



LMS Capital plc

Results for the
year ended
31 December 2009

Who we are

LMS Capital plc is an investment company with over 30 years experience in identifying, investing in and creating profitable returns.

Our objective is to deliver superior absolute returns for our shareholders through a risk-diversified portfolio of investments.

What makes us different

- We invest as principals not agents
- We take a diversified approach: stage, industry, geography, currency
- We focus on a few key sectors:
 - Energy
 - Technology (applied software)
 - Media and consumer
 - Healthcare and medical
 - Real estate
- We have more than 30 years experience and a known and proprietary network = strong deal flow
- We have a flexible investment holding period: an important differentiator for our portfolio companies

Portfolio risk spread

Type	Average holding period	Current portfolio %
Fund of funds	5 – 7 years	48%
Co-investments	7 – 9 years	11%
Direct investments – mainly development capital	6 – 7 years	17%
Quoted companies (having evolved from private status)	10 years	24%

2009 highlights

- Positive portfolio performance (before currency impact)
- Resilient unquoted investments in the current recession
- Acquisition of 53.3% interest in Udata for £6.2 million
- Follow-on investments in existing unquoted portfolio
- Growth in revenues of investee companies
- Exchange of interest in 7 Global for holding in 365 iT
- Successful move to the Official List

2010 and beyond

- Reduce UK/US proportion of investments
- Increase exposure to the Far East and emerging markets
- Phase fund of funds into direct investments
- Build existing portfolio companies through acquisitions
- Emphasis on development and growth capital
- Further strengthen Company balance sheet
- Continue to target net return 15-20% pa

Outlook

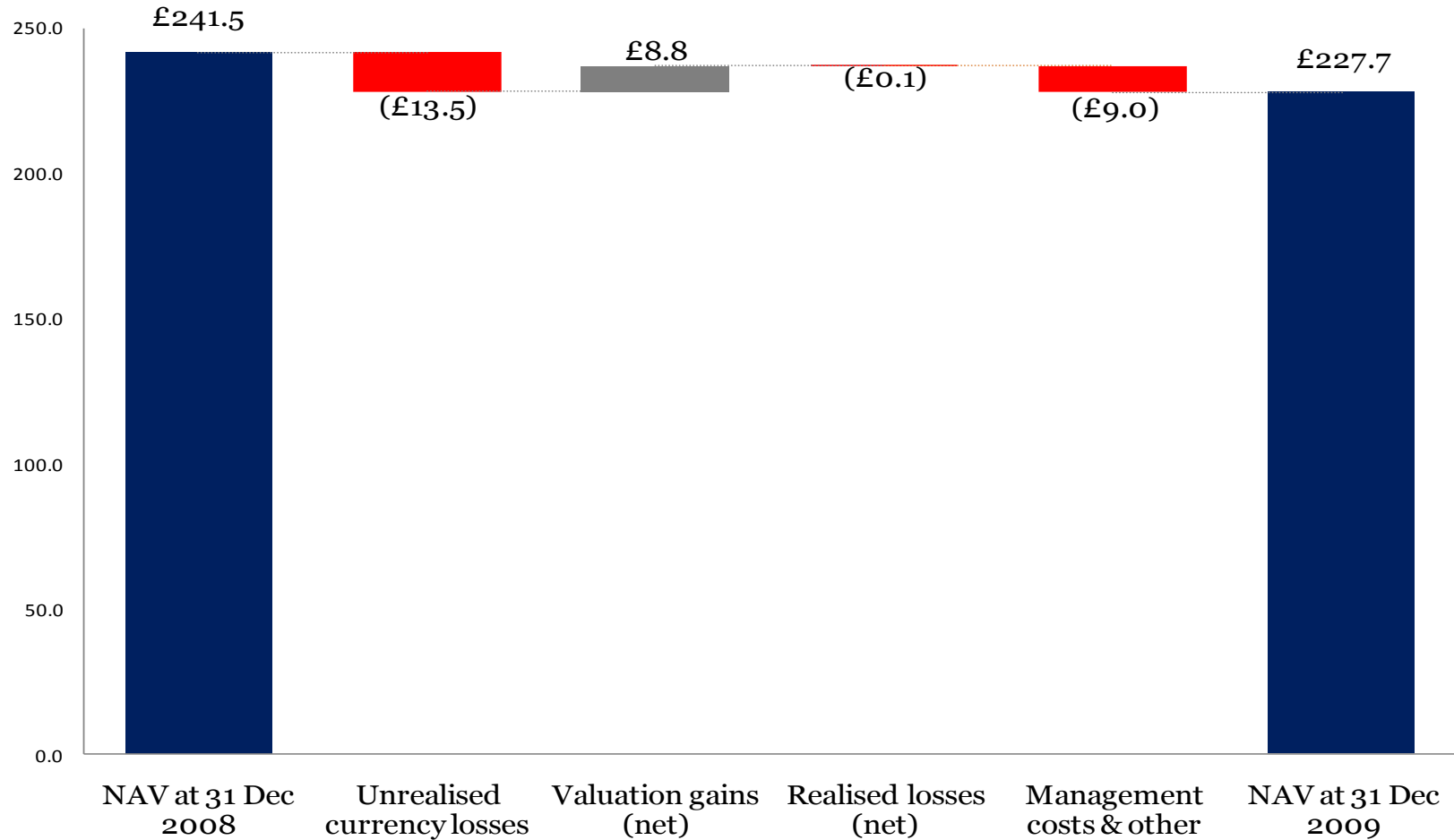
- Deal flow from all sources remains strong and the quality of proposals is improving
- Weighted towards later stage investments
- Bank funding at sensible levels complements real growth investments

Financial performance

Results for 2009

- NAV per share 84p declined 6% (31 December 2008: 89p)
- Net Asset Value £227.7 million (31 December 2008: £241.5 million)
- Portfolio return – loss of £4.9 million (2008: loss of £36.7 million)
– after unrealised currency losses of £13.5 million (2008: gains of £45.5 million)
- Cash in hand £14.4 million
- Quoted securities £51.9 million
- No corporate debt
- Fund commitments outstanding £58.7 million over the next 5 – 7 years (before realisations)

NAV impacted by currency movements



The £/US\$ exchange rate at the end of 2009 was £1 = \$1.62 (2008: \$1.46).

Results

2009 results were a marked improvement over 2008

£'000	Year ended 31 December	
	2009	2008
Gains/(losses) on investments	(4,876)	(36,748)
Income from investments	494	582
	(4,382)	(36,166)
Management costs*	(8,113)	(5,787)
Net finance income	159	1,754
Taxation	(324)	(597)
Profit/(loss) for the period	(12,660)	(40,796)

* 2009 includes a number of non-recurring costs - the cost of moving to the Official List (£0.4million) and compensation paid to a former director (£0.8 million) . 2008 benefited from a one-off VAT refund of £1.1 million.

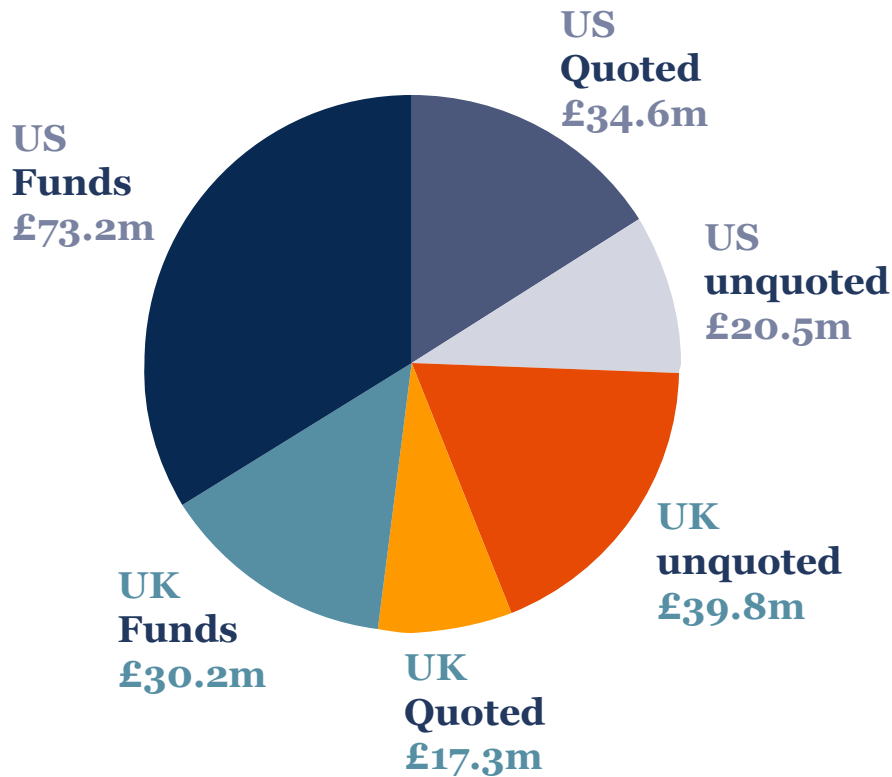
Net assets at 31 December 2009

	£'000
Investment portfolio	215,632
Cash	14,416
Other assets	620
	230,668
Liabilities and minority	(2,949)
	227,719

A diversified portfolio

Portfolio value £215.6 million at 31 December 2009

US 60%

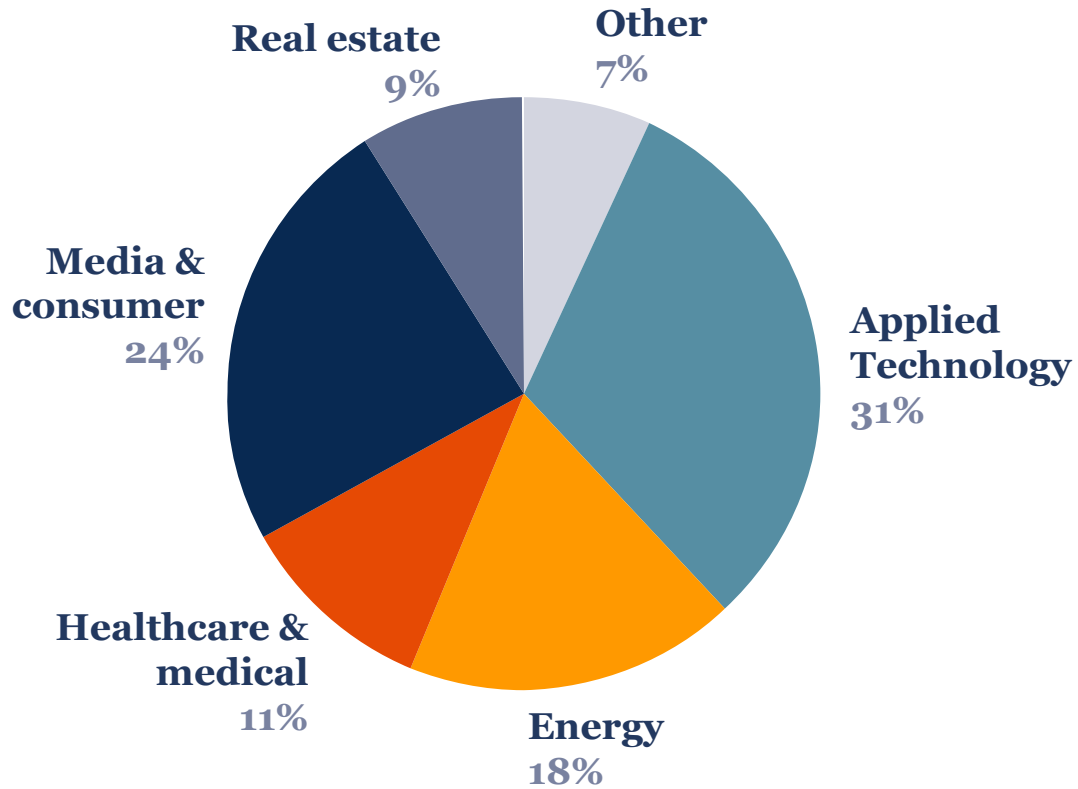


UK 40%

Type	Value	%
Funds	£103.4m	48%
Quoted	£51.9m	24%
Unquoted	£60.3m	28%

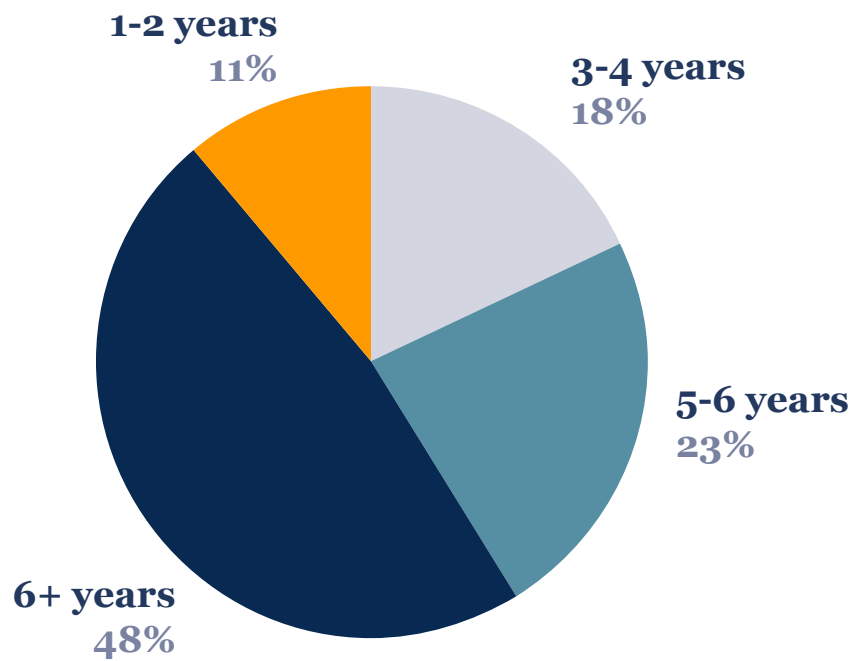
A diversified portfolio

Sectors

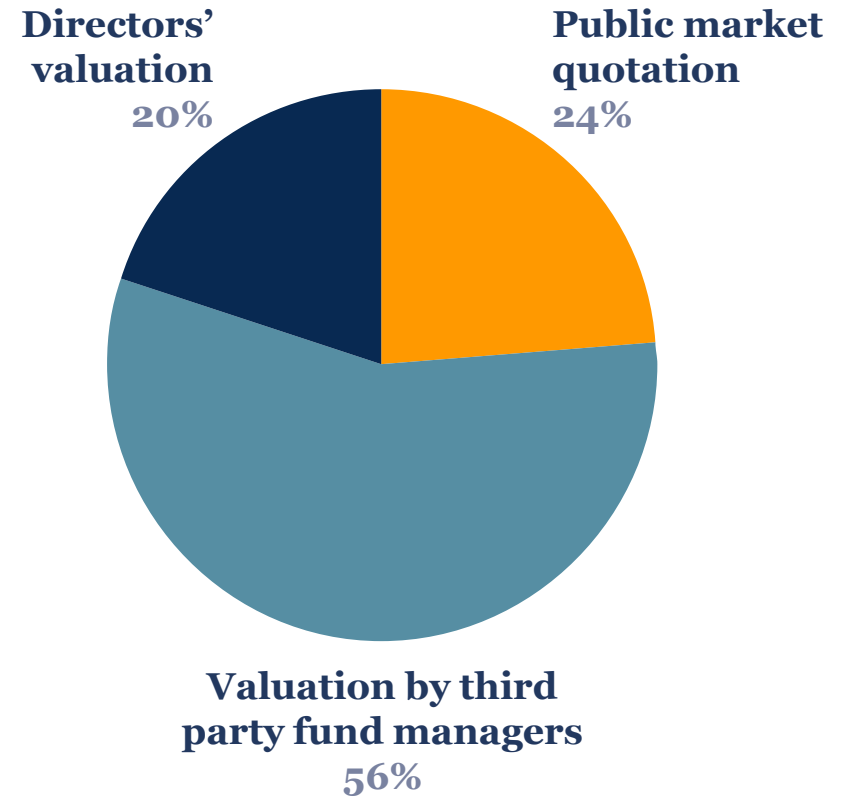


A diversified portfolio

Age



Valuation basis



Vintage is based on year of first investment and includes fund interests.

Principal investments

Company	Activity	Type	Geography	Valuation	% of net assets
Weatherford International	Oilfield services	Quoted	US	£22.6m	10%
Method Products	Consumer products	SFEP	US	£17.3m	8%
ProStrakan Group plc	Pharmaceuticals	Quoted	UK	£15.2m	7%
Updata Infrastructure UK	Wide area networks	Unquoted	UK	£8.0m	4%
Rave Reviews Cinemas	Cinema operator	Unquoted	US	£7.1m	3%
HealthTech Holdings <i>(formerly Healthcare Management Systems)</i>	Hospital information systems	Unquoted	US	£7.0m	3%
Penguin Computing	Linux server systems	SFEP	US	£5.6m	3%
Wesupply	B-2-B connectivity software	Unquoted	UK	£5.5m	3%
Entuity	Network management software	Unquoted	UK	£4.5m	2%
Elaternal	Marketing software	Unquoted	UK	£4.5m	2%

Principal investments (cont'd)

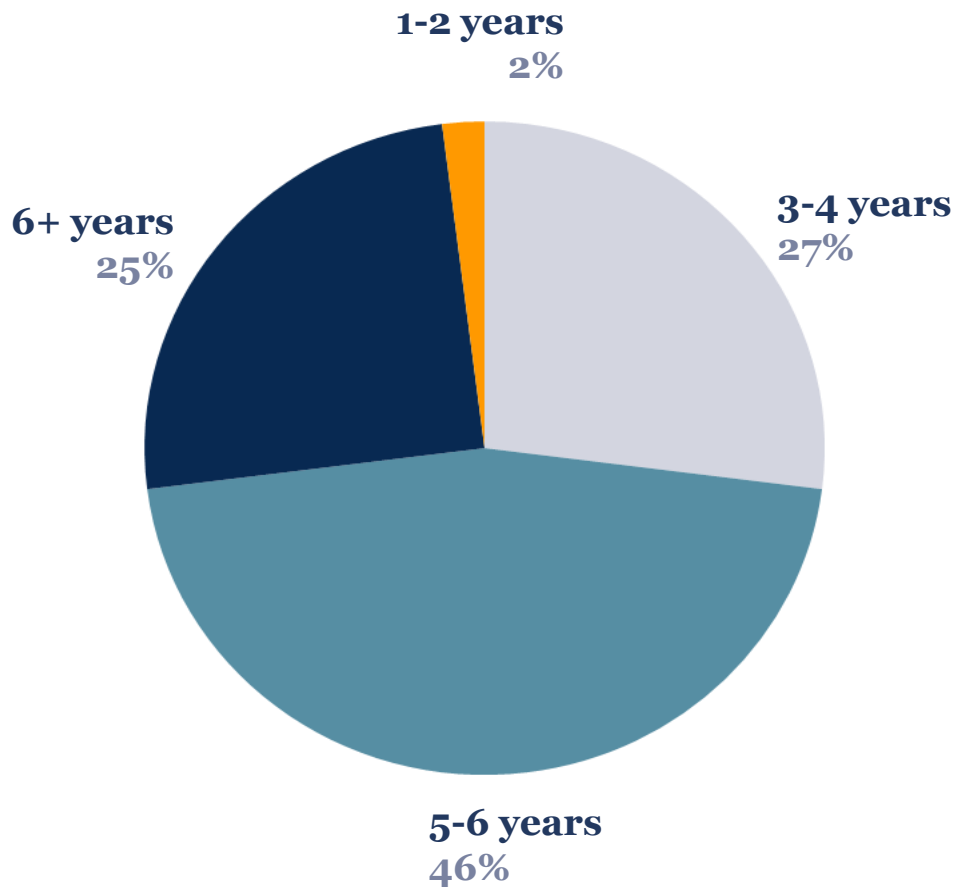
Company	Activity	Type	Geography	Valuation	% of net assets
Gulfmark Offshore	Offshore services	Quoted	US	£4.4m	2%
Luxury Link	Internet commerce	SFEP	US	£4.3m	2%
Kizoom	Transport information services	Unquoted	UK	£4.0m	2%
Yes To	Consumer products	SFEP	US	£3.7m	2%
Chyron Corporation	Media technology	Quoted	US	£3.5m	2%
Pims Group	Waste water systems and services	Unquoted	UK	£2.9m	1%
BJ Services	Oilfield services	Quoted	US	£2.9m	1%
Agilisys Holdings	IT services and outsourcing	Unquoted	UK	£2.0m	1%
Vio Worldwide	Advertising workflow services	Unquoted	UK	£2.0m	1%
Offshore Tool and Energy Corporation	Specialist engineering design and fabrication	Unquoted	US	£2.0m	1%

Fund interests

Name	Principal focus	Geography	Valuation	Uncalled 31 Dec 09	% of net assets
San Francisco Equity Partners*	Consumer products	US	£33.8m	£8.0m	15%
Brockton Capital (I and II)*	Real estate	UK	£13.6m	£11.1m	5%
Boston Ventures (V, VI and VII)	Media and communications	US	£7.6m	£4.3m	3%
Spectrum Equity Investors (III and IV)	Communications, media, information services	US	£6.1m	£0.4m	3%
Gene Weber funds	Small cap post IPO	US	£5.2m	£7.5m	2%
Scottish Equity Partners (II and III)	Information technology, healthcare and energy	UK	£4.3m	£2.5m	2%
Amadeus Capital Partners (I and II)	Technology	UK	£3.9m	£0.3m	2%
CMEA Capital (IT Funds II and IV)	Technology	US	£3.9m	£0.1m	2%
Brynwood Partners	Consumer products and service businesses	US	£3.8m	-	2%
EMAC*	Real estate	UK	£3.6m	-	2%

*Denotes funds where the Company also has an interest in the general partner

Funds vintage



- We have not committed in any material way to any new funds for two years
- Most of our invested capital will start to be returned in the next few years as funds exit their holdings
- We monitor commitments v realisations closely and expect to be cash flow positive this year

One of our UK unquoted investments

- B-2-B connectivity
- Software as a Service
- Focus on retail, FMCG and multi-site manufacturing
- Contracts with Alstom, Hobbycraft, Screwfix and recently Sainsbury's in partnership with IBM
- Revenues in 2009 increased 70% over 2008



Updata – a new investment in 2009

Purchase of UK subsidiary of Danish parent

- Designs, builds and manages high capacity wide area networks for UK public sector
- Focus on UK local authorities – schools, libraries, blue light services
- LMS Capital led a management buyout:
 - £10.3 million enterprise value
 - We paid £6.2 million for a 53.3% stake
- Strategic fit – applied technology, high margins, strong management, customer service focus
- Results to June 2009
 - Revenues - £10.9m (2008: £5.1m)
 - EBITDA £2.1 million (2008: £0.8m)



Luxury Link

A San Francisco Equity Partners portfolio company

- Auction website for luxury travel packages
- Also advertising for luxury goods and services
- Over 1,000 customers in 60 countries
- Recessionary environment has boosted business levels
- Recently launched family travel site



Method Products

A San Francisco Equity Partners portfolio company

- Green homecare company
- This has been accomplished by:
 - creating an “eco-chic” lifestyle brand
 - combining high end design, fragrance and eco friendly ingredients
 - Brand strategy based on deep retailer relationships
- Sustained consumer and media response in US and UK
- Laundry product launched in 2010



HealthTech Holdings (formerly HMS)

One of our US unquoted investments

- Integrated clinical and financial applications for hospitals
- Focus on community and specialty hospitals – present in over 600 facilities across the US
- Acquisition of Medhost – market leader in information systems for Emergency Departments
- Co-investment with Primus Capital Funds (a fund investment)
- LMS Capital has a seat on the board



Entuity

One of our UK unquoted investments

- Network management solutions
 - Inventory
 - Fault
 - Performance management
- Wide range of customers, including ABB, Perot Systems, RBS and Sony
- 2009 revenues increased 16% to \$7.2m – EBITDA \$0.9m

