's Report on pages 54 to 62.

The Directors are also responsible for the preparation and publication of a half-year report, which is intended to provide a fair and balanced assessment of the Company's financial position and performance for the first six months of the financial year.



**James Wilson**  
**Chairman**  
**18 March 2026**

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Audit Committee Report**

#### **Introduction from the Chairman of the Audit Committee**

I am pleased to present the report of the Audit Committee for 2025 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;
- risk management and internal control; and
- oversight of the day-to-day accounting function, which is undertaken in-house.

Throughout 2025 the Committee has overseen the financial reporting process and discharged its other responsibilities.

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 Committee carried out its responsibilities during 2025 as well as the more significant issues addressed is set out in the report.

#### **Corporate reporting**

The Committee had two scheduled meetings during 2025 and also met on 4 March 2026. Each meeting was attended by the external auditor.

Since the publication of the 2024 Annual Report the Committee has reviewed the following:

- the 2025 half-year results and announcement;
- the change of auditor from BDO LLP to Gravita Audit II Limited;
- reports from Gravita Audit II Limited on the planning of their audit for the year ended 31 December 2025;
- the report from Gravita Audit II Limited on their audit of the results for the year ended 31 December 2025;
- the preliminary announcement of 2025 results; and
- the 2025 Annual Report.

#### **Annual Report**

The Committee advises the Board on whether it believes that the 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 position and performance, business model and strategy. A report confirming this to be the case for the 2025 Annual Report was presented to the Board at a meeting where it considered the full-year results and Annual Report for 2025.

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

- 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 was consistent with that reported to the Board throughout the year;
- ensuring that positive and negative factors affecting the Company's performance were given equal prominence; and
- the appropriateness of the key performance indicators and comments on them.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Audit Committee Report (continued)**

#### **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 2025 full-year results, the Committee has received relevant papers prepared by management. 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.

The following areas were of particular focus for the Committee in its consideration of the approach to investment valuation in 2025:

- ensuring that the valuation methodology complied with the International Private Equity and Venture Capital Valuation Guidelines (December 2022 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; and
- ensuring that metrics from comparable quoted companies were appropriate and up to date.

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.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Audit Committee Report (continued)**

#### **Going concern**

The Financial Statements are prepared on a basis other than going concern. The Committee considered this and concluded that the use of this basis was appropriate. The Committee primarily considered the Company's liquidity forecast, the significant cash balances on hand at 31 December 2025 and the latest report on the investment portfolio.

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 and uncorrected judgemental differences and factual misstatements they had found during the course of their work.

#### **Internal control and risk management**

The Committee reviews the operation of the Company's internal financial control system to ensure it is sufficiently resourced and has the appropriate processes and controls over financial reporting to fulfil its duties. That assessment is considered by the Board which reviews and approves the risk matrix annually. Risk management and internal controls were reviewed by the Committee at each of its scheduled meetings during the year. The Committee has also 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 and controls were operating satisfactorily during 2025 and up to the date of this report; and
- mitigation of the risks identified is satisfactory and appropriate to the Company's circumstances.

#### **Internal audit**

The Committee has considered the need for an internal audit function and concluded that given the size and scale of the Company's operations, together with the risk management processes and internal controls in place, there is no current need for such a function. The Committee will continue to keep this under review.

#### **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.

Reports presented to the Committee by Gravita Audit II Limited during 2025 and up to the date of this report covered:

- their plans and proposed audit scope for 2025; and
- the results of their audit of the 2025 Financial Statements and Annual Report.

In addition, Gravita Audit II Limited 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.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Audit Committee Report (continued)**

The Committee conducts an assessment of the external audit process each year which includes members of the Committee and members of the Company's finance team 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.

Listed companies are subject to periodic audit tender and rotation requirements under applicable audit regulation. The Committee undertook an audit tender process during the year following which Gravita Audit II Limited was appointed as the Company's auditor with effect for the financial year ended 31 December 2025.

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 no fees were paid for non-audit services provided by the external auditor.

#### **Audit Committee effectiveness**

The Board evaluation arrangements described on page 28 included the work of the Committee and concluded that the Committee was working satisfactorily.



**Peter Harvey**  
**Chairman, Audit Committee**  
**18 March 2026**

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Remuneration Report

#### Introduction from the Chairman of the Remuneration Committee

I am pleased to present our Remuneration Committee Report, which summarises the work of the Remuneration Committee (“the Committee”) during the year.

#### Remuneration Committee membership

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

<b>Member</b>	<b>Date appointed</b>	<b>Meetings attended (held)</b>
Graham Stedman (Chairman)	28 November 2019	3 (3)
James Wilson	28 November 2019	3 (3)
Peter Harvey	28 November 2019	3 (3)

It is the intention of the Committee to meet whenever important matters of remuneration arise and at least annually.

#### Remuneration Policy

The current remuneration policy was approved by shareholders at the 2023 AGM held on 17 May 2023 for the three years commencing 1 January 2023 as follows: votes in favour were 95.89%, votes against were 4.11%. This is the current approved policy.

Given the Company’s change to a Managed Realisation strategy the remuneration committee has conducted a complete review of the existing short-term and longer-term incentive arrangements, which it considers no longer to be relevant to a Managed Realisation. Revised proposals (2026 Proposals) are set out on pages 41 to 45 and will be put to shareholders to vote on at the 2026 AGM.

Accordingly, no annual bonus or other incentive awards under the current policy have been made for 2025.

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Remuneration Report (continued)

#### Part 1 - Annual Report on Remuneration for the year ended 31 December 2025 (audited)

##### Single Total Figure of Remuneration

The tables below (which have been subject to audit) set out the amounts paid to each Director during the financial years ended 31 December 2025 and 31 December 2024:

#### 2025

	Fixed Remuneration				Variable Remuneration			Total £'000
	Salary/ fees £'000	Taxable benefits £'000	Pension £'000	Total £'000	LTIP £'000	Bonus £'000	Total £'000	
N Friedlos	241.3	11.4	20.5 <sup>2</sup>	273.2	- <sup>3</sup>	-	-	273.2
P Harvey	50.0	-	-	50.0	-	-	-	50.0
R Rayne	30.6	26.9 <sup>1</sup>	-	57.5	-	-	-	57.5
G Stedman	50.0 <sup>4</sup>	-	-	50.0	-	-	-	50.0
J Wilson	75.0	-	-	75.0	-	-	-	75.0
	446.9	38.3	20.5	505.7	-	-	-	505.7

#### 2024

	Fixed Remuneration				Variable Remuneration			Total £'000
	Salary/ fees £'000	Taxable benefits £'000	Pension £'000	Total £'000	LTIP £'000	Bonus £'000	Total £'000	
N Friedlos	241.3	10.6	20.5 <sup>2</sup>	272.4	- <sup>3</sup>	108.5	108.5	380.9
P Harvey	50.0	-	-	50.0	-	-	-	50.0
R Rayne	59.2	22.1 <sup>1</sup>	-	81.3	-	-	-	81.3
G Stedman	50.0 <sup>4</sup>	-	-	50.0	-	-	-	50.0
J Wilson	65.8	-	-	65.8	-	-	-	65.8
	466.3	32.7	20.5	519.5	-	108.5	108.5	628.0

<sup>1</sup> Amounts included for taxable benefits are insurance premiums for private healthcare.

<sup>2</sup> Pension contributions are based on 10% of salary for all staff including Executive Directors and can be taken as cash in lieu.

<sup>3</sup> The Company issued 300 VCP units to the Managing Director in June 2023. These units will vest in accordance with the rules of the Value Creation Plan in June 2028. For IFRS 2 purposes these units are estimated to have a fair value of £461 per unit, which will be recognised in the accounts evenly over the five-year vesting period. The charge for the year ended 31 December 2025 in relation to Mr Friedlos was £32,000 (2024: £53,000). The Company also issued 481,147 nil-cost options to Mr Friedlos in August 2023. These options will vest in August 2026 subject to the performance criteria being achieved. For IFRS2 purposes these options have a fair value of 21p per option, which will be recognised in the accounts evenly over the three-year vesting period. The charge for the year ended 31 December 2025 in relation to Mr Friedlos was £34,000 (2024: £34,000).

<sup>4</sup> On being appointed Senior Independent Director on 15 May 2024, Mr Stedman became entitled to an additional annual fee of £5,000. Mr Stedman has waived this fee in respect of 2024 and for the future.

#### LTIP - Value Creation Plan and Share Options

Following the 2023 AGM, the Committee made awards under the new LTIP arrangements.

- The July 2020 award of 500 units under the VCP was cancelled;
- 384 VCP units were awarded, of which 300 were awarded to the Managing Director at a share price of 26.46p and with a vesting date in June 2028.
- In August 2023, nil-cost share options were awarded to the Managing Director over 481,147 shares vesting, subject to performance criteria, in three years. The performance criteria are linked to deployment of the Company's capital into new investments and the performance in line with expectations of those investments.

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## Annual Report & Accounts 2025

### Remuneration Report (continued)

#### Carried interest

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

As previously reported there was only one remaining investment in respect of which carry could become payable to Mr Rayne. This investment was Medhost which was realised in December 2023.

The consideration on realisation of Medhost was payable in two stages. \$7 million was received in cash on 27 December 2023 and a further \$1.8 million in December 2024. Mr Rayne is entitled to a payment of carried interest, reflecting the cash proceeds received in December 2023, of £226,888. This amount was paid in May 2024. A final £90,890 relating to the deferred consideration now received was paid in March 2025. The sale of Medhost has brought to an end any entitlement to carried interest by Mr Rayne.

#### 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. There were no new employees added in the Group during 2025.

The table below shows the spend on staff costs in 2025 and 2024, compared to the loss before tax and dividends:

	Year ended 31 December			
	2025 £'000	% change	2024 £'000	% change
Staff costs	953	(17.3)	1,153	(11.2)
Average number of staff	7	-	7	(12.5)
Loss before tax	(5,611)	4.8	(5,354)	43.4
Annual Dividends / Return of Capital	1,615	116.2	747	-

The table below sets out the annual percentage change in remuneration for each director who served during the year ended 31 December 2025:

	Year ended 31 December				
	2025 %	2024 %	2023 %	2022 %	2021 %
Nicholas Friedlos	(28.3)	(13.9)	20.4	5.2	(3.6)
Peter Harvey	-	-	-	-	-
Robert Rayne	(29.3)	(14.0)	2.2	(0.8)	0.5
Graham Stedman	-	-	-	-	-
James Wilson	14.0	31.6	-	-	-

#### Payments to past Directors in 2025 (audited)

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

# LMS CAPITAL plc

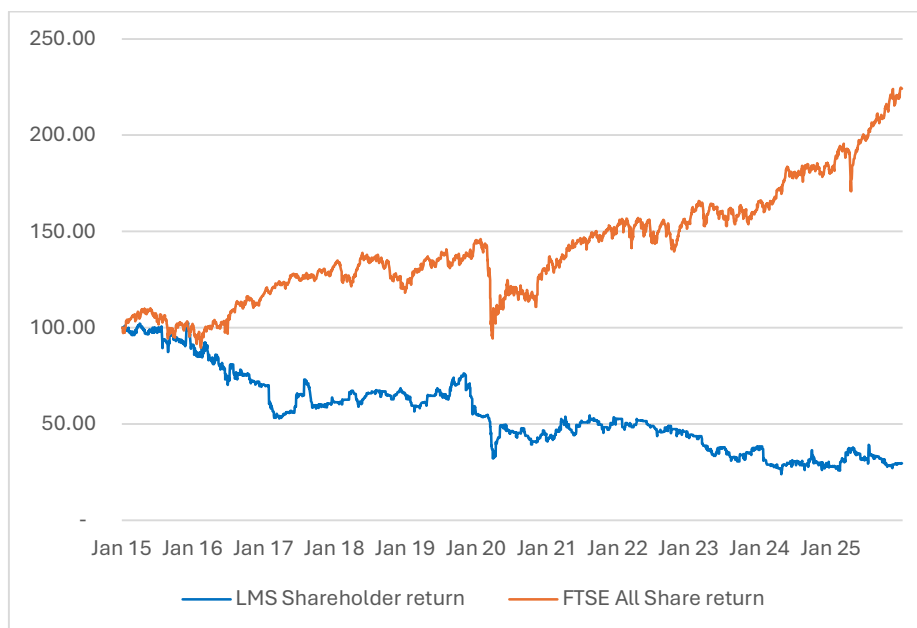
## Annual Report & Accounts 2025

### Remuneration Report (continued)

#### Performance graph

The Committee considers the FTSE All-Share Index a relevant index for the Company's Total Shareholder Return performance 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 10-year period ended 31 December 2025 compared with that of the FTSE All-Share Index.



#### Directors' interests in shares (audited)

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

	31 December	
	2025	2024
N Friedlos	661,410	661,410
P Harvey	20,000	20,000
R Rayne	3,887,211	2,670,124
G Stedman	20,000	20,000
J Wilson	1,041,905	1,041,905

In addition, Robert Rayne has a non-beneficial interest in 6,267,173 ordinary shares held in trust.

There have been no changes in the above Directors' interests between 31 December 2025 and the date of this report.

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 vested in the year.

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## Annual Report & Accounts 2025

### Remuneration Report (continued)

#### Part 2 – Future Directors’ Remuneration Policy and Remuneration Committee

The Remuneration Policy in place at 31 December 2025, which was developed with advice from independent external remuneration advisers MM&K, appointed by the Remuneration Committee, was approved by shareholders at the Company’s AGM on 17 May 2023. The Company is required, by company law, to seek shareholders’ approval for its Directors’ Remuneration Policy in a binding vote every three years.

Following the Company’s switch from an active investment to a managed realisation strategy, the Remuneration Committee conducted a complete review of the existing executive arrangements, which it considers no longer to be appropriate. Accordingly, shareholders will be asked at the 2026 AGM to approve the policy described below in this section for the next three years commencing 1 January 2026 (“the 2026 Proposals”).

The three elements of the current policy relating to fixed pay being salary, pension and benefits are unchanged in the 2026 Proposals.

The current policy includes three elements of variable pay designed to reward short and long term performance objectives:

- Annual bonus – payment linked to achievement of agreed in-year performance measures;
- Share Options – linked to achievement of agreed performance goals over a three-year period;
- Value Creation Plan – linked to achievement of empirical shareholder value goals over a five-year period.

The 2026 Proposals, if approved by shareholders at the AGM, will:

- replace all three of the above elements, including annual bonus;
- establish a single cash-based incentive pool, the amount of which will be determined by reference to cumulative amounts realised and returned to shareholders as part of the Company’s managed realisation strategy.

The 2026 Proposals on variable pay are designed to provide a simple single measure, that will reduce annual cash costs and reward participants only after the cumulative amounts of cash returned to shareholders exceed certain specified thresholds (see page 43 below) thereby achieving alignment with shareholders.

The 2026 Proposals are summarised in the proposed policy table below:

<b>Salary (fixed pay)</b>	<b>NO CHANGE PROPOSED TO THE CURRENT APPROVED POLICY</b>
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 the Company successfully and to deliver the Group strategy.
Operation	Reviewed annually with increases, if awarded, effective from 1 January each year.
Opportunity and recovery or withholding provisions	Base salaries will be set by the Committee taking into account a range of factors. Decisions about salary increases take account of increases in the cost of living but also other factors such as external market positioning, changes in the scope of the individual’s responsibilities or level of experience and development in the role and the overall structure of total remuneration packages. In deciding on any salary increases for an Executive Director, the Committee

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**Remuneration Report (continued)**

	<p>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.</p> <p>No recovery or withholding provisions and no deferral applies.</p>
Performance metrics	None, although the performance of the individual will be considered by the Committee when reviewing salaries each year.

<b><u>Pension (fixed pay)</u></b>	<b><u>NO CHANGE PROPOSED TO THE CURRENT APPROVED POLICY</u></b>
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	<p>Maximum pension contribution by the Company is 10%. This is in line with what is offered to all employees in the Company.</p> <p>No recovery or withholding provisions and no deferral applies.</p>
Performance metrics	None.

<b><u>Benefits (fixed pay)</u></b>	<b><u>NO CHANGE PROPOSED TO THE CURRENT APPROVED POLICY</u></b>
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 to Executive Director roles.
Operation	<p>Executive Directors are provided with family private medical insurance cover. The extent of cover may be amended or adjusted in line with market practice.</p> <p>The Executive Directors are also covered by the Company's directors' and officers' liability insurance policy and have the benefit of an indemnity in the form permitted under the Company's Articles of Association.</p> <p>Executive Directors are also eligible to receive other minor benefits and expense payments in line with other employees of the Company.</p> <p>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.</p>
Opportunity and recovery or withholding provisions	<p>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.</p> <p>No recovery or withholding provisions and no deferral applies.</p>
Performance Metrics	None.

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**Remuneration Report (continued)**

<p><b><u>Proposed Managed Realisation Incentive Arrangements (“MRIA”)</u></b></p>	<p><b><u>THESE PROPOSALS, IF APPROVED AT THE AGM, WILL REPLACE THE VARIABLE PAY ELEMENTS, BEING THE SHORT-TERM (I.E. ANNUAL BONUS) AND LONG-TERM INCENTIVE ARRANGEMENTS UNDER THE CURRENT POLICY (“MRIA”)</u></b></p>
<p>Purpose and link to strategic objectives</p>	<p>The MRIA will replace all short and long-term incentive arrangements under the current remuneration policy.</p> <p>No annual bonus has been paid in respect of 2025 and no further annual bonuses will be paid under the 2026 Proposals. In addition, all current long-term plan awards under the Value Creation plan and Share Option Plan will be cancelled.</p> <p>The aim of the proposed MRIA is to :</p> <ul style="list-style-type: none"> <li>• offer an incentive that will retain key team members during the managed realisation process;</li> <li>• simplify current arrangements which were designed in the context of ongoing investment activity;</li> <li>• reduce annual cash running costs;</li> <li>• link any payments under the arrangement to amounts returned to shareholders</li> </ul>
<p>Operation of the MRIA</p>	<p>The MRIA will be governed by a set of rules to be proposed to the 2026 AGM.</p> <p>The MRIA is designed to operate for the duration of the managed realisation process. If shareholders approve the adoption of the MRIA, each participant will receive an award of notional scheme units as soon as practicable after the adoption date. A maximum of 3,200,000 notional Scheme Units may be awarded under the MRIA, of which up to 2,400,000 may be awarded to the Managing Director.</p> <p>Notional scheme units vest on the award date, and have no initial value but entitle each participant to payments, the amount of which is linked to the cumulative distributions (whether as capital or income) to shareholders during the course of the managed realisation process.</p> <p>Payments under the MRIA will be made as soon as practicable after each date, falling after May 2025, on which a distribution is made to shareholders as part of the managed realisation process.</p> <p>Payments under the MRIA are not pensionable.</p>
<p>MRIA Performance metrics and calculation of payments</p>	<p>Each participant will be entitled to receive a payment per notional scheme unit allocated to them which is directly related to the cumulative distributions to shareholders in the period from May 2025 until the end of the managed realisation period, calculated in accordance with the following schedule:</p> <p style="padding-left: 40px;">Until cumulative distributions to Ordinary Shares exceed 21p per share – participants receive zero;</p>

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## Annual Report & Accounts 2025

### Remuneration Report (continued)

- If cumulative distributions exceed 21p per ordinary share but do not exceed 25p per ordinary share, each participant receives 0.8p per notional unit for every 1p per share distributed to ordinary shareholders between 21p and 25p per share; and
- In addition if cumulative distributions exceed 25p per ordinary share but do not exceed 30p per ordinary share, each participant receives 1.0p per notional unit for every 1p distributed to ordinary shareholders between 25p and 30p per share; and
- In addition if cumulative distributions exceed 30p per ordinary share but do not exceed 38p per ordinary share, each participant receives 2.0p per notional unit for every 1p distributed to ordinary shareholders between 30p and 38p per share; and
- In addition if cumulative distributions exceed 38p per ordinary share, each participant receives 3.0p per notional unit for every 1p distributed to ordinary shareholders.

The following schedule illustrates the level of realisations plus other available cash ("Available Cash") required to cover distributions to shareholders, payments to participants and the associated Employer's NI assuming cumulative distributions to ordinary shareholders are at the maximum for each of the bands described above.

- If cumulative realisations are 21p per share approximately £16.9m would be returned to investors. There would be no payments to participants and no additional cost of the Company;
- To return 25p per share, Available Cash needs to be approximately 25.1p, of which 0.6% (£117k) is the cost of the scheme, including Employer's NI, and 99.4% (£20.2 million) is distributed to investors;
- To return 30p per share, Available Cash needs to be approximately 30.4p, of which 1.2% (£300k) is the cost of the scheme, including Employer's NI, and 98.8% (£24.2 million) is distributed to investors;
- To return 38p per share, Available Cash needs to be approximately 39.1p, of which 2.8% (£890k) is the cost of the scheme, including Employer's NI, and 97.2% (£30.7 million) is distributed to investors;
- Assuming returns of 42p per share, Available Cash needs to be approximately 43.7p, of which 3.8% (£1.3m) would be the cost of the scheme, including Employer's NI, and 96.2% (£33.9 million) would be distributed to investors.

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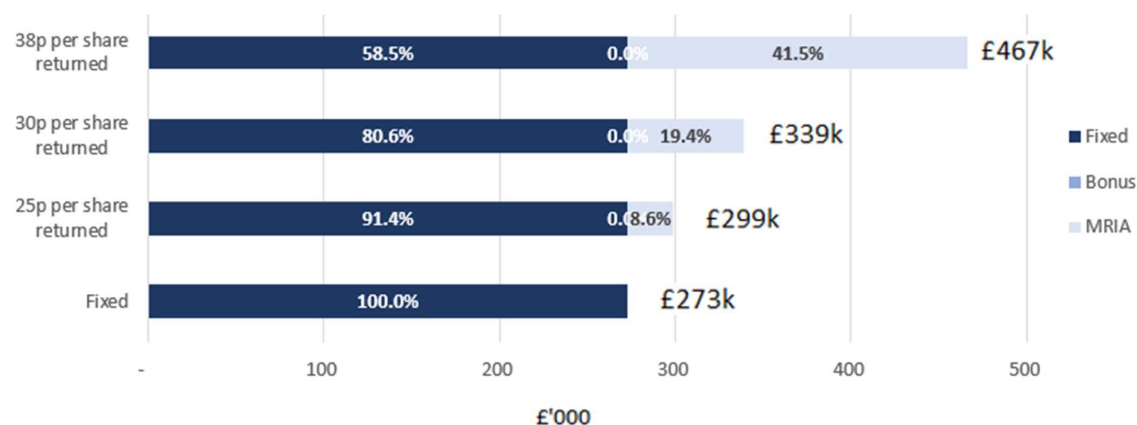
### Remuneration Report (continued)

The table below sets out each component of the Chairman's and the other Non-Executive Directors' remuneration and the approach taken by the Company in relation to these:

<b>Chairman and Non-Executive Directors</b>	<b>NO CHANGE TO THE CURRENT APPROVED POLICY</b>
Component	Approach
Chairman's and other Non-Executive Directors' fees	<p>The Chairman's fee is determined by the Committee and the fees for the other Non-Executive Directors 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.</p> <p>The Chairman and the Non-Executive Directors receive basic fees. Additional fees are paid for the chairmanship of the Audit and Remuneration Committees and to members of the Investment Committee and for the role of the Senior Independent Director. The latter is currently waived by Mr Stedman.</p>
Other pay and benefits	<p>Robert Rayne is covered under the Company's health insurance policy.</p> <p>The Chairman and the other Non-Executive Directors are not eligible to participate in any variable pay scheme operated by the Company.</p>

#### Remuneration scenarios for Executive Directors based on future policy

The chart below illustrates the future reward opportunities for the Managing Director based on his base salary for 2025 and assuming that the incentive arrangements under the 2026 Proposals are approved by shareholders at the 2026 AGM:



The above illustrations are based on the following assumptions:

- the Fixed scenarios show the fixed level of remuneration, assuming under the proposed MRIA there is no performance-related pay. This would be the case if cumulative amounts returned to shareholders from May 2025, the start of the managed realisation process to its conclusion, do not exceed 21p per share;

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### Remuneration Report (continued)

- Under the proposed MRIA, performance related pay only becomes payable once cumulative amounts returned to shareholders, exceed 21p per share. Three scenarios are illustrated, reflecting lower, medium and higher outcomes where variable pay is payable under the proposed MRIA;
- The total estimated MRIA amount in each scenario is assumed to be earned over a three year period and therefore to produce the annual illustration shown above, the total estimated amount has been divided by three to show an annual average;

#### Terms of the Executive Director's service contract and NED letters of appointment

The Executive Director is engaged on a rolling service contract, which provides 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 the 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 a shareholder resolution. Under such circumstances, termination will occur automatically from the date of ceasing to be a Director. The period of appointment was previously three years, but in November 2025 when the previous three-year appointments were due to be renewed, the appointment period was reduced to one year.

The following table provides details of the Executive Director's service contract and the Non-Executive Directors' letters of appointment. These documents are available for inspection on request at the Company's registered office during normal business hours.

Name	Date of appointment	Date of expiry of current term
N Friedlos	28 November 2019	Rolling Service Contract
P Harvey	28 November 2019	27 November 2026
R Rayne	6 April 2006	27 November 2026
G Stedman	28 November 2019	27 November 2026
J Wilson	28 November 2019	27 November 2026

#### 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.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Remuneration Report (continued)**

#### **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.

#### **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.

### **Part 3 – Implementation of Remuneration Policy in 2025**

#### **Base salaries and benefits**

The Committee, at its meeting in March 2026, considered the change in annual inflation and therefore whether any adjustment should be made to the base salaries of the core team including the Managing Director. The Committee determined that for 2026 no cost-of-living adjustment would be made for any employees, including the Managing Director.

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, the same as that applicable to all members of staff.

#### **Annual bonus – 2025**

In light of the shareholders’ vote in favour of the Board’s recommendation to pursue a managed realisation, the Remuneration Committee has determined that no annual bonus will be considered in relation to 2025, but that a revised approach to incentives will be developed and proposed to shareholders at the 2026 AGM.

#### **LTIP – Value Creation Plan and Share Options**

No additional LTIP awards to the Managing Director and the wider team were made during 2025.

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Remuneration Report (continued)

#### Chairman and other Non-Executive Directors' Fees

The current fees of the Chairman and the other Non-Executive Directors will remain unchanged in 2026 at:

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 membership of the Investment Committee	£5,000

Robert Rayne offered, and the Remuneration Committee accepted, with effect from 31 May 2025, a reduction in his fee by the amount of the cost to the Company of providing health insurance to him. Health insurance had previously been provided, in accordance with the remuneration policy, in addition to his fee. Mr Stedman's fee as Senior Independent Director is currently being waived by him.

#### External Advisers

During the year the Committee received advice from MM&K. MM&K is a member of the Remuneration Consultants Group and adheres to its Code in relation to executive remuneration consulting in the UK.

This Directors' Remuneration Report was approved by the Board on 18 March 2026 and signed on its behalf by:



**Graham Stedman**  
**Chairman of the Remuneration Committee**  
**18 March 2026**

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Directors' Report

LMS Capital plc is an investment company whose shares are traded on the London Stock Exchange. Details of the Company's strategy, risk management and performance in 2025 are included in the Strategic Report on pages 10 to 15 and the Portfolio Management Review on pages 16 to 21.

The Corporate Governance Report set out on pages 24 to 32 of the Annual Report forms part of the Directors' Report.

#### Directors

The names and biographical details of the current Directors of the Company are given on pages 22 and 23. In addition, further information about the Board is set out in the Corporate Governance Report on pages 24 to 32.

Details of the current Directors' letters of appointment (or service contract, in the case of the Managing Director), together with their interests in the Company's shares, are shown in the Remuneration Report on pages 40 and 46. 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

##### Personnel and resources

The average number of Directors and staff (both full and part time) was as follows:

	2025			2024		
	Male	Female	Total	Male	Female	Total
Directors	5	–	5	5	–	5
Staff	1	1	2	1	1	2
	<u>6</u>	<u>1</u>	<u>7</u>	<u>6</u>	<u>1</u>	<u>7</u>

#### Environment

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

The Company is considered to be a low energy user and is therefore exempt from the Streamlined Energy and Carbon Reporting ("SECR") regulations and is not required to disclose energy and carbon information.

#### Charitable donations

The Company did not make any charitable contributions during 2025 (2024: £nil).

#### Political donations

The Company did not make any political donations during 2025 (2024: £nil).

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Directors' Report (continued)**

#### **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 10 to 15 and the Portfolio Management Review on pages 16 to 21. The Directors acknowledge that, at a General Meeting held on 14 May 2025, shareholders approved a change to the Company's investment policy requiring a Managed Realisation of the assets held within the Group and a return of capital over time to the shareholders.

Following the approval by the shareholders, it is expected that the Managed Realisation of the Company will take place over time which is expected to be a period greater than 12 months from the date of this report.

Based on the above, the Directors intend to cease trade of the Company at the conclusion of the Managed Realisation process. Therefore, the Directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. On this basis, the Directors have prepared the financial statements on a basis other than going concern.

The Viability Statement of the Company is included in the Strategic Report on page 15.

As required by IAS 1, the Directors have prepared the financial statements on a basis that the Company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

#### **Contractual arrangements**

There are no 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 22 to the Financial Statements.

#### **Dividends**

No dividends were paid or declared during the year.

Returns of capital under the Managed Realisation strategy have been and will continue to be made by way of the B Share Scheme as set out in the Company's April 2025 circular and as disclosed in note 17.

#### **Share capital**

At 31 December 2025, the Company's issued share capital remains at 80,727,450 ordinary shares of 0.01p 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 ordinary share capital between the year end and the date of this report.

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Directors' Report (continued)

#### Substantial shareholdings

As at 17 March 2026, the Company was aware of the following significant direct and indirect interests in the issued share capital of the Company.

<b>Name of shareholder</b>	<b>Percentage of issued share capital</b>
Rayne Family Holdings <sup>1</sup>	41.04
First Equity Limited	15.72
Charles Stanley & Co Ltd	5.89
Hargreaves Lansdown plc	4.82
Robert Rayne <sup>1,2</sup>	4.82
Lady R Lacey <sup>1</sup>	4.46
Ms T Woods <sup>1</sup>	4.40
Worsley Investors Ltd	4.03
A P Rayne <sup>1</sup>	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 6,267,173 ordinary shares held in trust and a personal interest in 3,887,211 ordinary shares.

#### Annual General Meeting

The Company intends to hold the AGM on 13 May 2026. The notice of meeting, which includes explanatory notes and provides full details of the resolutions being proposed at the AGM, will be provided separately and will also be available to view on the Company's website at [www.lmscapital.com](http://www.lmscapital.com) in due course.

#### Auditor

The auditor, Gravita Audit II Limited, 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 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 Secretaries (UK) Limited**  
**Company Secretary**  
**18 March 2026**

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Statement of Directors' Responsibilities**

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

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

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

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

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

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

#### **Website publication**

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

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Statement of Directors' Responsibilities (continued)**

**Directors' responsibilities pursuant to DTR4**

The Directors confirm to the best of their knowledge:

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

For and on behalf of the Board.



**James Wilson**  
**Chairman**  
**18 March 2026**

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **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 2025 which comprise the Company Income Statement, the Company Statement of Other Comprehensive Income, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Cash Flow Statement and notes to the Financial Statements, including a summary of material accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2025 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS); and
- have been prepared in accordance with the requirements 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

#### **Independence**

Following recommendation of the Audit Committee, we were appointed by the Board of Directors on 9 October 2025 to audit financial statements for the year ended 31 December 2025 and subsequent financial periods. This is the first year of our appointment. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

#### **Emphasis of matter – financial statements prepared on a basis other than going concern**

We draw attention to note 1 to the financial statements which explains that the Directors intend to undertake a managed realisation of the Company's assets with a view to winding up the Company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 1. No material adjustments arose as a result of ceasing to apply the going concern basis. Our opinion is not modified in respect of this matter.

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Independent auditor’s report to the members of LMS Capital plc (continued)

#### Our approach to the audit

We performed a full scope audit of the Company’s financial statements.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement.

#### 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) 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.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of unquoted and fund investments</b></p> <p>We considered the valuation of unquoted and fund investments to be the most significant audit area as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the Company.</p> <p>Furthermore, the valuations of unquoted and fund investments are deemed to be subject to significant inherent estimation uncertainty.</p> <p>We assessed that there is a significant risk associated with valuation due to the quantum of the balance and the level of judgement associated with certain unobservable inputs. Therefore, this is one of the key areas that our audit is focused on.</p> <p>The valuation of unquoted and fund investments can be a highly subjective accounting estimate where there is an</p>	<p><b>Unquoted investments</b></p> <p>We assessed the design and implementation of controls in relation to the valuation of unquoted investments.</p> <p>In respect of unquoted investments, our procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the valuation methodology adopted was the most appropriate in the circumstances including by reference to the International Private Equity and Venture Capital (“IPEV”) Guidelines;</li> <li>• Re-performing the calculation of the investment valuations with reference to the Company’s ownership/capital structures as confirmed by, and received directly from, the investee company, share certificates and Companies House records;</li> <li>• Challenging and agreeing inputs to the unquoted valuations with reference to information received directly from the underlying investee companies, market</li> </ul>

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**

**Independent auditor’s report to the members of LMS Capital plc (continued)**

<p>inherent risk of management override arising in the valuation prepared by the management.</p> <p>For these reasons we considered this to be a key audit matter.</p>	<p>data, as well as our own research and assessed the impact of estimation uncertainty concerning these assumptions;</p> <ul style="list-style-type: none"> <li>• Performed sensitivity analysis on certain judgemental inputs in respect of unquoted investments to assist in the determination of whether disclosures are accurate and complete;</li> <li>• Reviewed the results of backtesting to determine if previous management forecasts have been illustrated as having been formed on a reasonable basis when compared to actual realisations.</li> </ul> <p>In the case of Elateral:</p> <ul style="list-style-type: none"> <li>• challenging the revenue multiple applied and assessing other adjustments made by management;</li> <li>• reviewing the basis of the exit waterfall arising on an assumed future exit, speaking to management as to recent performance and future uncertainties;</li> <li>• examining the extent of competition and market prospects;</li> <li>• reviewing audited financial statements by reference to management information; and</li> <li>• Where further adjustments are made by management, assessing this against our own research and expectations based on IPEV guidance and observed market practice.</li> </ul> <p>In the case of Castle View:</p> <ul style="list-style-type: none"> <li>• challenging the basis of the discounted cash flow;</li> <li>• recalculating the accuracy of the model;</li> <li>• corroborate the discount rate to external evidence and recalculations;</li> <li>• obtaining a sample of apartment leases, rental agreements, sale brochures, sale agreements, reviewing statistical data to form a view on the average period before resale;</li> <li>• reviewing statistical data on typical ages of moving into care homes and mortality;</li> </ul>
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**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**

**Independent auditor’s report to the members of LMS Capital plc (continued)**

	<ul style="list-style-type: none"> <li>• reviewing external evidence of house price growth;</li> <li>• reviewing demand and trading prospects in the sector;</li> <li>• reviewing terms of loans and obtaining direct confirmation of loan balances due;</li> <li>• reviewing the suitability of projected operational costs against actual audited spend and management accounts; and</li> <li>• reviewing previous forecasts for accuracy of the projected speed of apartment sales.</li> </ul> <p>In the case of Dacian Petroleum:</p> <ul style="list-style-type: none"> <li>• challenging the basis of the discounted cash flow including the expected timing of an exit event;</li> <li>• recalculating the effects of bridging loans and senior debt conversions into equity on LMS’s interests in the event of an exit;</li> <li>• reviewing production trends and challenging Dacian management on the prospects of workovers and the allocation of new capital;</li> <li>• assessing inputs regarding commodity prices and volumes produced;</li> <li>• reviewing future operational costs against management accounts;</li> <li>• challenged management on how previous operational issues have been factored into forecasts; and</li> <li>• determined if the assumption as to expected exit proceeds had been formed on a justified and reasonable basis;</li> </ul> <p><b>Fund investments</b></p> <p>We assessed the design and implementation of controls in relation to the valuation of fund investments.</p> <p>In respect of fund investments, where relevant to the investment, our procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining direct confirmation of the Company’s interest and distributions made from fund managers;</li> </ul>
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**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**

**Independent auditor's report to the members of LMS Capital plc (continued)**

	<ul style="list-style-type: none"><li>• Inspecting the underlying fund manager reports (or equivalent) and assessing the relevance and reliability of the information by assessing the appropriateness of the valuation guidelines utilised in the report, and reading relevant audit reports to determine whether there were any matters which could impact the valuation;</li><li>• Where applicable, checking information in the fund manager report (or equivalent) to third party source, for example where a fund holds listed investments, checking the value of these investments to publicly available data;</li><li>• Considering the expertise of respective fund managers;</li><li>• Performing procedures by comparing the latest available audited reports with the unaudited fund manager reports and evaluating any differences for indicators of inaccuracies and potential bias; and</li><li>• Challenging the appropriateness of any adjustments made 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) based on our own research and discussions with management.</li></ul> <p>Based on the procedures carried out, we found the valuation of the unquoted and fund investments to be reasonable and we are satisfied that the estimates and judgements made by the Directors in determining the unquoted and fund valuations are reasonable considering the significant level of estimation uncertainty.</p>
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# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Independent auditor's report to the members of LMS Capital plc (continued)

#### Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	<b>Company</b>
Overall materiality	£590,000 (2024: £723,000)
How we determined it	Based on 2% of net assets (2024: 2% of net assets)
Rationale for benchmark used	As an investment company, net asset value is a key measure of performance for users of financial statements and the shareholders.

We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £383,000 (2024: £542,000).

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £29,000 (2024: £36,000) as well as misstatements below this amount that, in our view, warranted reporting for qualitative reasons.

#### 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Independent auditor's report to the members of LMS Capital plc (continued)**

#### **Corporate Governance statement**

The UK Listing Rules require us to review Directors' statement in relation to going concern, longer term visibility and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for us to review. Based on the work undertaken as part of the audit, we conclude that following elements of the Corporate Governance statements is materially consistent with the financial statements or our knowledge obtained during the audit.

#### Going concern and long-term viability

- The Directors' statement with regards to the appropriateness of adopting basis other than going concern of accounting identified as set out on page 15 and;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers, and appropriateness as set out on page 15.

#### Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 52;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 13;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal controls systems set out on page 31; and
- The section describing the work of the Audit Committee set out on page 33.

#### **Opinions on other matters prescribed by the Companies Act 2006 and ISAs (UK)**

##### Strategic Report and Directors' Report

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.

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.

##### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

##### Matters on which we are required to report by exception

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 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.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Independent auditor's report to the members of LMS Capital plc (continued)**

#### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 52, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### **The extent to which the audit was considered capable of detecting irregularities including fraud**

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company and industry in which it operates. We consider significant laws and regulations to be UK taxation legislation, Companies Act 2006, UK Listing and DTR Rules, principles of the AIC Governance Code and applicable accounting framework.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the Company financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Independent auditor's report to the members of LMS Capital plc (continued)

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the notes to the financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.
- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
  - agreeing financial statement disclosures to underlying supporting documentation;
  - reading the minutes of meetings of those charged with governance;
  - enquiring of management as to actual and potential litigation and claims;
  - reviewing the available correspondence with HMRC and the Company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

#### 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.

**Daniel Howarth** (Senior Statutory Auditor)  
For and on behalf of  
Gravita Audit II Limited (Statutory Auditors)  
Aldgate Tower  
2 Lemn Street  
London, E1 8FA



18 March 2026

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Company Income Statement**  
**For the year ended 31 December 2025**

	Notes	Year ended 31 December	
		2025 £'000	2024 £'000
Net loss on investments	2	(3,751)	(13,024)
Provision against amounts receivable from subsidiaries	14	(4,267)	-
Interest income	3	1,303	1,416
Other income		362	427
Dividend income	2	2,498	8,000
Total loss on investments		(3,855)	(3,181)
Interest payable	4	(58)	(331)
Operating expenses	5	(1,698)	(1,842)
<b>Loss before tax</b>		<b>(5,611)</b>	<b>(5,354)</b>
Taxation	8	-	-
<b>Loss for the year</b>		<b>(5,611)</b>	<b>(5,354)</b>
<b>Attributable to:</b>			
Equity shareholders		(5,611)	(5,354)
Loss per ordinary share – basic	9	(7.0)p	(6.6)p
Loss per ordinary share – diluted	9	(7.0)p	(6.6)p

All activities of the Company are classed as continuing.

The notes on pages 68 to 92 form part of these Financial Statements.

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Company Statement of Other Comprehensive Income**  
**For the year ended 31 December 2025**

	Year ended 31 December	
	2025	2024
	£'000	£'000
Loss for the year	(5,611)	(5,354)
Other comprehensive income	-	-
Total comprehensive loss for the year	(5,611)	(5,354)
<b>Attributable to:</b>		
Equity shareholders	(5,611)	(5,354)

The notes on pages 68 to 92 form part of these Financial Statements.

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**

Company registration number 05746555

**Company Statement of Financial Position**  
**As at 31 December 2025**

	Notes	31 December	
		2025 £'000	2024 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets	19	-	14
Investments	11	4,091	7,842
Amounts receivable from subsidiaries	14	18,541	17,805
<b>Total non-current assets</b>		<b>22,632</b>	25,661
<b>Current assets</b>			
Operating and other receivables	12	106	231
Cash and cash equivalents	13	6,565	11,646
<b>Total current assets</b>		<b>6,671</b>	11,877
<b>Total assets</b>		<b>29,303</b>	37,538
<b>Liabilities</b>			
<b>Current liabilities</b>			
Operating and other payables	15	(285)	(462)
Amounts payable to subsidiaries	16	(1)	(921)
<b>Total current liabilities</b>		<b>(286)</b>	(1,383)
<b>Non-current liabilities</b>			
Lease liabilities	19	-	-
<b>Total non-current liabilities</b>		<b>-</b>	-
<b>Total liabilities</b>		<b>(286)</b>	(1,383)
<b>Net assets</b>		<b>29,017</b>	36,155
<b>Equity</b>			
Share capital	17	8	8,073
Share premium		-	508
Capital redemption reserve		-	24,949
Shares to be issued	18	410	322
Retained earnings		28,599	2,303
<b>Total equity shareholders' funds</b>		<b>29,017</b>	36,155
<b>Net asset value per ordinary share</b>	25	<b>35.94p</b>	44.79p

The Financial Statements on pages 63 to 92 were approved by the Board on 18 March 2026 and were signed on its behalf by:



**James Wilson**  
**Director**

The notes on pages 68 to 92 form part of these Financial Statements.

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Company Statement of Changes in Equity**  
**For the year ended 31 December 2025**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Shares to be issued £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2024</b>	<b>8,073</b>	<b>508</b>	<b>24,949</b>	<b>207</b>	<b>8,404</b>	<b>42,141</b>
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(5,354)	(5,354)
<b>Equity after total comprehensive income for the year</b>	<b>8,073</b>	<b>508</b>	<b>24,949</b>	<b>207</b>	<b>3,050</b>	<b>36,787</b>
<b>Contributions by and distributions to shareholders</b>						
Share-based payments	-	-	-	115	-	115
Dividends (note 10)	-	-	-	-	(747)	(747)
<b>As at 31 December 2024</b>	<b>8,073</b>	<b>508</b>	<b>24,949</b>	<b>322</b>	<b>2,303</b>	<b>36,155</b>
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(5,611)	(5,611)
<b>Equity after total comprehensive income for the year</b>	<b>8,073</b>	<b>508</b>	<b>24,949</b>	<b>322</b>	<b>(3,308)</b>	<b>30,544</b>
<b>Contributions by and distributions to shareholders</b>						
Share capital reduction	(8,065)	(508)	(24,949)	-	33,522	-
Share-based payments	-	-	-	88	-	88
Issue of B share capital	1,615	-	-	-	(1,615)	-
Return of capital	(1,615)	-	-	-	-	(1,615)
Dividends (note 10)	-	-	-	-	-	-
<b>As at 31 December 2025</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>410</b>	<b>28,599</b>	<b>29,017</b>

The notes on pages 68 to 92 form part of these Financial Statements.

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Company Cash Flow Statement**  
**For the year ended 31 December 2025**

	Notes	Year ended 31 December	
		2025 £'000	2024 £'000
<b>Cash flows from operating activities</b>			
Loss before tax		(5,611)	(5,354)
Adjustments for non-cash income and expenses:			
Equity settled share-based payments	18	88	115
Depreciation of right-of-use assets	19	14	28
Interest expense on lease	19	1	2
Losses on investments	2	3,751	13,024
Provision against amounts receivable from subsidiaries	14	4,267	-
Interest income	3	(1,303)	(1,416)
Interest payable	4	58	331
Dividend income	2	(2,498)	(8,000)
Adjustments to incentive plans	2	-	(12)
Exchange differences on cash balances		134	(6)
		<b>(1,099)</b>	<b>(1,288)</b>
<b>Changes in operating assets and liabilities</b>			
Decrease/(increase) in operating and other receivables		98	(93)
(Decrease)/increase in operating and other payables		(161)	55
Increase in amounts receivable from subsidiaries		(2,505)	(1,987)
(Decrease)/increase in amounts payable to subsidiaries		(978)	6,097
<b>Net cash (used in)/ from operating activities</b>		<b>(4,645)</b>	<b>2,784</b>
<b>Cash flows from investing activities</b>			
Interest received	3	1,330	609
<b>Net cash from investing activities</b>		<b>1,330</b>	<b>609</b>
<b>Cash flows from financing activities</b>			
Dividends paid	10	-	(747)
Return of capital		(1,615)	
Repayment of principal lease liabilities	19	(16)	(31)
Repayment of lease interest	19	(1)	(2)
<b>Net cash used in financing activities</b>		<b>(1,632)</b>	<b>(780)</b>
<b>Net (decrease)/increase in cash</b>		<b>(4,947)</b>	<b>2,613</b>
Exchange (losses)/gains on cash balances		(134)	6
Cash and cash equivalents at the beginning of the year	13	11,646	9,027
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>	<b>6,565</b>	<b>11,646</b>

The notes on pages 68 to 92 form part of these Financial Statements.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Notes to the Financial Statements**

#### **1. Material accounting policies**

##### **Reporting entity**

LMS Capital plc (“the Company”) is a public limited company limited by shares incorporated in the United Kingdom and registered in England and Wales with company number 5746555. The address of the registered office is 3 Bromley Place, London W1T 6DB.

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

##### **Basis of preparation**

These Financial Statements for the year ended 31 December 2025 have been prepared in accordance with UK adopted International Accounting Standards. The Financial Statements are presented in sterling which is also the Company’s functional currency.

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

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

The Company’s business activities and financial position are set out in the Strategic Report on pages 10 to 15 and in the Portfolio Management Review on pages 16 to 21. In addition, note 20 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.

##### **Going concern**

The Directors acknowledge that, at a General Meeting held on 14 May 2025, shareholders approved a change to the Company’s investment policy requiring a Managed Realisation of the assets held within the Group and a return of capital over time to the shareholders.

Following the approval by the shareholders, it is expected that the Managed Realisation of the Company will take place over time which is expected to be a period greater than 12 months from the date of this report.

Based on the above, the Directors intend to cease trade of the Company at the conclusion of the Managed Realisation process. Therefore, the Directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. On this basis, the Directors have prepared the financial statements on a basis other than going concern.

The Viability Statement of the Company is included in the Strategic Report on page 15.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Notes to the Financial Statements (continued)**

#### **1. Material accounting policies (continued)**

As required by IAS 1, the Directors have prepared the financial statements on a basis that the Company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

#### **New and revised accounting standards and amendments effective for the current period**

New and revised accounting standards and amendments that are effective for annual periods beginning 1 January 2025 which have been adopted for the first time by the Company:

- Lack of Exchangeability (Amendment to IAS 21 – The Effects of Changes in Foreign Exchange Rates) (effective 1 January 2025)

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

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2025 that have had a material effect on the Company's Financial Statements.

#### **New accounting standards, amendments and interpretations not yet effective, and which have not been early adopted**

Other standards and amendments that are effective for subsequent reporting periods beginning on or after 1 January 2026 and have not been early adopted by the Company include:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 – Financial Instruments and IFRS 7) (effective 1 January 2026)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) (effective 1 January 2026)
- IFRS 18 – Presentation and Disclosure in Financial Statements (effective 1 January 2027)
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures. (effective 1 January 2027) (Not yet endorsed by the UK Endorsement Board)

These standards and amendments are not expected to have a significant impact on the Financial Statements in the period of initial application and therefore detailed disclosures have not been provided. The Board is still assessing the potential impact of IFRS 18 – Presentation and Disclosure in Financial Statements.

#### **IFRS 2 – Share-based Payment**

IFRS 2 – Share-based Payment requires an entity to recognise equity-settled share-based payments measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, together with a corresponding increase in other capital reserves, based upon the Company's estimate of the shares that will eventually vest, which involves making assumptions about any performance and service conditions over the vesting period. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. The vesting period is determined by the period of time the relevant participant must remain in the Company's employment before the rights to the shares transfer unconditionally to them. The

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Notes to the Financial Statements (continued)**

#### **1. Material accounting policies (continued)**

total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates on the number of awards it expects to vest based on the service conditions.

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

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

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

#### **Accounting for subsidiaries**

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

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

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

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

The Company's subsidiaries, which are wholly owned and over which it exercises control, are listed in note 24.

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Notes to the Financial Statements (continued)**

#### **1. Material accounting policies (continued)**

##### **Use of estimates and judgements**

The preparation of the 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 11;
- valuation technique selected in estimating fair value of investments held in funds – note 11; and
- going concern – note 1.

The areas involving significant estimates are:

- estimated inputs used in calculating fair value of unquoted investments – note 11; and
- estimated inputs used in calculating fair value of investments held in funds – note 11.

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.

##### **Segmental reporting**

The Board has considered the requirements of IFRS 8 – Operating Segments and is of the view that the Company is engaged in a single segment business, which is one of investing activities, and that therefore the Company has only a single operating segment.

##### **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 other than their investments. On disposal of such investments, the difference between net disposal proceeds and the corresponding carrying amount is recognised in the Income Statement.

##### **Valuation of investments**

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

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

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

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Notes to the Financial Statements (continued)**

#### **1. Material accounting policies (continued)**

##### **Quoted investments**

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

##### **Unquoted direct investments**

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

- investments in an established business are valued using revenue multiples depending on the stage of development of the business and the extent to which it is generating sustainable revenue or earnings;
- investments in an established business which is generating sustainable revenue or earnings but for which other valuation methods are not appropriate are valued by calculating the discounted cash flow of future revenue or earnings; and
- the Company has adopted the IPEV guidelines issued in December 2022.

##### **Funds**

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

##### **Foreign currencies**

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

##### **Intercompany receivables**

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

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

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

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

# **LMS CAPITAL plc**

## **Annual Report & Accounts 2025**

### **Notes to the Financial Statements (continued)**

#### **1. Material accounting policies (continued)**

##### **Cash and cash equivalents**

Cash comprises cash at banks, and short-term deposits. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash, and that are subject to an insignificant risk of changes in value, and include money market funds.

##### **Dividend payable**

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

##### **Income**

##### **Gains and losses on investments**

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

##### **Interest income**

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

##### **Dividend income**

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

##### **Expenditure**

##### **Income tax expense**

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

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

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

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

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Notes to the Financial Statements (continued)

## 2. Net loss on investments

Gains and losses on investments were as follows:

Investment portfolio of the Company	Year ended 31 December					
	2025			2024		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Asset type	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted	-	-	-	-	-	-
Charge for incentive plans			-			(12)
			-			(12)
<b>Investment portfolio of subsidiaries</b>						
Quoted	(12)	37	25	6	(62)	(56)
Unquoted	23	(4,177)	(4,154)	-	(1,690)	(1,690)
Funds	572	(281)	291	457	(3,210)	(2,753)
	583	(4,421)	(3,838)	463	(4,962)	(4,499)
<b>Total</b>	<b>583</b>	<b>(4,421)</b>	<b>(3,838)</b>	<b>463</b>	<b>(4,962)</b>	<b>(4,511)</b>
Credit for incentive plans			-			7
			(3,838)			(4,504)
Operating and similar income/(loss) of subsidiaries*			(4,180)			(8,520)
Provision against amounts receivable from subsidiaries			4,267			-
<b>Net losses on investments</b>			<b>(3,751)</b>			<b>(13,024)</b>

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

During the year the Company and its subsidiaries carried out a further exercise to settle the debtor and creditor balances that had accumulated over a period of years between companies within the Group. This will achieve a simplification of accounting within the Group. Settlement of the balances was achieved through offsetting debtor and creditor amounts where appropriate and through the declaration of dividends by various subsidiary companies to holding companies within the Group. As part of this exercise dividends of £2,408,000 (2024: £8,000,000) were declared by LMS Capital Group Limited to LMS Capital plc and £89,738 (2024: £nil) by LMS Co-Invest Limited to LMS Capital plc. The assets of LMS Capital plc increased by the amount of these dividend but as a result of this a reduction in the fair value of the investments in subsidiaries has been recognised. This exercise had no overall net effect on the net assets of the Company.

The Company operated carried interest arrangements in line with normal practice in the private equity industry. The charge for incentive plans for the Company is £nil (2024: charge of £12,000) and other incentives relating to historic arrangements. The charge for subsidiaries is included in the net gains/(losses) on investments in the Income Statement. All carried interest arrangements have now ceased.

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Notes to the Financial Statements (continued)**

**3. Interest income**

	Year ended 31 December	
	2025 £'000	2024 £'000
Bank interest	395	612
Interest receivable on intercompany loans	908	804
	<b>1,303</b>	<b>1,416</b>

**4. Interest payable**

	Year ended 31 December	
	2025 £'000	2024 £'000
Interest payable on intercompany loans	58	331
	<b>58</b>	<b>331</b>

**5. Operating expenses**

Operating expenses comprise administrative expenses and include the following:

	Year ended 31 December	
	2025 £'000	2024 £'000
Directors' remuneration (note 6)	653	811
Staff expenses (note 7)	300	342
Depreciation on right-of-use assets	14	28
Rent (short-term leases)	12	-
Other administrative expenses	427	566
Expenses incurred for General Meeting and circular	168	-
Foreign currency exchange differences	28	(6)
Auditor's remuneration	96	101
	<b>1,698</b>	<b>1,842</b>

Audit fees of £24,000 (2024: £54,000) were directly charged to subsidiaries.

**6. Directors' Remuneration**

	Year ended 31 December	
	2025 £'000	2024 £'000
Directors' remuneration	467	595
Directors' social security contributions	82	96
Share-based payments	66	87
Directors' other benefits	38	33
	<b>653</b>	<b>811</b>
The highest paid Director was Nicholas Friedlos (2024 – Nicholas Friedlos)	<b>273</b>	<b>381</b>

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

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Notes to the Financial Statements (continued)**

**7. Staff Expenses**

	Year ended 31 December	
	2025 £'000	2024 £'000
Wages and salaries	226	242
Employers' social security contributions	24	47
Share-based payments	23	28
Pension costs	18	16
Employees' other benefits	9	9
	<b>300</b>	<b>342</b>

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

The average number of staff was as follows:

	2025	2024
Directors	5	5
Staff	2	2
Total	7	7

**8. Taxation**

	Year ended 31 December	
	2025 £'000	2024 £'000
<b>Current tax expense</b>		
Current year	-	-
Total tax expense	-	-

	Year ended 31 December	
	2025 £'000	2024 £'000
<b>Reconciliation of tax expense</b>		
Loss before tax	(5,611)	(5,354)
Corporation tax using the Company's domestic tax rate – 25.0% (2024: 25.0%)	(1,403)	(1,339)
Expenses not deductible / non-taxable income	1,381	1,125
Deferred tax asset not recognised	(2)	22
Group relief surrendered	24	192
Total tax expense	-	-

At year end, there are cumulative potential deferred tax assets of £2.411 million (2024: £2.713 million) in relation to the Company's cumulative tax losses of £9.643 million (2024: £10.852 million). It is uncertain when the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Notes to the Financial Statements (continued)**

**9. Loss per ordinary share**

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

	Year ended 31 December	
	2025 £'000	2024 £'000
<b>Loss</b>		
Loss for the purpose of net loss per share attributable to equity holders of the parent	(5,611)	(5,354)
	Number	Number
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic loss per share	80,727,450	80,727,450
	Pence	Pence
<b>Loss per share</b>		
Basic	(7.0)	(6.6)
Diluted	(7.0)	(6.6)

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

**10. Dividends**

Dividends declared during the years ending 31 December 2025 and 31 December 2024 were as follows:

	Dividend date	Payment date	Dividend £'000	Pence per share
Final dividend payment for 2023	31 May 2024	21 June 2024	505	0.625
Interim dividend payment for 2024	16 August 2024	13 September 2024	242	0.300
<b>Total as at 31 December 2024</b>			<b>747</b>	<b>0.925</b>
Final dividend payment for 2024	-	-	-	-
Interim dividend payment for 2025	-	-	-	-
<b>Total as at 31 December 2025</b>			<b>-</b>	<b>-</b>

**LMS CAPITAL plc**  
**Annual Report & Accounts 2025**  
**Notes to the Financial Statements (continued)**

**11. Investments**

The Company's investments comprised the following:

	31 December	
	2025	2024
	£'000	£'000
Total investments	4,091	7,842
These comprise:		
Investment portfolio of subsidiaries	23,182	23,483
Other net liabilities of subsidiaries	(19,091)	(15,641)
	4,091	7,842

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

Investment portfolio of subsidiaries	31 December	
	2025	2024
Asset type	£'000	£'000
Quoted	44	59
Unquoted	18,295	17,547
Funds	4,843	5,877
Investment portfolio of subsidiaries	23,182	23,483
Other net liabilities of subsidiaries	(19,091)	(15,641)
	4,091	7,842

The movement in the subsidiaries' investment portfolio were as follows:

	Quoted securities	Unquoted securities	Funds	Other net liabilities of subsidiaries	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2024	144	18,837	9,469	(7,596)	20,854
Accrued interest	-	1,041	-	-	1,041
Proceeds from disposals	(29)	-	-	-	(29)
Distributions from partnerships	-	-	(894)	-	(894)
Contributions to partnerships	-	-	55	-	55
Fair value movements	(56)	(1,690)	(2,753)	-	(4,499)
Dividends paid	-	-	-	(8,000)	(8,000)
Other movements *	-	(641)	-	(45)	(686)
Balance at 31 December 2024	59	17,547	5,877	(15,641)	7,842

\* Other movements relate to investment related provisions no longer required.

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**Notes to the Financial Statements (continued)**

**11. Investments (continued)**

	Quoted securities £'000	Unquoted securities £'000	Funds £'000	Other net liabilities of subsidiaries £'000	Total £'000
Balance at 1 January 2025	59	17,547	5,877	(15,641)	7,842
Accrued interest	-	339	-	-	339
Purchases	-	4,642	-	-	4,642
Proceeds from disposals	(40)	(79)	-	-	(119)
Distributions from partnerships	-	-	(1,325)	-	(1,325)
Fair value movements	25	(4,154)	291	-	(3,838)
Dividends paid	-	-	-	(2,498)	(2,498)
Other movements	-	-	-	(952)	(952)
Balance at 31 December 2025	44	18,295	4,843	(19,091)	4,091

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 20 – Financial risk management).

The Company's investments are analysed as follows:

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£'000</b>	£'000
Level 1	-	-
Level 2	-	-
Level 3	<b>4,091</b>	7,842
	<b>4,091</b>	7,842

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**Notes to the Financial Statements (continued)**

**11. Investments (continued)**

Level 3 includes:

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£'000</b>	£'000
Investment portfolio of subsidiaries	23,182	23,483
Other net liabilities of subsidiaries	(19,091)	(15,641)
	<b>4,091</b>	7,842

The investment portfolio of subsidiaries includes quoted investments of £44,000 (2024: £59,000). There were no transfers between levels during the year ending 31 December 2025.

**12. Operating and other receivables**

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£'000</b>	£'000
Other receivables and prepayments	106	231
	<b>106</b>	231

**13. Cash and cash equivalents**

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£'000</b>	£'000
Bank balances	58	125
Money market funds	6,507	11,521
	<b>6,565</b>	11,646

**14. Amounts receivable from subsidiaries**

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£'000</b>	£'000
Amounts receivable from subsidiaries	18,541	17,805
	<b>18,541</b>	17,805

Amounts receivable from subsidiaries are intercompany loans repayable on demand and incur interest at 5% per annum. In accordance with IAS 1.66 amounts receivable from subsidiaries are classified as non-current as the expectation is that the balances will not be received within 12 months of the balance sheet date.

During the year the Company made a provision of £4,267,000 (2024: £nil) against the balance due from Lioness Property Investments Limited.

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**Notes to the Financial Statements (continued)**

**15. Operating and other payables**

	31 December	
	2025 £'000	2024 £'000
Trade payables	80	37
Lease liabilities	-	16
Other non-trade payables and accrued expenses	205	409
	<b>285</b>	<b>462</b>
Other long-term lease liabilities	-	-
	<b>285</b>	<b>462</b>

**16. Amounts payable to subsidiaries**

	31 December	
	2025 £'000	2024 £'000
Amounts payable to subsidiaries	1	921
	<b>1</b>	<b>921</b>

Amounts payable to subsidiaries are intercompany loans repayable on demand and incur interest at the rate of 5% per annum.

**17. Capital and reserves**

	2025		2024	
	Number	£'000	Number	£'000
Ordinary shares				
Balance at the beginning of the year	80,727,450	8,073	80,727,450	8,073
Balance at the end of the year	80,727,450	8	80,727,450	8,073

The Company's ordinary shares have a nominal value of 0.01p (2024: 10p) per share and all shares in issue are fully paid up.

On 14 May 2025, shareholders approved a reduction of capital ("the Reduction") whereby the Company's stated capital was reduced from £8,072,745 to £8,072.745 by cancelling and extinguishing capital to the extent of 9.99 pence on each issued fully paid up Ordinary Share, and to cancel the entire amount standing to the credit of the Company's share premium account and capital redemption reserve to create a distributable reserve.

The Reduction was approved by the High Court on 10 June 2025 and was enacted on this date.

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.

To facilitate the first return of capital to shareholders on 14 July 2025, the Company issued and immediately redeemed 161,454,900 B shares of 1p each.

# **LMS CAPITAL plc**

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### **Notes to the Financial Statements (continued)**

#### **18. Share awards**

##### **Employee Share Incentive Plan**

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

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

##### *Performance condition*

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

The targets for deployment of Investible Capital are:

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

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

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

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

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

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**18. Share awards (continued)**

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

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

	2025		2024	
	Number of awards	Weighted average fair value per award (pence)	Number of awards	Weighted average fair value per award (pence)
Outstanding at 1 January	686,064	21.0	686,064	21.0
Granted	-	-	-	-
Options lapsed	(81,967)	21.0	-	-
Outstanding at 31 December	604,097	21.0	686,064	21.0
Exercisable at the year end	-	-	-	-

**Value Creation Plan**

At the Annual General Meeting on 17 May 2023, shareholders approved the proposed amendments to the VCP whereby the original units awarded in 2020 would be cancelled and a smaller number of new units would be issued. 384 new units were awarded on 14 June 2023, with a fair value at grant of £461 per unit. The awards vest quarterly over five years provided the employee is still in service of the Company. The final vesting date is 14 June 2028.

	2025		2024	
	Number of awards	Weighted average fair value per award (£)	Number of awards	Weighted average fair value per award (£)
Outstanding at 1 January	384	461.00	384	461.00
New units issued	-	-	-	-
Options lapsed	(35)	461.00	-	-
Outstanding at 31 December	349	461.00	384	461.00
Exercisable at the year end	-	-	-	-

# LMS CAPITAL plc

## Annual Report & Accounts 2025

### Notes to the Financial Statements (continued)

#### 19. Leases

##### Lease commitments

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

Rental lease asset	31 December	
	2025 £'000	2024 £'000
Balance at 1 January	14	42
Depreciation for the year	(14)	(28)
Balance at 31 December	-	14

Rental lease liability	31 December	
	2025 £'000	2024 £'000
Balance at 1 January	16	46
Unwinding of the discount on lease liability	1	3
Lease payments	(17)	(33)
Balance at 31 December	-	16

Short-term leases are not capitalised in accordance with IFRS 16. The total expense for short-term leases in the year was £12,000 (2024: £nil).

#### 20. Financial risk management

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					
	2025			2024		
	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
<b>Financial assets</b>						
Investments	4,091	-	4,091	7,842	-	7,842
Amounts receivable from subsidiaries	-	18,541	18,541	-	17,805	17,805
Operating and other receivables	-	31	31	-	164	164
Cash and cash equivalents	6,507	58	6,565	11,521	125	11,646
<b>Total</b>	<b>10,598</b>	<b>18,630</b>	<b>29,228</b>	<b>19,363</b>	<b>18,094</b>	<b>37,457</b>
<b>Financial liabilities</b>						
Operating and other payables	-	285	285	-	446	446
Amounts payable to subsidiaries	-	1	1	-	921	921
Lease liabilities	-	-	-	-	16	16
<b>Total</b>	<b>-</b>	<b>286</b>	<b>286</b>	<b>-</b>	<b>1,383</b>	<b>1,383</b>

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

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**Notes to the Financial Statements (continued)**

**20. Financial risk management (continued)**

Within cash and cash equivalents are investments in money market funds to the value of £6,507,000 (2024: £11,521,000) which are deemed to meet the classification as cash equivalent and are classed as level 2 within the fair value hierarchy.

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

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

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

**Credit risk**

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

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£'000</b>	£'000
Amounts receivable from subsidiaries	<b>18,541</b>	17,805
Operating and other receivables	<b>31</b>	164
Cash and cash equivalents	<b>6,565</b>	11,646
	<b>25,137</b>	29,615

The Company limits its credit risk exposure by only depositing funds with highly rated institutions. Cash holdings at 31 December 2025 and 2024 were held in institutions currently rated A or better by S&P Global. Given these ratings, the Company does not expect any counterparty to fail to meet its obligations and therefore, no allowance for credit loss is made for bank deposits.

The loss allowance as at 31 December 2025 and 31 December 2024 was determined as follows for trade receivables:

	<b>Current</b>	<b>More than</b>	<b>More than</b>	<b>More than</b>	<b>Total</b>
		<b>30 days</b>	<b>60 days</b>	<b>120 days</b>	
<b>31 December 2025</b>	<b>£'000</b>	<b>past due</b>	<b>past due</b>	<b>past due</b>	<b>£'000</b>
Other receivables	<b>31</b>	-	-	-	<b>31</b>
Total	<b>31</b>	-	-	-	<b>31</b>

	<b>Current</b>	<b>More than</b>	<b>More than</b>	<b>More than</b>	<b>Total</b>
		<b>30 days</b>	<b>60 days</b>	<b>120 days</b>	
<b>31 December 2024</b>	<b>£'000</b>	<b>past due</b>	<b>past due</b>	<b>past due</b>	<b>£'000</b>
Other receivables	<b>164</b>	-	-	-	<b>164</b>
Total	<b>164</b>	-	-	-	<b>164</b>

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**Notes to the Financial Statements (continued)**

**20. Financial risk management (continued)**

The Company recognised credit losses of the full value of receivable for trade receivables not recovered after four months. As at 31 December 2025, the Company does not have an outstanding trade receivable (2024: £nil).

For the year ending 31 December 2025, the Company recognised a credit loss of £4,267,000 against an amount receivable from a subsidiary (2024: £nil). No credit losses were recognised on other amounts receivable from subsidiaries totalling £18,541,000.

**Liquidity and cashflow risk**

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

The following table shows an analysis of the undiscounted financial liabilities by remaining expected maturities as at 31 December 2025 and 31 December 2024:

**Financial liabilities:**

<b>31 December 2025</b>	<b>Up to 3 months £'000</b>	<b>3-12 months £'000</b>	<b>1-5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Total £'000</b>
Operating and other payables	285	-	-	-	285
Amount payable to subsidiaries	1	-	-	-	1
<b>Total</b>	<b>286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>286</b>

<b>31 December 2024</b>	<b>Up to 3 months £'000</b>	<b>3-12 months £'000</b>	<b>1-5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Total £'000</b>
Operating and other payables	446	-	-	-	446
Amount payable to subsidiaries	921	-	-	-	921
Lease liabilities	8	8	-	-	16
<b>Total</b>	<b>1,375</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>1,383</b>

In addition, some of the Company's subsidiaries have uncalled capital commitments to funds of £428,000 (2024: £2,458,000) for which the timing of payment is uncertain (see note 21).

**Market risk**

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

**Currency risk**

The Company is exposed to currency risk on those of its investments which are denominated in a currency other than the Company's functional currency which is pounds sterling. The only other significant currency within the investment portfolio is the US dollar. Approximately 62% of the investment portfolio of the subsidiaries is denominated in US dollars.

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**Notes to the Financial Statements (continued)**

**20. Financial risk management (continued)**

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					
	2025			2024		
	GBP £'000	USD £'000	Other £'000	GBP £'000	USD £'000	Other £'000
<b>Financial assets</b>						
Investments	4,091	-	-	1,037	6,805	-
Amounts receivable from subsidiaries	4,241	14,300	-	17,803	2	-
Right-of-use assets	-	-	-	14	-	-
Operating and other receivables	106	-	-	231	-	-
Cash	6,529	36	-	11,280	366	-
Operating and other payables	(285)	-	-	(462)	-	-
Amount payable to subsidiaries	(1)	-	-	(921)	-	-
Net exposure	14,681	14,336	-	28,982	7,173	-

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

	31 December	
	2025 £'000	2024 £'000
Net foreign exchange (loss)/profit on investments	(1,047)	232
Net foreign exchange (loss)/profit on non-investments	(124)	90
Total net foreign exchange (loss)/profit recognised in profit before income tax for the year	(1,171)	322

At 31 December 2025, the rate of exchange was USD \$1.35 = £1.00 (2024: \$1.25 = £1.00). A 5% strengthening of sterling against the US Dollar would result in a foreign exchange gain of £755,000. A 5% weakening of sterling against the US Dollar would result in a foreign exchange loss of £683,000.

**Interest rate risk**

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

An increase of 100 basis points in interest rates at the reporting date would have increased equity by £66,000 (2024: increase of £116,000) and increased the profit for the year by £66,000 (2024: increased the profit £116,000). 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.

# LMS CAPITAL plc

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### Notes to the Financial Statements (continued)

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

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

The significant unobservable inputs used at 31 December 2025 in measuring investments categorised as level 3 in note 11 are considered below:

1. Unquoted securities (carrying value £18.3 million) are valued using the most appropriate valuation technique such as a revenue-based approach, an earnings-based approach, or a discounted cash flow approach. These investments are sensitive to both the overall market and industry specific fluctuations that can impact multiples and comparable company valuations. In most cases the valuation method uses inputs based on comparable quoted companies for which the key unobservable inputs are:
  - revenue multiples of 1.5 times, also dependent on attributes at individual investment level; and
  - Discounts applied of up to 50%, to reflect the illiquidity risk of the unquoted 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 £4.8 million) are valued using the reported NAV 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 2025). The reported NAVs of the funds are fair value based. The Company also carries out its own review of individual funds and their portfolios to satisfy itself that the underlying valuation bases are consistent with its 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.

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### Notes to the Financial Statements (continued)

#### 20. Financial risk management (continued)

Two of the Company's subsidiaries' underlying investments are valued using discounted cash flow ("DCF") models. These models rely on detailed cash flow forecasts and on substantial subjective judgemental inputs and the derived valuations are sensitive to small changes in these inputs as follows:

##### **Castle View – valuation £7.5 million**

A key driver of value is the right to receive Deferred Management Fee ("DMF") income in the future when units are resold. The current valuation assumes that 8 units will be resold each year in the future. With all other inputs being equal, applying an average unit turnover range of 5 to 9 units would result in a valuation range of £5.4 million to £8.1 million.

A discount rate of 9.5% has been applied to the valuation. To demonstrate sensitivity, with all other inputs being equal, a discount range of 8% to 11% would result in a valuation range of £8.2 million to £6.9 million.

##### **Dacian Petroleum – valuation £9.7 million**

The valuation of Dacian Petroleum is sensitive to the following inputs:

- Oil price;
- Production levels; and
- Discount rate.

An oil price of \$60 per barrel has been used in the valuation, being Dacian's expectation of the average oil price during 2026. The effect of a decrease or increase in oil price of \$5 per barrel, with all other inputs being equal, would result in a valuation of between £9.0 million and £10.3 million.

The effect of a decrease or increase in production of 5%, with all other inputs being equal, would result in a valuation of between £9.2 million and £10.0 million.

A discount rate of 15% has been applied to the valuation which reflects a slight increase on the coupon of 14% on the original Senior Loan Notes before the anticipated conversion. To demonstrate sensitivity, with all other inputs being equal, a discount range of 10% to 20% would result in a valuation range of £10.7 million to £8.7 million.

The valuation of Dacian Petroleum also makes use of multiple unobservable inputs such as the value of underlying assets, oil and gas reserves and potential exploration opportunities. It is impractical to sensitise these inputs.

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.

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**Notes to the Financial Statements (continued)**

**20. Financial risk management (continued)**

**Other market price risk (continued)**

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

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£'000</b>	£'000
Effect of 10% decrease in investment value	<b>(409)</b>	(784)
Effect of 10% increase in investment value	<b>409</b>	784

**Capital management**

The Company's total capital at 31 December 2025 was £29.0 million (2024: £36.2 million) comprising equity share capital and reserves. The Company had no borrowings at 31 December 2025 (2024: £nil).

In order to meet the Company's capital management objectives, the Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

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

**21. Capital commitments**

	<b>31 December</b>	
	<b>2025</b>	2024
	<b>£'000</b>	£'000
Outstanding commitments to funds	<b>428</b>	2,458
Publicly committed funding to Dacian	<b>1,029</b>	-
	<b>1,457</b>	2,458

The outstanding commitments to funds comprise unpaid capital calls in respect of funds where a subsidiary of the Company is a limited partner. At the balance sheet date it is not expected that these outstanding commitments will be called. The outstanding funding to Dacian represents the balance of the \$5.3 million commitment previously announced in August 2025.

As of 31 December 2025 the Company has no other contingencies or commitments to disclose (2024: £nil).

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**22. Related party transactions**

During the year, the Company paid rent of £26,390 (2024: £32,780) to The Rayne Foundation for its office space. Robert Rayne has previously been the Chairman of The Rayne Foundation.

During the year the following transactions occurred with Group companies:

<b>31 December 2025</b>	<b>Advanced to</b>	<b>Received from</b>	<b>Interest receivable / (payable)</b>	<b>Dividends / fees received</b>	<b>Balance due from/ (due to)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
LMS Capital Group Limited	14,000	2,473,000	2,607	2,408,000	(341)
LMS Capital Holdings Limited	3,088,087	2,622,179	(46,224)	-	6,832
LMS Co-Invest Limited	-	262,839	-	89,738	-
Lion Investments Limited	237,655	126,000	226,618	-	5,085,991
LMS Tiger Investments (II) Limited	-	-	-	-	1,828
LMS Retirement Living Limited	1,933,640	-	421,620	140,789	10,570,909
Lioness Property Investments Limited	-	571,730	210,824	-	4,267,052
Lion Property Investments Limited	526,295	5,620	(12,241)	-	-
Westpool Investment Trust plc	3,159,575	682,379	46,950	222,007	2,875,474
LMS Capital (Bermuda) Limited	-	2,708	-	514	(451)

<b>31 December 2024</b>	<b>Advanced to</b>	<b>Received from</b>	<b>Interest receivable / (payable)</b>	<b>Dividends / fees received</b>	<b>Balance due from/ (due to)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
LMS Capital Group Limited	14,000	8,000,000	2,122	8,000,000	48,052
LMS Capital Holdings Limited	8,061,499	5,970,862	(314,791)	-	(412,852)
LMS Co-Invest Limited	43,444	-	6,550	59,370	173,101
Lion Investments Limited	158,196	260,000	223,455	109,761	4,747,718
Tiger Investments Limited	1,128	-	-	-	-
LMS Tiger Investments (II) Limited	-	-	-	-	1,828
Cavera Limited	-	243,047	-	-	-
LMS Retirement Living Limited	1,857,604	12,017	352,119	126,828	8,074,860
Lioness Property Investments Limited	-	-	220,379	-	4,627,958
Lion Property Investments Limited	33	190,882	(16,637)	-	(508,434)
Westpool Investment Trust plc	37,077	36,367	-	129,285	129,321
LMS Capital (Bermuda) Limited	229,053	226,888	-	933	1,743

Details of Directors' remuneration are disclosed in note 6.

# LMS CAPITAL plc

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### Notes to the Financial Statements (continued)

#### 23. Subsequent events

The Company made its second return of capital to shareholders of 2 pence per share, totalling £1,615,000 on 19 January 2026.

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

#### 24. Subsidiaries

The Company's subsidiaries and along with the Company are collectively referred to as the Group, are as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Holding %</b>	<b>Activity</b>
LMS Capital (Bermuda) Limited	Bermuda	100	Investment holding
LMS Capital Group Limited	England and Wales	100	Investment holding
LMS Capital Holdings Limited	England and Wales	100	Investment holding
Lioness Property Investments Limited	England and Wales	100	Investment holding
Lion 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
LMS Retirement Living Limited	England and Wales	100	Investment holding

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

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

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

Lion Cub Property Investments Limited was dissolved on 7 January 2025. Lion Property Investments Limited, Tiger Investments Limited, Cavera Limited and LMS Co-invest Limited were dissolved on 16 December 2025.

Investee companies, even if a controlling interest is held, do not form part of the Group for reporting purposes.

#### 25. Net asset value per share

The net asset value per ordinary share in issue is as follows:

	<b>31 December</b>	
	<b>2025</b>	<b>2024</b>
Net assets (£'000)	<b>29,017</b>	36,155
Number of ordinary shares in issue	<b>80,727,450</b>	80,727,450
Net asset value per share (pence)	<b>35.94</b>	44.79

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

# **LMS CAPITAL plc**

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### **Corporate Information**

#### **Directors**

Nicholas Friedlos  
Peter Harvey  
Robert Rayne  
Graham Stedman  
James Wilson

#### **Company Secretary**

IQ-EQ Secretaries (UK) Limited  
4th Floor, 3 More London Riverside  
London SE1 2AQ

#### **Auditor**

Gravita Audit II Limited  
Aldgate Tower  
2 Lemn Street  
London E1 8FA

#### **Brokers**

Shore Capital and Corporate Limited  
Cassini House  
57 St. James's Street  
London SW1A 1LD

#### **Registered office**

3 Bromley Place  
London W1T 6DB  
Registered number 05746555

#### **Bankers**

Barclays Bank plc  
1 Churchill Place  
London E14 5HP

#### **Registrars**

MUFG Corporate Markets  
Central Square  
29 Wellington Street  
Leeds LS1 4DL  
Tel: (UK) 0371 664 0300  
(Outside UK) +44 (0)371 664 0300  
Email: [shareholderenquiries@cm.mpms.mufg.com](mailto:shareholderenquiries@cm.mpms.mufg.com)

# **LMS CAPITAL plc**

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### **Corporate Information**

#### **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](http://www.lmscapital.com)

#### **Financial calendar 2026**

Annual General Meeting – 13 May 2026

Half-year results – July 2026