

**Westpool Investment Trust plc**

**Directors' report and financial statements**

**31 December 2016**

**Registered in England and Wales number 255691**

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# **Westpool Investment Trust plc**

## **Directors' report and financial statements**

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# **Westpool Investment Trust plc**

## **Directors' report**

The directors present their report and the financial statements of the Company for the year ended 31 December 2016.

### **Principal activities**

The Company is an investment holding company. The directors foresee no material change in the nature of the Company's activities.

On 16 August 2016, shareholders approved a change in the investment policy of the Company with the objective predominantly focused on private equity investment. Prior to this the Company had been conducting an orderly realisation of its assets and returning the cash to shareholders. Under the realisation strategy the financial statements were not prepared on a going concern basis. Following the change in investment strategy these financial statements have been prepared on a going concern basis.

### **Business review**

The Company acts as the registered holder of various investments on behalf of either its ultimate parent company, LMS Capital plc, or other companies within the LMS Capital group. The investments can be in funds, quoted or unquoted companies.

The Company does not have any employees, nor does it trade on its own account. Any income received, or expenses incurred, result from the actions taken by LMS Capital plc and which, for financial reporting purposes, are accounted for in the Company's financial records. The Company's Profit and Loss Account is on page 6 and its Balance Sheet is on page 7.

The principal risks and uncertainties facing the Company are integrated with those of its ultimate parent company and are not managed separately. The principal risks and uncertainties faced by LMS Capital Plc are set out in its annual report and accounts which does not form part of this report.

The directors of the Company believe that an analysis of the Company's operations using key performance indicators is neither necessary nor appropriate as the operations of the Company are managed by LMS Capital plc on a consolidated investment management business basis.

Copies of LMS Capital plc's report and accounts can be found in the Investor Relations section on its website, [www.lmscapital.com](http://www.lmscapital.com), or a paper copy can be requested from its registered office, 100 George Street, London, W1U 8NU.

### **Financial review and dividends**

The results for the year are set out in the Profit and Loss Account on page 6. No political or charitable donations were made during the year (2015: £nil).

The directors do not recommend the payment of a dividend (2015: £nil).

# **Westpool Investment Trust plc**

## **Directors' report** *(continued)*

### **Directors**

The directors who held office during the year and as at the date of approving the Directors' report and financial statements were as follows:

The Hon RA Rayne  
ACS Sweet  
N Friedlos

### **Disclosure of information to auditor**

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

### **Auditor**

Following a competitive tender process, BDO LLP were appointed as external auditor. BDO LLP have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at a forthcoming board meeting in accordance with s.487 of the Companies Act 2006.

On behalf of the board



**A C S Sweet**  
*Director*  
100 George Street  
London  
W1U 8NU

22 June 2017

# **Westpool Investment Trust plc**

## **Statement of directors' responsibilities in respect of the Directors' report and the financial statements**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# **Independent auditor's report to the members of Westpool Investment Trust plc**

We have audited the financial statements of Westpool Investment Trust plc (the "Company") for the year ended 31 December 2016 which comprise the Profit and Loss Account and Retained Earnings, Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

## **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those Standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matters prescribed by the Companies Act 2006**

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

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

## **Independent auditor's report to the members of Westpool Investment Trust plc (*continued*)**

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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

*BDO LLP*

**Neil Fung-On (Senior Statutory Auditor)**  
**for and on behalf of BDO LLP, Statutory Auditor**  
London  
United Kingdom

22 June 2017

# Westpool Investment Trust plc

## Profit and Loss Account and Retained Earnings

For the year ended 31 December 2016

	<u>Notes</u>	<u>Year ended</u> <u>31-Dec-16</u> £	<u>Year ended</u> <u>31-Dec-15</u> £
Investment income	2	373	686,264
Profit on disposal of investments		232,355	1,827,648
Fair value movement in the year	7	(2,440,596)	614,598
<b>(Loss)/profit from investing activities</b>		<b>(2,207,868)</b>	<b>3,128,510</b>
Administrative expenses	3	-	-
Interest paid and similar charges	4	(26)	(320)
Interest received and similar income	5	115	26,218
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(2,207,779)</b>	<b>3,154,408</b>
Tax credit/(charge) on (loss)/profit on ordinary activities	6	93,542	(5,343)
<b>(Loss)/profit for the financial year</b>		<b>(2,114,237)</b>	<b>3,149,065</b>
Retained earnings brought forward		(12,747,125)	(15,896,190)
<b>Retained earnings carried forward</b>		<b>(14,861,362)</b>	<b>(12,747,125)</b>

All results are derived from continuing activities.

The notes on pages 8 to 15 form part of the financial statements.



# Westpool Investment Trust plc

Company registered number: 255691

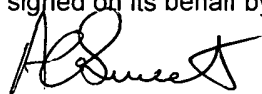
## Balance Sheet

As at 31 December 2016

	<u>Notes</u>	<u>31-Dec-16</u> £	<u>31-Dec-15</u> £
<b>Fixed assets</b>			
Investments	7	9,464,863	12,924,537
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	8	562,602	5,761,935
Cash at bank and in hand		1,067	410
		<hr/>	<hr/>
		563,669	5,762,345
<b>Creditors: amounts falling due within one year</b>	9	(14,287,619)	(20,831,732)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(13,723,950)	(15,069,387)
		<hr/>	<hr/>
<b>Net liabilities</b>		(4,259,087)	(2,144,850)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	10	10,013,660	10,013,660
Share premium		588,615	588,615
Profit and loss account		(14,861,362)	(12,747,125)
		<hr/>	<hr/>
<b>Equity shareholders' deficit</b>		(4,259,087)	(2,144,850)
		<hr/>	<hr/>

The notes on pages 8 to 15 form part of the financial statements.

These financial statements were approved by the board of directors on 22 June 2017 and were signed on its behalf by:



**A C S Sweet**

Director

# **Westpool Investment Trust plc**

## **Notes to the Financial Statements**

### **1 Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### **Basis of preparation**

The financial information has been prepared in accordance with applicable accounting standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), and under the historic cost convention, modified to include the revaluation of investments that are stated at fair value rather than cost less provision for diminution in value.

The Company is a wholly owned subsidiary undertaking of another UK undertaking and has dispensed with the requirement to prepare group accounts as permitted by s.400 Companies Act 2006.

The Company, on a standalone basis, is considered to be a qualifying entity (for the purposes of this FRS). In preparing these financial statements, the Company has taken advantage of all disclosure exemptions granted by FRS 101. Therefore these financial statements do not include: i) certain comparative information as required by EU-adopted IFRS; ii) certain disclosures regarding the Company's capital; iii) a statement of cash flows; iv) the effect of future accounting standards not yet adopted; and v) disclosure of the related party transactions with other wholly-owned subsidiaries of the Group.

In addition and in accordance with FRS 101, further disclosure exemptions have been adopted because the equivalent disclosures are included in the group accounts of LMS Capital Group Ltd. These financial statements do not include certain disclosures in respect of: i) financial instruments; and ii) fair value measurement.

On 16 August 2016, shareholders approved a change in the investment policy of the Company with the objective predominantly focused on private equity investment. Prior to this the Company had been conducting an orderly realisation of its assets and returning the cash to shareholders. Under the realisation strategy the financial statements were not prepared on a going concern basis. Following the change in investment strategy these financial statements have been prepared on a going concern basis.

#### **Investments**

Investments are included in the balance sheet at fair value. Fair values have been determined in accordance with the International Private Equity and Venture Capital Valuation 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.

# **Westpool Investment Trust plc**

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

### **1 Principal accounting policies (continued)**

#### **Investments (continued)**

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

#### *Quoted investments*

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

#### *Unquoted investments*

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

- Investments in which there has been a recent funding round involving significant financing from external investors are valued at the price of the recent funding, discounted if an external investor is motivated by strategic considerations.
- Investments in an established business are valued using revenue or earnings multiples depending on the stage of development of the business and the extent to which it is generating sustainable profits or positive cash flows.
- Investments in a business the value of which is derived mainly from its underlying net assets rather than its earnings are valued on the basis of net asset valuation.
- Investments in an established business which is generating sustainable profits and positive cash flows but for which other valuation methods are not appropriate are valued by calculating the discounted cash flow of future cash flows or earnings.
- Investments in early stage businesses not generating sustainable profits or positive cash flows and for which there has not been any recent independent funding are valued by calculating the discounted cash flow of the investment to the investors.

#### *Funds*

Investments in managed funds are valued at fair value. The general partners of the funds will generally provide periodic valuations on a fair value basis 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.

#### **Cash at bank and in hand**

Cash comprises cash in hand, cash at banks and demand deposits.

# **Westpool Investment Trust plc**

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

### **1 Principal accounting policies (continued)**

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, and exchange differences are included in the Profit and Loss Account. Investments denominated in foreign currencies are translated at the closing rates ruling at the balance sheet date as part of the fair value adjustment and are taken as a gain/(loss) in the current year profit/(loss).

#### **Taxation**

Corporation tax payable both in the UK and overseas is provided on taxable profits at the current rate. Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation that are not expected to be recovered in the short term. Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in the near future. No deferred tax asset has been recognised as at 31 December 2016.

#### **Classification of financial instruments issued by the Company**

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

# Westpool Investment Trust plc

## Notes to the Financial Statements (continued)

### 1 Principal accounting policies (continued)

#### Capital and reserves

Capital and reserves for the Company represent the following:

- a) Share capital - the nominal value of shares issued, increased for subsequent share issues or reduced due to shares bought back by the Company for cancellation.
- b) Share premium – this reserve contains the excess of gross proceeds over the nominal value of shares allotted, less and share issue costs.
- c) Profit and loss reserve – the cumulative net profit or loss of the Company.

#### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established, normally the ex-dividend date.

### 2 Investment income

	<u>Year ended</u> <u>31-Dec-16</u> £	<u>Year ended</u> <u>31-Dec-15</u> £
Dividends from quoted investments	373	12,704
Recovery of loan previously written off	-	673,560
	<u>373</u>	<u>686,264</u>

### 3 Administrative expenses

Audit fees have been paid by LMS Capital plc, the ultimate parent company in the amount of £16,000 (2015: £25,000). The Company does not have any employees (2015: nil) and there were no directors' emoluments (2015: £nil).

### 4 Interest paid and similar charges

	<u>Year ended</u> <u>31-Dec-16</u> £	<u>Year ended</u> <u>31-Dec-15</u> £
Bank charges	<u>(26)</u>	<u>(320)</u>

### 5 Interest received and similar income

	<u>Year ended</u> <u>31-Dec-16</u> £	<u>Year ended</u> <u>31-Dec-15</u> £
Net exchange gains	<u>115</u>	<u>26,218</u>

# Westpool Investment Trust plc

## Notes to the Financial Statements (continued)

### 6 Tax on (loss)/profit on ordinary activities

	<u>Year ended</u> <u>31-Dec-16</u> £	<u>Year ended</u> <u>31-Dec-15</u> £
<b>Analysis of credit/(charge) for the year</b>		
Overseas tax	(571)	(4,141)
Withholding tax on dividends received	-	(1,202)
Prior year adjustment	94,113	-
<b>Total tax credit/(charge)</b>	<u>94,542</u>	<u>(5,343)</u>

#### Factors affecting the tax credit/(charge) for the year

The tax credit for the year is lower (2015: charge was lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below.

	<u>Year ended</u> <u>31-Dec-16</u> £	<u>Year ended</u> <u>31-Dec-15</u> £
<b>Current tax reconciliation</b>		
(Loss)/profit on ordinary activities before taxation	(2,207,779)	3,154,408
Current tax at 20% (2015: 20.25%)	<u>441,556</u>	<u>(638,768)</u>
<b>Effects of:</b>		
Non-taxable investment fair value adjustments	(407,614)	76,336
Fair value adjustment on disposal	(65,000)	-
Foreign exchange adjustments	(17,567)	-
Transfer pricing adjustments	154,517	193,956
Capital losses offset against gains	-	331,278
Non-taxable dividend	75	2,573
Profit on disposal	44,487	71,984
Overseas losses not available for group relief	957	(549)
Overseas tax paid	(571)	(5,343)
Utilisation of tax losses brought forward	29,684	39,279
Interest accrual	(119,551)	(102,229)
Deferred tax asset not recognised	(10,816)	-
Prior year adjustment	94,113	-
Group relief	(88,028)	(18,004)
Indexation allowance	37,300	44,144
<b>Tax credit/(charge) for the year</b>	<u>93,542</u>	<u>(5,343)</u>

The company has tax losses available for offset against future chargeable gains of £18.0 million as at 31 December 2016 (2015: £18.0 million). No deferred tax asset has been recognised in respect of these losses because the amount and timing of their utilisation is uncertain.

# Westpool Investment Trust plc

## Notes to the Financial Statements (continued)

### 7 Investments

	<u>Fund investments</u>	<u>Quoted investments</u>	<u>Unquoted investments</u>	<u>Total</u>
Valuation	£	£	£	£
At 31 December 2015	10,670,630	419,929	1,833,978	12,924,537
Disposals at book value	(1,004,952)	(411,208)	-	(1,416,160)
Additions at cost	67,691	-	329,391	397,082
Fair value movement	(2,539,291)	(1,033)	99,728	(2,440,596)
<b>At 31 December 2016</b>	<b><u>7,194,078</u></b>	<b><u>7,688</u></b>	<b><u>2,263,097</u></b>	<b><u>9,464,863</u></b>

As is common practice in the venture capital industry, the investments are structured using a variety of instruments including ordinary shares, preference and other shares carrying special rights, options and warrants and debt instruments both 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.

	<u>Fund investments</u>	<u>Quoted investments</u>	<u>Unquoted investments</u>	<u>Total</u>
Historical cost	£	£	£	£
At 31 December 2015	<u>13,892,622</u>	<u>518,407</u>	<u>2,127,171</u>	<u>16,538,200</u>
<b>At 31 December 2016</b>	<b><u>12,618,935</u></b>	<b><u>14,585</u></b>	<b><u>2,456,562</u></b>	<b><u>15,090,082</u></b>

### 8 Debtors

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	£	£
Amounts owed by ultimate parent	562,602	5,722,321
Other receivables	-	39,614
	<u>562,602</u>	<u>5,761,935</u>

### 9 Creditors: amounts falling due within one year

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	£	£
Amounts owed to immediate parent	14,287,619	20,737,619
Corporation tax payable	-	94,113
	<u>14,287,619</u>	<u>20,831,732</u>

# Westpool Investment Trust plc

## Notes to the Financial Statements (continued)

### 10 Called up share capital

	<u>31-Dec-16</u> £	<u>31-Dec-15</u> £
<b>Authorised</b>		
167,600,000 Ordinary shares of 10p each	<u>16,760,000</u>	<u>16,760,000</u>
<b>Allotted, called up and fully paid</b>		
100,136,604 Ordinary shares of 10p each	<u>10,013,660</u>	<u>10,013,660</u>

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.

### 11 Capital commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:-

	<u>31-Dec-16</u> £	<u>31-Dec-15</u> £
<b>Outstanding capital commitments to funds</b>	<u>179,538</u>	<u>53,699</u>

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

### 12 Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard 101.8(k) 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group.

### 13 Immediate and ultimate parent company

The Company is controlled by LMS Tiger Investments (II) Limited, the Company's immediate parent company. The ultimate controlling party at the balance sheet date is LMS Capital plc, the Company's ultimate parent company, which is incorporated in England and Wales. As a consequence of the adoption of an amendment to IFRS 10, the ultimate parent company LMS Capital plc no longer prepares consolidated accounts. LMS Capital Group Ltd, a 100% owned subsidiary of LMS Capital plc, now prepares consolidated financial statements. The financial statements of LMS Capital Group Ltd include the results of the Company. The consolidated financial statements of LMS Capital Group Ltd may be obtained at the following address: 100 George Street, London, W1U 8NU.



# **Westpool Investment Trust plc**

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

### **14 Financial support by ultimate parent**

LMS Capital plc has provided the Company with an understanding that it will continue to make available such funds as are needed by the Company to enable it to meet its liabilities as they fall due. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

### **15 Post balance sheet events**

On 10 February 2017 the Company sold all of its holdings in Bond International Software plc. It sold a direct holding of 67,850 shares for £85,491 proceeds and 160,000 held via LMS Capital 2007 LP for £201,600. No holding remained after this disposal.