

LMS Capital Holdings Limited

Directors' report and financial statements

31 December 2018

Registered in England and Wales number 3942000

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LMS Capital Holdings Limited

Directors' report and financial statements

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LMS Capital Holdings Limited

Directors' report

The directors present their report and the financial statements of the Company for the year ended 31 December 2018.

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 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 its ultimate parent company, 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, 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 on page 7. No political or charitable donations were made during the year (2017: £nil).

The directors do not recommend the payment of a dividend (2017: £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

LMS Capital Holdings 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
Two London Bridge
London
SE1 9RA

10 July 2019

LMS Capital Holdings 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 members of LMS Capital Holdings Limited

Opinion

We have audited the financial statements of LMS Capital Holdings Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Retained Earnings, Balance Sheet, and the 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 2018 and of its loss 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 Directors' 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. 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.

Independent Auditor's Report to members of LMS Capital Holdings Limited *(continued)*

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 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.

Independent Auditor's Report to members of LMS Capital Holdings Limited *(continued)*

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
10 July 2019

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

LMS Capital Holdings Limited

Profit and Loss Account and Retained Earnings

For the year ended 31 December 2018

	<u>Notes</u>	<u>Year ended</u> <u>31-Dec-18</u> £	<u>Year ended</u> <u>31-Dec-17</u> £
Dividends from shares in group undertakings	3	-	3,448,551
Fair value movement in Investments in subsidiaries	6	(8,398,961)	(4,502,332)
Interest receivable and similar income	4	71	92,275
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(8,398,890)	(961,506)
Tax charge on loss on ordinary activities	5	(65,747)	(19,885)
		<hr/>	<hr/>
Loss for the financial year		(8,464,637)	(981,391)
Retained earnings brought forward		11,361,988	12,343,379
		<hr/>	<hr/>
Retained earnings carried forward		2,897,351	11,361,988
		<hr/>	<hr/>

All results are derived from continuing activities.

The notes set out on pages 9 to 14 form part of the financial statements.

LMS Capital Holdings Limited

Company registration number: 3942000


Balance Sheet

As at 31 December 2018

	<u>Notes</u>	<u>31-Dec-18</u> £	<u>31-Dec-17</u> £
Fixed assets			
Investments in subsidiary undertakings	6	57,467,085	65,866,046
		<hr/>	<hr/>
Current assets			
Debtors	7	92,711,742	92,731,568
Creditors: amounts falling due within one year	8	(63,941,475)	(63,895,625)
		<hr/>	<hr/>
Net current assets		28,770,267	28,835,943
		<hr/>	<hr/>
Net assets		86,237,352	94,701,989
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	9	83,340,001	83,340,001
Profit and loss account		2,897,351	11,361,988
		<hr/>	<hr/>
Equity shareholders' funds		86,237,352	94,701,989
		<hr/>	<hr/>

The notes set out on pages 9 to 14 form part of the financial statements.

These financial statements were approved by the board of directors on 10 July 2019 and were signed on its behalf by:


N Friedlos
Director

LMS Capital Holdings 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 in subsidiary undertakings that is 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 Limited. These financial statements do not include certain disclosures in respect of: i) financial instruments; and ii) fair value measurement.

These financial statements have been prepared on a going concern basis.

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.

LMS Capital Holdings Limited

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

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 2018.

Investments in subsidiary undertakings

The Company's investments in subsidiary undertakings are stated at the directors' valuation on a basis which takes account of the fair value of the net assets of those subsidiary undertakings at 31 December 2018. Fair value movements arising from the directors' valuation are taken to the profit and loss account.

Interest Income

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

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.

LMS Capital Holdings 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 account – 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.

New standards effective in the year

IFRS 9 "Financial instruments" is effective on or after accounting periods beginning on 1 January 2018. The new standard requires the Directors to evaluate the classification, measurement and recognition of financial assets and financial liabilities.

The company has adopted IFRS 9 with effect from 1 January 2018, which has the following impact:

- The company has adopted IFRS 9 with effect from 1 January 2018, which has the following impact: No effect on the classification and measurement of its financial assets, as these are held at fair value through profit or loss and will continue to be measured on the same basis under IFRS 9; and
- No impact on the accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Company has no such financial liabilities.
- The Company has assessed there to be no material impact on the current carrying value of the intercompany debtors which have been reviewed for impairment, compared to full application of the Expected Credit Loss model.

IFRS 15 "Revenue from contracts with customers" is effective on or after accounting periods beginning on 1 January 2018.

The core principle of the new standard is for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services.

The Company is not exposed to IFRS 15 given its business model and therefore this has no impact on the Company.

New standards and interpretations not yet applied

IFRS 16 "Leases" will not become effective until accounting periods beginning on or after 1 January 2019.

The adoption of the above standard does not have an impact on the Company's reported net assets.

LMS Capital Holdings Limited

Notes to the Financial Statements (continued)

2 Administrative expenses

Audit fees have been paid by LMS Capital plc, the ultimate parent company, in the amount of £6,000 (2017: £6,000). The Company does not have any employees (2017: nil) and there were no directors' emoluments (2017: £nil).

3 Dividends from shares in group undertakings

<u>Year ended</u> <u>31-Dec-18</u>	<u>Year ended</u> <u>31-Dec-17</u>
£	£
-	3,448,551

4 Interest received and similar income

	<u>Year ended</u> <u>31-Dec-18</u>	<u>Year ended</u> <u>31-Dec-17</u>
	£	£
Foreign exchange gains	-	92,275
Other Income	71	-
	<u>71</u>	<u>92,275</u>

5 Tax on loss on ordinary activities

	<u>Year ended</u> <u>31-Dec-18</u>	<u>Year ended</u> <u>31-Dec-17</u>
	£	£
Analysis of tax credit / charge for the year		
Current tax charge	(122,520)	(19,901)
Adjustments to prior periods	<u>56,773</u>	<u>16</u>
Total tax charge	<u>(65,747)</u>	<u>(19,885)</u>

Factors affecting the tax charge for the year

	<u>Year ended</u> <u>31-Dec-18</u>	<u>Year ended</u> <u>31-Dec-17</u>
	£	£
Current tax reconciliation		
Loss on ordinary activities before taxation	(8,398,890)	(961,506)
Current tax at 19% (2017: 19.25%)	<u>1,595,789</u>	<u>185,090</u>
Effects of:		
Impairment charges not deductible	(1,595,803)	(866,699)
Non-taxable dividend income	-	663,846
Transfer pricing adjustments	(262,533)	(260,317)
Group relief	<u>262,547</u>	<u>278,080</u>
Taxable foreign income	(122,520)	(19,901)
Prior year adjustment	<u>56,773</u>	<u>16</u>
Tax charge for the year	<u>(65,747)</u>	<u>(19,885)</u>

LMS Capital Holdings Limited

Notes to the Financial Statements (continued)

6 Investments in subsidiary undertakings

These comprise the Company's investment in its subsidiary undertakings. Details of subsidiary undertakings are described in note 11 to the financial statements.

	£
Valuation	
At 31 December 2017	65,866,046
Fair value movement in the year	(8,398,961)
At 31 December 2018	57,467,085
Historical cost	
At 31 December 2017	150,130,681
Repayments of invested capital	-
At 31 December 2018	150,130,681

7 Debtors

	<u>31-Dec-18</u>	<u>31-Dec-17</u>
	£	£
Amounts owed by group undertakings	<u>92,711,742</u>	<u>92,731,568</u>

8 Creditors: amounts falling due within one year

	<u>31-Dec-18</u>	<u>31-Dec-17</u>
	£	£
Amounts owed to group undertakings	63,875,724	63,875,724
Corporation tax payable	65,751	19,901
	<u>63,941,475</u>	<u>63,895,625</u>

9 Called up share capital

	<u>31-Dec-18</u>	<u>31-Dec-17</u>
	£	£
Authorised		
100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully paid		
83,340,001 ordinary shares of £1 each	<u>83,340,001</u>	<u>83,340,001</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.

LMS Capital Holdings Limited

Notes to the Financial Statements (continued)

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 Principal subsidiary undertakings

Name	Country of registration	Holding	Activity
		%	
International Oilfield Services Limited	Bermuda	100	Investment holding
Lion Investments Limited	England and Wales	100	Investment holding
LMS Capital (Bermuda) Limited	Bermuda	100	Investment holding
Lion Cub Property Investments Limited	England and Wales	100	Investment holding
Lion Property Investments Limited	England and Wales	100	Investment holding
Lioness Property Investments Limited	England and Wales	100	Investment holding
LMS Capital (GW) Limited	Bermuda	100	Investment holding
Lion Cub Investments Limited	England and Wales	100	Dormant
LMS Capital (General Partner) Limited	Bermuda	100	Investment holding
LMS Tiger Investments Limited	England and Wales	100	Investment holding
LMS Tiger Investments (II) Limited	England and Wales	70	Investment holding
Tiger Investments Limited	England and Wales	74	Investment holding

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

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

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

12 Immediate and ultimate parent company

The Company is controlled by LMS Capital Group 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, London, SE1 9RA.

13 Post balance sheet events

There are no events subsequent to 31 December 2018 that would materially affect the interpretation of these financial statements.