



24 July 2015

LMS Capital plc
Half Year Results for the six months ended 30 June 2015

The Board of LMS Capital plc, (“LMS Capital” or “the Company”), is pleased to announce the Company’s half year results for the six months to 30 June 2015.

- Proceeds of realisations in the period were £26.6 million (2014: £40.5 million, including £31.8 million from the sale of Udata Infrastructure (UK)).
- These proceeds included:
 - The sale of five fund positions in the secondary market which raised £9.2 million after costs;
 - In March the acquisition of ChyronHego Corporation (one of our US quoted investments) by Vector Capital was completed – the cash proceeds to the Company were £5.1 million;
 - Sale of shares in Weatherford International for £3.8 million;
 - Voreda Real Estate (one of our UK fund interests) completed the sale of its principal asset, and the Company received £5.3 million as its share of the proceeds of this transaction;
 - Other distributions from funds were £2.0 million – calls to meet fund commitments were £0.2 million.
- Net Asset Value per share at 30 June 2015 was 94p (31 December 2014: 93p). Net Asset Value was £136.1 million (31 December 2014: £135.1 million).
- The investment portfolio showed a net gain of £4.7 million (2014: £19.0 million) before unrealised net currency losses of £0.7 million (2014: net losses of £3.0 million) and carried interest charges of £0.6 million (2014: £2.3 million).
- At 30 June 2015 we had liquid assets of £48.5 million (31 December 2014: £29.6 million), being net cash of £35.3 million (31 December 2014: £9.2 million) and quoted securities of £13.2 million (31 December 2014: £20.4 million). Outstanding commitments to funds were £4.1 million, down from £7.0 million at the end of 2014; approximately £2.3 million of this reduction reflects the secondary sale referred to above.

Martin Knight, Chairman of LMS Capital, said:

“We have continued to make good progress with the realisation strategy during the first half of the year but the Board is mindful that, as the portfolio reduces in size, the management time and costs involved in running the portfolio, together with the requirement to maintain sufficient working capital requirements, could increasingly impact returns to shareholders.

The Board is therefore proposing that the Company adopt a strategy of active investment in the energy sector, full details of which are included in a circular which is being sent to shareholders today”.

For further information please contact:

LMS Capital plc

Nick Friedlos, Director

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About LMS Capital

LMS Capital is an investment company which, following a general meeting on 30 November 2011, is undertaking a realisation strategy with the aim of achieving a balance between an efficient return of cash to shareholders and optimising the value of the Company’s investments. Its investment portfolio consists of small to medium sized companies across a range of sectors.

www.lmscapital.com

Half year review 2015

Overview

During the first half of 2015 the focus of the Company’s directors has continued to be the optimisation of realisations from the investment portfolio in line with the realisation strategy approved by shareholders at the general meeting on 30 November 2011. To date £115 million has been returned to shareholders by way of three tender offers and related share buybacks – this total equates to around 48% of the net asset value at the end of 2011 (“Opening Net Asset Value”) and approximately 74% of the Company’s market capitalisation at the time of the November 2011 general meeting to approve the realisation strategy (“Opening Market Capitalisation”).

The Company has today announced proposals to change its investment policy to enable it to invest in opportunities in the energy sector and full details are included in a circular which is being sent to shareholders today. The Company would continue its realisation programme in respect of its existing portfolio and the disposal proceeds (net of any amount required for working capital purposes) would then be invested in accordance with the proposed investment policy.

The financial information in respect of the six months ended 30 June 2015 has been prepared on the basis of the realisation strategy applicable to that period.

The movement in net asset value during the first half of 2015 was as follows:

	Six months ended 30 June	
	2015 £'000	2014 £'000
1 January	135,108	165,254
Return on investments	3,453	13,668
Overheads, net of other income	(2,436)	(1,985)
Taxation, interest and foreign exchange translation differences	2	(354)
Tender offer, including costs	-	(40,471)
30 June	136,127	136,112

Key performance indicators

The following are the key performance indicators for the first half of 2015:

		Six months ended 30 June	
		2015	2014
Cash realisations from the investment portfolio – gross	£'million	26.6	40.5
Cash realisations from the investment portfolio – net	£'million	26.0	33.4
Cash returned to shareholders – period	£'million	-	40.0
Cash returned to shareholders – cumulative	£'million	115.0	115.0
Cumulative returns to shareholders compared to Opening Market Capitalisation	%	74%	74%
Cumulative returns to shareholders compared to Opening Net Asset Value	%	48%	48%
NAV per share	pence	94	94

Cash realisations from the portfolio in the period were as follows:

	Six months ended 30 June	
	2015	2014
	£'000	£'000
Sales of investments	9,151	34,360
Capital restructurings and loan repayments	835	600
Sale of fund positions	9,205	-
Distributions from funds	7,366	5,559
Total – gross	26,557	40,519
Follow-on investments	(313)	(1,991)
Fund calls	(236)	(552)
Carried interest payments	-	(4,604)
Total – net	26,009	33,372

In the first half of 2015 the proceeds of £26.6 million arose principally from:

- the sale of five fund positions in the secondary market - £9.2 million;
- distributions from funds (including Voreda Real Estate) - £7.4 million;
- the sale of part of our holding in Weatherford International - £3.8 million. We sold 426,000 shares (23% of our shareholding at the start of the year) and currently have 1,419,000 shares in this US quoted oilfield services company; and
- the sale of ChyronHego Corporation (one of our US quoted investments) - £5.1 million.

Follow-on investments included £0.3 million to provide working capital for Elateral, one of our UK direct investments.

For the six months to 30 June 2015, the gains and losses on our portfolio were as follows:

	Six months ended 30 June	
	2015	2014
	£'000	£'000
Gains/(losses), net		
Quoted securities	2,470	8,521
Direct investments	4,016	9,748
Funds	(2,436)	(2,298)
	4,050	15,971
Being:		
Realised gains	541	12,379
Unrealised valuation gains/(losses), net	4,191	6,616
	4,732	18,995
Unrealised currency gains/(losses)	(682)	(3,024)
Portfolio return above	4,050	15,971
Less: charges for carried interest and incentive plans	(597)	(2,303)
Total gains/(losses), net	3,453	13,668

Approximately 61% of the portfolio at 30 June 2015 is denominated in US dollars (31 December 2014: 64%). The slightly weaker US dollar against pound sterling at 30 June 2015 compared to 31 December 2014 resulted in an unrealised foreign currency loss of £0.7 million (2014: unrealised loss

of £3.0 million). As is common practice in private equity investment, it is the Board's current policy not to hedge the Company's underlying non-sterling investments.

Details of our ten largest investments by valuation at 30 June 2015, representing approximately 84% of the total portfolio, are set out on page 6.

Financial position

At 30 June 2015 we had liquid assets of £48.5 million (31 December 2014: £29.6 million), being net cash of £35.3 million (31 December 2014: £9.2 million) and quoted securities of £13.2 million (31 December 2014: £20.4 million). Outstanding commitments to funds were £4.1 million, down from £7.0 million at the end of 2014.

Principal risks and uncertainties

The principal risks and uncertainties that affect the Group are described on pages 10 and 11 of the Group's Annual Report for the year ended 31 December 2014. These are still considered the most relevant risks and uncertainties which the Group faces and they could have an impact on the Group's performance in the second half of the financial year.

There are a number of risks which could adversely affect the business of the Group, the most significant of which in the context of current market conditions are:

- The Group is subject to economic factors (such as the market demands of the sectors in which its investments operate) which may negatively impact the performance and growth rates of the Company's investments and which may result in the Company's Net Asset Value and net income declining.
- A lack of liquidity in the capital markets and an increased aversion to risk on the part of potential buyers could mean that the Company may not be able to realise its investments in line with planned timings and values. Under the existing realisation strategy, this could impact the timing and amount of capital returned to shareholders.
- The Group is subject to the impact of changes in market prices for its quoted investments, as well as to movements in interest rates and exchange rates. A significant proportion of our investment portfolio is denominated in a currency other than pounds sterling, principally US dollars. It is the Board's current policy not to hedge the Company's underlying non-sterling investments.
- The experience of the management team is a key factor in mitigating our risk of loss on individual investments.

Outlook

The performance of the investment portfolio and the realisation strategies around individual assets continue to progress and produce results.

Nick Friedlos
Director
24 July 2015

LMS Capital plc

Principal investments by valuation – 30 June 2015

Name	Geography	Type	Sector	Date of initial investment	Book value £'000
Brockton Capital	UK	Fund	Property	2006	15,168
Weatherford International	US	Quoted	Energy	1984	11,090
Medhost Inc	US	Unquoted	Technology	2007	13,312
Yes To, Inc*	US	Unquoted	Consumer	2008	7,938
Nationwide Energy Partners	US	Unquoted	Energy	2010	10,382
ICU Eyewear*	US	Unquoted	Consumer	2010	6,594
Penguin Computing*	US	Unquoted	Technology	2004	6,629
Wesupply	UK	Unquoted	B-2-B service provider	2000	7,500
Entuity	UK	Unquoted	Technology	2000	5,000
Opus Capital Venture Partners	US	Fund	Technology	2006	4,552

**A portfolio company of San Francisco Equity Partners.*

Condensed consolidated income statement

	Notes	Six months ended 30 June	
		2015 £'000	2014 £'000
Net gains on investments	2	3,453	13,668
Directors' and other fees from investments		28	61
Interest income		7	23
		3,488	13,752
Operating expenses		(2,463)	(2,046)
Profit before tax		1,025	11,706
Taxation		(24)	(391)
Profit for the year		1,001	11,315
Attributable to:			
Equity holders of the parent		1,001	11,315
Earnings per ordinary share - basic	3	0.7p	6.3p
Earnings per ordinary share - diluted	3	0.7p	6.3p

The notes on pages 12 to 15 form part of these financial statements.

Condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2015	2014
	£'000	£'000
Profit for the year	1,001	11,315
Exchange differences on translation of foreign operations	18	14
Total comprehensive profit for the year	1,019	11,329
Attributable to:		
Equity holders of the parent	1,019	11,329

The notes on pages 12 to 15 form part of these financial statements.

Condensed consolidated statement of financial position

	Notes	30 June 2015 £'000	31 December 2014 £'000
Non-current assets			
Property, plant and equipment		324	387
Investments	2	110,235	132,875
Non-current assets		110,559	133,262
Current assets			
Operating and other receivables		346	240
Cash and cash equivalents		35,311	9,158
Current assets		35,657	9,398
Total assets		146,216	142,660
Current liabilities			
Operating and other payables		(7,380)	(4,843)
Current tax liabilities		(492)	(492)
Current liabilities		(7,872)	(5,335)
Non-current liabilities			
Provisions and other long-term liabilities		(2,217)	(2,217)
Non-current liabilities		(2,217)	(2,217)
Total liabilities		(10,089)	(7,552)
Net assets		136,127	135,108
Equity			
Share capital		14,525	14,525
Share premium		508	508
Capital redemption reserve		18,497	18,497
Merger reserve		27,386	35,422
Foreign exchange translation reserve		830	812
Retained earnings		74,381	65,344
Equity attributable to owners of the parent		136,127	135,108

The financial statements on pages 7 to 15 were approved by the Board on 24 July 2015 and were signed on its behalf by:

N Friedlos
Director

The notes on pages 12 to 15 form part of these financial statements.

Condensed consolidated statement of changes in equity

Six months ended 30 June 2015

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	14,525	508	18,497	35,422	812	65,344	135,108
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	1,001	1,001
Exchange differences on translation of foreign operations	-	-	-	-	18	-	18
<i>Transactions with owners, recorded directly in equity</i>							
Release from merger reserve	-	-	-	(8,036)	-	8,036	-
Balance at 30 June 2015	14,525	508	18,497	27,386	830	74,381	136,127

Six months ended 30 June 2014

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	18,736	508	14,286	84,083	778	46,863	165,254
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	11,315	11,315
Exchange differences on translation of foreign operations	-	-	-	-	14	-	14
<i>Transactions with owners, recorded directly in equity</i>							
Share-based payments	-	-	-	-	-	-	-
Repurchase of shares	(4,211)	-	4,211	-	-	(40,471)	(40,471)
Balance at 30 June 2014	14,525	508	18,497	84,083	792	17,707	136,112

The notes on pages 12 to 15 form part of these financial statements.

Condensed consolidated cash flow statement

	Six months ended 30 June	
	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit for the period	1,001	11,315
Adjustments for:		
Depreciation and amortisation	64	65
Gains on investments	(3,453)	(13,668)
Translation differences	62	433
Interest income	(7)	(23)
Income tax expense	24	391
	(2,309)	(1,487)
Change in operating and other receivables	(106)	(9)
Change in operating and other payables	1,939	(4,648)
	(476)	(6,144)
Income tax paid	(24)	(764)
Net cash used in operating activities	(500)	(6,908)
Cash flows from investing activities		
Interest received	7	23
Acquisition of property, plant and equipment	(1)	(4)
Acquisition of investments	(549)	(3,145)
Proceeds from sale of investments	26,557	40,517
Other income from investments	682	153
Net cash from investing activities	26,696	37,544
Cash flows from financing activities		
Repurchase of own shares	-	(40,471)
Net cash used in financing activities	-	(40,471)
Net decrease in cash and cash equivalents	26,196	(9,835)
Cash and cash equivalents at the beginning of the period	9,158	17,824
Effect of exchange rate fluctuations on cash held	(43)	(419)
Cash and cash equivalents at the end of the period	35,311	7,570

The notes on pages 12 to 15 form part of these financial statements.

Notes to the financial information

1. Principal accounting policies

Reporting entity

LMS Capital plc (“the Company”) is domiciled in the United Kingdom. These condensed consolidated financial statements are presented in pounds sterling because that is the currency of the principal economic environment of the Company’s operations. The condensed consolidated financial statements of the Company for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together “the Group”).

These condensed consolidated financial statements do not constitute the statutory accounts of the Group within the meaning of section 434(3) and 435(3) of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2014 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditor and delivered to the registrar of companies. The report of the auditor on the Company’s statutory accounts for the financial year ended 31 December 2014 was (i) unqualified and (ii) drew attention by way of emphasis without qualifying their report to the accounts no longer being prepared on a going concern basis and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Company was formed on 17 March 2006 and commenced operations on 9 June 2006 when it received the demerged investment division of London Merchant Securities. 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.

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2014 which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRS”).

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2014.

On 30 November 2011 the shareholders approved a change in the investment policy of the Company with the objective of conducting an orderly realisation of the assets of the Company in a manner that seeks to achieve a balance between an efficient return of cash to shareholders and maximising the value of the Company’s investments. Under the current realisation strategy, the Directors intend to liquidate the Company following the realisation and settlement of the remaining net assets, which may be over a number of years, and therefore these condensed consolidated financial statements have not been prepared on a going concern basis.

1. Principal accounting policies (continued)

Taking account of the financial resources available to the Group, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources for the foreseeable future.

These condensed consolidated financial statements were approved by the Board of Directors on 7 July 2015.

Significant accounting policies

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2014.

Basis of consolidation

The Group financial statements comprise the financial statements of the Company and its subsidiary undertakings up to 30 June 2015. Investments measured at fair value through profit or loss are held through a series of intermediate holding companies which are consolidated within the Group financial statements. Note 6 includes details of the companies included in the consolidated financial information.

Use of estimates and judgements

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

2. Investments

The carrying amounts and gains and losses on investments were as follows:

Carrying amounts	30 June 2015			31 December 2014		
	UK £'000	US £'000	Total £'000	UK £'000	US £'000	Total £'000
Funds	20,790	23,011	43,801	29,722	32,850	62,572
Quoted	1,987	11,235	13,222	1,667	18,685	20,352
Unquoted	20,490	32,722	53,212	16,991	32,960	49,951
	43,267	66,968	110,235	48,380	84,495	132,875

2. Investments (continued)

Gains/(losses) on investments	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Total £'000	Realised gains/(losses) £'000	Unrealised gains £'000	Total £'000
Asset type						
Funds	(1,211)	(1,225)	(2,436)	1,284	(3,582)	(2,298)
Quoted	1,488	982	2,470	650	7,871	8,521
Unquoted	264	3,752	4,016	10,445	(697)	9,748
	541	3,509	4,050	12,379	3,592	15,971
Charges for incentive plans			(597)			(2,303)
			3,453			13,668

3. Earnings per ordinary share

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

	30 June 2015 £'000	Six months ended 30 June 2014 £'000
Earnings		
Earnings for the purposes of earnings per share being net profit attributable to equity holders of the parent	1,001	11,315
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per shares	145,251,258	180,338,740
Effect of dilutive potential ordinary shares		
Share options and performance shares	78,531	78,531
Weighted average number of ordinary shares for the purposes of diluted earnings per share	145,329,789	180,417,271
Earnings per share		
Basic	0.7p	6.3p
Diluted	0.7p	6.3p

4. Capital commitments

	30 June 2015 £'000	31 December 2014 £'000
Outstanding commitments to funds	4,053	6,994
	4,053	6,994

The outstanding commitments to funds comprise unpaid calls in respect of funds where a member of the Group is a limited partner.

5. Related party transactions

Transactions with related parties during the period were consistent in nature and scope with those disclosed in Note 19 to the Group's annual financial statements for the year ended 31 December 2014.

6. Subsidiaries

The Group's principal subsidiaries are as follows:

Name	Country of incorporation	Holding %	Activity
International Oilfield Services Limited	Bermuda	100	Investment holding
LMS Capital (Bermuda) Limited	Bermuda	100	Investment holding
LMS Capital (ECI) Limited	England and Wales	100	Investment holding
LMS Capital (General Partner) Limited	Bermuda	100	Investment holding
LMS Capital (GW) Limited	Bermuda	100	Investment holding
LMS Capital Group Limited	England and Wales	100	Investment holding
LMS Capital Holdings Limited	England and Wales	100	Investment holding
LMS NEP Holdings Inc	United States of America	100	Investment holding
Lioness Property Investments Limited	England and Wales	100	Investment holding
Lion Property Investments Limited	England and Wales	100	Investment holding
Lion Investments Limited	England and Wales	100	Investment holding
Lion Cub Investments Limited	England and Wales	100	Dormant
Lion Cub Property Investments Limited	England and Wales	100	Investment holding
Tiger Investments Limited	England and Wales	100	Investment holding
LMS Tiger Investments Limited	England and Wales	100	Investment holding
LMS Tiger Investments (II) Limited	England and Wales	100	Investment holding
Westpool Investment Trust PLC	England and Wales	100	Investment holding

In addition to the above, certain of the Group's carried interest arrangements are operated through five limited partnerships (LMS Capital 2007 LP, LMS Capital 2008 LP, LMS Capital 2009 LP, LMS Capital 2010 LP and LMS Capital 2011 LP) which are registered in Bermuda.

Statement of Directors' responsibilities

The Directors who served during the six months ended 30 June 2015 and their respective responsibilities are as set out on page 12 of the Group's Annual Report for the year ended 31 December 2014.

We confirm that to the best of our knowledge:

- a the condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU; and
- b the interim management report includes a fair review of the information required by:
 - i DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - ii DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

N Friedlos
Director

AC Sweet
Chief Financial Officer

24 July 2015

Independent review report to LMS Capital plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Iain Bannatyne
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

24 July 2015