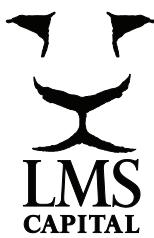


THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek professional advice from an appropriately qualified independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, you should forward this document and the accompanying Form of Proxy to the purchaser, transferee or agent through whom the sale or transfer was effected.

A Notice of General Meeting of the Company, to be held at 12.00 p.m. at Durrants Hotel, 26-32 George Street, London W1H 5BJ on 12 August 2015, is set out at the end of this Circular. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar by not later than 12.00 p.m. on 10 August 2015. Completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, should you so wish.



LMS CAPITAL PLC

(Incorporated and registered in England with limited liability with registered number 05746555)

Proposed change to the investment policy of the Company

and

Notice of General Meeting

This document includes statements that are, or may be deemed to be, "forward looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "expects", "intends", "may", "will", "seeks", or "should" or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's and the Directors' intentions, beliefs or current expectations. 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. Forward-looking statements are not guarantees of future performance. The Company's actual performance, achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. Any forward-looking statements that the Company makes in this document speak only as of the date of such statement, and neither the Company nor any of the Directors undertakes any obligation to update such statements unless required to do so by applicable law or regulation.

This Circular is dated 24 July 2015

CONTENTS

| | <i>Page</i> |
|---|-------------|
| Expected Timetable | 2 |
| Part 1 Letter from the Chairman of LMS Capital plc..... | 3 |
| Part 2 Proposed investment objective and investment policy | 11 |
| Part 3 Possible risks associated with the change to investment policy and with investment trust status | 13 |
| Part 4 Carried interest plan..... | 14 |
| Part 5 Proposed directors' remuneration policy | 16 |
| Definitions | 21 |
| Notice of General Meeting | 23 |

EXPECTED TIMETABLE

| | |
|--|------------------------------|
| Latest time and date for receipt of Forms of Proxy | 12.00 p.m. 10 August 2015 |
| General Meeting | 12.00 p.m. 12 August 2015 |
| Effective date of change of investment policy | By the end of September 2015 |

All references in this document are to London time unless otherwise stated.

Part 1

LETTER FROM THE CHAIRMAN OF LMS CAPITAL PLC

(Incorporated in England and Wales with registered number 05746555)

Directors:

Martin Knight (*Chairman*)
Bernard Duroc-Danner
Nick Friedlos
Neil Lerner
Robert Rayne
Antony Sweet

Registered Office:
LMS Capital plc
100 George Street
London W1U 8NU

24 July 2015

Dear Shareholder,

Proposed change to the Company's investment policy

1. Introduction

The Company today announced a proposal to change its investment policy from its current realisation strategy to enable it instead to make investments in the global energy sector. An investment team comprising Robert Rayne, Tom Daniel, Bernard Duroc-Danner and Tony Hayward will oversee this new strategy. Julian Metherell will act as a senior adviser to the investment team.

The change to investment policy and certain related ancillary matters require Shareholder approval.

This Circular explains why the Board considers the proposals set out in this Circular to be in the best interests of Shareholders and why the Board is unanimously recommending that Shareholders vote in favour of the Resolutions.

The Company has received irrevocable undertakings to vote in favour of the Resolutions from members of the Rayne family and associated trusts in respect of 34.06% of the Ordinary Shares (of which 2.97% comprises the beneficial holding of Robert Rayne).

2. Rationale

On 30 November 2011, Shareholders approved an orderly realisation of assets with the aim of achieving a balance between an efficient return of cash to shareholders and maximising the value of the Company's investments. At that time the Company had a market capitalisation of £155 million and net assets of £240 million.

The Company has returned £115 million to Shareholders since the start of the realisation strategy. As at 30 June 2015 (being the latest practicable date prior to the date of this Circular), the Company had net assets of £136.1 million.

The Board includes members with more than three decades of experience of investing in the energy sector and the Company has a track record of making investments in this sector. The collapse of oil and gas prices over the past year has caused severe dislocations in the energy sector, which has put the industry under great pressure and created a potentially compelling investment opportunity.

At the same time, the Board is mindful, that, as the portfolio reduces in size, the management time and costs involved in running the portfolio, together with the requirement to maintain sufficient working capital, could increasingly impact returns to Shareholders.

The Board is therefore proposing that the Company adopts a strategy of active investment in the energy sector, and believes that the Company's experience in this sector combined with that of the new investment team will provide the opportunity to create long term value for Shareholders.

The Board believes that the change in the Company's investment policy will:

- provide an opportunity for Shareholders to participate in the anticipated enhanced investment returns associated with the new investment policy;
- allow the remaining net assets of the Company to continue to be realised in accordance with an optimum timeline of return;

- reduce the winding-up costs of the existing Company structure; and
- potentially reduce the discount to net asset value per share at which the Ordinary Shares currently trade.

If Shareholders do not approve the change in investment policy, the realisation strategy approved by Shareholders in November 2011 will continue.

3. Change to investment policy

Proposed investment objective

If the proposed investment policy is approved by Shareholders, the Company's investment objective would be to generate total returns above market averages through income and long-term capital growth by making investments in the global energy sector and related industries, with a particular focus on resource-based and supply chain and services investment opportunities.

The Company would continue its realisation programme in respect of its existing portfolio in accordance with the time line and strategy under the existing investment policy. The disposal proceeds (net of an amount required for working capital purposes) would then be invested in accordance with the proposed investment policy.

Proposed investment policy and strategy

In selecting investments in the global energy sector and related industries, the investment team is proposing to target investments that are expected to generate long-term capital growth, with the aim of maintaining a diversified and flexible portfolio.

Investments would be focused on three core portfolio areas: private equity; public equities; and special situations, including credit opportunities. The intention is that investments in public equities or special situations would be restricted to no more than 50% of gross assets (excluding public securities acquired in the context of an intended acquisition of control or take private transaction).

In addition, no single investment would (at the time of investment) represent more than 25 per cent. of gross assets.

The Company may invest in public or private securities; investments may be made in the form of, among other things, equity, equity-related instruments, derivatives and indebtedness. The Company may hold controlling or non-controlling positions and may invest directly or indirectly.

The Company may incur indebtedness for investment purposes and may use hedging techniques to manage, among other things, currency risk exposure.

Assuming that there are no capital constraints over the course of the investment cycle, the Company would aim to make between 10 and 20 investments, comprising small to medium-sized transactions with an average investment size of £20 million to £40 million per investment, with the aim of providing diversification in the portfolio and generating value for Shareholders.

Conditions to change to investment policy

The Company requires approval from both the FCA and Shareholders for any material change to its investment policy. The Company received FCA approval on 8 July 2015. The proposed resolution to change the investment policy is set out in the Notice of General Meeting at the end of this document. The approval is conditional on: (i) FCA approval of the appointment of an alternative investment fund manager for the Company; and (ii) FCA approval for a sufficient number of the individual members of the investment team, such number being as agreed between the Company and the Company's portfolio manager.

Further details on the change to investment policy, including the text of the proposed investment policy, are set out in Part 2 of this Circular.

Investment Trust Status

In addition to the change to investment policy, the Company intends to apply to HMRC for approval as an investment trust. The advantage of obtaining investment trust status is that, for each accounting period for which the Company continues to be approved by HMRC as an investment trust, the Company will be exempt from UK taxation on its capital gains. The Company is intending to qualify as an investment trust in respect of its accounting period which commenced on 1 January 2015 and its accounting periods commencing thereafter. In order to obtain approval as an investment trust, the Company must meet certain conditions which it currently expects to

meet. A failure to meet those conditions could lead to the Company's being unable to qualify for the exemption from tax on its capital gains that is afforded to those with investment trust status.

Material possible risks associated with the change to investment policy and with investment trust status are set out in Part 3 of this Circular.

4. New equity capital and existing LMS Capital portfolio

New equity capital

The Company will initially use its existing cash balances and the proceeds generated from the realisation of its existing portfolio (net of an amount required for working capital purposes) to make new investments in accordance with the proposed investment policy, such investments to be the "**Energy Assets**". The Company has committed to make available for the purposes of the Energy Assets cash proceeds from the realisation of the Legacy Assets of a minimum of £100 million. A proportion of this amount (comprising net cash and certain other assets) will be available for investment from the effective date of the change of investment policy.

Longer term, it is intended that at least £150 million in equity capital will be raised within 24 months of adoption of the new investment policy. If this capital is not raised in this timeframe, the Board will review the options available to the Company. FCA and Shareholder approval will be sought if the Board decides to change the investment policy of the Company at that time.

Existing LMS Capital portfolio

A schedule setting out the existing LMS Capital portfolio is set out in Part 2 of this Circular.

The Company intends to realise the assets in this portfolio in accordance with the management strategy it has deployed throughout the period of the realisation strategy. The Board believes that continuation of this approach in relation to the current investment portfolio is in the interests of Shareholders.

Responsibility for this realisation will remain with the existing LMS Capital management team (as described further below).

5. Structure following change to investment policy

Regulatory matters

Following the adoption of the proposed investment policy, the Company will be an alternative investment fund for the purposes of the AIFM Directive.

In order to comply with the requirements of the AIFM Directive, as implemented in the UK, the Company is proposing to appoint Frostrow Capital LLP, an independent FCA regulated investment firm, as its external alternative investment fund manager. This appointment is subject to FCA approval, which the Company and Frostrow Capital LLP expect to be forthcoming by the end of September 2015. The Company will also be required to appoint a depositary. The AIFM appointment and therefore implementation of the proposed investment policy will not come into effect until the depositary is appointed.

In addition, it is intended that arrangements compliant with the requirements of the AIFM Directive, as implemented in the UK, will be put in place so as to provide that, following the proposed investment policy becoming effective, Frostrow Capital LLP will delegate the portfolio management of the Company's assets (both the assets held by the Company as at the date of the change of investment policy (the "**Legacy Assets**") and the Energy Assets) to St James's Asset Management, an investment management firm established by Tom Daniel, in which it is intended that Robert Rayne, Tony Hayward and Bernard Duroc-Danner will become partners.

St James's Asset Management is regulated by the FCA and is authorised to provide investment management and advisory services. Since its authorisation in November 2012, St James's Asset Management's activities have included advising clients on investment management and corporate finance issues. Following appointment as the portfolio manager of the Company's assets, St James's Asset Management will not take on any additional energy mandates without the consent of the Company.

The new investment team, comprising Robert Rayne, Tom Daniel, Bernard Duroc-Danner and Tony Hayward, will manage the Energy Assets. Julian Metherell will act as senior adviser to the investment team. Nick Friedlos, Antony Sweet and Robert Rayne will manage the Legacy Assets, with Nick Friedlos and Antony Sweet doing so through secondment arrangements between the

Company and St James's Asset Management. Applications will be made to the FCA as appropriate in respect of the relevant approvals to be obtained for all of the individuals concerned.

AIFM Agreement

Under the AIFM Agreement, Frostrow Capital LLP will be appointed by the Company to provide risk management, portfolio management, company secretarial administration and other services to the Company and to be the Company's AIFM. The AIFM Agreement, which will be governed by English law, will have no fixed termination date, but either party will be able to terminate by giving 6 months' notice in the first 24 months' of the agreement, or 12 months' notice thereafter. Otherwise, the Company and Frostrow Capital LLP may terminate the AIFM Agreement in certain limited circumstances.

Under the AIFM Agreement, Frostrow Capital LLP will be entitled to an annual fee of: (a) 0.2% of the higher of (i) £100 million; and (ii) the NAV of the Energy Assets; plus (b) 0.1% of the NAV of the Company less the higher of (i) £100 million; and (ii) the NAV of the Energy Assets, payable by the Company on a monthly basis.

Portfolio Management Agreement

As noted above, Frostrow Capital LLP will delegate its portfolio management functions under the AIFM Agreement to St James's Asset Management. The Portfolio Management Agreement, which is also governed by English law, will have an initial term of seven years, subject to a break option exercisable either by the Company or St James's Asset Management if at least £150 million of equity capital is not raised by the Company within 24 months of the change of investment policy becoming effective (unless a longer period is agreed between the parties). In such a case, a termination fee of £2.5 million will be payable to St James's Asset Management by the Company to enable St James's Asset Management to cover the costs of terminating and winding up its operations.

The Portfolio Management Agreement also contains certain other limited termination rights, but the parties will not be able to terminate without cause. A termination fee of an amount equal to the portfolio management fee which St James's Asset Management would have received in the 12 months' following termination is payable if, among other things: Frostrow Capital LLP or the Company is required to terminate the Portfolio Management Agreement pursuant to the actions of a regulatory authority (where such termination is not brought about by, among other things, the negligence or wilful default of St James's Asset Management); if the Company materially changes its investment policy; or if the scope of St James's Asset Management's appointment is materially altered to comply with regulatory requirements.

Under the Portfolio Management Agreement, St James's Asset Management will be entitled to an annual fee of: 2% of the Company's committed capital and assets under management in respect of the Energy Assets. This fee (as well as certain other agreed costs until a successful fundraising round is completed) will be payable by the Company on a monthly basis.

Possible change to structure

It is possible that, prior to implementation, certain changes may be made to the legal form of the structure described above without changing the overall commercial arrangements described above.

Investment team

To effect the Company's proposed investment policy, a new investment team will be formed comprising Robert Rayne, Tom Daniel, Bernard Duroc-Danner and Tony Hayward. Julian Metherell will act as a senior adviser to the investment team.

Robert Rayne, who is currently a non-executive Director of the Company, has over 40 years' experience investing in the energy sector. He has had leadership roles in investment and real estate businesses for 30 years, including as a director and chief executive of London Merchant Securities PLC, the investment division of which was spun out to form the Company in 2007. He is also Chairman of Derwent London PLC and is the senior non-executive director of Weatherford International PLC.

Tom Daniel has over 20 years of alternative investment experience in public markets, private equity and special situations and in the last six years has focused on investment in the natural resources and energy sectors.

Bernard Duroc-Danner, who is currently a non-executive Director of the Company, has been Chairman, President and CEO of Weatherford International PLC since 1988. He has also served on a number of different oilfield service and equipment, oil and gas, and energy boards, holding positions at companies including Arthur D. Little Inc. and Mobil Oil Inc. He is the member of the National Petroleum Council and the Society of Petroleum Engineers.

Tony Hayward has 33 years of experience in board, operational management and investment experience in the global energy industry. He is Chairman of Glencore PLC and Genel Energy PLC. He was also Chief Executive of BP PLC.

Julian Metherell has 25 years of experience in board and operations management and investment execution in the global energy industry. He spent 22 years in investment banking, including four years as head of Goldman Sachs' UK investment banking division. During his time in investment banking, he was primarily focused on advising companies operating in energy-related sectors. He was an executive director and Chief Financial Officer of Genel Energy PLC.

As part of their commitment to the proposed strategy, Tom Daniel and Tony Hayward are proposing to acquire Ordinary Shares to the value of £500,000 each within 12 months of the proposed investment policy becoming effective.

The Board believes that this investment team will provide an excellent platform from which to launch the proposed investment policy.

In particular, the combined team has:

- a proven ability to undertake transactions, providing know-how and certainty of execution; and
- a complementary skill set comprising a successful investment track record, operating and technical expertise and access to deal flow through contacts within global energy and related industries.

Nick Friedlos, Antony Sweet and Robert Rayne will continue to manage the realisation of the Company's existing portfolio.

Board composition

If the new investment policy is implemented, the roles of Nick Friedlos and Antony Sweet will change. Nick Friedlos will step down from the Board and will be primarily concerned with realisation of the Legacy Assets. Antony Sweet will remain on the Board as chief financial officer; his role will include assisting with the realisation of Legacy Assets, transitioning the administration of the Company to an externally managed structure and aiming significantly to reduce the costs associated with the legacy structure. Nick Friedlos and Antony Sweet will not participate in any remuneration arrangements associated with the Energy Assets.

Nick Friedlos and Antony Sweet currently have remuneration arrangements under which they are entitled to a bonus of up to a fixed amount by reference to performance criteria linked to the realisation strategy, as set out in the remuneration report of the Company. If the proposed new investment policy is implemented, payments in respect of part of the bonus entitlement under the existing arrangements will be made. The remaining part of the bonus entitlement under the existing arrangements will become subject to a revised scheme, linked to the Legacy Assets, but reflecting the changed strategy of the Company. The overall amount of the bonus will not be increased.

Nick Friedlos will receive £1.3 million and Antony Sweet will receive £650,000 from maximum amounts under the existing arrangements of £2 million and £1 million respectively. The balance of £700,000 for Nick Friedlos and £350,000 for Antony Sweet will be linked to the amount of Legacy Assets realised over a two year period and, in the case of Antony Sweet, will also be linked to a plan to streamline the Company's structure, over what is currently expected to be a 12-month period from the date that the new investment policy is implemented.

Further details of Antony Sweet's remuneration under his employment terms effective after implementation of the new investment policy, including any payments due to Antony Sweet upon termination or a change of control of the Company, are set out in the proposed new remuneration policy in Part 5 of this Circular.

Once the proposed investment policy is implemented, St James's Asset Management will be entitled to send an observer to the Company's board meetings, subject to reasonable exceptions to address conflict issues.

In order to meet the independence requirements for closed-ended investment funds in the Listing Rules, two additional independent non-executive directors will be appointed to the Board before the Company implements the proposed investment policy. The Company will announce these appointments when they are made.

Dividend policy

Following the change in investment policy, the Company intends to pay dividends on the Ordinary Shares at such times (if any) and in such amounts (if any) as the Board determines appropriate, provided that the Company will pay dividends only to the extent that to do so is in accordance with all applicable laws and provided further that the Board intends to pay sufficient dividends to enable the Company to qualify as an investment trust for tax purposes.

6. Fee and remuneration arrangements

Directors' remuneration policy

As the Company's existing directors' remuneration policy is based on a realisation strategy, the policy will need to be changed to reflect the proposed investment policy. The new directors' remuneration policy is set out in Part 5 of this Circular and requires shareholder approval. The new directors' remuneration policy will come into effect when the change in investment policy becomes effective.

Carried interest arrangements

Long-term incentives are a key feature of remuneration packages within the private equity and venture capital industry. Many of the Company's competitors offer their senior employees carried interest or co-investment arrangements under which participants share directly in the profits on investments which they manage, with a view to aligning their interests with those of investors.

In line with the industry, the Company operates a number of carried interest plans in relation to its existing investments. No further awards under these plans have been made since the adoption of the realisation policy, nor will any such further awards be made.

It is proposed to set up a new carried interest plan in conjunction with the change in investment policy. The carried interest plan would apply to the investments made under the new investment policy and would be available to members of the new investment team.

The proposed participation of Robert Rayne in the carried interest plan requires the approval of Shareholders as it is characterised as a long term incentive scheme under the Listing Rules. Bernard Duroc-Danner is not currently intending to participate in the carried interest plan.

The Remuneration Committee considers that the participation of Robert Rayne in the carried interest plan is appropriate in view of the expected level of his involvement with the management of investments under the proposed investment policy. The Remuneration Committee believes that the level of Robert Rayne's participation in the carried interest plan will appropriately align his responsibilities with the incentives under the carried interest plan.

The initial allocation of carried interest to Robert Rayne will be 3.1%. This allocation may fluctuate over the life of the carried interest plan on the basis set out in Part 4 of this Circular.

Details of the carried interest plan are set out in Part 4 of this Circular.

7. General Meeting

A general meeting is being convened at 12.00 p.m. on 12 August 2015 to consider and, if thought fit, pass the Resolutions, as set out in full in the Notice of General Meeting at the end of this document.

Resolutions

In summary, the Resolutions seek the approval of Shareholders:

- (a) subject to, and conditional upon, the receipt of: (i) FCA approval of the appointment of an alternative investment fund manager for the Company; (ii) FCA approval for a sufficient number of the individual members of the investment team as authorised, such number being as agreed between the Company and St James's Asset Management; and (iii) the appointment of a depositary by the Company, for the change to investment policy;
- (b) subject to, and conditional upon, the change to investment policy becoming effective, for the adoption of a new remuneration policy;
- (c) subject to, and conditional upon, the change to investment policy becoming effective, for the participation of Robert Rayne in the carried interest plan; and
- (d) subject to, and conditional upon, the change to investment policy becoming effective, to grant the Directors authority to allot Ordinary Shares for general purposes and to grant rights to subscribe for or to convert any security into shares in the Company, such authority to expire at the Company's 2016 annual general meeting. This authority would give Directors authority to allot Ordinary Shares and to grant rights to subscribe for or to convert any security into shares in the Company with an aggregate nominal value:
 - (i) in connection with an offer by way of rights issue, of £9,683,417.20, which represents approximately two thirds of the Company's issued share capital at the date of this Circular; or
 - (ii) in any other case, of £4,841,708.60 which represents approximately one third of the Company's issued share capital at the date of this Circular (such amount to be reduced by any allotments or grants made by way of rights issue in excess of such sum).

As noted above, the Directors intend to raise capital within 24 months of the change to investment policy becoming effective, and may use the authority conferred by this resolution in connection with this proposed capital raise to the extent that such capital is raised prior to the Company's 2016 annual general meeting.

All the resolutions are ordinary resolutions, requiring a majority of the votes cast at the General Meeting in order to be passed.

The authority sought pursuant to resolution (d) will apply until the Company's annual general meeting in 2016, at which point a further authority will be sought from Shareholders in relation to the Company's issued share capital as at the date of that meeting. The proposals set out in this Circular are not conditional on the passing of resolution (d).

You should read the above summary in conjunction with the Resolutions set out in the Notice of General Meeting at the end of this Circular.

Action to be taken

Shareholders will find enclosed a Form of Proxy for the General Meeting. Whether you propose to attend the General Meeting or not, please complete the Form of Proxy and return it to Capita Asset Services at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to be received by no later than 12.00 p.m. on 10 August 2015. Completing and returning a Form of Proxy will not preclude you from attending and voting in person at the General Meeting should you wish to do so.

You may also submit your proxies electronically at www.capitashareportal.com using your Investor Code on the Form of Proxy. If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Capita Asset Services so that it is received by no later than 12.00 p.m. on 10 August 2015.

8. Further information

You are advised to read all of the information contained in this Circular before deciding on the course of action you will take in respect of the General Meeting.

9. Recommendation by the Board

The Board considers the change to investment policy and the other proposals in this Circular to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings of, in aggregate, 4,733,460 Ordinary Shares, representing approximately 3.26% of the Ordinary Shares currently in issue.

The Company has received irrevocable undertakings to vote in favour of the Resolutions from members of the Rayne family and associated trusts in respect of 34.06% of the Ordinary Shares (of which 2.97% comprises the beneficial holding of Robert Rayne).

Yours sincerely,

Martin Knight
Chairman

Part 2

PROPOSED INVESTMENT POLICY

Set out below is the investment policy that would apply to the Company if Shareholder approval is obtained and the other conditions described in this Circular are satisfied.

Proposed investment objective

The Company's investment objective is to generate total returns above market averages through income and long term capital growth by making investments in the global energy sector and related industries, with a particular focus on resource-based and supply chain and services investment opportunities.

The Company will continue its realisation programme in respect of its existing portfolio and intends to reinvest the disposal proceeds (net of an amount required for working capital purposes) in accordance with its revised investment policy.

Proposed investment policy

In selecting investments in the global energy sector and related industries, the Company will target investments that are expected to generate long term capital growth.

The Company intends to invest globally and to build a diversified portfolio of investments across the broad risk spectrum of the energy business. It will not be restricted to making investments in a particular geographic region or energy sub-sector.

The Company's investments will be focused on three core portfolio areas: private equity; public equities; and special situations, including credit opportunities. In terms of private equity, the company intends to focus on the markets and sub-markets below those typically targeted by the larger private equity houses. The intention is that the Company will restrict investments in public equities or special situations to no more than 50% of gross assets (excluding public securities acquired in the context of an intended acquisition of control or take private transaction).

In addition, no one investment made by the Company may (at the time of investment) represent more than 25 per cent. of the Company's gross assets.

The Company may make investments in public or private securities; investments may include, among other things, equity or debt securities arising from new business creations, buy-outs, equity investments, special purpose vehicles, recapitalisations, restructurings, distressed investments and royalty investments. The Company may hold controlling or non-controlling positions in its investments and may invest directly or indirectly.

The Company may, but shall not be required to, incur indebtedness for investment purposes, working capital requirements and to fund own-share purchases up to a maximum of 50% gearing based upon the last published net asset value as at the time of the borrowing. Typically, the Company does not expect to exceed 30% gearing on net assets. For the avoidance of doubt, indebtedness in individual portfolio entities shall be excluded from this test.

The Company may use hedging techniques to manage risk exposure to local currencies, commodities and, in some instances, general equity market or issuer specific price risk.

Investment strategy

Over the course of the investment cycle, the Company is intending to make between 10 and 20 investments, comprising small to medium sized deals with an average investment size of £20 million to £40 million per investment, with the aim of providing diversification in the portfolio and generating value for Shareholders.

The Company will initially use its existing cash balances and the proceeds generated from the realisation of its existing portfolio (net of an amount required for working capital purposes) to make new investments.

As to the investment strategy under the proposed investment policy, the new management team intends initially for the Company to make investments in oil and gas special situations assets in the quoted debt and equity markets, with investments in private equity opportunities following in 2016 using the proceeds raised from selling such special situations assets, together with any further

proceeds generated from the realisation of LMS Capital's existing portfolio (net of an amount required for working capital purposes).

The Company's existing portfolio

As at 30 June 2015 (being the latest practicable date prior to the publication of this Circular), the Company's existing portfolio comprised the following assets:

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

As at 30 June 2015 (being the latest practicable date prior to the publication of this Circular), the net asset value of the Company is approximately £136.1 million, of which approximately £48.5 million is represented by cash and quoted securities.

The Company intends to realise the assets in its existing portfolio in accordance with the strategy it has deployed throughout the period of the realisation strategy. Responsibility for this realisation will remain with the existing LMS Capital management team, as further described in paragraph 5 of Part 1 of this Circular.

All the above figures in relation to the Company's existing portfolio and the Company's net assets are derived from the Company's results for the six months ended 30 June 2015 announced by the Company on 24 July 2015.

Part 3

POSSIBLE RISKS ASSOCIATED WITH THE CHANGE TO INVESTMENT POLICY AND WITH INVESTMENT TRUST STATUS

- Following the adoption of the proposed investment policy, proceeds from the realisation of the Company's existing investment portfolio would not be returned to Shareholders in accordance with the existing investment policy but would, instead, be re-invested, together with the Company's existing cash balances (net of an amount required for working capital purposes), in investments in the global energy sector in accordance with the proposed investment policy. There can be no assurance that any such new investments would ultimately be realised for an amount exceeding the amount invested by the Company.
- The Company has not yet implemented the proposed investment policy and it is therefore difficult to evaluate the probable future performance of the Company.
- Adopting the proposed investment policy would result in the Company becoming reliant on the ability of the new management team to identify and manage any new investments made in accordance with the proposed investment policy.
- The Company would be exposed to the concentration risk of only making investments in the global energy sector, which concentration risk may further relate to sub-sector, geography, the relative size of an investment, or other factors.
- Investments in the energy industry involve a degree of inherent risk. In particular, investing in businesses specialising in acquiring and developing oil and natural gas carries risks, including in relation to the speculative nature of the industry, political, economic and fiscal uncertainty in many of the jurisdictions in which such assets reside, fluctuations in commodity prices, and the environmental and operational risks associated with the industry.
- The activity of identifying, completing and realising attractive private equity investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions.
- There can be no assurance that the Company's investments would meet their target returns, or any other level of return, or that the Company would achieve or successfully implement its investment objective.
- The Company believes that its success and the success of its investments would depend upon the experience of its Directors, the new management team and the Company's other key employees, and their continued involvement in the Company's business and those investments. The departure of some or all of these individuals could prevent the Company from achieving its investment objective.
- The AIFM Directive imposes requirements that the Company would need to comply with following adoption of the proposed investment policy. These would include the requirement for the Company to appoint an AIFM and depositary and comply with certain organisational, operational and transparency obligations going forward. Any failure by the Company to comply with these requirements could result in criminal, civil or regulatory enforcement proceedings and the imposition of fines, restitution or compensation orders and restrictions on the Company.
- The Company intends to apply for investment trust status in addition to the change to investment policy. The Company must meet certain conditions in order to maintain its status as an investment trust. A failure to meet those conditions could lead to the Company's being unable to qualify for the exemption from tax on its capital gains which is afforded to those with investment trust status. As a result, its capital gains may be or become subject to tax.

Only those risks which are material and currently known to the Company are set out above. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, may also have an adverse effect on the Company.

Part 4

CARRIED INTEREST PLAN

A summary of the rules of the carried interest plan is as follows:

1. Governance of the plan

Decisions in relation to the participation of members of the new investment team in the carried interest plan will be taken by St. James's Asset Management. To the extent that a member of the new investment team is also a Director of the Company, the decision as to such Director's participation in the carried interest plan will be subject to the approval of the Remuneration Committee.

2. Eligible participants

All members of the new investment team would be eligible to participate in the carried interest plan. Directors of the Company would not be eligible to participate in the carried interest plan unless and until the approval of Shareholders in General Meeting has been obtained for their participation.

3. Structure

The carried interest plan would be effected through a Jersey incorporated limited partnership ("LMS LP"), through which investments would be made in accordance with the new investment policy.

LMS LP would have two limited partners, being the Company and an entity in which the new management team would participate (the "Carry LP").

LMS LP will be set up with the general partner being an affiliate of St James's Asset Management. The Company would be entitled to replace the general partner in the event that the Portfolio Management Agreement is terminated.

4. Carried interest

Carry will be calculated based on the NAV of the Energy Assets (adjusted in accordance with certain agreed policies and principles). Gains on the Legacy Assets will not be subject to the carry arrangements. Carry will be allocated based on both realised and unrealised gains on the investments made in the Energy Assets through LMS LP and on both income received and accrued on such assets.

Carry will be calculated by reference to changes in the adjusted NAV of the Energy Assets at the end of each financial year, and will be allocated only in respect of a financial year in which there is a profit as a result of an increase in such adjusted NAV.

Subject to the high water mark provision described below, any such profit will be allocated, before the allocation of carried interest, to the Company until the aggregate amount allocated to the Company is equal to a preferred return of 5% per annum.

Further profits would then be allocated (subject to certain adjustments) 80% to the Company and 20% to the Carry LP.

The initial allocation of carried interest to Robert Rayne will be 3.1%. This interest will be diluted to the extent that carried interest is allocated to new members of the investment team.

If the proposed equity capital raise is not completed, Robert Rayne will transfer that part of his allocation of carried interest that is in excess of 2% to the Company.

5. High watermark

As described above, the profits of LMS LP would be calculated on an annual basis by reference to the adjusted NAV of the Energy Assets but the allocation and distribution of carried interest would be subject to a high watermark provision.

The high watermark provision is designed to ensure that carry is not allocated in instances where the NAV of the Energy Assets, adjusted to take into account capital movements, has fallen and where increases in the adjusted NAV of the Energy Assets are only putting the adjusted NAV of the Energy Assets back to the level it was at before this fall occurred.

6. Termination

Carried interest will not be earned under the carried interest plan in relation to any investments made after St James's Asset Management ceases to provide portfolio management services to the Company under the delegation arrangements described above. However, rights under the carried interest plan in relation to existing investments as at that date of termination would continue and the carried interest plan would terminate once all accrued rights had been satisfied and all investments made whilst it was in effect had been realised.

7. Variation

No provision of the carried interest plan related to:

- (a) the persons to whom, or for whom, benefits are provided under the carried interest plan;
- (b) the limitations on the benefits subject to the carried interest plan;
- (c) the maximum entitlement for any participant in the carried interest plan; or
- (d) the basis for determining a participant's entitlement to, and the terms of, benefits to be provided and for the adjustment thereof,

would be altered to the advantage of any Director of the Company without the prior approval of Shareholders in General Meeting (except for minor amendments to benefit the administration of the carried interest plan and for amendments to take account of changes in legislation or to maintain favourable tax, exchange control or regulatory treatment of participants in the carried interest plan, the Company, or other members of the Group).

8. Non-pensionable

Benefits under the carried interest plan would be non-pensionable.

Documents on display

A copy of the terms of the carried interest plan as it relates to Robert Rayne will be available for inspection at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on any Business Day until the close of the General Meeting; and at the place of the General Meeting itself for not less than 15 minutes before and during the General Meeting.

Part 5

PROPOSED DIRECTORS' REMUNERATION POLICY

The Company's remuneration policy is designed to ensure that the Company is able to motivate and retain the talented personnel required to run the Company successfully. The Company aims to structure executive remuneration in such a way as to align reward with the best interests of shareholders.

Following the change to its investment policy and the adoption of an externally managed structure, the Company will have only one Executive Director. In the circumstances, the Remuneration Committee did not consider it relevant or appropriate to take into account pay and employment conditions of other employees when setting the policy for Directors' remuneration. Where it considers it appropriate, the Committee consults the Company's financial advisers and shareholders on remuneration issues.

Executive Directors

Mr Sweet is the sole Executive Director.

The following table summarises the Company's proposed policy on Directors' remuneration for the three years commencing on implementation of the new investment policy:

| | Link to strategy | Operation | Maximum potential value | Performance criteria |
|------------------------------------|---|---|---|---|
| Base salary | Retention | Reviewed annually based on general economic and market conditions | Based on market rates | None |
| Allowances and benefits | Retention | Health and related insurances. Gym membership | Based on market rates | None |
| Pension contributions | Retention | Base salary only is pensionable | Company contribution – 15% | None |
| Realisation Incentive Plan ("RIP") | Motivation to optimise realisation of legacy assets and transition Company to new externally managed operating model. | Based on value returned to shareholders and achievement of agreed transition milestones | £350,000 | The RIP has two elements:(i) 50% with performance criteria based on amounts realised from the legacy portfolio; and. (ii) 50% linked to transitioning the business from an internally managed investment Company to an externally managed investment trust. (see explanatory note below). |
| Discretionary Bonus | Retention | Reviewed annually based on general economic and market conditions | Annually with a maximum payment of 100% base salary | In accordance with objectives set by the Remuneration Committee from time to time (but not to duplicate objectives under the RIP above). |

| Link to strategy | Operation | Maximum potential value | Performance criteria |
|----------------------------------|---|---|--|
| Carried interest – Legacy Assets | Motivation to maximise investment returns | Based on a proportion of realised gains on investments after a preferred return or hurdle | No maximum Pre-tax investment gains must exceed 6% preferred return or 8% hurdle before any amounts are payable |

Mr Sweet's base salary will be £240,000, with effect from the start of the changed investment policy.

Non-executive Directors

| Name | Annual fee |
|----------------------|-------------------|
| | £ |
| Martin Knight | 60,000 |
| Bernard Duroc-Danner | 40,000 |
| Neil Lerner | 45,000 |
| Robert Rayne | 40,000 |

The fees for Non-executive Directors are reviewed annually – increases will reflect market changes from the above levels.

Mr Rayne was an Executive Director from 6 April 2006 to 1 October 2010, whereupon he became Non-executive. Under Mr Rayne's letter of appointment he participated in the carried interest plan and share option schemes up to the end of 2011, and is entitled to cover under the Company's various insurance policies. The Company will also provide a car, driver and secretary if required in the future, but does not currently do so.

Mr Rayne and Mr Duroc-Danner are members of the Energy Advisory Panel to the external manager and provide advice on the energy markets. Subject to obtaining necessary FCA approvals they will become members of the external portfolio manager. For this Mr Rayne will receive a fee or profit share of £150,000 and will participate in the Energy Assets' carried interest. Mr Duroc-Danner will receive no fee and will not participate in the Energy Assets' carried interest.

The other Non-executive Directors do not participate in the Company's incentive plans or share schemes or other benefits.

Bonus arrangements

The performance criteria following the change in investment policy under the RIP is in two parts, with the first part linked to realisation of the legacy assets, and the second part linked to implementation of a reorganisation plan to streamline the Company's operating structure.

Bonus linked to Realisation of Legacy Assets

- 1) Mr Sweet will receive a bonus linked to the realisation of the assets remaining in the Company portfolio at the time of the change of policy ("Legacy Assets").
- 2) Cash and certain other assets in the portfolio at the time of commencement of the proposed investment strategy will be initially transferred to the energy team. For the remaining balance of Legacy Assets ("Balance of Legacy Assets"), subsequent transfers will be made as proceeds of the Balance of Legacy Assets are realised.
- 3) An appropriate target transfer level has been set at £60 million as this excludes cash and certain other assets in the portfolio at the time of commencement of the proposed investment policy which will be initially transferred under the direction of those managing the Energy Assets. Full pay-out of the bonus may be made if the proceeds of the Balance of Legacy Assets which are realised equal £60 million in two years;
- 4) The maximum bonus amount Mr Sweet can receive linked to realisation of the Legacy Assets is £175,000;

5) The bonus will become payable as the Balance of Legacy Assets are realised and transfers are made. The amount of bonus payable each time a transfer is made will be calculated by reference to the following formula:

$$(A/\text{£}60 \text{ million}) \times \text{£}175,000 \text{ where}$$

A = amount of transfer

Bonus linked to the reorganisation of the Company

Mr Sweet will be entitled to receive a bonus of up to a further £175,000 linked to implementation of a reorganisation plan to streamline the Company's operating structure. Milestones for the plan have been agreed and achievement of such milestones will form the basis of such bonus payments. The performance period over which the reorganisation plan is currently expected to be achieved is 12 months from the change of investment policy.

If on a future fundraising or other event, the Legacy Assets become managed by the energy team as part of a single asset pool (the "**Energy Assets**"), any unpaid portion of each element of the bonus will be paid in full.

In addition to the above, Mr Sweet may receive an additional bonus on an annual basis at the discretion of the Remuneration Committee if additional performance objectives are identified. Any objectives set by the Remuneration Committee in relation to the discretionary bonus will be in addition to, and distinct from, the criteria under the RIP.

If, as a result of a change in the Company's strategy or otherwise, the Remuneration Committee considers that the targets or milestones set are no longer appropriate then the Remuneration Committee may adjust those targets or milestones with the intention that the revised targets or milestones are not either materially easier or materially more difficult to achieve than those originally set. As the milestones and targets are linked to the Company's financial and strategic plan, the Remuneration Committee believes that the targets remain commercially sensitive. They are therefore not disclosed.

Carried interest – Legacy Assets

Mr Rayne and Mr Sweet participate in the carried interest arrangements in place for staff involved in the management and development of the legacy portfolio. As a result of the implementation of the realisation strategy in relation to the Legacy Assets, no new carried interest arrangements have been instituted, the last year of the arrangements being 2011.

The Company's carried interest arrangements for Legacy Assets are based on annual capital pools for direct investments (i.e. excluding third party funds). Entitlement to carried interest on these pools is calculated as follows:

- For the 2009 and prior pools, carried interest will be calculated by reference to pre-tax net gains on investments in the pool after a preferred return to the Company at the rate of 6% per annum. This preferred return is a threshold beyond which carried interest arises.
- For the 2010 and subsequent pools, carried interest will be calculated by reference to pre-tax net gains on investments in the pool after a hurdle of 8% is reached. The change was made to reflect more usual practice in the private equity sector.

The percentage of eligible gains which may be allocated to participants in aggregate may not exceed 20%. Participants are allocated a proportion of the overall maximum at the commencement of each annual pool and may be diluted by new joiners during the life of the pool up to a maximum of 20%. The rules also include provision for reduction in the proportion allocated to any participant who ceases to be an employee.

Carried interest – Energy Assets

In addition, directors engaged in the management of the Energy Assets will be able to participate in the carried interest plan. For the Energy Assets, carried interest is computed annually at 20% of the profit calculated by reference to the increase in the net asset value of the Energy Assets in excess of a 5% preferred return and is payable on an annual basis. The carried interest is derived through a limited partnership in which the members of the investment team participate as limited partners. The allocation of interests between the members of the investment team is determined by the external portfolio manager.

The external portfolio manager will award a share of the energy carried interest to Mr Rayne.

Amounts payable to Mr Rayne under the carried interest plan will be disclosed in the Remuneration Report of the Company on an annual basis.

Share-based incentives

No further awards are proposed under the existing share incentive plans.

Mr Rayne and Mr Sweet retain their interests in awards made under these plans in prior years – details of amounts paid during the year and any remaining entitlements as at 31 December 2014 are set out in the Remuneration Committee report on pages 24 to 27 of the 2014 Annual Report.

Service agreements

Mr Sweet has a service agreement which sets out:

- His duties and obligations;
- Individual entitlements to elements of remuneration under the remuneration policy; and
- Notice periods and compensation on termination of employment by the Company without notice or cause.

Mr Sweet has a rolling service agreement. The agreement for Mr Sweet is summarised below:

| Name | Date of agreement | Notice period |
|--------------|--------------------------|--|
| Antony Sweet | 14 March 2007 | From the Company: 12 months From the Director: 6 months |

Compensation arrangements in the event of termination by the Company without cause are:

- 1) 100% of base salary, allowances and benefits and pension contributions attributable to the notice period from the Company in force at the date of termination;
- 2) Full payment of the balance of the RIP that has not previously been paid
- 3) All entitlements under the Company's carried interest arrangements are deemed fully vested; and
- 4) All entitlements under the Company's share incentive plans calculated in accordance with the "good leaver" provisions of the plans.

At the end of 24 months from the change in investment policy Mr Sweet can give 3 months' notice to the Company and on expiry of this notice period he is entitled to:

- 1) 100% of base salary, allowances and benefits and pension contributions attributable to the notice period from the Company in force at the time; and
- 2) Full payment of the balance of the RIP that has not previously been paid.

In the event of a change in control of the Company, Mr Sweet has the option to terminate his employment; in such circumstances he is entitled to receive the following:

- 1) 95% of annual base salary and annual allowances and benefits;
- 2) Pension contribution of 15% of the amount calculated for base salary in 1) above;
- 3) Full payment of the balance of the RIP that has not been previously paid; and
- 4) An amount equal to the average annual payment of discretionary cash bonus paid to him in the previous three years.

All Non-executive Directors have letters of appointment with the Company. Under their letters of appointment, both Non-executive Directors and the Company are required to give one month's notice to terminate appointments. Non-executive Directors are subject to the re-election requirements under the Company's Articles of Association. There are no provisions for Non-executive Directors to receive compensation upon early termination.

The following table provides details of the current Non-executive Directors' letters of appointment:

| Name | Date of appointment | Date of expiry of current term |
|----------------------|----------------------------|---------------------------------------|
| Martin Knight | 4 January 2012 | 17 May 2018 |
| Bernard Duroc-Danner | 7 April 2006 | 13 May 2016 |
| Neil Lerner | 4 January 2012 | 17 May 2018 |
| Robert Rayne | 6 April 2006 | 30 September 2016 |

Recruitment

The Remuneration Committee determines all elements of the remuneration package for any new appointee to the Board. The following factors are considered:

- The nature of the role;
- The experience of the individual concerned and current remuneration package; and
- Market data, including input from advisers involved in any recruitment process.

The package for a new Director may include all elements provided to current Directors. If necessary to complete the appointment, it may also include compensation for the forfeiture of awards from a previous employer.

The base salary will be set based on market estimates and may therefore vary significantly from current Directors; variable components will be in line with the policy outlined above and, subject to the impact if any of the market determination of base salary, will not exceed the highest amounts paid to the current Directors.

DEFINITIONS

| | |
|---|--|
| “AIFM” | alternative investment fund manager for the purposes of the AIFM Directive; |
| “AIFM Agreement” | the agreement to be entered into between the Company and Frostrow Capital LLP pursuant to which Frostrow Capital LLP is appointed as the Company’s AIFM; |
| “AIFM Directive” | the Alternative Investment Fund Managers Directive (Directive 2011/61/EU); |
| “Board” | the board of Directors of the Company; |
| “Business Day” | any day other than a Saturday, Sunday or public holiday on which banks are open in the City of London for the transaction of general commercial business; |
| “Capita Asset Services” | Capita Asset Services (the trading name of Capita Registrars Limited) with registered office The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; |
| “Company” or “LMS Capital” | LMS Capital plc; |
| “CREST” | the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755) (the “ Regulations ”)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations); |
| “CREST Proxy Instruction” | has the meaning given on page 25 of this Circular; |
| “Directors” | the directors of LMS Capital, and “ Director ” shall mean any one of them; |
| “Energy Assets” | has the meaning given on page 5 of the Circular; |
| “Financial Conduct Authority” or “FCA” | the UK Financial Conduct Authority, and any successor entity; |
| “Form of Proxy” | the form of proxy for the General Meeting which accompanies this Circular; |
| “General Meeting” | the general meeting of the Company to be held at Durrants Hotel, 26-32 George Street, London W1H 5BJ at 12.00 p.m. on 12 August 2015, or any adjournment thereof; |
| “Group” | LMS Capital plc, together with its subsidiaries and subsidiary undertakings; |
| “HMRC” | HM Revenue & Customs; |
| “Legacy Assets” | has the meaning given on page 5 of the Circular; |
| “Listing Rules” | the listing rules of the FCA; |
| “NAV of the Company” | the net asset value of the Company as calculated in accordance with the valuation policy referred to in the AIFM Agreement; |
| “NAV of the Energy Assets” | the net asset value of the Energy Assets as calculated in accordance with the valuation policy referred to in the AIFM Agreement and the Portfolio Management Agreement; |
| “Ordinary Shares” | the issued ordinary shares of 10 pence each in the share capital of the Company; |
| “Portfolio Management Agreement” | the agreement to be entered into between the Company, Frostrow Capital LLP and St James’s Asset Management pursuant to which Frostrow Capital LLP delegates certain of its key portfolio management functions under the AIFM Agreement to St James’s Asset Management; |
| “Remuneration Committee” | the remuneration committee of the Company; |
| “Resolutions” | the resolutions set out in the Notice of General Meeting; |
| “Shareholders” | holders of Ordinary Shares; and |

“St. James’s Asset Management”

St. James’s Asset Management LLP (registered number OC376210), whose registered office is 31 St James’s Place, London SW1A 1NR, being the vehicle through which the new investment team will operate.

LMS CAPITAL PLC

(Incorporated and registered in England with limited liability with registered number 05746555)

NOTICE OF GENERAL MEETING

NOTICE is hereby given that a General Meeting of LMS Capital plc (the “**Company**”) will be held at 12.00 p.m. on 12 August 2015 at Durrants Hotel, 26-32 George Street, London W1H 5BJ to consider and, if thought fit, pass the following resolutions, all of which will be proposed as ordinary resolutions.

Capitalised terms not otherwise defined within this notice shall have the meanings given to them in the circular dated 24 July 2015 of which this notice forms part.

Resolutions

1. THAT, subject to, and conditional upon:

- (i) FCA approval of the appointment of an AIFM to the Company being received;
- (ii) FCA approval in relation to the performance of significant influence functions being received in relation to a sufficient number of the individuals who will be performing such functions in connection with the change of investment policy, such number being as agreed between the Company and St James's Asset Management; and
- (iii) the appointment of a depositary by the Company,

the proposed investment objective and policy described in Part 2 of the circular dated 24 July 2015 of which this notice forms part, be approved and adopted as the investment objective and policy of the Company in substitution for, and to the exclusion of, the Company's existing investment objective and policy;

2. THAT, subject to, and conditional upon, the change to investment policy becoming effective, the proposed Directors' remuneration policy described in Part 5 of the circular dated 24 July 2015 of which this notice forms part, be approved and adopted by the Company in substitution for, and to the exclusion of, the Company's existing Directors' remuneration policy;

3. THAT, subject to, and conditional upon, the change to investment policy becoming effective, the participation of Robert Rayne in the carried interest plan, as described in Part 4 of the circular dated 24 July 2015 of which this notice forms part, be and is hereby approved; and

4. THAT, subject to, and conditional upon, the change to investment policy becoming effective, the Board be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(A) comprising equity securities (as defined by section 560(1) of the Companies Act 2006) up to a nominal amount of £9,683,417.20 (such amount being equal to approximately two thirds of the issued ordinary share capital of the Company as at the date of this Circular) in connection with an offer by way of rights issue:

- (i) to ordinary shareholders in proportion (as nearly as may be applicable) to their existing holdings); and
- (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(B) in any other case, up to a nominal amount of £4,841,708.60 (such amount being equal to approximately one third of the issued ordinary share capital of the Company as at the date of this Circular and such amount to be reduced by any allotments or grants made under paragraph 4(A) above in excess of such sum),

such authority to apply, unless previously varied or revoked by the Company in general meeting, until the end of the annual general meeting of the Company in 2016, save that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of any other such offer or agreement as if the authority had not ended.

24 July 2015

By order of the Board

Antony Sweet
Company Secretary

Registered office:

LMS Capital plc
100 George Street
London W1U 8NU

Registered in England and Wales No. 05746555

Notes

1. Members or their duly appointed representatives are entitled to attend, speak and vote at the General Meeting. Members are entitled to appoint a proxy to exercise on their behalf all or any of their rights to attend and to speak and vote at the General Meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by that Shareholder. A proxy need not be a Shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies the Circular of which this Notice forms part. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Capita Asset Services on 0871 664 0300 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday.
2. To be valid, Forms of Proxy must be completed and returned by post or (during normal business hours only) by hand to Capita Asset Services by no later than 12.00 p.m. on 10 August 2015. Proxy appointments may also be made at www.capitashareportal.com, again no later than 12.00 p.m. on 10 August 2015.
3. The return of a completed Form of Proxy, the appointment of a proxy at www.capitashareportal.com or any CREST Proxy Instruction (as described in paragraphs 8 to 12 below) will not preclude a Shareholder from attending the General Meeting and voting in person if he/she wishes to do so.
4. 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, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person holds no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
5. The statement of the rights of Shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by Shareholders of the Company.
6. To be entitled to attend and vote at the General Meeting (and for the purpose of determination by the Company of the votes they may cast), Shareholders must be registered in the register of members of the Company at 12.00 p.m. on 10 August 2015 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
7. As at 23 2015 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consisted of 145,251,258 Ordinary Shares, carrying one vote each. No Ordinary Shares were held in treasury. Therefore, the total voting rights of the Company as at 23 July 2015 were 145,251,258.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual which can be viewed at www.euroclear.com/CREST (the "**CREST Manual**"). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting services provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service 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, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent Capita Asset Services (ID RA10) by the latest time for receipt of proxy appointments specified above. 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 applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings
11. 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.
12. In the case of joint holders of an Ordinary Share, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names appear in the register of members. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same Ordinary Shares.
13. If a Shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.
14. Any member attending the General Meeting has a right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
15. A copy of this Notice and other information required by section 311A of the Companies Act 2006 can be found at www.lmscapital.com.
16. You may not use any electronic address provided in this Notice, in the Circular of which it forms part or any related documents (including the Form of Proxy) to communicate with the Company about proceedings at the General Meeting or the contents of this Notice or for any purpose other than those expressly stated.

