4 August 2011

LMS Capital plc
Half Year Results for the six months to 30 June 2011

The Board of LMS Capital plc, ("LMS Capital" or "the Company"), is pleased to announce the Company's half year results for the six months to 30 June 2011. The most significant developments during the first half of the year were as follows:

Progress with strategy

- Over the last 12 months our Net Asset Value per share has increased 12%, reflecting the successful implementation of our refocused strategy.
- Owned EBITDA increased by 42% over the six month period compared to the prior year, reflecting the improved trading performance by our direct holdings as well as our requirement for greater focus on profit and cash generation.
- Realisations of £40.6 million principally from funds and quoted investments in line with our strategy to release capital for direct investments.
- Strong balance sheet – net cash of £30.5 million, bank facility of £15 million undrawn.
- We are currently working on a number of attractive investment opportunities consistent with our strategy of acquiring profitable and growing companies.

Strong financial performance

- Net Asset Value per share was 93p (31 December 2010: 90p). Net Asset Value was £252.4 million (31 December 2010: £245.0 million).
- The consolidated profit from continuing operations for the period (including portfolio subsidiaries) was £5.2 million (six months ended 30 June 2010: £0.6 million).
- The investment portfolio showed a net gain of £13.9 million (5.5%) (six months ended 30 June 2010: net loss of £8.8 million) before the effect of unrealised currency losses of £4.4 million (six months ended 30 June 2010: unrealised net currency gains of £9.6 million).

Glenn Payne, Chief Executive Officer of LMS Capital, said:

"LMS Capital has made considerable progress since the middle of 2010 in changing its strategic focus. We have exited non-performing investments, and achieved a double digit increase in Net Asset Value per share. During the first half of 2011 we have reduced our quoted and fund holdings to release capital for direct investments in profitable and growing companies. We expect this change to result in consistent and superior growth in Net Asset Value.

We offer a value proposition which differentiates us in the private equity industry – we provide long term capital and an ability to work with management to create superior returns. Our objective is for all amounts invested to generate, over extended periods, annual returns in excess of 15%, and remain confident that we are well positioned to deploy our capital in well chosen investments which reflect our refocused strategy."

For further information please contact:

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About LMS Capital

LMS Capital is an investment company focused on investing in profitable and growing private companies where our involvement is additive to the value and performance of the company. Our focus is on small to medium sized companies in our preferred sectors of consumer, energy and business services. We partner with experienced managers in profitable, growing companies where we believe we can add value. We aim to grow our investments (and NAV) by 15%+ per annum without undue risk or investing in unproven businesses.

Our recent deal experience has confirmed to us that potential partners place great store on working with people who not only understand their business (typically through previous deals in the same sector) but also have themselves worked in operational management positions and who therefore understand and empathise with the role of management in a business partnership.

The Company's Net Asset Value at 30 June 2011 was £252.4 million – including the investment portfolio valued at £224.3 million and net cash of £30.5 million. Harvesting our legacy investments should produce the capital required to finance growth at our existing and new direct holdings.

www.lmscapital.com

Half year review 2011

Overview

Last year we reported a refocusing of our strategy: to acquire controlling stakes or positions of influence in profitable and growing companies run by experienced managers operating in sectors we know and where we believe we can add value. We shall use the expected net inflows of cash from our existing portfolio over the next few years (principally from our fund and quoted holdings) to support this strategy.

In the first half of 2011 our implementation of this strategy has proceeded as follows:

Direct investments

- The performance of our direct investments is in line with our long term growth objective and contributed £6.9 million net to our Net Asset Value being a 9% increase over their valuation at 31 December 2010. This gain comprises an £8.1 million increase in valuation combined with £1.2 million of adverse currency movements. Key contributors were:

    - HealthTech Holdings - £3.1 million increase – has continued to perform strongly with revenues and profits significantly ahead of the prior year.
    - Apogee - £2.2 million increase – has also generated revenues and profits significantly ahead of last year. This improvement combines organic growth and the benefit of small, internally funded bolt-on acquisitions.
    - Entuity - £1.7 million increase and Updata - £1.5 million increase - are included under Portfolio subsidiaries and discussed later in his report.

- Owned EBITDA increased as a result of a greater focus on profitability and improved trading at each company. In aggregate the Owned EBITDA of £5.3 million is an improvement of 42% on the first half of 2010. Owned EBITDA is our share of the EBITDA of each of the direct investments in our portfolio (including investments by San Francisco Equity Partners) based on our % stake. It is not derived from the consolidated financial information.

- We completed the exits of the underperforming legacy investments Kizoom and Coppereye at no impact on our Net Asset Value.

Quoted

- We realised £30.2 million from our quoted portfolio, comprising:

    - £22.9 million from the sale of our interest in ProStrakan Group plc following that company's acquisition by KHK in April. This resulted in a gain of £4.7 million over our 31 December 2010 carrying value;
    - £5.0 million from the sale of 80% of our interest in Gulfmark Offshore, realising a gain of £1.1 million;
    - £2.3 million form the sale of other, smaller holdings.

- At the end of June our remaining quoted holdings were valued at £32.4 million (31 December 2010: £63.2 million), of which our interest in Weatherford International at £24.0 million is the principal element. The Weatherford share price performed poorly in the first half of the year – the price at the end of June was significantly lower than at December 2010 which, together with the related currency impact, reduced our NAV per share in the first six months by 2p. We continue to hold our stake, in the absence of a need for cash, in the expectation of recovery in the short to medium term.

Funds

- We sold seven of our stakes in private equity funds located in the UK, US and Europe for aggregate gross consideration of £14.6 million which represented 97% of book value at 31 December 2010. Exiting these funds reduced our outstanding capital commitments by £6.8 million.

- Distributions from funds of £6.0 million were received in the period.

- We have not made any new fund commitments. By focusing on direct deals we have more control over our capital, we minimise fees to other managers and we play to our strength – we have permanent capital and will use the power of compound returns to our advantage. Our current uncalled fund commitments continue to decrease and at 30 June stand at a maximum of £27.5 million (down from £40.7 million at the end of 2010); in our experience this will turn out to be less.

Deal flow

- In the first half of 2011, we considered around fifty deal opportunities, of which 80% met our core deal criteria; this level is broadly unchanged from last year. However, we issued term sheets on nine investment opportunities, which are at various stages of consideration. We are seeing more deals that fit our investment criteria: size, profitability and sector.

Results

For the six months to 30 June 2011, the return on our portfolio was as follows:

	Six months ended 30 June		Year ended 31 December
	2011	2010	2010
	£'000	£'000	£'000
Realised gains/(losses)			
Direct investments	**(28)**	(5)	(3,154)
Quoted securities	**5,333**	837	1,128
Funds	**56**	237	1,037
	5,361	1,069	(989)
Unrealised gains/(losses)			
Direct investments	**6,890**	(1,207)	1,293
Quoted securities	**(6,315)**	(8,412)	14,100
Funds	**3,576**	9,362	9,510
	4,151	(257)	24,903
Total	**9,512**	812	23,914

The movements in the investment portfolio in the six months ended 30 June 2011 were as follows:

	6 months ended 30 June		Year ended 31 December
	2011	2010	2010
	£'000	£'000	£'000
Opening balance	**253,140**	215,632	215,632
Additions	**10,936**	23,450	38,874
Realisations	**(43,884)**	(8,555)	(26,269)
Valuation adjustments	**8,537**	(9,869)	19,330
Foreign currency gains /(losses)	**(4,386)**	9,612	5,573
Closing balance	**224,343**	230,270	253,140

Additions to the portfolio in the first six months of 2011 were as follows:

	6 months ended 30 June		Year ended 31 December
	2011	2010	2010
	£'000	£'000	£'000
Direct Investments			
New investments	**-**	16,274	17,568
Follow-on funding	**1,847**	2,245	4,186
Quoted securities	**-**	-	-
Fund calls	**9,089**	4,931	17,120
	10,936	23,450	38,874

Unrealised gains/(losses) in the first half of the year were as follows:

	Valuation	Currency	Total
	£'000	£'000	£'000
Direct Investments	8,071	(1,181)	6,890
Quoted securities	(5,072)	(1,243)	(6,315)
Funds	5,538	(1,962)	3,576
	8,537	(4,386)	4,151

The unrealised foreign currency losses are principally in respect of the US dollar. It is the Board's current policy not to hedge the Company's underlying non-sterling investments – our policy is to make good long-term investments wherever they reside.

In the six months to 30 June 2011 Net Asset Value increased to £252.4 million or 93p per share from £245.0 million or 90p per share at 31 December 2010; over the past 12 months our reported Net Asset Value per share grew by 12%. We believe that the results underlying this figure demonstrate that our strategy should be value enhancing in the medium term. As we exit passive holdings in quoted and fund investments our active involvement in each investment will be reflected in disciplined capital allocation.

The valuation gains/losses on direct investments reflect the results of the directors' valuation as at 30 June 2011. They relate principally to Apogee, Entuity, Updata and HealthTech which have continued to perform well in the first half of the year.

Details of our largest investments by valuation at 30 June 2011, representing about 72% of the total portfolio, are set out on page 8.

We repaid our bank debt and at 30 June 2011 had net cash of £30.5 million (31 December 2010: net debt of £5.0 million); our borrowing facility of £15 million was undrawn. The Company had uncalled commitments to funds of £27.5 million at that date although our experience suggests that the full amount of each fund commitment is rarely drawn. We expect these funds to be called over the next three to five years.

Portfolio subsidiaries

The half year financial information includes the consolidation of portfolio companies which are also subsidiaries ("portfolio subsidiaries"). Note 2 to the financial information includes an analysis of the results and net assets of the investment management business and reconciles these to the consolidated results including the portfolio subsidiaries.

The increase in consolidated revenues for the first six months of 2011 compared to the corresponding period in 2010 reflects the overall improved performance of the portfolio subsidiaries as well as the inclusion of Nationwide Energy Partners (acquired in May 2010) for six months, which is also reflected in the increase in consolidated operating expenses compared to the first half of 2010.

The consolidated profit from continuing operations has improved significantly over the corresponding period last year, reflecting:

- a positive valuation result in the investment management business;
- our focus on improving profitability in the direct holdings; and
- the exits from underperforming businesses.

As regards the individual companies:

- Updata's revenues in the first half were £11.2 million, a 6% decrease on the corresponding period last year. This was expected as the business moves to a much higher proportion of recurring rental revenues, away from installation revenues earned at the inception of a contract. For the year ended 30 June 2011, rental revenues were 65% of total revenues, compared with 47% a year ago. This proportion is expected to increase to 75% in the coming year.

- Nationwide Energy Partners grew revenues by 15% compared to the first half of 2010 which resulted in an EBITDA improvement of 10% for the same period.

- Entuity achieved revenues 33% ahead of the first half of 2010, resulting in significantly improved profitability.

- At Wesupply, revenues were 12% higher than the first half last year and the company continues to trade profitably.

- ITS has seen its operations slimmed down in terms of scope and cost base – revenues in the first half were 22% ahead of last year which meant its losses were significantly reduced.

Principal risks and uncertainties

The principal risks and uncertainties that affect the Group are described on pages 22 and 23 of the Group's Annual Report for the year ended 31 December 2010. These are still considered the most relevant risks and uncertainties which the Group faces and they could have an impact on the Group's performance in the second half of the financial year.

Outlook

With our refocused strategy we remain confident and well prepared for the future. We have already achieved a significant reduction in the level of third party funds and related uncalled commitments by use of the secondary market and we expect further reductions in the medium term as capital is returned. We also expect further liquidity from our quoted portfolio.

We will invest in direct investments where we can control management and capital, provide insight and oversight and, subject to available opportunities, make follow on investments in these portfolio companies. We continue to see a number of investment opportunities but are cautious in our approach. We seek to invest up to £30 million (via initial investment and subsequent expansion capital) in companies which have a history of growth and profits, an experienced management team and are in the sectors of energy, consumer, or business services: these are areas where we can demonstrate we are the partner of choice and believe we can add real value.

In 2011 we have seen the benefit of the change in focus that we expect to result in consistent and superior growth in NAV. However, as we seek new investments we are ever conscious of the macroeconomic environment and are aware of the current difficulties facing the US and the UK (our primary geographies of focus).

Robert A Rayne
Chairman

Glenn Payne
Chief Executive Officer

4 August 2011

LMS Capital plc

Major investments by valuation - 30 June 2011

Name	Geography	Type of Investment	Date of initial investment	Book Value £000
Direct Investments				
Method Products*	US	Consumer products	2004	18,043
HealthTech Holdings	US	Hospital information systems	2007	15,663
Updata Infrastructure	UK	Wide area networks	2009	15,500
Apogee Group	UK	Digital printing solutions	2010	11,000
Nationwide Energy Partners	US	Energy service provider	2010	10,235
Rave Reviews Cinemas	US	Cinema operations	2002	7,130
Entuity Limited	UK	Network management software	2000	6,500
Penguin Computing*	US	Linux server systems	2004	6,025
Luxury Link*	US	Internet commerce	2006	5,386
Yes To, Inc*	US	Consumer products	2008	5,059
Zoom Eyeworks*	US	Consumer products	2010	4,347
Quoted investments				
Weatherford	US	Oilfield services	1984	24,003
Fund Investments				
Brockton (Funds I & II)	UK	Real estate	2006	18,782
BV Investment Partners (Funds V, VI & VII)	US	Media and communications	1996	9,791
Amadeus Capital (Funds I & II)	UK	Technology	1998	4,671

*San Francisco Equity Partners manages these investments

Condensed consolidated income statement

	Notes	Six months ended 30 June 2011 £'000	2010 Re-presented £'000
Continuing operations			
Revenue from sales of goods and services	2	**25,025**	19,064
Gains and losses on investments		**6,724**	3,640
Interest income		**22**	21
Dividend income		**-**	28
Other income from investments		**1,437**	281
		33,208	23,034
Operating expenses		**(27,002)**	(21,020)
Profit before finance costs		**6,206**	2,014
Finance costs		**(691)**	(621)
Profit before tax		**5,515**	1,393
Taxation		**(316)**	(771)
Profit from continuing operations		**5,199**	622
Discontinued operations			
Profit/(loss) from discontinued operations (net of taxation)	3	**1,065**	(7,937)
Profit/(loss) for the period		**6,264**	(7,315)
Attributable to:			
Equity holders of the parent		**5,749**	(8,336)
Non - controlling interests		**515**	1,021
		6,264	(7,315)
Earnings/(loss) per ordinary share - basic	4	**2.1p**	(3.1)p
Earnings/(loss) per ordinary share - diluted	4	**2.1p**	(3.1)p
Continuing operations			
Earnings/(loss) per ordinary share - basic	4	**1.7p**	(0.1)p
Earnings/(loss) per ordinary share - diluted	4	**1.7p**	(0.1)p

The notes on pages 14 to 23 form part of these financial statements.

Condensed consolidated statement of comprehensive income

	Six months ended 30 June 2011 £'000	2010 £'000
Profit/(loss) for the period	**6,264**	(7,315)
Exchange differences on translation of foreign operations	**(529)**	118
Total comprehensive profit/(loss) for the period	**5,735**	(7,197)

Attributable to:		
Owners of the parent	**5,220**	(8,218)
Non – controlling interests	**515**	1,021
	5,735	(7,197)

The notes on pages 14 to 23 form part of these financial statements.

Condensed consolidated statement of financial position

	Notes	30 June 2011 £'000	31 December 2010 £'000
Non-current assets			
Property, plant and equipment		**9,077**	9,491
Intangible assets		**27,705**	28,123
Investments	5	**188,858**	220,703
Other long -term assets		**48**	43
Non-current assets		**225,688**	258,360
Current assets			
Inventories		**568**	1,851
Operating and other receivables		**10,444**	12,818
Cash and cash equivalents		**36,196**	13,229
Current assets		**47,208**	27,898
Total assets		**272,896**	286,258
Current liabilities			
Interest-bearing loans and borrowings		**(3,375)**	(18,812)
Operating and other payables		**(7,998)**	(13,859)
Deferred income		**(7,102)**	(5,014)
Current tax liabilities		**(1,229)**	(2,276)
Current liabilities		**(19,704)**	(39,961)
Non-current liabilities			
Interest-bearing loans and borrowings		**(5,958)**	(4,597)
Deferred income		**(1,845)**	(2,084)
Deferred tax liabilities		**(553)**	(614)
Other long-term liabilities		**(160)**	(172)
Non-current liabilities		**(8,516)**	(7,467)
Total liabilities		**(28,220)**	(47,428)
Net assets		**244,676**	238,830
Equity			
Share capital		**27,267**	27,265
Share premium account		**20**	-
Capital redemption reserve		**5,635**	5,635
Merger reserve		**84,083**	84,083
Foreign exchange translation reserve		**370**	899
Retained earnings		**123,996**	117,827
Equity attributable to owners of the parent		**241,371**	235,709
Non – controlling interests		**3,305**	3,121
Total Equity		**244,676**	238,830

The financial statements on pages 9 to 23 were approved by the Board on 4 August 2011 and were signed on its behalf by:

G Payne
Director

The notes on pages 14 to 23 form part of these financial statements.

Condensed consolidated statement of changes in equity

Six months ended 30 June 2011

	Share capital £'000	Share premium account £'000	Capital Redemption Reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000	Non-controlling Interests £'000	Total equity £'000
Balance at 1 January 2011	27,265	-	5,635	84,083	899	117,827	235,709	3,121	238,830
Total comprehensive income for the period									
Profit for the period	**-**	**-**	**-**	**-**	**-**	**5,749**	**5,749**	**515**	**6,264**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(529)**	**-**	**(529)**	**-**	**(529)**
Changes in ownership interests									
Distributions to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(331)**	**(331)**
Transactions with owners, recorded directly in equity									
Shares issued in the year	**2**	**20**	**-**	**-**	**-**	**-**	**22**	**-**	**22**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**420**	**420**	**-**	**420**
Balance at 30 June 2011	**27,267**	**20**	**5,635**	**84,083**	**370**	**123,996**	**241,371**	**3,305**	**244,676**

Six months ended 30 June 2010

	Share capital £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Translation Reserve £'000	Retained earnings £'000`	Total £'000	Non – controlling interests £'000	Total equity £'000
Balance at 1 January 2010	27,265	5,635	84,083	1,012	106,773	224,768	850	225,618
Total comprehensive loss for the period								
Loss for the period	-	-	-		(8,336)	(8,336)	1,021	(7,315)
Other comprehensive income	-	-	-	118	-	118	-	118
Changes in ownership interests								
Disposal of non-controlling interest without a change in control	-	-	-	-	-	-	(147)	(147)
Acquisition of non-controlling interest with a change in control	-	-	-	-	-	-	966	966
Transactions with owners, recorded directly in equity								
Share based payments	-	-	-	-	416	416	-	416
Balance at 30 June 2010	27,265	5,635	84,083	1,130	98,853	216,966	2,690	219,656

The notes on pages 14 to 23 form part of these financial statements.

Condensed consolidated cash flow statement

	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000
Cash flows from operating activities		
Profit/(loss) for the period	**6,264**	(7,315)
Adjustments for:		
Depreciation and amortisation	**1,759**	1,130
Impairment of intangible assets	**-**	7,394
(Gains)/losses on investments	**(6,724)**	(3,640)
Loss on sale of discontinued operations, net of income tax	**(1,166)**	-
Translation differences	**597**	(284)
Share based payments	**420**	416
Finance costs	**691**	641
Interest income	**(22)**	(21)
Income tax expense	**316**	784
	2,135	(895)
Change in inventories	**1,155**	99
Change in trade and other receivables	**1,176**	(1,202)
Change in trade and other payables	**(927)**	1,251
	3,539	(747)
Interest paid	**(691)**	(641)
Income tax paid	**(1,363)**	(131)
Net cash from/(used in) operating activities	**1,485**	(1,519)
Cash flows from investing activities		
Interest received	**22**	21
Acquisition of property, plant and equipment	**(1,749)**	(2,409)
Acquisition of intangible assets	**(463)**	-
Disposals of property, plant and equipment	**81**	-
Disposal of discontinued operations, net of cash disposed of	**310**	-
Acquisition of investments	**(9,706)**	(14,041)
Acquisition of subsidiaries	**(773)**	(7,450)
Proceeds from sale of investments	**48,276**	10,193
Net cash from/(used in) investing activities	**35,998**	(13,686)
Cash flows from financing activities		
Issue of new shares	**22**	-
Drawdown of interest bearing loans	**-**	14,881
Repayment of interest bearing loans	**(13,983)**	-
Distribution to non – controlling interests	**(331)**	(147)
Net cash (used in)/from financing activities	**(14,292)**	14,734
Net increase/(decrease) in cash and cash equivalents	**23,191**	(471)
Effect of exchange rate fluctuations	**(224)**	123
Cash and cash equivalents at the beginning of the period	**13,229**	16,581
Cash and cash equivalents at the end of the period	**36,196**	16,233
Cash and cash equivalents above comprise		
Cash and cash equivalents	**36,196**	16,715
Bank overdrafts	**-**	(482)
Cash and cash equivalents at the end of the period	**36,196**	16,233

The notes on pages 14 to 23 form part of these financial statements.

Notes to the financial information

1. Principal accounting policies

Reporting entity

LMS Capital plc ("the Company") is domiciled in the United Kingdom. These condensed consolidated financial statements are presented in pounds sterling because that is the currency of the principal economic environment of the Company's operations. The condensed consolidated financial statements of the Company for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together "the Group").

These condensed consolidated financial statements do not constitute the statutory accounts of the Group within the meaning of section 434(3) and 435(3) of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2010 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) of the Companies Act 2006.

The Company was formed on 17 March 2006 and commenced operations on 9 June 2006 when it received the demerged investment division of London Merchant Securities. The consolidated financial statements are prepared as if the Group had always been in existence. The difference between the nominal value of the Company's shares issued and the amount of the net assets acquired at the date of demerger has been credited to merger reserve.

The Company is an investment company but because it holds majority stakes in certain investments it is required to prepare group accounts that consolidate the results of such investments. The results of the Group's investment business on a stand alone basis are set out in Note 2.

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2010 which were prepared in accordance with International Financial Reporting Standards as adopted by the EU("Adopted IFRS").

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2010.

Taking account of the financial resources available to the Group, the directors believe that the Group is well placed to manage its business risks successfully. After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the condensed consolidated financial statements for the six months ended 30 June 2011.

Notes to the financial information

1. Principal accounting policies (continued)

These condensed consolidated financial statements were approved by the Board of Directors on 4 August 2011.

Significant accounting policies

Except as described below, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2010.

Basis of consolidation

The financial statements comprise the financial statements of the Company and its subsidiary undertakings up to 30 June 2011. The Company's subsidiary undertakings fall into two categories:

- Investment companies through which the Group conducts its investment activities; and
- Certain portfolio companies which form part of the Group's investment activities but which, by virtue of the size of the Group's shareholding or other control rights, fall within the definition of subsidiaries under Adopted IFRS ("portfolio subsidiaries"). The portfolio subsidiaries are included within the consolidated financial information although they continue to be managed by the Group as investments held for capital appreciation. Note 9 includes details of the companies concerned.

Use of estimates and judgements

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated income statement is restated as if the operation has been discontinued from the start of the comparative period.

Notes to the financial information

2. Operating segments

The information below has been prepared using the definition of an operating segment in IFRS 8: Operating Segments. The Group determines and presents information on operating segments based on the information that is provided internally to the directors to enable them to assess performance and allocate resources.

As an investment company, the Group's primary focus is on the performance of its investment management business. Financial information for this segment is prepared on the basis that all investments are accounted for at fair value.

The information set out below therefore presents summarised financial information for the investment management business on a stand alone basis, together with the adjustments arising from the summarised results and financial position of the portfolio subsidiaries.

The consolidation adjustments included below reflect the adjustments necessary to restate the portfolio subsidiaries from the basis included in the investment management segment (investments carried at fair value) to full consolidation in the Group's financial statements.

Segment profit or loss

	Six months ended 30 June 2011				
		Reconciliation			
	Investment management £'000	Portfolio Subsidiaries £'000	Discontinued operations £'000	Consolidation adjustments £'000	Group total £'000
Revenues from sales of goods and services	-	**25,025**	-	-	**25,025**
Gains and losses on investments	**9,512**	-	-	**(2,788)**	**6,724**
Interest income	**16**	**6**	-	-	**22**
Dividend income	-	-	-	-	-
Other income from investments	**1,502**	**2**	-	**(67)**	**1,437**
Finance costs	**(179)**	**(1,714)**	-	**1,202**	**(691)**
Continuing operations	**7,033**	**163**	-	**(1,997)**	**5,199**
Discontinued operations	-	-	**1,065**	-	**1,065**
Profit/ (loss) for the period	**7,033**	**163**	**1,065**	**(1,997)**	**6,264**

Notes to the financial information

2. Operating segments (continued)

Six months ended 30 June 2010

	Investment management £'000	Reconciliation: Portfolio Subsidiaries £'000	Reconciliation: Discontinued operations £'000	Reconciliation: Consolidation adjustments £'000	Group total £'000
Revenues from sales of goods and services	-	19,064	-	-	19,064
Gains and losses on investments	812	-	-	2,828	3,640
Interest income	16	5	-	-	21
Dividend income	28	-	-	-	28
Other income from investments	298	-	-	(17)	281
Impairment of intangible assets	-	-	-	2,579	2,579
Finance costs	(85)	(1,548)	-	1,012	(621)
Continuing operations	(2,539)	4,201	-	(1,040)	622
Discontinued operations	-	-	(7,937)	-	(7,937)
Profit/ (loss) for the period	(2,539)	4,201	(7,937)	(1,040)	(7,315)

Segment net assets

30 June 2011

	Investment management £'000	Reconciliation: Portfolio subsidiaries £'000	Reconciliation: Consolidation adjustments £'000	Group total £'000
Property, plant and equipment	**811**	**8,266**	**-**	**9,077**
Intangible assets	**-**	**12,127**	**15,578**	**27,705**
Investments	**224,343**	**-**	**(35,485)**	**188,858**
Other non-current assets	**-**	**48**	**-**	**48**
Non-current assets	**225,154**	**20,441**	**(19,907)**	**225,688**
Cash and cash equivalents	**30,483**	**5,713**	**-**	**36,196**
Other current assets	**746**	**10,389**	**(123)**	**11,012**
Total assets	**256,383**	**36,543**	**(20,030)**	**272,896**
Total liabilities	**(3,986)**	**(46,947)**	**22,713**	**(28,220)**
Net assets/(liabilities)	**252,397**	**(10,404)**	**2,683**	**244,676**

The net asset value of the investment management business at 30 June 2011 is wholly attributable to the equity holders of the parent.

Notes to the financial information

2. Operating segments (continued)

31 December 2010				
		Reconciliation		
	Investment management £'000	Portfolio subsidiaries £'000	Consolidation adjustments £'000	Group total £'000
Property, plant and equipment	339	9,152	-	9,491
Intangible assets	-	11,502	16,621	28,123
Investments	253,140	-	(32,437)	220,703
Other non-current assets	-	43	-	43
Non-current assets	253,479	20,697	(15,816)	258,360
Cash and cash equivalents	9,326	3,903	-	13,229
Other current assets	590	14,661	(582)	14,669
Total assets	263,395	39,261	(16,398)	286,258
Total liabilities	(18,429)	(60,802)	31,803	(47,428)
Net assets/(liabilities)	244,966	(21,541)	15,405	238,830

The net asset value of the investment management business at 31 December 2010 is wholly attributable to the equity holders of the parent.

The carrying amount and gain and losses of the investments of the investment management business can be further analysed as follows;

	30 June 2011			31 December 2010		
	UK	US	Total	UK	US	Total
Asset type	£'000	£'000	£'000	£'000	£'000	£'000
Funds	**37,569**	**71,666**	**109,235**	35,164	79,371	114,535
Quoted	**1,062**	**31,296**	**32,358**	21,091	42,122	63,213
Unquoted	**45,617**	**37,133**	**82,750**	41,361	34,031	75,392
	84,248	**140,095**	**224,343**	97,616	155,524	253,140

	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Realised gains/(losses)	Unrealised gains/(losses)	Total	Realised gains/(losses)	Unrealised gains/(losses)	Total
Asset type	£'000	£'000	£'000	£'000	£'000	£'000
Funds	**56**	**3,576**	**3,632**	237	9,362	9,599
Quoted	**5,333**	**(6,315)**	**(982)**	837	(8,412)	(7,575)
Unquoted	**(28)**	**6,890**	**6,862**	(5)	(1,207)	(1,212)
	5,361	**4,151**	**9,512**	1,069	(257)	812

Notes to the financial information

2. Operating segments (continued)

Revenues

The Group's revenues to external customers comprise:

	Six months ended 30 June	
	2011	2010
	£'000	£'000
Continuing operations		
IT services and software	**16,095**	15,688
Specialist manufacturing	**2,697**	2,357
Energy and related services	**6,233**	1,019
	25,025	19,064

3. Discontinued operations

In April 2011 the Group sold its entire interests in CopperEye Limited and Kizoom Limited.

Results of discontinued operations

	Six months ended 30 June	
	2011	2010
	£'000	£'000
Revenues	**392**	5,161
Expenses	**(493)**	(13,086)
Results from operating activities	**(101)**	(7,925)
Taxation	**-**	(12)
Results from operating activities, net of tax	**(101)**	(7,937)
Gain on sale of discontinued operations, net	**1,166**	-
Tax on gain on sale of discontinued operations	**-**	-
Gain/(loss) for the period	**1,065**	(7,937)
Basic earnings per ordinary share	**0.4p**	(2.9)p
Diluted earnings per ordinary share	**0.4p**	(2.9)p

Notes to the financial information

3. Discontinued operations (continued)

Cash flows from/(used in) discontinued operations

	Six months ended 30 June	
	2011	2010
	£'000	£'000
Net cash used in operating activities	**(151)**	(203)
Net cash used in investing activities	**-**	(6)
Net cash from financing activities	**-**	-
Net cash from/(used in) discontinued operations	**(151)**	(209)

Effect of disposals on the financial position of the Group

	30 June 2011
	£'000
Property, plant and equipment	**(266)**
Intangible assets	**(125)**
Trade and other receivables	**(1,231)**
Cash and cash equivalents	**(60)**
Bank overdrafts	**1,063**
Trade and other payables	**1,325**
Deferred income	**91**
Net liabilities	**797**
Consideration received, satisfied in cash	**370**
Cash disposed of	**(60)**
Net cash inflow	**310**

4. Earnings/(loss) per ordinary share

The calculation of basic earnings per ordinary share is based on the profit of £5,749,000 (period ended 30 June 2010: loss of £8,336,000), being the profit for the period attributable to the owners of the Company, divided by the weighted average number of ordinary shares in issue during the period of 272,651,265 (period ended 30 June 2010: 272,640,952).

The calculation of earnings per ordinary share for continuing operations is based on the profit of £4,684,000 (six months ended 30 June 2010: loss of £399,000), being the profit for the period from continuing operations attributable to the owners of the Company, divided by the weighted average number of ordinary shares in issue during the period of 272,651,265 (six months ended 30 June 2010: 272,640,952).

The calculation of diluted earnings per ordinary share is based on the profit of £5,749,000, being the profit for the period attributable to the owners of the Company, divided by the weighted average number of ordinary shares in issue during the period of 279,943,796 after taking account of the potential dilutive effect of share options issued under the Company's share option plans.

Notes to the financial information

4. Earnings/(loss) per ordinary share (continued)

The calculation of diluted earnings per ordinary share for continuing operations is based on the profit of £4,684,000, being the profit for the period from continuing operations attributable to the owners of the Company, divided by the weighted average number of ordinary shares in issue during the period of 279,943,796 after taking account of the potential dilutive effect of share options issued under the Company's share option plans.

There was no dilution effect in the six months ended 30 June 2010.

5. Investments

The Group's investments comprise:

	Carrying amount	
	30 June 2011 £'000	31 December 2010 £'000
Quoted securities	**32,358**	63,213
Unquoted securities	**47,265**	42,955
Funds	**109,235**	114,535
	188,858	220,703

6. Capital commitments

	30 June 2011 £'000	31 December 2010 £'000
Outstanding commitments to funds	**27,511**	40,711
	27,511	40,711

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

7. Related party transactions

Transactions with related parties during the period were consistent in nature and scope with those disclosed in Note 28 to the Group's annual financial statements for the year ended 31 December 2010.

8. Contingent liabilities

The Company has guaranteed the indebtedness of certain of the Group's investments; the amount outstanding under these arrangements at 30 June 2011 was £1.2 million.

Notes to the financial information

9. Acquisition of subsidiary

The following acquisition was made during the period ended 30 June 2010:

Nationwide Energy Partners LLC

In May 2010 the Group acquired a 55.4% interest in Nationwide Energy Partners LLC "NEP"); the acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Fair value of net assets acquired £'000
Property, plant and equipment	1,761
Intangible assets	1,571
Operating and other receivables	2,682
Loans and borrowings	(1,086)
Operating and other payables	(2,569)
Long term liabilities	(192)
Net identifiable assets and liabilities	2,167
Intangible assets (goodwill)	7,077
Net assets acquired	9,244
Non-controlling interest	(967)
Consideration paid	8,277

The operating and other receivables comprise gross contractual amounts due of £2,922,551, of which £240,859 was expected to be uncollectable at acquisition date. The non-controlling interest is calculated based on the proportionate interest of the non-controlling interest in the fair value of identifiable net assets acquired.

Of the total consideration, £7,450,000 was paid on completion and the remainder was paid in May 2011.

The goodwill is attributable to the expected profitability of the acquired business. None of the goodwill is expected to be deductible for tax purposes.

NEP is an energy service provider in Columbus, Ohio and provides owners of multi unit residential properties with outsourced meter reading, billing and collection services for water and electricity accounts.

In July 2010 the Group made an additional investment in NEP of £1.2 million and increased its interest in the company to 59.5%.

Notes to the financial information

10. Subsidiaries

The subsidiaries comprising the Group's investment management business (as set out in Note 2) are as follows:

Name	Country of incorporation	Holding %	Activity
LMS Capital Group Limited	England and Wales	100	Investment holding
Lion Cub Investments Limited	England and Wales	100	Dormant
Lion Cub Property Investments Limited	England and Wales	100	Investment holding
LMS Capital Holdings Limited	England and Wales	100	Investment holding
LMS Capital (ECI) Limited	England and Wales	100	Investment holding
Lion Investments Limited	England and Wales	100	Investment holding
LMS Capital (Bermuda) Limited	Bermuda	100	Investment holding
LMS Capital (GW) Limited	Bermuda	100	Investment holding
LMS Capital (General Partner) Limited	Bermuda	100	Investment holding
Tiger Investments Limited	England and Wales	100	Investment holding
LMS Tiger Investments (II) Limited	England and Wales	100	Investment holding
International Oilfield Services Limited	Bermuda	100	Investment holding
Westpool Investment Trust plc	England and Wales	100	Investment holding
LMS Tiger 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 NEP Holdings, Inc	United States of America	100	Investment holding

In addition to the above, the Group's carried interest arrangements are operated through three limited partnerships (LMS Capital 2007 LP, LMS Capital 2008 LP and LMS Capital 2009 LP) which are registered in Bermuda.

The following companies form part of the Group's investment activities but, by virtue of the size of the Group's shareholding or other control rights, fall within the definition of subsidiaries under IFRS. These portfolio subsidiaries are included within the consolidated financial information although they continue to be managed by the Group as investments held for capital appreciation.

Name	Country of incorporation	Holding %	Activity
Entuity limited	England and Wales	68	Network management software
Nationwide Energy Partners LLC	United States of America	59.5	Energy services provider
ITS (US) Holdings Inc	United States of America	100	Specialist engineering design and fabrication
Updata Infrastructure Holdings Limited	England and Wales	47.8	Carrier-class networks
Wesupply Limited	England and Wales	85	Supply chain management software

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

a the condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU; and

b the interim management report includes a fair review of the information required by:

  i DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

  ii DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

G Payne
Chief Executive Officer

AC Sweet
Chief Financial Officer

4 August 2011

Independent review report to LMS Capital plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Iain Bannatyne
for and on behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB
4 August 2011