

3 November 2009

**LMS Capital plc**  
**Interim Management Statement**

LMS Capital plc (“LMS Capital” or “the Company”) presents its Interim Management Statement as required by the UK Listing Authority’s Disclosure and Transparency Rule 4.3. This statement relates to the period from 1 July 2009 to 31 October 2009.

LMS Capital is an international investment company which aims to produce 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.

Despite a strong performance in major stock markets, unemployment in the western economies has continued to rise and the available liquidity has been predominantly a function of governments’ monetary intervention. Whilst equity markets have shown short term gains, we believe there has been little evidence of a sustained recovery. The volume of private equity and real estate transactions remains low. For the immediate future we remain cautious.

The unaudited net asset value per share at 30 September 2009 was 87 pence, an increase of 5% since 30 June 2009 and a decrease of 2% from 31 December 2008. The principal factor in this increase was the recovery in the public markets. During October we have however seen a weakening in the share prices of our two largest quoted investments, ProStrakan Group and Weatherford International, and this, coupled with a slight strengthening of the US dollar over the same period, means that we estimate that NAV per share at the end of October had fallen back to its end of June level of 83 pence.

During the three months ended 30 September 2009 funds invested by the Company were £10.5 million in unquoted securities and to meet fund calls. Proceeds from realisations of quoted securities and fund distributions were £6.5 million.

The Company’s investment portfolio at 30 September 2009 was as follows:

	<b>US</b>		<b>UK</b>		<b>Total</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>Quoted</b>	39,539	18%	23,730	11%	63,269	29%
<b>Unquoted</b>	16,275	7%	38,785	18%	55,060	25%
<b>Funds</b>	72,248	33%	29,133	13%	101,381	46%
<b>Total</b>	128,062	58%	91,648	42%	219,710	100%

The carrying value of the portfolio at 30 September 2009 is based on the valuation of the Company's investment portfolio as at 30 June 2009 with adjustments for transactions in the three months ended 30 September 2009 including price movements on quoted securities, movements in foreign currency exchange rates, cash calls and distributions from funds and purchases and sales of quoted securities. In addition, where the Company has invested further amounts in its existing unquoted portfolio, such amounts have been written off as fair value adjustments in the period and investments in new unquoted securities in the period are included at cost. The next full valuation of the portfolio will be as at 31 December 2009.

The ten largest holdings at 30 September 2009 (excluding fund interests where the Company has only a minority position) were as follows:

Name	Geography	Type	Book value	% of net assets
			£'000	
Weatherford International <i>Oilfield services</i>	US	Quoted	26,415	11%
Prostrakan Group plc <i>Specialty pharmaceuticals</i>	UK	Quoted	21,650	9%
Method Products <i>Consumer products</i>	US	Fund portfolio company	10,963	8%
Rave Reviews Cinemas <i>Cinema operations</i>	US	Unquoted	6,210	3%
Udata Infrastructure UK <i>Wide area networks</i>	UK	Unquoted	6,200	3%
Kizoom <i>Transport information systems</i>	UK	Unquoted	6,000	3%
Wesupply <i>B2B connectivity software</i>	UK	Unquoted	5,500	2%
Penguin Computing <i>Linux server systems</i>	US	Fund portfolio company	5,345	2%
Gulfmark Offshore <i>Offshore services</i>	US	Quoted	5,084	2%
Yes To <i>Consumer products</i>	US	Fund portfolio company	3,857	2%
			97,224	45%

At 30 September 2009 the Company had uncalled commitments to funds of £62.6 million which we expect to be called over the next five years. Cash and other liquid assets (including the value of our quoted portfolio) were £84.7 million. The Company has no debt.

#### *Portfolio subsidiaries*

The latest available trading results for our portfolio subsidiaries are to 30 September and these indicate that 2009 continues to produce mixed results. Udata, in which we acquired our interest in July this year, has performed well and its results to September are ahead of budget. Entuity, our network management software business, is also trading ahead of budget with significantly improved profitability. Kizoom and Coppereye have encountered difficult trading conditions in 2009 and their results for the period have been disappointing. Members of our investment team are working

closely with the management of these companies to achieve improvements in their operating performance.

This statement is a general description of the financial position and performance of the Company for the period from 1 July 2009 to 31 October 2009. It does not contain any profit forecast or forward looking information. Future performance and share price is likely to be affected by a number of factors, including (but not limited to) general economic and market conditions and specific factors affecting the financial performance or prospects of individual investments within the Company's portfolio.