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If you have sold or otherwise transferred all of your Ordinary Shares please send this document and the accompanying Annual Report and Form of Proxy as soon as possible to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Arbuthnot Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for LMS Capital plc and no-one else and will not be responsible to anyone other than LMS Capital plc for providing the protections afforded to clients of Arbuthnot Securities Limited or for providing advice to any other person in relation to the contents of this document or on any other matter referred to in this document.

LMS CAPITAL PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 5746555)

Notice of Annual General Meeting and proposed approval of waiver of mandatory offer provisions in The City Code on Takeovers and Mergers

This document should be read as a whole. Your attention is drawn to the letter from Jonathan Agnew, the non-executive Chairman of LMS Capital plc on pages 5 to 11 of this document in which the Directors (or the Independent Directors in the case of the Waiver Resolution) recommend that you approve the proposals described in this document by voting in favour of each of the Resolutions to be proposed at the Annual General Meeting referred to below.

Notice of the Annual General Meeting of LMS Capital plc to be held at 11.00 a.m. on Friday 6 June 2008 at the offices of JPMorgan Cazenove, 20 Moorgate, London EC2R 6DA is set out on pages 25 to 27 of this document.

A Form of Proxy for use by all Shareholders at the Annual General Meeting is enclosed with this document. To be valid, the accompanying Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon to the Company's registrars Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 11.00 a.m. on Wednesday 4 June 2008.

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DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy unless the context requires otherwise.

1985 Act	the Companies Act 1985
2006 Act	the Companies Act 2006
AIM	the AIM market operated by the London Stock Exchange
AIM Rules	the AIM Rules for Companies which set out the rules and responsibilities in relation to companies whose securities are admitted to AIM
Annual General Meeting	the annual general meeting of the Company which is due to be held at 11.00 a.m. on Friday 6 June 2008 at the offices of JPMorgan Cazenove, 20 Moorgate, London EC2R 6DA and notice of which is given at the end of this document
Annual Report	the report and financial statements of the Company for the year ended 31 December 2007
Arbuthnot Securities	Arbuthnot Securities Limited
Board or Directors	the directors of the Company, whose names appear on page 5 of this document
Business Day	a day (other than a Saturday, Sunday or public holiday) when clearing banks are open for business in the City of London
City Code	The City Code on Takeovers and Mergers
the Company or LMS	LMS Capital plc, a company registered in England and Wales with company number 5746555 and registered office at Carlton House, 33 Robert Adam Street, London W1U 3HR
Concert Party	the group of Shareholders which the Panel has confirmed are deemed to be acting in concert for the purposes of the City Code, details of which are set out in Part 2 of this document
Current Articles	the articles of association of the Company as at the date of this document
Form of Proxy	the form of proxy to be used by Shareholders at the Annual General Meeting accompanying this document
Group	the Company and its subsidiaries and subsidiary undertakings from time to time
Independent Directors	the Directors excluding Robert Rayne
Independent Shareholders	the Shareholders other than any Shareholder who is a member of the Concert Party
Market Purchase Authority	the authority to make general market purchases of Ordinary Shares to be sought by the Company pursuant to Resolution 12 set out in the Notice of Annual General Meeting
New Articles	the articles of association of the Company as sought to be amended by Resolution 14 set out in the Notice of Annual General Meeting

Official List	the Official List of the UK Listing Authority, a division of the Financial Services Authority, acting as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
Ordinary Shares	the ordinary shares of 10p each in the capital of the Company
Panel	the Panel on Takeovers and Mergers
Resolutions	the resolutions to be proposed at the Annual General Meeting, the full text of which is set out in the Notice of Annual General Meeting set out at the end of this document
Rule 9 Waiver	the waiver of the obligation to make a general offer under Rule 9 of the City Code which has been granted to the Concert Party by the Panel subject to the passing of the Waiver Resolution
Shareholders	holders of Ordinary Shares
Waiver Resolution	the waiver of the obligation of the Concert Party to make a general offer under Rule 9 of the City Code sought by the Company pursuant to Resolution 13 set out in the Notice of Annual General Meeting

PART 1

LETTER FROM THE CHAIRMAN

LMS Capital plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 5746555)

Directors

Jonathan Geoffrey William Agnew *(Non-executive Chairman)*
Robert Anthony Rayne *(Chief Executive Officer)*
Martin Andrew Pexton *(Managing Director)*
Antony Charles Samuel Sweet *(Chief Financial Officer)*
John Corbitt Barnsley *(Senior Independent Non-Executive Director)*
Richard Christou *(Non-executive Director)*
Bernard Jacques Duroc-Danner *(Non-executive Director)*

Registered Office

Carlton House
33 Robert Adam Street
London W1U 3HR

25 April 2008

To the holders of Ordinary Shares

Dear Shareholder,

Notice of Annual General Meeting and proposed approval of waiver of mandatory offer provisions in The City Code on Takeovers and Mergers

1 Introduction

The purpose of this document is to provide you with details of the resolutions to be proposed at the Annual General Meeting of the Company to be held on Friday 6 June 2008 at 11.00 a.m. and convened by the formal Notice of Annual General Meeting set out at the end of this document. In addition to the usual resolutions put to Shareholders at the Annual General Meeting, the Directors are also, *inter alia*, proposing resolutions seeking your authority to amend the Company's articles of association (principally in light of the changes effected by the Companies Act 2006), and also for the approval of Independent Shareholders of the waiver of certain obligations which may arise under the City Code as a result of any exercise of the authority which is being sought to buy back Ordinary Shares.

In addition to highlighting the usual business to be transacted at the Annual General Meeting, this document explains the background to the resolutions which will be considered at the Annual General Meeting and why the Directors (or the Independent Directors in the case of the Waiver Resolution) consider the Resolutions to be in the best interests of Shareholders as a whole and why they recommend that you vote in favour of the Resolutions.

On 26 March 2008, the Company announced its preliminary results for the year ended 31 December 2007. A copy of the Annual Report for that period is enclosed with this document.

2 Information on the Company

LMS is a UK-based investment company with stakes in public and private US and UK companies and funds. It was demerged from London Merchant Securities plc in June 2006 and its Ordinary Shares are admitted to trading on AIM. The Company aims to achieve medium to long-term growth through investment and active management, and targets investments in sectors where management has prior experience.

The Company currently invests in the UK and the US through quoted securities, unquoted companies and funds and although the Company is a relatively small player in each of these areas, the Company believes that in pursuing its investment strategy, a key competitive advantage that will continue to drive performance is the Company's strategy to be a long-term supportive investor.

The Company continues to review a good pipeline of investment opportunities consistent with the Company's strategy and in the short-to-medium term, the Company has funding flexibility to invest in attractive investment opportunities by utilising a combination of its cash balances and proceeds from realisations of existing investments.

3 Resolutions

3.1 *Resolution 1 – Receipt of financial statements and reports*

The Directors are required to lay before the Annual General Meeting the Company's financial statements and the reports of the Directors and the auditors for the year ended 31 December 2007.

3.2 *Resolution 2 – Approval of the remuneration report*

UK listed companies on the Official List are required to prepare a remuneration report. Although not a requirement for AIM-listed companies, the Board considers it a matter of good practice to prepare such a report and put a resolution to approve the report to the Shareholders at the Annual General Meeting. The report is contained in full within the Annual Report. In line with the legislation requiring companies to put an annual resolution to shareholders on directors' pay, this vote will be advisory.

3.3 *Resolutions 3 to 5 – Re-appointment of Directors*

The Company's articles of association require a third of the Board to retire each year by rotation based on the date of their being appointed. Accordingly, Jonathan Agnew, Robert Rayne and Antony Sweet will retire and, being eligible, are seeking re-appointment to the Board. Biographical details of each Director are set out on page 22 of the Annual Report. Robert Rayne and Antony Sweet are executive directors and Jonathan Agnew is a non-executive director. The Board considers that each of the Directors proposed for re-appointment makes an effective and valuable contribution and demonstrates commitment to the role. Accordingly, the Board recommends re-appointment of each Director.

3.4 *Resolutions 6 and 7 – Re-appointment and remuneration of the auditors*

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company. The appointed auditors are to hold office until the next such meeting. Following the recommendation of the Audit Committee, the Directors propose that KPMG Audit Plc be re-appointed as auditors of the Company. Resolution 7 proposes that the Directors be authorised to determine the level of the auditors' remuneration.

3.5 *Resolution 8 – Company's investing strategy*

LMS is an investing company (as defined in the AIM Rules). Under Rule 8 of the AIM Rules LMS is required to seek the consent of its Shareholders for its investing strategy on an annual basis. The Company's investing strategy is described below and in the accompanying Annual Report.

The Company's objective is to deliver sustained medium to long-term growth for its Shareholders through a risk-diversified portfolio of investments in public and private companies.

The Company understands the drivers of demand in the sectors in which it invests and this enables it to recognise the potential of both new ideas and young companies requiring growth funding. These sectors currently include applied technology, energy, healthcare and medical, media and leisure and real estate. The Company does, however, retain the freedom to invest outside these core sectors in order to take advantage of opportunities when they arise.

Investments are principally made in the UK and US markets, although the Company is not restricted from expanding into other markets.

A deep knowledge of the Company's chosen sectors acquired over many years allows it to invest in and with leading management teams, however, the Company undertakes rigorous inquiry and carries out full due diligence into new investments to understand the investee company's business, evaluate information on their market place and competition, meet their management, directors and existing shareholders and if necessary commission reports from external experts.

The Company also understands the cyclical nature of the sectors in which it operates and through taking long-term positions is able to adjust its economic interest to reflect a longer holding period. One of the principal characteristics of the Company which differentiates it from other private equity investors is the time horizon over which it is able to invest. As an active and supportive long-term investor the Company is not constrained by the fixed investment periods (typically three to five years) which apply to most private equity funds. It is not uncommon for the Company to hold investments for longer than this where the Board believes that this will deliver greater shareholder value.

The Board will continue to manage the Company's portfolio in line with its overall investment objective. In this regard, the Company may make realisations from within its existing portfolio where the Board believes that the proceeds of realisation could generate better returns if deployed elsewhere.

3.6 ***Resolution 9 – Authority for political donations and expenditure***

Resolution 9 concerns Part 14 of the 2006 Act, which came into force on 1 October 2007 and provides that political donations made by a company to political parties, to other political organisations and to independent election candidates or political expenditure incurred by a company must be authorised in advance by shareholders.

It is not the policy of the Company to make donations to political parties, other political organisations or independent election candidates and the directors have no intention of changing that policy. However, as a result of the wide definitions in the 2006 Act, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a donation to a political party or other political organisations and fall within the restrictions of the 2006 Act.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the 2006 Act and is intended to authorise normal donations and expenditure. If passed, Resolution 9 will allow the Company and its subsidiaries to make donations to political parties, other political organisations and independent election candidates and to incur political expenditure (as defined in the 2006 Act) up to an aggregate limit of £60,000 in the period expiring on the conclusion of the Company's Annual General Meeting to be held in 2009 whilst avoiding, because of the uncertainty over the definitions used in the 2006 Act, inadvertent infringement of the 2006 Act. Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's Annual Report for next year, as required by the 2006 Act. The authority will not be used to make political donations within the normal meaning of that expression.

3.7 ***Resolution 10 – Authority to allot shares***

Under the Company's articles of association, the directors have general authority to allot relevant securities up to an amount and for a period permitted by section 80 of the Companies Act 1985. This resolution proposes that the Directors be authorised to allot up to 95,466,860 Ordinary Shares for the period expiring on the conclusion of the Company's Annual General Meeting to be held in 2009, unless varied, renewed or revoked by the Company in general meeting before such expiry. The authority represents approximately 33.33 per cent. of the Company's current issued ordinary share capital. This amount complies with relevant institutional guidelines. The Company currently has no shares held in treasury. The Directors have no present intention of issuing any relevant securities other than pursuant to employee share schemes.

3.8 ***Resolution 11 – Disapplication of pre-emption rights***

The Directors are currently authorised to allot equity securities for cash without first offering them to existing Shareholders in proportion to their holdings. This resolution proposes that such authority be renewed and that the Directors be authorised to allot up to 14,321,460 Ordinary Shares for cash without a pre-emptive offer being made for the period expiring on the conclusion of the Company's Annual General Meeting to be held in 2009, unless renewed, varied or revoked by the Company in

general meeting before such expiry. The authority represents approximately 5 per cent. of the Company's current issued ordinary share capital. This amount complies with relevant institutional guidelines. The Directors have no present intention of exercising this authority.

3.9 ***Resolution 12 – Share purchase authority***

In certain circumstances, it may be advantageous for the Company to purchase its own Ordinary Shares and this resolution seeks authority from Shareholders to do so. The Directors will use such authority only if they believe, at the relevant time, that it is in the best interests of the Shareholders and would result in an increase in the net asset value per Ordinary Share of the Company. The Board believes that the ability to make market purchases of Ordinary Shares is a valuable mechanism to enhance Shareholder value. The Company may either cancel or hold in treasury shares purchased in this way. The resolution specifies the maximum number of shares that may be acquired (namely, 42,935,741 being approximately 14.99 per cent. of the Company's current issued ordinary share capital), and the maximum and minimum price at which they may be bought. This authority will expire at the earlier of the conclusion of the Company's Annual General Meeting to be held in 2009 and 30 June 2009 (being the date which is six months after the Company's accounting reference date falling in 2008), unless renewed, varied or revoked by the Company in general meeting before such expiry.

3.10 ***Resolution 13 – Waiver of Rule 9 of the City Code***

The Company is seeking approval of Independent Shareholders of the waiver of certain obligations which may arise under the City Code as a result of any exercise of the authority which is being sought to buy back shares.

Under Rule 9 of the City Code, when any person:

- (a) acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the City Code) which (taken together with shares in which he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the City Code; or
- (b) together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares,

such a person is normally required to make a general offer to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. An offer under Rule 9 of the City Code must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to an announcement of the offer. Where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company to which the City Code applies, acquires interests in additional voting shares, then they will not generally be required to make a general offer to the other shareholders to acquire their shares, although individual members of the Concert Party will not be able to increase their percentage interest in shares through a Rule 9 threshold without the consent of the Panel.

Under Rule 37.1 of the City Code, when a company redeems or purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights of a person or group of persons acting in concert will be treated as an acquisition for the purpose of Rule 9 of the City Code. A person who comes to exceed the limits in Rule 9.1 in consequence of a company's redemption or purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or presumed to be, acting in concert with any of the directors.

Under the City Code, a concert party arises where persons act together pursuant to an agreement or understanding (whether formal or informal) to co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Control means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of the company, irrespective of whether such interest, or interests, give *de facto* control.

Members of the extended Rayne family and associated trusts comprise a concert party for the purposes of the City Code. In total, the combined interest in Ordinary Shares of the Concert Party at the date of this document is 110,565,377 Ordinary Shares, representing approximately 38.60 per cent. of the Company's issued share capital as at 23 April 2008 (being the last practicable date prior to the posting of this document). Further details of the Concert Party are set out in paragraph 4.3 of Part 2 of this document.

Any buy back of shares pursuant to the Market Purchase Authority may therefore result in the Concert Party being obliged to make an offer for the Company. As referred to in paragraph 3.9 in relation to Resolution 12 above, it may be advantageous for the Company to purchase its own Ordinary Shares. As a result your Board has consulted with the Panel, which has agreed, subject to the Independent Shareholders voting on a poll at the Annual General Meeting to approve Resolution 13, to waive any obligation that would otherwise arise, under Rule 9 of the City Code for the Concert Party, as a result of any market purchases of Ordinary Shares by the Company pursuant to the authorities sought by Resolution 12, to make a general offer for the Ordinary Shares which they do not already hold. However, the waiver will only apply provided that the interests in Ordinary Shares of the Concert Party do not exceed 49.99 per cent. of the issued share capital of the Company immediately following any general market purchase of Ordinary Shares by the Company pursuant to the Market Purchase Authority.

The members of the Concert Party (including Robert Rayne) will not be entitled to vote on Resolution 13 at the Annual General Meeting.

On the basis that the issued share capital of the Company is 286,429,228 Ordinary Shares (being the issued share capital of the Company at 23 April 2008 (being the latest practicable date prior to the publication of this document)) and assuming that (i) Resolution 12 is passed at the Annual General Meeting, (ii) full use is made by the Company of the Market Purchase Authority, (iii) no member of the Concert Party disposes of any of its Ordinary Shares pursuant to the exercise of the Market Purchase Authority, and (iv) no person exercises any options or any other rights to subscribe for Ordinary Shares, the Concert Party's interest in Ordinary Shares would increase to 45.41 per cent. of the voting share capital of the Company. A table analysing the maximum interests of the members of the Concert Party is set out in paragraph 4.3 of Part 2 of this document.

The effect of the potential increase in the interest in Ordinary Shares of the Concert Party described in this paragraph 3.10 would mean that (for so long as members of the Concert Party continue to be treated as acting in concert) the Concert Party would be interested in Ordinary Shares carrying 30 per cent. or more of the Company's voting share capital but will not hold more than 50 per cent. of such voting rights and would be unable, without the Panel's consent, to acquire, either individually or together, an interest in any other Ordinary Shares without being required to make a general offer to Shareholders to acquire their Ordinary Shares.

3.11 ***Resolution 14 – Amendments to the articles of association***

We are also asking Shareholders to approve a number of amendments to our articles of association, primarily to reflect the provisions of the Companies Act 2006 and to address the changes to directors' duties in relation to conflicts of interest. An explanation of the main proposed changes to the Company's articles of association is set out in the appendix beginning on page 23 of this document.

A copy of the proposed New Articles and a copy of the Current Articles marked to show the changes being proposed in Resolution 14 will be available for viewing on the Company's website (www.lmscapital.com), at both the Company's registered office and the offices of Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ, in each case during normal business

hours on each business day from the date of this document until close of the Annual General Meeting, and at the place of the Annual General Meeting from 30 minutes prior to the meeting until its conclusion.

4 Intentions of the Concert Party and the Directors

4.1 *Intentions of the Concert Party*

The Concert Party will have the ability to exercise a significant degree of influence over the future conduct of the Company.

Robert Rayne, in his capacity as a Shareholder, together with Lady Jane Rayne, the Executors of Lord Rayne, deceased, The Rayne Trust and The Rayne Foundation have each confirmed that their present intention is to support the Company's current investing strategy and the Company's dividend policy and that they have no present intention to propose any changes to the Board. The combined interest in Ordinary Shares of Lady Jane Rayne, the Executors of Lord Rayne, deceased, The Rayne Trust, The Rayne Foundation and Robert Rayne is 80,594,951 Ordinary Shares, representing 28.14 per cent. of the Company's issued share capital as at 23 April 2008 (being the latest practicable date prior to the publication of this document).

4.2 *Intentions of the Directors*

The Directors intend to continue to conduct the business of the Company in the same manner as it is currently conducted and there are no plans to introduce any substantial change in the business of the Company.

Assuming that Resolution 12 (which relates to the Market Purchase Authority) in the Notice of Annual General Meeting is duly passed, the Directors will use such authority only if they believe, at the relevant time, that it is in the best interests of the Shareholders and would result in an increase in the net asset value per Ordinary Share of the Company. The Board believes that the ability to make market purchases of Ordinary Shares is a valuable mechanism to enhance Shareholder value.

5 Financial and additional information

Financial information on the Group for the nine month period from the date of incorporation to 31 December 2006 and for the year to 31 December 2007 is set out in the Annual Report which accompanies this document and is incorporated by reference.

6 Annual General Meeting

You will find set out at the end of this document a notice convening the Annual General Meeting to be held at the offices of JPMorgan Cazenove, 20 Moorgate, London EC2R 6DA at 11.00 a.m. on Friday 6 June 2008.

Please also refer to the additional information set out in Part 2 of this document.

7 Action to be taken

Shareholders will find enclosed with this document a Form of Proxy with a reply-paid envelope for use in connection with the Annual General Meeting. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete and return the Form of Proxy.

If you wish to appoint a proxy, you are requested to complete and return the Form of Proxy as soon as possible and, in any event, so as to be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the Annual General Meeting (that is, by 11.00 a.m. on Wednesday 4 June 2008) or adjourned Annual General Meeting.

If you hold Ordinary Shares in CREST, you may appoint a proxy in relation to the Annual General Meeting by completing and transmitting a CREST proxy instruction to the Company's Registrars, Capita Registrars (CREST participant ID RA10), so that it is received by not later than 11.00 a.m. on Wednesday 4 June 2008 (or, if the Annual General Meeting is adjourned, 48 hours before the time of holding the adjourned meeting).

Please note that Forms of Proxy may not be submitted via the LMS website or any email address set out on the LMS website.

Further information is set out in the notes to the Notice of Annual General Meeting on pages 26 to 27 of this document.

The return of the completed Form of Proxy or CREST proxy instruction will not affect your right as a Shareholder from attending the Annual General Meeting and voting in person if you wish to do so.

New Shareholders should note that, in order to have the right to attend and vote at the Annual General Meeting, their holding must be entered in the Company's register of members by 6.00 p.m. on Wednesday 4 June 2008 (or, if the meeting is adjourned, in the register of members by 6.00 p.m. on the second day prior to the day of any adjourned meeting).

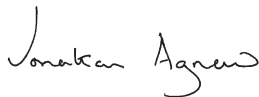
8 Recommendation

The Directors consider the Resolutions (other than the Waiver Resolution recommended below) to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions other than the Waiver Resolution to be proposed at the Annual General Meeting, as they intend to do in respect of their own personal beneficial shareholdings which they can vote, amounting to, in aggregate 8,675,885 Ordinary Shares, representing 3.03 per cent. of the current issued share capital of the Company.

The Independent Directors, who have been so advised by Arbuthnot Securities in respect of the Rule 9 Waiver and the Market Purchase Authority, consider the Rule 9 Waiver and the Market Purchase Authority to be in the best interests of the Company and the Independent Shareholders as a whole. In providing advice to the Independent Directors, Arbuthnot Securities has taken into account the Independent Directors' commercial assessments. Accordingly, the Independent Directors unanimously recommend that the Independent Shareholders vote in favour of the Waiver Resolution to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings amounting to, in aggregate, 1,946,185 Ordinary Shares, representing 0.68 per cent. of the current issued share capital of the Company.

Robert Rayne is a member of the Concert Party and has therefore not participated in the Independent Directors' recommendation of the Waiver Resolution.

Yours faithfully,



Jonathan Agnew
Non-executive Chairman

PART 2

ADDITIONAL INFORMATION

1 Responsibility

- 1.1 The Directors of the Company, whose names appear in paragraph 2 of Part 2 of this document, accept responsibility for the information contained in this document other than the recommendation and associated opinion attributed to the Independent Directors regarding Resolution 13 set out in paragraph 8 of Part 1 of this document and the information relating to the Concert Party contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Independent Directors accept responsibility for the recommendation and associated opinion attributed to them regarding Resolution 13 set out in paragraph 8 of Part 1 of this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 Robert Rayne accepts responsibility for the information relating to the Concert Party contained in this document. To the best of his knowledge and belief (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Directors of the Company

The Directors of LMS and their principal functions are as follows:

Jonathan Geoffrey William Agnew	<i>Non-executive Chairman</i>
Robert Anthony Rayne	<i>Chief Executive Officer</i>
Martin Andrew Pexton	<i>Managing Director</i>
Antony Charles Samuel Sweet	<i>Chief Financial Officer</i>
John Corbitt Barnsley	<i>Senior Independent Non-executive Director</i>
Richard Christou	<i>Non-executive Director</i>
Bernard Jacques Duroc-Danner	<i>Non-executive Director</i>

3 Market quotations

The following table shows the closing middle market quotations of Ordinary Shares, as derived from the London Stock Exchange plc on the first business day of dealing of the six months immediately before the date of this document and 23 April 2008, being the latest practicable date prior to the posting of this document:

<i>Date</i>	<i>Share Price (p)</i>
23 April 2008	74.00
1 April 2008	73.75
3 March 2008	74.25
1 February 2008	70.00
2 January 2008	68.50
3 December 2007	67.50
1 November 2007	71.00

4 Directors' and other interests and dealings in Ordinary Shares

4.1 Directors' interests

As at 23 April 2008 (being the latest practicable date prior to publication of this document), the interests in Ordinary Shares of the Directors which: (i) have been notified by each Director to the Company; or (ii) are interests of the connected person of a Director (within the meaning of section 252 of the 2006 Act), the existence of which is known, or could with reasonable diligence be ascertained by the Director, were as follows:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital of the Company</i>
Jonathan Agnew	291,058	0.10
Robert Rayne ⁽¹⁾	7,593,626	2.65
Martin Pexton	615,660	0.22
Antony Sweet	1,702	0.00
John Barnsley	317,000	0.11
Richard Christou	169,965	0.06
Bernard Duroc-Danner	550,800	0.19

(1) Robert Rayne is interested in Ordinary Shares in the following capacities:

<i>Nature of interest</i>	<i>Trust name where applicable</i>	<i>Registered Holder(s)</i>	<i>Number of Ordinary Shares</i>
Beneficial ⁽¹⁾		Barclays Nominees Limited	954,154
Beneficial		Robert Anthony Rayne	5,680,816
Beneficial ⁽²⁾		Withers Trust Corporation Limited a/c 2NDROBR	207,113
Beneficial ⁽²⁾		Withers Trust Corporation Limited a/c 3RDROBR	751,543
Trustee	The Rayne Trust	Sinjul Nominees Limited a/c TRT	6,765,623
Trustee	The Rayne Foundation	Sinjul Nominees Limited a/c TFR	14,817,277
Trustee		The Hon RA Rayne, J McCarthy, APM Steele	100,000
			<u>29,276,526</u>

(1) Robert Rayne does not hold voting rights in respect of 5,270 Ordinary Shares

(2) Robert Rayne does not hold voting rights in respect of these Ordinary Shares

4.2 Substantial Shareholders' interests

So far as the Company is aware, as at 23 April 2008 (being the latest practicable date prior to publication of this document), the following persons have direct or indirect interests in three per cent. or more of the Company's voting rights:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital of the Company</i>
Michael Bernard Conn ⁽¹⁾	45,144,383	15.76
The Executors of Lord Rayne, deceased ⁽²⁾	44,612,624	15.58
Robert Anthony Rayne ⁽³⁾	28,312,600	9.89
Lady Jane Rayne ⁽⁴⁾	27,428,734	9.58
Schroders plc	26,798,565	9.36
Taube Hodson Stonex Partners Limited	16,896,994	5.90
Deutsche Bank AG	11,641,397	4.06

Notes:

(1) Michael Bernard Conn has interests in Ordinary Shares in the following capacities:

<i>Nature of interest</i>	<i>Trust name where applicable</i>	<i>Registered Holder(s)</i>	<i>Number of Ordinary Shares</i>
Trustee	The Executors of Lord Rayne, Deceased	Michael Bernard Conn; Sir Evelyn Robert Adrian de Rothschild; Christopher Roxborough Balfour	44,612,624
Beneficial		Michael Bernard Conn	531,759
			45,144,383

(2) The Executors of Lord Rayne, deceased, have interests in Ordinary Shares in the following capacities:

<i>Nature of interest</i>	<i>Trust name where applicable</i>	<i>Registered Holder(s)</i>	<i>Number of Ordinary Shares</i>
Trustees	The Executors of Lord Rayne, deceased	Michael Bernard Conn; Sir Evelyn Robert Adrian de Rothschild; Christopher Roxborough Balfour	44,612,624

(3) Please see note (1) to paragraph 4.1 of this Part 2.

(4) Lady Jane Rayne has interests in Ordinary Shares in the following capacities:

<i>Nature of interest</i>	<i>Trust name where applicable</i>	<i>Registered Holder(s)</i>	<i>Number of Ordinary Shares</i>
Beneficial		Lady Jane Rayne	4,697,801
Trustee		Lady Jane Rayne & Tamara Annabel Wood	1,031,589
Trustee	Lady Rayne Trust	Sinjul Nominees Limited a/c JFR	116,444
Trustee	The Rayne Trust	Sinjul Nominees Limited a/c TRT	6,765,623
Trustee	The Rayne Foundation	Sinjul Nominees Limited a/c TRF	14,817,277
			27,428,734

4.2.1 Save as set out in this Part 2, the Company is not aware of any person who as at 23 April 2008 (being the latest practicable date prior to the publication of this document) is interested (within the meaning of the Act), directly or indirectly, in three per cent. or more of the issued share capital of the Company.

4.2.2 None of the Shareholders referred to in paragraph 4.2 above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.

4.3 **Concert Party interests**

The Panel has deemed that the interests in relevant securities of Lady Rayne, the Executors of Lord Rayne, deceased, Robert Rayne and other Rayne family members comprise a concert party for the purposes of the City Code.

The following members of the Concert Party have significant interests in relevant securities:

- (a) the Executors of Lord Rayne, deceased (the Executors being Michael Bernard Conn, Sir Evelyn Robert Adrian de Rothschild and Christopher Roxborough Balfour), who are the trustees of Ordinary Shares. The beneficiaries of such Ordinary Shares are members of the extended Rayne family;
- (b) Robert Rayne, who is the late Lord Rayne's son and Chief Executive Officer of the Company;
- (c) Lady Jane Rayne, who is the late Lord Rayne's wife;
- (d) the Rayne Foundation, which is a charitable trust whose trustees include Robert Rayne and Lady Jane Rayne;
- (e) the Rayne Trust, which is a charitable trust whose trustees include Robert Rayne and Lady Jane Rayne;
- (f) Alexander Rayne, who is the late Lord Rayne's son;
- (g) Nicholas Rayne, who is the late Lord Rayne's son;
- (h) Madeleine Rayner, who is the late Lord Rayne's daughter;
- (i) Susan Rubin, who is the late Lord Rayne's daughter;
- (j) Tamara Wood, who is the late Lord Rayne's daughter; and
- (k) Damian Rayne, who is the late Lord Rayne's grandson and son of Robert Rayne.

James Rhodes is also a member of the Concert Party as he is Robert Rayne's nephew. James is an employee of the Company.

4.3.1 The interests in relevant securities of the members of the Concert Party as at the close of business on 23 April 2008 (being the latest practicable date prior to the publication of this document) are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital of the Company</i>
<i>Concert Party interests in relevant securities of 1,000,000 Ordinary Shares or above</i>		
The Executors of Lord Max Rayne, deceased	46,720,624	16.31
The Rayne Foundation	14,817,277	5.17
Robert Anthony Rayne	7,593,626	2.65
Alexander Rayne	6,893,566	2.41
The Rayne Trust	6,765,623	2.36
Tamara Wood	6,215,498	2.17
Lady Jane Rayne	4,697,801	1.64
Susan Rubin	4,471,216	1.56
Madeleine Rayner	2,862,888	1.00
Damian Rayne	1,611,858	0.56
Nicholas Rayne	1,110,995	0.39
Lady Jane Rayne & Tamara Wood	1,031,589	0.36
<i>Other Concert Party interests in relevant securities under 1,000,000 Ordinary Shares (20 individuals)</i>	<u>5,772,816</u>	<u>2.02</u>
Total	<u><u>110,565,377</u></u>	<u><u>38.60</u></u>

4.3.2 The interests in relevant securities of members of the Concert Party following the exercise of the Market Purchase Authority in respect of the maximum number of shares permitted under the Market Purchase Authority on the basis that the issued share capital of the Company is 243,493,487 and assuming no Ordinary Shares are bought back from the Concert Party would be as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital of the Company</i>
<i>Concert Party interests in relevant securities of 1,000,000 Ordinary Shares or above</i>		
The Executors of Lord Max Rayne, deceased	46,720,624	19.19
The Rayne Foundation	14,817,277	6.09
Robert Anthony Rayne	7,593,626	3.12
Alexander Rayne	6,893,566	2.83
The Rayne Trust	6,765,623	2.78
Tamara Wood	6,215,498	2.55
Lady Jane Rayne	4,697,801	1.93
Susan Rubin	4,471,216	1.84
Madeleine Rayner	2,862,888	1.18
Damian Rayne	1,611,858	0.66
Nicholas Rayne	1,110,995	0.46
Lady Jane Rayne & Tamara Wood	1,031,589	0.42
<i>Other Concert Party interests in relevant securities under 1,000,000 Ordinary Shares (20 individuals)</i>	<u>5,772,816</u>	<u>2.37</u>
Total	<u><u>110,565,377</u></u>	<u><u>45.41</u></u>

4.3.3 The address of each of the members of the Concert Party is c/o Carlton House, 33 Robert Adam Street, London W1U 3HR.

4.4 *Dealings in relevant securities*

The dealings in relevant securities during the disclosure period are set out below.

4.4.1 Dealings in the relevant securities during the disclosure period by the Directors are as follows:

<i>Name</i>	<i>Date</i>	<i>Transaction</i>	<i>Number of Ordinary Shares</i>	<i>Price (p)</i>
Robert Rayne	27/11/07	Purchase	47,833	66.75
Jonathan Agnew	09/11/07	Purchase	100,000	70.00
Jonathan Agnew	18/09/07	Purchase	58,000	71.75
Jonathan Agnew	18/09/07	Purchase	13,579	71.00
John Barnsley	18/09/07	Purchase	42,000	70.50
Richard Christou	18/09/07	Purchase	69,965	71.00
Bernard Duroc-Danner	18/09/07	Purchase	50,800	71.00
Martin Pexton	17/09/07	Purchase	250,000	71.95
John Barnsley	29/06/07	Purchase	125,000	75.50
Martin Pexton	13/04/07	Purchase	200,000	72.50

4.4.2 Dealings in relevant securities during the disclosure period by the members of the Concert Party are as follows:

<i>Name</i>	<i>Date</i>	<i>Transaction</i>	<i>Number of Ordinary Shares</i>	<i>Price (p)</i>
Withers Trust Corporation Ltd a/c 2NDNCDR	29/01/08	Sale	372,957	70.02
Withers Trust Corporation Ltd a/c 3RDNCDR	29/01/08	Sale	164,155	70.02
Withers Trust Corporation Ltd a/c 2NDNCDR	25/01/08	Sale	105,000	70.00
Withers Trust Corporation Ltd a/c 3RDNCDR	25/01/08	Sale	45,000	70.00
Natasha Rayne	09/01/08	Sale	3,165,466	70.00
Anthony Newman	30/11/07	Sale	5,480	67.00
Withers Trust Corporation Ltd a/c 2NDMARR	27/11/07	Sale	15,930	66.75
Withers Trust Corporation Ltd a/c 3RDMARR	27/11/07	Sale	31,903	66.75
Natasha Rayne	09/11/07	Sale	600,000	70.00
Natasha Rayne	02/11/07	Sale	150,000	72.00
Natasha Rayne	26/10/07	Sale	888,629	72.00
Natasha Rayne	19/10/07	Sale	150,000	72.00
Natasha Rayne	18/10/07	Sale	150,000	72.00
Natasha Rayne	17/10/07	Sale	150,000	72.00
Natasha Rayne	16/10/07	Sale	100,000	72.00
Natasha Rayne	12/10/07	Sale	75,000	72.00
Natasha Rayne	05/10/07	Sale	100,000	72.00
Natasha Rayne	28/09/07	Sale	479,000	72.00
Executors of Alison Rayne	27/09/07	Sale	502,935	71.50
Natasha Rayne	21/09/07	Sale	220,000	72.00
Natasha Rayne	27/07/07	Sale	275,000	76.00
James Rhodes	23/04/07	Transfer from LMS Share Incentive Plan	3,408	N/A
James Rhodes	20/04/07	Purchase	8,400	73.95
Sue Rubin	16/04/07	Sale	593,560	75.00

5. General

Save as disclosed in this Part 2 and except for intra-Concert Party dealings:

- (a) no Director, any member of his immediate family, any related trusts, (so far as the Directors are aware) any person connected with them nor any person who is their associate (within the meaning in the City Code) has any interests, rights to subscribe or short positions in relevant securities or has dealt in any relevant securities during the disclosure period;
- (b) no member or director of the Concert Party, any person connected with them nor any person acting in concert with them has any interests, rights to subscribe or short positions in relevant securities or has dealt in any relevant securities during the disclosure period;
- (c) neither the Company or any of the Directors has any interests, rights to subscribe or short positions in any member of the Concert Party; and
- (d) neither:
 - (i) the Company, any associate of the Company, nor any pension fund or employee benefit trust of the Company or any of its associates nor, as far as the Company is aware, any connected adviser of the Company or any of its associates or a person acting in concert with the Company (including stockbrokers but excluding exempt market makers), including any person controlling, controlled by or under the same control as any such connected adviser; nor
 - (ii) any discretionary fund manager (other than an exempt fund manager) connected with the Company,

has any interests, rights to subscribe or short positions in relevant securities or has dealt in any relevant securities during the disclosure period; and neither the Company nor any member of the Concert Party nor any person connected with them nor any person acting in concert with or the Company them has borrowed or lent relevant securities during the disclosure period.

6. Definitions for the purposes of paragraph 5 of Part 2:

In paragraph 5 of Part 2 of this document:

- (a) “associate” means a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);
- (b) “control” means an interest in relevant shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the interest gives *de facto* control;
- (c) “connected” has the meaning given to it in section 252 of the 2006 Act;
- (d) “disclosure period” means the period commencing on 24 April 2007 and ending on 23 April 2008, being the latest practicable date prior to the publication of this document; and
- (e) “connected adviser” means:
 - (i) in relation to the Company, an organisation which is advising the Company in relation to the Rule 9 Waiver and a corporate broker to the Company;
 - (ii) in relation to a person who is acting in concert with the Company, an organisation which is advising that person in relation to the matter which is the reason for that person being a member of the relevant concert party; and
 - (iii) in relation to a person who is an associate of the Company, an organisation which is advising that person in relation to the Rule 9 Waiver.

7 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by any member of the Group and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be, material to the Group as at the date of this document:

7.1 *Demerger Agreement*

A demerger agreement (the “Demerger Agreement”) was entered into on 12 April 2006 between London Merchant Securities plc (“London Merchant Securities”), the Company and Leo Capital Holdings Limited (now named LMS Capital Group Limited) to effect the demerger of the investment division of London Merchant Securities. The Company and London Merchant Securities agreed to implement the demerger by London Merchant Securities declaring a dividend in an amount equal to the sum of £65 million in cash plus the book value of its holding of shares and loan stock in LMS Capital Holdings Limited. This dividend was satisfied by the transfer of £65 million in cash plus the entire issued share capital of and loan stock in LMS Capital Holdings Limited to LMS Capital Group Limited in return for the issue of ordinary shares to the Company.

London Merchant Securities agreed to indemnify the Company for claims relating to its property division activities and the Company agreed to indemnify London Merchant Securities for liabilities relating to its investment division activities. The Demerger Agreement also provides for London Merchant Securities to seek to release the Company from guarantees, indemnities and contracts relating to London Merchant Securities (and in the meantime to hold the Company harmless) and to deliver free of charge assets which properly belong to the Company. The Demerger Agreement similarly provides for the Company to seek to release London Merchant Securities from guarantees, indemnities and contracts relating to the Company (and in the meantime to hold London Merchant Securities harmless) and to deliver free of charge assets which properly belong to the London Merchant Securities.

The Company agreed that following completion of the demerger it would be responsible for satisfying payments of certain carried interests under the London Merchant Securities Carried Interest Plan and certain similar arrangements.

The Demerger Agreement contains customary warranties as to capacity and authority and in relation to the issues of shares involved in the demerger.

In relation to tax, the Demerger Agreement provides, *inter alia*, for:

- (a) the indemnification by each party of the other party and each relevant member of its group, for tax liabilities chargeable primarily against the indemnifying party’s group;
- (b) the indemnification by London Merchant Securities of any member of its group for tax liabilities arising out of the steps taken to implement the demerger and certain steps taken in preparation for the demerger;
- (c) the agreement of the parties to take steps to ensure that, after completion, no member of the Company’s Group remains within the same VAT group as a member of the London Merchant Securities Group. If the VAT de-grouping did not occur as at completion, each party agreed to pay to the other any VAT for which that other party may be liable to account to HMRC and for which it would not have been liable to account if the companies had been de-grouped as at completion;
- (d) each party to provide the other with access to all records, information and assistance as is necessary to provide tax computations and other information required by a tax authority and to determine the amount of tax payable by that party;
- (e) an undertaking by the parties not to carry back losses arising in respect of a post completion period in such a way as would displace group relief claimed in a pre-completion period;
- (f) certain warranties relating to, *inter alia*, VAT grouping and tax residence; and
- (g) the conduct of any claims, dates for payments, limitations and recovery from third parties.

7.2 *Transitional Services Agreement*

A transitional services agreement (the “Transitional Services Agreement”) was entered into on 12 June 2006 between London Merchant Securities, the Company and LMS Services Limited and governed the provision of six employees, various finance, company secretarial, IT, investment management and other services, and the provision of business premises, to the Company. The Transitional Services Agreement had an initial term of six months and was terminated on 30 April 2007.

The consideration payable under the Transitional Services Agreement was an annual fee of £535,000 plus VAT. The Company was also obliged to reimburse LMS Services Limited for the employment costs, bonuses (and other employment liabilities (including TUPE liabilities)) arising from the employment by LMS Services Limited of the six employees for the duration of the Transitional Services Agreement (including costs arising from the termination of their employment).

7.3 *Nominated Adviser Agreements*

A nominated adviser agreement was entered into on 12 April 2006 between the Company, London Merchant Securities and N M Rothschild & Sons Ltd (“Rothschild”) pursuant to which the Company appointed Rothschild as the Company’s nominated adviser. Following the successful demerger of the Company, and the first anniversary of its Ordinary Shares having been traded on AIM, this agreement ended at the end of August 2007.

A further nominated adviser agreement was entered into by the Company with Arbuthnot Securities Limited on 30 August 2007 pursuant to which Arbuthnot agreed to act as the Company’s nominated adviser for a retainer fee of £50,000 per annum. The agreement can be terminated, by either party in respect of any period following 29 August 2009 by three months’ written notice or (in certain specified circumstances) at any time by either party by giving 30 days’ written notice.

7.4 *Facility Agreement*

A US\$53,000,000 revolving facility agreement (the “Facility Agreement”) dated 11 April 2006 was entered into between the Company as the original borrower, LMS Capital Holdings Limited, Westpool Investment Trust plc and LMS Capital (Bermuda) Limited as original guarantors and The Royal Bank of Scotland plc as the original lender. The purpose of the facility is to fund the liquidity requirements of the Company and its subsidiaries.

This facility is available for drawdown from the date of signing of the Facility Agreement until the third anniversary of the date of signing. All amounts borrowed under the Facility Agreement (including interest and any costs or fees thereon) must be repaid by the date falling three years after the date of signing of the Facility Agreement. Interest is payable on the loans made at the percentage rate per annum which is the aggregate of the margin (0.9 per cent. per annum), LIBOR and the mandatory cost. The Facility Agreement contains financial covenants relating to the value of borrowings to the value of investment assets and guarantor cover. Commitment fees are payable quarterly in arrears at the rate of 0.36 per cent. of the outstanding commitment. The Company paid a front-end fee of £75,000. The Facility Agreement contains representations, covenants and events of default with appropriate carve outs, materiality thresholds and remedy periods.

7.5 *Repurchase Agreement*

A letter agreement was entered into between the Company and JPMorgan Cazenove on 13 July 2006 pursuant to which the Company agreed to purchase from JPMorgan Cazenove any Ordinary Shares purchased by JPMorgan Cazenove pursuant to the tender offer carried out by the Company in 2006. The shares were bought by the Company at a price of 71.03p and under the terms of the agreement, the Company arranged for the cancellation of the shares purchased by it from JPMorgan Cazenove.

8 Directors' service contracts and letters of appointment

8.1 The executive directors have entered into service agreements with the Company, as follows:

<i>Name</i>	<i>Date of Contract</i>	<i>Notice period</i>	<i>Current annual salary</i>
Robert Rayne	14 March 2007	One year's notice notifiable by the Company Six month's notice notifiable by Mr Rayne	£398,000
Martin Pexton	14 March 2007	One year's notice notifiable by the Company Six month's notice notifiable by Mr Pexton	£244,000
Antony Sweet	14 March 2007	One year's notice notifiable by the Company Six month's notice notifiable by Mr. Sweet	£192,000

Further details of the service agreements of each executive director are set out below:

- (a) Robert Rayne is entitled to life assurance, healthcare and personal accident benefits, a car allowance of £20,000 per annum and to discretionary bonuses. Mr Rayne was paid a bonus of £526,000 for 2007.
- (b) Martin Pexton is entitled to life assurance, healthcare and personal accident benefits, a car allowance of £15,000 per annum and to discretionary bonuses. Mr Pexton was paid a bonus of £321,000 for 2007. Mr Pexton also receives contributions of a sum equal to 20 per cent. of his gross salary from the Company into an executive pension plan.
- (c) Antony Sweet is entitled to life assurance, healthcare and personal accident benefits, a car allowance of £15,000 per annum and to discretionary bonuses. Mr Sweet was paid a bonus of £168,000 for 2007. Mr Sweet also receives contributions of a sum equal to 15 per cent. of his gross salary from the Company into an executive pension plan.
- (d) Each service agreement is for an indefinite period terminable in accordance with the notice periods.
- (e) Each service agreement contains a change of control provision under which the executive director is entitled to a payment equivalent to 95 per cent. of the aggregate of his gross basic annual salary, car allowance, value of non-cash benefits, amounts payable under the Company's cash bonus scheme and (except in the case of Robert Rayne) the value of the executive director's pension entitlement, if within six months of a change of control of the Company his employment is terminated or he resigns. In addition, each executive director can be required to work for the Company as a consultant for a period of 12 months after the date of termination, subject to payment of a daily fee of £1,500, but such director cannot be obliged to provide a consultancy service on more than one day in each calendar month.

8.2 Non-executive directors have letters of appointment with the Company, on the following terms:

- (a) Jonathan Agnew is engaged pursuant to a letter of appointment dated 11 April 2006, whereby he was appointed chairman. Under the terms of this letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least once every three years by the Company's articles of association. He is entitled to a fee of £75,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Mr Agnew does not participate in any bonus arrangements.
- (b) John Barnsley is engaged pursuant to a letter of appointment dated 11 April 2006, whereby he was appointed senior independent non-executive director. Under the terms of this letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least once every three years by the Company's articles of association. He is entitled to a fee of £45,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Mr Barnsley does not participate in any bonus arrangements.

- (c) Richard Christou is engaged pursuant to a letter of appointment dated 11 April 2006. Under the terms of this letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least once every three years by the Company's articles of association. He is entitled to a fee of £45,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Mr Christou does not participate in any bonus arrangements.
- (d) Bernard Duroc-Danner is engaged pursuant to a letter of appointment dated 11 April 2006. Under the terms of this letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least once every three years by the Company's articles of association. He is entitled to a fee of £40,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Dr Duroc-Danner does not participate in any bonus arrangements.

Each of the non-executive directors' appointments is for an initial term of three years. As of the date of publication of this document each non-executive directors' appointment has approximately 1 year remaining.

Each of the non-executive directors was also entitled to an additional fee if they invested an amount, equal to their annual fee in Ordinary Shares and continued as a director of the Company and held such Ordinary Shares until the first announcement of the Company's results. Further details can be found in the Remuneration Report on page 32 of the Annual Report accompanying this document.

Where it is necessary for a non-executive director to seek independent professional advice necessary for the performance of his duties, he may, after consultation with the Company's secretary, obtain at the Company's reasonable expense, independent professional advice, subject to compliance with the Board's procedure for obtaining independent professional advice, which may be varied from time to time.

- 8.3 Save as set out in this Part 2, there are no existing or proposed service agreements or letters of appointment between any Director and any member of the Group providing for benefits upon termination of employment.
- 8.4 No service agreement or letter of appointment has been entered into by any Director and any member of the Group in the six months preceding the date of this document.
- 8.5 The Company entered into deeds of indemnity with each Director under which each of the Directors has the benefit of an indemnity in respect of any liability incurred for negligence, default, breach of duty or breach of trust in relation to their acting as directors of the Company, provided that such persons will not be indemnified in circumstances where such indemnification would be void under relevant legislation.

9 Other information

- 9.1 No agreement, arrangement or understanding (including any compensation arrangement) exists in relation to a transfer or otherwise between any member of the Concert Party or any person acting in concert with a member of the Concert Party and any of the Directors, recent directors, Shareholders or recent Shareholders in the Company having any connection with or dependence upon the proposals set out in this document.
- 9.2 There has been no material change in the financial or trading position of the Company since 31 December 2007, the date of the Annual Report for the year ended 31 December 2007, save as disclosed in Note 31 on page 72 of the Annual Report.
- 9.3 Arbuthnot Securities has given and not withdrawn its written consent to the issue of this document with the inclusion herein of references to the name Arbuthnot Securities in the form and context in which it appears.

10 Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) from the date of this document until the time and date of the Annual General Meeting:

- (i) the audited consolidated accounts of the Company for the financial year ended 31 December 2007 and the nine month period ended 31 December 2006;
- (ii) the written consent referred to in paragraph 9.3 of this Part 2;
- (iii) the Company's memorandum and articles of association as at the date of this document;
- (iv) the proposed new articles of association of the Company and a copy of the existing articles of association marked to show the changes being proposed in Resolution 14;
- (v) the material contracts referred to in paragraph 7 of this Part 2; and
- (vi) the Directors' service contracts and letters of appointment referred to in paragraph 8 of this Part 2.

Date 25 April 2008

APPENDIX

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

It is proposed that the Current Articles be amended to address the 2006 Act (as in force) and the new duties relating to conflict of interests which shall come into force on 1 October 2008. The opportunity is also being taken to bring clearer language to the Company's articles of association, remove references to preference shares (as all the preference shares in issue have been redeemed and extinguished) and in some areas conform the language of the articles of association. The principal changes are described below, broadly in the order in which they appear in the proposed New Articles.

1 Convening extraordinary and annual general meetings

It is proposed that the provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings be amended to conform to new provisions in the 2006 Act. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. Additionally, a company must now hold an annual general meeting within 6 months of its accounting reference date.

2 Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. It is proposed that this provision be amended as the concept of extraordinary resolutions has not been retained under the 2006 Act.

The Current Articles enable members to act by written resolution. Under the 2006 Act public companies can no longer pass written resolutions. These provisions have therefore been removed in the proposed New Articles.

3 Votes of members

Under the 2006 Act proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the 2006 Act so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may also be appointed in accordance with the 2006 Act. The proposed New Articles reflect all of these new provisions save that the right to exclude weekends and bank holidays when calculating time limits for receipt of proxies has not been incorporated.

4 Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the 2006 Act. The relevant provisions have therefore been amended in the proposed New Articles.

5 Age of directors on appointment

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the proposed New Articles.

6 Conflicts of interest

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's

interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The proposed New Articles give the directors authority to approve such situations and to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director from being in breach of duty and to mitigate the conflict if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

7 Unclaimed dividends

The proposed New Articles extend the period within which a dividend must be claimed from 6 years to 12 years from the date on which it is declared. This change has been introduced to bring the Company in line with current market practice.

8 Electronic and web communications

Provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The proposed New Articles continue to allow communications to members by electronic means and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website.

Notwithstanding these changes a member can always request a hard copy version of the document or information.

As a result of these changes a member will now be deemed to have received a document or information if sent by electronic means and properly addressed, 24 hours after it was sent.

9 Directors' indemnities and loans to fund expenditure

The 2006 Act has in some areas widened the scope for a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings. These changes have been reflected in the New Articles.

The Current Articles contain a power for the Company to reimburse directors in relation to their proper business expenses. Whilst amending the articles of association generally, the proposed New Articles have been amended to extend this power to cover loans to directors to fund proper business expenses in advance of them being incurred.

NOTICE OF ANNUAL GENERAL MEETING

LMS CAPITAL PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 5746555)

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of LMS Capital plc (the **Company**) will be held at 11.00 a.m. on Friday 6 June 2008 at the offices of JPMorgan Cazenove, 20 Moorgate, London EC2R 6DA to transact the business set out below.

Ordinary business

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive the Company's financial statements and the reports of the directors and the auditors for the year ended 31 December 2007.
2. To approve the remuneration report for the year ended 31 December 2007.
3. To re-appoint Jonathan Agnew, who is retiring by rotation in accordance with the Company's articles of association, as a director.
4. To re-appoint Robert Rayne, who is retiring by rotation in accordance with the Company's articles of association, as a director.
5. To re-appoint Antony Sweet, who is retiring by rotation in accordance with the Company's articles of association, as a director.
6. To re-appoint KPMG Audit Plc as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
7. To authorise the directors to determine the auditors' remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

8. That the Company's investing strategy as set out in paragraph 3.5 of Part 1 of the circular to shareholders of the Company dated 11 April 2008 (the "**Circular**") be and is approved;
9. To authorise the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of section 366 of the Companies Act 2006 (the "**2006 Act**") to:
 - (a) make political donations to political parties or independent election candidates (as such terms are defined in sections 363 and 364 of the 2006 Act), not exceeding £20,000 in aggregate;
 - (b) make political donations to political organisations other than political parties (as such terms are defined in sections 363 and 364 of the 2006 Act), not exceeding £20,000 in aggregate; and
 - (c) to incur political expenditure (as such term is defined in section 365 of the 2006 Act), not exceeding £20,000 in aggregate,

during the period beginning with the date of the passing of this resolution and expiring on the conclusion of the Company's Annual General Meeting to be held in 2009 provided that the maximum amounts referred to in (a), (b) and (c) may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.

10. That the authority conferred upon the directors by Article 4(B) of the Company's articles of association be and is hereby renewed for the period expiring on the conclusion of the Company's Annual General Meeting to be held in 2009, unless renewed, varied or revoked by the Company in general meeting before such expiry and for that period the "section 80 amount" shall be £9,546,686.

To consider and, if thought fit, to pass the following resolutions as special resolutions:

11. That, subject to the passing of resolution 10 above, the authority conferred upon the directors by Article 4(C) of the Company's articles of association be and is hereby renewed for the period expiring on the conclusion of the Company's Annual General Meeting to be held in 2009, unless renewed, varied or revoked by the Company in general meeting before such expiry and for that period the "section 89 amount" shall be £1,432,146.
12. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (the "**1985 Act**") to make market purchases (within the meaning of section 163(3) of the 1985 Act) of ordinary shares of 10p each in its capital ("**ordinary shares**") provided that:
 - (a) the maximum aggregate number of ordinary shares which may be so purchased is 42,935,741;
 - (b) the maximum price at which an ordinary share may be so purchased is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange for the five business days immediately preceding the day of purchase and the minimum price is 10p per ordinary share; and
 - (c) this authority shall expire at the earlier of the conclusion of the Company's Annual General Meeting to be held in 2009 and 30 June 2009 (being the date which is six months after the Company's accounting reference date falling in 2008), unless renewed, varied or revoked by the Company in general meeting before such expiry, save that the Company may, before such expiry, make contracts for purchases of ordinary shares which would or might be completed wholly or partly after such expiry and may make a purchase of ordinary shares in pursuance of any such contract.

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

13. That the waiver by The Panel on Takeovers and Mergers (the terms of which are referred to in paragraph 3.10 of Part 1 of the Circular) that would otherwise arise on the Concert Party (as defined in the Circular) (or any of them) to make a general offer to the shareholders of the Company under Rule 9 of the City Code on Takeovers and Mergers, as a result of any market purchases by the Company of shares pursuant to the exercise by the Company of the authority granted to the Company pursuant to resolution 12 above, be and is hereby approved provided that, following any exercise by the Company of the authority granted pursuant to resolution 12 above, the interests in shares of the Concert Party do not exceed 49.99 per cent. of the issued share capital of the Company immediately following such exercise.

To consider and, if thought fit, to pass the following resolution as a special resolution:

14. That the articles of association of the Company be and are amended with effect from conclusion of the Annual General Meeting by making the proposed alterations marked on the print of the articles of association produced to the Annual General Meeting as Exhibit "A" and signed by the Chairman for the purposes of identification.

Registered office
Carlton House
33 Robert Adam Street
London W1U 3HR

By order of the Board
Matthew Jones
Company Secretary

Registered number 5746555

Dated 25 April 2008

Notes

Registered shareholders

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the Company as at 6.00 p.m. on 4 June 2008 or, if the meeting is adjourned, in the register of members at 6.00 p.m. on the second day prior to the day of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00 p.m. on 4 June 2008 or, if the meeting is adjourned, in the register of members after 6.00 p.m. on the second day prior to the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any such adjournment.

Documents available for inspection

Copies of the executive directors' employment contracts and the non-executive directors' letters of appointment and of the proposed changes to the Company's articles of association are available for inspection at the Company's registered office during normal business hours on each business day from the date of this notice until the close of the Annual General Meeting (and in the case of the proposed changes to the Company's articles of association will also be available to view on the Company's website (www.lmscapital.com) during such period). These documents will also be available for inspection at the place of the Annual General Meeting from 30 minutes prior to the meeting until its conclusion.

Proxies

A member of the Company is entitled to appoint a proxy to attend, speak and vote instead of him. The proxy need not be a member of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares.

Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or adjournment of the meeting.

To be effective, the instrument appointing a proxy and any authority under which it is executed (or a copy of such authority notarially certified or certified in some other way approved by the Board) must be deposited with the Company's registrar, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU, not less than 48 hours before the time for holding the meeting or, in the event of an adjournment, not less than 48 hours before the time of the adjournment. A form of proxy, and replied paid envelope, are enclosed with this notice. Forms of proxy may not be submitted via the LMS website or via any email address set out on the LMS website.

CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Registrars (CREST participant ID RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

Voting by poll

It is intended that all resolutions at the Annual General Meeting will be voted on by poll.

Voting rights

As at 24 April 2008 (being the last business day prior to the publication of this notice) the issued share capital of the Company consists of 286,429,228 ordinary shares of 10p each, carrying one vote each. Therefore, the total voting rights in the Company as at 24 April 2008 are 286,429,228.

