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This document constitutes an admission document for the purposes of the AIM Rules. This document does not constitute, and the Company is not making, an offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA. Therefore this document is not an approved prospectus for the purposes of and as defined in section 85 of FSMA and has not been prepared in accordance with the Prospectus Rules and has not been approved by the Financial Services Authority ("FSA") or by any other authority which could be a competent authority for the purposes of the Prospectus Directive. To the best of the knowledge and belief of the Directors of London Capital Group Holdings plc (whose names appear on page 4 of this document and who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept responsibility accordingly. Application will be made to the London Stock Exchange for the Ordinary Shares, both issued and to be issued, to be admitted to trading on AIM. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to trading on any such exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Further it is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority. London Stock Exchange plc has not itself examined or approved the contents of this document. It is expected that dealings in the Ordinary Shares will commence on AIM on 22 December 2005.

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Prospective investors should read the whole text of this document and should be aware that investment in London Capital Group Holdings plc is speculative and involves a degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" set out in Part II of this document. All statements regarding the Company's business should be viewed in light of these risk factors.

London Capital Group Holdings plc

(Incorporated in England and Wales with registered no. 5497744)

Placing by

Evolution Securities Limited

Nominated Adviser and Broker

**of 18,292,683 Ordinary Shares of 10p each at 82p per share
and Admission to AIM**

Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£5,500,000.00	55,000,000	<i>Ordinary Shares of 10p each</i>	£3,829,268.30	38,292,683

The Placing is conditional, *inter alia*, on Admission taking place on or before 22 December 2005 (or such later date as Evolution Securities Limited may agree, being not later than 31 December 2005).

The Ordinary Shares being placed will, following allotment, rank *pari passu* in all respects with the issued ordinary share capital of the Company on Admission including the right to receive all dividends and other distributions declared on the Ordinary Shares after Admission.

The Ordinary Shares the subject of the Placing have not been, nor will they be, registered under the US Securities Act of 1933 (as amended) or under any applicable securities laws of Australia, the Republic of Ireland, the Republic of South Africa, Canada or Japan. The Ordinary Shares may not be offered or sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan. This document must not be mailed or otherwise distributed or sent to or into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan. This document does not constitute an offer to sell or to subscribe for, or the solicitation of any offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Evolution Securities Limited, which is regulated by the FSA, is acting as the Company's nominated adviser and broker in connection with the Placing and proposed admission of the Ordinary Shares of the Company to trading on AIM. Its responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Evolution Securities Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). No liability whatsoever is accepted by Evolution Securities Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information. Evolution Securities Limited will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing of Ordinary Shares in the Company.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Evolution Securities Limited, 100 Wood Street, London EC2V 7AN and the registered office of the Company from the date of this document for a period of one month from Admission.

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EXPECTED TIMETABLE FOR ADMISSION

Publication of this document	15 December 2005
Admission and dealings in the Ordinary Shares expected to commence on AIM	22 December 2005
Expected date for CREST accounts to be credited	22 December 2005
Despatch of definitive share certificates (where applicable)	By 9 January 2006

PLACING STATISTICS

Placing Price	82p
Gross proceeds raised by the Placing	£15.0m
Estimated net proceeds of the Placing receivable by the Company	£14.0m
Number of new Ordinary Shares being issued pursuant to the Placing	18,292,683
Number of Ordinary Shares in issue following Placing and Admission	38,292,683
Placing Shares as a percentage of the Enlarged Issued Share Capital on Admission	47.8%
Market capitalisation following the Placing at the Placing Price	£31.4m

DIRECTORS, SECRETARY AND ADVISERS

Directors	Robert William Loosemore (<i>Non-executive Chairman</i>) Francis David Sherston Chapman (<i>Chief Executive</i>) Simon David Denham (<i>Chief Operating Officer</i>) Rachel Brownlow (née Woodford) (<i>Sales and Marketing Director</i>) Geoffrey David Forster (<i>Non-executive Director</i>)
Registered and Principal Place of Business	51/55 Gresham Street London EC2V 7EL Tel: +44(0) 20 7665 9400
Company Secretary	John Christopher Hutchinson
Nominated Adviser and Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Solicitors to the Company	Pitmans 47 Castle Street Reading RG1 7SR
Solicitors to the Placing	McGrigors 5 Old Bailey London EC4M 7BA
Auditors and Reporting Accountants	Hurst Morrison Thomson 5 Fairmile Henley-on-Thames Oxfordshire RG9 2JR <i>Member of the Institute of Chartered Accountants in England and Wales</i>
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

INFORMATION ON THE GROUP

Introduction

London Capital Group is a rapidly growing cash generative supplier of financial products with a strong track record of profitable growth. The Company's principal trading subsidiary is LCG, whose core activity is the provision of spread betting products on financial markets to retail clients under the trading name *Capital Spreads*. LCG also provides institutional derivatives broking under the trading name *Capital Derivatives* and foreign exchange trading services to institutional clients and retail brokers under the trading name *Capital Forex*.

A majority of the shares in LCG was acquired by its management in May 2005, with approximately 10 per cent. minority being retained by the former owner. The Acquisition was substantially funded by the MBO Loans.

The spread betting division commenced trading in October 2003 and has since enjoyed strong growth, with the number of trades per month growing from under 3,000 in November 2003 to over 53,000 in October 2005. LCG's growth has been assisted by a number of White Label partnerships in terms of which third parties make use of LCG's trading platforms, typically on a revenue sharing basis, with the third party providing its own branding and marketing. White Label partners currently include E*TRADE, who has over 3 million clients. The Directors believe that LCG has acquired a strong position in the UK spread betting market primarily because LCG offers its customers some of the most competitive prices in the marketplace. This can largely be attributed to its internet focused trading platform, which allows it to operate off a low cost base, as evidenced by the fact that approximately 99 per cent. of *Capital Spread's* transactions are executed online. In addition, LCG does not usually offer credit to its spread betting customers, which negates the requirement for a large and costly credit control team.

Capital Derivatives was launched in September 2002 and since then, the average number of exchange traded futures and options contracts traded per month has grown to approximately 210,000 for the year ended 30 September 2005.

In July 2005, LCG launched *Capital Forex* and in October 2005 the Company entered into introducing broker ("IB") arrangements with Currenex and Hotspot FX to market FX products to institutional clients. This unit trades under the name of *Capital Forex Pro*. These two divisions are trading ahead of management expectations and have seen the value of trades increase each month since launch.

LCG's revenue has increased sharply during the course of 2005 which, the Directors believe, is primarily due to the high quality of the management team, all of whom have extensive experience and proven track records in the financial services and derivatives markets. This is reflected in LCG's recent performance, with average monthly turnover in the third quarter of 2005 being approximately 40.0 per cent. more than that in the first quarter of 2005. Quarterly EBITDA has doubled from £0.3 million to £0.6 million over the same period. The Directors expect this trend to continue and the Group has targeted a number of new products and business opportunities, which are expected to broaden and enlarge the Company's revenue streams in 2006 and beyond.

LCG is authorised and regulated by the FSA. In addition, the Company has a European passport and is a member of the London Stock Exchange, Liffe, Eurex and Euronext, giving it direct access to the major European markets. Through its relationship with its clearers, LCG also has access to US and Far Eastern Exchanges.

The Company is seeking to raise approximately £15.0 million (before expenses) in the Placing. The net proceeds of the Placing will be used to repay the MBO Loans, strengthen the Company's balance sheet and fund the Acquisition being the approximate 10 per cent. of LCG that was retained by the vendor at the time of the MBO. The Directors anticipate that the ongoing profitability and the cash flow generative nature of the Group will enable the Group to execute its current business plan and that the strengthening of the

Company's balance sheet out of the Placing proceeds will increase the Company's profile in the industry and enhance the Company's ability to win new customers. It will also ensure that the Company is able to continue to ensure compliance with the capital adequacy requirements of the FSA.

Historical overview

LCG was originally established in the mid 1990s as a proprietary trading business under different management. In September 2002, it commenced trading as an institutional broker (now known as *Capital Derivatives*) concentrating on the inter-bank futures market. The arrival at LCG of the current management during 2003 precipitated the launch of LCG's spread betting division, *Capital Spreads* (www.capitalspreads.com) in October 2003.

In May 2005, the MBO Directors (being the current senior management team of the Group) undertook an MBO, acquiring approximately 90 per cent. of LCG, with LCG's original founder retaining the balance of approximately 10 per cent. LCG's legacy proprietary trading business was hived off in early 2004 to leave LCG as a pure spread betting and derivatives broking business.

In July 2005, LCG launched its own foreign exchange trading platform, *Capital Forex* and in October 2005, the Company also entered into IB arrangements with Currenex and Hotspot FX to market FX products to institutional clients. This unit trades under the name of *Capital Forex Pro*.

Market overview

Industry specialists consider that financial spread betting will be one of the fastest growing segments within the UK financial services industry. According to recent research, 76 per cent. of the UK's 29 million adult internet users, admit to regularly placing a bet either online or offline. The Directors believe that some of these individuals are potential spread bettors, matching the profile of LCG's strategic target market. Industry estimates suggest that there are approximately 100,000 active spread bettors in the UK, and this is growing at a rate of about 25 per cent. a year. For example, one of the largest providers of spread betting by revenue in the UK market has grown its financial spread betting turnover by a compound annual growth rate of 24.3 per cent. in the three years to May 2005.

Financial spread betting offers a number of potential advantages compared to conventional financial trading. These advantages include, but are not limited to:

- clients can bet on a wide range of financial instruments including bonds, stock indices, individual equities, oil and gas, energy, precious and non-precious metals, soft commodities, interest rates and foreign exchange;
- clients can bet on the margin without having to commit to the full value of the underlying product;
- clients can take short positions and thereby profit from falling prices;
- investors can use spread betting as a hedging tool for their existing share portfolios; and
- gains that are derived from spread betting are currently free of UK capital gains tax and stamp duty.

Spread betting is subject to strict regulation by the FSA. The Directors believe that the regulatory requirement to operate under a FSA licence acts as an effective barrier to entry and partly explains why there are far fewer operators in the financial spread betting market than in other betting and gaming markets such as online sports betting and online poker. The spread betting and online trading sector is growing and new innovative products are frequently being added to the market.

Due to restrictions imposed under US federal law and US state laws, the Group's current policy is not to accept bets from individuals resident in the US. The Group has implemented a number of procedures to enforce this policy.

LCG currently recognise four main competitors, in its provision of financial products, namely IG Index (part of IG Group plc), City Index (part of Intercapital Private Group Limited), CMC Markets (part of CMC Group) and Finspreads (part of IFX Group plc).

Key Strengths

The Directors consider the key strengths of the Group to include the following:

Experienced Management Team

The Executive Directors bring extensive experience to the Group in the markets in which it operates. Each has a proven track record in developing and commercialising products and brand building in the financial derivatives market. This has been evidenced in the strong growth of *Capital Spreads* since the MBO.

Proven Risk Management

LCG does not take proprietary positions based on any expectation of market movements. The Directors believe that the historic and current hedging policy adopted by the Group have demonstrated improved visibility of the Group's earnings.

Tight Spreads

Capital Spreads operates a cost effective service based upon sophisticated systems and aggressive overhead control. *Capital Spreads'* customers benefit from some of the tightest spreads and smaller initial deposit requirements than those available from its competitors.

Online Offering

Unlike some of its competitors, LCG allows its customers to access the trading platform from any internet enabled computer worldwide without the need for time costly downloads of specific software to that computer. The Directors believe that this feature adds to the ease of use of LCG's product offering.

Education

Capital Spreads recognises a need to expand its current market and achieves this through the use of educational tools. The Directors believe that LCG's 'Demo Account' offers a significant advantage in that it mirrors the live trading environment in every respect except for the number of products available and that it imposes no time limits on its users. LCG also provides an online 'User Manual' which guides newcomers through making their first bets. *Capital Spreads* also run a number of in-house seminars aimed at improving beginners' knowledge of its products.

Flexible Platform

The *Capital Spreads* website has been designed and developed for versatility and flexibility. It is updated regularly and the construction of the website means that upgrades can be implemented quickly and efficiently. The flexibility of the platform has allowed LCG to integrate and launch new products and tools seamlessly without disruption and in a timely manner. Examples to date include the introduction of rolling daily bets, a sophisticated orders facility and live streaming charts. This flexibility allows White Label partners to quickly and easily integrate, adapt and brand the website to meet their requirements. It is intended that a binary betting product will be available on the website from the end of December 2005.

Commercial Partners

The Group has secured, and expects to continue to secure, valuable commercial partners that assist LCG in promoting its products. Such arrangements, known as White Label partnerships, enable LCG to increase its customer base beyond that which is derived directly from its own channels, such as *Capital Spreads* or *Capital Forex*. For example the White Label agreement with one of the UK's largest online brokers, E*TRADE, has significantly contributed towards the Group's increase in revenues and profits in the spread-betting division by providing access to a greater customer base than LCG could access itself.

Product Offerings

Financial Spread Betting

LCG's financial spread betting operation trades under its brand, *Capital Spreads*, which commenced trading in October 2003, and through its White Label partners. *Capital Spreads* offers prices on a wide variety of UK, European and US shares, world indices, commodities, foreign exchange and bonds. Clients can trade in Sterling, US Dollars or Euros. The Directors believe that LCG's spread betting division offers its clients amongst the tightest spreads (or some of the most competitive prices) in the market, which theoretically should result in its clients increasing their chances of making a profit for any given trade. The Directors believe that LCG can offer narrow spreads to its clients on a profitable basis as a result of its low cost base, which has been achieved for a number of key reasons, including:

- *Capital Spreads* does not usually offer credit to its clients. Every time a client trades with *Capital Spreads* an automatic stop-loss is generated which reduces the risk that the client will lose more than the amount deposited in his or her account. This policy results in a very low level of bad debts and negates the requirement for an extensive credit control team. In the opinion of the Directors, the policy also enables clients of *Capital Spreads* to trade with a smaller initial deposit requirement than they would need for trading with many of its competitors, which means that clients of *Capital Spreads* do not have to tie up large amounts of capital in order to fund their accounts; and
- over 99 per cent. of *Capital Spreads*' trades are executed online which enables it to operate on lower staffing levels compared to operators who execute a higher level of business on the telephone. This allows staff to focus on client service and relationship management when required.

Sports Spread Betting

Capital Spreads Sport is LCG's sports spread betting service providing clients with the opportunity to spread bet on many sporting events. Unlike its financial spread betting products, LCG does not operate its own trading platform for this product. Instead, Sporting Index provides a White Label service for LCG's clients. This partnership was established in October 2004 and provides added value for the Group's financial spread betting clients.

Foreign Exchange Trading

LCG launched a foreign exchange trading platform in July 2005 under the *Capital Forex* brand. The software platform offers streaming dealable rates and full risk-management and reporting, and is complementary to LCG's spread betting software. The Directors believe that *Capital Forex* offers some of the most competitive rates in the market and that these will help LCG to gain an increasing share of the foreign exchange market by attracting intermediate customers.

LCG also operates as an introducing broker for Currenex and Hotspot FX, two major online FX platforms. This IB operates under the trading name of *Capital Forex Pro*. *Capital Forex Pro* provides financial institutions, hedge funds and professional traders access to the Currenex and HotSpot FX multi-bank portals, allowing these customers to trade with multiple counterparties at the best possible rates with deep liquidity, using a prime broker's credit line.

Institutional Derivatives

Capital Derivatives was established in September 2002 to provide financial asset managers, hedge funds and investment banks with execution services for exchange traded futures and options in fixed income products. In addition, *Capital Derivatives* provides high quality investment strategy, training and advice for professional money managers.

The Directors believe that the successful growth of *Capital Derivatives* can be attributed to the depth of knowledge, quality of execution and professionalism of the management team.

White Label Partnerships

LCG's spread betting trading platform was designed from inception to be used as a White Label solution for third parties. LCG offers its White Label partners a comprehensive service, that includes a bespoke website which is usually branded in the partner's livery. The typical White Label partnership includes an online and telephone trading service, a customer support resource, market making services and transparent real-time reporting. LCG absorbs all the market risk and protects the White Label partner from the losses associated with clients' spread betting positions.

The White Label partners agree to market the product to their customers in return for a share of the revenues. Each White Label site is presented to customers as a stand-alone business and links to LCG are kept to a minimum, allowing the partner the ability to maintain brand integrity. LCG currently has seven spread betting partners, the largest of which is E*TRADE Financial, one of the UK's largest online brokers. The relationship with E*TRADE Financial was established in February 2005 and was the Group's first White Label agreement. This relationship currently accounts for approximately one third of all the customers generated each month for financial spread betting.

LCG's foreign exchange trading platform (*Capital Forex*) can also be offered as a solution to brokers wishing to provide their clients with an online foreign exchange trading facility in a real-time environment. As a White Label partner of LCG, the broker/partner receives a branded trading platform in their livery. LCG manages all the market risk and provides telephone support and 24 hour dealing if required. LCG currently has foreign exchange partners in both Europe and the Far East.

Recent Business Development

LCG intends to build on its achievements to date by broadening its offering with new and complementary products. These products are designed to appeal to existing clients, increasing their trading volumes, as well as to encourage new customers to use the Group's products. The Directors also believe that a diversified product range, coupled with the Group's approach to hedging, should lead to an even more stable revenue stream.

Binary Betting

Binary betting is a relatively new innovation in financial instruments having been introduced into the financial derivatives market in October 2003 and is a hybrid of spread betting and fixed odds betting, offering certain features of both. A binary bet is a bet about whether or not a specific event will occur.

For example, the question is "will the FTSE 100 close down on the day compared to the previous day's closing price?" If the answer is 'yes', the bet settles at 100. If the answer is 'no', the bet settles at 0. The market maker quotes a continuous two-way price between 0 and 100, until just before the market closes and, as with spread betting, the client can close his bet at any time. For example, if the price quoted was 15-18 and a client correctly bets that the FTSE will close down on the day with a stake of £10, the winnings will be calculated as being £820 $((100-18) \times £10)$ or if he was wrong and the FTSE closed up, the losses would be calculated as being £180 $((0-18) \times £10)$.

Unlike traditional spread betting, potential gains and losses are known in advance. As it is viewed as a fixed odds product, the FSA does not regulate binary betting therefore its promotion is not as restricted as spread betting. The account opening process is also much simpler.

LCG plans to add financial binary betting to its online trading platform by the end of 2005 and intends to offer the product to new and existing clients via White Label partners. Binary betting leverages LCG's existing pricing, options and general risk management skills and LCG has supplemented these existing skills with the recruitment of further experienced personnel.

The Directors will continually reassess the Group's product offering and anticipate that, in the 12 months following Admission, it may use its enhanced financial position following Admission to consider entering into other complementary areas such as the contracts for differences (CFDs) market. In each case, the Directors will make their assessment based on the scale of the opportunity, the potential competitiveness of the Company's offering and the impact on the risk profile of the Company.

The Directors intend to build the LCG overseas client base primarily through White Label partnerships and to this end, the Group has recently established relationships with three international partners.

Revenue Model

LCG's ability to generate growth in revenue depends, *inter alia*, on its ability to grow its active client base through effective marketing, additional White Label partnering and the development of new product capabilities.

Client Base

The Group's revenue is largely determined by the number of active clients (clients that trade at least once a month), which is itself significantly influenced by the number of new client accounts opened. Since October 2003, *Capital Spreads* has generated a total of 3,600 clients. Over 73 per cent. of these individuals have deposited funds into their account and around 30 per cent. are active clients. The average stake per trade has remained relatively consistent at approximately £4.75 per customer and the average spread on deals traded by clients was 3.74 points. Of those active clients, the average number of opening trades made per month, per client was 23, which has shown a significantly higher level of consistency since the MBO.

The online Demo Account which was started in October 2003, has generated in excess of 19,400 accounts, and of those approximately 12 per cent. have converted across to open a 'cash' account and are now actively trading.

Capital Spreads

Capital Spreads' revenue is derived from the spread quoted to clients. As the volume of trades has grown, LCG's financial return from its spread betting division is approaching that of the value of the spread per transaction. This is because the number of buy and sell trades is almost equal and this two way trading negates any significant loss (as there are as many long positions as there are short ones). This has the consequent effect of reducing the necessity for a hedging position. *Capital Spreads*, therefore, has adopted the policy of quoting tight prices which, whilst increasing the client's chances of winning, the Directors believes that this also increases the overall trading volumes.

In the year to date, the average spread bet size has been approximately £4.75 a point and the average dealing spread approximately 3.74 points. On a dealing month of 50,000 trades, for example, which sees 25,000 opening bets, and 25,000 closing bets, the Group would expect to generate approximately £444,000 in revenue (£4.75x3.74x25,000).

Capital Forex

The *Capital Forex* clients' positions are incorporated into the spread betting FX risk model and form part of the global book.

Capital Forex Pro

The FX platform makes its income from charges levied against every trade made by its clients. *Capital Forex Pro* charges approximately between \$8 and \$12 per \$1.0 million traded on its platform, depending on the client. All market risk is taken by the quoting bank (Royal Bank of Scotland).

Capital Derivatives

Capital Derivatives acts as an institutional broker intermediating between financial institutions. *Capital Derivatives* provides trading strategies for its clients using in-house expertise. The unit charges commissions on all business transacted, the normal revenue being approximately 38p per contract traded.

Hedging

Although client business is increasingly a two-way market, there is often a net customer position in many of LCG's quoted contracts. When these net positions reach a pre-determined level, such that LCG considers the risk to be above set parameters, LCG will then hedge its exposure in the market. *Capital Spreads* only quotes

exchange traded products and is therefore able to easily buy or sell the relevant financial instrument to reduce its exposure.

Every market quoted by *Capital Spreads* has its individual limit. Every market group (e.g. FTSE 100) has its overall limit and each sector (indices, FX, commodities etc.) have their limits. LCG's systems allow it to continually monitor its exposure against these limits. LCG also operates an overall risk parameter such that, for example, if in any one day the Group is losing more than £30,000, its dealers will then hedge all client positions for the remainder of that day. All these permissible limits are liable to variation as and when the Directors consider that the financial position of the Group justifies the increased risk. Changes to the hedging policy require the approval of the Chief Operating Officer and the Chief Executive.

The Directors believe that the Group's hedging policy has been a significant factor in the consistency of the improved financial performance of the Group over the last 12 months. For example, during September 2005, LCG's clients made some exceptional financial gains; however, in spite of the client's positive outcomes, the Group also made a significant profit from its hedging activities.

Trading Platforms

All LCG's online speculative betting products and services are supported by bespoke trading platforms and specialist IT trading software. The design, management and supervision of these platforms are outsourced to an online spread betting software specialist, Ariel Communications Limited ("Ariel"). The platforms are specifically designed to support not only LCG's expanding active client base but to also provide a complete White Label solution to third parties. The success of the White Label offering can in part be attributed to the flexibility of the facility, which allows third parties the ability to market the platform in line with their own branding. Paragraph 13.3 of Part VI contains further information on LCG's contract with Ariel.

Marketing and Business Strategy

Marketing constitutes a key element of LCG's strategy of increasing the Group's customer base. The Group places significant emphasis on brand building and brand awareness, and is in the process of bringing all product logos in line with the Group's brand. The Group advertises on the internet and in print media.

To date, *Capital Spreads'* target market has, in general, been high net worth individuals living in the UK. LCG's initial marketing strategy focused on targeting existing spread bettors by promoting tighter spreads and superior online offerings. Industry experts have identified that spread bettors are not loyal to a brand and are likely to hold more than one account. Therefore, although this initial campaign has attracted a large number of customers over a short period of time, LCG is now looking to broaden the geographical spread of its current client base by appealing to a more international audience by utilising LCG's White Label partners. Earlier this year, LCG increased the monthly marketing spend with the launch of a more aggressive marketing campaign. Recent White Label partnerships have enabled *Capital Spreads* to provide spread betting services to customers in Europe. LCG prides itself on its excellent customer support, which allows traders to liaise closely with the Group's customers, thereby allowing LCG to gain a first hand insight into their demands and requirements.

Financial Information

The following summary of financial information relating to the Group's activities for the period ended 30 September 2005 has been extracted without material adjustment from the pro forma financial information on the Group set out in Part B of Part IV of this document. Potential investors should read the whole of this document and not rely only on the following summary information.

	<i>Year</i>	<i>Year</i>	<i>3 months</i>			<i>9 months</i>
	<i>ended 31</i>	<i>ended 31</i>	<i>ended</i>			<i>ended 30</i>
	<i>December</i>	<i>December</i>	<i>31 March</i>	<i>30 June</i>	<i>30 September</i>	<i>September</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover ¹	1,025	3,271	997	1,331	1,396	3,724
Gross profit ¹	440	1,957	675	888	1,040	2,603
Administrative expenses ¹	1,013	1,112	378	435	424	1,237
EBITDA ²	(573)	845	297	453	616	1,366
EBITDA margin ²	(55.9%)	25.8%	29.8%	34.0%	44.1%	36.7%

1 From continuing operations

2 EBITDA represents earnings before exceptional items, depreciation, amortisation, taxation, interest payable on the Group's indebtedness and interest receivable on corporate cash balances

Turnover for the nine months ended 30 September 2005 of £3.72 million was some 13.8 per cent. higher than the turnover for the full year to 31 December 2004. This reflects the increased number of accounts and of spread betting trades, which, for 2004, averaged 53,522 trades per quarter and in 2005 to date have averaged 113,030 trades per quarter.

During a period of sustained turnover growth, the Group has continued to invest in its infrastructure and in new products. Although this has resulted in some increase in administrative costs, the top line growth has enabled the quarterly EBITDA to increase from £845,000 in the full year to 31 December 2004 to £1,366,000 in the 9 months to 30 September 2005.

The Directors believe that this operational gearing effect will continue to enhance profitability and believe that the current infrastructure is capable of supporting a significantly larger client base.

Current Trading and Prospects

The results for the first nine months of the year to 30 September 2005 are set out above and in Part IV of this document.

During the period since 30 September 2005, the Group has performed ahead of the executive Directors' expectations with transaction volumes, new client account openings and monthly turnover and profits continuing to be very encouraging. Turnover and EBITDA for the month of October 2005 were approximately £509,000 and £234,000 respectively, over 9 per cent. and 13 per cent. respectively ahead of the average monthly numbers for the third quarter. The Directors are therefore confident of a very satisfactory outcome for the current year.

The Directors also believe that, with the growing number of clients, strong volume of trades and the introduction of new products, such as binary betting, the Group is well placed to continue the growth in both revenue and profits.

Reasons for Admission and Use of Proceeds

Admission to trading on AIM and the associated Placing will:

- provide the Group with the funds to repay the MBO Loans and therefore continue to ensure compliance with the capital adequacy requirements of the FSA;
- free up cashflow to support a wider reaching marketing campaign and the development of additional innovative betting products;

- improve the strength of the balance sheet, which, the Directors believe, will be helpful in building the Group's profits and stature with customers;
- provide access to capital, or aid the raising of debt, for the future development of the business; and
- enable the founder of the business to complete his exit, which was commenced at the time of the MBO.

Directors and Employees

As outlined in this document, the Chief Executive Officer, Chief Operating Officer and Sales and Marketing Director undertook an MBO of LCG in May 2005. Brief biographies of the Directors are set out below. Paragraph 7 of Part VI contains further details of current and past directorships and certain other important information regarding the Directors.

Executive Directors

Francis Chapman, aged 55 (*Chief Executive Officer*)

Francis was appointed Managing Director of LCG in April 2004, having been on the board of LCG since October 2003. Before joining the Group, Francis was a director at Cal Futures, London Investment Trust and Baring Securities. He has also been a managing director at Deutsche Morgan Grenfell and subsequently managing director of Amerex Petroleum and Amerex Futures. Throughout Francis's career, he has been principally involved in the futures, options and swaps markets in both sales and trading.

Simon Denham, aged 44 (*Chief Operating Officer*)

Simon designed, commissioned and runs the spread betting unit of LCG. Simon joined LCG in March 2003 and joined the board of LCG in October 2003. Prior to this, Simon ran the options and derivatives desk at Cantor Index specialising in spread betting for the general public. Before Cantor Index, Simon worked for Christiania Bank, where he launched the bank's interest rate derivatives and options desk, trading in swaptions, swaps, caps/floors, futures, FRAs and government and corporate bonds. Before Christiania Bank, Simon worked for Bank of Nova Scotia, where he was responsible for the inter-bank and corporate swap market-making in Italian Lire and Spanish Peseta.

Rachel Brownlow (née Woodford), aged 36 (*Sales and Marketing Director*)

Rachel is a founding member of *Capital Spreads* and heads up the Group's sales and marketing, having launched the brand in October 2003. Before co-founding *Capital Spreads*, Rachel spent four years as marketing manager for Cantor Index where she was instrumental to the launch of Cantor Index, Cantor CFDs and Cantor Sport, and she worked as Customer Relationship Manager at City Index. Rachel read Humanities at Greenwich University and holds a Masters degree in Marketing from Guildhall University, London.

Non-executive Directors

Robert Loosemore, aged 39 (*Non-executive Chairman*)

Robert Loosemore was executive Chairman of Torex Retail plc, a business he brought to, and successfully floated on, AIM in February 2004. Previously he has been an executive director of Torex Retail plc for 5 years until 2000. Robert has 10 years plc experience in senior management and M&A roles with a proven track record of developing fast growing public companies.

Geoffrey Forster, aged 64 (*Non-executive Director*)

Until his retirement in 2001, Geoffrey Forster headed Lloyds TSB Bank Plc Corporate Division for Oxfordshire, dealing with companies both within and beyond the county and specialising in technology companies. He is currently a non-executive Chairman of Premier Research Group plc and sits on the board of one other listed public company.

Employees

As at the end of the financial period ended 30 September 2005, in addition to the above executive Directors, the Group had 20 permanent employees, analysed as follows:

Traders/Brokers	11
Customer Support	3
Technical Support and IT	3
Support Staff	3

All of the employees are based at the Group's registered address at 51/55 Gresham Street, London, EC2V 7EL.

Share Option Schemes

The Directors recognise the need to attract, incentivise and retain employees and, to this end, the Company has established the Share Option Schemes. Under the Share Option Schemes, the Company can grant options over up to 10 per cent. of its Enlarged Issued Share Capital to eligible employees and certain self employed contractors. Options granted following Admission under the Share Option Schemes will not be granted at an exercise price which is below the greater of average market value of an Ordinary Share on the three business days immediately prior to grant and the nominal value of an Ordinary Share. Details of the Share Option Schemes are set out in paragraph 9 of Part VI of this document.

The Company has currently reserved 3,065,329 Ordinary Shares (amounting to 8.0 per cent. of the Enlarged Issued Share Capital) in order to satisfy options granted under the Share Option Schemes.

Corporate Governance

The Directors recognise the importance of sound corporate governance. The Company intends, following Admission, to comply with the Combined Code so far as is practicable and appropriate for a public company of its size and nature. The Company also proposes to follow the recommendations on corporate governance of the Quoted Companies Alliance (QCA).

The Board has established an audit committee and a remuneration committee both with formally delegated duties and responsibilities. The audit committee comprises Geoffrey Forster, as the Chairman, and Robert Loosemore, and the remuneration committee comprises Robert Loosemore as the Chairman, and Geoffrey Forster. The Board also intends to appoint a Board level Finance Director as soon as possible following Admission, and in any event by no later than 30 June 2006.

The terms of reference for the audit committee provide that it will receive and review reports from the Company's management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group.

The terms of reference for the remuneration committee provide that it will review the scale and structure of the executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive Directors will be set by the Board. No Director may participate in any meeting at which discussion or decision regarding his own remuneration takes place. The remuneration committee will also administer the Share Option Schemes.

The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a nomination committee. However, this will be kept under regular review by the Board.

The Company will take all reasonable steps to ensure compliance by the Directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities of the Company and has adopted a share dealing code for this purpose.

CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, in accordance with the CREST Regulations. The

Company's articles of association permit the holding of Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Dividend Policy

The Directors expect that, on the basis of their estimates and in the absence of any unforeseen circumstances, the Company will pay a dividend in respect of the year ending 31 December 2006 and will aim to adopt a progressive dividend policy which will reflect the earnings and cash flow potential of the Group. The Directors believe that the Group's existing business model provides a solid base for such a dividend policy.

City Code on Takeovers and Mergers

The City Code on Takeovers and Mergers ("City Code") is issued on behalf of the Panel on Takeovers and Mergers. The City Code is designed principally to ensure fair and equal treatment of all shareholders in relation to takeovers. Rule 9 of the City Code stipulates, *inter alia*, that a person or group of persons acting in concert owning shares carrying (i) 30 per cent. or more but not more than 50 per cent. or (ii) less than 30 per cent. of the voting rights of a public company will incur a mandatory bid obligation and will be required to make a general offer to shareholders to acquire the balance of the equity share capital of that company if, in the case of (i) above, they acquire any further shares carrying voting rights which increase his or their percentage of the voting rights or, in the case of (ii) above they acquire further shares resulting in their holding voting rights becoming 30 per cent. or more. Rule 9 of the City Code also stipulates that a mandatory bid must be in cash and at not less than the highest price paid by that person or group of persons acting in concert with during the offer period and within 12 months prior to its commencement.

For the purposes of the City Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. Pursuant to the City Code, control means a holding, or aggregate holdings of shares carrying 30 per cent. or more of the voting rights of a company. For the purposes of the City Code, the MBO Directors are deemed to be acting in concert and their respective holdings in the Company are set out in paragraph 6.1 of Part VI of this document.

On the basis that £15.0 million is raised (before expenses) for the Company, the aggregate shareholding of the MBO Directors following Admission will be 20,000,000 Ordinary Shares representing at 52.2 per cent. of the Enlarged Issued Share Capital and, for so long as they continue to be treated as acting in concert, may accordingly be able to increase their aggregate shareholding without incurring any further obligation under Rule 9. However, individual members of the concert party will not be able to increase their individual shareholding through a Rule 9 threshold without Panel consent.

Lock-in Arrangements

F. Chapman, S. Denham and R. Woodford, who following Admission will have, in aggregate, an interest in approximately 52.2 per cent. of the Enlarged Issued Share Capital, have each given undertakings that they will not sell, charge or grant any interests over any Ordinary Shares held by them (subject to certain exemptions) for a period from Admission to the publication of the preliminary results for the Group for the year ended 31 December 2006 and, for a period from that date to the date which falls 24 months after Admission, to obtain the prior consent of Evolution Securities to any disposal and to make any disposal through Evolution Securities. The Directors holdings are set out in paragraph 6.1 of Part VI of this document.

The Placing

On Admission, the Company will have 38,292,683 Ordinary Shares in issue and a market capitalisation of approximately £31.4 million at the Placing Price. The Placing Shares will represent 47.8 per cent. of the

Enlarged Issued Share Capital and their issue will raise approximately £15.0 million (before expenses) to realise approximately £14.0 million (after expenses).

On 15 December 2005, Evolution Securities, the Directors and the Company entered into the Placing Agreement, pursuant to which Evolution Securities has conditionally agreed to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price on behalf of the Company with mainly institutional investors. The Placing has been fully underwritten by Evolution Securities.

The Placing is conditional upon, *inter alia*, Admission becoming effective by not later than 8.00 a.m. on 22 December 2005 (or such later date as Evolution Securities may agree being not later than 31 December 2005). Further particulars of the Placing Agreement are set out in sub-paragraph 13.1.2 of Part VI of this document.

The Placing Shares are or will be in registered form and, on Admission, will rank *pari passu* in all respects with the other issued Ordinary Shares and will rank in full for dividends and other distributions declared, paid or made following Admission in respect of the Ordinary Share capital of the Company.

Taxation

Information regarding United Kingdom taxation with regard to the Placing is set out in paragraph 10 of Part VI of this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

Further Information

Your attention is drawn to the risk factors and the further information on the regulatory environment of the Group set out in Part II and Part III respectively of this document, the financial information on the Group set out in Parts IV and V of this document and the additional information set out in Part VI of this document.

PART II

RISK FACTORS

In addition to all other information set out in this document, potential investors should carefully consider the risk factors described below before making a decision to invest in the Company. If any of the following risks outlined actually occur, the Company's business, financial condition, results or future operations could be materially adversely affected. In such circumstances, the price of the Company's shares could decrease and investors could lose all or part of their investment.

This document contains forward-looking statements that involve risks and uncertainties. The Group's results could differ materially from those anticipated in the forward looking statements as a result of many factors, including, without limitation, the risks faced by the Group, which are described below and elsewhere in the document. The risks listed below do not necessarily comprise all those associated with an investment in the Company and are not set out in any order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Group's business.

Changes in UK regulation may affect LCG's ability to conduct its business and may reduce profitability

The Group's spread betting and foreign exchange businesses are subject to regulation by the FSA. Withdrawal or amendment of regulatory approval in respect of all or part of the businesses carried on by the regulated companies within the Group or in respect of the fitness of one or more individuals to perform their current roles (including any of the Directors) might oblige the Group to cease conducting a particular type of business or modify the way in which it is conducted, or allocate responsibility for that business to different individuals. It is also possible that any non-compliance with applicable regulations could subject LCG to criminal penalties and civil lawsuits.

The UK financial services regime faces substantial revision in the near future to comply with the current and proposed Directives which constitute the EU Financial Services Action Plan. In particular, Directive 2004/39/EC on Markets in Financial Instruments (known as "MiFID") will have wide ranging implications, requiring firms which deal in complex financial instruments with private clients to obtain certain information from those clients regarding their knowledge and experience, so as to enable the firm to assess the appropriateness of the products traded, and inform the client if any product which the client wishes to trade is considered inappropriate. The obligation will apply even where no advice is requested by or given to the client. It is currently expected that implementation of MiFID into UK law will be delayed from the current scheduled date of April 2006 and will become compulsory in June 2008. The manner in which this requirement will be implemented into national law is subject to consultation by CESR. Under CESR's current proposals, all derivatives, which includes certain products offered by LCG, including financial spread betting, would be subject to these requirements. Depending on the final drafting of the relevant legislation, the introduction of changes may be required, which could significantly impact on the provisions of derivatives dealing services to private clients, including those services provided by LCG and the wider spread betting and derivatives industries. Any such changes could have a material adverse effect on LCG's future operations and consequently on its business, financial condition and operating results.

In addition, there can be no guarantee that the FSA will not introduce changes requiring regulated firms to assess the suitability of products for clients and advise clients as to the suitability for them of products in which they wish to trade. Any such changes could have a material adverse effect on LCG's future operations and consequently on its business, financial condition and operating results.

The rules of the FSA currently permit LCG to offer spread betting products to private clients. There can be no assurance that the FSA will not change the rules of the FSA to limit the clients to whom spread betting may be offered to people with investment experience and expertise.

The FSA conduct of business rules prohibit a regulated firm from issuing a direct offer financial promotion relating to a derivative (including, for example, a spread bet) to a private client unless the firm has first

assessed the suitability of that derivative for that client. The FSA has indicated that websites can be designed in such a way that they do not constitute direct offer promotions, while still allowing online account opening. However, it has also indicated that some changes may be required to maintain adequate capital on a consolidated basis. In addition, the regulatory capital requirements in the United Kingdom could be subject to change in the future, in particular as a result of EU directives giving effect to the second Basel Accord published by the Basel Committee on Banking Supervision. Any changes to the Group's regulatory capital requirements could have a material adverse effect on the Group.

LCG's betting businesses are regulated under the Betting, Gaming and Lotteries Act 1963. Through Simon Denham, LCG has obtained a bookmakers permit in respect of such operations. Revocation of or failure to renew these permits would oblige LCG to cease conducting betting and could have a material adverse effect on LCG's future operations and consequently on its business, financial condition and operating results.

There can be no assurance that the application of existing or potential future laws and regulations in the United Kingdom (whether as a result of amendments to existing laws or regulations or the passing of new laws and regulations) will not have a material adverse effect on LCG's operations in the future and consequently on its business, financial condition and operating results.

Servicing clients outside the United Kingdom involves a number of legal and regulatory challenges that LCG may not be able to meet

LCG currently has clients in a number of jurisdictions outside the United Kingdom with whom it transacts business.

Historically, the regulation of the gambling industry has been arranged at a national or state level and there is no international gambling regulatory regime. Many countries have enacted specific legislation prohibiting online gambling and similar legislation has been proposed but not yet enacted in certain other jurisdictions. While the Group is satisfied that it complies with the laws and regulations in the jurisdictions from which it operates, whether, or to what extent, existing domestic legislation in other countries applies to the Group's international betting activities is uncertain.

Due to the global nature of the internet, it is possible that, although the servers and infrastructure used to provide LCG's online spread betting services are based in the United Kingdom, the governments of other countries, in particular those countries where the Group currently has, or may in the future have, clients, may attempt to regulate LCG's products or services or prosecute it for violations of their laws. Because the Group's content is available over the internet around the world, such jurisdictions may claim that the Group is required to qualify to do business in each such country or that it is required to notify governmental authorities of its activities, for example, in relation to the collection and processing of data. Any such legislation or regulation, and/or the application of laws and regulations from jurisdictions other than the United Kingdom, could make it difficult for the Group to operate its business in its current form.

Courts in the United States have sought to apply US federal and US state anti-gambling law to foreign online gambling companies. Judicial interpretation of the definition of "online gambling" in relevant United States Federal Statutes, including the Federal Wire Act, and state law is uncertain and the United States Congress has to date been unsuccessful in passing new federal legislation to clarify the scope of the internet gambling prohibition. As a result, online gambling companies are potentially subject to civil and criminal liability in every US jurisdiction where their services are available online. There can be no assurance that changes to the content and interpretation of US law will not materially adversely affect the business, financial condition and operating results of the Group.

LCG has not incurred the cost of investigating the compliance requirements of all other jurisdictions outside the United Kingdom where clients of the Group are nationals or residents, with the result that LCG could be failing to comply with, and be in breach of, the laws and regulatory requirements of some or all of those jurisdictions. This could result in LCG becoming liable to penalties and liabilities, in addition to which it may be unable to enforce claims against clients who are nationals or residents of those jurisdictions, and such persons may be able to claim compensation from the Group for their losses.

There can be no assurance that the application of existing or potential future laws and regulations in jurisdictions outside the United Kingdom, or the payment of licence fees or levies in any such jurisdictions of which clients of the Group are residents or nationals, will not prohibit, restrict or otherwise impair the activities carried on by LCG and any such prohibition, restriction or impairment could materially delay or restrict or otherwise have a material adverse effect on the development or operation of LCG's international activities and consequently on the Group's business, financial condition and operating results.

Further details on the Regulatory Environment in which LCG operates are included in Part III of this document.

Changes in tax law could adversely affect the Group's profitability

Client betting winnings are not currently subject to UK income or capital gains tax and clients pay no UK stamp duty. Any reform or amendment to tax legislation or to the manner in which tax laws are interpreted or enforced that might negatively impact the current tax treatment applicable to the Group's UK-based clients could have a material adverse effect on the Group's business and operating results.

Currently, spread betting is not subject to UK stamp duty or SDRT and the Group is exempt from stamp duty and SDRT on its hedging transactions. There can be no assurance that the UK stamp duty regime (including the scope of or the rate of duty) will remain unchanged or that any changes would not have a material adverse effect on the Group's operating results.

The Group pays general betting duty at different rates on financial spread betting. A change to the rates or basis of calculation of general betting duty could have a material adverse effect on the Group's business and operating results.

Systems failures or delays could harm LCG's business

The Group's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes LCG to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. LCG has disaster recovery procedures and policies in place which are designed to allow the Group to continue trading in its core markets and a system testing programme is ongoing in order to verify that these procedures and policies are effective. However, there can be no assurance that the Group's disaster recovery planning and testing programme can account for and protect against all eventualities or that it will be effective in preventing any interruption to the operations and systems of the Group. Any malfunctioning of the Group's technology and systems, even for a short period of time, could result in a lack of confidence in LCG's services and a possible loss of existing clients to its competitors, with a consequential material adverse effect on the Group's operations and results.

LCG is dependent on information providers and any failures by them or difficulties in LCG's relationships with them could harm the Group's business

The Group is dependent upon data providers and stock exchanges to provide real time market prices and other information necessary for the operation of its business. There is no guarantee that any of these providers will be able to adequately expand these services to meet LCG's needs or to continue to provide these services in an efficient, cost-effective manner. Any interruption in or cessation of service by any third party information provider could have a material adverse effect on the Group's business.

The Group pays fees to certain providers of information in connection with its business. Whilst the Group has entered into licence agreements with several providers of information for the display of market data, there is no guarantee that current licence fees are any indication of the future fees that may be levied. Some providers of information may seek to claim database rights and/or proprietary rights in market data used to create prices which are used by the Group or displayed on the Group's websites. Any material increase in current licence fees or the imposition of new licence fees by these providers of information or the refusal to grant a licence or any restrictions imposed by these providers of information on the manner in which LCG may use such information could have a material adverse effect on the Group.

In addition, any consolidation of these industries could lead to an increase in the negotiating strength of the third party content providers with regard to their relationship with the Group, which could have a material adverse effect on the Group's business.

LCG depends on its senior management team, and if it is unable to retain its current personnel, its ability to implement its growth strategy and compete in its industry could be harmed

The Group's future success depends, in part, upon the leadership and performance of its highly experienced management team, many of whom have significant experience with the Group and would be difficult to replace. LCG's continued growth is highly dependent upon having a management team with the appropriate expertise. The loss of senior personnel or the inability to recruit sufficient, qualified personnel, could have a material adverse effect on the Group's ability to run its business and, accordingly, on its financial condition and operating results. As the Group continues to grow, it will continue to hire, appoint or otherwise change senior managers and other key executives. There can be no assurance that the Group will be able to retain its executive officers and key personnel or attract additional qualified members to its management team in the future.

Loss of White Label partnerships

The Group generates a significant percentage of its revenue through the provision of its services through White Label partnerships (as further described in the section entitled "Product Offerings" in Part I of this document) and expects to secure additional White Label partnerships in the future. However, if the Group were unsuccessful in securing additional White Label partnerships or if one or more of its current agreements with White Label partners were to be terminated for any reason, or the level of trades generated through them decreased for any reason, this may have a material adverse effect on the Group's financial performance, profitability and growth prospects.

The Group has a number of White Label partnerships where by it provides spread betting services to customers of third parties on terms which, generally reserve the rights of such third parties to control the customer base following termination of the White Label partnership. Upon termination, the underlying customer remains the property of the White Label partner and the Group is prohibited from specifically targeting or soliciting customers of the White Label partner either during the time of the contract or thereafter. In particular, the Group has one White Label partnership which currently generates a significant proportion of the Group's spread betting revenues. Should this particular White Label partner or several White Label contracting parties between them terminate the current contracts with the Group for any reason it could have a materially adverse effect on the Group's financial operations.

LCG's revenue is subject to market volatility and other factors

The Group acts as principal in transactions with its clients. Where transactions relate to liquid financial markets, hedging may be undertaken in order to mitigate market risk. The Group has a formal hedging policy, which aims to balance volatility of revenue against the cost of hedging. However, a consequence of the policy is that not all client positions are hedged, for example because the hedging would not be cost-effective or, as with certain sports and binary bets, hedging is not possible. As a result, the Group's revenue may fluctuate and be materially adversely affected as a result of client profits and losses or movements in market levels or market volatility.

Risk management policies, procedures and practices may not be effective and may leave LCG exposed to unidentified or unexpected risks

The Group's policies, procedures and practices used to identify, monitor and control a variety of risks may fail to be effective. The Group's risk management methods rely on a combination of internally developed technical controls, industry standard practices, observation of historical market behaviour and human supervision. These methods may not adequately prevent future losses, particularly to the extent they relate to extreme market movements, which may be significantly greater than the historical measures indicate.

The Group's risk management procedures and practices are also subject to human error, technological failure and fraud. There can be no assurance that the Group will continue to set risk management parameters accurately, that its testing and quality control practices will be effective in preventing technical software or hardware failure or that its employees will accurately and appropriately apply the Group's risk management procedures. Any failures in this regard could materially adversely affect the Group's financial performance and operations.

In addition, LCG is exposed to potential losses due to fraud and other misconduct by employees and clients. For example, employees may bind the Group to transactions that present unacceptable risks, hide from the Group unauthorised or unsuccessful activities or improperly use confidential information and clients or people impersonating clients may engage in fraudulent activities, including improper use of legitimate client accounts and the use of a false identity to open an account. Such activities may be difficult to prevent or detect and the provisions of LCG's employment contracts, client agreements or other contractual arrangements that are intended to protect LCG against such risks and losses may fail to be effective. LCG may not be able to recover the losses caused by such activities or events and any such losses could have a material adverse effect on the Group's business, financial condition and operating results.

LCG has significant credit exposure to financial institutions

The Group has significant deposits with its bankers. The Group also enters hedging transactions with financial institutions and places significant funds with them as margin to support these transactions. The business of the Group could be materially adversely affected if a bank or other financial institution with which it contracts defaults.

LCG's exposure to possible litigation could adversely affect its business

Because of the extent and complexity of the regulatory environment in which LCG operates and the products and services the Group offers, many aspects of the Group's business involve substantial risks of liability. In recent years, there has been an increasing incidence of litigation involving the financial services industry, particularly relating to advisory and discretionary management services.

The Group also faces potential liability for claims of negligence, violation of securities laws and claims based upon the content that LCG distributes online. For example, computer failures may result in the Group publishing and distributing incorrect data.

LCG's insurance may not necessarily cover any of the claims that clients or others may bring against the Group or may not be adequate to protect it against all liability that may be imposed. Any such litigation brought in the future could have a material adverse effect on the Group's business, financial condition and operating results.

Liquidity problems could adversely affect the business

In the event of a significant movement in world markets, LCG could have a short term funding requirement to meet its payment obligations to brokers or winning clients. Any failure by LCG to meet its payment obligations could result in brokers closing LCG's hedge positions which would have materially adverse consequences for the Group's business.

LCG must keep up with rapid technological changes in order to compete effectively

To remain competitive, LCG must continue to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies. The markets in which LCG operates are characterised by rapid technological change, changes in use and client requirements and preferences, frequent product and service introductions employing new technologies and the emergence of new industry standards and practices that could render the Group's existing technology and systems obsolete. Development by LCG's competitors of new products that gain acceptance in the market could give them a competitive advantage over LCG.

There can be no assurance that LCG will be able to anticipate and respond to the demand for new services, products and technologies in a timely and cost-effective manner, to adapt to technological advancements and changing standards or to retain its clients. The Group's failure to do any of these could have a material adverse effect on its financial condition and operating results.

Regulation of the internet and e-commerce is rapidly evolving and changes could adversely affect LCG's business

Regulation of the internet and e-commerce is rapidly evolving and there are an increasing number of directly applicable laws and regulations. It is possible that additional laws and regulations may be enacted with respect to the internet, covering issues such as user privacy, law enforcement, pricing, taxation, content liability, copyright protection, and quality of products and services. The adoption of such laws and regulations could materially adversely affect, directly and indirectly, the Group's online business.

- *Data Privacy*

LCG's operations in the United Kingdom are subject to a number of laws relating to data privacy, including the Data Protection Act 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003. The requirements of this legislation may affect the Group's ability to collect and use personal data in a way that is of commercial use to the Group, if LCG does not continue to ensure its adherence to appropriate compliance procedures. Furthermore, the legislation may make it hard for LCG to market its business, particularly by e-mail. Breach of data privacy legislation could result in the Group being subjected to claims from its users that it has infringed their privacy rights, and it could face administrative proceedings initiated against it by the UK data protection regulator, the Office of the Information Commissioner ("OIC"). In addition, any enquiries made, or proceedings initiated by individuals or the OIC may lead to negative publicity for the Group, which could materially adversely affect its business.

- *Data Security*

The secure transmission of confidential information over the internet and the security of LCG's systems, in general, is essential in maintaining client confidence and ensuring compliance with data privacy legislation. If the Group, or any of the third party suppliers on which it relies, fails to transmit client information and payment details online in a secure manner, or if they otherwise fail to protect client privacy in online transactions, there is a risk that the Group's current clients would stop accessing its online sites or that potential clients would be deterred from using the Group's online sites. In addition, there can be no assurance that LCG's systems will not be subject to disruption by "hackers" or other security breaches. These types of events could expose the Group to potential liability and could materially adversely affect its financial condition or operating results.

Competition could negatively impact LCG's market share and profitability

The market for the Group's online services is young and rapidly evolving. The Group faces direct competition from a number of firms in each of its business lines. There is no guarantee that such competitors entering the Group's market will not increase their market share through acquisitions of other competitors or organic growth or through increasing their level of marketing or introducing more competitive pricing policies or new products. The general financial success of companies within the markets in which LCG operates may attract new competitors to the industry, such as banks, software development companies, providers of online financial information and others. These companies may provide a more comprehensive suite of services than the Group does and LCG may not be able to compete effectively with its current or future competitors. Any of these factors could have a material adverse effect on the Group's profits and/or operating results.

If LCG fails to attract new clients, its growth may be impaired

LCG's profitability and growth depends on increasing the size of its active client base in a cost-effective manner. Although the Group has spent significant amounts on advertising and related expenses, and plans to continue to do so, there are no assurances that these efforts will continue to be cost-effective in attracting

new clients. Filter software programmes that negatively impact internet advertising may limit or prevent LCG's advertisements or other communications from being delivered to its current and potential clients' computers. If the Group does not achieve its advertising objectives, its profitability and growth may be materially impaired.

LCG may suffer losses if its reputation is harmed

The Group's ability to attract and retain clients and employees may be materially adversely affected to the extent that its reputation is damaged. Issues that may give rise to reputational risk include, but are not limited to, failure to deal appropriately with legal and regulatory requirements, money-laundering, fraud prevention, privacy, record-keeping, sales and trading practices, and the credit, liquidity, and market risks inherent in the Group's business. If the Group fails, or appears to fail, to deal with various issues that may give rise to reputational risk or if it fails to retain clients for any other reason, it could materially harm its business prospects.

Economic, political and market factors beyond LCG's control could harm the Group's business and profitability

The financial markets in which the Group offers its services are directly affected by many national and international factors that are beyond LCG's control. Any one of the following factors, among others, may cause a substantial decline in the financial markets in which LCG offers its services, resulting in reduced trading volume. These factors include:

- legislative and regulatory changes;
- economic and political conditions in the United Kingdom, United States, continental Europe and elsewhere in the world;
- concerns about terrorism and war;
- the level and volatility of equity and commodity markets;
- the level and volatility of interest rates and foreign currency exchange rates;
- concerns over inflation and changes in institutional and consumer confidence levels; and
- the disposable income of the Group's clients for spending on LCG's product offerings.

In recent years, the financial markets have been adversely affected by acts of war, terrorism and other armed hostilities. These or similar acts have in the past increased or prolonged, and may in the future increase or prolong, negative economic conditions which could have a material adverse effect on LCG's business and profitability.

Failure by third party suppliers to deliver high quality products and services could damage LCG

LCG relies on third party licences for the software underlying some of its technology and on third party maintenance of its hardware and software. Any interruption in its ability to obtain the products or services of these third party suppliers, or a deterioration in their performance, could impair the quality of the Group's own services. If the Group's third party suppliers fail to deliver high quality products and services, LCG's own services will not meet the expectations of its clients and its reputation and brands may be materially damaged.

LCG's inability to protect its intellectual property rights could adversely affect its business

LCG's success and ability to compete in the markets in which it operates depends in part upon its proprietary intellectual property, which includes, registered trademarks and domain names. Historically, LCG has not been required to prosecute claims relating to its intellectual property. However, there can be no assurance that the Group will be able to continue to avoid the misappropriation of its intellectual property, which could have a material adverse effect on the Group's business, operating results and the value of its brands.

The requirement to maintain regulatory capital may affect LCG's ability to distribute profits

LCG is regulated by the FSA, and is required to meet capital adequacy tests, which include a requirement that the Group has sufficient capital in order not to put it at significant risk from market moves and client default. In addition, the Group is subject to consolidated supervision by the FSA and is required to maintain adequate capital on a consolidated basis. The requirement that LCG maintains sufficient capital to meet regulatory requirements, and that the Group is required to maintain capital on a consolidated basis, may affect the Group's ability to distribute profits which it would otherwise be permitted to distribute under the Act.

LCG's continuing significant growth places significant demands on management and resources

LCG has experienced significant growth in its business activities over the last several years, which has placed, and is expected to continue to place, a significant strain on management and resources. Continued growth will require continued investment in personnel, facilities, information technology infrastructure and financial management systems and controls.

Failure to make necessary expansions and upgrades to the Group's systems and infrastructure and maintain its client service levels could lead to failures and delays, which could cause a loss of clients or a reduction in the growth of the Group's clients base, increased operating expenses, financial losses, additional litigation or client claims, and regulatory sanctions or additional regulatory burdens causing operating margins and profitability to be materially adversely affected.

Non-availability of future funding may curtail LCG's ability to grow

In the opinion of the Company, the working capital available to LCG, taking into account the net proceeds of the Placing, is sufficient for LCG's present requirements for at least the next 12 months from the date of the publication of this document. After that time, LCG's long-term working capital requirements will depend on many factors including, but not limited to, turnover from operations and expenses incurred. To the extent that available capital resources in the future are insufficient to fund activities in the long term, or if the Group's actual turnover or operating profit is lower than estimated, LCG may need to raise additional funds through public or private financings. No assurance can be given that additional financing will be available or that, if available, the terms of such financing will be favourable to LCG or to its shareholders. If adequate funds are not available to satisfy its requirements, LCG may be required to curtail its operations significantly, refinance its outstanding obligations or forgo market and acquisition opportunities, all of which could have a material effect on the Group.

Trading market for the Ordinary Shares

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Company's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise their investment in the Company than in a company whose shares are listed on the Official List of the UK Listing Authority.

PART III

REGULATORY ENVIRONMENT

Regulatory framework within the United Kingdom

In the United Kingdom, the provision of financial services is subject to a considerable degree of regulation, under the supervision of the FSA, by the Financial Services and Markets Act 2000 (“FSMA”).

Under FSMA, persons carrying out “regulated activities” in the United Kingdom require authorisation by the FSA. It is a criminal offence to breach this requirement. Agreements made in the course of the carrying on of regulated activities by unauthorised persons are unenforceable.

Some of the business undertaken by LCG involves the carrying on of regulated activities. LCG is regulated by the FSA to carry on regulated activities. As well as carrying on regulated activities in the United Kingdom, LCG also undertakes business which does not amount to the carrying on of regulated activities. In summary, the types of contract which LCG offers to its clients in connection with its spread betting business do constitute the carrying on of regulated activities. However LCG’s binary betting business does not constitute the carrying on of a regulated activity. The businesses are regulated by the Betting, Gaming and Lotteries Act 1963, under which LCG is required to hold a bookmaker’s permit. Simon Denham (on behalf of LCG) currently holds a bookmaker’s permit to allow LCG to carry on the business of receiving and/or negotiating bets.

LCG’s betting businesses will be governed by the provisions of the new Gambling Act which gained Royal Assent on 7 April 2005. Under the provisions of the Gambling Act, a new gambling regulatory authority, the Gambling Commission, is to be established which will have responsibility for the licensing of the UK gambling operators. LCG’s betting businesses will require an operating licence in much the same way as they require a bookmaker’s permit under the terms of the Betting, Gaming and Lotteries Act 1963. It is currently anticipated that LCG’s spread betting business will continue to be regulated by the FSA and not the Gambling Commission. The Gambling Act does, however, contemplate the possibility that the regulation of spread betting may come within the ambit of the Gambling Commission’s control if it ceases to be regulated activity under FSMA.

Regulation by the FSA

The FSA issues rules with which the firms that it regulates must comply. The rules of the FSA seek to ensure that regulated entities have adequate financial resources, are managed and controlled by fit and proper persons, have appropriate safeguards in place to protect their clients’ funds and assets and comply with certain minimum conduct of business standards.

Members of the management of an FSA regulated firm (including all of its directors), the firm’s finance director and compliance officer and certain members of staff are required to be individually registered with and approved by the FSA as “approved persons”.

In common with other FSA regulated firms who conduct spread betting business, LCG has been granted waivers by the FSA from compliance with certain of the FSA’s conduct of business rules. Some of these waivers impose additional requirements (for example, that prohibit LCG from providing investment advice to its spread betting clients).

If a breach of the rules of the FSA occur, the FSA has the power to take a wide range of disciplinary actions against the regulated firm and any FSA approved persons, including the imposition of fines, the suspension or termination of the firm’s authorisation or the removal of “approved persons” status from individual members of staff.

In addition to the rules of the FSA, firms which are authorised under FSMA are subject to certain core principles issued by the FSA. The principles are intended to establish broad rules to ensure fairness and integrity in the provision of financial services in the United Kingdom. A breach of the principles gives rise

to a right for the FSA to take direct action against the relevant authorised person (which includes the power to terminate the firm's authorisation).

Of the other types of financial services which are regulated in the United Kingdom pursuant to legislation other than FSMA, only the Consumer Credit Act 1974 is of potential relevance to the Group's business. The Directors believe that LCG's spread betting activities do not fall within the ambit of the Consumer Credit Act 1974 and have taken steps to ensure that its foreign exchange trading business will, to the extent that it falls within the scope of the legislation, comply with it.

The rules of the FSA require LCG to maintain adequate regulatory capital at all times. The Group is also subject to consolidated supervision by the FSA and is required to maintain sufficient regulatory capital for the Group as a whole. At an individual company level, the main constituents of the regulatory capital requirement are position risk requirement and counterparty risk requirement. These are amounts of capital required under the rules of the FSA and are calculated by reference to the company's market risk and credit risk respectively. At a consolidated level, the Group has an additional requirement for regulatory capital equal to its goodwill. The Group's Ordinary Shares, reserves and subordinated loans all constitute regulatory capital. The loans will be redeemed and repaid, respectively, on Admission out of the net proceeds of the Placing payable to the Company plus existing surplus cash.

Internet Regulation

There is no specific regulator for technology or the internet in the United Kingdom or Europe. However, there are many applicable laws relating to technology, the provision of internet services and use of the internet and internet-related applications which affect the business of LCG as set out below.

Data protection

Because LCG collects data about its clients and other individuals, it is subject to rules and regulations concerning the treatment of this information.

The European Union adopted a directive on the protection of individuals with regard to the processing of personal data and the free movement of such data on 24 October 1995 (the "Data Protection Directive"). The Data Protection Directive applies to companies established in the European Economic Area ("EEA") or using equipment in the EEA to process personal data. The Data Protection Directive has now been implemented in all European jurisdictions in which LCG has clients. In the United Kingdom, the Data Protection Directive has been implemented into law by the Data Protection Act 1998 (the "DPA"), which came into force on 1 March 2000. Both the Data Protection Directive and the DPA impose restrictions on the collection, use and processing of personal data and guarantee rights to individuals who are the subject of personal data ("Data Subjects") with regards to their personal data. These rights include the right to access to personal data, the right to know where the data originated, the right to have inaccurate data rectified, the right to recourse in the event of unlawful processing and the right to withhold permission to use data for direct marketing.

The Data Protection Directive and the DPA also restrict the ability of companies falling within their application to send data outside of the EEA unless the country to which such data is sent has "adequate" data protection measures in place. A small number of countries outside the EEA have been found by the European Commission to provide an adequate degree of protection, but the European Commission has not at this time reached a favourable conclusion about the majority of countries outside of the EEA in which the Group may have clients and to which it may wish to send data.

There is also another European Directive which governs privacy and the processing of personal data specifically in the electronic communications sector (the "Privacy and Electronic Communications Directive"). The Privacy and Electronic Communications Directive was adopted by the European Union on 12 July 2002 and covers the processing of personal data on all public electronic communication systems, not just computers and the internet, although service providers operating over the public internet are most significantly affected. It specifically addresses the issues of direct marketing by e-mail and therefore affects the way the Group may use the personal data it collects from its clients and other individuals in order to market its business. The Privacy and Electronic Communications Directive was implemented into law in the

United Kingdom by the Privacy and Electronic Communications (EC Directive) Regulations 2003 (the “PECR”), which came into force on 11 December 2003.

The PECR restricts the use of automated calling systems, facsimile machines, e-mail and SMS for direct marketing purposes. In particular, companies may not send unsolicited e-mail communications for the purposes of direct marketing unless the recipient has given his/her prior consent. A limited exception applies in relation to the direct marketing of similar products and services to a company’s existing clients, provided that the client is, on each occasion, given the opportunity to refuse the use of his/her contact details for such purposes.

LCG is currently registered under the DPA in the United Kingdom.

Regulatory framework within the European Economic Area

In addition to the UK regime described above, there is a pan-European regime established by the Investment Services Directive (“ISD”) which regulates the provision of “investment services” throughout the European Economic Area (the member states of the EU plus Norway, Iceland and Liechtenstein – the “EEA”). The ISD requires all EEA incorporated entities which are “investment firms” (i.e. which “provide investment services to third parties on a professional basis”) to be authorised in their state of incorporation (their “home state”). LCG is an investment firm.

In contemplation of the principles of freedom of provision of services and freedom of establishment within the common market, the ISD gives investment firms the right to be able to provide investment services on a cross-border basis to clients located in other member states of the EEA (“host states”) without the need for separate authorisation by the competent authorities in those host states. The ISD also grants investment firms a right to establish a branch in those host states without the need for any separate authorisation. These rights to provide services and to establish branches are commonly referred to as the European investment services “passport”.

LCG has made the required notifications to allow it to provide investment services on a cross-border basis into all other member states of the EEA and has a European “passport”.

It should be noted that the scope of the “passport” is limited. For example, it does not cover all financial instruments. The “passport” does not cover contracts related to commodities including cash settled commodity derivatives, nor spread bets priced by reference to the outcome of sporting or political events. If these type of services are licensable in another EEA member state then an FSA regulated firm wishing to provide such services to clients located in that state may still need to obtain a separate authorisation.

The ISD provides that the provision of investment services into a host state may be subject to the “conduct of business rules” of that host state. These may differ from UK conduct of business rules. This is, however, mitigated by the E-Commerce Directive 2002 which enables firms to conduct business electronically with clients in other EU countries in compliance with the conduct of business rules of their home country. Therefore, although LCG has taken advantage of the “passport”, this will still be subject to local regulatory conduct of business rules when it provides services into the host state pursuant to the “passport” to the extent that the principles in the E-commerce directive are not fully effective to disapply conduct rules in those states.

The ISD is due to be replaced by a new directive, the Markets in Financial Instruments Directive (“MiFID”). MiFID is due to come into force on 30 April 2006, but EU member states and the European Commission are currently discussing delaying this implementation and it is currently expected that it will not come into force in the United Kingdom until June 2008. MiFID will make important changes to the way in which cross-border business is conducted. These include an extension to the scope of the “passport” to include contracts related to commodity derivatives and the revision of conduct of business rules (for more details, see Part II (Risk Factors)).

US risk management procedures

Due to restrictions imposed under US federal and US state laws, including the US Federal Wire Act, LCG does not permit persons located in the United States to open or hold accounts with LCG. LCG has implemented a number of procedures to enforce this policy. LCG has established restrictions relating to persons located in the United States which are prominently displayed on LCG's websites and during the account opening procedure, including a compulsory declaration by all betting applicants that they are not a US resident. Other than for binary betting which is due to be introduced later on in the year, LCG's account opening procedures also involve internal or third-party verification of certain account information, including address, prior to account activation. LCG also engages in a periodic review of its existing accounts to ensure that any accounts which have a US address are suspended.

Restrictions on changes of control

As LCG is a FSA regulated entity, it is subject to certain FSA regulatory restrictions regarding persons who may act as a "controller". Broadly, a "controller" for the purposes of the rules of the FSA means a person who either alone or with associates holds 10 per cent. or more the shares or voting rights in a regulated firm or its parent company. Any person who alone, or with associates, holds 10 per cent. or more of the Ordinary Shares or voting rights in the Company will therefore become a "controller" of LCG.

Under FSMA, a person who acquires control over LCG, or who increases their control to 20 per cent. or more, 33 per cent. or more, or 50 per cent. or more must first notify the FSA and the FSA has up to three months to approve this change of control. The FSA is permitted to serve a notice of objection to the increase in control and, if it does serve such a notice, is required to specify in the notice its reasons for the objections. Breach of the notification requirements is a criminal offence. LCG has notified the FSA of the proposed change of control that will occur in Tradex on completion of the Sale and Purchase agreement described in paragraph 13.2.12 in Part VI of this document.

A person who ceases to be a 10 per cent. controller or who reduces an existing shareholding below the 50 per cent., 33 per cent., or 20 per cent. levels is not permitted to do so without first serving on the FSA prior written notice, although FSA approval is not required. Again, it is a criminal offence to contravene this requirement.

PART IV
FINANCIAL INFORMATION

Part A

Accountants Report on the Group for the Period ended 30 September 2005

The Directors
London Capital Group Holdings Plc
51-55 Gresham Street
London EC2V 7EL

The Directors
Evolution Securities Limited
100 Wood Street
London EC2V 7AN



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15 December 2005

Dear Sirs

London Capital Group Holdings Plc (“the Company”), Tradex Enterprises Limited, London Capital Group Limited, Capital Spreads Limited and Capital Forex Limited (“the Subsidiaries”) together (“the Group”)

We report on the consolidated financial information for the period ended 30 September 2005 set out below. This financial information has been prepared for inclusion in the AIM admission document dated 15 December 2005 of the Company (the “AIM Admission Document”) on the basis of the accounting policies set out in note 1 of this Part A.

Basis of Preparation

Tradex Enterprises Limited was incorporated on 17 January 2005. Tradex Enterprises Limited was dormant until 11 May 2005 when Tradex Enterprises Limited acquired 90.001 per cent. of the share capital of London Capital Group Limited.

Whilst the consolidated financial information shows the period from 17 January 2005 to 30 September 2005, the period of trade is from 11 May 2005 to 30 September 2005.

The consolidated financial information has been prepared to show the consolidated results and net assets of the Group as if the Company had always been in place from the 17 January 2005, on a basis of a share for share swap between Tradex Enterprises Limited and the Company. The inclusion of the Company has no material effect on the consolidated financial information set out in this Part A.

The financial information includes the subsidiaries Tradex Enterprises Limited, London Capital Group Limited, Capital Spreads Limited and Capital Forex Limited. It excludes financial information on a subsidiary Elan Capital Partners Limited, on the grounds of immateriality.

Hurst Morrison Thomson LLP is a limited liability partnership registered in England and Wales with registration number OC302994.

A list of members' names is available for inspection at the above address.

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

Hurst Morrison Thomson LLP is an appointed representative of Hurst Morrison Thomson which is authorised and regulated for investment business by the Financial Services Authority

Post Balance Sheet events

On 14 December 2005, the Company increased its authorised share capital from £1,000 to £2,000,000 by the creation of an additional 1,999,000 ordinary shares of £1.00 each. On the same day, the Company issued 1,999,000 ordinary shares of £1.00 each to the MBO Directors in consideration of the sale of their shares in Tradex to the Company. Also on the same day, the Company subdivided each of its ordinary shares of £1.00 each into 10 ordinary shares of £0.10 each (“Ordinary Shares”) and subsequently increased its authorised share capital from £2,000,000 to £5,500,000 by the creation of an additional 35,000,000 Ordinary Shares. Conditional upon Admission, on the same day, the Company allotted 18,292,683 Ordinary Shares pursuant to the Placing.

Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 15 December 2005, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and recognised gains and losses for the period then ended in accordance with the basis of preparation set out in note 1.

Consent

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with paragraph 1.2 of Annex I and paragraphs 1, 2 and 10.3 of Annex III of the Prospectus Rules as required by Schedule Two of the AIM Rules.

Hurst Morrison Thomson LLP
Chartered Accountants
5 Fairmile
Henley-on-Thames
Oxfordshire
RG9 2JR

PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	<i>Period to 30 September 2005 £'000</i>
Turnover	2	2,447
Costs of sales		(434)
		<hr/>
Gross profit		2,013
Administrative expenses		(1,024)
		<hr/>
Operating profit	3	989
Net interest	6	(605)
		<hr/>
Profit on ordinary activities before taxation		384
Tax on profit on ordinary activities	7	(130)
		<hr/>
Profit on ordinary activities after taxation		254
Minority interest		(92)
		<hr/>
Retained profit for the period		<u>162</u>

There are no recognised gains or losses other than those recognised in the profit and loss account.

BALANCE SHEET

	<i>Notes</i>	<i>30 September 2005 £'000</i>
Fixed assets		
Intangible assets	8	9,431
Tangible assets	9	<u>177</u>
		9,608
Current assets		
Debtors	10	777
Cash at bank and in hand	11	<u>1,556</u>
		2,333
Creditors: amounts falling due within one year	12	<u>(11,586)</u>
Net current liabilities		<u>(9,253)</u>
		355
Minority interest		<u>(192)</u>
Net assets		<u>163</u>
Capital and reserves		
Called up share capital	14	1
Profit and loss account	15	<u>162</u>
Equity Shareholders' funds	16	<u>163</u>

STATEMENT OF CASH FLOWS

	<i>Notes</i>	<i>Period to 30 September 2005 £'000</i>
Net cash inflow from operating activities	19	1,035
Returns on investment and servicing of finance		
Interest paid		(443)
Interest received		68
		<hr style="width: 100%; border: 0.5px solid black;"/> (375)
Taxation		
Corporation tax paid		–
Capital expenditure		3
Acquisitions		
Purchase of subsidiary undertaking		(10,335)
Cash acquired with subsidiary		369
		<hr style="width: 100%; border: 0.5px solid black;"/> (9,966)
Equity dividend paid		(242)
Financing		
Issue of ordinary share capital		1
Net loan advances		11,100
		<hr style="width: 100%; border: 0.5px solid black;"/> 11,101
Increase in cash	20	<hr style="width: 100%; border: 1px solid black;"/> 1,556

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The consolidated financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of Preparation

The financial information set out below has been prepared for illustrative purposes.

The consolidated financial information shows the position as if London Capital Group Holdings Plc had owned the subsidiaries from the commencement of the period on a basis of a share for share swap. This would have no effect on the figures if the Group excluded London Capital Group Holdings Plc.

The consolidated financial information for the period ended 30 September 2005 has been extracted from the audited financial statements of Tradex Enterprises Limited and London Capital Group Limited.

For the period ended 30 September 2005, the financial information includes financial information on the subsidiaries Tradex Enterprises Limited, London Capital Group Limited, Capital Spreads Limited and Capital Forex Limited.

The consolidated financial information excludes financial information on a subsidiary Elan Capital Partners Limited, on the grounds of immateriality.

The financial information has been drafted in accordance with the accounting policies adopted by London Capital Group Limited.

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the consolidated financial information. The accounting policies have been consistently applied, unless otherwise stated.

(a) Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet.

(b) Amortisation

Goodwill is not amortised but is reviewed at the end of each accounting period for impairment.

(c) Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write the cost of each asset down to estimated residual values evenly over its expected useful life, as follows:

Furniture and equipment – 33.3% on cost

(d) Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that there will be suitable taxable profits from which future reversals of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on rates of tax that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

(e) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

(e) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

(f) Bets and derivative Financial instruments

The Group uses derivative transactions with brokers in order to hedge exposures resulting from derivative transactions placed by clients.

Bets and derivative financial instruments are carried at fair market value and the resultant profits and losses are included in sales. Assets or liabilities resulting from gains or losses on open positions are reported gross in amounts due from/to clients, netted with bank balances. Fair value is determined by reference to third party market values.

2. Turnover and segmental analysis

Turnover represents net trading results, rebates received and management services supplied by the Group. Turnover is attributable to the provision of spread betting, derivatives brokering and foreign exchange services, which arose wholly in the United Kingdom.

3. Operating Profit

Profit on ordinary activities before taxation is after charging:

	<i>Period to 30 September 2005 £'000</i>
Depreciation:	
Owned assets	21
Operating lease rentals	
Land & buildings	63
Auditors' remuneration:	
Audit services	6
	<hr/>

4. Staff costs

	<i>Period to 30 September 2005 £'000</i>
Wages and salaries	282
Social security costs	31
	<hr/> 313 <hr/>

The average number of persons (including executive directors) employed during the year was:

	<i>Period to 30 September 2005 £'000</i>
Administration	16

5. Directors' emoluments

	<i>Period to 30 September 2005 £'000</i>
Total emoluments for all directors	84
Pension contributions to money purchase schemes	—
	<hr/> 84 <hr/>

6. Net interest

	<i>Period to 30 September 2005 £'000</i>
Interest payable	673
Interest receivable	(68)
	<hr/> 605 <hr/>

7. Tax on profit on ordinary activities

	<i>Period to 30 September 2005 £'000</i>
Profit on ordinary activities before tax	384
Standard rate of corporation tax in the UK	30%
Analysis of tax charge in the period	
Profit on ordinary activities multiplied by the standard rate of tax	115
Non taxable income/expenses	15
	<u>130</u>
Deferred taxation	–
	<u>130</u>

8. Intangible fixed assets

	<i>Goodwill £'000</i>
Cost	
At 17 January 05	–
Additions	9,431
	<u>9,431</u>
Amortisation	
At 17 January 05	–
Charge for the period	–
	<u>–</u>
Net book value	
At 30 September 2005	<u>9,431</u>

In May 2005, Tradex Enterprises Limited acquired approximately 90% of the share capital of London Capital Group Limited and 100% of Elan Capital Partners Limited for £10.1 million and £235,000 costs.

9. Tangible fixed assets

	<i>Total £'000</i>
On Acquisition	222
Additions	–
Disposals	–
	<u>222</u>
Depreciation	
On Acquisition	24
Depreciation	21
Disposals	–
	<u>45</u>
At 30 September 2005	<u>177</u>

10. Debtors

30 September
2005
£'000

Amounts falling due within one year

Trade debtors	644
Other debtors	101
Prepayments and accrued income	32
	<hr/>
	777
	<hr/>

11. Cash at bank and in hand

30 September
2005
£'000

Bank balances	4,362
Amounts due to clients	(2,806)
	<hr/>
	1,556
	<hr/>

12. Creditors

30 September
2005
£'000

Amounts falling due within one year

Other Loans	11,100
Corporation tax	110
Other taxation and social security	22
Other creditors	14
Accruals and deferred income	340
	<hr/>
	11,586
	<hr/>

13. Derivatives and other financial instruments

The Group's principal financial instruments, other than derivative transactions, comprise cash balances with brokers, clients and other debtors or creditors that arise through the normal course of business, other cash and short-term deposits. Derivative transactions with brokers are entered into in the normal course of business in order to hedge market exposures resulting from derivative transactions placed by clients.

In accordance with FRS 13, the Group has taken advantage of the exemption permitting the exclusion of short-term debtors and creditors from the following disclosures.

The Board reviews and agrees policies for managing these risks and they are summarised below.

The Group's computerised trading system enables exposure to market risk to be monitored in real time and management take action to manage these exposures as limits are approached.

13. Derivatives and other financial instruments (continued)

Interest rate risk

Financial assets on which no interest is earned and financial liabilities on which no interest is paid comprise, predominantly, open positions with clients and brokers, and have been marked to market in accordance with the accounting policy set out in note 1. The majority of positions have an expiry date, but clients are able to close their positions with the Group at any time up to the expiry date. The Directors therefore consider that a maturity analysis based on expiry date would not provide a meaningful representation as to the maturity of open positions and hence no maturity analysis is provided.

The Group finances its operations through a mixture of retained profits and borrowings.

The interest rate exposure of the financial liabilities of the Group at 30 September 2005 was:

	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>At 30 September 2005 Total</i>
Sterling:	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Other Loans	1,100	10,000	11,100

The floating rate other loan bears interest at 11.91% above HSBC Bank Plc base lending rates.

The fixed rate other loan bears interest at 5% per annum.

The floating interest rate exposure of the financial assets of the Group at 30 September 2005 was:

	<i>At 30 September 2005 £'000</i>
Sterling	4,649
Euros	192
	<u>4,841</u>

Floating rate financial assets comprises bank balances at relevant bank rates, money market deposits at call rates. The table above includes client's money and deposits with brokers.

Liquidity Risk

The Group's policy is to maintain a mixture of short and medium-term facilities to meet foreseeable requirements.

As at 30 September 2005, the facilities were as follows:

Other loan £10 million

Other loan £1.1 million

Amounts due to clients £2.8 million

13. Derivatives and other financial instruments (continued)

The maturity profile of the Group's financial liabilities at 30 September 2005 was as follows:

	<i>THE GROUP</i>		
	<i>Loans</i>	<i>Amounts due to clients</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>2005</i>
			<i>£'000</i>
Within one year	11,100	2,806	13,906

Currency risk

The Group trades in major currencies as principal with its clients. Limits on the exposures which the Group will accept are set by the board, and the Group hedges its exposure as necessary with market counterparties. The table below shows the Group transactional currency exposures at 30 September 2005 that gives rise to net currency gains and losses in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency.

	<i>At</i>
	<i>30 September</i>
	<i>2005</i>
	<i>Sterling</i>
	<i>£'000</i>
Net monetary assets and liabilities	
Functional currency:	
Euros	192
USD	(11)

Fair Value Of Financial Instruments

The fair values of the Group's financial assets and liabilities are as follows:

	<i>30 September</i>	
	<i>Book value</i>	<i>Fair value</i>
		<i>£'000</i>
Primary financial instruments held or issued to finance the Group operations		
Financial assets	4,841	4,851
Other loans	11,100	11,100
Amounts due to clients	2,806	2,806

14. Called up share capital

	<i>30 September</i>
	<i>2005</i>
	<i>£'000</i>
Ordinary shares of £1 each	1
	<i>Authorised</i>
	<i>2005</i>
	<i>£'000</i>
1,000 Ordinary shares of £1 each	1

15. Reserves

	<i>Profit and Loss account £'000</i>
At 17 January 05	–
Retained profit for the period	162
At 30 September 2005	<u>162</u>

16. Reconciliation of movement in equity shareholders' funds

	<i>30 September 2005 £'000</i>
Shareholders' funds at 17 January 2005	–
Profit for the financial period	162
New equity share capital subscribed	1
Equity Shareholders' funds at 30 September 2005	<u>163</u>

17. Financial Commitments

Lease commitments

The following annual rentals are committed by the Group in respect of non-cancellable operating leases:

	<i>Land and buildings £'000</i>	<i>Other £'000</i>
Leases which expire:		
Within one year	–	–
In two to five years	150	–
After five years	–	–
	<u>150</u>	<u>–</u>

Other commitments

The Group has, in the normal course of business, given a fixed charge over its assets to Fortis Clearing London Limited. London Capital Group Limited has also given a fixed charge over a rent deposit of £75,000 in favour of Tullet and Tokyo Liberty (Securities) Limited.

18. Related Party Transactions

F. Chapman, S. Denham and R. Woodford are Directors and shareholders of the Group. They were also Directors of London Capital Group Limited before May 2005 when Tradex Enterprises Limited acquired approximately 90 per cent. of the LCG for £10.1 million.

19. Reconciliation of operating profit to net cash inflow from operating activities

	<i>30 September</i> <i>2005</i> <i>£'000</i>
Operating profit	989
Depreciation charges	21
Decrease in debtors	153
(Decrease) in creditors	(128)
Net cash inflow from operating activities	<u>1,035</u>

20. Reconciliation of net cash flow to movement in net debt

	<i>30 September</i> <i>2005</i> <i>£'000</i>
Increase in cash in the period	1,556
Cash inflow from change in debt	(11,100)
Increase in net debt resulting from cash flows	<u>(9,544)</u>
Net Debt at 17 January 2005	–
Net Debt at 30 September 2005	<u>(9,544)</u>

21. Analysis of net Debt

	<i>At 17</i> <i>January</i> <i>2005</i> <i>£'000</i>	<i>Cash</i> <i>Flow</i> <i>£'000</i>	<i>At 30</i> <i>September</i> <i>2005</i> <i>£'000</i>
Cash at bank and in hand	–	1,556	1,556
Long term loans	–	(11,100)	(11,100)
	<u>–</u>	<u>(9,544)</u>	<u>(9,544)</u>

Part B

Accountants Report on LCG for the two years and nine months ended 30 September 2005

The Directors
London Capital Group Holdings Plc
51-55 Gresham Street
London EC2V 7EL

The Directors
Evolution Securities Limited
100 Wood Street
London EC2V 7AN



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Oxfordshire RG9 2JR

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Email: hmt@hmtgroup.co.uk
www.hmtgroup.com

15 December 2005

Dear Sirs

London Capital Group Limited (“the Company”), Capital Spreads Limited and Capital Forex Limited (“the Subsidiaries”) together (“LCG”)

We report on the financial information for the two years and nine months ended 30 September 2005 set out below. This financial information has been prepared for inclusion in the AIM Admission Document dated 15 December 2005 of the Company (the “AIM Admission Document”) on the basis of the accounting policies set out in note 1.

Basis of preparation

No financial information has been included for the year ended 31 December 2002 as this information, in our opinion, is not meaningful to the potential investors assessment of the financial or trading position of the Group, as this information largely relates to discontinued activities.

The financial information set out in this Part B includes the subsidiaries of London Capital Group Limited, namely Capital Spreads Limited and Capital Forex Limited, which are both dormant, and it excludes financial information on the London Capital Group Limited’s parent company, Tradex Enterprises Limited and its subsidiary Elan Capital Partners Limited.

Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the

Hurst Morrison Thomson LLP is a limited liability partnership registered in England and Wales with registration number OC302994.

A list of members' names is available for inspection at the above address.

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

Hurst Morrison Thomson LLP is an appointed representative of Hurst Morrison Thomson which is authorised and regulated for investment business by the Financial Services Authority

amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 15 December 2005, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and recognised gains and losses for the period then ended in accordance with the basis of preparation set out in note 1 of this Part B.

Consent

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of this document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the document in compliance with paragraph 1.2 of Annex I and paragraphs 1, 2 and 10.3 of Annex III of the Prospectus Rules as required by Schedule Two of the AIM Rules.

Hurst Morrison Thomson LLP
Chartered Accountants
5 Fairmile
Henley-on-Thames
Oxfordshire
RG9 2JR

PROFIT AND LOSS ACCOUNT

		<i>3 months to 31 March Interim 2005 £'000</i>	<i>3 months to 30 June Interim 2005 £'000</i>	<i>3 months to 30 Sept. Interim 2005 £'000</i>	<i>9 months to 30 Sept. Audited 2005 £'000</i>	<i>Year to 31 Dec. Audited 2004 £'000</i>	<i>Year to 31 Dec. Audited 2003 £'000</i>
Turnover							
Continuing		997	1,331	1,396	3,724	3,271	1,025
Discontinued		–	–	–	–	497	3,388
	2	<u>997</u>	<u>1,331</u>	<u>1,396</u>	<u>3,724</u>	<u>3,768</u>	<u>4,413</u>
Costs of sales		(322)	(443)	(356)	(1,121)	(1,562)	(2,442)
Gross profit							
Continuing		675	888	1,040	2,603	1,957	440
Discontinued		–	–	–	–	249	1,531
		<u>675</u>	<u>888</u>	<u>1,040</u>	<u>2,603</u>	<u>2,206</u>	<u>1,971</u>
Administrative expenses		(390)	(447)	(437)	(1,274)	(1,433)	(1,683)
Exceptional items	3	(269)	(146)	–	(415)	(597)	(534)
Operating profit/(loss)	4						
Continuing		16	295	603	914	1,045	(573)
Discontinued		–	–	–	–	(869)	327
		<u>16</u>	<u>295</u>	<u>603</u>	<u>914</u>	<u>176</u>	<u>(246)</u>
Net interest	7	8	18	34	60	(21)	(61)
Profit/(loss) on ordinary activities before taxation		24	313	637	974	155	(307)
Tax on profit on ordinary activities	8	17	(45)	(80)	(108)	–	94
Profit/(loss) on ordinary activities after taxation		41	268	557	866	155	(213)
Dividends	9	(242)	–	–	(242)	–	–
Retained profit for the year/period		<u>(201)</u>	<u>268</u>	<u>557</u>	<u>624</u>	<u>155</u>	<u>(213)</u>

There are no recognised gains or losses other than those recognised in the profit and loss account.

BALANCE SHEET

	<i>Notes</i>	<i>30 September 2005 £'000</i>	<i>31 December 2004 £'000</i>	<i>31 December 2003 £'000</i>
Fixed assets				
Tangible assets	10	177	200	–
Investments	11	–	–	–
		<u>177</u>	<u>200</u>	<u>–</u>
Current assets				
Debtors	12	776	1,082	2,414
Cash at bank and in hand	13	1,268	353	–
		<u>2,044</u>	<u>1,435</u>	<u>2,414</u>
Creditors: amounts falling due within one year	14	<u>(300)</u>	<u>(338)</u>	<u>(1,272)</u>
Net current assets		<u>1,744</u>	<u>1,097</u>	<u>1,142</u>
Net assets		<u>1,921</u>	<u>1,297</u>	<u>1,142</u>
Capital and reserves				
Called up share capital	16	1,055	1,055	1,055
Profit and loss account	17	866	242	87
	18	<u>1,921</u>	<u>1,297</u>	<u>1,142</u>

STATEMENT OF CASH FLOWS

		<i>9 months to</i> <i>30 September</i>	<i>Year to</i> <i>31 December</i>	<i>Year to</i> <i>31 December</i>
	<i>Notes</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	21	1,111	1,582	146
Returns on investment and servicing of finance				
Interest paid		–	(29)	(68)
Interest received		60	8	7
		<u>60</u>	<u>(21)</u>	<u>(61)</u>
Taxation				
Corporation tax paid		–	–	(20)
Capital expenditure		(14)	(204)	–
Equity dividend paid		(242)	–	–
Increase in cash	22	<u>915</u>	<u>1,357</u>	<u>65</u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of Preparation

The financial information set out below has been prepared for illustrative purposes.

No financial information has been presented for the year ended 31 December 2002 as this largely relates to discontinued activities.

The financial information for the years ended 31 December 2003 and 31 December 2004 and 9 months ended 30 September 2005 have been extracted from the audited financial statements of London Capital Group Limited. The quarterly interim information is unaudited.

For each of the years ended 31 December 2002 and 2003 and 9 months ended 30 September 2005, the financial information includes financial information on the subsidiaries of London Capital Group Limited namely Capital Spreads Limited and Capital Forex Limited which are both dormant.

The financial information excludes financial information on the parent company Tradex Enterprises Limited and its subsidiary Elan Capital Partners Limited.

The financial information has been drafted in accordance with the accounting policies adopted by London Capital Group Limited.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated.

(a) Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write the cost of each asset down to estimated residual values evenly over its expected useful life, as follows:

Furniture and equipment – 33.3% on cost

(b) Investment

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

(c) Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that there will be suitable taxable profits from which future reversals of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on rates of tax that have been enacted or substantively enacted by the balance sheet date.

(d) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

1. Accounting policies (continued)

(e) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

(f) Bets and derivative Financial instruments

LCG uses derivative transactions with brokers in order to hedge exposures resulting from derivative transactions placed by clients.

Bets and derivative financial instruments are carried at fair market value and the resultant profits and losses are included in sales. Assets or liabilities resulting from gains or losses on open positions are reported gross in amounts due from/to clients, netted with bank balances. Fair value is determined by reference to third party market values.

2. Turnover and segmental analysis

Turnover represents net trading results, rebates received and management services supplied by LCG. Turnover is attributable to the provision of spread betting, derivatives brokering and foreign exchange services, which arose wholly in the United Kingdom. Discontinued turnover is attributable to proprietary dealing.

3. Exceptional items

	<i>3 months to 31 March 2005 £'000</i>	<i>3 months to 30 June 2005 £'000</i>	<i>3 months to 30 Sept. 2005 £'000</i>	<i>9 months to 30 Sept. 2005 £'000</i>	<i>Year to 31 Dec. 2004 £'000</i>	<i>Year to 31 Dec. 2003 £'000</i>
Proprietary costs	–	–	–	–	872*	–
Fixed assets written back	–	–	–	–	(204)	–
Provision adjustment	–	–	–	–	(284)*	284*
Software development	–	–	–	–	–	250*
Related party write off	–	–	–	–	213*	–
Exceptional income	–	(120)	–	(120)	–	–
Vendor non recurring cost	–	266	–	266	–	–
Bonus	153	–	–	153	–	–
Other non recurring cost	116	–	–	116	–	–
	<u>269</u>	<u>146</u>	<u>–</u>	<u>415</u>	<u>597</u>	<u>534</u>

*Exceptional items relating to discontinued activities.

4. Operating Profit

Profit on ordinary activities before taxation is after charging:

	<i>3 months to 31 March 2005 £'000</i>	<i>3 months to 30 June 2005 £'000</i>	<i>3 months to 30 Sept. 2005 £'000</i>	<i>9 months to 30 Sept. 2005 £'000</i>	<i>Year to 31 Dec. 2004 £'000</i>	<i>Year to 31 Dec. 2003 £'000</i>
Depreciation:						
Owned assets	12	12	13	37	4	–
Operating lease rentals						
Land & buildings	38	38	37	113	150	150
Auditors' remuneration:						
Audit services	6	–	–	6	6	6
	<u>6</u>	<u>–</u>	<u>–</u>	<u>6</u>	<u>6</u>	<u>6</u>

5. Staff costs

	<i>3 months to 31 March 2005 £'000</i>	<i>3 months to 30 June 2005 £'000</i>	<i>3 months to 30 Sept. 2005 £'000</i>	<i>9 months to 30 Sept. 2005 £'000</i>	<i>Year to 31 Dec. 2004 £'000</i>	<i>Year to 31 Dec. 2003 £'000</i>
Wages and salaries	291	179	162	632	588	454
Social security costs	35	20	18	73	63	50
	<u>326</u>	<u>199</u>	<u>180</u>	<u>705</u>	<u>651</u>	<u>504</u>

The average number of persons (including executive directors) employed during the year was:

	<i>3 months to 31 March 2005 £'000</i>	<i>3 months to 30 June 2005 £'000</i>	<i>3 months to 30 Sept. 2005 £'000</i>	<i>9 months to 30 Sept. 2005 £'000</i>	<i>Year to 31 Dec. 2004 £'000</i>	<i>Year to 31 Dec. 2003 £'000</i>
	15	15	17	16	18	18
	<u>15</u>	<u>15</u>	<u>17</u>	<u>16</u>	<u>18</u>	<u>18</u>

6. Directors' emoluments

	<i>3 months to 31 March 2005 £'000</i>	<i>3 months to 30 June 2005 £'000</i>	<i>3 months to 30 Sept. 2005 £'000</i>	<i>9 months to 30 Sept. 2005 £'000</i>	<i>Year to 31 Dec. 2004 £'000</i>	<i>Year to 31 Dec. 2003 £'000</i>
Total emoluments for all directors	163	36	60	259	109	–
Pension contributions to money purchase schemes	–	–	–	–	–	–
	<u>163</u>	<u>36</u>	<u>60</u>	<u>259</u>	<u>109</u>	<u>–</u>

7. Net interest

	<i>3 months to 31 March 2005 £'000</i>	<i>3 months to 30 June 2005 £'000</i>	<i>3 months to 30 Sept. 2005 £'000</i>	<i>9 months to 30 Sept. 2005 £'000</i>	<i>Year to 31 Dec. 2004 £'000</i>	<i>Year to 31 Dec. 2003 £'000</i>
Interest payable	–	–	–	–	(29)	(68)
Interest receivable	8	18	34	60	8	7
	<u>8</u>	<u>18</u>	<u>34</u>	<u>60</u>	<u>(21)</u>	<u>(61)</u>

8. Tax on profit on ordinary activities

	<i>3 months to 31 March 2005 £'000</i>	<i>3 months to 30 June 2005 £'000</i>	<i>3 months to 30 Sept. 2005 £'000</i>	<i>9 months to 30 Sept. 2005 £'000</i>	<i>Year to 31 Dec. 2004 £'000</i>	<i>Year to 31 Dec. 2003 £'000</i>
Profit/(loss) on ordinary activities before tax	<u>24</u>	<u>313</u>	<u>637</u>	<u>974</u>	<u>155</u>	<u>(307)</u>
Standard rate of corporation tax in the UK	30%	30%	30%	30%	30%	30%
Analysis of tax charge in the period						
Profit on ordinary activities multiplied by the standard rate of tax	7	94	191	292	46	(92)
Other	(24)	(49)	(111)	(184)	(46)	(2)
	<u>(17)</u>	<u>45</u>	<u>80</u>	<u>108</u>	<u>–</u>	<u>–</u>
Deferred taxation	–	–	–	–	–	–
	<u>(17)</u>	<u>45</u>	<u>80</u>	<u>108</u>	<u>–</u>	<u>(94)</u>

9. Dividends

	<i>3 months to 31 March 2005 £'000</i>	<i>3 months to 30 June 2005 £'000</i>	<i>3 months to 30 Sept. 2005 £'000</i>	<i>9 months to 30 Sept. 2005 £'000</i>	<i>Year to 31 Dec. 2004 £'000</i>	<i>Year to 31 Dec. 2003 £'000</i>
Ordinary shares of £1 each	<u>(242)</u>	<u>–</u>	<u>–</u>	<u>(242)</u>	<u>–</u>	<u>–</u>

10. Tangible fixed assets

	<i>Total £'000</i>
Net book value	
At 31 December 2003	–
Additions/(disposals)	204
Depreciation	<u>(4)</u>
At 31 December 2004	200
Additions/(disposals)	14
Depreciation	<u>(37)</u>
At 30 September 2005	<u>177</u>

11. Investments

Details of the principal investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of Company</i>	<i>Principal activity</i>	<i>Country of Incorporation</i>	<i>% of issued shares held and voting rights</i>
Capital Spreads Limited	Dormant	England & Wales	100%
Capital Forex Ltd	Dormant	England & Wales	100%

12. Debtors

	<i>30 September 2005 £'000</i>	<i>31 December 2004 £'000</i>	<i>31 December 2003 £'000</i>
Amounts falling due within one year			
Trade debtors	644	827	2,217
Other debtors	100	187	81
Prepayments and accrued income	32	68	116
	<u>776</u>	<u>1,082</u>	<u>2,414</u>

13. Cash at bank and in hand

	<i>30 September 2005 £'000</i>	<i>31 December 2004 £'000</i>	<i>31 December 2003 £'000</i>
Bank balances	4,074	1,630	863
Amounts due to clients	(2,806)	(1,277)	(1,867)
	<u>1,268</u>	<u>353</u>	<u>(1,004)</u>

14. Creditors

	<i>30 September 2005 £'000</i>	<i>31 December 2004 £'000</i>	<i>31 December 2003 £'000</i>
Amounts falling due within one year			
Bank overdrafts (note 13)	–	–	1,004
Amounts owed to group undertakings and undertakings in which the Company has a participating interest	–	–	14
Corporation tax	108	–	–
Other taxation and social security	22	17	19
Other creditors	60	166	120
Accruals and deferred income	110	155	115
	<u>300</u>	<u>338</u>	<u>1,272</u>

15. Derivatives and other financial instruments

LCG's principal financial instruments, other than derivative transactions, comprise cash balances with brokers, clients and other debtors or creditors that arise through the normal course of business, other cash and short-term deposits. Derivative transactions with brokers are entered into in the normal course of business in order to hedge market exposures resulting from derivative transactions placed by clients.

In accordance with FRS 13, LCG has taken advantage of the exemption permitting the exclusion of short-term debtors and creditors from the following disclosures.

The Board reviews and agrees policies for managing these risks and they are summarised below.

LCG computerised trading system enables exposure to market risk to be monitored in real time and management take action to manage these exposures as limits are approached.

Interest rate risk

Financial assets on which no interest is earned and financial liabilities on which no interest is paid comprise, predominantly, open positions with clients and brokers, and have been marked to market in accordance with the accounting policy set out in note 1. The majority of positions have an expiry date, but clients are able to close their positions with LCG at any time up to the expiry date. The directors therefore consider that a maturity analysis based on expiry date would not provide a meaningful representation as to the maturity of open positions and hence no maturity analysis is provided.

LCG finances its operations through a mixture of retained profits and borrowings.

The interest rate exposure of the financial liabilities of LCG at 30 September 2005 was:

	<i>Fixed interest rate £'000</i>	<i>Floating interest rate £'000</i>	<i>At 30 September 2005 Total £'000</i>
Sterling:			
Other Loans	1,100	10,000	11,100

The floating rate other loan bears interest at 11.91% above HSBC Bank Plc base lending rates.

The fixed rate other loan bears interest at 5% per annum.

The floating interest rate exposure of the financial assets of LCG at 30 September 2005 was:

	<i>At 30 September 2005 Total £'000</i>
Sterling	4,361
Euros	192
	<u>4,553</u>

Floating rate financial assets comprises bank balances at relevant bank rates, money market deposits at call rates. The table above includes client's money and deposits with brokers.

15. Derivatives and other financial instruments (continued)

Liquidity Risk

LCG's policy is to maintain a mixture of short and medium-term facilities to meet foreseeable requirements.

As at 30 September 2005, the facilities were as follows:

Other loan £10 million

Other loan £1.1 million

Amounts due to clients £2.8 million

The maturity profile of LCG financial liabilities at 30 September 2005 was as follows:

	<i>Loans</i>	<i>Amounts</i>	<i>LCG</i>
		<i>due</i>	<i>Total</i>
	<i>to clients</i>		<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Within one year	11,100	2,806	13,906

Currency risk

LCG trades in major currencies as principal with its clients. Limits on the exposures which LCG will accept are set by the board, and LCG hedges its exposure as necessary with market counterparties. The table below shows LCG transactional currency exposures at 30 September 2005 that gives rise to net currency gains and losses in the profit and loss account. Such exposures comprise the monetary assets and liabilities of LCG that are not denominated in the functional currency.

	<i>At 30</i>
	<i>September</i>
	<i>2005</i>
	<i>Sterling</i>
	<i>£'000</i>
Net monetary assets and liabilities	
Functional currency:	
Euros	192
USD	(11)

Fair Value Of Financial Instruments

The fair values of LCG financial assets and liabilities are as follows:

	<i>30 September</i>	
		<i>2005</i>
	<i>Book value</i>	<i>Fair value</i>
		<i>£'000</i>
Primary financial instruments held or issued to finance the Group operations		
Financial assets	4,553	4,553
Other loans	11,100	11,100
Amounts due to clients	2,806	2,806

16. Called up share capital

	30 September 2005 £'000	31 December 2004 £'000	31 December 2003 £'000
Ordinary shares of £1 each	1,055	1,055	1,055
			<i>Authorised</i> 2005 £'000
2,000,000 Ordinary shares of £1 each			2,000

17. Reserves

	<i>Profit and Loss account</i> £'000
At 1 January 2002	300
Retained profit for the year	(213)
At 31 December 2003	87
Retained profit for the year	155
At 31 December 2004	242
Retained profit for the period	624
At 30 September 2005	866

18. Reconciliation of movement in equity shareholders' funds

	30 September 2005 £'000	31 December 2004 £'000	31 December 2003 £'000
Shareholders' funds at 1 January	1,297	1,142	1,355
Profit for the financial year/period	624	155	(213)
Shareholders' funds at period end	1,921	1,297	1,142

19. Financial Commitments

Lease commitments

The following annual rentals are committed by the Group in respect of non-cancellable operating leases:

	<i>Land and buildings</i>		
	30 September 2005 £'000	31 December 2004 £'000	31 December 2003 £'000
Leases which expire:			
Within one year	—	—	—
In two to five years	150	150	150
After five years	—	—	—
	150	150	150

19. Financial Commitments (continued)

Other commitments

LCG has, in the normal course of business, given a fixed charge over its assets to Fortis Clearing London Limited. LCG has also give a fixed charge over a rent deposit of £75,000 in favour of Tullet and Tokyo Liberty (Securities) Limited.

20. Related Party Transactions

During the year to 31 December 2003 Curvalue UK Services Limited (now not a part of the group) formally a wholly owned subsidiary of London Capital Group Limited, made an inter-company charge of £195,935 to London Capital Group Limited

21. Reconciliation of operating profit to net cash inflow from operating activities

	<i>30 September 2005 £'000</i>	<i>31 December 2004 £'000</i>	<i>31 December 2003 £'000</i>
Operating profit/(loss)	914	176	(246)
Depreciation charges	37	4	–
Decrease in debtors	306	1,332	500
(Decrease)/increase in creditors	(146)	70	(108)
Net cash inflow from operating activities	<u>1,111</u>	<u>1,582</u>	<u>146</u>

22. Reconciliation of net cash flow to movement in net debt

	<i>30 September 2005 £'000</i>	<i>31 December 2004 £'000</i>	<i>31 December 2003 £'000</i>
Increase in cash in the period/year	915	1,357	65
Cash outflow/(inflow) from change in debt and lease financing	<u>–</u>	<u>–</u>	<u>–</u>
Decrease in net debt resulting from cash flows	915	1,357	65
Net cash at 1 January	<u>353</u>	<u>(1,004)</u>	<u>(1,069)</u>
Net cash at period/year end	<u>1,268</u>	<u>353</u>	<u>(1,004)</u>

23. Analysis of net cash

	<i>At 1 January 2005 £'000</i>	<i>Cash Flow £'000</i>	<i>At 30 September 2005 £'000</i>
Cash at bank and in hand	353	915	1,268
Bank overdrafts	<u>–</u>	<u>–</u>	<u>–</u>
	<u>353</u>	<u>915</u>	<u>1,268</u>

23. Analysis of net cash (continued)

	<i>At 1 January 2004 £'000</i>	<i>Cash Flow £'000</i>	<i>At 30 September 2004 £'000</i>
Cash at bank and in hand	–	353	353
Bank overdrafts	(1,004)	1,004	–
	<u>(1,004)</u>	<u>1,357</u>	<u>353</u>
	<i>At 1 January 2003 £'000</i>	<i>Cash Flow £'000</i>	<i>At 30 September 2003 £'000</i>
Cash at bank and in hand	–	–	–
Bank overdrafts	(1,069)	65	(1,004)
	<u>(1,069)</u>	<u>65</u>	<u>(1,004)</u>

PART V

Unaudited Pro forma statement of Net Assets of London Capital Group Holdings plc

The following unaudited pro forma statement of net assets of London Capital Group Holdings plc as at 30 September 2005, based upon the consolidated balance sheet of London Capital Group Holdings plc at that date as set out in Part A of Part IV of this document, has been prepared to illustrate the effect of the Placing and the Acquisition as if the Placing and the Acquisition had taken place on the date reported. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the current financial position of London Capital Group Holdings plc.

The pro forma consolidated financial information set out below has been prepared in accordance with the accounting policies adopted by London Capital Group Holdings plc.

The accompanying notes are an integral part of the pro forma financial information.

	<i>Net assets of the Group (note 1) 30 September 2005 £'000</i>	<i>Adjustments (note 2) 30 September 2005 £'000</i>	<i>Pro forma Net assets of the Group 30 September 2005 £'000</i>
Fixed Assets			
Intangible assets	9,431	2,948 ^(d)	12,379
Tangible assets	177	–	177
	9,608	2,948	12,556
Current Assets			
Debtors	777	–	777
Cash at bank and in hand	1,556	(677) ^(b)	879
	2,333	(677)	1,656
Creditors: amounts falling due within one year	(11,586)	11,537 ^(a)	(49)
Net Current (liabilities)/assets	(9,253)	10,860	1,607
Total assets less current liabilities	355	13,808	14,163
Minority interest	(192)	192 ^(c)	–
Net Assets	163	14,000	14,163

Notes:

- The net assets of the London Capital Group Holdings Plc as at 30 September 2005 have been extracted, without material adjustment, from the consolidated balance sheet of London Capital Group Holdings Plc as set out in Part A of Part IV of this document.

2. Adjustments have been made to reflect the effect of the Placing, the repayment of the MBO loans and the Acquisition of the 10% minority interest in LCG that was previously owned by the MBO vendor:

	£
Gross proceeds of the Placing	15,000,000
Less: Estimated costs of Admission and the Placing	(1,000,000)
Repayment of MBO Loans and accrued interest (see below)	(11,537,000) ^(a)
Acquisition cost of minority interest	<u>(3,140,000)</u>
Adjustment to cash at bank and in hand	<u>(677,000) ^(b)</u>
Acquisition cost of minority interest	3,140,000
Less: Carrying value of minority interest	<u>(192,000) ^(c)</u>
Goodwill created on Acquisition	<u>2,948,000 ^(d)</u>
Loans and outstanding interest comprises:	
Capital balance on term loan	10,000,000
Interest on tem loan	426,000
Capital balance on vendor loan	1,100,000
Interest on vendor loan	<u>11,000</u>
	<u>11,537,000 ^(a)</u>

3. No adjustment has been made to reflect the trading or transactions of the Group subsequent to 30 September 2005.

The Directors
London Capital Group Holdings plc
51-55 Gresham Street
London
EC2V 7EL



HURST MORRISON THOMSON

5 Fairmile Henley-on-Thames
Oxfordshire RG9 2JR

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www.hmtgroup.com

The Directors
Evolution Securities Limited
100 Wood Street
London EC2V 7AN

15 December 2005

Dear Sirs

Pro forma statement of net assets of the Group

Words and phrases defined in the document dated 15 December 2005 in which this report appears shall have the same meaning in this report, save where the context requires otherwise. We report on the pro forma statement of net assets set out in Part V of this document which has been prepared, for illustrative purposes only to provide information about how the Placing and Acquisition might have affected the statement of net assets presented by the Group.

Responsibilities

It is the responsibility solely of the Directors of London Capital Group Holdings plc to prepare the pro forma consolidated statement of net assets in accordance with Annex II of the prospectus rules published by the Financial Services Authority (the “**Prospectus Rules**”).

It is our responsibility to form an opinion, as required by the Prospectus Rules, on the pro forma consolidated statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma consolidated statement of net assets with the Directors.

Consent

We consent to the inclusion in this document of this report in the form and context in which it appears for the purposes of paragraph 23.1 of Annex I and paragraph 10.3 of Annex III of the Prospectus Rules.

Hurst Morrison Thomson LLP is a limited liability partnership registered in England and Wales with registration number OC302994.

A list of members' names is available for inspection at the above address.

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

Hurst Morrison Thomson LLP is an appointed representative of Hurst Morrison Thomson which is authorised and regulated for investment business by the Financial Services Authority

Opinion

In our opinion:

- (a) the pro forma consolidated statement of net assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the London Capital Group Holdings plc.

Hurst Morrison Thomson LLP
Chartered Accountants
5 Fairmile
Henley-on-Thames
Oxfordshire RG9 2JR

PART VI

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors whose names appear on page 4 of this document and in paragraph 6 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

- 2.1. The Company was incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5497744 on 4 July 2005 as a private company limited by shares with the name of Pitcomp 368 Limited.
- 2.2. On 14 December 2005, the Company was re-registered as a public limited company with the name London Capital Group Holdings plc.
- 2.3. The Company operates under the Act and the liability of its members is limited.
- 2.4. The Company is domiciled in the United Kingdom.

3. SHARE CAPITAL

- 3.1. The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1.00 each of which one was issued nil paid to the subscriber to the memorandum of association. On 2 December 2005 one subscriber share was transferred to Francis Chapman and the subscriber share was paid up in full.
- 3.2. By a written resolution passed on 14 December 2005 the authorised share capital of the Company was increased from £1,000 to £2,000,000 by the creation of 1,999,000 ordinary shares of £1.00 each in the capital of the Company.
- 3.3. On 14 December 2005 the Company issued a further 999 ordinary shares of £1.00 each at a subscription price of £1.00 per share.
- 3.4. On 14 December 2005 a total of 1,999,000 ordinary shares of £1.00 each were issued and allotted at par and credited as fully paid to Francis Chapman, Simon Denham and Rachel Woodford in consideration of the transfer of the entire issued share capital of Tradex Enterprises Limited to the Company pursuant to the terms of the acquisition agreement described in paragraph 13.1.3 of this Part VI.
- 3.5. By written resolutions passed on 14 December 2005, resolutions were passed to, *inter alia*:
 - 3.5.1. subdivide each of the then existing ordinary shares of £1.00 each in the capital of the Company into 10 ordinary shares of 10p each;
 - 3.5.2. increase the authorised share capital of the Company from £2,000,000 to £5,500,000 by the creation of 35,000,000 new Ordinary Shares of 10p each;
 - 3.5.3. authorise the Directors to allot relevant securities (as defined in section 80 of the Act) in the Company up to an aggregate nominal amount of £3,500,000, such authority to expire on the earlier of the next annual general meeting or 14 March 2007; and
 - 3.5.4. empower the Directors to allot equity securities (as defined in section 94 of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment, such power limited to: (a) the allotment of 18,292,683 Ordinary Shares in connection with the Placing; (b) the

allotment of new Ordinary Shares pursuant to the exercise of options granted under the Share Option Schemes; (c) the allotment of equity securities in relation to a rights issue and other pre-emptive issues in favour of ordinary shareholders; and (d) otherwise up to an aggregate nominal amount of £191,463 such power to expire on the conclusion of the next annual general meeting or 14 March 2007.

- 3.6. As at the date of this document, and immediately following completion of the Placing and Admission, the Company's authorised and issued share capital is, and is expected to be, as follows:

	<i>Existing</i>		<i>Following Admission and the Placing</i>	
	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>	<i>Nominal value (£)</i>	<i>Number of Ordinary Shares</i>
Authorised	2,000,000.00	20,000,000	5,500,000.00	55,000,000
Issued and fully paid	2,000,000.00	20,000,000	3,829,268.30	38,292,683

- 3.7. The balance of the authorised but unissued share capital of the Company immediately following the Placing and Admission, amounting to 16,707,317 Ordinary Shares will remain unissued and unreserved save for 3,829,268 Ordinary Shares over which options are to be granted pursuant to the Share Option Schemes as detailed in paragraph 9 of Part VI of this document.
- 3.8. Subject to the Share Option Schemes and save in connection with the Placing and Admission, no share or loan capital of the Company is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.
- 3.9. There are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.10. There are no outstanding convertible securities issued by the Company.
- 3.11. The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on the shareholders rights of pre-emption in respect of allotments of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital except to the extent disapplied by written resolution of the Company referred to in paragraph 3.5.4 above.
- 3.12. The International Security Identification Number for the Ordinary Shares is GB00B0RHGY93.

4. COMPANY AND ITS SUBSIDIARY UNDERTAKINGS

The Company acts as the holding company of the Group, the current principal activities of which are financial spread betting, online trading and institutional broking. The Company has the following subsidiary companies each of which is wholly owned or ultimately wholly owned:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Number of shares held</i>	<i>Percentage of issued shares held</i>	<i>Principal activity</i>
Tradex Enterprises Limited	England	1000 ordinary shares of £1 each	100% held by the Company	Intermediate holding company
London Capital Group Limited	England	1,055,258 ordinary shares of £1 each	*100% held by the Company (90.001% held by Tradex Enterprises Limited and 9.999% held by the Company)	Financial spread betting, online trading and institutional broking
Capital Forex Limited	England	1 ordinary share of £1	100% held by London Capital Group Limited	Dormant
Capital Spreads Limited	England	1 ordinary share of £1	100% held by London Capital Group Limited	Dormant
Elan Capital Partners Limited	Gibraltar	2000 ordinary shares of £1 each	100% held by Tradex Enterprises Limited	Dormant

* Assumes the Company has acquired the minority interest in LCG immediately at Admission

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

In this paragraph 5, “Statutes” means the Act and every other statute or statutory instrument, rule, order or regulation from time to time in force concerning companies so far as they apply to the Company.

5.1. *Memorandum of association*

The objects of the Company are set out in clause 4 of the Company’s memorandum of association and its principal objects are, among others, to carry on business as a general commercial company and to do all such things as are incidental or conducive to the carrying on of any trade or business by it.

5.2. *Articles of association*

The articles of association of the Company (“Articles”), which were adopted by written resolution dated 14 December 2005, contain provisions, among others, to the following effect:

5.2.1. Voting rights

Subject to any special terms as to voting upon which any share may be issued, or may be held, and subject to the provisions of the Articles, on a show of hands every member of the Company (“Member”) present in person or by proxy and entitled to vote shall have one vote and on a poll every Member present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder.

No Member is entitled to be present or to be counted in the quorum or vote, either in person or by proxy, at any general meeting or at any separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll, unless all calls or other moneys due and payable in respect of the Member’s share or shares have been paid.

Where a notice is served by the Company under section 212 of the Act (a “section 212 notice”) on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any shares (the “default shares” which expression includes any shares issued after the date of the section 212 notice in respect of those shares) to give the Company the information required within 14 days from the date of service of the section 212 notice then, unless the Board otherwise decides, the Member is not entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll.

5.2.2. Dividends

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid. Dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend which has remained unclaimed for a period of 12 years from the date it became due for payment is forfeited and ceases to remain owing by the Company.

Where a section 212 notice is served on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any default shares to give the Company the information required within 14 days of the service of the section 212 notice and the default shares represent at least 0.25 per cent in nominal value of the issued shares of their class then, unless the Board otherwise decides, any dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it and the Member is not entitled to elect to receive shares instead of a dividend.

5.2.3. Distribution of assets on a winding up

If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of an extraordinary resolution and any sanction required by the Act, divide among the Members in specie the whole or any part of the assets of the Company and whether or not the assets consist of property of one kind or of different kinds and may for this purpose set such value as he deems fair on any class or classes of property and may determine on the basis of that valuation and in accordance with the then existing rights of Members how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the same authority, vest the whole or any part of the assets in the trustees upon such trust for the benefit of Members as the liquidator may think fit but so that no member shall be compelled to accept any asset in respect of which there is a liability or potential liability.

5.2.4. Purchase of own shares

Subject to the Statutes, the Company may purchase its own shares (including any redeemable shares) or enter into such agreement (contingent or otherwise) in relation to the purchase of its own shares on such terms and in such manner as may be permitted by the Statutes and any shares to be so purchased may be selected by the Board in any manner.

5.2.5. Variation of class rights

Subject to the Statutes, the rights attached to any class of shares may be varied or abrogated (a) in such manner (if any) as may be provided by those rights or (b) in the absence of provision, either with the consent in writing of the holders of at least three fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of that class and then only subject to the provisions of section 127 of the Act.

5.2.6. Transfer of shares

Subject to the provisions of the Articles, any Member may transfer all or any of his certificated shares by instrument of transfer in writing in any usual form or in such other form as the Board may approve and the instrument must be executed by or on behalf of the transferor and (except in the case of a share which is fully paid up) by or on behalf of the transferee but need not be under seal. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of Members in respect of it.

Subject to the following paragraph, the Board may refuse to register a transfer of a certificated share unless it is (a) in respect of only one class of shares, (b) in favour of not more than four joint transferees, (c) duly stamped (if required), and (d) delivered for registration to the office of the Company where the register of Members is situated from time to time or at such other place as the board may decide accompanied by the certificate for the shares to be transferred (save in the case of a transfer by a recognised person to whom no certificate was issued) and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so. The Board may impose restrictions on the transfer of a certificated share which is not fully paid, provided that the restrictions are not such as to prevent dealings in the shares from taking place on an open and proper basis.

Subject to the CREST Regulations, the Board may permit shares of any class to be held in uncertificated form and to be transferred by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

The Board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the UKLA, the London Stock Exchange, the CREST Regulations and the rules and practices of the operator of the relevant system.

Where a section 212 notice is served on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any default shares to give the Company the information required within 14 days from the date of service of the section 212 notice and such shares represent at least 0.25 per cent. in nominal value of the issued shares of their class, then, unless the Board otherwise decides, no transfer of any of the default shares shall be registered unless the transfer is an “excepted transfer” (as defined in the Articles) or the Member is not himself in default in supplying the information required and the Member proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer or the transfer is required by the CREST Regulations.

Other than as set out above, the Articles contain no restrictions as to the free transferability of fully paid shares.

5.2.7. Alterations to capital

The Company may by ordinary resolution (a) increase its authorised share capital by a sum to be divided into shares of an amount prescribed by the resolution; (b) consolidate and divide all or any of its authorised share capital into shares of a larger amount than its existing shares; (c) cancel any authorised shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled; and (d) subject to the Statutes, sub-divide all or any of its shares into shares of a smaller amount and may by resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any restrictions, as compared with the others.

Subject to the Statutes and to the rights attached to existing shares, the Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner.

5.2.8. Borrowing powers

The Board may exercise all the powers of the Company to borrow or raise money and to mortgage and charge its undertaking, property and assets and uncalled capital or any part thereof and subject to the Act, to create and issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any subsidiary or third party save that the maximum amount which may be borrowed without the prior consent of the Company's shareholders by ordinary resolution shall be the greater of three times Shareholder Funds (as defined in the Articles) or £15 million.

5.2.9. Directors

Unless and until otherwise determined by the Company by ordinary resolution the number of directors is not subject to a maximum but must not be fewer than two.

The directors may appoint a person who is willing to act to be a director, either to fill a vacancy or as an addition to the directors. A director so appointed shall hold office only until the dissolution of the annual general meeting following next after his appointment, unless he is reappointed during the meeting. A director so retiring shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

At the first annual general meeting all the Directors shall retire from office and at every subsequent annual general meeting one third of the Directors who are subject to retirement by rotation shall retire.

The remuneration of a director appointed to hold employment or executive office in accordance with the Articles may be of any description as the directors may determine and may be in addition to or instead of a fee payable to him for his services as director pursuant to the Articles.

The directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in the performance of their duties as directors, including their expenses of travelling to and from meetings of the directors or committees of the directors or general meetings or separate meetings of the holders of a class of shares and any expenses incurred by them in obtaining independent professional advice.

The Board may provide benefits, whether by payment of gratuities or pensions or by insurance or otherwise for any director who has held but no longer holds any executive office or employment with the Company or any subsidiary and for any member of his family (including spouses, former spouses or a dependant) and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

Without prejudice to the requirements of the Statutes, a director who is in any way, directly or indirectly, interested in a arrangement or transaction with the Company shall declare the nature of his interest at the meeting of the directors at which the question of entering into the arrangement or transaction is first taken into consideration, if he knows his interest then exists, or, in any other case, at the next meeting of the directors after he knows that he is or has become interested.

Except as provided in the Articles, a director may not vote on any resolution concerning a matter in which he is materially interested, directly or indirectly otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the

Company. This prohibition does not apply to any resolution concerning any of the following matters namely:

- a) the giving to him or a person connected with him of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- b) the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself or a person connected with him has assumed responsibility, in whole or in part, under a guarantee or indemnity or by the giving of security;
- c) a contract, arrangement, transaction or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he or a person connected with him is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
- d) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise (relevant company) if he is not directly or indirectly the holder of or beneficially interested in one per cent. or more of a class of equity share capital of the relevant company (excluding any shares held as treasury shares) or of the voting rights available to members of the relevant company or able to cause one per cent. or more of those voting rights to be cast at his direction (and for the purposes of this Article, shares held by a director as bare or custodian trustee and in which he has no beneficial interest, shares comprised in a trust and in which the director's interest is in reversion or is in remainder, if and so long as another person is entitled to receive the income from the trust, and shares comprised in an authorised unit trust scheme in which the director is interested only as a unit holder are disregarded);
- e) a contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or personal pension plan or employees' share scheme under which he may benefit and which has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes or which does not accord to any director as such any privilege or benefit not accorded to the employees to whom the scheme or fund relates;
- f) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings under which the director benefits in a similar manner to the employees and which does not accord to any director as such any privilege or benefit not accorded to the employees to whom it relates; or
- g) a contract, arrangement, transaction or proposal concerning the maintenance or purchase of any insurance policy for the benefit of directors or for the benefit of persons including directors.

5.2.10. General Meetings

At least 21 clear days' notice of every annual general meeting and of every extraordinary general meeting at which it is proposed to pass a special resolution and at least 14 clear days' notice of every other extraordinary general meeting shall be given, to such Members as are, under the Articles, or the terms of issue of shares, entitled to receive such notices from the Company and to the Directors and the Auditors.

6. DIRECTORS' AND OTHER INTERESTS

- 6.1. The interests of the Directors (all of which are unless otherwise stated beneficial) in the issued share capital of the Company as at the date of this document and immediately following the Placing and Admission, such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a director are, and will be, as follows:

<i>Director</i>	<i>Existing Percentage of issued ordinary share capital</i>	<i>Following Placing and Admission Percentage of issued ordinary share capital</i>
<i>Number of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>
Robert Loosemore	–	121,951
Francis Chapman	7,040,000	7,040,000
Simon Denham	8,140,000	8,140,000
Rachel Brownlow (née Woodford)	4,820,000	4,820,000
Geoffrey Forster	–	6,097

- 6.2. Save as set out in paragraph 6.1 above, following the Placing and Admission no Director will, and no person connected with a Director is expected to, have any interest in the share capital of the Company.
- 6.3. As at 14 December 2005 (being the latest practicable date prior to publication of this document) in so far as is known to the Company, no person or persons, other than as set out in paragraph 6.1 above, are or will, immediately following the Placing and Admission, be interested, directly or indirectly, in 3 per cent. or more of the capital of the Company.
- 6.4. As at 14 December 2005 (being the latest practicable date prior to publication of this document) save as disclosed in this paragraph 6, the Company is not aware of any person or persons who, directly or indirectly, jointly or severally, at the date of this document, or following the Placing and Admission, exercise or could exercise control over the Company nor is the Company aware of any arrangements that may at a subsequent date result in a change of control of the Company.
- 6.5. The Company's major shareholders do not have different voting rights.

¹ With effect from Admission, Robert Loosemore will be granted an option over 191,463 Ordinary Shares, representing approximately 0.5 per cent. of the Ordinary Shares in issue in the Company following the Placing and Admission.

7. ADDITIONAL INFORMATION ON THE DIRECTORS

7.1. Other than their directorships of the Company and companies within the Group, the directorships and partnerships currently held by the Directors and held over the five years preceding the date of this document are as follows:

7.2	<i>Director</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
	Francis Chapman	–	Flagship (North Sea) Limited London Capital Partners Limited Woodbridge Investment Management (UK) Limited
	Simon Denham	Spread Betting Association Limited	–
	Rachel Woodford	–	–
	Robert Loosemore	Pembroke Assets Limited Clockwork Holdings Limited Clockwork Components Limited Loosemore Limited Magdalen Consulting Limited Wayside Construction Limited Lynxangel Public Limited Company Wildwood Investment Limited	Torex Retail plc Wildwood Commercial Limited
	Geoffrey Forster	Spirit Motor Holdings Limited Oise plc Torex Retail plc Lynxangel Public Limited Company Premier Research Group plc	The Torex Foundation Summit Corporate Services Limited KPOS Limited Torex Retail (KPOS) Limited

7.3. None of the Directors has:

- 7.3.1. any unspent convictions in relation to indictable offences;
- 7.3.2. had a bankruptcy order made against him or made an individual voluntary arrangement;
- 7.3.3. been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors whilst he was a director of that company or within 12 months after he ceased to be a director of that company;
- 7.3.4. been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;
- 7.3.5. had any asset placed in receivership or any asset of a partnership in which he was a partner placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership; or
- 7.3.6. been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7.4. No Director has or has had any interest, whether direct or indirect, in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was effected during the current or immediately preceding financial year, or which was effected during any earlier financial year and remains in any respect outstanding or un-performed.

- 7.5. No loans or guarantees have been granted or provided to or for the benefit of the Directors by the Company.
- 7.6. No Director or member of such a Director's family has a related financial product referenced to the price of Ordinary Shares.

8. DIRECTORS' SERVICE AND CONSULTANCY AGREEMENTS AND EMOLUMENTS

The Directors have entered into service or consultancy agreements with the Company as follows:

- 8.1. Francis Chapman was appointed, conditional on Admission, as Chief Executive Officer of the Company by a service agreement dated 15 December 2005. The principal terms of his service agreement include that it is terminable on six months' notice in writing by the Company or six months' notice in writing by Francis Chapman. The agreement provides that Francis Chapman is entitled to a salary of £105,000 per annum payable in 12 equal instalments in arrears. The Company reserves the right to pay Francis Chapman salary in lieu of notice. In addition to his annual salary, Francis Chapman is also entitled to a bonus payable at the discretion of the Board. The amount of the bonus, if any, shall be calculated in relation to forecasts set by the Board/Remuneration Committee and is payable at the end of January in each calendar year. In the event that 100 per cent. of the target forecasts are met for the period from 1 January 2006 to 31 December 2006, the bonus payable will, subject to there being sufficient actual profit, be at least one times salary for the year. Francis Chapman is entitled to 25 working days' paid holiday in each year. Francis Chapman is also entitled to participate at the Company's expense for himself and his spouse and dependent children in the Company's private medical expenses insurance scheme. The service agreement also contains a number of restrictive covenants which last for 12 months after termination of employment. These include a non-compete clause and clauses preventing the solicitation of employees and customers or clients. There is no entitlement to a pension contribution and there are no provisions for compensation in the event of early termination.
- 8.2. Simon Denham was appointed, conditional on Admission, as Chief Operating Officer of the Company by a service agreement dated 15 December 2005. The principal terms of his service agreement, include that it is terminable on six months' notice in writing by the Company or six months' notice in writing by Simon Denham. The agreement provides that Simon Denham is entitled to salary of £105,000 per annum payable in 12 equal instalments in arrears. The Company reserves the right to pay Simon Denham salary in lieu of notice. In addition to his annual salary, Simon Denham is also entitled to a bonus payable at the discretion of the Board. The amount of the bonus, if any, shall be calculated in relation to forecasts set by the Board/Remuneration Committee and is payable at the end of January in each calendar year. In the event that 100 per cent. of the target forecasts are met for the period from 1 January 2006 to 31 December 2006, the bonus payable will, subject to there being sufficient actual profit, at least one times of salary for the year. Simon Denham is entitled to 25 working days' paid holiday in each year. Simon Denham is also entitled to participate at the Company's expense for himself and his spouse and dependent children in the Company's private medical expenses insurance scheme. The service agreement also contains a number of restrictive covenants which last for 12 months after termination of employment. These include a non-compete clause and clauses preventing the solicitation of employees and customers or clients. There is no entitlement to a pension contribution and there are no provisions for compensation in the event of early termination.
- 8.3. Rachel Woodford was appointed, conditional on Admission, as Sales and Marketing Director of the Company by a service agreement dated 15 December 2005. The principal terms of her service agreement, include that it is terminable on six months' notice in writing by the Company or six months' notice in writing by Rachel Woodford. The agreement provides that Rachel Woodford is entitled to salary of £105,000 per annum payable in 12 equal instalments in arrears. The Company reserves the right to pay Rachel Woodford salary in lieu of notice. In addition to her annual salary, Rachel Woodford is also entitled to a bonus payable at the discretion of the Board. The amount of the discretionary bonus, if any, shall be calculated in relation to forecasts set by the Board/Remuneration Committee and is payable at the end of January in each calendar year. In the

event that 100 per cent. of the target forecasts are met for the period from 1 January 2006 to 31 December 2006, the bonus payable will, subject to there being sufficient actual profit, be at least one times of salary for the year. Rachel Woodford is entitled to 25 working days' paid holiday in each year. Rachel Woodford is also entitled to participate at the Company's expense for herself and her spouse and dependent children in the Company's private medical expenses insurance scheme. The service agreement also contains a number of restrictive covenants which last for 12 months after termination of employment. These include a non-compete clause and clauses preventing the solicitation of employees and customers or clients. There is no entitlement to a pension contribution and there are no provisions for compensation in the event of early termination.

- 8.4. Robert Loosemore was appointed as a non-executive director of the Company by a letter of appointment dated 15 December 2005. His appointment is for an initial term of one year unless terminated earlier by either party giving not less than three month's written notice. The letter provides that he is entitled to a fee of £35,000 per annum together with the reimbursement of all reasonable travelling and other out of pocket expenses. There are no commission or profit sharing arrangements or other benefits and there are no provisions for compensation in the event of early termination.
- 8.5. Geoffrey Forster was appointed as a non-executive director of the Company by a letter of appointment dated 15 December 2005. His appointment is for an initial term of one year unless terminated earlier by either party giving not less than three month's written notice. The letter provides that he is entitled to a fee of £25,000 per annum together with the reimbursement of all reasonable travelling and other out of pocket expenses. There are no commission or profit sharing arrangements or other benefits and there are no provisions for compensation in the event of early termination.
- 8.6. Save as provided in paragraphs 8.1 to 8.5 above, there are no existing or proposed service agreements between any of the Directors and the Company.

9. SHARE OPTION SCHEMES

9.1 The London Capital Group Holdings plc Enterprise Management Incentive Scheme

The Directors have resolved, conditional on Admission and subject to confirmation from HM Revenue & Customs that the nature of the activities of London Capital Group Limited are not excluded activities as defined by Paragraph 16 of Schedule 5 of Income Tax (Earnings & Pensions) Act 2003, to adopt the London Capital Group Holdings plc Enterprise Management Incentive Scheme ("EMI Scheme") and to grant options (under Schedule 5 Income Tax (Earnings and Pensions) Act 2003) to qualifying employees on the date of Admission.

The EMI Scheme has an individual limit of £100,000 worth of shares as at the date of grant under option. Accordingly, the extent to which the options subsist over shares with a value exceeding the maximum value of shares per option holder such excess option shall be void. If clearance is not given by HM Revenue & Customs that the activities of the Company are not excluded activities, all options under the EMI Scheme shall be void. An additional unapproved option will be granted over such number of shares to ensure that the total number of shares subsisting under the EMI Scheme and the Unapproved Plan noted below, should this scheme be adopted, shall be 3,829,268.

No Director or employee may obtain and exercise options under the EMI Scheme if he or she owns more than 30% of the issued share capital of the Company.

The options to be granted on Admission under the EMI Scheme are exercisable at the earliest of 3 years after the date of grant, or a disqualifying event as defined by section 534 of Income Tax (Earnings and Pensions) Act 2003.

9.2 The London Capital Group Holdings plc Unapproved Share Option Plan 2005

The Directors are proposing to adopt the London Capital Group Holdings plc Unapproved Share Option Plan 2005 ("the Unapproved Plan"). The Unapproved Plan is intended to be used where Directors or employees will not qualify for the EMI Scheme or will exceed the individual limit under

the EMI Scheme as referred to in 9.1 above and to grant options to certain self-employed contractors to the Company. The Unapproved Plan is more flexible than the EMI Scheme, however, it is not as favourable from a taxation point of view. Exercise of the options will give rise to income tax and National Insurance Contributions liabilities for both employee and employer. It is possible to enter into an arrangement for the employee to pay the employer's secondary Class 1 National Insurance Contributions to reduce the overall cost of the scheme to the Company. It is intended that this will be determined on a case by case basis.

There is a limit to the number of shares that can be granted under the Unapproved Plan noted below.

9.3 *Terms of Share Option Schemes*

The principal terms of both of the Share Option Schemes are as follows:

- (a) options may not be granted to the extent that the options granted under the Share Option Schemes would exceed 10 per cent. of the Enlarged Issued Share Capital (including for these purposes the options set out in 9.1 and 9.2 above);
- (b) options may be granted under the EMI Scheme to any qualifying employee or qualifying Director of the Company or its subsidiaries. Options may be granted under the Unapproved Plan to any employees, Directors or self-employed contractors of the Company or its subsidiaries;
- (c) options may only be exercised commencing 3 years after the date of grant or a disqualifying event and ending ten years after the date of grant. The price at which options may be exercised will be at the discretion of the Board/Remuneration Committee, but shall not be less than the greater of the average market value of an Ordinary Share on the three business days immediately prior to the grant, or the nominal value, if higher;
- (d) the Board/Remuneration Committee may impose such performance conditions on the exercise of options as it thinks fit;
- (e) options will lapse on cessation of employment or engagement or ceasing to meet qualifying positions; and
- (f) options may only be granted during the following periods:
 - (g) within 42 days of the Unapproved Plan (or any amendment to the Unapproved Plan) having effect;
 - (i) in each period of 42 days immediately following the date on which the Company makes the preliminary announcement of its annual results or its interim results;
 - (ii) in any other period of 42 days following the occurrence of an event which, in the opinion of the Board, is an exceptional event relating to or affecting the Group; or
 - (iii) within the period of 42 days commencing on the day immediately following the day of commencement of an eligible employee's employment with the Group. Provided that, if the Company is restricted by statute, order or regulation (including any regulation, order or requirement imposed on the Company by the London Stock Exchange or any other regulatory authority) from granting options within any such period the Company may do so at any time within the period of 42 days beginning with the date on which such restriction is removed.

10. TAXATION

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice. An investor who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

10.1. *United Kingdom taxation*

The statements set out below are general in nature and are intended only as a general guide to certain aspects of current UK law and practice and apply only to certain categories of persons. The summary does not purport to be a complete analysis of all the potential tax consequences of acquiring, holding and disposing of Ordinary Shares and only relates to the position of shareholders who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as investments; in particular it does not address the position of certain classes of shareholders, such as dealers in securities.

Prospective purchasers of Ordinary Shares who are in any doubt about their tax position, and in particular those who are subject to taxation in any jurisdiction other than the UK, are strongly recommended to consult their own tax advisers concerning the tax consequences of the acquisition, ownership and disposal of Ordinary Shares.

This summary is based upon UK law and practice as of the date of this document. UK law and practice may be subject to change, possibly with retroactive effect.

10.2. *Dividends*

There is no United Kingdom withholding tax on dividends paid by the Company.

In respect of dividends on Ordinary Shares, individual shareholders who are resident in the UK for tax purposes are entitled to a tax credit at the rate of one ninth of the cash dividend received or 10 per cent, of the aggregate of the cash dividend received and the associated tax credit. Dividend income will be treated as the top slice of an individual's income. Shareholders receiving dividends will be liable to income tax (if at all) on the aggregate of the dividend and the associated tax credit at, in the case of starting and basic rate taxpayers, the dividend ordinary rate (10 per cent. in 2005-2006) or, in the case of higher rate taxpayers, the dividend upper rate (32.5 per cent. in 2005-2006). The tax credit is offset against the total income tax liability. Taxpayers who, after taking into account dividend income, are liable to UK income tax at only the starting or basic rate will have no further liability to income tax. Higher rate taxpayers will, after taking into account the tax credit, have an additional tax liability of 25 per cent. of the cash dividend received.

No repayment of the tax credit in respect of dividends can be claimed by a UK resident Shareholder.

Subject to certain exceptions for some insurance companies, UK tax resident corporate shareholders are not (unless carrying on a trade of dealing in shares) generally liable to UK corporation tax or income tax in respect of dividends received.

Non-UK resident shareholders and shareholders subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser concerning their liabilities to tax on dividends received.

10.3. *Taxation of chargeable gains*

A shareholder resident or ordinarily resident for tax purposes in the UK, who sells or otherwise disposes of his Ordinary Shares, may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal. Individual shareholders resident for tax purposes in the UK who are not within the charge to corporation tax may be entitled to business asset taper relief. The calculation for business asset taper relief on a subsequent disposal of Ordinary Shares will depend upon the period of ownership of these Ordinary Shares.

10.4. *UK inheritance tax*

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or on the death of, an individual holder of such assets may (subject to certain

exemptions and reliefs) give rise to a liability to UK inheritance tax even if the shareholder is neither domiciled nor deemed to be domiciled in the UK.

10.5. *Stamp duty and stamp duty reserve tax*

Under current UK legislation relating to stamp duty and SDRT, save in relation to depositary receipt arrangements or clearance services, where special rules apply:

- (a) no charge to stamp duty or stamp duty reserve tax should arise on the issue of new Ordinary Shares or on their registration in the names of applicants;
- (b) a subsequent transfer on sale of Ordinary Shares held in certified form will ordinarily be subject to stamp duty on the instrument of transfer, ordinarily at the rate of one half of one per cent. (rounded up to the nearest £5.00), of the amount or value of the consideration. An agreement to purchase Ordinary Shares will lead to a charge to SDRT (at the rate of 0.5 per cent. of the amount or value of the consideration) although any liability to SDRT will be cancelled or payment refunded if the instrument of transfer is duly stamped within six years of such agreement (or, where such agreement is conditional, within six years of such agreement becoming unconditional);
- (c) transfers of shares to charities will not give rise to stamp duty if adjudicated in accordance with the relevant legislation and agreements to transfer shares to charities will not give rise to SDRT; and
- (d) special rules apply to market intermediaries, dealers and certain other persons.

11. **WORKING CAPITAL**

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing that the working capital available to the Company and the Group will be sufficient for their present requirements, that is for at least the 12 months following Admission.

12. **LITIGATION**

There are no governmental, litigation or arbitration proceedings, including any such proceedings which are, pending or threatened of which the Company is aware during a period covering at least the previous 12 months which may have or have had in the recent past a significant effect on the Group's financial position or profitability.

13. **MATERIAL CONTRACTS**

13.1. The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company since its incorporation and are, or may be, material:

13.1.1. A nominated adviser and broker agreement dated 15 December 2005 and made between the Company (1), the Directors (2) and Evolution Securities (3) pursuant to which the Company has appointed Evolution Securities to act as its nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Evolution Securities a fee of £40,000 per annum (together with any applicable VAT) for its services. The agreement continues for a period of one year from the date of this agreement and thereafter is subject to termination on giving 90 days notice by either party. The agreement contains certain undertakings and indemnities given by the Company and the Directors in respect of, *inter alia*, compliance with applicable laws and regulations.

13.1.2. A placing agreement dated 15 December 2005, the Company (1), the Directors (2) and Evolution Securities (3) (the "**Placing Agreement**") under which Evolution Securities has agreed (conditionally, among other things, on Admission) to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Company agreed to pay to Evolution Securities (1) a fee of £100,000 and (2) a commission of 3.5 per cent. on

the aggregate value, at the Placing Price failing which Evolution Securities' has agreed to subscribe for such shares at the Placing Price, of the Placing Shares issued by the Company. The Company agreed to pay all other costs, charges and expenses of, and incidental to, the Placing and Admission, including the fees of the London Stock Exchange, registrars fees, printing, advertising and distribution expenses, the Company's legal and accountancy expenses and Evolution Securities' legal expenses and all related irrecoverable value added tax, if applicable. The Placing Agreement contains certain indemnities and warranties from the Company and warranties from the Directors in favour of Evolution Securities, together with provisions which enable Evolution to terminate the Placing Agreement in certain circumstances prior to admission including circumstances where any of the warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors for breach of warranty is limited.

The Placing Agreement also contains lock-in provisions pursuant to which the Directors have undertaken to the Company and Evolution Securities that they will not dispose of any Ordinary Shares (subject to certain limited exceptions including, without limitation, disposals by way of acceptance of a takeover offer for the entire issued share capital of the Company), for a period from Admission to the publication of the preliminary results for the Group for the year ending 31 December 2006 ("**Lock-in Period**"). Furthermore, each of the Directors have also undertaken to the Company and Evolution Securities not to dispose of their Ordinary Shares following the expiry of the Lock-in Period to the date which is 24 months following Admission otherwise than with the prior consent of Evolution Securities (not to be unreasonably withheld).

13.1.3. A sale and purchase agreement dated 14 December 2005 between Francis Chapman, Simon Denham and Rachel Woodford (1) and the Company (2) pursuant to which the Company acquired 1000 ordinary shares of £1.00 each in Tradex Enterprises Limited in consideration for the allotment to Francis Chapman, Simon Denham and Rachel Woodford of an aggregate of 1000 ordinary shares of £1.00 each in the capital of the Company, credited as fully paid up.

13.2 The following contracts (not being contracts in the ordinary course of business) have been entered into by any member of the Group (other than the Company) in the two years immediately preceding the publication of this document and are or may be material:

13.2.1 A sale and purchase agreement dated 11 May 2005 between London Capital Partners Limited (1), Tradex (2) and LCG (3) pursuant to which Tradex acquired 949,743 ordinary shares of £1 each in LCG, representing 90.001 per cent. of the entire share issue capital of LCG, for a consideration of £2,100,000 of which £1,000,000 was paid in cash at completion and £1,100,000 was payable by the issue of a loan note by Tradex to London Capital Partners Limited. The agreement contained a limited set of warranties relating to capacity, title to the shares, corporate and constitutional documents and there being no liabilities of which any members of the MBO team should be reasonably aware of. Tradex can bring a claim under the warranties at any time on or before 1 year from the completion date and provided that legal proceedings have been instituted in respect of the warranty claim within 12 months of written notice of the claim. London Capital Partners Limited will not be liable for breach of warranty or a breach under the tax covenant unless the claim is or exceeds £10,000 and the amount of claims exceeds an aggregate sum of £75,000 in the event of which the full amount of all such claims will be recoverable and not merely the excess. The maximum aggregate liability of London Capital Partners Limited for all warranty claim and claims under the tax covenant shall not exceed the total purchase price for the sale of the shares. In respect of the tax covenant, Tradex may bring a claim for breach of the tax covenant at anytime on or before 7 years from completion provided that legal proceedings have been commenced within 12 months of written notice of a claim. Whilst there are no restrictive covenants in the sale and purchase agreement, London Capital Partners Limited and John Rowe (the majority shareholder in London Capital Partners Limited) covenanted

with LCG that they would not for a period of 6 months from the date on which London Capital Partners Limited ceases to be a shareholder of LCG compete with the spread betting business, foreign exchange trading business or contracts for different business of LCG as carried on at the cessation date. LCG took out purchaser's warranty and indemnity insurance with HSBC insurance brokers to indemnify LCG against any loss suffered by it as a result of a breach of the warranties or the tax covenant under the agreement. The period of insurance is from 12 May 2005 to 12 May 2006 in the case of loss suffered under the warranties and the tax covenant. The maximum aggregate liability for all claims shall not exceed £3,000,000 in the aggregate and the excess is £2,000,000 in the aggregate.

- 13.2.2 A sale and purchase agreement dated 11 May 2005 between Acquarius Corporate Services Limited (1) Acquarius Management Services Limited (2) and Tradex (3) pursuant to which Tradex acquired the entire issued share capital of Elan Capital Partners Limited for a consideration of £8,000,000 which was payable in cash at completion. The agreement contained a limited set of warranties. Tradex may bring a claim under such warranties at any time on or before 12 months from completion and provided that legal proceedings have been instituted in respect of a claim within 12 months of written notice of a claim. The sellers shall not be liable unless a claim exceeds £10,000 and the aggregate amount of such claims exceeds £75,000 in the event of the full amount of all such claims will be recoverable and not merely the excess. The maximum aggregate liability for sellers in respect of all warranty claims shall not exceed the purchase price paid for the shares.
- 13.2.3 A loan agreement dated 11 May 2005 between Corporate Administration Management Limited ("CAM") (1) and Tradex (2) pursuant to which CAM lent to Tradex the sum of £10,000,000 of which £9,000,000 was used to fund the consideration for the acquisitions of the entire issued share capitals of LCG and Elan Capital Partners Limited and the remaining £1,000,000 was in consideration of working capital. The loan was secured by a debenture given by Tradex to CAM. The loan bears interest at the rate of 11.91 per cent. per annum above the base lending rate from time to time of HSBC Bank plc, subject to a minimum rate of 16.66 per cent. per annum. Interest is repayable in an amount of 6 per cent. per annum above the base lending rate from time to time of HSBC Bank plc on a monthly basis with the balance of the interest payable on final repayment of the loan. Interest accrues on a daily basis. The loan shall be repayable on the earlier of: admission to listing on AIM of the shares in Tradex or LCG; or if Tradex disposes of any of the issued shares held by it in LCG; where any person subscribes for an amount exceeding £1,000,000 for shares in Tradex and LCG or by 30 June 2006. Tradex can repay the whole or part of the loan at any time. The loan agreement contains general warranties and representations as well as the usual events of default. The security documents in support of the loan agreement included an unlimited guarantee given by LCG in favour of CAM, a debenture given by LCG in favour of CAM, a joint and several guarantee given by Francis Chapman, Simon Denham and Rachel Woodford in favour of CAM and a deed of postponement and subordination given by London Capital Partners Capital Limited in favour of CAM. The loan agreement contains a number of continuing obligations. These include that for so long as any amount remains outstanding under the loan, Tradex will ensure that the loan ranks in priority to all other indebtedness of Tradex and that save with the prior consent of CAM, Tradex will not and will procure that LCG will not issue any shares or grant any options, declare any dividends or make any distribution relating to shares, or vary the terms of the service agreements with Frank Chapman, Simon Denham and Rachel Woodford in a manner detrimental to the interest of CAM or enter into any transaction except in the ordinary course of business and on a bona fide arm's length term. Further, the postponement clause provides that for as long as the loan remains outstanding, Tradex shall not repay any indebtedness under the sale and purchase agreements as described in paragraphs 13.2.1 and 13.2.2 above, including the loan note to LCP.
- 13.2.4 An unsecured loan note instrument dated 11 May 2005 pursuant to which Tradex issued a loan note of £1,100,000 to London Capital Partners Limited. Tradex can redeem these loan

notes at any time after the earlier of the next business day following the payment in full of the loan by CAM (together with all interest thereon) or 18 months from completion of the sale and purchase agreement dated 11 May 2005 described in paragraph 13.2.1 above. London Capital Partners Limited, as noteholder, can also request redemption of the loan notes in accordance of the same time deadlines as stated above. The loan notes bear interest at the rate of 5 per cent. per annum and interest is payable on the 31 March, 30 June, 30 September and 31 December in each year. The loan note is subject to the terms of the letter of postponement and subordination between London Capital Partners Limited, CAM and Tradex details of which are set out in paragraph 13.2.5 below.

- 13.2.5 A letter of postponement and subordination dated 11 May 2005 from London Capital Partners Limited to CAM and Tradex pursuant to which the parties agreed that as long as the loan from CAM remains outstanding to Tradex, Tradex shall not without the prior written consent of CAM repay its indebtedness to London Capital Partners Limited under the loan note referred to in paragraph 13.2.4 above save that Tradex can, as long as no event of default has occurred, pay interest in accordance with the terms of the loan note. London Capital Partners Limited also agreed not to amend or vary its loan note or acquire early repayment unless CAM otherwise agrees to this.
- 13.2.6 A guarantee dated 11 May 2005 between LCG (1) and CAM (2) pursuant to which LCG provided a corporate guarantee to CAM in respect of the obligations of Tradex to CAM under the loan agreement as described in paragraph 13.2.3. LCG has covenanted to indemnify and keep CAM fully and effectively indemnified against all costs, expenses or loss suffered by it in connection with any default by Tradex in payment of its obligations.
- 13.2.7 A debenture dated 11 May 2005 between Tradex (1) and CAM (2) pursuant to which Tradex has granted a debenture in favour of CAM in respect of its liabilities to CAM. The debenture contains fixed and floating charges over the assets and undertaking of Tradex.
- 13.2.8 A debenture dated 11 May 2005 between LCG (1) and CAM (2) pursuant to which LCG has granted a fixed and floating charge in favour of CAM in respect of its liabilities to CAM.
- 13.2.9 A guarantee and indemnity dated 11 May 2005 between Tradex and John Rowe pursuant to which John Rowe gave a guarantee of London Capital Partners Limited's obligations under the share purchase agreement described in paragraph 13.2.1 above. The maximum aggregate liability of the guarantor under the guarantee and indemnity shall not exceed £2 million. The guarantor's liability under the guarantee shall expire on the earlier of 10 November 2006 or on the earlier of a sale, flotation or external refinancing of Tradex or LCG.
- 13.2.10 An assignment dated 11 May 2005 between Elan Capital Partners Limited and LCG pursuant to which Elan Capital Partners Limited assigned the benefit of the Ariel Titan SpreadBet version 1.0 software pursuant to a software licence to LCG in consideration of the sum of £1;
- 13.2.11 An assignment dated 11 May 2005 between Elan Capital Partners Limited and LCG pursuant to which Elan Capital Partners Limited assigned to LCG the benefit of a service agreement dated 25th June 2003 between Tenfore Systems Limited and Elan Capital Partners Limited relating to Tenfore Broadcast Service in consideration of a sum of £1.
- 13.2.12 A consultancy agreement dated 11 May 2005 between London Capital Partners Limited, London Capital Trading Limited and LCG pursuant to which London Capital Partners Limited or John Rowe shall be entitled to a fee of £36,000 per annum together with business and travel expenses of up to £1,000 per month in return for John Rowe acting as a director of LCG. Mr Rowe is also entitled to health insurance for a period of not less than two years from 21 March 2005. The agreement provides for LCG to provide execution services to London Capital Partners Limited and London Capital Trading Limited for two years from 21 March 2005 at nil cost. The agreement also provided for the transfer to LCP of certain

computer and office equipment for the consideration of £1 and the transfer of certain trading names. London Capital Partners Limited has also agreed to loan artwork in LCG's offices to LCG at no cost until 1 June 2006. This agreement will either be terminated or varied on completion of the sale and purchase agreement referred to in paragraph 13.2.13 below.

Reorganisation Agreements

13.2.13 A sale and purchase agreement dated 14 December 2005 between the Company (1) and London Capital Partners Limited (2) pursuant to which the Company has, conditional on Admission, agreed to acquire 105,515 ordinary shares of £1 each in the capital of LCG from London Capital Partners Limited for a consideration of £3,139,686 and to repay the loan note of £1,100,000 together with accrued and outstanding interest thereon issued by Tradex to London Capital Partners Limited on 11 May 2005. The Company will also procure the release by Tradex of the personal guarantee and indemnity described in paragraph 13.2.9 on completion of the agreement. The agreement contains a limited set of warranties relating to capacity and title to the shares, constitutional documents and there being no liabilities of which the Directors should be aware. These warranties are unlimited as to time and amount.

13.2.14 An agreement dated 14 December 2005 between Corporate Administration Management Limited, Tradex and LCG pursuant to which Corporate Administration Limited has agreed, conditional on Admission and receipt of the monies to repay the loan referred to in 13.2.3 above, to consent to the Admission and Placing by the Company and to enter into various releases of the debentures granted by Tradex and LCG to Corporate Administration Management Limited (as referred to in 13.2.7 and 13.2.8 above) and the guarantee granted by LCG to Corporate Administration Management Limited (as described in paragraph 13.2.6 above).

13.3.1 Intellectual Property Agreements

A licence agreement dated 12 June 2003 between Ariel Communications Limited ("Ariel") and Elan Capital Partners Limited (which was assigned to LCG on 11 May 2005 by virtue of the assignment described in paragraph 13.2.10 above) for the installation, use, support and launch of online spreadbetting software. Under the terms of the licence, Ariel granted Elan (now LCG) a non exclusive right and licence to use the software for an unlimited number of users. The term of the licence is a 25 year rolling right for the licensee to use the software. Elan paid the sum of £95,000 to purchase a lifetime user licence and pays hosting fees of approximately £8,000 per month to Ariel. Both parties can terminate the agreement after the first anniversary of the agreement by giving 90 day's prior written notice to the other and may terminate the agreement forthwith if the other party is substantially in breach of the terms of the agreement and fails to remedy the breach within 21 days. In the event that the agreement is terminated on 90 days' prior written notice, the licensee (now LCG) can continue to use the current software under licence without further reference to Ariel.

13.3.2 A software licence agreement dated 17 January 2005 between LCG and ForexManage.com Limited relating to software in respect of the Forex Manage System and White Label subsets of the system. Under the terms of the licence, ForexManage.com Limited granted LCG a non-exclusive and non-transferable licence to use the processing unit and software. The term of the licence is for 3 years. LCG pays support and hosting fees of \$2,000 per month together with transaction fees paid in a staggered amount depending on the amount transacted. These range from \$4 per million transacted for transactions of \$1 billion and above to \$12 per million for transactions up to \$50 million. The agreement shall terminate automatically upon the expiration of the term. LCG may terminate in the event of a material default that is not cured within 15 days of ForexManage.com Limited receiving notice of the default. If LCG breaches the licence with respect to: licensed use of the software; non-disclosure in relation to the software; and assignment and has not rectified the breach within 5 days of being notified by ForexManage.com Limited, then the agreement may be terminated without further notice.

- 13.3.3 An agreement dated 25 June 2003 between Tenfore Systems Limited and Elan Capital Partners Limited (which was assigned to LCG pursuant to the assignment described in paragraph 13.2.11) pursuant to which Tenfore Systems Limited granted to Elan Capital Partners Limited a non-exclusive licence to process a data service known as Tenfore Real Time Broadcast Service which covers financial markets and redistribute it to LCG's customers worldwide. LCG pay a monthly fee of approximately £3,500 per month for the service. The intellectual property in the software remains the property of Tenfore Systems Limited. LCG has given an indemnity to Tenfore Systems Limited against all liabilities sustained by Tenfore Systems Limited to any third party as a direct result of the fault or negligence of LCG in distributing the service. The term of the licence was for one year and continues thereafter unless terminated by either party giving at least 3 months' written notice to the other party to expire after the initial term of one year.

14. GENERAL

- 14.1. The registered office and principal place of business of the Company is 51/55 Gresham Street, London EC2V 7EL
- 14.2. The Nominated Adviser and Broker to the Company is Evolution Securities of 100 Wood Street, London, EC2V 7AN, which is regulated by the FSA.
- 14.3. Save as disclosed in this document, there are no significant investments under active consideration.
- 14.4. The expenses of or incidental to the Placing and Admission are payable by the Company and are estimated to amount to £1.0 million including commissions of £525,000.
- 14.5. The gross proceeds of the Placing expected to be raised by the Company are £15.0 million and the net proceeds, after deduction of the expenses, are estimated at £14.0 million.
- 14.6. The Placing Price represents a premium over nominal value of 72p per Ordinary Share.
- 14.7. The accounting reference date of the Company is 31 December.
- 14.8. Other than the intended application for Admission, the existing Ordinary Shares and the new Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor, except as stated below, are there intended to be any other arrangements for dealings in the Ordinary Shares and the new Ordinary Shares.
- 14.9. Evolution Securities has given and not withdrawn its written consent to the inclusion in this document of references to its name and the form and context in which it appears.
- 14.10. Hurst Morrison Thomson accepts responsibility, for its reports set out in Parts IV and V of this document and has given and not withdrawn its written consent to the inclusion of it in this document and the references to it and to its name in the form and context in which they appear.
- 14.11. The financial information contained in Parts IV and V of this document does not constitute statutory accounts within the meaning of section 240 of the Act.
- 14.12. The Directors are unaware of any exceptional factors which have influenced the Group's activities.
- 14.13. The Group's business is dependent on a licence of spreadbetting software from Ariel which was assigned to LCG on 11 May 2005 pursuant to the assignment described in paragraph 13.2.10 above. Other than the software licence, the Directors are unaware of any patents or other intellectual property rights, licences or particular contracts, which are or may be of fundamental importance to the Group's business.
- 14.14. Save as disclosed, there has been no significant change in the trading or financial position of the Group which has occurred since 30 September 2005, the date to which the last audited financial statements of the Group were drawn up nor recent trends concerning the development of the Company's business nor any significant acquisitions or disposals of assets since 30 September 2005, the date to which the last audited financial statements of the Group were drawn up, nor are there

known trends, uncertainties, demands commitments or events that are reasonably likely to have a material impact or effect on the Company's prospects for at least the current financial year.

- 14.15. Monies received from applicants pursuant to the Placing will be held by Evolution Securities until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 22 December 2005 (or such later date as the Company and Evolution Securities may agree being not later than 31 December 2005) application monies will be returned to applicants at their risk without interest.
- 14.16. Share certificates in respect of the Placing Shares are expected to be despatched by the applicants by first class post, at their risk, within 10 business days of Admission. In respect of uncertified shares it is expected that shareholders' CREST stock accounts will be credited on 22 December 2005.
- 14.17. No person (other than professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after completion of the Placing and Admission any of the following:
 - a) fees totalling £10,000 or more;
 - b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - c) any other benefit with a value of £10,000 or more at the date of completion of the Placing and Admission.
- 14.18. The Company has taken out keyman life insurance cover in respect of Francis Chapman, Simon Denham and Rachel Woodford in amounts of £1 million per director.

15. AVAILABILITY OF ADMISSION DOCUMENT

Copies of this document, are available during normal business hours on any weekday (except Saturdays, Sundays and public holidays) free of charge from the Company's registered office and at the offices of Evolution Securities and shall remain available for at least one month after Admission.

Dated 15 December 2005

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 1985, as amended
“Acquisition”	the acquisition by the Company, conditional upon Admission, of the approximate 10 per cent. of LCG not currently owned by the Group
“Admission”	admission of the entire ordinary share capital of the Company, issued and to be issued, to trading on AIM becoming effective pursuant to paragraph 6 of the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers published by the London Stock Exchange governing admission to and the operation of AIM
“Board”	the board of directors of the Company for the time being including a duly considered committee of the Directors
“CESR”	the Committee of European Securities Regulators
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the combined code on Corporate Governance published in July 2003
“Company”	London Capital Group Holdings plc, the ultimate holding company of the Group
“CREST”	the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title to shares in uncertificated form, operated by CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I 2001/3755)
“Directors”	the directors of the Company, whose names are set out on page 4 of this document and “Director” means any one of them
“EBIT”	earnings before interest and taxation
“EBITDA”	earnings before exceptional items, interest, depreciation, taxation and amortisation
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company immediately following the Placing and Admission
“E*TRADE” or “E*TRADE Financial”	E*Trade Securities Limited
“Euro”	the lawful currency of 12 European Union member states
“Evolution Securities”	Evolution Securities Limited, the Company’s nominated adviser and broker, a member of the London Stock Exchange and regulated by the FSA
“FSA”	Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group”	the Company and, where applicable, its subsidiaries

“LCG” or “London Capital Group”	London Capital Group Limited, the main operating company in the Group and, following the Acquisition, a wholly owned subsidiary of Tradex itself a wholly owned subsidiary of the Company
“London Stock Exchange”	London Stock Exchange plc
“MBO”	the management buy-out of LCG in May 2005 by the MBO Directors
“MBO Directors”	three of the Directors who undertook the MBO of LCG in May 2005, namely F.D Chapman, S.D Denham and R. Woodford
“MBO Loans”	the loan agreement, as set out in paragraph 3.2.3 of Part VI, and the loan note instrument, as set out in paragraph 13.2.4 of Part VI, the aggregate value of which is outstanding at the date of this document being £1,100,000 (excluding accrued and outstanding interest thereon)
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the placing of the Placing Shares at the Placing Price by Evolution Securities on behalf of the Company, pursuant to the Placing Agreement
“Placing Agreement”	the agreement between Evolution Securities, the Directors and the Company relating to the Placing, details of which are set out in paragraph 13.1.2 of Part VI of this document
“Placing Price”	82p being the price at which each new Ordinary Share is to be issued under the Placing
“Placing Shares”	the 18,292,683 new Ordinary Shares which are the subject of the Placing
“Prospectus Rules”	the Prospectus Rules published by the FSA from time to time
“SDRT”	stamp duty reserve tax
“Share Option Schemes”	the arrangements approved by the Company for the grant of options over new Ordinary Shares referred to in paragraph 9 of Part VI of this document
“Shareholders”	holders of the Ordinary Shares
“Sterling”	the lawful currency of the UK
“Tradex”	Tradex Enterprises Limited, a wholly owned subsidiary of the Company
“UK”	United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	The Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“US\$” or “US Dollars”	the lawful currency of the US
“US”, “USA” or “United States”	United States of America, its territories and possessions, any state of the US and the District of Columbia

Note: In this document, the symbols “£” and “p” refer to pounds and pence Sterling respectively.

GLOSSARY

The following definitions apply to terms as they are used in this document and should not be applied generally for any other purpose or to any other document:

“active client”	a client who has traded within the last month
“binary bet”	a form of fixed odds bet that may be quoted either as a decimal price at which an outcome can be backed or laid for a fixed stake or as a binary price at which an outcome can be bought or sold in an amount per point of movement between 0 and 100
“buy”	to take a position that the price will move higher than that quoted
“CBOT”	the Chicago Board of Trade, the world’s oldest futures and options exchange
“close”	to close an open position, which may be done by taking an equal position in the same market but in the opposite direction to a previous opening or trade and which has the effect of removing exposure to price movements for the client and crystallising his gain or loss
“CME”	the Chicago Mercantile Exchange, the largest futures exchange in the US
“contract for difference” or “CFD”	a contract in which payments are made between the parties so as to put one of the parties into the economic position he would have been in if he had borrowed money and used it to purchase an underlying product and the other party into the economic position he would have been in if he had sold the underlying product and lent the proceeds
“EUREX”	a European futures exchange based in Frankfurt
“EURONEXT”	Euronext N.V., a pan-European stock exchange with subsidiaries in Belgium, France, Netherlands, Portugal and the United Kingdom. In addition to equity and derivatives markets, the Euronext group provides clearing and information services
“Forex”	foreign exchange
“FRA”	a forward rate agreement, which is a forward contract in which one party pays a fixed interest rate, and receives a floating interest rate equal to a reference rate (the underlying rate). The payments are calculated over a notional amount over a certain period, and netted
“FTSE 100”	the FTSE 100 Index is a share index of the 100 largest companies listed on the London Stock Exchange
“futures”	exchange traded derivatives giving the holder the right and the obligation to buy or sell a certain underlying instrument at a certain date in the future, at a set price
“hedge”	a bet trade or position that is intended to reduce or eliminate the risk of loss from an adverse price move in a position already held
“LIFFE”	the London International Finance Futures and Options Exchange

“options”	derivative instruments which give the holder of the option the right but not the obligation to purchase or sell a security within a predefined time span in the future, for a predetermined amount
“quoting bank”	a bank that quotes a live, dealable price to clients
“sell”	to take a position that the price will move lower than that quoted
“short”	a position in which a fall in price produces a profit
“spread bet”	a bet in which the amount that the client can win or lose is calculated by reference to the difference between the settlement price and the price at which the bet is struck, rather than being a fixed amount
“White Labelling” or “White Label partners/partnerships”	the offering of some or all of the Group’s products on the Group’s platforms which are branded and distributed in the name of third parties

