



27 August 2009

**LMS Capital plc
Half Year Results for the six months to 30 June 2009**

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 2009.

Highlights

- Net Asset Value per share was 83p (31 December 2008: 89p) a decrease of 7%
- Net Asset Value was £226.0 million (31 December 2008: £241.5 million)
- The return on the investment portfolio was a loss of £10.7 million after recording unrealised currency losses of £16.5 million
- The loss for the period was £15.5 million (six months ended 30 June 2008: profit of £22.8 million; year ended 31 December 2008: loss of £40.8 million)
- Investment of £6.2 million in July for a 53.3% interest in Udata Infrastructure UK Limited ("Udata") in support of a management buyout
- Successful migration of the Company's shares to trading on the Main Market of the London Stock Exchange

Robert Rayne, Chief Executive Officer of LMS Capital, said:

"The Company is focused on building the sales and profitability of the existing portfolio of investments while looking at attractively priced acquisitions. The general lack of liquidity is slowing down the growth of companies but also throwing up interesting investment opportunities. Our recent acquisition of a controlling interest in Udata is illustrative of this. Although the business climate in the first half of the year has been difficult, and we expect this to continue for some time, we are well positioned to use our strong balance sheet to acquire new investments and bolster our existing companies with add on acquisitions."

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LMS Capital plc

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About LMS Capital

LMS Capital plc is an international investment company whose shares are listed on the London Stock Exchange. The investment portfolio comprises investments in both the US and UK, with a spread of early stage and second round technology investments, development capital and mature company buy-outs.

www.lmscapital.com

Interim management report 2009

LMS Capital maintains its objective of producing high rates of return through a risk diversified portfolio. This diversification is achieved through geographical spread, primarily the US and UK, and through investment in assets of varying maturities. The major focus is in small to medium sized companies in our preferred sectors of energy services, applied technology, media & consumer, medical & healthcare and real estate. 90% of investment is focused in development, growth and post IPO companies.

The Company is differentiated from other groups by the use of its own balance sheet. As it is not a manager of third party funds it is not constrained by the typical three to four year investment period with a similar liquidation period. Our holding periods are determined by the period necessary to optimise shareholders' returns.

As well as continuing to evaluate new investment opportunities, during the first six months of 2009 we have ensured that our directly managed unquoted investments have focussed on realistic revenue targets, with adjustments to their cost base where appropriate. In the current environment value improvement in the existing portfolio is a priority for the Company.

Results

The half year financial information includes the consolidation of portfolio companies which are also subsidiaries ("portfolio subsidiaries"). Note 2 to the financial information shows the results and net assets of the investment management business separate from the results and net assets of the portfolio subsidiaries.

In the six months to 30 June 2009 net asset value declined to £226.0 million or 83p per share from £241.5 million or 89p per share at 31 December 2008.

Investment management

The return on the investment portfolio for the six months ended 30 June 2009 was a loss of £10.7 million as follows:

	6 months ended 30 June		Year to
	2009	2008	31 December
	£'000	£'000	2008
			£'000
Realised gains/(losses)			
Quoted securities	799	759	574
Unquoted securities	-	14,271	14,620
Funds	(52)	503	2,114
	<u>747</u>	<u>15,533</u>	<u>17,308</u>
Unrealised gains/(losses)			
Quoted securities	10,485	13,893	(31,122)
Unquoted securities	(11,504)	(7,824)	(27,506)
Funds	(10,437)	4,213	4,572
	<u>(11,456)</u>	<u>10,282</u>	<u>(54,056)</u>
Total	<u>(10,709)</u>	<u>25,815</u>	<u>(36,748)</u>

The above figures include £16.5 million of unrealised foreign currency losses, principally in respect of the US dollar (six months ended 30 June 2008: loss of £0.1 million; year ended 31 December 2008: gain of £45.5 million). It is the Board's current policy not to hedge the Company's underlying non-sterling investments.

The movements in the investment portfolio in the six months ended 30 June 2009 were as follows:

	£'000
1 January 2009	202,049
Additions in the six months	16,002
Book value of realisations	(4,935)
Valuation adjustments	5,008
Foreign currency losses	(16,464)
30 June 2009	<u>201,660</u>

Additions to the portfolio in the first six months of 2009 include fund calls of £9.2 million and follow on investments of £5.9 million, principally to meet the operating cash requirements of businesses in the unquoted portfolio. We also invested £0.4 million in Pims Group to enable it to acquire a complementary business in the water services business and £0.5 million to acquire directly a minority stake in Penguin Computing which is a San Francisco Equity Partners portfolio company. There were no additions to the quoted portfolio.

Realisations include £1.9 million in respect of fund distributions and £3.0 million for sales of quoted securities. We sold two of our smaller US holdings – Cantel Medical and Monogram Biosciences – and part of our holding (148,000 shares) in Venture Production. We have retained 352,000 shares in that company.

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

	Valuation £'000	Currency £'000	Total £'000
Quoted securities	14,504	(4,019)	10,485
Unquoted securities	(8,612)	(2,892)	(11,504)
Funds	<u>(884)</u>	<u>(9,553)</u>	<u>(10,437)</u>
	<u>5,008</u>	<u>(16,464)</u>	<u>(11,456)</u>

The valuation losses on unquoted securities reflect the results of the directors' valuation as at 30 June 2009. They include a write down of £2.8 million in respect of CopperEye after a disappointing trading performance in the first half of the year and write downs of £1.8 million on Rave Reviews Cinemas and £1.7 million on 7 Global based on comparable market factors.

Details of our twenty largest investments by valuation at 30 June 2009 are set out on page 6.

Prostrakan Group plc (in which the Company holds 17.6 million shares, being 8.79% of its issued share capital) recently announced its 2009 half year results which were in line with expectations and its share price has increased significantly between the end of June and the date of this report.

On 13 July 2009 we announced that we had acquired a 53.3% interest in Udata Infrastructure UK Limited ("Udata") for £6.2 million in a management buyout. Udata designs, builds and manages cost-effective high-capacity broadband networks for public sector organisations in the UK. The company differentiates itself from its competitors through its culture of excellence in customer service.

Also in July we sold part of our interest in Inflexion 2006 Buyout Fund for approximately £1 million in cash; this transaction also reduced our outstanding commitment to this fund by £1.4 million.

On 24 July 2009 Viking Moorings, an investment within the Inflexion 2003 Buyout Fund, was sold in a secondary buyout producing proceeds to the Company of £2.5 million.

Portfolio subsidiaries

The portfolio subsidiaries included in the half year financial information made satisfactory progress during the first half of 2009. Of particular note was Wesupply Limited's success in being selected by Sainsbury's as the business-to-business (B2B) platform for connectivity to 4,000 of its suppliers. Offshore Tool and Energy Corporation (our specialist manufacturing business) showed good progress in the first half of the year as it expands its product offering to the water industry as well as serving its existing oil and gas markets.

The increase in consolidated operating expenses (which include cost of sales) in the first half of 2009 compared to the corresponding period in the prior year is principally a result of higher revenues and the inclusion of the results of Citizen Limited in the first half of 2009 following its becoming a subsidiary in the second half of 2008.

Admission to the Official List

On 30 June 2009 the Company's shares commenced trading on the London Stock Exchange's Main Market for listed securities. The Board believes that this migration to the Official List will have a number of benefits for shareholders, including offering investors greater liquidity.

Principal risks and uncertainties

The principal risks and uncertainties that affect the Group are described on page 71 of the Group's Annual Report for the year ended 31 December 2008. 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.

We expect the difficult business environment to continue at least for the rest of 2009 with, in particular, a scarcity of traditional sources of finance and low levels of realisations by our fund interests. Movements in exchange rates and in the prices of our quoted portfolio could have a significant impact on our results in the second half.

Outlook

We are seeing a continuing inflow of new investment opportunities and our available liquid resources mean that we are well placed to take advantage of these. The Company has a broadly-based, risk-diversified portfolio of investments and your Board is confident that the Company's strategy will result in strong medium to long-term growth in shareholder value.

Jonathan Agnew
Chairman
27 August 2009

Robert A Rayne
Chief Executive Officer

LMS Capital plc - Top 20 investments by valuation 30 June 2009

	Investment	Geography	Type of Investment	Date of initial investment	Cost £000	Book Value £000	Effective equity interest	% of net assets
1	Weatherford International Ltd Oilfield services	US	Quoted	2001	19,923	24,112	<1%	11%
2	Method Products Consumer products	US	Fund portfolio company	2004	6,308	19,227	13%	8%
3	Prostrakan Group plc Specialty pharmaceuticals	UK	Quoted	1999	23,717	15,226	8.7%	7%
4	Rave Reviews Cinemas Cinema operations	US	Unquoted	2002	6,406	6,029	13%	3%
5	Kizoom Limited (formerly Cityspace Limited) Transport information services	UK	Unquoted	1997	21,456	6,000	94%	3%
6	Wesupply Limited Supply chain connectivity software	UK	Unquoted	2000	18,886	5,508	99%	2%
7	Penguin Computing Linux server systems	US	Fund portfolio company	2004	5,088	4,943	19%	2%
8	Gulfmark Offshore Inc International offshore services	US	Quoted	2008	6,689	4,160	<1%	2%
9	Luxury Link Internet commerce	US	Fund portfolio company	2006	2,460	3,707	14%	2%
10	Elateral Limited Marketing software	UK	Unquoted	2000	7,160	3,500	40%	2%
11	Healthcare Management Systems Inc Hospital information systems	US	Unquoted	2007	2,471	3,014	8%	1%
12	Entuity Limited Network management software	UK	Unquoted	2000	10,757	3,000	68%	1%
13	Coppereye Limited Indexing technology software	UK	Unquoted	2001	13,205	3,000	76%	1%
14	Pims Group Waste water systems and services	UK	Unquoted	2008	2,905	2,905	10%	1%
15	Venture Production plc Operation of stranded oil and gas assets	UK	Quoted	2007	2,370	2,854	<1%	1%
16	Yes To, Inc Consumer products	US	Fund portfolio company	2008	2,499	2,377	11%	1%
17	Telespree Communications Network solutions for mobile devices	US	Unquoted	1999	3,830	2,185	25%	1%
18	Chyron Corporation Media technology	US	Quoted	1995	1,438	2,131	17.8%	1%
19	BJ Services Oil and gas field services	US	Quoted	2007	3,627	2,050	<1%	1%
20	Citizen Limited (trading as Vio) Advertising workflow services	UK	Unquoted	2002	20,850	2,000	84%	1%

Condensed consolidated income statement

	Notes	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000
Continuing operations			
Revenue from sales of goods and services	2	13,293	8,245
Gains and losses on investments	2	(4,665)	15,916
Interest income		135	631
Investment and other income		135	606
		8,898	25,398
Operating expenses		(22,198)	(16,310)
(Loss)/profit before finance costs		(13,300)	9,088
Finance costs		(153)	(54)
(Loss)/profit before tax		(13,453)	9,034
Taxation		(127)	(156)
(Loss)/profit from continuing operations		(13,580)	8,878
Discontinued operations			
Profit from discontinued operations (net of taxation)	3	-	50,755
(Loss)/profit for the period		(13,580)	59,633
Attributable to:			
Equity holders of the parent		(13,580)	59,744
Minority interests		-	(111)
		(13,580)	59,633
Basic (loss)/earnings per ordinary share			
Basic (loss)/earnings per ordinary share	4	(5.0)p	20.9p
Diluted (loss)/earnings per ordinary share			
Diluted (loss)/earnings per ordinary share	4	(5.0)p	20.6p
Continuing operations			
Basic (loss)/earnings per ordinary share	4	(5.0)p	3.1p
Diluted (loss)/earnings per ordinary share	4	(5.0)p	3.1p

The notes on pages 12 to 20 form part of these financial statements.

Condensed consolidated statement of comprehensive income

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000
(Loss)/profit for the period	(13,580)	59,633
Exchange differences on translation of foreign operations	(395)	(392)
Total comprehensive (loss)/income for the period	(13,975)	59,241
Attributable to:		
Equity holders of the parent	(13,975)	59,352
Minority interests	-	(111)
	(13,975)	59,241

The notes on pages 12 to 20 form part of these financial statements.

Condensed consolidated statement of financial position

	Notes	30 June 2009 £'000	31 December 2008 £'000
Non-current assets			
Property, plant and equipment		2,994	3,216
Intangible assets	5	26,741	26,798
Investments		180,176	179,546
Other long term assets		24	15
Non-current assets		209,935	209,575
Current assets			
Inventories		392	319
Operating and other receivables		6,556	8,309
Cash and cash equivalents		27,822	42,615
Current assets		34,770	51,243
Total assets		244,705	260,818
Current liabilities			
Bank overdrafts		(185)	-
Interest-bearing loans and borrowings		(1,860)	(1,656)
Operating and other payables		(8,691)	(10,335)
Deferred income		(2,035)	(3,426)
Current tax liabilities		(741)	(410)
Current liabilities		(13,512)	(15,827)
Non-current liabilities			
Interest-bearing loans and borrowings		(787)	(1,170)
Deferred income		(2,871)	(2,697)
Deferred tax liabilities		(36)	(41)
Other long-term liabilities		(18)	-
Non-current liabilities		(3,712)	(3,908)
Total liabilities		(17,224)	(19,735)
Net assets		227,481	241,083
Equity			
Share capital		27,265	27,265
Capital redemption reserve		5,635	5,635
Merger reserve		84,083	84,083
Foreign exchange translation reserve		817	1,212
Retained earnings		109,534	122,741
Equity attributable to owners of the parent		227,334	240,936
Minority interest		147	147
Total Equity		227,481	241,083

The financial statements on pages 7 to 20 were approved by the Board on 27 August 2009 and were signed on its behalf by:

RA Rayne
Director

The notes on pages 12 to 20 form part of these financial statements.

Condensed consolidated statement of changes in equity

Six months ended 30 June 2009

	Share capital £'000	Capital redemption reserve £'000	Merger reserve £'000	Foreign exchange translation reserve £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
Balance at 1 January 2009	27,265	5,635	84,083	1,212	122,741	240,936	147	241,083
Loss for the period	-	-	-	-	(13,580)	(13,580)	-	(13,580)
Other comprehensive income/(loss)	-	-	-	(395)	-	(395)	-	(395)
Share based payments	-	-	-	-	373	373	-	373
Balance at 30 June 2009	27,265	5,635	84,083	817	109,534	227,334	147	227,481

Six months ended 30 June 2008

	Share capital £'000	Capital redemption reserve £'000	Merger reserve £'000	Foreign exchange translation reserve £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
Balance at 1 January 2008	28,643	4,257	84,083	(867)	133,047	249,163	5,283	254,446
Profit for the period	-	-	-	-	59,744	59,744	(111)	59,633
Other comprehensive income/(loss)	-	-	-	(392)	-	(392)	-	(392)
Disposal of portfolio subsidiaries	-	-	-	996	3,372	4,368	(4,368)	-
Share based payments	-	-	-	-	568	568	-	568
Repurchase of own shares	(550)	550	-	-	(4,021)	(4,021)	-	(4,021)
Balance at 30 June 2008	28,093	4,807	84,083	(263)	192,710	309,430	804	310,234

The notes on pages 12 to 20 form part of these financial statements.

Condensed consolidated cash flow statement

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000
Cash flows from operating activities		
(Loss)/profit for the period	(13,580)	59,633
Adjustments for:		
Depreciation and amortisation	591	587
Losses/(gains) on investments	4,665	(15,916)
Gain on discontinued operations, net of income tax	-	(49,436)
Loss on disposal of Fixed Assets	28	-
Translation differences	370	(355)
Share based payments	373	568
Finance costs	153	54
Interest income	(135)	(631)
Income tax expense	127	156
	(7,408)	(5,340)
Change in inventories	(72)	(9,990)
Change in trade and other receivables	1,753	13,456
Change in trade and other payables	(2,646)	(7,268)
	(8,373)	(9,142)
Interest paid	(153)	(54)
Net cash used in operating activities	(8,526)	(9,196)
Cash flows from investing activities		
Interest received	135	631
Acquisition of property, plant and equipment	(544)	(1,389)
Proceeds from disposals of property, plant and equipment	2	2
Disposal of discontinued operations, net of cash	-	80,543
Acquisition of investments	(10,958)	(17,758)
Acquisition of subsidiaries	-	(1,500)
Proceeds from sale of investments	5,308	7,247
Net cash (used in)/from investing activities	(6,057)	67,776
Cash flows from financing activities		
Repurchase of own shares	-	(4,021)
(Repayment)/drawdown of interest bearing loans	(179)	1,474
Net cash used in financing activities	(179)	(2,547)
Net (decrease)/increase in cash and cash equivalents	(14,762)	56,033
Effect of exchange rate fluctuations	(216)	(23)
Cash and cash equivalents at the beginning of the period	42,615	14,263
Cash and cash equivalents at the end of the period	27,637	70,273
Cash and cash equivalents above comprise		
Cash and cash equivalents	27,822	70,283
Bank overdrafts	(185)	(10)
Cash and cash equivalents at the end of the period	27,637	70,273

The notes on pages 12 to 20 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 2009 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 and have not been audited. The comparative figures for the financial year ended 31 December 2008 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 auditors drew attention to by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

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. In order to present information that is consistent with other investment companies, 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 2008, 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 2008, except as set out below for the changes in presentation required by revised IAS 1: Presentation of Financial Statements (2007), which became effective as of 1 January 2009.

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 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 2009.

Notes to the financial information

1. Principal accounting policies (continued)

These condensed consolidated financial statements were approved by the Board of Directors on 27 August 2009.

Operating segments

The Group adopted IFRS 8: Operating Segments ("IFRS 8") early with effect from the financial year ended 31 December 2007. IFRS 8 defines requirements for the disclosure of financial information of an entity's operating segments and is effective for reporting periods beginning on or after 1 January 2009.

Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings up to 30 June 2009. 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 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 10 includes details of the companies concerned.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate 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 income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

Presentation of financial statements

The Group applies revised IAS 1: Presentation of Financial Statements (2007), which became effective as of 1 January 2009. This change in accounting policy only impacts presentation aspects; there is no impact on net assets and earnings per share.

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.

In preparing these condensed consolidated financial statements, 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 as at and for the year ended 31 December 2008.

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 as a single segment, together with the adjustments arising from the summarised results and financial position of the portfolio subsidiaries. Adjustments for Energy Cranes International Limited ("Energy Cranes") are shown separately in the prior periods because of the size of this business relative to the others.

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 2009				
	Investment management £'000	Reconciliation		Group total £'000
		Portfolio subsidiaries £'000	Consolidation adjustments £'000	
Revenues from sales of goods and services to external customers	-	13,293	-	13,293
Gains and losses on investments	(10,709)	-	6,044	(4,665)
Interest income	133	2	-	135
Investment and other income	135	-	-	135
Finance costs	-	(3,345)	3,192	(153)
Profit/(loss) for the period	(15,474)	(7,342)	9,236	(13,580)

Notes to the financial information

2. Operating segments (continued)

Six months ended 30 June 2008						
	Investment management £'000	Portfolio subsidiaries £'000	Reconciliation		Consolidation adjustments £'000	Group total £'000
			Discontinued operations			
			Energy Cranes £'000	Other £'000		
Revenues from sales of goods and services to external customers	-	8,245	-	-	-	8,245
Gains and losses on investments	25,815	-	-	-	(9,899)	15,916
Interest income	611	34	-	-	(14)	631
Investment and other income	606	-	-	-	-	606
Finance costs	-	(1,423)	-	-	1,369	(54)
Continuing operations	22,814	(5,423)	-	-	(8,513)	8,878
Discontinued operations	-	-	57,556	(6,801)	-	50,755
Profit/(loss) for the period	22,814	(5,423)	57,556	(6,801)	(8,513)	59,633

Segment net assets

30 June 2009				
	Investment management £'000	Reconciliation		Group total £'000
		Portfolio subsidiaries £'000	Consolidation adjustments £'000	
Property, plant and equipment	220	2,774	-	2,994
Intangible assets	-	3,140	23,601	26,741
Investments	201,660	-	(21,484)	180,176
Other non-current assets	-	24	-	24
Non-current assets	201,880	5,938	2,117	209,935
Cash and cash equivalents	26,030	1,792	-	27,822
Other current assets	801	6,147	-	6,948
Total assets	228,711	13,877	2,117	244,705
Total liabilities	(2,531)	(74,403)	59,710	(17,224)
Net assets/(liabilities)	226,180	(60,526)	61,827	227,481

The net asset value of the investment management business at 30 June 2009 includes £226,033,000 attributable to the equity holders of the parent and £147,000 attributable to minority interests.

Notes to the financial information

2. Operating segments (continued)

31 December 2008				
	Investment management £'000	Reconciliation		Group total £'000
		Portfolio subsidiaries £'000	Consolidation adjustments £'000	
Property, plant and equipment	288	2,928	-	3,216
Intangible assets	-	3,196	23,602	26,798
Investments held at fair value through profit or loss	202,049	1	(22,504)	179,546
Other non-current assets	-	15	-	15
Non-current assets	202,337	6,140	1,098	209,575
Cash and cash equivalents	41,293	1,322	-	42,615
Other current assets	309	8,319	-	8,628
Total assets	243,939	15,781	1,098	260,818
Total liabilities	(2,283)	(70,604)	53,152	(19,735)
Net assets/(liabilities)	241,656	(54,823)	54,250	241,083

The net asset value of the investment management business at 31 December 2008 includes £241,509,000 attributable to the equity holders of the parent and £147,000 attributable to minority interests.

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

Asset type	30 June 2009			31 December 2008		
	UK £'000	US £'000	Total £'000	UK £'000	US £'000	Total £'000
Funds	30,926	67,824	98,750	29,911	72,390	102,301
Quoted	20,597	33,814	54,411	19,409	27,097	46,506
Unquoted	32,569	15,930	48,499	33,686	19,556	53,242
	84,092	117,568	201,660	83,006	119,043	202,049

Asset type	Six months ended 30 June 2009			Six months ended 30 June 2008		
	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Total £'000	Realised gains £'000	Unrealised gains/(losses) £'000	Total £'000
Funds	(52)	(10,437)	(10,489)	503	4,213	4,716
Quoted	799	10,485	11,284	759	13,893	14,652
Unquoted	-	(11,504)	(11,504)	14,271	(7,824)	6,447
	747	(11,456)	(10,709)	15,533	10,282	25,815

Notes to the financial information

2. Operating segments (continued)

Revenues

The Group's revenues to external customers comprise:

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000
Continuing operations		
Software and related services	8,411	5,715
Specialist manufacturing	4,882	2,530
	13,293	8,245

3. Discontinued operations

There were no disposals constituting discontinued operations in the six months ended 30 June 2009. In March 2008 the Group sold its entire interest in Energy Cranes International Limited and in June 2008 the Group sold its entire interest in AssetHouse Technology limited. Full details of these transactions were included in note 9 to the Group's annual financial statements for the year ended 31 December 2008.

4. (Loss)/earnings per ordinary share

Basic

The calculation of basic (loss)/earnings per ordinary share is based on the loss of £13,580,000 (six months ended 30 June 2008: profit of £59,744,000), being the (loss)/profit for the period attributable to the parent, divided by the weighted average number of ordinary shares in issue during the period 272,640,952 (six months ended 30 June 2008: 285,888,244).

The calculation of basic (loss)/earnings per ordinary share for continuing operations is based on the loss of £13,580,000 (six months ended 30 June 2008: profit of £8,989,000) being the (loss)/profit for the period attributable to the parent, divided by the weighted average number of ordinary shares in issue during the period of 272,640,952 (six months ended 30 June 2008: 285,888,244).

Diluted

There was no dilution effect in the six months ended 30 June 2009.

The calculation of diluted earnings per ordinary share for the six months ended 30 June 2008 is based on the profit of £59,744,000, divided by the weighted average number of ordinary shares in issue during the period of 290,184,682 after taking account of the potential dilutive effect of share options issued under the Company's share option plans.

The calculation of diluted earnings per ordinary share for continuing operations for the six months ended 30 June 2008 is based on the profit of £8,989,000 divided by the weighted average number of ordinary shares in issue during the period of 290,184,682 after taking account of the potential dilutive effect of share options issued under the Company's share option plans.

Notes to the financial information

5 Intangible assets

	Software Licence £'000	Goodwill £'000	Total £'000
Cost			
Balance at 1 January 2008	-	75,922	75,922
Acquisitions through business combinations	-	1,159	1,159
Disposals of businesses	-	(39,586)	(39,586)
Balance at 30 June 2008	-	37,495	37,495
Balance at 1 January 2009 and 30 June 2009	2,088	40,656	42,744
Accumulated impairment losses and amortisation			
Balance at 1 January 2008 and 30 June 2008	-	4,665	4,665
Balance at 1 January 2009	57	15,889	15,946
Amortisation	57	-	57
Impairment loss	-	-	-
Balance at 30 June 2009	114	15,889	16,003
Carrying amounts			
At 1 January 2008	-	71,257	71,257
At 30 June 2008	-	32,830	32,830
At 1 January 2009	2,031	24,767	26,798
At 30 June 2009	1,974	24,767	26,741

For the purpose of impairment testing, goodwill is allocated to each portfolio subsidiary which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount of each unit has been determined on the basis of its fair value less costs to sell or value in use, whichever is the greater.

6. Capital commitments

	30 June 2009 £'000	31 December 2008 £'000
Outstanding commitments to funds	64,473	71,104

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 29 to the Group's annual financial statements for the year ended 31 December 2008.

Notes to the financial information

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 2009 was £2.1 million (31 December 2008: £2.3 million).

9. Subsequent events

On 10 July 2009 the Group acquired a 53.3% interest in Udata Infrastructure UK Limited for consideration of £6.2 million which was settled in cash.

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

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.

Notes to the financial information

10. Subsidiaries (continued)

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
Offshore Tool and Energy Corporation	United States of America	100	Specialist engineering design and fabrication
Citizen Limited	England and Wales	84	Services to the advertising, publishing and graphic arts industries
Entuity limited	England and Wales	68	Network management software
Wesupply Limited	England and Wales	99	Supply chain management software
CopperEye Limited	England and Wales	76	Specialised search solutions for business transaction data
Kizoom Limited (formerly Cityspace Limited)	England and Wales	94	Intelligent transport information networks

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 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.

RA Rayne
Chief Executive Officer

AC Sweet
Chief Financial Officer

27 August 2009

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 2009 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 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Anthony Cecil
for and on behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB
27 August 2009