**4 August 2014**

# LMS Capital plc
## Half Year Results for the six months ended 30 June 2014

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 2014.

- In May the Company completed a third tender offer amounting to £40 million which brought the total returned to shareholders so far to £115 million.

- Proceeds of realisations in the period were £40.5 million (2013: £29.9 million), including £31.8 million from the sale of Updata Infrastructure (UK) and £2.6 million from the sale of part of our holding in Weatherford International.

- Distributions from funds were £5.6 million (2013: £8.2 million) – calls to meet fund commitments were £0.6 million (2013: £2.5 million).

- Net Asset Value per share at 30 June 2014 was 94p (31 December 2013: 88p). Net Asset Value was £136.1 million (31 December 2013: £165.3 million).

- The investment portfolio showed a net gain of £19.0 million (2013: £6.5 million) before unrealised net currency losses of £3.0 million (2013: net gains of £7.4 million) and carried interest charges of £2.3 million (2013: £1.1 million).

- At 30 June 2014 we had liquid assets of £37.6 million (31 December 2013: £41.8 million), being net cash of £7.6 million (31 December 2013: £17.8 million) and quoted securities of £30.0 million (31 December 2013: £24.0 million). Outstanding commitments to funds were £7.4 million, down from £8.1 million at the end of 2013.

**Martin Knight, Chairman of LMS Capital, said:**

"We are pleased to have achieved further realisations during the first half of 2014 and to have completed a third tender offer for £40 million, bringing the total returned to shareholders since the commencement of the realisation strategy to £115 million.

The performance of the investment portfolio and the realisation strategies around individual assets continue to progress and produce results."

**For further information please contact:**

| | |
|---|---|
| **LMS Capital plc** | **020 7935 3555** |
| Nick Friedlos, Director | |
| Tony Sweet, Chief Financial Officer | |
| | |
| **J.P. Morgan Cazenove** | **020 7742 4000** |
| Michael Wentworth-Stanley | |
| | |
| **MHP Communications** | **020 3128 8100** |
| Tim McCall | |
| Katie Hunt | |

**About LMS Capital**

LMS Capital is an investment company which, following a general meeting on 30 November 2011, is undertaking a realisation strategy with the aim of achieving a balance between an efficient return of cash to shareholders and optimising the value of the Company's investments. Its investment portfolio consists of small to medium sized companies across a range of sectors.

www.lmscapital.com

## Half year review 2014

***Overview***

The focus of the Company's directors is to optimise realisations from the investment portfolio and return the proceeds to shareholders on a timely basis. The investment portfolio comprises publicly quoted and private company investments in the UK and the US held directly and through funds. To date returns to shareholders have taken the form of tender offers and related share buybacks and the directors expect the use of tender offers to continue as the realisation strategy progresses. In May the Directors completed a third tender offer which brought the total returned to shareholders so far to £115 million. This equates to around 48% of the net asset value at the end of 2011 ("Opening Net Asset Value") and approximately 74% of the Company's market capitalisation at the time of the November 2011 general meeting to approve the realisation strategy ("Opening Market Capitalisation").

Under the terms of the realisation strategy, no investments will be made in new opportunities. Follow-on investments will be made in existing assets to honour commitments made at the time of the initial investment and/or to which the Company is legally obligated, or where the investment is made to protect or enhance the value of an existing asset or to facilitate its orderly realisation.

In the first half of 2014 the Company received proceeds of £40.5 million principally from the sale of Updata, distributions from funds and from the sale of part of our holding in Weatherford International. These proceeds generated realised gains of £12.4 million (compared to closing 2013 reported book values), most of which arose on Updata. This level of realisation together with cash already held facilitated the further return to shareholders of £40 million in May.

Excluding the impact of foreign exchange movements and carried interest charges in the period, the remaining portfolio had unrealised net gains of £6.6 million. This includes £8.6 million on our quoted portfolio (including £8.2 million attributable to our holding in Weatherford International) offset by a net reduction in value of our fund portfolio. An analysis of the gains and losses on the portfolio is set out later in this report.

The movement in net asset value during the first half of 2014 was as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **£'000** | £'000 |
| 1 January | **165,254** | 192,106 |
| Return on investments | **13,668** | 12,895 |
| Overheads, net of other income | **(1,985)** | (1,737) |
| Taxation, interest and foreign exchange translation differences | **(354)** | (198) |
| Tender offer, including costs | **(40,471)** | - |
| 30 June | **136,112** | 203,066 |

***Key performance indicators***

The following are the key performance indicators for the first half of 2014:

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2014** | 2013 |
| **Cash realisations from the investment portfolio - gross** | £'million | **40.5** | 29.9 |
| **Cash realisations from the investment portfolio - net** | £'million | **33.4** | 25.1 |
| **Cash returned to shareholders - period** | £'million | **40.0** | - |
| **Cash returned to shareholders – cumulative** | £'million | **115.0** | 40.0 |
| **Cumulative returns to shareholders compared to Opening Market Capitalisation** | % | **74%** | 26% |
| **Cumulative returns to shareholders compared to Opening Net Asset Value** | % | **48%** | 16% |
| **NAV per share** | pence | **94** | 90 |

Cash realisations from the portfolio in the period were as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **£'000** | £'000 |
| Sales of investments | **34,360** | 21,032 |
| Capital restructurings and loan repayments | **600** | 671 |
| Distributions from funds | **5,559** | 8,166 |
| Total - gross | **40,519** | 29,869 |
| Follow-on investments | **(1,991)** | (1,160) |
| Fund calls | **(552)** | (2,511) |
| Carried interest payments | **(4,604)** | (1,098) |
| Total - net | **33,372** | 25,100 |

Sales of investments in the first half of this year include £31.8 million from the sale of Updata and £2.6 million from the sale of part of our holding in Weatherford International. We sold 10% of our shareholding at the start of the year and currently have 1,845,000 shares in this US quoted oilfield services company.

Follow-on investments included £1.7 million to provide working capital for ICU Eyewear (a portfolio company of San Francisco Equity Partners) and £0.3 million to provide working capital for two of our smaller investments

Carried interest payments resulted from the sale of Updata – this sale generated a net return to the Company (after costs and carried interest) of 5.3 times cash invested and an IRR of 52% since acquisition in 2009.

For the six months to 30 June 2014, the gains and losses on our portfolio were as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| **Gains/(losses), net** | **£'000** | £'000 |
| Quoted securities | **8,521** | 5,772 |
| Direct investments | **9,748** | 6,297 |
| Funds | **(2,298)** | 1,890 |
| | **15,971** | 13,959 |
| Being: | | |
| Realised gains | **12,379** | 1,252 |
| Unrealised valuation gains/(losses), net | **6,616** | 5,287 |
| | **18,995** | 6,539 |
| Unrealised currency gains/(losses) | **(3,024)** | 7,420 |
| Portfolio return above | **15,971** | 13,959 |
| Less: charges for carried interest and incentive plans | **(2,303)** | (1,064) |
| Total gains/(losses), net | **13,668** | 12,895 |

Approximately 68% of the portfolio at 30 June 2014 is denominated in US dollars (31 December 2013: 59%). In the first half of 2014, the weakening of the US dollar against pound sterling resulted in an unrealised foreign currency loss of £3.0 million (2013: unrealised gain of £7.4 million). As is common practice in private equity investment, it is the Board's current policy not to hedge the Company's underlying non-sterling investments.

Details of our ten largest investments by valuation at 30 June 2014, representing approximately 71% of the total portfolio, are set out on page 7.

*Overheads*

Excluding foreign currency transaction gains and losses, operating expenses were further reduced to £1.8 million (2013: £2.4 million).

*Financial position*

At 30 June 2014 we had liquid assets of £37.6 million (31 December 2013: £41.8 million), being net cash of £7.6 million (31 December 2013: £17.8 million) and quoted securities of £30.0 million (31 December 2013: £24.0 million). Uncalled commitments to funds were £7.4 million (31 December 2013: £8.1 million).

**Principal risks and uncertainties**

The principal risks and uncertainties that affect the Group are described on pages 9 and 10 of the Group's Annual Report for the year ended 31 December 2013. 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.

There are a number of risks which could adversely affect the business of the Group, the most significant of which in the context of current market conditions are:

- The Group is subject to economic factors (such as the market demands of the sectors in which its investments operate) which may negatively impact the performance and growth rates of the Company's investments which may result in the Company's Net Asset Value and net income declining.
- A lack of liquidity in the capital markets and an increased aversion to risk on the part of potential buyers could mean that the Company may not be able to realise its investments in line with planned timings and values. This could impact the timing and amount of capital returned to shareholders under the Company's asset realisation strategy.
- The Group is subject to the impact of changes in market prices for its quoted investments, as well as to movements in interest rates and exchange rates. A significant proportion of our investment portfolio is denominated in a currency other than pounds sterling, principally US dollars. It is the Board's current policy not to hedge the Company's underlying non-sterling investments.
- The experience of the management team is a key factor in mitigating our risk of loss on individual investments.

**Outlook**

The performance of the investment portfolio and the realisation strategies around individual assets continue to progress and produce results.

Nick Friedlos
Director
4 August 2014

**LMS Capital plc**

**Principal investments by valuation – 30 June 2014**

| Name | Geography | Type | Sector | Date of initial investment | Book value £'000 |
|---|---|---|---|---|---|
| Weatherford International | US | Quoted | Energy | 1984 | 24,802 |
| Brockton Capital | UK | Fund | Property | 2006 | 15,168 |
| Medhost Inc *(formerly HealthTech)* | US | Unquoted | Technology | 2007 | 12,221 |
| Yes To, Inc* | US | Unquoted | Consumer | 2008 | 9,970 |
| Nationwide Energy Partners | US | Unquoted | Energy | 2010 | 9,531 |
| ICU Eyewear* | US | Unquoted | Consumer | 2010 | 5,830 |
| Penguin Computing* | US | Unquoted | Technology | 2004 | 5,380 |
| BV Investment Partners | US | Funds | Buyouts | 1996 | 5,212 |
| Entuity | UK | Unquoted | Technology | 2000 | 5,000 |
| Wesupply | UK | Unquoted | B-2-B service provider | 2000 | 4,000 |

**A portfolio company of San Francisco Equity Partners.*

# Condensed consolidated income statement

| | Notes | Six months ended 30 June 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Gains and losses on investments | 2 | **13,668** | 12,895 |
| Directors' and other fees from investments | | **61** | 55 |
| Interest income | | **23** | 48 |
| | | **13,752** | 12,998 |
| Operating expenses | | **(2,046)** | (1,792) |
| **Profit before tax** | | **11,706** | 11,206 |
| Taxation | | **(391)** | (109) |
| **Profit for the period** | | **11,315** | 11,097 |
| **Attributable to:** | | | |
| Equity holders of the parent | | **11,315** | 11,097 |
| Earnings per ordinary share - basic | 3 | **6.3p** | 4.9p |
| Earnings per ordinary share - diluted | 3 | **6.3p** | 4.9p |

The notes on pages 13 to 16 form part of these financial statements.

# Condensed consolidated statement of comprehensive income

| | Six months ended 30 June 2014 £'000 | 2013 £'000 |
|---|---|---|
| Profit for the period | **11,315** | 11,097 |
| Exchange differences on translation of foreign operations | **14** | (137) |
| Total comprehensive profit for the period | **11,329** | 10,960 |
| **Attributable to:** | | |
| Equity holders of the parent | **11,329** | 10,960 |

The notes on pages 13 to 16 form part of these financial statements.

# Condensed consolidated statement of financial position

| | Notes | 30 June 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **452** | 513 |
| Investments | 2 | **136,997** | 157,721 |
| Non-current assets | | **137,449** | 158,234 |
| **Current assets** | | | |
| Operating and other receivables | | **541** | 532 |
| Cash and cash equivalents | | **7,570** | 17,824 |
| Current assets | | **8,111** | 18,356 |
| Total assets | | **145,560** | 176,590 |
| **Current liabilities** | | | |
| Operating and other payables | | **(5,799)** | (7,123) |
| Current tax liabilities | | **(641)** | (641) |
| Current liabilities | | **(6,440)** | (7,764) |
| **Non-current liabilities** | | | |
| Provisions and other long-term liabilities | | **(3,008)** | (3,572) |
| Non-current liabilities | | **(3,008)** | (3,572) |
| Total liabilities | | **(9,448)** | (11,336) |
| Net assets | | **136,112** | 165,254 |
| **Equity** | | | |
| Share capital | | **14,525** | 18,736 |
| Share premium account | | **508** | 508 |
| Capital redemption reserve | | **18,497** | 14,286 |
| Merger reserve | | **84,083** | 84,083 |
| Foreign exchange translation reserve | | **792** | 778 |
| Retained earnings | | **17,707** | 46,863 |
| Equity attributable to owners of the parent | | **136,112** | 165,254 |

The financial statements on pages 8 to 16 were approved by the Board on 4 August 2014 and were signed on its behalf by:

N Friedlos
Director

The notes on pages 13 to 16 form part of these financial statements.

# Condensed consolidated statement of changes in equity

## Six months ended 30 June 2014

| | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Merger reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2014 | 18,736 | 508 | 14,286 | 84,083 | 778 | 46,863 | 165,254 |
| *Total comprehensive income for the period* | | | | | | | |
| Profit for the period | - | - | - | - | - | 11,315 | 11,315 |
| Exchange differences on translation of foreign operations | - | - | - | - | 14 | - | 14 |
| *Transactions with owners, recorded directly in equity* | | | | | | | |
| Repurchase of shares | (4,211) | - | 4,211 | - | - | (40,471) | (40,471) |
| Share-based payments | - | - | - | - | - | - | - |
| Balance at 30 June 2014 | 14,525 | 508 | 18,497 | 84,083 | 792 | 17,707 | 136,112 |

## Six months ended 30 June 2013

| | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Merger reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2013 | 22,625 | 508 | 10,397 | 84,083 | 697 | 73,796 | 192,106 |
| *Total comprehensive income for the period* | | | | | | | |
| Profit for the period | - | - | - | - | - | 11,097 | 11,097 |
| Exchange differences on translation of foreign operations | - | - | - | - | (137) | - | (137) |
| Balance at 30 June 2013 | 22,625 | 508 | 10,397 | 84,083 | 560 | 84,893 | 203,066 |

The notes on pages 13 to 16 form part of these financial statements.

# Condensed consolidated cash flow statement

| | Six months ended 30 June 2014 £'000 | Six months ended 30 June 2013 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | **11,315** | 11,097 |
| Adjustments for: | | |
| Depreciation and amortisation | **65** | 54 |
| Gains on investments | **(13,668)** | (12,895) |
| Translation differences | **433** | (972) |
| Interest income | **(23)** | (48) |
| Income tax expense | **391** | 109 |
| | **(1,487)** | (2,655) |
| Change in operating and other receivables | **(9)** | 594 |
| Change in operating and other payables | **(4,648)** | (1,438) |
| | **(6,144)** | (3,499) |
| Income tax paid | **(764)** | (109) |
| **Net cash used in operating activities** | **(6,908)** | (3,608) |
| | | |
| **Cash flows from investing activities** | | |
| Interest received | **23** | 48 |
| Acquisition of property, plant and equipment | **(4)** | - |
| Acquisition of investments | **(3,145)** | (3,671) |
| Proceeds from sale of investments | **40,517** | 29,869 |
| Other income from investments | **153** | 257 |
| **Net cash from investing activities** | **37,544** | 26,503 |
| | | |
| **Cash flows used in financing activities** | | |
| Repurchase of own shares | **(40,471)** | - |
| **Net cash used in financing activities** | **(40,471)** | - |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | **(9,835)** | 22,895 |
| Cash and cash equivalents at the beginning of the period | **17,824** | 20,117 |
| Effect of exchange rate fluctuations | **(419)** | 835 |
| **Cash and cash equivalents at the end of the period** | **7,570** | 43,847 |

The notes on pages 13 to 16 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 2014 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 2013 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditor and delivered to the registrar of companies. The report of the auditor on the Company’s statutory accounts for the financial year ended 31 December 2013 was (i) unqualified and (ii) drew attention by way of emphasis without qualifying their report to the accounts no longer being prepared on a going concern basis and (iii) did not contain a statement under section 498(2) or (3) 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.

### 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 2013 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 Conduct 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 2013.

On 30 November 2011 the shareholders approved a change in the investment policy of the Company with the objective of conducting an orderly realisation of the assets of the Company in a manner that seeks to achieve a balance between an efficient return of cash to shareholders and maximising the value of the Company’s investments. As the Directors intend to liquidate the Company following the realisation and settlement of the remaining net assets, which may be over a number of years, these condensed consolidated financial statements have not been prepared on a going concern basis.

## 1. Principal accounting policies (continued)

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 despite the current uncertain economic outlook. After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources for the foreseeable future.

These condensed consolidated financial statements were approved by the Board of Directors on • August 2014.

### Significant accounting policies

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 2013.

*Basis of consolidation*

The Company's business purpose is solely to invest funds for returns from capital appreciation and for investment income and it measures and evaluates the performance of all of its investments on a fair value basis. Accordingly it meets the criteria for investment entity status set out in IFRS 10 (as amended) and (as permitted) the Company early adopted the amendments with a date of initial application of 1 January 2013.

The financial statements comprise the financial statements of the Company and its subsidiary undertakings up to 30 June 2014. Investments measured at fair value through profit or loss are held through a series of intermediate holding companies which are consolidated within the Group financial statements. Note 6 includes details of the companies included in the consolidated financial information.

*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.

## 2. Investments

The carrying amounts and gains and losses on investments were as follows:

**Carrying amounts**

| | 30 June 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | UK | US | Total | UK | US | Total |
| Asset type | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Funds | **27,558** | **34,887** | **62,445** | 29,156 | 39,990 | 69,146 |
| Quoted | **1,766** | **28,256** | **30,022** | 1,406 | 22,630 | 24,036 |
| Unquoted | **15,140** | **29,390** | **44,530** | 34,654 | 29,885 | 64,539 |
| | **44,464** | **92,533** | **136,997** | 65,216 | 92,505 | 157,721 |

## 2. Investments (continued)

| Gains/(losses) on investments | Six months ended 30 June 2014 | | | Six months ended 30 June 2013 | | |
|---|---|---|---|---|---|---|
| Asset type | Realised gains £'000 | Unrealised gains/(losses) £'000 | Total £'000 | Realised gains/(losses) £'000 | Unrealised gains £'000 | Total £'000 |
| Funds | **1,284** | **(3,582)** | **(2,298)** | (356) | 2,246 | 1,890 |
| Quoted | **650** | **7,871** | **8,521** | 158 | 5,614 | 5,772 |
| Unquoted | **10,445** | **(697)** | **9,748** | 1,450 | 4,847 | 6,297 |
| | **12,379** | **3,592** | **15,971** | 1,252 | 12,707 | 13,959 |
| Charges for incentive plans | | | **(2,303)** | | | (1,064) |
| | | | **13,668** | | | 12,895 |

## 3. Earnings per ordinary share

The calculation of the basic and diluted earnings per share, in accordance with IAS 33, is based on the following data:

| | Six months ended 30 June 2014 £'000 | Six months ended 30 June 2013 £'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of earnings per share being net profit attributable to equity holders of the parent | **11,315** | 11,097 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per shares | **180,338,740** | 226,244,974 |
| **Effect of dilutive potential ordinary shares** | | |
| Share options and performance shares | **78,531** | 969,013 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **180,417,271** | 227,213,987 |
| **Earnings per share** | | |
| Basic | **6.3p** | 4.9p |
| Diluted | **6.3p** | 4.9p |

## 4. Capital commitments

| | 30 June 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| Outstanding commitments to funds | **7,417** | 8,139 |
| | **7,417** | 8,139 |

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

## 5. Related party transactions

Transactions with related parties during the period were consistent in nature and scope with those disclosed in Note 21 to the Group's annual financial statements for the year ended 31 December 2013.

## 6. Subsidiaries

The Group's principal subsidiaries are as follows:

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

In addition to the above, certain of the Group's carried interest arrangements are operated through five limited partnerships (LMS Capital 2007 LP, LMS Capital 2008 LP, LMS Capital 2009 LP, LMS Capital 2010 LP and LMS Capital 2011 LP) which are registered in Bermuda.

# Statement of directors' responsibilities

The Directors who served during the six months ended 30 June 2014 and their respective responsibilities are as set out on page 11 of the Group's Annual Report for the year ended 31 December 2013.

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.

N Friedlos
Director

AC Sweet
Chief Financial Officer

4 August 2014

# 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 2014 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Iain Bannatyne
for and on behalf of KPMG LLP
*Chartered Accountants*
8 Salisbury Square
London EC4Y 8BB

4 August 2014