

**Lion Investments Limited**

**Directors' report and financial statements**

**31 December 2017**

**Registered in England and Wales number 1815754**



# **Lion Investments Limited**

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

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# **Lion Investments Limited**

## **Directors' report**

The directors present their report and the financial statements of the Company for the year ended 31 December 2017.

### **Principal activities**

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

The investment policy and objective of the Company is predominantly focused on private equity investment. The 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 7 and its balance sheet is on page 8.

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, Two London Bridge, London, SE1 9RA.

### **Financial review and dividends**

The results for the year are set out in the Profit and Loss Account set out on page 7. No political or charitable donations were made during the year (2016: £nil).

The directors do not recommend the payment of a dividend for the year (2016: £nil).

### **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  
A Sweet (Resigned 21 May 2018)  
N Friedlos

## **Lion Investments Limited**

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

#### **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**

In accordance with s.487 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditor of the Company was proposed and approved at the Annual General Meeting of the ultimate parent Company LMS Capital Plc.

On behalf of the board



**N Friedlos**  
*Director*  
2 London Bridge  
London  
SE1 9RA

26 September 2018

## **Lion Investments Limited**

### **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 Lion Investments Limited**

## **Opinion**

We have audited the financial statements of Lion Investments Limited ("the Company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Retained Earnings, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

# **Independent auditor's report to the members of Lion Investments Limited**

## **Other information (*continued*)**

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.

## **Opinions 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.

## **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 Director's report.

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

- adequate accounting records have not been kept, 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' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

## **Responsibilities of Directors**

As explained more fully in the Statement of directors' responsibilities in respect of the Directors' report and the financial statements, 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

## **Independent auditor's report to the members of Lion Investments Limited (*continued*)**

### **Auditor's responsibilities for the audit of the financial statements (*continued*)**

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://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.



**Neil Fung-On (Senior Statutory Auditor)**  
**For and on behalf of BDO LLP, statutory auditor**  
London, UK

**26** September 2018

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

# Lion Investments Limited

## Profit and Loss Account and Retained Earnings

For the year ended 31 December 2017

	<u>Notes</u>	<u>Year ended</u> <u>31-Dec-17</u> £	<u>Year ended</u> <u>31-Dec-16</u> £
Fair value movement in the year	6	298,651	(151,267)
<b>Profit/(loss) from investing activities</b>		<b>298,651</b>	<b>(151,267)</b>
Administrative expenses	2	(733,821)	(1,068,916)
Interest receivable and similar income	3	584,255	1,554,156
Interest payable and similar charges	4	-	(15)
<b>Profit on ordinary activities before taxation</b>		<b>149,085</b>	<b>333,958</b>
Tax on profit on ordinary activities	5	-	-
<b>Profit for the financial year</b>		<b>149,085</b>	<b>333,958</b>
Retained earnings brought forward		2,139,829	1,805,871
<b>Retained earnings carried forward</b>		<b>2,288,914</b>	<b>2,139,829</b>

All results are derived from continuing activities.

The notes on pages 9 to 15 form part of the financial statements.

# Lion Investments Limited

Company registration Number: 1815754

## Balance Sheet

As at 31 December 2017

	<u>Notes</u>	<u>31-Dec-17</u> £	<u>31-Dec-16</u> £
<b>Fixed assets</b>			
Investments	6	1,753,348	1,454,697
<b>Current assets</b>			
Debtors	7	3,193,757	7,148,121
Cash		84,553	
<b>Creditors: amounts falling due within one year</b>	8	(2,742,742)	(6,462,987)
<b>Net current assets</b>		535,568	685,134
<b>Net assets</b>		2,288,916	2,139,831
<b>Capital and reserves</b>			
Called up share capital	9	2	2
Profit and loss account		2,288,914	2,139,829
<b>Equity shareholders' funds</b>		2,288,916	2,139,831

The notes on pages 9 to 15 form part of the financial statements.

These financial statements were approved by the board of directors on 26 September 2018 and were signed on its behalf by:



**N Friedlos**  
Director

# **Lion Investments Limited**

## **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, 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 Limited. 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 (and Group) 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.

# **Lion Investments Limited**

## **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.

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

Cash comprises cash in hand, cash at bank and demand deposit.

#### **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.

# **Lion Investments Limited**

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

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

#### **Foreign currencies (continued)**

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 taxation has been recognised as at 31 December 2017.

#### **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.

#### **Doubtful debts**

An estimate for doubtful debts is made when collection of the full amount is no longer probable.

# Lion Investments Limited

## 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) Profit and loss reserve – the cumulative net profit or loss of the Company.

### 2 Administrative expenses

	<u>Year ended</u> <u>31-Dec-17</u> £	<u>Year ended</u> <u>31-Dec-16</u> £
Provision for doubtful debt	<u>(733,821)</u>	<u>(1,068,916)</u>

Audit fees have been paid by LMS Capital plc, the ultimate parent company in the amount of £9,000 (2016: £9,000). The Company does not have any employees (2016: nil) and there were no directors' emoluments (2016: £nil).

### 3 Interest receivable and similar income

	<u>Year ended</u> <u>31-Dec-17</u> £	<u>Year ended</u> <u>31-Dec-16</u> £
Interest received from loan to group undertaking	689,418	1,031,407
Foreign exchange gain on provision for doubtful debt	534,829	522,749
Foreign exchange loss on provision for doubtful debt	<u>(639,992)</u>	<u>-</u>
	<u>584,255</u>	<u>1,554,156</u>

### 4 Interest payable and similar charges

	<u>Year ended</u> <u>31-Dec-17</u> £	<u>Year ended</u> <u>31-Dec-16</u> £
Bank charges	<u>-</u>	<u>(15)</u>

# Lion Investments Limited

## Notes to the Financial Statements (continued)

### 5 Tax on profit on ordinary activities

	<u>Year ended</u> <u>31-Dec-17</u> £	<u>Year ended</u> <u>31-Dec-16</u> £
<b>Analysis of tax charge for the year</b>		
Current year tax charge	-	-

### Factors affecting the tax charge for the year

The current tax charge for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below.

	<u>Year ended</u> <u>31-Dec-17</u> £	<u>Year ended</u> <u>31-Dec-16</u> £
<b>Current tax reconciliation</b>		
Profit on ordinary activities before taxation	149,085	333,958
Current tax at 19.25% (2016: 20%)	(28,699)	(66,792)
<b>Effects of:</b>		
Non-allowable provision for doubtful debt	(141,260)	(213,786)
Non-taxable investment fair value adjustments	57,490	(93,289)
Transfer pricing adjustments	33,703	(3,036)
Group relief	78,766	376,903
Tax charge for the year	-	-

# Lion Investments Limited

## Notes to the Financial Statements (continued)

### 6 Investments

	<u>Quoted investments</u> £	<u>Unquoted investments</u> £	<u>Total</u> £
At 31 December 2016	6,443	1,448,254	1,454,697
Fair value movement in the year	309	298,342	298,651
<b>At 31 December 2017</b>	<b>6,752</b>	<b>1,746,596</b>	<b>1,753,348</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.

<b>Historical cost</b>	<u>Quoted investments</u> £	<u>Unquoted investments</u> £	<u>Total</u> £
At 31 December 2016	12,224	559,637	571,861
<b>At 31 December 2017</b>	<b>12,224</b>	<b>559,637</b>	<b>571,861</b>

### 7 Debtors

	<u>31-Dec-17</u> £	<u>31-Dec-16</u> £
Amounts owed by group undertaking	9,197,267	12,818,732
Less provision for doubtful debt	(6,003,510)	(5,804,518)
	3,193,757	7,014,214
Other receivables	-	133,907
	<u>3,193,757</u>	<u>7,148,121</u>

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

	<u>31-Dec-17</u> £	<u>31-Dec-16</u> £
Amounts owed to ultimate parent	(2,742,742)	(6,462,987)

# Lion Investments Limited

## Notes to the Financial Statements (continued)

### 9 Called up share capital

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
<b>Authorised</b>	<b>£</b>	<b>£</b>
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</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.

### 10 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.

### 11 Immediate and ultimate parent company

The Company is controlled by LMS Capital Holdings 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 Limited, a 100% owned subsidiary of LMS Capital plc, now prepares consolidated financial statements. The financial statements of LMS Capital Group Limited include the results of the Company. The consolidated financial statements of LMS Capital Group Limited may be obtained at the following address: Two London Bridge Street, London, SE1 9RA.

### 12 Post balance sheet events

There are no events subsequent to 31 December 2017 that would materially affect the interpretation of these financial statements.