



20 April 2023

Dear Shareholders,

Notice of Annual General Meeting (the "AGM") of LMS Capital plc (the "Company") and Annual Report and Accounts for the Year Ended 31 December 2022

Please accept this letter as notification that the Company's Annual Report and Accounts for the year ended 31 December 2022 (the "**Annual Report**") and the Notice of our 2023 Annual General Meeting (the "**Notice**") have now been published on the Company's website at <http://www.lmscapital.com> and are enclosed for shareholders who elected for a hard copy of the Annual Report.

AGM RESOLUTIONS

This letter does not contain the full details of the resolutions to be proposed at the AGM. These are contained in the Notice, which is attached, and should be read before you complete your vote.

The directors consider that the resolutions contained in the Notice and which are to be proposed at the AGM are in the best interests of the Company and shareholders as a whole and unanimously recommend that you vote in favour of them, as they intend to do in respect of their own shareholdings.

AGM ATTENDANCE

The AGM will be **held at 3:00p.m. (BST) on Wednesday 17 May 2023 at 3 Bromley Place, London W1T 6DB.**

The AGM gives shareholders an opportunity to meet with the directors, for them to provide an update on the Company's business and to answer shareholder questions.

We encourage shareholder attendance in person. Shareholders who wish to attend the meeting in person are asked to register their intention as soon as practicable by email to cgarrod@lmscapital.com.

Voting at the AGM will be undertaken by way of a poll, on which each shareholder has one vote for each share held. The Board believes that this will result in an outcome that more accurately reflects shareholder views. Please either register your proxy appointment electronically by following the instructions on page 5, or complete and submit your proxy form in accordance with the instructions in the notes on pages 5 to 6. The completion and return of the proxy form will not preclude you from attending the meeting and voting in person.

Shareholders may also remotely attend and submit written questions by webinar ("**AGM Webinar**"), per the instructions detailed below, which will be recorded and be made available on the Company's website.

The directors will give a business update to shareholders and answer relevant questions at the beginning of the AGM, after which the formal business as set out in the Notice will be considered.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

All Resolutions for consideration at the Meeting will be decided on a poll rather than a show of hands. This means that each shareholder has one vote for every share held. We value direct engagement with our shareholders, but on this particular occasion, I would encourage you, regardless of the number of shares you own, to complete, sign and return the accompanying Form of Proxy appointing the Chairman of the Meeting, as your proxy regardless of whether you plan to attend in person. This will ensure that your vote will be counted even if attendance at the Meeting is restricted or you are unable to attend.

Shareholders should return the Form of Proxy to our Registrars as soon as possible but, in any event, by no later than 3:00p.m. (BST) on 15 May 2023. Registration of a proxy appointment will not prevent you from attending in person and voting at the Meeting or from attending electronically if you so wish.

1. **VOTING** – The Company recommends shareholders to vote electronically at www.signalshares.com as your vote will automatically be counted. In order to vote electronically shareholders will require their investor code which, if you don't already have to hand, can be obtained from the Company's Registrar who can be contacted as set out below. Given the current situation, if you prefer to vote using the paper proxy form, you are encouraged to do so well in advance of the legal deadline to avoid the risk of the proxy form not being received and not having your vote counted.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 3:00pm on 15 May 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

If you need help with voting online, please contact our Registrar, Link Group, on **Tel: 0371 664 0300**. Alternatively, you can email Link at shareholderenquiries@linkgroup.co.uk. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00a.m. – 5:30p.m. (BST) Monday to Friday excluding public holidays in England and Wales.

2. **AGM WEBINAR** – We are pleased to be able to provide a facility for shareholders to follow the AGM remotely and submit questions to the Board on the business of the meeting, should they wish to do so. This can be done by signing into the AGM Webinar, which will be hosted by the Investor Meet Company platform. Please register your attendance on the following link: <https://www.investormeetcompany.com/lms-capital-plc/register-investor> and the AGM Webinar details will be sent to you nearer the AGM date. The Registration is free.

Investors who already follow LMS Capital plc on the Investor Meet Company platform will automatically be invited.

3. **QUESTIONS** – The Company encourages you to submit any question that you would like to be answered at the AGM by sending it, together with your name as shown on the Company's register of members, to the following email address: cgarrod@lmscapital.com so that it is received by no later than 16 May 2022. Please see explanatory note on page 6 for guidance on shareholders' rights to ask questions and when the Company will cause them to be answered.

Questions can also be pre submitted in advance of the AGM via the Investor Meet Company Platform up to 3.00p.m. on 16 May 2023, being the day before the AGM, or via the Investor Meet Platform at any time during the AGM itself. The Board will respond to key questions during the meeting, and will provide all such answers on its website as soon as possible thereafter.

May I take this opportunity to thank you for your continued support as a shareholder of LMS Capital plc and to wish you and your families well.

Yours faithfully,

Hon. Robert Rayne
Chairman

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of LMS Capital plc (the “**Company**”) for 2023 will be held at 3.00p.m. on Wednesday 17 May 2023 at 3 Bromley Place London W1T 6DB to consider and, if thought fit, pass the resolutions as set out below.

Resolutions 1 to 13 will be proposed as ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour. Resolutions 14 to 16 will be proposed as special resolutions. These resolutions will be passed if not less than 75% of the votes cast for and against are in favour. Further information on all resolutions is given in the Explanatory Notes on pages 8 to 10.

ORDINARY RESOLUTIONS

1. To receive the Company’s Audited Annual Report and Accounts for the year ended 31 December 2022 (the “**Annual Report**”).
2. To approve the Directors’ Remuneration Report for the year ended 31 December 2022 set out on pages 42 to 56 of the Annual Report.
3. To approve the Directors’ Remuneration Policy as set out on pages 46 to 54 of the Directors’ Remuneration Report for the year ended 31 December 2022
4. To approve, as proposed in the Remuneration Policy, the introduction of the LMS Capital plc 2023 Employee Share Incentive Plan (“**Share Plan**”) and to authorise the directors to do all acts and things necessary to bring the Share Plan into effect. The Share Plan will operate alongside the current Value Creation Plan as outlined in the Remuneration Policy for which approval is sought in Resolution 3. A summary of the principal features of the Share Plan is contained in the Appendix hereto.
5. To declare a final dividend of 0.625 pence per Ordinary Share for the year ended 31 December 2022, which shall be payable to holders of Ordinary Shares who are on the register of members as at the close of business on 27 May 2023.
6. To re-elect Robert Rayne as a director.
7. To re-elect Nick Friedlos as a director.
8. To re-elect Peter Harvey as a director.
9. To re-elect Graham Stedman as a director.
10. To re-elect James Wilson as a director.
11. To re-appoint BDO LLP as auditor of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company.
12. To authorise the directors to determine the auditor’s remuneration.
13. That, the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “**Act**”) and in substitution for all existing authorities under that section, to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (“**Rights**”) up to an aggregate nominal amount of £2,690,915 during the period commencing on the date of the passing of this resolution and expiring (unless previously varied as to duration, revoked or renewed by the Company in a general meeting) at the conclusion of the Annual General Meeting of the Company in 2024 or on 31 July 2024, whichever is earlier, except that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights in pursuance of any such offer or agreement as if this authority had not expired.

SPECIAL RESOLUTIONS

14. That, subject to the passing of resolution 13 above, the directors be empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them by resolution 13 and/or to sell equity securities held by the Company as treasury shares for cash pursuant to section 727 of the Act, in each case as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
- a. any such allotment and/or sale of equity securities in connection with an offer by way of a rights issue or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, made to holders of Ordinary Shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of Ordinary Shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
 - b. any such allotment and/or sale, otherwise than pursuant to paragraph (a) above, of equity securities up to, in the case of Ordinary Shares, a nominal amount or, in the case of any other equity securities, giving the right to subscribe for or convert into Ordinary Shares having a nominal amount, not exceeding in aggregate £403,637 and this power shall expire at such time as the general authority conferred on the directors by resolution 13 expires, except that the Company shall be entitled before such expiry make offers or agreements which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares under any such offer or agreement as if this power had not expired.
15. That the Company be and is generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 10 pence each in the capital of the Company, provided that:
- a. the maximum number of shares which may be purchased in aggregate is 8,072,745;
 - b. the minimum price (exclusive of expenses) that may be paid for a share is 10 pence (excluding expenses);
 - c. the Company pays a price per share that is not more (excluding expenses) than the higher of (i) 5% above the average of the middle market quotations for the Ordinary Shares as derived from the Daily Official List for the five business days immediately before the day on which it purchases that share; (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent purchase bid on that venue; and
 - d. the authority conferred by this resolution shall, unless previously renewed, expire at the conclusion of the Company's Annual General Meeting in 2024, or on 31 July 2024, whichever is earlier, except that the Company may, before such expiry, enter into a contract for the purchase of shares which would or might be completed wholly or partly after such expiry and the Company may purchase shares under any such contract as if this authority had not expired.
16. That a general meeting of the Company (other than an annual general meeting) may be called on not less than 14 clear days' notice.

By Order of the Board

IQ-EQ Corporate Services (UK) Limited
Company Secretary

20 April 2023

Registered Office
3 Bromley Place
London, W1T 6DB

Registered in England and Wales No. 05746555

Notes

RIGHT TO ATTEND AND VOTE

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 close of business on 15 May 2023 or, if the meeting is adjourned, at close of business two days (excluding non-working days) before 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 close of business on 15 May 2023 or, if the meeting is adjourned, after close of business two days (excluding non-working days) before 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.

TOTAL NUMBER OF SHARES AND VOTING RIGHTS

As at 19 April 2023, (being the latest practicable date prior to the publication of this Notice) the issued share capital of the Company comprised 80,727,450 Ordinary Shares of 10p each in the capital of the Company. Each Ordinary Share carries the right to one vote at a general meeting of the Company. The Company held no shares in treasury, therefore the total number of voting rights in the Company as at 19 April 2023 is 80,727,450.

PROXIES

A member of the Company who is an individual is entitled to view proceedings and ask questions at the AGM via the webcast facility or to appoint one or more proxies to exercise all or any of the member's rights on their behalf. 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.

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 registrars, Link Group, Floor 10, Central Square, 29 Wellington Street, Leeds, LS1 4DL, not less than 48 hours (excluding non-working days) before the time for holding the meeting or, in the event of an adjournment, not less than 48 hours (excluding non-working days) before the time of the adjournment. A member can also appoint a proxy online using the service provided on the Company's registrars' website, www.signalshares.com, where full instructions are given. In order to register their votes online, members will require their investor code, which can be found on their personalised proxy form or if a member does not have this to hand, can be obtained from the Company's Registrar, Link Group, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00a.m. – 5:30 p.m. (BST) Monday to Friday excluding public holidays in England and Wales. During this challenging time, extra pressure is being put on telephone services and it may take a little longer to get through than normal. Alternatively, you can email Link at shareholderenquiries@linkgroup.co.uk.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 3:00pm on 15 May 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

If a shareholder is a CREST member, they can use the electronic proxy service provided by Euroclear (see below). Forms of proxy may not be submitted via the LMS Capital website or via any email address given on the LMS Capital website. The valid appointment of a proxy will not preclude members from accessing the meeting or any adjournment of the meeting via the webcast facility.

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) of the meeting) by using the procedures described in the CREST Manual (available via <http://www.euroclear.com/CREST>). 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, Link Group (CREST participant ID RA10), no later than 48 hours (excluding non-working days) 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. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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 their 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.

NOMINATED PERSONS

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the “**Act**”) to enjoy information rights (a “**Nominated Person**”) may have a right, under an agreement between them and the member by whom they were nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by members of the Company.

If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore, any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.

CORPORATE REPRESENTATIVES

Any corporation which is a member may appoint one or more corporate representatives to exercise all of its powers as a member on its behalf, provided that not more than one corporate representative may exercise powers over the same share.

RIGHT TO ASK QUESTIONS

Under section 319A of the Act, shareholders (or their proxies) have the right to ask questions in relation to the business being dealt with at the meeting. However, the Company is not obliged to answer a question raised at the meeting if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

The Company encourages you to submit any question that you would like to be answered at the meeting by sending it, together with your name as shown on the Company’s register of members, to the following email address: **cgarrod@lmscapital.com** so that it is received by no later than 15 May 2023.

Questions can also be pre submitted in advance of the AGM via the Investor Meet Company Platform up to 9am on 16 May 2023, being the day before the AGM, or via the Investor Meet Platform at any time during the AGM itself. The Board will respond to key questions during the meeting, and will provide all such answers on its website as soon as possible thereafter. Questions sent via the Investor Meet Platform will be moderated before being sent to the chairman. This is to avoid repetition.

WEBSITE PUBLICATION OF AUDIT CONCERNS

Under section 527 of the Act shareholders who meet the threshold requirements that are set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with the auditor of the Company ceasing to hold office since the previous meeting at which the annual report and accounts were laid in accordance with section 437 of the Act.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with either section 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on a website under section 527 of the Act.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the service agreement of the executive director, the terms of appointment of the non-executive directors and the draft rules of the proposed 2023 Share Plan will be available for inspection at the registered office of the Company, 3 Bromley Place, London, W1T 6DB during normal business hours from the date of this notice until the date of the meeting and also at the meeting for 15 minutes before the meeting until its conclusion.

COMPANY'S WEBSITE

A copy of this notice of Annual General Meeting and any other information required by section 311A of the Act can be found in the investor relations section of the Company's website, www.lmscapital.com. The website also contains a copy of the Annual Report.

ENQUIRIES

Members who wish to communicate with the Company by electronic means in connection with the matters set out in this notice may do so by contacting the Company's Registrars, Link Group, at shareholderenquiries@linkgroup.co.uk on or before 15 May 2023. Please note that a communication containing a computer virus may not be accepted but every effort would be made to inform the member of the rejected communication.

Explanation of Business at the AGM

The following notes provide an explanation as to why the resolutions set out in the Notice are to be put to shareholders.

Resolutions 1 to 13 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

Resolution 1: To receive the Annual Report and Accounts for the year ended 31 December 2022 (the "Annual Report")

The Act requires the directors to present the Annual Report and Accounts of the Company to shareholders in respect of each financial year.

Resolution 2: To approve the Remuneration Report (other than the part containing the Remuneration Policy)

The Remuneration Report is set out on pages 42 to 56 of the Annual Report and requires the approval of shareholders. It describes the way in which the Group's Directors' Remuneration Policy was implemented in the year ended 31 December 2022 and includes details of each director's remuneration for that year. The remuneration report also contains a statement describing how the Group intends to implement the approved remuneration policy in the year ending 31 December 2023. The vote is advisory and does not affect the actual remuneration paid to any individual director.

Resolution 3: To approve the Group's future Directors' Remuneration Policy

The Company is required, pursuant to the Act, to put its Directors' Remuneration Policy to shareholders for approval at the AGM this year, having been three years since the Company's current Directors' Remuneration Policy was approved by shareholders (at the 2020 AGM). The proposed future Directors' Remuneration Policy (Policy) is outlined in the Directors' Remuneration Report enclosed in the Annual Report on pages 46 to 54. The proposed Policy has been developed with advice from independent remuneration consultants and following consultation with the Company's principal shareholders.

This Policy has been updated in light of current best practice, with the proposed changes designed to provide further alignment of directors' remuneration with the long-term future of the Company and the interests of shareholders. A summary of the changes proposed can be found on pages 46 to 54 of the Annual Report.

Resolution 4: To approve the Company's Employee Share Incentive Plan ("Share Plan")

Approval is sought for the adoption of the Share Plan as, as proposed in the Remuneration Policy in Resolution 3 above. The Share Plan, will operate alongside the Company's existing Value Creation Plan (which is described on pages 48 to 52 of the Annual Report) and is a vehicle to provide incentives to all employees (including senior executives) of the Company.

The draft rules of the proposed Share Plan are available for inspection by shareholders as noted above under "**Documents available for inspection**" and a summary of its principal features is included as the Appendix to this AGM Notice.

The vote on this resolution is binding and, if passed, this Policy will apply immediately following the AGM and will replace the current Directors' Remuneration Policy. This Policy will be effective for three years without the need for a new shareholder approval, unless any amendments are proposed to it. The directors will only be able to make remuneration payments in accordance with the approved new Policy or an amendment to the new Policy. If Resolution 3 is not passed, the current Directors' Remuneration Policy approved at the AGM in 2020 will continue in effect, until a new policy is approved by shareholders.

Resolution 5: To approve the final dividend

Under the Articles of Association of the Company, a final dividend must be approved by shareholders by ordinary resolution. The directors are recommending that shareholders approve a final dividend of 0.625 pence per Ordinary Share in respect of the year ended 31 December 2022. The amount declared as a final dividend may not exceed the amount recommended by directors. If approved, the final dividend will be paid on 23 June 2023 to shareholders on the Register of Members at close of business on 27 May 2023.

Resolutions 6 to 10: To re-elect directors

In line with the recommendations set out in the UK Corporate Governance Code 2018, all directors will be standing down and offering themselves for re-election by shareholders at this year's Annual General Meeting. The Nomination Committee has confirmed that all directors continue to perform effectively and demonstrate commitment to their role. Directors' biographical details are given on pages 30 to 31 of the Annual Report.

Resolutions 11 and 12: To re-appoint the auditor and authorise the Board to determine their remuneration

The Company is required under the Act to appoint an auditor at each general meeting at which accounts are laid before the members, to hold office until the conclusion of the next such meeting. Resolution 11 seeks shareholder approval to reappoint BDO LLP as auditors of the Company and resolution 12 proposes that shareholders authorise the Board to determine the remuneration of BDO LLP. In practice, the Audit Committee will consider the audit fees and recommend them to the Board. The amount of the remuneration paid to the auditor for the net financial year will be disclosed in the next audited accounts of the Company.

Resolution 13: Directors' authority to allot shares

At the 2022 Annual General Meeting, the directors were given authority to allot shares in the Company and Resolution 11 seeks to renew that authority until the conclusion of the Annual General Meeting in 2023 or 31 July 2023, whichever is earlier. The directors intend to seek to renew such power at successive Annual General Meetings in accordance with best practice.

The resolution, if passed, would give the directors authority to allot Ordinary Shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £2,690,915. This amount represents approximately one-third of the issued ordinary share capital of the Company as at 19 April 2023, the latest practicable date prior to the publication of the Notice. The directors have no present intention to allot new shares, except in connection with the Value Creation Plan, when it vests which is unlikely to be before June 2025.

Resolutions 14 to 16 will be proposed as special resolutions. These resolutions will be passed if not less than 75% of the votes cast for and against are in favour.

Resolution 14: Disapplication of statutory pre-emption rights

If the directors wish to exercise the authority under Resolution 13 to offer shares in the Company, or to sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings, unless shareholders have given a specific authority for the waiver of the statutory pre-emption rights. In certain circumstances it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings.

Under Resolution 14, it is proposed to authorise the directors to allot Ordinary Shares in the Company, or sell treasury shares, for cash (i) in connection with a rights issue or other pro-rata offer to existing shareholders; and, otherwise, (ii) up to a nominal value of £403,637, which represents approximately 5 per cent of the total issued ordinary share capital of the Company as at 19 April 2023 (being the latest practicable date prior to the publication of the Notice) without the shares first being offered to existing shareholders in proportion to their holdings.

If passed, the authority will expire at the conclusion of the Annual General Meeting in 2024 or 31 July 2024, whichever is earlier. The directors intend to seek to renew such power at successive Annual General Meetings in accordance with current best practice.

The directors have no current plans to allot shares, except in connection with the Value Creation Plan or, if approved, the Share Plan.

Resolution 15: Authority to purchase of own shares by the Company

Under the Act, the Company requires authority from shareholders if it wishes to purchase its own shares. The resolution specifies the maximum number of shares that may be purchased (approximately 10 per cent of the Company's issued share capital as at 19 April 2023) (being the latest practicable date prior to the publication of the Notice) and the highest and lowest prices at which they may be bought. If passed, the authority will expire at the conclusion of the Annual General Meeting in 2024 or 31 July 2024 whichever is earlier.

The directors have no present intention of exercising this authority but will keep under review the Company's potential to buy back its shares, taking into account other investment and funding opportunities. The authority will only be used if in the opinion of the directors this would be in the best interests of shareholders generally. Any purchases of Ordinary Shares would be by means of market purchases through the London Stock Exchange.

If the Company buys back its own shares it may cancel them immediately or hold them in treasury. Treasury shares may be sold for cash or cancelled. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares. The directors believe that it is desirable for the Company to have this choice as it will give flexibility in the management of its capital base. The Company may hold a maximum of up to 10 per cent of its issued share capital in treasury in accordance with guidelines issued by the Investment Association.

As at 19 April 2023 (being the latest practicable date prior to the publication of the Notice), the Company held no Ordinary Shares in the capital of the Company in treasury.

Resolution 16: Approval for calling of general meetings (other than AGMs) on 14 days' clear notice

Under the Act, the Company is required to give at least 21 clear days' notice of any general meeting of the Company unless shareholders approve a shorter notice period, which cannot be less than 14 clear days (annual general meetings must continue to be held on at least 21 clear days' notice).

Resolution 16 seeks shareholder approval to enable the Company to call general meetings, other than annual general meetings, on at least 14 clear days' notice. The approval will be effective until the Annual General Meeting in 2023, when it is intended that a similar resolution will be proposed. The flexibility offered by this resolution will be used where, taking into account the circumstances, the directors consider to be appropriate in relation to the business to be considered at the meeting in question and where it is thought to be to the advantage of shareholders as a whole. In order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Appendix

SUMMARY OF THE PRINCIPAL FEATURES OF THE PROPOSED LMS CAPITAL PLC 2023 EMPLOYEE SHARE INCENTIVE PLAN

The LMS Capital plc 2023 Employee Share Incentive Plan (“Share Plan”)

The Board proposes to adopt a new employee share incentive plan as part of the Company’s future Directors’ Remuneration Policy, which is the subject of a binding shareholder vote at the AGM. As explained in the proposed remuneration policy, the Share Plan is designed to operate alongside the Value Creation Plan (“VCP”) which is already in existence. The Share Plan and the VCP are together referred to as the “LTIP Arrangements”.

Set out below in Part 1 is an overview of the proposed LTIP Arrangements, incorporating both the existing VCP and the proposed Share Plan, and in Part 2 a summary of the proposed Share Plan which is being put forward for approval to the AGM.

The potential value of awards to participants and the dilution to shareholders over the life of the LTIP Arrangements will depend upon:

- a. the level of performance achieved compared to the performance criteria set under both the VCP and the proposed Share Plan; and
- b. the balance within the parameters of the Company’s approved LTIP Arrangements, between VCP awards and awards under the Share Plan.

Under the Company’s 2020 Directors’ Remuneration Policy, assuming a 15% TSR performance over a five year performance period and a starting share price of 26p per share, the maximum potential value of the VCP scheme would have been £1.4 million which would have represented 3.74% dilution to shareholders, assuming the maximum potential level of awards under the scheme had been made. In practice, the Remuneration Committee determined to award only 62.5% of the maximum to all employees.

Under the proposed Remuneration Policy, the maximum value of the VCP scheme is reduced to £0.9 million, representing 2.5% dilution. In anticipation of issuing awards under the Share Plan, the Remuneration Committee intends to issue less than the 62.5% of the maximum issued previously, thus further reducing the potential value of VCP awards for any given level of performance.

The overall value to participants of awards under the LTIP Arrangements and the dilution to shareholders will also depend on the level of awards under the Share Plan, in addition to VCP awards, and the level of achievement against the performance targets. In making awards under the Share Plan, the Remuneration Committee will ensure that performance conditions are challenging and that the overall potential dilution under the LTIP Arrangements remains at levels commensurate with the performance being delivered.

PART 1 – AN OVERVIEW OF THE COMPANY’S PROPOSED LTIP ARRANGEMENTS, INCORPORATING BOTH THE EXISTING VCP AND THE PROPOSED SHARE PLAN

In summary the Company’s LTIP Arrangements, as set out in its proposed remuneration policy are:

- to retain the existing VCP but cancel the existing units, which have a vesting expiring in June 2025, and issue a reduced number of new units which will vest, subject to TSR performance measures, in five years from date of issue; and
- to supplement the amended and reduced award under the VCP with the Share Plan under which it is proposed that participants, at the discretion of the Committee, may receive annual option awards which, in normal circumstances, vest after not less than three years subject to the satisfaction of challenging performance targets to be set by the Remuneration Committee.

The proposed LTIP Arrangements provide the Company with a relevant long-term incentive that is fit-for-purpose in a competitive employment market:

- through the revised VCP, albeit on a reduced basis, the proposed LTIP Arrangements retain a significant direct link to TSR. The Committee has resolved to retain a VCP structure because it most closely resembles a carried interest plan which is the standard type of long-term incentive in the private equity industry;

- the selection of TSR as the performance measure creates a strong alignment between participants and shareholders and communicates a strong message to participants that over the longer term the Company's TSR performance is its most important key performance indicator; and
- through the proposed Share Plan, the LTIP Arrangements provide the flexibility to supplement the TSR-based VCP, with a share-based incentive linked to corporate performance measures, which in the opinion of the Committee underlie and contribute to the overall TSR goal.

In recommending the new proposals the Committee has noted that:

- the existing LTIP Arrangements have not had any adverse effects, either in terms of impact on NAV, cash cost to the Company or dilution; and
- the proposed LTIP Arrangements will not provide any element of reward for the past three years. Existing VCP awards will be cancelled and the potential value of any new VCP awards or awards under the proposed new Share Plan will be measured only by reference to future performance criteria from the date of issue.

In addition, in rare circumstances, the Committee may determine that an executive should participate in an incentive pool linked directly to the investment returns derived from one of the underlying investments ("**a Direct Award**"). The Committee is proposing that the Remuneration Policy be amended to provide the flexibility to make a Direct Award in limited circumstances, as explained in more detail below.

PART 2 – SUMMARY OF THE PROPOSED SHARE PLAN

The final draft rules of the Share Plan are available for inspection by shareholders during normal office hours (weekends and public holidays excepted) at the Company's registered office until 15 minutes before the scheduled start of the AGM. The following is a summary of its principal features:

1. General

The Plan is a discretionary plan which provides for the grant to selected employees and executive directors of the Group, of rights:

- a. to acquire Ordinary Shares in the form of (i) options with a nil or nominal value or market value exercise price (Options); or (ii) conditional rights to acquire Ordinary Shares (Conditional Share Awards); or
- b. to be paid in cash based on the market value of a specified number of Ordinary Shares (Phantom Award) (together, the Awards).

Awards are non-transferable (except on death) and are not pensionable.

2. Administration

The Plan will be operated and administered by the Remuneration Committee (Committee) which will make all decisions about participation, form, size and timing of grants of Awards.

3. Eligibility

The Committee has complete discretion as to the selection of employees and executive directors of the Group to whom Awards may be made.

4. Grant of Awards

Awards may be granted within 42 days following the adoption of the Share Plan and after the announcement of the Company's interim or preliminary results. They may also be granted at other times in exceptional circumstances which the Committee considers justify the granting of Awards, but not during a 'closed period'.

No Award may be granted more than ten years after the adoption date of the Plan.

No consideration is payable for the grant of an Award.

5. Individual limits

Awards may not be granted to a participant under the Plan if as a result the aggregated market value of the Ordinary Shares subject to all awards and options granted to them in that financial year exceeds or would exceed such percentage of their annual rate of basic salary as at the date of grant in respect of their employment with the Group as stipulated to be the maximum in the Company's remuneration policy for the relevant Financial Year. It is proposed that the maximum annual award be limited to 100% of annual salary, except in very exceptional circumstances where it could exceed this, but in no circumstances should exceed 200%.

6. Limits on the issue of Ordinary Shares

The number of Ordinary Shares which may be issued under the Share Plan together with all the other share incentive plans of the Group will be restricted to 10% of the Company's issued share capital in any rolling ten-year period.

Ordinary Shares which are purchased from the market to satisfy Awards or Ordinary Shares subject to awards which are released or lapsed without being exercised are excluded for the purposes of calculating the limit.

7. Vesting and Performance Conditions

An Award will normally vest three years from the date of grant of the Award (following the Committee determining the extent of which performance conditions have been satisfied) unless it lapses earlier as set out in 9 below.

The vesting of Awards will be subject to the satisfaction of demanding performance conditions which will be measured over a period of time, normally a three-year period determined by the Committee at the time of the grant of an Award.

8. Cessation of Employment

If a participant ceases to be employed by any member of the Group by reason death, a portion of the Award based on the period of time that has elapsed since the date of grant until the date of death, may be exercised by the personal representative of the participant within a period of 12 months from the date of death of the participant.

If a participant ceases to be employed by any member of the Group by reason injury or disability, or any other reason at the discretion of the Committee, a portion of the Award based on the period of time that has elapsed since the date of grant until the date of cessation of employment, may be exercised at any time after the third anniversary of the date of grant unless the Committee in its discretion permits earlier exercise.

An Award, whether vested or otherwise will lapse immediately on the cessation of a participant's employment with the Group and shall not be capable of being exercised, in circumstances other than those referred to above.

9. Corporate events

In the event of a change of control of the Company, unvested Awards will vest taking into account (i) the period of time that has elapsed since the date of grant until the date of change of control, and (ii) the extent to which any performance conditions have been satisfied at that time, unless the Committee determines otherwise.

Alternatively, the Committee may, with the consent and agreement of the participant and the acquiror determine that an Award be exchanged for an equivalent award which relate to shares in the acquiring company.

10. Malus and clawback

The Committee may take such steps as it considers appropriate to reduce the number of Ordinary Shares subject to an Award (to nil if applicable) and/or impose further conditions (including repayment to the Company the value of Ordinary Shares acquired by the participant (or cash paid to the participant) on the Award in certain circumstances, including but not limited to a material misstatement in any published results of the Group, the participant dismissed for misconduct or reputational damage to the Company.

11. Dividend Equivalent

The Committee may determine that on the vesting or exercise of an Award a participant shall receive an amount in cash and/or in Ordinary Shares equivalent to the value of some or all of the dividends that would have been paid on the vested shares between the date of grant of the Award and the date of vesting.

12. Holding Period

The Committee may impose that the vested shares under an Award are subject to a 'holding period' during which time a Participant may not sell, transfer, assign or dispose of some or all of the Shares except for the purposes of satisfying any Tax Liability and/or to pay the Option Price.

The 'holding period' is expected to cover a period of five years from the date of grant of the Award.

13. Market Abuse Regulation

The grant, vesting or exercise (as applicable) of an Award are subject to any restrictions on dealing set out in the Market Abuse Regulations or otherwise imposed by statute, order, regulation or government directives.

14. Variation of capital

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital of the Company, the Board may make such adjustments as it considers appropriate to the number of Ordinary Shares subject to an Award and/or the price payable on the exercise of an Option (where the Award takes the form of a share option).

15. Exercise of Options

An Option may be exercised in whole or in part, to the extent that it has vested. To exercise an Option, the participant must pay (or make alternative arrangements with the Company for the payment of) the aggregate exercise price, if any and the employee tax and employee NIC liabilities arising on the exercise of the Option.

16. Satisfying the vesting/exercise of Awards

The vesting of a Conditional Share Award and the exercise of an Option may be satisfied by issue of shares or by transfer of treasury shares or by other transfer of shares.

Within 30 days of the vesting of a Conditional Share Award or the exercise of an Option, the Company will issue or procure the transfer of Ordinary Shares in satisfaction of the Award. Instead of the issue of Ordinary Shares, the Company may decide to satisfy the vesting of a Conditional Share Award and the exercise of an Option by the payment of cash for an amount equal to the market value of the Ordinary Shares minus, in the case of an Option, the aggregate exercise price payable.

The vesting of a Phantom Award will be satisfied by the payment of cash through the payroll within 30 days of such vesting an amount equivalent to the market value of the Ordinary Shares on the date of vesting.

17. Amendment and termination

The Plan may at any time be altered by the Board on the recommendation of the Committee. However, any alterations to the advantage of participants to the rules governing eligibility, individual and dilution limits on participation, terms of the Awards and adjustment of Awards must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the Plan, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies.

An amendment may not adversely affect the existing rights of a participant except with the prior consent of the participant.

The Share Plan will terminate on the tenth anniversary of its adoption date or on such earlier date as the Board may determine.

