



23 March 2009

**LMS Capital plc
Preliminary Results for the year ended 31 December 2008**

The Board of LMS Capital plc, ("LMS Capital" or "the Company"), is pleased to announce the Company's preliminary results for the year ended 31 December 2008.

Financial highlights*

- Net Asset Value per share was 89p (31 December 2007: 101p)
- Net realised gains on investments were £17.3 million (2007: £6.7 million)
- The loss for the year was £40.8 million (2007: profit of £29.8 million)
- Portfolio diversification has resulted in significant benefits from the strengthening of the US dollar against the pound sterling
- The investment management business had cash of £41.3 million at 31 December 2008 and no debt

* *investment management business*

Operational highlights:

- Successful sale of Energy Cranes in March 2008 for cash proceeds of £83 million
- AssetHouse Technology sold in June 2008 at a book loss of £3.7 million
- Investment of £2.5 million in Pims Group, a supplier of waste water pumping systems and services
- Cityspace acquired Kizoom Limited which delivers transport information to internet and mobile devices

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

"Despite the unprecedented turmoil in financial markets and the economy, LMS Capital's strategy has resulted in a more resilient performance than the sector as a whole. However, we have been affected by economic events and the consequent market weakness is reflected in our year end private company valuations. Looking forward we believe that our risk diversification and specialist skills as well as our debt free basis at corporate level will enable us to surmount the challenges ahead."

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About LMS Capital

LMS Capital plc is an international investment company whose shares are traded on AIM. The investment portfolio comprises investments primarily in the US and the UK, with a spread of early stage revenue-generating technology investments, development capital and mature company buyouts.

www.lmscapital.com

Chairman's statement

In spite of significant progress in the first half, in particular the profitable disposal of Energy Cranes, 2008 proved to be an extremely difficult year. The Company ended 2007 with a Net Asset Value per share of 101p and this declined by 12% to end 2008 at 89p. At the year end the strong balance sheet showed net cash of £41.3 million and no borrowings.

Results

Our investment management business achieved realised net gains on investments of £17.3 million for the year ended 31 December 2008 (31 December 2007: £6.7 million). Net unrealised losses on the investment portfolio were £54.1 million (31 December 2007: net unrealised gains of £30.0 million). The loss for the year ended 31 December 2008 was £40.8 million (31 December 2007: profit of £29.8 million).

The investment portfolio at 31 December 2008 was £202.0 million (last year excluding Energy Cranes, £217.1 million, a decline of £15.1 million or 7%).

We have conducted a rigorous review of all the Company's unquoted interests to ensure that their year end valuations fully take into consideration the prevailing market conditions, including the current lack of liquidity in the market.

The quoted portfolio declined in value in the second half when there was significant deterioration in the value of our listed energy holdings; this was in part offset by the strengthening of the US dollar.

For the Group as a whole (including portfolio subsidiaries) the consolidated loss for the year was £6.1 million (31 December 2007: loss of £0.4 million).

The Board is not recommending payment of a dividend for the year ended 31 December 2008 (31 December 2007: Nil).

Balance Sheet

At the year end the Company had no direct debt. Further, as the primary method of funding development capital is equity there is very little external debt in the unquoted portfolio.

Board and management

On behalf of the Board I would like to record our thanks to the management and employees of LMS Capital for their work during the year.

Share capital

As in previous years, at the forthcoming Annual General meeting the Company will be seeking authority to purchase up to 14.99% of its issued share capital. The Company also needs to obtain a waiver in respect of the Takeover Code obligations that a repurchase of shares above a certain limit would place on the Rayne family shareholders.

During the year, 13,788,276 shares were purchased in the market by the Company at an average price of £0.62. These shares were subsequently cancelled, making the current number of ordinary shares in issue 272,640,952.

Outlook

As we expect difficult conditions to continue in 2009 our investment portfolio may be further impacted by market turmoil. We expect that traditional sources of finance will remain scarce.

We believe that our continued strategy of a risk diversified portfolio and our experienced management team, as well as our debt free basis, will enable us to surmount the challenges ahead. We remain focused on each investment within our portfolio to ensure that it adapts to the present environment of reduced demand and tight liquidity.

The Company remains in a strong financial position but we are not complacent. We shall continue to seek exit opportunities for selected investments while ensuring that capital outlays are subject to rigorous review and due diligence.

With no debt and a strong team committed to the careful management of resources, your Board is confident that the Company is well positioned to protect its existing assets and take advantage of investment opportunities as they arise.

Jonathan Agnew
Chairman
23 March 2009

Operating Review

After a successful first half of the year which included the sale of Energy Cranes International ("Energy Cranes") and the acquisition of a number of new investments, the Company was affected by the turbulence in international financial markets in the closing months of 2008. Consequently our final results for the year reflect the impact on our business of the global financial crisis in the form of the unrealised losses which have had a significant impact on our Net Asset Value. However we believe that the principles of our diversified investment strategy will enable us to see out these difficulties while at the same time taking advantage of opportunities which the current economic environment presents.

Our objective remains unchanged. We aim to deliver sustained medium to long-term growth for our shareholders through a risk and geographically diversified portfolio of investments in public and private companies. In particular we are not constrained by the fixed investment periods of most private equity funds and we are therefore able to hold investments for longer than many other funds where we believe that this will deliver greater shareholder value. We understand the drivers of demand in the sectors in which we invest and this enables us to recognise the potential of both new ideas and young companies requiring growth funding.

Investment Portfolio

The portfolio is risk diversified and comprises:

- early stage companies where we expect high return multiples;
- companies requiring development finance where the normal holding period has been three to five years but could now be seven or eight years; and
- shorter term investments in the pre- and post-IPO market which usually provide liquidity within three to four years.

Analysis of portfolio by investment stage

	2008		2007	
	£ millions	%	£ millions	%
Early stage	24.5	12	27.6	10
Development	72.7	36	77.2	27
Growth	52.3	26	106.7*	38
Post IPO	52.5	26	70.6	25
	202.0	100	282.1	100

Analysis of portfolio by type of investment

	2008			2007
	£ millions UK	£ millions US	£ millions Total	£ millions Total
Quoted	19.4	27.1	46.5	63.8
Unquoted	33.7	19.5	53.2	131.9*
Funds	29.9	72.4	102.3	86.4
	83.0	119.0	202.0	282.1

Analysis of portfolio by sector

	2008		2007	
	£ millions	%	£ millions	%
Applied technology	61.3	30	84.2	30
Energy & water	30.8	15	105.7*	38
Healthcare & medical	22.9	11	18.0	6
Media & leisure	50.1	25	44.5	16
Real estate	15.9	8	15.4	5
Other	21.0	11	14.3	5
	202.0	100	282.1	100

* 2007 includes Energy Cranes at book value of £65 million

The investment portfolio has decreased by 28% during the year to £202.0 million (2007: £282.1 million) which can be summarised as follows:

	£ millions
1 January 2008	282.1
Additions in the year	51.6
Book value of realisations	(77.6)
Valuation adjustments	(99.6)
Foreign currency gains	45.5
31 December 2008	202.0

Additions include £12.4 million of new investments and £39.2 million of follow on funding, including £15.8 million of capital calls from funds. The figure for realisations relates principally to Energy Cranes and also includes adjustments for distributions from our fund investments.

The valuation adjustments include £45.5 million in respect of quoted securities of which £36.2 million relates to our oilfield services interests – Weatherford International, Gulfmark Offshore, BJ Services and Stratic Energy. £35.2 million arises on our unquoted interests and the balance relates to our fund positions.

The foreign currency gains are unrealised and reflect the strengthening of the US dollar against the pound sterling in the latter part of the year. It is the Board's current policy not to hedge the Company's underlying non-sterling investments.

Applied Technology

In January 2008 a new Chief Executive was appointed at Cityspace and since then there has been a significant reorganisation of the business. In May we advanced £1.9 million to Cityspace to fund its purchase of Kizoom Limited. Kizoom is a market leader in delivering real-time transport information to the internet and mobile devices. The acquisition of Kizoom reflects an important milestone in the Cityspace strategic growth plan - its established connections to many public transport real-time and timetabled data feeds open up opportunities for Cityspace in these complementary organisations and transport regions.

In August 2008, Eye-Fi, Inc. the developer and manufacturer of the world's first wireless memory card for digital cameras, secured \$11 million in series B funding from a number of investors, including \$2 million from the Company. Eye-Fi's technology works with Wi-Fi networks to send photos automatically from a digital camera to online, in-home and retail destinations. Eye-Fi has received numerous product awards, including being named one of the "100 Best Products of 2008" by PC World magazine.

Following a strategic review of AssetHouse Technologies Limited we concluded that the development potential of the company would only be realised if it were part of a larger group operating in its business sector. In June 2008 we sold our interest in the company to Amino Technologies plc for £1.4m on a debt-free basis, payable in cash. Net cash proceeds were £0.7 million and the realised loss on sale was £3.7 million.

Energy and water

On 31 March 2008 we sold our entire interest in Energy Cranes to a management buyout team backed by Close Brothers Private Equity. This transaction placed an enterprise value on the business of £142 million and the net proceeds to LMS Capital were £82.9 million in cash resulting in a realised gain (over 31 December 2007 book value) of £17.9 million. The Company's return on equity from its investment in Energy Cranes was in excess of 4.5 times, giving an internal rate of return of approximately 40%.

During the year we increased our holding in Weatherford International to 2,050,000 shares and acquired 250,000 shares in Gulfmark Offshore, Inc., a US company that provides marine services to companies involved in offshore exploration and production of oil and natural gas. Grant Prideco was acquired by National Oilwell Varco for a mixture of cash and shares – we subsequently sold the shares we received in exchange.

In June 2008, we invested £2.5 million in Pims Group, a private UK-based company which designs and installs pumping systems for domestic and commercial sewage and storm water. It also provides maintenance services for such systems. Based in the South East, Pims has national coverage and operates in both the domestic and commercial markets. This was a co-investment with Inflexion 2006 Buyout Fund.

Healthcare and medical

We made no purchases or sales in this sector during 2008 but our existing portfolio has made strong progress during the year. In particular, there was a significant increase in the share price of ProStrakan during the year following a number of successes for this business.

Healthcare Management Systems, which provides clinical and financial information systems for hospitals, achieved a significant increase in sales and operating profit. The company now provides its programmes to over 590 community hospitals in the USA.

Other

In July San Francisco Equity Partners (SFEP) invested \$5.0 million in Yes To, Inc., an Israel-based consumer products company that created and owns the Yes To Carrots line of natural personal-care products. Yes To Carrots has become one of the fastest growing brands in the worldwide natural personal-care market, and its award-winning products are currently sold by leading retailers in 17 countries across North America, Europe and Asia.

Its investment in Method Products, Inc (which comprises 58% by value of our interest in this fund) continues to do well with a further significant increase in sales during 2008.

Financial review

Basis of preparation of financial information

The Company reports its results under International Financial Reporting Standards as adopted for use in the European Union ("Adopted IFRS"), and the consolidated financial statements include the consolidation of portfolio companies which are also subsidiaries ("portfolio subsidiaries"). Since the Board manages the Company as an investment business, this financial review focuses on the results of the investment management operations. Note 2 to the financial information includes the separate results and net assets of the investment management business. Where appropriate, this review includes comments on the results and financial position of the portfolio subsidiaries.

Results of operations

Net Asset Value at 31 December 2008 was £241.5 million (31 December 2007: £289.0 million), a decrease of £47.5 million or 16%. The Net Asset Value per share was 89p (31 December 2007: 101p).

The Group's return on its investment portfolio for the year ended 31 December 2008 was a loss of £36.7 million (year ended 31 December 2007: gain of £36.7 million) as follows:

	Year ended 31 December	
	2008	2007
	£'000	£'000
Realised gains/(losses)		
Quoted securities	574	2,910
Unquoted securities	14,620	-
Funds	2,114	3,794
	<u>17,308</u>	<u>6,704</u>
Unrealised gains/(losses)		
Quoted securities	(31,122)	8,240
Unquoted securities	(27,506)	15,374
Funds	4,572	6,421
	<u>(54,056)</u>	<u>30,035</u>
Total gain/(loss)	<u>(36,748)</u>	<u>36,739</u>

Approximately 59% of the portfolio at 31 December 2008 is denominated in US dollars (2007: 42%) and the above table includes the impact of currency movements. In the year ended 31 December 2008 the strengthening of the US dollar against pound sterling resulted in an unrealised foreign currency gain of £45.5 million. During the year ended 31 December 2007 there was a slight overall weakening of the dollar and the unrealised loss for that year was £1.4 million.

We are pleased with the progress made by most of the holdings in our portfolio. Unrealised losses reflect the impact of the changes in the capital markets in the last few months of the year. This is reflected particularly in the decline in the value of our quoted portfolio year on year, most of which arose in the final three months of the year. Offsetting this, ProStrakan Group continued to make excellent progress during the year and its share price at the end of 2008 was higher than the previous year.

The principal constituents of the net unrealised loss for the year on our unquoted securities are as follows:

	Unrealised gain/(loss) £'000
Cityspace	(11,025)
Vio Worldwide	(8,100)
Corizon	(3,550)
Wesupply	(3,679)
Elateral	1,813
	<u>(24,541)</u>
Other investments	(2,965)
Total net unrealised loss	<u>(27,506)</u>

The unrealised losses above reflect the impact on our valuation criteria of the current market volatility and in particular the revenue and profitability multiples of comparable businesses which are used in the underlying calculations. Accordingly, in most cases we have reduced the multiples applied to our unquoted interests in determining the appropriate carrying value. In addition the results of Cityspace, Vio and Corizon in 2008 were below plan and were a contributory factor to the reduction in the carrying value. Wesupply has continued to make good progress during 2008 and has generated higher levels of interest and orders from its target market. However, this progress was not sufficient to offset market factors in the valuation process. In the case of Elateral, its excellent progress during 2008 has more than offset the impact of market factors.

The unrealised valuation gain on our fund interests reflects the fact that many of these are US funds and the net increase in our carrying value arises from the strengthening of the US dollar against the pound sterling. In line with other funds of funds we normally rely on reports from general partners as at the end of the third quarter in establishing our year end carrying value, with adjustments made for calls, distributions and foreign currency movements since that date. Given the events of the last quarter of 2008 we have where possible updated the portfolio using values as at the end of the year from fund managers; in the absence of such updates we have used our own judgement on underlying portfolio values to arrive at what we consider to be an appropriate carrying value for each position.

Income from investments in the year was £0.6 million (year ended 31 December 2007: £1.5 million) and comprises dividends on quoted securities and management charges made to portfolio companies. Administration expenses for the year were £5.6 million (year ended 31 December 2007: £7.4 million); the current year benefitted from a one-off VAT refund of £1.1 million. Net interest income for the year was £1.8 million (year ended 31 December 2007: £0.8 million) reflecting the higher levels of uninvested cash during the year. The tax charge for the year was £0.6 million (year ended 31 December 2007: £0.4 million).

Investments

The Group's investments are included in the balance sheet at fair values determined in accordance with industry guidelines.

Additions to the investment portfolio during the year were £51.6 million (year ended 31 December 2007: £57.2 million) of which £12.4 million was for new investments and £39.2 million for follow on investments including £15.8 million for capital calls from funds.

Additions to quoted stocks were £17.5 million, with a focus on the energy sector, in particular oilfield services. New investments included £6.7 million in Gulfmark Offshore Inc, listed on the New York Stock Exchange; we also acquired additional shares in Venture Production and Weatherford International.

We invested £18.3 million in unquoted investments of which £12.0 million was follow on funding for our UK portfolio. Proceeds of realisations were £97.1 million (year ended 31 December 2007: £46.8 million), the majority of which was from the sale of Energy Cranes. Distributions from funds were £8.1 million (year ended 31 December 2007: £14.3 million), including £2.5 million from Brockton Capital Fund I, a real estate opportunity fund which made its first realisation in 2008.

At 31 December 2008 the Group had commitments of £71.1 million to meet capital calls from its fund interests which the Directors estimate will be called over the next five years.

Financial position

The consolidated balance sheet at 31 December 2008 includes cash and cash equivalents of £42.6 million (31 December 2007: £14.5 million) and borrowings of £2.8 million (31 December 2007: £44.7 million) in the portfolio subsidiaries.

Cash in the investment management business of £41.3 million was £33.1 million higher than at the end of 2007, reflecting the disposal of Energy Cranes during the year. Part of the Company's cash has been and will be committed during 2009 to meet calls from funds and to provide further funding for existing unquoted investments.

The business also has a \$53 million (£36.35 million) borrowing facility with The Royal Bank of Scotland, of which £5 million was used for a short period during the year. The facility is due to expire in April 2009 and the Company is in discussions with the bank for the renewal of the facility at a lower level of £15 million. The investment management business had no borrowings at the end of 2008 or to date in 2009.

Robert A Rayne
Chief Executive Officer
23 March 2009

Principal investments

The top 20 investments by valuation at 31 December 2008 (excluding fund interests where the Company has only a minority position) are as follows:

Name	Country	Activity	2008 £'000	2007 £'000
San Francisco Equity Partners	US	Technology, media and retail	34,691	21,731
ProStrakan Group plc	UK	Specialty pharmaceuticals	15,314	11,705
Weatherford International Ltd	US	Oilfield services	15,173	28,349
Rave Reviews Cinemas	US	Cinema operations	8,859	7,253
Cityspace Limited	UK	Transport information services	6,000	12,902
Wesupply Limited	UK	Supply chain connectivity software	5,500	6,650
Gulfmark Offshore Inc	US	International offshore services	4,070	-
CopperEye Limited	UK	Indexing technology software	4,000	4,000
Elateral Limited	UK	Marketing software	3,500	1,500
Healthcare Management Systems	US	Hospital information systems	3,420	2,520
Entuity Limited	UK	Network management software	3,000	4,000
Chyron Corporation	US	Media technology	2,818	7,303
Pims Group	UK	Waste water systems and services	2,500	-
Telespree Communications	US	Network solutions for mobile devices	2,185	2,182
Venture Production plc	UK	Operation of stranded oil and gas assets	2,125	1,980
7 Global Limited	UK	IT managed services	2,000	3,000
Offshore Tool and Energy Corporation	US	Specialist engineering design and fabrication	2,000	2,256
Vio Worldwide Limited	UK	Advertising workflow services	2,000	7,000
BJ Services Company	US	Oil and gas field services	1,991	3,056
Investnet Asset Management	US	Wealth management solutions	1,537	1,427

Consolidated income statement

	Notes	Year ended 31 December 2008 £'000	Restated Year ended 31 December 2007 £'000
Revenue from sales of goods and services		19,790	15,541
Gains and losses on investments		(32,137)	10,899
Interest income		1,802	825
Investment and other income		582	507
		(9,963)	27,772
Operating expenses		(46,114)	(28,810)
Loss before finance costs		(56,077)	(1,038)
Finance costs		(221)	(75)
Loss before tax		(56,298)	(1,113)
Taxation		(579)	(387)
Loss from continuing operations		(56,877)	(1,500)
Discontinued operations			
Profit from discontinued operations (net of taxation)	3	50,755	1,108
Loss for the year		(6,122)	(392)
Attributable to:			
Equity holders of the parent		(5,929)	(529)
Minority interests		(193)	137
		(6,122)	(392)
Loss per ordinary share	4	(2.1)p	(0.2)p
Continuing operations			
Loss per ordinary share	4	(20.1)p	(0.5)p

Consolidated balance sheet

	Notes	31 December 2008 £'000	31 December 2007 £'000
Non-current assets			
Property, plant and equipment		3,216	14,255
Intangible assets		26,798	71,257
Investments		179,546	183,512
Other non-current assets		15	197
Non-current assets		209,575	269,221
Current assets			
Inventories		319	5,738
Operating and other receivables		8,309	46,299
Cash and cash equivalents		42,615	14,548
Current assets		51,243	66,585
Total assets		260,818	335,806
Current liabilities			
Bank overdrafts		-	(285)
Interest-bearing loans and borrowings		(1,656)	(7,842)
Operating and other payables		(10,335)	(29,891)
Deferred income		(3,426)	(2,199)
Current tax liabilities		(410)	(601)
Current liabilities		(15,827)	(40,818)
Non-current liabilities			
Interest-bearing loans and borrowings		(1,170)	(36,576)
Deferred income		(2,697)	(2,582)
Deferred tax liabilities		(41)	-
Provisions		-	(1,384)
Non-current liabilities		(3,908)	(40,542)
Total liabilities		(19,735)	(81,360)
Net assets		241,083	254,446
Equity			
Share capital		27,265	28,643
Capital redemption reserve		5,635	4,257
Merger reserve		84,083	84,083
Foreign exchange translation reserve		1,212	(867)
Retained earnings		122,741	133,047
Equity attributable to owners of the parent		240,936	249,163
Minority interest		147	5,283
Total equity	5	241,083	254,446

Consolidated statement of recognised income and expense

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Exchange differences on translation of foreign operations	1,083	56
Net income recognised directly in equity	1,083	56
Loss for the year	(6,122)	(392)
Total recognised income and expense	(5,039)	(336)
Attributable to:		
Equity holders of the parent	(4,846)	(469)
Minority interests	(193)	133
	(5,039)	(336)

Consolidated cash flow statement

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Cash flows from operating activities		
Loss for the year	(6,122)	(392)
Adjustments for:		
Depreciation and amortisation	1,199	2,190
Goodwill impairment	11,224	-
(Gains)/losses on investments	32,137	(10,899)
Gain on sale of discontinued operations, net of income tax	(49,436)	-
Translation differences	(1,958)	207
Share based payments	889	3,522
Finance costs	221	2,445
Interest income	(1,802)	(918)
Income tax expense	579	3,055
	(13,069)	(790)
Change in inventories	(9,878)	4,224
Change in trade and other receivables	13,342	(12,183)
Change in trade and other payables	(3,397)	1,977
	(13,002)	(6,772)
Interest paid	(221)	(2,445)
Income tax paid	(183)	(2,997)
Net cash used in operating activities	(13,406)	(12,214)
Cash flows from investing activities		
Interest received	1,802	918
Acquisition of property, plant and equipment	(1,685)	(4,764)
Proceeds from disposals of property, plant and equipment	12	2,757
Disposal of discontinued operations, net of cash disposed of	80,543	-
Acquisition of investments	(40,019)	(54,671)
Acquisition of subsidiaries	(5,645)	(12,388)
Proceeds from sale of investments	11,503	46,849
Net cash from/(used in) investing activities	46,511	(21,299)
Cash flows from financing activities		
Repurchase of own shares	(8,638)	-
Drawdown of interest bearing loans	1,855	18,364
Distribution to minority shareholders	(575)	-
Net cash (used in)/from financing activities	(7,358)	18,364
Net decrease in cash and cash equivalents	25,747	(15,149)
Cash and cash equivalents at the beginning of the period	14,263	29,566
Effect of exchange rate fluctuations on cash held	2,605	(154)
Cash and cash equivalents at the end of the year	42,615	14,263
Cash and cash equivalents above comprise		
Cash and cash equivalents	42,615	14,548
Bank overdrafts	-	(285)
Cash and cash equivalents at the end of the year	42,615	14,263

Notes

1. Basis of preparation

LMS Capital plc ("the Company") is domiciled in the United Kingdom. These financial statements are presented in pounds sterling because that is the currency of the principal economic environment of the Company's operations. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together "the Group").

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 comparable with other investment companies, the results of the Group's investment business on a stand alone basis are set out in Note 2.

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.

This financial information has been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("Adopted IFRS") although the financial information in this announcement is not sufficient to comply with Adopted IFRS.

The Group has decided to adopt early IFRS 8: Operating Segments ("IFRS 8") during the year ended 31 December 2007, which defines requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 replaces IAS 14: Segment Reporting. It follows the 'management approach', which requires the disclosure of segment information based on the internal reports regularly reviewed by management in order to assess each segment's performance and to allocate resources to them. IFRS 8 is effective for reporting periods beginning on or after 1 January 2009. Early adoption is permitted.

The financial information set out in this unaudited preliminary statement does not comprise LMS Capital plc's statutory accounts within the meaning of section 240(5) of the Companies Act 1985. The statutory accounts of LMS Capital plc for the year ended 31 December 2008, currently unaudited and to be published in due course, will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary statement and will be delivered to the Registrar of Companies in due course and will also be sent to shareholders.

The financial statements have been prepared on the historical cost basis except for the following:

- investments held at fair value through profit or loss are measured at fair value, and
- derivative financial instruments are measured at fair value.

2. Operating segments

The information below has been prepared using the definition of an operating segment in IFRS 8: Operating Segments which sets out the requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 requires an entity to present segment information on the same basis as the financial information which is reviewed regularly by management to assess performance and to 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 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.

Consolidated income statement

Year ended 31 December 2008	Investment management £'000	Portfolio subsidiaries £'000	Reconciliation Discontinued operations		Consolidation adjustments £'000	Group total £'000
			Energy Cranes £'000	Other £'000		
Revenues from sales of goods and services	-	19,790	-	-	-	19,790
Gains and losses on investments	(36,748)	-	-	-	4,611	(32,137)
Interest income	1,754	48	-	-	-	1,802
Investment and other income	582	-	-	-	-	582
Finance costs	-	(4,267)	-	-	4,046	(221)
Continuing operations	(40,796)	(13,514)	-	-	(2,567)	(56,877)
Discontinued operations	-	-	57,556	(6,801)	-	50,755
Profit/(loss) for the year	(40,796)	(13,514)	57,556	(6,801)	(2,567)	(6,122)

Year ended 31 December 2007 (Restated)	Investment management £'000	Portfolio subsidiaries £'000	Reconciliation Discontinued operations		Consolidation adjustments £'000	Group total £'000
			Energy Cranes £'000	Other £'000		
Revenues from sales of goods and services to external customers	-	15,541	-	-	-	15,541
Gains and losses on investments	36,739	(260)	-	-	(25,580)	10,899
Interest income	814	11	-	-	-	825
Investment and other income	1,508	-	-	-	(1,001)	507
Finance costs	-	(1,564)	-	-	1,489	(75)
Continuing operations	29,836	(6,256)	-	-	(25,080)	(1,500)
Discontinued operations	-	-	1,425	(2,095)	1,778	1,108
Profit/(loss) for the year	29,836	(6,256)	1,425	(2,095)	(23,302)	(392)

Consolidated statement of net assets

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	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	8,597	-	8,906
Total assets	243,939	16,059	1,098	261,096
Total liabilities	(2,283)	(70,882)	53,152	(20,013)
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.

31 December 2007	Investment management £'000	Reconciliation			Group total £'000
		Portfolio subsidiaries		Consolidation adjustments £'000	
		Energy Cranes £'000	Other £'000		
Property, plant and equipment	311	11,197	2,747	-	14,255
Intangible assets	-	32,497	-	38,760	71,257
Investments	282,120	-	200	(98,808)	183,512
Other non-current assets	-	197	-	-	197
Non-current assets	282,431	43,891	2,947	(60,048)	269,221
Cash and cash equivalents	8,240	5,060	1,248	-	14,548
Other current assets	1,557	43,878	6,602	-	52,037
Total assets	292,228	92,829	10,797	(60,048)	335,806
Total liabilities	(2,504)	(71,391)	(40,954)	33,489	(81,360)
Net assets/(liabilities)	289,724	21,438	(30,157)	(26,559)	254,446

The net asset value of the investment management business at 31 December 2007 includes £289,005,000 attributable to the equity holders of the parent and £719,000 attributable to minority interests.

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

Asset type	31 December 2008			31 December 2007		
	UK £'000	US £'000	Total £'000	UK £'000	US £'000	Total £'000
Funds	29,911	72,390	102,301	28,579	57,795	86,374
Quoted	19,409	27,097	46,506	17,476	46,348	63,824
Unquoted	33,686	19,556	53,242	116,551	15,371	131,922
	83,006	119,043	202,049	162,606	119,514	282,120

Asset type	Year ended 31 December 2008			Year ended 31 December 2007		
	Realised gains £'000	Unrealised gains £'000	Total £'000	Realised gains £'000	Unrealised gains £'000	Total £'000
Funds	2,114	4,572	6,686	3,794	6,421	10,215
Quoted	574	(31,122)	(30,548)	2,910	8,240	11,150
Unquoted	14,620	(27,506)	(12,886)	-	15,374	15,374
	17,308	(54,056)	(36,748)	6,704	30,035	36,739

Revenues

The Group's revenues from external customers comprise:

	Year ended 31 December 2008 £'000	Restated Year ended 31 December 2007 £'000
Continuing operations		
Software and related services	12,431	5,530
Specialist manufacturing	7,359	10,011
	19,790	15,541

Geographical information

	Revenues		Non-current assets	
	Year ended 31 December 2008 £'000	Restated Year ended 31 December 2007 £'000	31 December 2008 £'000	31 December 2007 £'000
Continuing operations				
United Kingdom	7,066	3,211	99,378	115,442
United States of America	6,521	11,346	110,197	152,629
Other countries	6,203	984	-	1,150
	19,790	15,541	209,575	269,221

Geographical information on revenue is based on the location of customers and on assets is based on the location of the assets.

Major customers

Revenues from the ten largest customers represent approximately 33% of the Group's total revenues.

3. Discontinued operations

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. These businesses were not discontinued operations or classified as held for sale as at 31 December 2007 and the comparative income statement has been re-presented to show the discontinued operations separately from continuing operations.

Results of discontinued operations

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Revenues	33,142	114,243
Expenses	(31,240)	(110,467)
Results from operating activities	1,902	3,776
Taxation	(583)	(2,668)
Results from operating activities, net of tax	1,319	1,108
Gain on sale of discontinued operations, net	49,436	-
Tax on gain on sale of discontinued operations	-	-
Profit for the period	50,755	1,108
Basic earnings per ordinary share	18.0p	0.4p
Diluted earnings per ordinary share	17.7p	0.4p

Cash flows from/(used in) discontinued operations

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Net cash from/(used in) operating activities	(8,977)	1,609
Net cash used in investing activities	(849)	(16,325)
Net cash from financing activities	7,375	15,497
Net cash from/(used in) discontinued operations	(2,451)	781

Effect of disposal on the financial position of the Group

	31 December 2008 £'000
Property, plant and equipment	12,216
Intangible assets	39,587
Investments	527
Other non-current assets	-
Inventories	15,326
Trade and other receivables	25,763
Cash and cash equivalents	3,043
Bank overdrafts	-
Interest bearing loans and borrowings	(43,447)
Trade and other payables	(10,813)
Provisions	(8,052)
Net assets and liabilities	34,150

3. Discontinued operations (*continued*)

Effect of disposal on the financial position of the Group (*continued*)

	31 December 2008 £'000
Consideration received, satisfied in cash	83,586
Cash disposed of	(3,043)
Net cash inflow	80,543

4. Loss per ordinary share

The calculation of loss per ordinary share is based on the loss of £5,929,000 (year ended 31 December 2007: loss of £529,000), being the loss for the year attributable to the parent, divided by the weighted average number of ordinary shares in issue during the year 281,758,491 (year ended 31 December 2007: 286,429,228).

The calculation of loss per ordinary share for continuing operations is based on the loss of £56,684,000 (year ended 31 December 2007: loss of £1,381,000), being the loss for the year attributable to the parent, divided by the weighted average number of ordinary shares in issue during the period of 281,758,491 (year ended 31 December 2007: 286,429,228)

There was no dilution effect on the loss from continuing operations or the Group loss in either year.

5. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Translation Reserve £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
Balance at 1 January 2007	28,643	4,257	84,083	(927)	130,548	246,604	4,344	250,948
Total recognised income and expense	-	-	-	60	(529)	(469)	133	(336)
Share based payments	-	-	-	-	3,028	3,028	494	3,522
Minority interest on acquisitions	-	-	-	-	-	-	312	312
Balance at 31 December 2007	28,643	4,257	84,083	(867)	133,047	249,163	5,283	254,446
Total recognised income and expense	-	-	-	1,083	(5,929)	(4,846)	(193)	(5,039)
Distribution to minority	-	-	-	-	-	-	(575)	(575)
Disposal of portfolio Subsidiaries	-	-	-	996	3,372	4,368	(4,368)	-
Repurchase of shares	(1,378)	1,378	-	-	(8,638)	(8,638)	-	(8,638)
Share based payments	-	-	-	-	889	889	-	889
Balance at 31 December 2008	27,265	5,635	84,083	1,212	122,741	240,936	147	241,083