26 July 2017

LMS Capital plc
Half Year Results for the six months ended 30 June 2017

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 2017.

- Proceeds of realisations in the period were £19.9 million bringing to £21.9 million the total received since the circular to shareholders in July 2016.

- The Company has today announced the launch of a tender offer to return up to £11 million to shareholders.

- First half proceeds included:
  - A distribution from San Francisco Equity Partners of £9.0 million following the recapitalisation and partial realisation of its portfolio company, Yes To;
  - Distributions from other funds of £5.6 million;
  - £3.6 million forming the stage one payment on the sale of Nationwide Energy Partners;
  - The sale of 176,000 shares in Weatherford International for net proceeds of £0.7 million;
  - Proceeds of £1.1 million from the sale of 365iTMS.

- Net Asset Value at 30 June 2017 was £71.7 million, 74p per share (31 December 2016: £68.1 million, 71p per share).

- The investment portfolio showed a net gain in the first half of £7.3 million (2016: net loss of £8.6 million) before unrealised net currency losses of £1.9 million (2016: unrealised net gains of £6.8 million) and carried interest charges of £0.2 million (2016: £0.1 million).

- The profit for the period was £3.5 million (2016: loss of £3.9 million).

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For further information please contact:

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Chairman's statement

I am pleased to report that the Company has made significant progress during the first half of 2017 and we have today launched a tender offer to return up to £11 million to shareholders. This is the full amount of the further returns proposed in the circular sent to shareholders on 27 July 2016 and marks a significant landmark as the Company implements the new investment strategy set out in that circular.

Performance review

Net Asset Value per share at 30 June 2017 was 74p (31 December 2016: 71p) a return of 4.2% for the first half of the year.

Portfolio gains (realised and unrealised) for the six months were £5.4 million net (2016: net losses of £1.8 million), the key elements of which were:

- Following the recapitalisation and partial sale of the portfolio company, Yes To, the net gain on the Company's interest in San Francisco Equity Partners was £7.8 million;
- The sale of 365iTMS resulted in a net gain of £1.9 million;
- The Company reduced its carrying value for the co-investment Medhost by £1.6 million, based on the latest carrying value reported by the lead investor.

The portfolio gains for the period are stated after the impact of unrealised exchange losses of £1.9 million (2016: gains of £6.8 million), reflecting the strengthening of sterling against the US dollar.

Overhead costs were £1.6 million, significantly lower than the previous year (2016: £2.1 million). The amount for the first half of 2017 includes costs totalling £0.7 million which are not expected to recur once the transition to external management is complete.

Conclusion and outlook

The return of £11 million to shareholders referred to above marks the close of an important chapter in the Company's recent history and will bring to £172 million total cash returns to shareholders in the last five and a half years. This compares to a market capitalisation of the Company five and a half years ago, at the start of its realisation strategy, of £155 million.

The Board and the Manager are now focussed on growing the investment portfolio and net asset value for shareholders. In future, it is the intention of the Company to generate a dividend yield over the longer term.

Martin Knight
Chairman

26 July 2017

Manager's review – 30 June 2017

Gresham House Asset Management ("GHAM") has made significant progress since being appointed investment manager in August 2016. With input from the LMS Capital Board it has adopted a staged approach towards achieving the objectives outlined at that time.

The 'first stage', which is now substantially complete, has seen transition to external management, including:

- Implementing a new investment process and governance structure, including the newly appointed Investment Committee;
- Detailed review of portfolio holdings to frame future strategy and drive potential growth and liquidity opportunities;
- Significant engagement with the management teams of underlying portfolio investments in order to identify catalysts for stabilisation, value creation and long term growth. This includes members of GHAM joining the boards of 365iTMS (until its sale), Entuity, Elateral, and Nationwide Energy Partners; and
- Appointing external administrators and driving targeted annualised cost savings.

The 'second stage' is focused on realisation and return of capital to shareholders alongside investing appropriately to optimise the value of the portfolio where there is a clear plan for longer term value creation with portfolio companies. This stage is now also substantially complete as shown by:

- The tender offer to return up to £11 million to shareholders, details of which are being sent to shareholders today, and which returns in full the amount set out in the circular to shareholders dated 27 July 2016;
- The sale of 365iTMS in April, partly for cash but largely for shares in Coretx Holdings plc to enable LMS Capital to participate in the expected future growth of the combined business;
- Completion of the arrangements to sell the Company's interest in Nationwide Energy Partners back to the founders; and
- The redemption of most of the Company's interest in the Weber Capital funds.

The 'third stage' will be focused primarily on new investment in direct private equity opportunities at the smaller end of the market and alternative, specialist asset classes targeting long term, illiquid strategies, in each case leveraging the expertise, experience and network of the investment team and newly formed Investment Committee. The team will also seek to scale the Company appropriately to generate additional shareholder value.

Investment approach

New investment is now focused predominantly on private equity investment and alternative, specialist asset classes using the experience of the GHAM team in asset management, private equity and public markets:

- The manager will invest in and partner with management teams of profitable and cash generative businesses and investments to create value, targeting an annual return on equity of 12% -15% net of costs over the long-term;
- The focus will primarily be on smaller private investment opportunities below £50 million value where the manager believes there to be significant market inefficiencies which create opportunities for superior long-term returns and to leverage the experience of the investment team;
- Investments may include alternative, specialist asset classes which target long term, illiquid strategies both through co-investment and fund opportunities on preferred terms; and
- The focus is also on optimising the value of existing holdings and, where growth prospects are clear, to preserve and support longer term value creation.

Market background

The first half of 2017 has been characterised by uncertainty with several significant political events in the UK, Europe and the US. Investors have had to navigate continued uncertainty over the terms of Brexit, the impact of the US presidential election as well as pockets of uncertainty in Europe and a snap election in the UK. This is in addition to slowing growth in Asia, continued oil price volatility, and uncertainty surrounding the prospect of interest rate rises on the back of rising inflation. The FTSE All Share reached an all-time high in May and we have also seen strong GDP growth in Germany and renewed focus on European equities.

High valuations, fund raising and increased competition for deals means private equity firms have high levels of uninvested funds, particularly for the larger enterprise value deals. We believe there are significant inefficiencies at the smaller end of the market, focusing on established smaller private companies below £50 million enterprise value where there can be less competition for deals and valuations are more attractive. This segment of the market tends to be off radar for venture and early stage funding providers and sub-threshold for mid-market private equity investors, creating an opportunity to generate superior long-term returns.

Performance review

The following are the key performance indicators (“KPIs”) considered by the Board and the Manager in assessing the Company’s performance against its objectives. These KPIs are:

Return on equity over the long term

The Company’s objective is to achieve a return on equity (on new investments) of between 12% and 15% per year over the long term.

The NAV per ordinary share total return

The Company’s net asset value per share total return was 4.2% for the six months ended 30 June 2017. This compared with 3.3% for the FTSE All-Share Index.

The share price total return

The Company’s share price total return was minus 6.5% for the six months ended 30 June 2017. This compared with the 3.3% gain for the FTSE All-Share Index.

Cash realisations from the portfolio in the first half of 2017 were as follows:

	Six months ended 30 June	
	2017	**2016**
	£'000	**£'000**
Sales of investments	**6,179**	4,490
Distributions from funds	**13,727**	4,139
Total – gross	**19,906**	8,629
Follow-on investments	**(250)**	(730)
Fund calls	**(57)**	(190)
Carried interest payments	**-**	(273)
Total – net	**19,599**	7,436

In the first half of 2017 the proceeds of £19.9 million arose principally from:

- A distribution of £9.0 million from San Francisco Equity Partners following the recapitalisation and partial disposal of its interest in Yes To;
- £3.6 million as the stage one payment on the sale of Nationwide Energy Partners;
- Distributions from Brockton Capital of £2.4 million;
- £2.9 million from the liquidation of the Company's interests in funds managed by Weber Capital;
- £0.7 million from sales of shares in Weatherford International; and
- Proceeds of £1.1 million from the sale of 365iTMS.

The only follow-on investment was to provide working capital for Elateral.

The following is a summary of the Company's net assets at 30 June 2017:

	30 June 2017 £'000	**31 December 2016 £'000**
Investment portfolio of the Company	**2,727**	2,481
Investment portfolio of subsidiaries	**56,383**	70,951
	59,110	73,432
Cash and cash equivalents	**16,598**	1,249
Other net assets/(liabilities)	**(4,046)**	(6,565)
Total net assets	**71,662**	68,116

Below is a summary of the investment portfolio of the Company and its subsidiaries:

	30 June 2017			**31 December 2016**		
Asset type	**UK £'000**	**US £'000**	**Total £'000**	**UK £'000**	**US £'000**	**Total £'000**
Quoted	**5,970**	**1,866**	**7,836**	2,481	2,995	5,476
Unquoted	**7,197**	**15,268**	**22,465**	9,384	21,987	31,371

Funds	**7,663**	**21,146**	**28,809**	11,149	25,436	36,585
	20,830	**38,280**	**59,110**	23,014	50,418	74,432

The principal investments at 30 June 2017 comprising 84% of the total portfolio were:

Name	Geography	Sector	Book value		% of Net asset value
			30 June 2017 £'000	**31 December 2016 £'000**	**30 June 2017**
Quoted investments					
Coretx Holdings	UK	Technology	**3,243**	-	**4.5%**
Gresham House	UK	Financial	**2,727**	2,481	**3.8%**
Unquoted investments					
Medhost Inc	US	Technology	**9,895**	12,070	**13.8%**
Elateral	UK	Technology	**3,500**	3,900	**4.9%**
Entuity	UK	Technology	**3,600**	3,000	**5.0%**
Fund investments					
San Francisco Equity Partners					
Penguin Computing*	US	Technology	**12,365**	10,133	**17.3%**
Yes To, Inc*	US	Consumer	**5,765**	8,387	**8.0%**
Others					
Brockton Capital	UK	Property	**4,452**	6,651	**6.2%**
Opus Capital Venture Partners	US	Technology	**4,173**	4,505	**5.8%**

*includes holdings by SFEP and co-investments held by the Company

Basis of valuation:

- Quoted investments – bid price of security quoted on relevant securities exchange;
- Unquoted investments – multiple of revenues or earnings of comparable quoted companies with appropriate discounts for marketability;
- Fund interests – based on amounts reported by the general partner unless the reported value is not in line with the Company's valuation policy.

Performance of the investment portfolio

The return on investments for the six months ended 30 June 2017 was as follows:

	Six months ended 30 June					
			2017			2016
Asset type	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Total £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Total £'000
Quoted	**44**	**(180)**	**(136)**	(23)	(1,236)	(1,259)
Unquoted	**2,488**	**(2,833)**	**(345)**	-	(723)	(723)
Funds	**3,572**	**2,333**	**5,905**	183	22	205
	6,104	**(680)**	**5,424**	160	(1,937)	(1,777)
Charges for incentive plans			**(168)**			(41)
			5,256			(1,818)
Operating and similar expenses of subsidiaries			**(224)**			(429)
			5,032			(2,247)

Approximately 65% of the portfolio at 30 June 2017 is denominated in US dollars (31 December 2016: 69%) and the above table includes the impact of currency movements. In the six months ended 30 June 2017, the strengthening of sterling against the US dollar resulted in an unrealised foreign currency loss of £1,939,000 (2016: unrealised gain of £6,836,000). 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.

Quoted investments

		30 June 2017	31 December 2016
Company	**Sector**	**£'000**	**£'000**
Coretx Holdings	UK technology	**3,243**	-
Gresham House	UK financial	**2,727**	2,481
Weatherford International	US energy	**1,655**	2,909
Others	-	**211**	86
		7,836	5,476

The net loss on the quoted portfolio arose as follows:

Gains/(losses), net	Six months ended 30 June 2017 £'000	 2016 £'000
Realised		
Weatherford International	**46**	(42)
Other quoted holdings	**(2)**	18
Dividend income	**-**	1
	44	(23)
Unrealised		
Weatherford International	**(449)**	(1,652)
Gresham House	**246**	-
Coretx Holdings	**147**	-
Other quoted holdings	**26**	(18)
Unrealised foreign currency (losses)/gains	**(150)**	434
	(180)	(1,236)
Total net losses	**(136)**	(1,259)

During the first half of 2017 the Company sold 176,000 shares (2016: 600,000 shares) of its holding in Weatherford International for net proceeds of £704,000 (2016: £3,368,000). The unrealised losses on this investment during the period reflect the continuing pressure on this company's share price to date in 2017.

The shares in Coretx Holdings were received in part consideration for the sale of 365iTMS.

Unquoted investments

Company	Sector	30 June 2017 £'000	31 December 2016 £'000
Medhost Inc	US technology	**9,895**	12,070
Entuity	UK technology	**3,600**	3,000
Elateral	UK technology	**3,500**	3,900
Nationwide Energy Partners	US energy	**3,067**	7,703

Penguin Computing*	US technology	**1,815**	1,449
Yes To*	US consumer	**491**	765
365iTMS	UK technology	**-**	2,100
Other interests	-	**97**	384
		22,465	31,371

*These are co-investments with SFEP

The net loss on the unquoted portfolio arose as follows:

	Six months ended 30 June	
	2017	**2016**
Gains/(losses), net	**£'000**	**£'000**
Realised		
365ITMS	**1,932**	-
Yes To	**556**	-
	2,488	-
Unrealised valuation adjustments		
Nationwide Energy Partners	**(785)**	(3,521)
Medhost	**(1,632)**	-
365ITMS	**-**	500
Entuity	**671**	(1,219)
Elateral	**(650)**	(200)
Penguin Computing	**442**	-
Yes To	**39**	(24)
Others	**-**	(9)
Unrealised foreign currency (losses)/gains	**(918)**	3,750
	(2,833)	(723)
Total net losses	**(345)**	(723)

In April the Company's investment in 365ITMS was sold to Coretx Holdings plc. The Company received gross cash proceeds of £1.1 million plus 9,826,400 shares in Coretx Holdings with a value on completion of £3.0 million. The shares are subject to a 24-month orderly market agreement.

In June, Yes To (a portfolio company of SFEP) was the subject of a recapitalisation and partial sale. The amounts in the above table for Yes To reflect the gains resulting from this transaction for the Company's co-investment with SFEP.

Valuations are sensitive to changes in the following two inputs:

- The operating performance of the individual businesses within the portfolio; and
- Changes in the revenue and profitability multiples and transaction prices of comparable businesses, which are used in the underlying calculations.

In most cases the multiples used at 30 June 2017 are similar to those prevailing at the end of 2016 and therefore the unrealised gains or losses set out in the table above arise principally as a result of the companies' performance.

Comments on individual companies are set out below.

Medhost
Medhost is a co-investment with one of the Company's fund interests, Primus Capital, who are the lead investment manager. Medhost has recently announced that an advisor has been appointed to find a buyer for the business. The Company has based its carrying value on the carrying value reported by the general partner.

ICU Eyewear
The Company fully wrote off its interest at the end of 2016 and there have been no developments to date in 2017 to change this approach.

Nationwide Energy Partners ("NEP")
In January 2017 the Company reached agreement to sell its interest back to the founder in a two stage transaction. The stage one payment of $4.5 million was received in January 2017. The second and final stage will be settled either as a one off payment of $5 million in January 2018 or a loan note repayable with interest in instalments over 4 years. The carrying value is the present value of the Company's current estimate of amounts receivable from stage two of the transaction.

Entuity
Following completion of the strategic review in 2016 a new CEO was appointed and took up his post in February 2017. The new team is performing satisfactorily and is focussed on future value growth.

Elateral
Elateral has invested heavily in recent years to re-engineer and upgrade its technology platform as a precursor to retaining and growing its multinational client base. The company has made good progress in its financial year to March 2017 and is seeing year on year growth in underlying recurring revenue.

There have been changes in the leadership team in the first half of 2017 and the company is looking to continue the progress of the previous year. The write down reflects the need to provide additional capital following a review by the new team.

Penguin Computing
This is a co-investment with SFEP. The business has made good progress in the last 18 months and the improved results are reflected in the write up of its carrying value.

Fund interests

		30 June 2017	31 December 2016
General partner	**Sector**	**£'000**	**£'000**
San Francisco Equity Partners	US consumer & technology	**16,088**	16,748
Brockton Capital	UK property	**4,452**	6,651
Opus Capital Venture Partners	US venture capital	**4,173**	4,505
Weber Capital Partners	US micro-cap quoted stocks	**572**	3,784
Eden Ventures	UK venture capital	**1,686**	2,964
Other interests	-	**1,838**	1,933
		28,809	36,585

Gains and losses on the Company's funds portfolio for the six months ended 30 June 2017 were as follows:

	Six months ended 30 June	
Gains/(losses), net	**2017 £'000**	**2016 £'000**
Realised		
Realised on distributions	**3,572**	183
Unrealised valuation adjustments		
San Francisco Equity Partners	**4,278**	119
Eden Ventures	**(1,325)**	(567)
Brockton Capital	**211**	(1,789)
Simmons Parallel Energy	**(59)**	(282)
Opus Capital Venture Partners	**229**	(130)
Weber Capital	**-**	155
Others (net)	**(130)**	(136)
Unrealised foreign currency (losses)/gains	**(871)**	2,652
	2,333	22

Total net gains	**5,905**	205

San Francisco Equity Partners ("SFEP")
LMS Capital is the majority investor in SFEP (as opposed to the other fund interests where the Company has only a minority stake).

SFEP has two remaining investments:

- Penguin Computing – fund carrying value £10,550,000. The company continues to make good progress and is performing ahead of expectations. The Company has increased its carrying value for this portfolio company by £1.9 million;
- Yes To – fund carrying value £5,274,000. In June this company was subject to a transaction which resulted in its recapitalisation and a partial sale of SFEP's interest at a significant premium to the previous book value. The realised gain on the transaction was £3.6 million and the unrealised uplift on the remaining interest was £2.3 million.

Other fund interests

- Eden Ventures' portfolio performed below expectations during the period which is reflected in the reduction in the carrying value of the Company's interest
- Brockton Capital – the overall decrease reflects distributions received in the first half of the year. The Company's valuation methodology for this investment results in a small uplift for its remaining interest;
- Opus Capital, a US venture fund, made stock distributions in kind during the first half of 2017 totalling £278,000;
- The Company's interest in Weber Capital Partners includes two funds, and during the first half the Company has liquidated substantially all of its positions in both funds.

Overhead costs

Overhead costs in the first half (including amounts incurred by subsidiaries) were £1,635,000 significantly lower than the corresponding period last year (2016: £2,084,000).

Taxation

There is no tax charge for the six months ended 30 June 2017 (2016: nil) – in both periods tax deductible expenses exceed taxable income. The excess of these tax deductible expenses will be surrendered to subsidiaries of the Company to offset taxable income in those companies.

Financial resources and commitments
Including cash in subsidiaries, cash holdings were £17,413,000 (31 December 2016: £1,632,000) with no debt.

At 30 June 2017 subsidiary companies had commitments of £3,525,000 (31 December 2016: £3,577,000) to meet outstanding capital calls from fund interests.

Outlook

GHAM has engaged with portfolio companies and is working with the management teams to identify catalysts for growth and to drive long-term value; we are also focused on progressing and initiating sale processes for certain holdings. We are looking to access and reinvest in direct private equity opportunities at the smaller end of the market and alternative asset classes targeting long term, illiquid strategies, in each case leveraging the expertise and experience of our investment team and Investment Committee.

Gresham House Asset Management Limited

26 July 2017

Principal risks and uncertainties

The principal risks and uncertainties that affect the Company are described on pages 7 to 9 of the Company's Annual Report for the year ended 31 December 2016. These are still considered the most relevant risks and uncertainties which the Company faces and they could have an impact on the Company's performance in the second half of the financial year.

For the foreseeable future, the market risk factors set out in the 2016 Annual Report are expected to be influenced by the UK's decision to leave the European Union. The volatility and uncertainty as negotiations commence in connection with that decision may include:

- Reduction in the demand for the products and services of the Company's investments, which may negatively impact the performance, growth rates and overall value of those investments;
- 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;
- Changes in market prices for the Company's quoted investments, as well as movements in interest rates and exchange rates. A significant proportion of the 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.

Going concern

As stated in note 1 to the condensed financial statements, the directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Martin Knight
Chairman

26 July 2017

Condensed income statement

		Six months ended 30 June	
	Notes	**2017** **£'000**	**2016** **£'000**
Net gains/(losses) on investments	2	**5,032**	(2,247)
Directors' and other fees from investments		**-**	20
Interest income		**5**	12
		5,037	(2,215)
Operating expenses		**(1,491)**	(1,655)
Profit/(loss) before tax		**3,546**	(3,870)
Taxation		**-**	-
Profit/(loss) for the period		**3,546**	(3,870)
Attributable to:			
Equity shareholders		**3,546**	(3,870)
Earnings/(loss) per ordinary share - basic	3	**3.7p**	(3.7)p
Earnings/(loss) per ordinary share - diluted	3	**3.7p**	(3.7)p

The notes on pages 20 to 24 form part of these financial statements.

Condensed statement of other comprehensive income

	Six months ended 30 June	
	2017	**2016**
	£'000	**£'000**
Profit/(loss) for the period	**3,546**	(3,870)
Other comprehensive income	**-**	-
Total comprehensive profit/(loss) for the period	**3,546**	(3,870)
Attributable to:		
Equity shareholders	**3,546**	(3,870)

The notes on pages 20 to 24 form part of these financial statements.

Condensed statement of financial position

	Notes	30 June 2017 £'000	31 December 2016 £'000
Non-current assets			
Property, plant and equipment		**-**	32
Investments	4	**137,536**	148,312
Non-current assets		**137,536**	148,344
Current assets			
Operating and other receivables		**96**	248
Cash and cash equivalents		**16,598**	1,249
Current assets		**16,694**	1,497
Total assets		**154,230**	149,841
Current liabilities			
Operating and other payables		**(2,190)**	(4,078)
Amounts payable to subsidiaries		**(79,940)**	(76,743)
Current liabilities		**(82,130)**	(80,821)
Non-current liabilities			
Provisions and other long-term liabilities		**(438)**	(904)
Non-current liabilities		**(438)**	(904)
Total liabilities		**(82,568)**	(81,725)
Net assets		**71,662**	68,116
Equity			
Share capital		**9,644**	9,644
Share premium		**508**	508
Capital redemption reserve		**23,378**	23,378
Retained earnings		**38,132**	34,586
Total equity shareholders' funds		**71,662**	68,116

The financial statements on pages 15 to 24 were approved by the Board on 26 July 2017 and were signed on its behalf by:

Martin Knight
Chairman

The notes on pages 20 to 24 form part of these financial statements.

Statement of changes in equity

Six months ended 30 June 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	**9,644**	**508**	**23,378**	**34,586**	**68,116**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**3,546**	**3,546**
Balance at 30 June 2017	**9,644**	**508**	**23,378**	**38,132**	**71,662**

Six months ended 30 June 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	**10,358**	**508**	**22,664**	**61,561**	**95,091**
Total comprehensive income for the period					
Loss for the period	**-**	**-**	**-**	**(3,870)**	**(3,870)**
Balance at 30 June 2016	**10,358**	**508**	**22,664**	**57,691**	**91,221**

The notes on pages 20 to 24 form part of these financial statements.

Condensed cash flow statement

	Six months ended 30 June	
	2017	**2016**
	£'000	**£'000**
Cash flows from operating activities		
Profit/(loss) for the period	**3,546**	(3,870)
Adjustments for:		
Depreciation and amortisation	**32**	63
(Gains)/losses on investments	**(5,032)**	2,247
Interest income	**(5)**	(12)
	(1,459)	(1,572)
Dividends received	**12,720**	9,275
Change in operating and other receivables	**152**	(74)
Change in operating and other payables	**(2,522)**	(292)
Change in amounts payable to subsidiaries	**6,453**	(2,715)
Net cash from operating activities	**15,344**	4,622
Cash flows from investing activities		
Interest received	**5**	12
Acquisition of property, plant and equipment	**-**	(3)
Net cash from investing activities	**5**	9
Net increase in cash and cash equivalents	**15,349**	4,631
Cash and cash equivalents at the beginning of the period	**1,249**	4,083
Cash and cash equivalents at the end of the period	**16,598**	8,714

The notes on pages 20 to 24 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 financial statements are presented in pounds sterling because that is the currency of the principal economic environment of the Company's operations.

These condensed financial statements do not constitute the statutory accounts of the Company 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 2016 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 2016 was (i) unqualified and (ii) 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.

Statement of compliance

These condensed 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 2016 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 financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published financial statements for the year ended 31 December 2016.

Basis of preparation

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("Adopted IFRS").

Consistent with the year ended 31 December 2016 the Directors have concluded that the Company has all the elements of control as prescribed by IFRS 10 "Consolidated Financial Statements" in relation to all its subsidiaries and that the Company satisfies the criteria to be regarded as an investment entity as defined in IFRS 10, IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Consolidated and Separate Financial Statements". Subsidiaries are therefore measured at fair value through profit or loss, in accordance with IFRS 13 " Fair Value Measurement" and IAS 39 "Financial Instruments: Recognition and Measurement".

Taking account of the financial resources available to the Company, the directors believe that the Company 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 has adequate resources for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

These condensed financial statements were approved by the Board of Directors on 26 July 2017.

Use of estimates and judgements

The preparation of condensed 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. Gains/(losses) on investments

The gains and losses on investments were as follows:

	Six months ended 30 June					
			2017			**2016**
Asset type	**Realised gains/(losses) £'000**	**Unrealised gains/(losses) £'000**	**Total £'000**	**Realised gains/(losses) £'000**	**Unrealised gains £'000**	**Total £'000**
Quoted	**44**	**(180)**	**(136)**	(23)	(1,236)	(1,259)
Unquoted	**2,488**	**(2,833)**	**(345)**	-	(723)	(723)
Funds	**3,572**	**2,333**	**5,905**	183	22	205
	6,104	**(680)**	**5,424**	160	(1,937)	(1,777)
Charges for incentive plans			**(168)**			(41)
			5,256			(1,818)
Operating and similar expenses of subsidiaries			**(224)**			(429)
			5,032			(2,247)

3. Earnings/(loss) per ordinary share

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

	Six months ended 30 June	
	2017 £'000	**2016 £'000**
Earnings/(loss)		

Earnings/(loss) for the purposes of earnings/(loss) per share being net profit/(loss) attributable to equity holders of the parent	**3,546**	(3,870)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**96,441,735**	103,584,592
Effect of dilutive potential ordinary shares		
Share options and performance shares	**78,531**	-
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**96,520,266**	103,584,592
Earnings/(loss) per share		
Basic	**3.7p**	(3.7)p
Diluted	**3.7p**	(3.7)p

There were no potentially dilutive shares in 2016 since the Company made a loss.

4. Investments

The Company's investments comprised the following:

	30 June 2017 £'000	31 December 2016 £'000
Total investments	**137,536**	148,312
These comprise:		
Investment portfolio of the Company	**2,727**	2,481
Investment portfolio of subsidiaries	**56,383**	70,951
Other net assets of subsidiaries	**78,426**	74,880
	137,536	148,312

The carrying amounts of the Company's and its subsidiaries' investment portfolios were as follows:

	30 June 2017			31 December 2016		
Asset type	**UK £'000**	**US £'000**	**Total £'000**	**UK £'000**	**US £'000**	**Total £'000**
Quoted	**5,970**	**1,866**	**7,836**	2,481	2,995	5,476
Unquoted	**7,197**	**15,268**	**22,465**	9,384	21,987	31,371
Funds	**7,663**	**21,146**	**28,809**	11,149	25,436	36,585
	20,830	**38,280**	**59,110**	23,014	50,418	73,432

The following table analyses investments carried at fair value at the end of the period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs such as trading comparables and liquidity discounts).

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information.

The Company's investments are analysed as follows:

	30 June 2017 £'000	**31 December 2016 £'000**
Level 1	**2,566**	2,366
Level 2	**-**	-
Level 3	**134,970**	145,946
	137,536	148,312

Level 3 amounts include £56,383,000 (31 December 2016: £70,951,000) relating to the investment portfolios of subsidiaries (including quoted investments of £5,109,000 (31 December 2016: £2,995,000)) and £78,426,000 (31 December 2016: £74,880,000) in relation to the other net assets of subsidiaries

If the valuation for level 3 category investments declined by 10% from the amount at the reporting date, with all other variables held constant, the profit for the six months ended 30 June 2017 would have decreased by £13.5 million (2016: loss increased by £20.6 million). An increase in the valuation of level 3 category investments by 10% at the reporting date would have an equal and opposite effect.

5. Capital commitments

	30 June 2017 £'000	**31 December 2016 £'000**
Outstanding commitments to funds	**3,525**	3,577
	3,525	3,577

The outstanding commitments to funds comprise unpaid calls in respect of funds where one of the Company's subsidiaries is a limited partner.

6. Related party transactions

Transactions with related parties during the period were consistent in nature and scope with those disclosed in Note 20 to the Company's annual financial statements for the year ended 31 December 2016.

7. Subsidiaries

The Company's 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 Company'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.

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

Subsidiaries incorporated in England and Wales: 100 George Street, London W1U 8NU.

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

Subsidiary incorporated in the United States of America: c/o 100 George Street, London W1U 8NU.

Statement of Directors' responsibilities

With the exception of Mr Duroc-Danner who stood down as a Director of the Company at the conclusion of the AGM on 25 May 2017, the Directors listed on pages 23 and 24 of the Company's Annual Report for the year ended 31 December 2016 continued in office during the six months ended 30 June 2017.

The Directors confirm that to the best of their knowledge:

a the condensed 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 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 Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board

Martin Knight
Chairman

26 July 2017

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 2017 which comprises the condensed income statement, the condensed statement of financial position, the condensed statement of changes in equity, the condensed 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.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

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.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 Financial Reporting Council for use in the United Kingdom. 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 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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants
London
United Kingdom

26 July 2017

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