
This document is important and requires your immediate attention

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“Our objective is simple:
we aim to acquire controlling
stakes or positions of influence
in profitable and growing
companies run by experienced
managers operating in sectors
we know and where we can
add value.”

LMS Capital plc

Shareholders' update and Notice of Annual General Meeting

Including the proposed approval of waiver
of mandatory offer provisions in The City Code
on Takeovers and Mergers

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Chairman's statement



Robert A Rayne, Chairman

I am pleased to record that 2010 was a year of considerable progress for LMS Capital. Against the backdrop of a slowly improving environment, your Board approved a revised strategic approach for the business, the benefits of which are already apparent in the year's results.

I am pleased to record that 2010 was a year of considerable progress for LMS Capital. Against the backdrop of a slowly improving environment, your Board approved a revised strategic approach for the business, the benefits of which are already apparent in the year's results. After almost two years of focusing on the existing investment portfolio to safeguard value in difficult market conditions, the Company undertook a number of new transactions in 2010.

Net Asset Value per share at the end of 2010 was 90p, an increase of 7% compared to last year, after two years of decline. Improving market conditions are a significant contributor to this (as reflected in increased values for our quoted holdings and fund interests) but this year the write-downs we have taken on non-performing investments which do not fit our strategy are more than covered by higher valuations on our core investments. To underline this, for the first time our consolidated result (including portfolio subsidiaries) is positive.

Results

The return on the investment portfolio for the year was a net gain of £23.9 million (2009: net loss of £4.9 million). Included in this is a realised net loss for the year of £1.0 million (2009: realised net loss of £0.1 million); we realised gains on sales of certain of our quoted holdings and on our fund distributions but a loss on the sale of Citizen (Vio) which is shown in the consolidated results as discontinued operations.

The investment portfolio at 31 December 2010 was valued at £253.1 million (31 December 2009: £215.6 million), an increase of £37.5 million or 17%.

The quoted portfolio performed well and we expect to make disposals as our target prices are reached. We have continued to take a cautious view of the carrying values of our unquoted holdings since the recovery in public markets has not been reflected in private transactions.

The Group as a whole (including consolidation of the portfolio subsidiaries) showed a consolidated profit for the year from continuing operations of £15.2 million (2009: loss of £12.4 million).

The Board is not recommending payment of a dividend for the year ended 31 December 2010 (year ended 31 December 2009: nil).

Board and management

Glenn Payne was appointed Chief Executive with effect from 1 March 2010 and he is now leading the implementation of our revised strategy. We also welcomed Mark Sebba to the Board in September 2010; his experience in business services and consumer products will be of great value to the Company.

The process of change begun in 2009 has continued and this places special demands on all our people, particularly where cost pressures result in headcount reductions at investee companies. Your Board would like to extend its appreciation to all the Company's employees, as well as to the management teams of our investee companies, for their contribution to the Group's progress in 2010.

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 seeks, once again, to obtain a waiver in respect of the Takeover Code obligations which a repurchase of shares above a certain limit would place on the Rayne family shareholders.

There were no purchases of shares by the Company during 2010; the current number of Ordinary Shares in issue is 272,640,952.

Outlook

2010 saw an increase in merger and acquisition activity in which the Company was able to participate. At the same time our people responded positively to the revised strategy and we have begun 2011 with a higher level of deal flow than 12 months ago. We plan to complete the exits of non-performing businesses in 2011 and to focus on deploying capital to meet our stated growth objectives.

The Company's plan to realise its fund of funds and its quoted holdings will result in an increase in liquidity enabling it to invest in profitable and growing businesses. Your Board is confident that the Company is well positioned to take advantage of increased investment opportunities in the coming year and beyond.



Robert A Rayne
Chairman

28 March 2011

Operating review



Glenn Payne, Chief Executive Officer

We believe we have formulated a value proposition that is differentiable and that over time we expect to deliver superior results. We offer two important positives to our partners seeking a source of capital: permanence and strength.

LMS Capital is an investment company which, although only an independent entity since 2006, has a pedigree which dates back to the 1980s. We are not therefore a new company, but there are many exciting things that we are doing which are new this year and which we expect will make us bigger, better and more attractive as an investment to you our shareholders. I was appointed as your Chief Executive Officer in March last year and I am happy to report that 2010 saw us map out the Company's strategic direction and commence its implementation.

Our objective is simple: we aim to acquire controlling stakes or positions of influence in profitable and growing companies run by experienced managers operating in sectors we know and where we can add value.

We are now pursuing a refined strategy based on our assessment of who is "the best owner" of the Company's current three investing themes: quoted securities, third-party funds and direct investments. We believe the best owners of quoted securities are either our shareholders directly or hedge funds that can employ leverage and sophisticated computer systems which require round the clock monitoring. Similarly, the best owners of funds are entities that have access to either a regular stream of cash flows (member contributions) or committed capital (from investors) such as pension funds, or funds of funds. We are a permanent capital company and we shall exploit the strengths and advantages which this gives us.

We believe we have formulated a value proposition that is differentiable and that over time we expect to deliver superior results. We offer two important positives to our partners seeking a source of capital (usually the management of the company we acquire a stake in): permanence and strength.

- We are not just another private equity fund (although we are similar and compete with many) as unlike private equity funds we do not have to sell and we can always invest more money into our investments. Founders of companies typically have built their enterprise up over a period of time (called experience) and now that they have validated their business model (called profits) they are often in the position of needing capital to capture new opportunities. Debt is not as freely available and so an equity partner with similar style is sought. As a founder, selling part of the business is traumatic; there are many sleepless nights and some degree of seller's remorse. We do not pretend to make the transaction easy: we spend a lot of time performing diligence on any acquisition so that we know what we are buying, but we offer the comfort that we are not going to turn around and sell the Company in a short timeframe. We expect to create a long-term partnership such that as the Company grows we will be there to provide intellectual and equity capital.
- We are also a publicly listed entity: just as you check our price and can read our audited financial accounts, so can our partners and they receive a lot of solace from the strength of our balance sheet and access to capital. Our public nature provides transparency on our ability to meet our promises.

We have exhibited in the past an ability to identify, acquire, manage and crystallise gains from direct investments. We have an investment team with deep experience in buyouts and from our current portfolio we expect to receive significant net inflows of cash over the next few years to support this strategy. We believe we are "the best owner" of operating companies: we shall hold direct investments and actively engage in value creation. Recent investments in Udata, Apogee, Nationwide and Zoom (by SFEP) confirm our growing reputation as an equity partner of choice. As the acquirers and owners of these companies, we can control the destiny of our assets.

LMS currently has investment professionals in the US and UK, so our focus will be on those geographies. We have deep knowledge in three sectors: energy, consumer and business services. Our relationships, networks and investments provide a differential capability to identify and evaluate new investments in these sectors and geographies and to create value at the portfolio company level through active stewardship. We do what we are good at where we are located.

We aim to own companies and make follow-on investments in companies that have and will produce profits that contribute to an increasingly valuable and profitable LMS. Across the entire portfolio, where we are actively engaged in the stewardship of the investments and can effect change as required, we are targeting annual growth in excess of 15%.

We still need time to evolve but everything we are doing is with the objective of creating value for shareholders. Our companies operate in economies that continue to experience uncertainties and so earnings growth in 2010 has been variable but there are signs 2011 will see a marked improvement and that our companies' business models are appropriate.

Results

2010 was a year of transition but saw a number of highlights:

- An improvement in the value of our quoted portfolio as the prices of ProStrakan and Weatherford grew. Our decision to hold those stocks through the year has been vindicated;
- Realisations and improvements in third-party fund valuations have been gratefully received as the ability of those funds to exit investments opened up during the year;
- Our newer direct investments saw a number of upward revaluations – confirmation that our strategy is beginning to work;
- We have turned around a number of the older businesses and can now focus on upside rather than losses, however we did make the difficult decision to write-down/off five old direct investments as their potential to create value had passed;
- Combining the positive news we are delighted to announce that LMS Capital produced a net profit of £17.6 million in 2010 (2009: loss of £12.7 million);
- Importantly that result was driven by positive “owned EBITDA” (our share in the earnings of each of our direct portfolio companies) – we own profitable and growing companies that are creating value;
- Our NAV per share at the end of 2010 was 90p, (2009: 84p), an increase of 7% in the year or 15% annualised from mid-year when a number of the key strategic decisions were first announced and implemented.

Further details are set out in the Financial Review section of this report.

We are pleased with our results for 2010, however there is much room for further progress. It is good that we are profitable, that we own profitable companies but we are targeting a better annual growth in value. Going forward we are actively seeking to produce superior value and capture gains from the quoted securities and funds to redeploy into direct investments.

We are pleased with our results for 2010, however there is much room for further progress. It is good that we are profitable, that we own profitable companies but we are targeting a better annual growth in value. Going forward we are actively seeking to produce superior value and capture gains from the quoted securities and funds to redeploy into direct investments. Our results are a significant improvement on 2009 (which showed a decline in NAV per share compared to the prior year) but the results continue to be burdened by losses from write-downs on legacy investments; that stops this year. Under our revised strategy we are seeking to invest in companies that should survive and thrive. As a partner of choice we will work with them to ensure they continue to grow as profitable businesses.

It is gratifying to report that a number of our consolidated portfolio companies have made big strides during 2010 and more importantly expect to be able to sustain this next year. The best performers in 2010 were:

- Udata continues to grow revenues and profits as local authorities need to improve the extent and reliability of their broadband communication infrastructure;
- Nationwide has performed in line with our expectations in the first seven months of our ownership and is rapidly signing new customers;
- Entuity has grown its revenues and had its second year of profitability, boosted by additions to its sales partner network;
- Wesupply achieved profitability in the fourth quarter after cutting costs and redirecting its sales focus to the SME market place.

On the minus side:

- Citizen (Vio) was unable to build critical mass and was sold;
- Kizoom continues to experience similar difficulties – it sold its software business in the third quarter and we are currently at an advanced stage to sell the remaining hardware business;
- We are seeking to dispose of CopperEye – it needs an owner that can incorporate their technology into a bigger platform;
- ITS has been unable to convert sufficient sales opportunities into orders and management are preparing a report on the options for the business, which will focus on maximising value for shareholders.

Our key reportable metrics are:

	2007	2008	2009	2010
Net profit (£m) (Note 1)	29.8	(40.8)	(12.7)	17.6
Owned EBITDA (£m) (Note 2)	(14.2)	(9.9)	(3.0)	7.5
NAV per share (pence)	101	89	84	90

Notes:

- 1 This is the profit of our investment management business as defined in Note 2 to our financial statements.
- 2 This is our share of the EBITDA of each of the investments in our portfolio, including investments by San Francisco Equity Partners, based on our percentage stake. It is not derived from the consolidated financial information.

Based on the 2011 plans of our direct investments, we expect continuing improvement in these figures during 2011.

Review of investments

Quoted securities

We sold a number of our holdings during 2010 and you should expect to see more realisations during 2011 as stocks hit the exit prices we have established. We started 2010 with 20 different securities and ended with 13. Of course a few stocks dominate this category, namely Weatherford and ProStrakan, in both of which we were one of the original investors. The board of ProStrakan recently announced that it was recommending to shareholders an offer at 130p per share, a significant premium to the market (and to our December 2010 carrying value).

We shall use the proceeds of sales of our quoted holdings to reinvest in direct investments. Our book value of quoted securities at year end was £63.2 million, including sales an increase of 29% over last year's value.

Company	Share price	31 December 2010	
		Book value £m	IRR for the year
Weatherford	\$22.8	30.0	33% Energy
ProStrakan	£1.03	18.1	19% Pharmaceuticals
GulfMark	\$30.40	4.9	12% Energy
Chyron	\$2.20	3.9	12% Media/technology

The above holdings represent 90% of the quoted portfolio.

Funds

We have 22 general partner relationships across 35 funds. Many of these funds are in sectors we know and a number are the lead investor in co-investments we hold. However, committing to funds requires us to have access to cash or cash equivalents to meet the uncertain timing of cash calls, and we have no or limited access or influence over those investments. We have ceased to make new fund commitments and because most of our funds are coming to the end of their investment period, and in many cases are into the harvest period, we expect to see cash returned to us over the next few years.

Book value of our funds at year end was £114.5 million net of commitments and realisations a gain of 4% over the past 12 months. Our outstanding commitments at year end were £40.7 million (to be met from cash and equivalents), down from £58.7 million at the end of 2009; with the reduction in size of one fund the outstanding commitment today is £36 million.

General partner	31 December 2010	
	Book value £m	IRR for the year
Brockton Capital	14.6	(3)% UK property
BV Investments	9.4	18% US buyouts
Scottish Equity Partners	5.7	14% UK technology
Spectrum Equity Investors	4.4	40% US technology
CMEA Ventures	4.0	24% US technology
Amadeus Capital Partners	3.9	(8)% UK venture capital
Weber Capital Partners	3.1	65% US post-IPO technology
Brynwood Capital Partners	3.1	40% US consumer
Cadent Energy	3.1	32% US energy

The above holdings represent 70% of the funds portfolio (excluding San Francisco Equity Partners).

Direct investments

The number of our direct investments has been reduced throughout the year as we actively seek to focus on winners and exit those that have another better owner. We sold Vio, Corizon and Kizoom Software at a net loss in the year of £3.2 million and are looking to dispose of the balance of Kizoom and CopperEye. In order to succeed, these companies were in need of an owner that could fold their technology into a bigger platform. These companies were start-ups when we invested and we do not intend to pursue this style of investing in the future.

We acquired stakes in three new companies during the year: Apogee (business services), Nationwide Energy Partners (energy) and Zoom Eyeworks (consumer products, via San Francisco Equity Partners). Total investment in these businesses was

£22.1 million. In all cases our investment thesis foresees us investing additional monies into these companies to finance growth. It is our intention to seek similar opportunities: profitable and growing companies run by experienced managers in those sectors where we can add value.

In addition, we provided follow-on monies for ITS, 365iT and Wesupply. Our direct investment portfolio at the year end was £75.4 million which was an increase of £15.1 million over 2009, after further write-downs on the legacy portfolio following strategic reviews during the year. Our direct investment portfolio is very lightly geared with third-party debt at 0.4 x EBITDA.

Company	31 December 2010	
	Book value £m	IRR for the year
Method Products	17.6	0% US consumer
Updata Infrastructure	14.0	84% UK technology
HealthTech Holdings	12.6	80% US technology
Nationwide Energy Partners	9.7	0% US energy
Apogee Corporation	8.7	14% UK technology
Rave Reviews	7.3	3% US consumer
Penguin Computing	7.2	22% US technology
Entuity	5.5	21% UK technology
Luxury Link	5.1	4% US consumer

The above holdings represent 75% of the direct portfolio (including San Francisco Equity Partners).

Summary

The evolution of LMS to a lead investor in private companies is ongoing. Where previously we had a variety of investment themes and sector appetites we are now focused on direct investment only in three core sectors.

Over time you will see us exit some of our older holdings and acquire new ones. We shall constantly review our investments as there may always be someone willing to acquire our position at a value greater than we put on it and for some holdings there may be a more natural owner. But because we do not have to sell we spend our time thinking about growing and adding value rather than simply exiting.

Our outlook for 2011 is positive: deal flow of profitable, growing companies is good and most of our direct investments are forecasting revenue growth this year as markets improve.

I have the pleasure of writing this report but the success of your company is attributable to a team of professionals who are committed to growing LMS into a bigger, better and successful company. I would like to thank the Board of LMS and the team working on your behalf: Pieter, Scott, Ed, Jamie, Jamie, David, Matthew, Tom, Alison, Dawn, Ela, Maia, Linda, Chris, Ray, Selina and Joe for their assistance, effort and successes in this past year. We have achieved much in 2010, and look forward to greater success in 2011.

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.

Investment management

Net Asset Value at 31 December 2010 was £245.0 million (31 December 2009: £227.7 million), an increase of £17.3 million or 7%. The Net Asset Value per share was 90p (31 December 2009: 84p).

The Group's return on its investment portfolio for the year ended 31 December 2010 was a gain of £23.9 million (year ended 31 December 2009: loss of £4.9 million) as follows:

	Year ended 31 December	
	2010 £'000	2009 £'000
Realised gains/(losses)		
Quoted securities	1,128	2,503
Unquoted securities	(3,154)	(1,867)
Funds	1,037	(755)
	(989)	(119)
Unrealised gains/(losses)		
Quoted securities	14,100	9,741
Unquoted securities	1,293	(8,491)
Funds	9,510	(6,007)
	24,903	(4,757)
Total gain/(loss)	23,914	(4,876)

Approximately 61% of the portfolio at 31 December 2010 is denominated in US dollars (2009: 60%) and the above table includes the impact of currency movements. In the year ended 31 December 2010 the strengthening of the US dollar against pound sterling resulted in an unrealised foreign currency gain of £5.6 million. During the year ended 31 December 2009 there was a weakening of the dollar against pound sterling and the unrealised loss for that year was £13.5 million. It is the Board's current policy not to hedge the Company's underlying non-sterling investments.

Realised gains on quoted securities include £0.7 million in connection with the sale of our shares in BJ Services, with the balance arising on the sale of other, smaller holdings during the year. The realised losses on unquoted securities arose principally on the disposals of Citizen (trading as Vio) and Corizon.

The unrealised gains on our quoted portfolio reflect the net impact of the changes in the capital markets during the year. Of the total of £14.1 million, £7.4 million is attributable to our holding in Weatherford International and £2.9 million to ProStrakan Group.

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

	Unrealised gain/(loss) £'000
Udata	6,482
HealthTech Holdings	5,622
Kizoom	(3,200)
Wesupply	(2,750)
CopperEye	(1,936)
ITS (US) Holdings	(2,938)
	1,280
Other investments (net)	13
Total unrealised gain, net	1,293

£245.0m

Net Asset Value at 31 December 2010

(31 December 2009: £227.7 million)

£17.3m

Increase in Net Asset Value of 7%

90p

Net Asset Value per share

(31 December 2009: 84p)

The unrealised gains/losses above reflect the impact on our valuation criteria of changes in the revenue and profitability multiples of comparable businesses which are used in the underlying calculations combined with the operating performance of the individual businesses within the portfolio.

In most cases the multiples used are similar to those prevailing at the end of 2009. The unrealised gains or losses set out above for 2010 arise principally as a result of the companies' performance. The results of Udata and HealthTech Holdings have resulted in higher valuations for those businesses. Conversely, following continued disappointing results from Kizoom and CopperEye, we are actively seeking to exit these businesses and in the case of ITS a strategic review of the business is in progress.

The unrealised valuation gain on our fund interests includes £6.6 million net valuation increases and £2.9 million unrealised foreign currency gains. We utilise reports from the general partners of our funds 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. We also carry out our own review of individual funds and their portfolios to satisfy ourselves that the underlying valuation bases are consistent with our knowledge of the investments and the sectors in which they operate.

Income from investments in the year was £0.9 million (year ended 31 December 2009: £0.5 million) and comprises dividends on quoted securities and management charges made to portfolio companies. Administration expenses for the year were £6.9 million (year ended 31 December 2009: £8.0 million, which included a number of one-off items); net interest expense for the year was £0.2 million (year ended 31 December 2009: net income of £0.2 million) reflecting the fact that the Company drew down all of its loan facility during the year. The tax charge for the year was £0.4 million (year ended 31 December 2009: £0.3 million).

Investments

The Group's investments are included in the balance sheet at fair values determined in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Additions to the investment portfolio during the year were £38.9 million (year ended 31 December 2009: £32.7 million) of which £17.6 million (2009: £7.6 million) was for new investments, £17.1 million (2009: £14.8 million) to meet capital calls from funds and £4.2 million (2009: £10.3 million) for follow-on investments. There were no purchases of quoted securities during the year (2009: nil); the new investments were \$14.1 million (£9.7 million) for our stake in Nationwide Energy Partners and £7.9 million for our interest in Apogee Group.

Proceeds of realisations were £24.3 million (2009: £14.3 million) including sales of quoted securities of £6.2 million (2009: £6.9 million) and distributions from funds of £13.7 million (2008: £5.6 million).

At 31 December 2010 the Group had commitments of £40.7 million (31 December 2009: £58.7 million) to meet capital calls from its fund interests which the Directors estimate will be called over the next five years. In terms of assessing the level of the Group's commitment in this area, the Directors do not expect fund commitments to exceed liquid assets (being cash and quoted securities); at 31 December 2010 liquid assets were £72.5 million.

Consolidated results

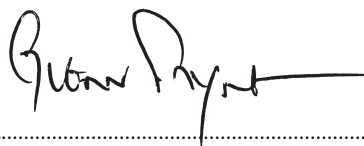
Consolidated revenues for the year from continuing operations were £47.9 million (2009: £29.8 million), all in the portfolio subsidiaries. The increase over the previous year reflects the inclusion of Udata for a full year (acquired in July 2009) and of NEP (from acquisition at the end of May 2010).

Consolidated operating expenses of continuing operations were £60.2 million (2009: £46.1 million), including goodwill impairment charges of £7.7 million (2009: £4.6 million). The increase in operating expenses (excluding goodwill impairment charges) reflects principally the inclusion of Udata and NEP as set out above.

The consolidated profit from continuing operations was £15.2 million (2009: loss of £12.4 million); discontinued operations (being the impact of the sale of Citizen in September) contributed a loss of £2.6 million (2009: loss of £2.4 million).

Financial position

The consolidated balance sheet at 31 December 2010 includes cash and cash equivalents of £13.2 million (31 December 2009: £17.0 million) and borrowings of £23.4 million (31 December 2009: £7.6 million). Cash in the investment management business was £9.3 million (31 December 2009: £14.4 million) and borrowings were £14.3 million under the Company's £15 million borrowing facility with The Royal Bank of Scotland.



Glenn Payne
Chief Executive Officer

28 March 2011

Directors

Robert Rayne, Non-executive Chairman
Glenn Payne, Chief Executive Officer
Antony Sweet, Chief Financial Officer
John Barnsley, Senior Independent Non-executive Director
Richard Christou, Non-executive Director
Bernard Duroc-Danner, Non-executive Director
Mark Sebba, Non-executive Director
David Verey, Non-executive Director

Registered Office

100 George Street
London, W1U 8NU

To the holders of Ordinary Shares

Dear Shareholder

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

1. Introduction

The purpose of this document is to provide you with details of the Resolutions to be proposed at the Annual General Meeting of the Company to be held on Thursday 12 May 2011 at 12.00 noon and convened by the formal Notice of Annual General Meeting set out at the end of this document. In addition to the usual Resolutions put to Shareholders at the Annual General Meeting, the Directors are also proposing a Resolution seeking the approval of Independent Shareholders of the waiver of certain obligations which may arise under the City Code as a result of any exercise of the authority which is being sought to buy back Ordinary Shares.

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

On 28 March 2011, the Company announced its preliminary results for the year ended 31 December 2010. Extracts from that are included at the front of this document on pages 1 to 11 and a copy of the 2010 Annual Report is available on the Company's website, www.lmscapital.com.

2. Information on the Company

LMS is a UK-based international investment company with stakes in quoted securities, third party funds and direct investments in both the UK and the US. Its Ordinary Shares are admitted to trading on the Main Market. The Company has offices in the UK and US. Our focus is to acquire profitable and growing companies in our core sectors of energy, consumer and business services. We are permanent capital and our objective is to grow our balance sheet by 15% plus per annum. LMS Capital is emerging as the partner of choice to experienced management teams looking for long-term capital.

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

3. Resolutions

3.1 Resolution 1

Receipt of financial statements and reports

The Directors are required to lay before the Annual General Meeting the Company's financial statements and the reports of the Directors and the auditors for the year ended 31 December 2010.

3.2 Resolution 2

Approval of the remuneration report

UK listed companies on the Official List are required to prepare a remuneration report and put a Resolution to approve the report to the Shareholders at the Annual General Meeting. The report is contained in full within the Annual Report. In line with the legislation requiring companies to put an annual Resolution to shareholders on Directors' pay, this vote will be advisory.

3.3 Resolutions 3 to 5

Appointment and Reappointment of Directors

The Company's articles of association require Directors to retire each year by rotation based on the date of their being appointed. Accordingly, John Barnsley and Richard Christou retire and, being eligible, are seeking re-appointment to the Board. Mark Sebba, having been appointed to the Board since the 2010 annual general meeting, will stand for election in accordance with the Company's articles of association. Biographical details of each Director are set out on page 14 of the Annual Report. John Barnsley, Richard Christou and Mark Sebba are non-executive Directors. The Board considers that each of the Directors proposed for appointment or re-appointment makes an effective and valuable contribution and demonstrates commitment to the role. Accordingly, the Board recommends the appointment or re-appointment of each Director.

3.4 Resolutions 6 and 7

Re-appointment and remuneration of the auditors

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

3.5 Resolution 8

Authority to allot shares

The Directors may allot shares and grant rights to subscribe for, or convert any security into, shares only if authorised to do so by the Shareholders. The authority granted at the last annual general meeting is due to expire at this year's Annual General Meeting. Accordingly, Resolution 8 will be proposed as an ordinary resolution to grant new authorities to allot (a) shares and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal value of £9,087,122 and (b) equity securities up to an aggregate nominal value (when added to allotments under (a)) of £18,174,245 where the allotment is in connection with a rights issue.

These amounts represent approximately one-third and approximately two-thirds respectively of the total issued ordinary share capital of the Company as at 11 April 2011, being the latest practicable date before publication of this document. If given, these authorities will expire at the earlier of the conclusion of the annual general meeting of the Company in 2012 and 30 June 2012 (being the date which is six months after the Company's accounting reference date falling in 2011), unless varied, renewed or revoked by the Company in general meeting before such expiry. Where usage of these authorities exceeds the thresholds suggested in the December 2008 guidance issued by the Association of British Insurers (the "ABI") the Directors will stand for re-election at the following annual general meeting of the Company, to the extent required by the ABI. The Company currently has no shares held in treasury.

The Directors have no present intention of issuing shares pursuant to these authorities.

3.6 Resolution 9

Disapplication of pre-emption rights

The Directors are currently authorised to allot equity securities for cash without first offering them to existing Shareholders in proportion to their holdings. This Resolution proposes that such authority be renewed and that the Directors be authorised to allot equity securities or sell treasury shares up to an aggregate nominal value of £1,363,204 for cash without a pre-emptive offer being made for the period expiring at the earlier of the conclusion of the Company's annual general meeting to be held in 2012 and 30 June 2012, unless renewed, varied or revoked by the Company in general meeting before such expiry. The authority represents approximately 5% of the Company's issued ordinary share capital as at 11 April 2011, being the latest practicable date prior to publication of this

document. This amount complies with relevant institutional guidelines. Although this authority is customary, the Directors have no present intention of exercising this authority.

3.7 Resolution 10 Share purchase authority

In certain circumstances, it may be advantageous for the Company to purchase its own Ordinary Shares and this Resolution seeks authority from Shareholders to do so. The Board would use such authority only if satisfied at the time that to do so would be in the best interests of Shareholders and at prices below the prevailing Net Asset Value per Ordinary Share. Accordingly, use of this authority, if given, will ultimately depend upon market conditions and the Board's judgement of its likely effectiveness in increasing the Net Asset Value per Ordinary Share. The Company may either cancel or hold in treasury shares purchased in this way. The Resolution specifies the maximum number of shares that may be acquired (namely, 40,868,878 being approximately 14.99% of the Company's issued ordinary share capital as at 11 April 2011, being the latest practicable date prior to publication of this document), and the maximum and minimum price at which they may be bought. This authority will expire at the earlier of the conclusion of the Company's annual general meeting to be held in 2012 and 30 June 2012, unless renewed, varied or revoked by the Company in general meeting before such expiry.

3.8 Resolution 11 Notice of general meetings

Currently the 2006 Act enables listed companies to call a general meeting (other than an annual general meeting) on 14 clear days' notice. However, the Companies (Shareholders' Rights) Regulations 2009 require that listed companies call such general meetings on at least 21 clear days' notice unless the Company:

- (a) has obtained Shareholder approval for the holding of general meetings on 14 clear days' notice by passing an appropriate resolution at an annual general meeting; and
- (b) offers the facility for Shareholders to vote by electronic means accessible to all shareholders. The Company offers its Shareholders the opportunity to vote electronically via the Capita Registrars website which is accessible to all Shareholders.

The Company will only convene a general meeting on less than 21 days' clear notice when the flexibility is merited by the business of the meeting concerned and it is thought to be to the advantage of the Shareholders as a whole. It will not be used as a matter of routine. In addition, due to the requirements of the Companies (Shareholders' Rights) Regulations 2009, this Resolution is only valid up to the next annual general meeting of the Company and so will need to be renewed at that annual general meeting and at each following annual general meeting thereafter.

Accordingly, Shareholders are being asked to approve Resolution 11 to enable the Company to continue to enjoy the shorter notice period for calling such general meetings as permitted by the 2006 Act.

3.9 Resolution 12 Waiver of Rule 9 of the City Code

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

Under Rule 9 of the City Code, any person who acquires an interest (as defined in the City Code) in shares which, taken together with shares in which he or she is already interested and in which persons acting in concert with him or her are interested, carries 30% or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all the remaining Shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him or her, is interested in shares which in the aggregate carry not less than 30% of the voting rights of such a company but does not hold shares carrying more than 50% of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him or her, for any interest in shares of the Company during the 12 months prior to the announcement of the offer.

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

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

Members of the extended Rayne family and associated trusts comprise a concert party for the purposes of the City Code. In total, the combined interest in Ordinary Shares of the Concert Party at the date of this document is 100,181,600 Ordinary Shares, representing approximately 36.74% of the Company's issued share capital as at 11 April 2011 (being the last practicable date

prior to the posting of this document). Further details of the Concert Party are set out in paragraph 4.3 of Part 3 of this document.

Any buy-back of shares pursuant to the Market Purchase Authority may therefore result in the Concert Party being obliged to make an offer for the Company. As referred to in paragraph 3.7 in relation to Resolution 10 above, it may be advantageous for the Company to purchase its own Ordinary Shares. As a result the Board has consulted with the Panel, which has agreed, subject to the Independent Shareholders voting on a poll at the Annual General Meeting to approve Resolution 12, to waive any obligation that would otherwise arise, under Rule 9 of the City Code for the Concert Party, as a result of any market purchases of Ordinary Shares by the Company pursuant to the authorities sought by Resolution 10, to make a general offer for the Ordinary Shares which they do not already hold.

The members of the Concert Party (including Robert Rayne) will not be entitled to vote on Resolution 12 at the Annual General Meeting.

On the basis that the issued share capital of the Company is 272,640,952 Ordinary Shares (being the issued share capital of the Company at 11 April 2011 (being the latest practicable date prior to the publication of this document)) and assuming that (i) Resolution 10 is passed at the Annual General Meeting, (ii) full use is made by the Company of the Market Purchase Authority, (iii) no member of the Concert Party disposes of any of its Ordinary Shares pursuant to the exercise of the Market Purchase Authority, and (iv) no person exercises any options or any other rights to subscribe for Ordinary Shares, the Concert Party's interest in Ordinary Shares would increase to 43.18% of the voting share capital of the Company. A table analysing the maximum interests of the members of the Concert Party is set out in paragraph 4.3 of Part 3 of this document.

The effect of the potential increase in the interest in Ordinary Shares of the Concert Party described in this paragraph 3.9 would mean that (for so long as members of the Concert Party continue to be treated as acting in concert) the Concert Party would be interested in Ordinary Shares carrying 30% or more of the Company's voting share capital but will not hold more than 50% of such voting rights. Any further increase in the interest in Ordinary Shares of the Concert Party will be subject to the provisions of Rule 9 of the City Code.

4. Intentions of the Concert Party and the Directors

4.1 Intentions of the Concert Party

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

Robert Rayne, in his capacity as a Shareholder, together with Withers Trust Corporation Limited, (who are the trustees of the Rayne family trusts and Lord Rayne's Will Trust), Lady Jane Rayne, The Rayne Trust and The Rayne Foundation have each confirmed that their present intention is to support the Company's current investing strategy and the Company's dividend policy and that they have no present intention to propose any changes to the Board. The combined voting rights in Ordinary Shares of Withers Trust Corporation Limited, Lady Jane Rayne, The Rayne Trust, The Rayne Foundation and Robert Rayne is 77,726,063 Ordinary Shares, representing 28.51% of the Company's issued share capital as at 11 April 2011 (being the latest practicable date prior to the publication of this document).

4.2 Intentions of the Directors

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

Assuming that Resolution 10 (which relates to the Market Purchase Authority) in the Notice of Annual General Meeting is duly passed, the Directors will use such authority only if they believe, at the relevant time, that it is in the best interests of the Shareholders and would result in an increase in the Net Asset Value per Ordinary Share of the Company. The Board believes that the ability to make market purchases of Ordinary Shares is a valuable mechanism to enhance Shareholder value.

5. Annual General Meeting

You will find set out at the end of this document a notice convening the Annual General Meeting to be held at Durrants Hotel, George Street, London W1H 5BJ at 12.00 noon on Thursday 12 May 2011.

Please also refer to the additional information set out in Part 3 of this document.

6. Action to be taken

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

If you wish to appoint a proxy, you are requested to complete and return the Form of Proxy as soon as possible and, in any event, so as to be received by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 12.00 noon on Tuesday 10 May 2011 (or if the Annual General Meeting is adjourned, 48 hours before the time of holding the adjourned meeting). You may also appoint a proxy online using the service provided by the Company's registrars at www.capitashareportal.com.

If you hold Ordinary Shares in CREST, you may appoint a proxy in relation to the Annual General Meeting by completing and transmitting a CREST proxy instruction to the Company's Registrars, Capita Registrars (CREST participant ID RA10), so that it is received by not later than 6.00 p.m. on Tuesday 10 May 2011 (or, if the Annual General Meeting is adjourned, 48 hours before the time of holding the adjourned meeting).

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

Further information is set out in the notes to the Notice of Annual General Meeting on pages 25 and 28 of this document.

The valid appointment of a proxy will not affect your right as a Shareholder from attending the Annual General Meeting and voting in person if you wish to do so.

New Shareholders should note that, in order to have the right to attend and vote at the Annual General Meeting, their holding must be entered in the Company's register of members by 6.00 p.m. on Tuesday 10 May 2011 (or, if the meeting is adjourned, in the register of members by 6.00 p.m. on the second day prior to the day of any adjourned meeting).

7. Recommendation

The Directors consider the Resolutions (other than the Waiver Resolution recommended below) to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions other than the Waiver Resolution to be proposed at the Annual General Meeting, as they intend to do in respect of their own personal beneficial shareholdings which they can vote amounting to, in aggregate, 9,866,823 Ordinary Shares, representing 3.62% of the issued share capital of the Company as at 11 April 2011, being the latest practicable date prior to publication of this document.

The Independent Directors, who have been so advised by J.P. Morgan Cazenove in respect of the Rule 9 Waiver, consider the Rule 9 Waiver to be in the best interests of the Company and the Independent Shareholders as a whole. In providing advice to the Independent Directors, J.P. Morgan Cazenove has taken into account the Independent Directors' commercial assessments.

Accordingly, the Independent Directors unanimously recommend that Independent Shareholders vote in favour of the Waiver Resolution to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings amounting to, in aggregate, 1,658,467 Ordinary Shares, representing 0.61% of the issued share capital of the Company as at 11 April 2011 (being the latest practicable date prior to the publication of this document).

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

Yours faithfully,



Robert A Rayne
Non-executive Chairman

15 April 2011

Additional Information

1. Responsibility

1.1 The Directors of the Company, whose names appear in paragraph 2 of Part 3 of this document, accept responsibility for the information contained in this document other than the recommendation and associated opinion attributed to the Independent Directors regarding Resolution 12 set out in paragraph 7 of Part 2 of this document and the information relating to the Concert Party contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The Independent Directors accept responsibility for the recommendation and associated opinion attributed to them regarding Resolution 12 set out in paragraph 7 of Part 2 of this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.3 Robert Rayne accepts responsibility for the information relating to the Concert Party contained in this document. To the best of his knowledge and belief (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors of the Company

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

Robert Rayne, Non-executive Chairman
 Glenn Payne, Chief Executive Officer
 Antony Sweet, Chief Financial Officer
 John Barnsley, Senior Independent Non-executive Director
 Richard Christou, Non-executive Director
 Bernard Duroc-Danner, Non-executive Director
 Mark Sebba, Non-executive Director
 David Verey, Non-executive Director

3. Market quotations

The following table shows the closing middle market quotations of Ordinary Shares, as derived from the London Stock Exchange plc on the first Business Day of dealing of the six months immediately before the date of this document and 11 April 2011, being the latest practicable date prior to the posting of this document:

Date	Share price (p)
11 April 2011	60.88
1 April 2011	57.50
1 March 2011	59.00
1 February 2011	52.25
4 January 2011	45.50
1 December 2010	49.25
1 November 2010	50.50

4. Directors' and other interests and dealings in Ordinary Shares

4.1 Directors' interests

As at 11 April 2011 (being the latest practicable date prior to publication of this document), the interests in Ordinary Shares of the Directors which: (i) have been notified by each Director to the Company; or (ii) are interests of the connected person of a Director (within the meaning of Section 252 of the 2006 Act), the existence of which is known, or could with reasonable diligence be ascertained by the Director, were as follows:

	Number of Ordinary Shares	Percentage of issued share capital of the Company
Robert Rayne ⁽¹⁾	8,208,356	3.04
Glenn Payne	100,000	0.04
Antony Sweet	1,702	0.00
John Barnsley	317,000	0.12
Richard Christou	169,965	0.06
Bernard Duroc-Danner	550,800	0.20
Mark Sebba	210,000	0.08
David Verey	317,000	0.11

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

Nature of interest	Trust name where applicable	Registered Holder(s)	Number of Ordinary Shares
Beneficial		BBHISL Nominees Limited a/c 125680	1,148,884
Beneficial		Robert Anthony Rayne	7,059,472
Trustee	The Rayne Trust	Nortrust Nominees Limited	6,765,623
Trustee	The Rayne Foundation	Nortrust Nominees Limited	14,817,277
Trustee	The Rayne Foundation	Chase Nominees Limited a/c Cazcap	65,671
Trustee		The Hon R A Rayne. J McCarthy, A P M Steele	100,000
			29,956,927

The interests of Robert Rayne's connected persons (as defined in Section 252 of the 2006 Act) are disclosed in paragraph 4.3 below.

4.2 Substantial Shareholders' interests

So far as the Company is aware, as at 11 April 2011 (being the latest practicable date prior to publication of this document), the following persons have direct or indirect interests in 3% or more of the Company's voting rights:

	Number of Ordinary Shares	Percentage of issued share capital of the Company
Withers Trust Corporation Limited ⁽¹⁾	41,803,802	15.33
Schroders plc ⁽²⁾	37,367,973	13.71
The Trustees of Lord Rayne's Will Trust ⁽³⁾	35,152,624	12.89
Robert Anthony Rayne ⁽⁴⁾	29,956,927	10.99
Lady Jane Rayne ⁽⁵⁾	27,494,405	10.09
Jupiter Asset Management Limited ⁽⁶⁾	21,814,614	8.00
Taube Hodson Stonex Partners Limited	13,536,161	4.96
Mineworkers Pension Scheme ⁽³⁾	8,830,834	3.24
Mantra Investissement SCA	8,786,373	3.22
British Coal Staff Superannuation Scheme ⁽³⁾	8,410,952	3.09

(1) Withers Trust Corporation Limited has interests in Ordinary Shares in the following capacities:

Nature of interest	Trust name where applicable	Registered Holder(s)	Number of Ordinary Shares
Trustee	The Trustees of Lord Rayne's Will Trust ⁽³⁾	HSBC Global Custody Nominee (UK) Limited a/c 724354	36,533,624
Trustee	The Rayne Family Second Trust	HSBC Global Custody Nominee (UK) Limited a/c 724354	1,015,455
Trustee	The Rayne Family Third Trust	HSBC Global Custody Nominee (UK) Limited a/c 724354	1,035,005
			41,803,802

(2) Schroders plc manages the shares for the Mineworkers Pension Scheme and British Coal Staff Superannuation Scheme and therefore these shares are included within their own interest.

(3) The Trustees of Lord Rayne's Will Trust have interests in Ordinary Shares in the following capacities:

Nature of interest	Trust name where applicable	Registered Holder(s)	Number of Ordinary Shares
Trustees	The Trustees of Lord Rayne's Will Trust	HSBC Global Custody Nominee (UK) Limited a/c 724354	36,533,624*

* The Trustees of Lord Rayne's Will Trust do not hold the voting rights in respect of 1,381,000 Ordinary Shares registered in the name of HSBC Global Custody Nominee Limited a/c 724354.

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

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

Nature of interest	Trust name where applicable	Registered Holder(s)	Number of Ordinary Shares
Beneficial		Lady Jane Rayne	4,447,801
Trustee		Lady Jane Rayne and Tamara Annabel Wood	1,031,589
Trustee		Lady Jane Rayne, Natasha Rayne and Tamara Annabel Wood	250,000
Trustee	The Rayne Trust	Nortrust Nominees Limited	6,765,623
Trustee	The Rayne Foundation	Nortrust Nominees Limited	14,817,277
Trustee	The Rayne Foundation	Chase Nominees Limited a/c Cazcap	65,671
Trustee	Lady Rayne Trust	Nortrust Nominees Limited	116,444
			27,494,405

(6) Jupiter Asset Management act as fund managers for The Rayne Foundation and The Rayne Trust, however the Foundation and Trust retain the interests and voting rights in the Ordinary Shares in the following capacity:

Nature of interest	Trust name where applicable	Registered Holder(s)	Number of Ordinary Shares
Charitable foundation	The Rayne Foundation	Nortrust Nominees Limited	14,817,277
		Chase Nominees Limited a/c Cazcap	65,671
Charitable foundation	The Rayne Trust	Nortrust Nominees Limited	6,765,623

4.2.1 Save as set out in this Part 3, the Company is not aware of any person who as at 11 April 2011 (being the latest practicable date prior to the publication of this document) is interested (within the meaning of the 2006 Act), directly or indirectly, in 3% or more of the issued share capital of the Company.

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

4.3 Concert Party interests

The Panel has deemed that the interests in relevant securities of Withers Trust Corporation Limited, Lady Rayne, Robert Rayne and other Rayne family members comprise a Concert Party for the purposes of the City Code.

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

- (a) Withers Trust Corporation Limited who are the trustees of the Rayne family trusts and Lord Rayne's Will Trust and are the trustees of other Ordinary Shares. The beneficiaries of such Ordinary Shares are members of the extended Rayne family;
- (b) Robert Rayne, who is the late Lord Rayne's son and Non-executive Chairman of the Company;
- (c) Lady Jane Rayne, who is the late Lord Rayne's wife;
- (d) the Rayne Foundation, which is a charitable trust whose trustees include Robert Rayne and Lady Jane Rayne;
- (e) the Rayne Trust, which is a charitable trust whose trustees include Robert Rayne and Lady Jane Rayne;
- (f) Alexander Rayne, who is the late Lord Rayne's son;
- (g) Madeleine Rayner, who is the late Lord Rayne's daughter;
- (h) Susan Rubin, who is the late Lord Rayne's daughter;
- (i) Tamara Wood, who is the late Lord Rayne's daughter; and
- (j) Damian Rayne, who is the late Lord Rayne's grandson and son of Robert Rayne.

4.3.1 The interests in relevant securities of the members of the Concert Party as at the close of business on 11 April 2011 (being the latest practicable date prior to the publication of this document) are as follows:

Name	Number of Ordinary Shares	Percentage of issued share capital of the Company
Concert Party interests in relevant securities of 1,000,000 Ordinary Shares or above		
Withers Trust Corporation Limited ⁽¹⁾	41,803,802	15.33
The Rayne Foundation	14,882,948	5.46
Robert Anthony Rayne	8,308,326	3.04
The Rayne Trust	6,765,623	2.48
Alexander Rayne	5,726,989	2.10
Tamara Wood	5,053,352	1.85
Lady Jane Rayne	4,564,245	1.67
Susan Rubin	4,000,000	1.47
Madeleine Rayner	2,391,672	0.88
Lady Jane Rayne and Tamara Wood	1,281,589	0.47
Damian Rayne	1,140,596	0.42
Other Concert Party interests in relevant securities under 1,000,000 Ordinary Shares (19 individuals)	4,142,928	1.52
Total	100,181,600	36.69

(1) Please see note (1) to paragraph 4.2 of this Part 3.

4.3.2 The interests in relevant securities of members of the Concert Party following the exercise of the Market Purchase Authority in respect of the maximum number of shares permitted under the Market Purchase Authority on the basis that the issued share capital of the Company is 231,772,074 and assuming no Ordinary Shares are bought back from the Concert Party would be as follows:

Name	Number of Ordinary Shares	Percentage of issued share capital of the Company
Concert Party interests in relevant securities of 1,000,000 Ordinary Shares or above		
Withers Trust Corporation Limited ⁽¹⁾	41,803,802	18.04
The Rayne Foundation	14,882,948	6.42
Robert Anthony Rayne	8,308,326	3.59
The Rayne Trust	6,765,623	2.92
Alexander Rayne	5,726,989	2.47
Tamara Wood	5,053,352	2.18
Lady Jane Rayne	4,564,245	1.97
Susan Rubin	4,000,000	1.73
Madeleine Rayner	2,391,672	1.03
Lady Jane Rayne and Tamara Wood	1,281,589	0.55
Damian Rayne	1,140,596	0.49
Other Concert Party interests in relevant securities under 1,000,000 Ordinary Shares (19 individuals)		
	4,142,928	1.79
Total	100,181,600	43.18

(1) Please see note (1) to paragraph 4.2 of this Part 3.

4.3.3 The address of each of the members of the Concert Party is c/o 100 George Street, London W1U 8NU.

4.4 Dealings in relevant securities

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

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

Name	Date	Transaction	Number of Ordinary Shares	Price (p)
David Verey	10/05/2010	Purchase	100,000	49.50
David Verey	17/05/2010	Purchase	209,000	50.00
Mark Sebba	30/09/2010	Purchase	210,000	47.00
Glenn Payne	28/10/2010	Purchase	100,000	51.00

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

Name	Date	Transaction	Number of Ordinary Shares	Price (p)
BBHISL Nominees Limited a/c 126472	10/08/2010	Sale	49,500	41.00
BBHISL Nominees Limited a/c 126472	02/09/2010	Sale	305,000	42.50
BBHISL Nominees Limited a/c 126472	08/09/2010	Sale	132,877	42.50
BBHISL Nominees Limited a/c 126472	30/09/2010	Sale	210,000	47.00
BBHISL Nominees Limited a/c 126472	08/10/2010	Sale	3,885,767	48.50
BBHISL Nominees Limited a/c 126472	13/10/2010	Sale	3,814,233	48.50
Ferlim Nominees Limited a/c pooled	21/02/2011	Sale	60,000	58.60

5. General

Save as disclosed in this Part 3:

- (a) neither the Company, the Directors, nor any person acting in concert with the Company (within the meaning of the City Code), had any interests, rights to subscribe or short positions in relevant securities or had dealt in any relevant securities during the disclosure period;
- (b) neither the Concert Party nor any person acting in concert with it, had any interests, rights to subscribe or short positions in relevant securities or had dealt in any relevant securities during the disclosure period;
- (c) neither the Company, nor any person acting in concert with the Company, had borrowed or lent any relevant securities during the disclosure period, save for any borrowed shares which have either been on-lent or sold; and
- (d) neither the Concert Party nor any person acting in concert with it, had borrowed or lent any relevant securities during the disclosure period, save for any borrowed shares which have either been on-lent or sold.

6. Definitions for the purposes of this Part 3:

In Part 3 of this document:

- (a) 'control' means an interest in relevant shares carrying 30% or more of the voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting, irrespective of whether the interest gives *de facto* control;
- (b) 'connected' has the meaning given to it in Section 252 of the 2006 Act;
- (c) 'disclosure period' means the period commencing on 7 April 2010 and ending on 11 April 2011, being the latest practicable date prior to the publication of this document;
- (d) 'connected adviser' means:
 - (i) in relation to the Company, an organisation which is advising the Company in relation to the Rule 9 Waiver and a corporate broker to the Company;
 - (ii) in relation to a person who is acting in concert with the Company, an organisation which is advising that person in relation to the matter which is the reason for that person being a member of the relevant Concert Party; and
 - (iii) in relation to a person who is an associate of the Company, an organisation which is advising that person in relation to the Rule 9 Waiver; and
- (e) 'relevant securities' means:
 - (i) Ordinary Shares or any other securities of the Company which carry voting rights;
 - (ii) equity share capital of the Company; and
 - (iii) any securities convertible into, or rights to subscribe for the securities of the Company described in paragraphs (i) and (ii) of this definition of relevant securities.

7. Material contracts

No contracts have been entered into by the Company or any of its subsidiaries, other than in the ordinary course of business, within the period of two years prior to the publication of this document which are or may be material.

8. Directors' service contracts and letters of appointment

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

Name	Date of contract	Notice period	Current annual salary
Glenn Payne	1 March 2010	One year's notice notifiable by the Company	£330,000
		Six months' notice by Mr Payne	
Antony Sweet	14 March 2007	One year's notice notifiable by the Company	£215,000
		Six months' notice by Mr Sweet	

Further details of the service agreements of each executive Director, and their previous salary levels, are set out below:

- (a) Glenn Payne is entitled to life assurance, healthcare and personal accident benefits and to discretionary bonuses. Mr Payne also receives contributions of a sum equal to 15% of his gross salary from the Company into an executive pension plan. Mr Payne was paid a bonus of £300,000 for 2010. Mr Payne's salary for 2010 was £300,000.
- (b) Antony Sweet is entitled to life assurance, healthcare and personal accident benefits and to discretionary bonuses. Mr Sweet also receives contributions of a sum equal to 15% of his gross salary from the Company into an executive pension plan. Mr Sweet was paid a bonus of £200,000 for 2010. Mr Sweet's salary for 2010 was £197,750.
- (c) Each service agreement is for an indefinite period terminable in accordance with the notice periods.
- (d) Each service agreement contains a change of control provision under which the executive Director is entitled to a payment equivalent to 95% of the aggregate of his gross basic annual salary, car allowance, value of non-cash benefits, amounts payable under the Company's cash bonus scheme and the value of the executive Director's pension entitlement, if within six months of a change of control of the Company his employment is terminated or he resigns. In addition, each executive Director can be required to work for the Company as a consultant for a period of 12 months after the date of termination, subject to payment of a daily fee of £1,500, but such Director cannot be obliged to provide a consultancy service on more than one day in each calendar month.

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

- (a) Robert Rayne is currently appointed as Non-executive Chairman. Under the terms of this letter of appointment, his services are terminable on not less than six months' notice and he is required to retire by rotation at least every three years by the Company's articles of association. He is entitled to a fee of £100,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Mr Rayne was paid a bonus of £150,000 for 2010 for the period in 2010 when he was an executive Director. Mr Rayne's salary for 2010 was £301,000 (£276,000 as an executive Director and £25,000 as a non-executive Director).
- (b) John Barnsley is currently appointed as Senior Independent Non-Executive Director. Under the terms of this letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least every three years by the Company's articles of association. He is entitled to a fee of £45,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Mr Barnsley does not participate in any bonus arrangements.
- (c) Under the terms of Richard Christou's letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least every three years by the Company's articles of association. He is entitled to a fee of £45,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Mr Christou does not participate in any bonus arrangements.
- (d) Under the terms of Bernard Duroc-Danner's letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least every three years by the Company's articles of association. He is entitled to a fee of £40,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Dr Duroc-Danner does not participate in any bonus arrangements.
- (e) Under the terms of Mark Sebba's letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least every three years by the Company's articles of association. He is entitled to a fee of £40,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Mr Sebba does not participate in any bonus arrangements.

- (f) Under the terms of David Verey's letter of appointment, his services are terminable on not less than one month's notice and he is required to retire by rotation at least every three years by the Company's articles of association. He is entitled to a fee of £40,000 per annum and is entitled to be reimbursed for all reasonable incurred expenses. Mr Verey does not participate in any bonus arrangements.

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

- 8.3 Save as set out in this Part 3, there are no existing or proposed service agreements or letters of appointment between any Director and any member of the Group providing for benefits upon termination of employment.
- 8.4 Save as set out in this Part 3, no other service agreements or letters of appointment have been entered into by any Director and any member of the Group in the six months preceding the date of this document.
- 8.5 The Company entered into deeds of indemnity with each Director under which each of the Directors has the benefit of an indemnity in respect of any liability incurred for negligence, default, breach of duty or breach of trust in relation to their acting as Directors of the Company, provided that such persons will not be indemnified in circumstances where such indemnification would be void under relevant legislation.

9. Other information

- 9.1 No agreement, arrangement or understanding (including any compensation arrangement) exists in relation to a transfer of shares or otherwise between any member of the Concert Party or any person acting in concert with a member of the Concert Party and any of the Directors, recent Directors, Shareholders or recent Shareholders in the Company having any connection with or dependence upon the proposals set out in this document.
- 9.2 No agreement, arrangement or understanding (including any compensation arrangement) exists in relation to a transfer of shares acquired pursuant to the Market Purchase Authority.
- 9.3 There has been no material change in the financial or trading position of the Company since the year ended 31 December 2010, the date to which the last published audited accounts of the Company were prepared.
- 9.4 J.P. Morgan Cazenove has given and not withdrawn its written consent to the issue of this document with the inclusion herein of references to the name J.P. Morgan Cazenove in the form and context in which it appears.

10. Documents available for inspection

Copies of the following documents will be available for inspection at the Company's registered office and at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) from the date of this document until the time and date of the Annual General Meeting:

- (i) the audited consolidated accounts of the Company for the financial years ended 31 December 2010 and 31 December 2009;
- (ii) the written consent referred to in paragraph 9.4 of this Part 2;
- (iii) the Company's Articles of Association as at the date of this document; and
- (iv) a copy of this document.

A copy of this document and the audited consolidated accounts of the Company for the financial years ended 31 December 2010 and 31 December 2009 can also be found on the Company's website at www.lmscapital.com.

Date: 15 April 2011

Notice of Annual General Meeting

LMS Capital plc

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

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of LMS Capital plc (the “**Company**”) will be held at 12.00 noon on Thursday 12 May 2011 at Durrants Hotel, George Street, London W1H 5BJ to transact the business set out below. Resolutions 1 to 8 and 12 will be proposed as ordinary resolutions. This means that for each of those Resolutions to be passed, more than half of the votes cast must be in favour of the Resolution. Resolutions 9, 10 and 11 will be proposed as special resolutions. To pass special resolutions 75% or more of the votes cast must be in favour.

Ordinary business

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

1. To receive the Company’s financial statements and the report of the Directors and the auditors for the year ended 31 December 2010.
2. To approve the remuneration report for the year ended 31 December 2010.
3. To re-appoint John Bamsley, who is retiring by rotation in accordance with the Company’s articles of association, as a Director.
4. To re-appoint Richard Christou, who is retiring by rotation in accordance with the Company’s articles of association, as a Director.
5. To appoint Mark Sebba, who has been appointed as a Director since the last annual general meeting of the Company and is retiring in accordance with the Company’s articles of association, as a Director.
6. To re-appoint KPMG Audit Plc as auditors of the Company, to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
7. To authorise the Directors to determine the auditors’ remuneration.
8. That the Directors be generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the “**Act**”), to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:
 - (a) up to a maximum nominal amount (within the meaning of Section 551(3) and (6) of the Act) of £9,087,122 (such amount to be reduced by the nominal amount allotted or granted under (b) in excess of such sum); and
 - (b) comprising equity securities (as defined in Section 560 of the Act) up to an aggregate nominal amount (within the meaning of Section 551(3) and (6) of the Act) of £18,174,245 (such amount to be reduced by any allotments or grants made under (a) above) in connection with or pursuant to an offer by way of a rights issue in favour of (i) holders of Ordinary Shares in proportion (as nearly as practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment and (ii) holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever, these authorisations to expire at the earlier of the date of the next annual general meeting of the Company and 30 June 2012, save that the Company may before such expiry make any offer or agreement which would or might require Ordinary Shares to be allotted or rights to be granted after such expiry and the Directors may allot Ordinary Shares or grant rights to subscribe for or to convert any security into Ordinary Shares in pursuance to any such offer or agreement as if the authorities conferred hereby had not expired.

Special business

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

9. That subject to the passing of Resolution 8 above, the Directors be given power pursuant to Sections 570 (1) and 573 of the Companies Act 2006 (the “**Act**”) to:
- (a) allot equity securities (as defined in Section 560 of the Act) of the Company wholly for cash pursuant to the authority conferred by Resolution 8 above; and
 - (b) sell ordinary shares (as defined in Section 560(1) of the Act) held by the Company as treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:
 - (i) in connection with or pursuant to an offer or invitation (but in the case of the authority granted under Resolution 8(b), by way of a rights issue only) in favour of (i) holders of Ordinary Shares in proportion (as nearly practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment or sale and (ii) holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the right of those securities, but in either case subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
 - (ii) in the case of the authorisation granted under Resolution 8(a) above (or in the case of any sale of treasury shares), and otherwise than pursuant to paragraph (i) of this Resolution, up to an aggregate nominal amount of £1,363,204, and shall expire at the earlier of the date of the next annual general meeting of the Company and 30 June 2012, save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby has not expired.
10. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 (the “**Act**”) to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares of 10p (“**Ordinary Shares**”) each in its capital on such terms and in such manner as the Directors may from time to time determine provided that:
- (a) the maximum aggregate number of Ordinary Shares which may be so purchased is 40,868,878;
 - (b) the maximum price (exclusive of expenses) at which an Ordinary Share may be so purchased is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased and the minimum price (exclusive of expenses) is 10p per Ordinary Share; and
 - (c) this authority shall expire at the earlier of the conclusion of the Company’s annual general meeting to be held in 2012 and 30 June 2012, unless renewed, varied or revoked by the Company in general meeting before such expiry, save that the Company may, before such expiry, make contracts for purchases of Ordinary Shares which would or might be completed wholly or partly after such expiry and may make a purchase of Ordinary Shares in pursuance of any such contract.
11. To authorise the calling of general meetings of the Company (not being an annual general meeting) by notice of at least 14 clear days.

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

12. That the waiver by The Panel on Takeovers and Mergers (the terms of which are referred to in paragraph 3.9 of Part 2 of the circular to shareholders of the Company dated 15 April 2011 (the “**Circular**”)) of any requirement under Rule 9 of the City Code on Takeovers and Mergers for the Concert Party (as defined in the Circular) (or any of them) to make a general offer to the Shareholders of the Company, as a result of any market purchases by the Company of shares pursuant to the exercise by the Company of the authority granted to the Company pursuant to Resolution 10 above, which could have the effect of increasing the Concert Party’s interest up to a maximum aggregate interest of 43.18% of the issued voting share capital of the Company, be and is hereby approved.

Registered office
100 George Street
London W1U 8NU
Registered number 5746555

By order of the Board
Matthew Jones
Company Secretary
Dated 15 April 2011

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 6.00 p.m. on 10 May 2011 or, if the meeting is adjourned, in the register of members at 6.00 p.m. on the second day prior to the day of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00 p.m. on 10 May 2011 or, if the meeting is adjourned, in the register of members after 6.00 p.m. on the second day prior to the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any such adjournment.

Voting on a poll

Voting at the meeting will be done by poll as this delivers a fair representation of shareholder views. This is a more transparent method of voting as shareholder votes are to be counted according to the number of shares held.

On a poll, each shareholder has one vote for every share he or she holds. The Directors believe that this is fair and democratic since it allows all shareholders to have their votes counted whether or not they are able to attend the Meeting and it is in line with best practice.

The results of the voting on each Resolution shall be made available on the Company's website www.lmscapital.com.

Voting rights

At 11 April 2011, (being the latest practicable date prior to the publication of this Notice) the issued share capital of the Company consisted of 272,640,952 Ordinary Shares of 10p each in the capital of the Company, carrying one vote each. Therefore, the total voting rights in the Company as at 11 April 2011 were 272,640,952.

Proxies and Corporate representatives

A member of the Company is entitled to appoint a proxy or, if the member is a corporation a corporate representative, to attend, speak and vote instead of him or her or such corporation. The proxy or corporate representative need not be a member of the Company. A member may appoint more than one proxy or corporate representative, provided that each proxy or corporate representative 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 registrar, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU, not less than 48 hours before the time for holding the meeting or, in the event of an adjournment, not less than 48 hours before the time of the adjournment. A Form of Proxy, and replied paid envelope, are enclosed with this Notice. A member can also appoint a proxy online using the service provided on the Company's registrars' website, www.capitashareportal.com or if they are a CREST member they can use the electronic proxy service provided by Euroclear (see further below). Forms of Proxy may not be submitted via the LMS website or via any email address set out on the LMS website.

The valid appointment of a proxy will not preclude members from attending and voting in person at the meeting or adjournment of the meeting.

Electronic Proxies

Alternatively, members may register their proxy appointment and instructions online at www.capitashareportal.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 Form of Proxy.

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

CREST

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

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

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his or her 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 to enjoy information rights (a “**Nominated Person**”) may have a right, under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she 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.

Right to ask questions

Shareholders and their duly appointed proxies have always had the right to ask questions at the Company's annual general meetings, however, the Companies Act 2006 now states that the Company must formally advise Shareholders and their duly appointed proxies that they have this right. Accordingly, Shareholders and their duly appointed proxies are advised that they have the right to ask questions at the Annual General Meeting being held on 12 May 2011.

Website Publication of Audit Concerns

Under Section 527 of the Companies Act 2006, Shareholders meeting the threshold requirements 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 Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 37 of the Companies Act 2006, (in each case) that the Shareholders propose to raise at the relevant meeting. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor no 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 under Section 527 of the Companies Act 2006 to publish on a website.

Documents available for inspection

Copies of: (1) the audited consolidated accounts of the Company for the financial years ended 31 December 2010 and 31 December 2009; (2) the written consent referred to in paragraph 9.4 of Part 3 of this Notice; (3) the Company's existing Articles of Association; and (4) this Notice are available for inspection at the Company's registered office and at the office of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA during normal business hours on each business day from the date of this Notice until the close of the Annual General Meeting. These documents will also be available for inspection at the place of the Annual General Meeting from 30 minutes prior to the meeting until its conclusion.

Company's website

A copy of this Notice of Annual General Meeting and any other information required by Section 311A of the Companies Act 2006 can be found in the Annual General Meeting section contained within the investor relations part of the Company's website, www.lmscapital.com. The website also contains a copy of the 2010 Annual Report.

Definitions

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

2006 Act	the Companies Act 2006
Annual General Meeting	the Annual General Meeting of the Company which is due to be held at 12.00 noon on Thursday 12 May 2011 at Durrants Hotel, George Street, London W1H 5BJ and notice of which is given at the end of this document
Annual Report	the report and financial statements of the Company for the year ended 31 December 2010
Board or Directors	the Directors of the Company, whose names appear on page 12 of this document
Business Day	a day (other than a Saturday, Sunday or public holiday) when clearing banks are open for business in the City of London
City Code	The City Code on Takeovers and Mergers
the Company or LMS	LMS Capital plc, a company registered in England and Wales with company number 5746555 and registered office at 100 George Street, London, W1U 8NU
Concert Party	the group of Shareholders which the Panel has confirmed are deemed to be acting in concert for the purposes of the City Code, details of which are set out in Part 3 of this document
Director	a Director of the Company whose name appears on page 12 of this document
Form of Proxy	the form of proxy to be used by Shareholders at the Annual General Meeting accompanying this document
Independent Directors	the Directors excluding Robert Rayne
Independent Shareholders	the Shareholders other than any Shareholder who is a member of the Concert Party
J.P. Morgan Cazenove	J.P. Morgan plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove
Listing Rules	the Listing Rules of the Financial Services Authority which set out the rules and responsibilities for companies whose securities are admitted to the Main Market
Main Market	the Main Market of the London Stock Exchange plc
Market Purchase Authority	the authority to make general market purchases of Ordinary Shares to be sought by the Company pursuant to Resolution 10 set out in the Notice of Annual General Meeting
Official List	the Official List of the UK Listing Authority, a division of the Financial Services Authority, acting as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
Ordinary Shares	the Ordinary Shares of 10p each in the capital of the Company
Panel	the Panel on Takeovers and Mergers
Resolutions	the Resolutions to be proposed at the Annual General Meeting, the full text of which is set out in the Notice of Annual General Meeting
Rule 9 Waiver	the waiver of the obligation to make a general offer under Rule 9 of the City Code which has been granted to the Concert Party by the Panel subject to the passing of the Waiver Resolution
Shareholders	holders of Ordinary Shares
Waiver Resolution	the waiver of the obligation of the Concert Party to make a general offer under Rule 9 of the City Code sought by the Company pursuant to Resolution 11 set out in the Notice of Annual General Meeting

This document includes statements that are, or may be deemed to be 'forward-looking statements'. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity may differ materially from those made in or suggested by the forward-looking statements contained in this document. These forward-looking statements reflect the Directors' judgement at the date of this document and are not intended to give any assurances as to future results. Subject to the requirements of the Financial Services Authority's Prospectus Rules, Disclosure Rules and Transparency Rules and Listing Rules, the Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document.

100 George Street, London W1U 8NU
Telephone +44 (0)20 7935 3555

www.lmscapital.com

