Company registration number 06850198 (England and Wales)

LOFOTEN ASSET MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

LOFOTEN ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

Directors	Willem P Vinke Hugh S K Knowles
Secretary	Hugh S K Knowles
Company number	06850198
Registered office	73 Cornhill London EC3V 3QQ
Auditor	Gerald Edelman LLP 73 Cornhill London EC3V 3QQ

LOFOTEN ASSET MANAGEMENT LIMITED

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STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present the strategic report for the year ended 30 September 2022.

Fair review of the business

Turnover has decreased by £3,041,192 (2021: decreased by £3,654,652) which represents a decrease of 87% (2021: 51% decrease over 2020). This was due to the resetting of the business model to a smaller scale, which was decided in Q2 2021 but took effect in Q3 2021 in the main with the resignations from the company's European Equities mandates.

There was a small profit before tax for the financial year 2022 of £6,159 which compared to a profit before tax of £1,276,444 the previous year (2021: decreased by £2,730,615 or 69.3%), as a result of the change in strategy.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business relate to the performance of the underlying funds managed by the company. The company is not exposed to any significant credit, liquidity, foreign exchange or cash flow risk.

Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Promoting the success of the company

The company has successfully downsized and the directors are confident that the focus on its Global Equities strategy will be for the long-term benefit of the company and its shareholders. The impact of the company's operations on the community and the environment continues to be positive and commensurate with its size.

On behalf of the board

Hugh S K Knowles
Director

25 January 2023

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present their annual report and financial statements for the year ended 30 September 2022.

Principal activities
The principal activity of the company continued to be that of providing investment management and advisory services. The directors do not anticipate any change in the nature of this activity going forward.

Results and dividends
The results for the year are set out on page 9.

During the year, interim dividends totaling £200,000 (2021: £500,000) were declared and paid.

A final dividend of £Nil was declared on 30 September 2022 (2021: £500,000).

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Willem P Vinke
Hugh S K Knowles

Auditor
In accordance with the company's articles, a resolution proposing that Gerald Edelman LLP be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report
As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Public Disclosure
Details of the company's Public Disclosures, required under Chapter 11 of the Financial Conduct Authority's Prudential Sourcebook for Bank, Building Societies and Investment Firms ("BIPRU") are available as Appendix 1 to these financial statements. These disclosures are unaudited. The directors have also performed capital requirement assessments on projected costs and note that the audited capital and reserves of the company are maintained at levels considerably in excess of the Fixed Overhead Requirement and the wind down analysis requirement, by multiples in excess of twenty times in each instance.

Remuneration code disclosures
The Remuneration code disclosures of the company as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) 11.5.18 and SYSC 19A - disclosure obligations in relation to the remuneration of code staff, are available as Appendix 2 to these financial statements. These disclosures are unaudited.

UK Stewardship code disclosures
The UK Stewardship code disclosures of the company, as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) COBS 2.2.3 - disclosure of commitments to the Financial Reporting Council's Stewardship Code, are available on the company's website at www.lofotenam.com. These disclosures are unaudited.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements. The net assets in 2022 are £3,906,555 (2021: £4,122,995).

On behalf of the board

Hugh S K Knowles
Director

25 January 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of 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 applicable UK Accounting Standards have been followed, 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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LOFOTEN ASSET MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Lofoten Asset Management Limited (the 'company') for the year ended 30 September 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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 30 September 2022 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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.

We planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities, fraud or non-compliance with law or regulations.
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- Enquiring of management of whether they are aware of any non-compliance with laws and regulations.
- Enquiring of management whether they have knowledge of any actual, suspected or alleged fraud.
- Enquiring of management their internal controls established to mitigate risk related to fraud or non-compliance with laws and regulations.
- Discussions amongst the engagement team on how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas; posting of unusual journals.
- Obtaining understanding of the legal and regulatory framework the company operates in focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations. The key laws and regulations we considered in this context included UK Companies Act, tax legislation and FCA regulation.

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

- Performed analytical procedures to identify any unusual or unexpected relationships.
- Audited the risk of management override of controls, including through testing journal entries for appropriateness
- 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 are not limited to:

- Agreeing financial statements disclosures to underlying supporting documentation.
- Reviewing minutes of meetings of those charged with governance.
- Enquiring of management as to actual and potential litigation claims.
- Reviewing correspondence with FCA.

The test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, mean that there is an unavoidable risk that even some material misstatements in respect of irregularities may remain undiscovered even though the audit is properly planned and performed in accordance with ISAs (UK). Furthermore, the more removed that laws and regulations are from financial transactions, the less likely that we would become aware of non-compliance. Our examination should therefore not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance that might exist. The responsibility for safeguarding the assets of the company and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the directors.

A further description of our responsibilities is available on 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.

Hemen Doshi FCCA
Senior Statutory Auditor
For and on behalf of Gerald Edelman LLP

25 January 2023

Chartered Accountants
Statutory Auditor

73 Cornhill
London
EC3V 3QQ

LOFOTEN ASSET MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	440,391	3,481,583
Cost of sales		(26,188)	(300,099)
Gross profit		414,203	3,181,484
Administrative expenses		(359,582)	(1,906,565)
Other operating income		68,106	39,666
Operating profit	4	122,727	1,314,585
Interest receivable and similar income	7	9,484	16,278
Interest payable and similar expenses		-	(1,941)
Loss on investments	9	(126,052)	(52,478)
Profit before taxation		6,159	1,276,444
Tax on profit	10	(22,499)	(207,406)
(Loss)/profit for the financial year		(16,340)	1,069,038

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

LOFOTEN ASSET MANAGEMENT LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2022

		2022		2021	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Tangible assets	**12**		2,878		15,670
Investment properties	**13**		-		2,419,910
			2,878		2,435,580
Current assets					
Debtors	**14**	529,616		692,838	
Investments	**16**	715,751		-	
Cash at bank and in hand		2,853,222		2,716,759	
		4,098,589		3,409,597	
Creditors: amounts falling due within one year	**17**	(194,812)		(1,722,182)	
Net current assets			3,903,777		1,687,415
Net assets			3,906,655		4,122,995
Capital and reserves					
Called up share capital	**19**		10,100		10,100
Profit and loss reserves			3,896,555		4,112,895
Total equity			3,906,655		4,122,995

The financial statements were approved by the board of directors and authorised for issue on 25 January 2023 and are signed on its behalf by:

Hugh S K Knowles
Director

Company Registration No. 06850198

LOFOTEN ASSET MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 1 October 2020		10,100	4,043,857	4,053,957
Year ended 30 September 2021:				
Profit and total comprehensive income for the year		-	1,069,038	1,069,038
Dividends	**11**	-	(1,000,000)	(1,000,000)
Balance at 30 September 2021		10,100	4,112,895	4,122,995
Year ended 30 September 2022:				
Loss and total comprehensive income for the year		-	(16,340)	(16,340)
Dividends	**11**	-	(200,000)	(200,000)
Balance at 30 September 2022		10,100	3,896,555	3,906,655

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	24		(171,421)		1,032,490
Interest paid			-		(1,941)
Income taxes paid			(125,096)		(808,993)
Net cash (outflow)/inflow from operating activities			(296,517)		221,556
Investing activities					
Purchase of tangible fixed assets		-		(5,228)	
Purchase of investment property		-		(4,071)	
Proceeds on disposal of investment property		2,379,337		-	
Purchase of investments		(788,627)		-	
Loans made		(467,214)		-	
Receipts arising from loans made		-		(11,128)	
Interest received		9,484		16,278	
Net cash generated from/(used in) investing activities			1,132,980		(4,149)
Financing activities					
Dividends paid		(700,000)		(500,000)	
Net cash used in financing activities			(700,000)		(500,000)
Net increase/(decrease) in cash and cash equivalents			136,463		(282,593)
Cash and cash equivalents at beginning of year			2,716,759		2,999,352
Cash and cash equivalents at end of year			2,853,222		2,716,759

1 Accounting policies

Company information

Lofoten Asset Management Limited is a private company limited by shares incorporated in England and Wales. The registered office is 73 Cornhill, London, EC3V 3QQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover, stated net of value added tax represents investment, management and advisory fees, recognised on an accrual basis, and performance fees recognised when the fees crystallise. All turnover in the year arose from continuing activities performed in the United Kingdom.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the term of the lease
Artwork	4 years straight line
Fixtures, fittings & equipment	4 years straight line
Computer equipment	3 years straight line
Motor vehicles	6 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is indication of a significant change since the last reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1 Accounting policies **(Continued)**

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1 Accounting policies **(Continued)**

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.16 Cost of sales

Cost of sales, which is stated net of value added tax, represents rebates arising on management and performance fees payable during the year. Management fee rebates payable are recognised on an accruals basis and performance fee rebates payable are accrued when the underlying income crystallises. All cost of sales in the year arose from continuing activities performed in the United Kingdom.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors have not been required to use a significant degree of judgement in determining the timing and value of amounts recognised in the financial statements.

The directors are not aware of any significant sources of estimation uncertainty in the preparation of the financial statements.

3 Turnover

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
Turnover analysed by class of business		
Management fees	439,195	3,481,583
Performance fees	1,198	-
	440,391	3,481,583

Turnover is derived from management and performance fees earned on funds under management during the year. The company's turnover has been derived from its principal activity which is wholly undertaken in the United Kingdom.

4 Operating profit

Operating profit for the year is stated after charging:	2022 £	2021 £
Exchange losses	38,177	30,543
Research and development costs	10,718	196,371
Depreciation of owned tangible fixed assets	12,786	22,719
Operating lease charges	78,666	117,877

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2022 £	2021 £
For audit services		
Audit of the financial statements of the company	11,000	10,800
For other services		
Taxation compliance services	2,075	1,386
All other non-audit services	4,260	1,175
	6,335	2,561

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Investment activities	1	6

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	154,977	773,940
Social security costs	24,282	100,352
Pension costs	982	10,200
	180,241	884,492

7 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	1,700	-
Other interest income	7,784	16,278
Total income	9,484	16,278

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	1,700	-

8 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	156,739	387,594
Company pension contributions to defined contribution schemes	2,582	3,825
	159,321	391,419

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022	2021
	£	£
Remuneration for qualifying services	n/a	300,000

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

9 Gains and losses on investments

	2022	2021
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	(83,147)	(52,478)
Other gains/(losses)		
Loss on disposal of investments held at fair value	(42,905)	-
	(126,052)	(52,478)

10 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	22,499	207,406

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	6,159	1,276,444
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	1,170	242,524
Tax effect of expenses that are not deductible in determining taxable profit	21,329	(35,118)
Taxation charge for the year	22,499	207,406

11 Dividends

	2022	2021	2022	2021
	Per share	Per share	Total	Total
	£	£	£	£
Class A Ordinary shares				
Interim paid	39.23	98.04	200,000	500,000
Class B Ordinary shares				
Final payable	-	100.00	-	500,000
Total dividends				
Final payable			-	500,000
Interim paid			200,000	500,000
			200,000	1,000,000

12 Tangible fixed assets

	Leasehold improvements	Artwork	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 October 2021	70,932	13,140	24,167	43,754	151,993
Disposals	(70,932)	(13,140)	(24,167)	-	(108,239)
At 30 September 2022	-	-	-	43,754	43,754
Depreciation and impairment					
At 1 October 2021	62,463	12,376	23,139	38,345	136,323
Depreciation charged in the year	8,469	758	1,028	2,531	12,786
Eliminated in respect of disposals	(70,932)	(13,134)	(24,167)	-	(108,233)
At 30 September 2022	-	-	-	40,876	40,876
Carrying amount					
At 30 September 2022	-	-	-	2,878	2,878
At 30 September 2021	8,469	764	1,028	5,409	15,670

13 Investment property

	2022
	£
Fair value	
At 1 October 2021	2,419,910
Disposals	(2,419,910)
At 30 September 2022	-

The fair value of the investment property has been arrived at on the basis of its value when sold in the year. The sale was to an unconnected party and so it can be deemed to be an open market sale.

14 Debtors

	2022	2021
Amounts falling due within one year:	£	£
Trade debtors	20,481	528,142
Other debtors	506,244	83,018
Prepayments and accrued income	2,891	81,678
	529,616	692,838

15 Financial instruments

	2022	2021
	£	£
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	715,754	-

16 Current asset investments

	2022	2021
	£	£
Listed investments	320,671	-
Unlisted investments	395,080	-
	715,751	-

17 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	79,800	181,326
Corporation tax	22,750	125,347
Other taxation and social security	-	31,611
Dividends payab e	-	500,000
Other creditors	49,638	110,669
Accruals and deferred income	42,624	773,229
	194,812	1,722,182

18 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	982	10,200

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	£	£
Issued and fully paid				
Class A Ordinary shares of £1 each	5,100	5,100	5,100	5,100
Class B Ordinary shares of £1 each	5,000	5,000	5,000	5,000
	10,100	10,100	10,100	10,100

The class A and B shares rank pari passu apart from no voting rights being attached to the class B shares.

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	-	85,495

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease rentals receivable under non-cancellable operating leases:

	2022	2021
	£	£
Within one year	-	25,258

Lease ended in the year as at 25 May 2022.

21 Related party transactions

Dividends totalling £nil (2021: £nil) were paid in the year in respect of shares held by the Zedra Trust Company Limited, holding 49.5% shareholding of Lofoten (class B shares). A dividend of £nil (2021: £500,000) was declared on 30 September 2022 in respect of shares held by the Zedra Trust Company Limited.

22 Directors' transactions

Dividends totalling £200,000 (2021: £500,000) were paid in the year in respect of shares held by the company's directors.

During the year, advances totalling £957,551 (2021: £1,416,693) were made to Willem P Vinke, a director of the company. Repayments of £502,933 (2021: £1,425,321) were made in respect of those advances. Interest of £7,784 has been charged (2021: £16,278) on the advances. At the year end, a balance of £467,214 is included within debtors as due from the director (2021: £12,596).

23 Ultimate controlling party

The company is controlled by its director, Willem P Vinke, who is the majority shareholder.

24 Cash generated from operations

	2022	2021
	£	£
(Loss)/profit for the year after tax	(16,340)	1,069,038
Adjustments for:		
Taxation charged	22,499	207,406
Finance costs	-	1,941
Investment income	(9,484)	(16,278)
Depreciation and impairment of tangible fixed assets	12,786	22,719
Amounts written off investments	126,052	52,478
Movements in working capital:		
Decrease in debtors	586,448	230,132
(Decrease) in creditors	(893,382)	(534,946)
Cash (absorbed by)/generated from operations	(171,421)	1,032,490

APPENDIX 1
UNAUDITED PUBLIC DISCLOSURES

Public Disclosures — Scope and application of the requirements

The company is governed by its directors ('the Board') who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the company's governance arrangements along with designing and implementing a risk management framework that recognises and manages the risks that the business faces. The Board meet on a regular basis and discuss profitability, cash flow, regulatory capital management, and business planning and risk management. The Board manages the Company's risks though a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework.

The Board have identified that reputational, operational, market and credit risks are the areas of risk to which the company may be exposed. Annually the Board formally review the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the Board identify material risks they consider the financial impact of these risks as part of business planning and capital management and conclude whether the amount of regulatory capital is adequate. The general objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.

The company is authorised and regulated by the Financial Conduct Authority and as such it is subject to minimum regulatory capital requirements. The company is small with a simple operational infrastructure. The company provides investment management services and the risks to which the company is exposed are principally reputational and operational in nature and are managed according to the company's operational and compliance risk guidelines including its ethical standards. The company is a BIPRU €125k limited licence firm registered with the FCA (FRN No 501341) and lodges its financial statements with Companies House.

Disclosure of capital resources and capital resource

The capital resources of the company are made up of equity shareholder's funds, which qualifies as Tier 1 capital.

As the company is a limited licence firm, its capital requirements are the greater of:

- Its base capital requirement of £75,000 under FCA rules
- The sum of its market and credit risk requirements
- Its Fixed Overhead Requirement ("FOR")

As at 30 September 2022 the company had £3,906,555 of capital with an own funds threshold requirement of £149,840 and therefore the company has substantial excess resources over its regulatory capital requirements. The Firm determined that it does not require any additional Pillar II capital.

Disclosure of compliance with the overall Pillar II rule

Under Pillar II of the Capital Requirements Directive, the company is required to enact an Internal Capital Adequacy and Risk Assessment ("ICARA"). This is an ongoing process. The ICARA document is presented to the Board for formal review and approval. The data and assumptions used in the assessment of risk and capital adequacy are continually assessed and updated. This includes stress testing of various scenarios. Should new risks materialise or be identified by the company, then these risks will be incorporated into the overall review process.

LOFOTEN ASSET MANAGEMENT LIMITED

APPENDIX 2
UNAUDITED REMUNERATION CODE DISCLOSURE

Scope and application of the requirements

BIPRU 11.5 sets out the disclosure requirements in relation to the remuneration of code staff which all FCA regulated firms are required to comply. Lofoten Asset Management Limited ("the Firm") is a Level 3 firm and the following disclosures are intended to fully satisfy the requirements of the remuneration code ("the Code").

Disclosure of compliance with Remuneration code

The Company's redundancy program was completed in November 2021 and all salary payments ceased in the following February. The Remuneration Policy remained in place throughout that time and will continue to be applied once salaries resume under the new business model in 2023.

The Company has in place internal policies, practices and procedures consistent with the FCA's rules and regulations for Level 3 firms. The Board of Directors form the remuneration committee and fully acknowledge their responsibilities under the Code including their overriding responsibility to ensure that the firm's remuneration policies, practices and procedures:

- are in line with the business strategy, objectives and long-term interests and values of the firm;
- are consistent with and promote sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk of the firm;
- are appropriate to attract, motivate and retain suitable staff;
- are representative of the underlying performance of the business and do not reward individuals for poor performance; and
- include measures to avoid conflicts of interest.

The following disclosures have been made in accordance with the FCA rules and regulations as outlined under BIPRU 11.5.18 and SYSC 19A, specifically in the context of the firm's obligations under the FCA's remuneration code.

As permitted by the Code, the firm has adopted the FCA's proportionality approach for Level 3 firms in applying the requirements of the Code. All decisions in relation to the remuneration of code staff are made and approved by the firm's remuneration committee, with no input from external consultants. Remuneration is determined with reference to a number of factors including, but not limited to, the performance of the individual, the Firm and the individual's adherence to the firm's risk management and compliance procedures. Comparison to external remuneration benchmarks if made periodically.

Variable remuneration which is paid in the form of bonuses is only awarded after full consideration of these factors together with an assessment of any current or potential risks to the business in the context of these payments. 66% of the bonus is paid in the month it is awarded with the balance paid equally over the following three years on the anniversary of the award date.

In accordance with the FCA's proportionality approach for Level 3 firms, the firm has elected not to apply the FCA's specific regulatory requirements in relation to the fixed and variable elements of total remuneration; the payment of variable remuneration through retained shares or other instruments; or performance adjustments.

The remuneration committee believes that its remuneration policies, procedures and practices are fully aligned with the objectives of funds under management and its customers and that the payment of variable remuneration is therefore aligned to the performance and success of the funds which the firm acts as investment manager or advisor.

The firm's staff received aggregate remuneration of £298,977 in the year ended 30 September 2022, which included redundancy payments of £121,000.