

London Capital Group Holdings PLC
20 February 2008

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LONDON CAPITAL GROUP HOLDINGS PLC
("LCG", the "Company" or the "Group")

PRELIMINARY RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007

London Capital Group Holdings plc, a leading online financial spread betting and trading company, announces preliminary results for the year ended 31 December 2007.

2007 Highlights:

- Turnover up 119% to £18.98 million (2006: £8.65 million)
- EBITDA up 138% to £9.61 million (2006: £4.03 million)
- Strong EBITDA margin of 51% (2006: 47%)
- Operating profit before tax (before share option reserve) up 138% to £9.31 million (2006: £3.91 million)
- Basic EPS up 149% to 15.69p (2006: 6.3p)
- Debt free and net cash of £10.28 million (2006: £3.35 million)
- Final dividend of 5.25p per share (2006: 1.70p), giving a full year dividend of 6.50p per share
- Group dividend cover 2.41 (2006: 3.70)
- Spread betting client funds +126% to £16.79 million (2006: £7.43 million)
- Foreign exchange client funds +158% to £19.03 million (2006: £7.38 million)
- Current trading is strong

Commenting on the results, Chief Executive Officer, Frank Chapman, said:

"The results for 2007 reflect a very strong performance from our core products and markets. Our business model has delivered improved profit margins and robust operating cash flows. Two major White Label partners, launched late in 2007, are already delivering good new client acquisitions which should bolster 2008 expectations. Many opportunities for expansion remain in all our business

I am pleased to report that the business performed extremely well throughout 2007 and is well positioned for further growth.

Our primary objective as a group is to win and retain client mandates and to service our clients to a very high level of satisfaction. We believe we have been successful in meeting this objective through 2007 and intend to build further on this into 2008 and beyond.

Results

All our businesses continued to perform robustly in 2007 as they did in 2006. Group turnover increased 119% to £18.98 million. Profit before tax rose by 138% to £9.31 million in 2007 from £3.91 million in the previous year. EBITDA also increased by 138% to £9.61 million.

Both the operating profit before tax and the EBITDA are stated before recognising total expenses of £0.74 million which represents the share option reserve, the comparable figure in 2006 being £0.54 million.

Dividend

As a result of the performance of the business, and the confidence the Board has in the Company's prospects, the Board believes it is appropriate that the Company pays a final dividend. The directors intend to declare a final ordinary dividend for 2007 of 5.25p per share amounting to some £2.01 million. This together with the interim dividend paid in 2007 of 1.25p per share gives a total dividend of 6.50p per share for the full year amounting to £2.49 million. We plan to pay the final dividend on 28 April 2008 to shareholders on the register on 29 February 2008. The payment will follow approval of the final dividend at the Annual General Meeting to be held on 23 April 2008.

Going forward, the intention is to pay a sustainable flow of ordinary dividends out of recurring profits which reflect the earnings, cash flow and potential of the Group. The Board believes that the Group's existing business model provides a solid base for such a dividend policy.

Risk Management

The Group's Risk Committee meets regularly to discuss and manage the operational and financial risks of the Group. These include, amongst other

financial risks, liquidity levels, overall trading limits and financial parameters in hedging policy. Any risks identified are reported to the Group Risk Committee with an assessment of the implications and a recommendation for mitigation. The Risk Committee is chaired by a non-executive director.

The future

We will continue to seek profitable opportunities to grow our business both organically and by forging new alliances.

Our results for 2007 reflect the ongoing success of our strategy and I remain confident that the Group will continue to deliver success into the future.

Richard Davey
Chairman
20 February 2008

Chief Executive Officer's Statement

Introduction

I am delighted to be able to report strong and improved financial results again for 2007. We are also pleased to have delivered an increased performance in all of our key business metrics including revenues, profit, cash generation and earnings per share. Our performance continues to demonstrate the benefits of our longer term approach to the development of the business combined with strict cost controls. We continue to improve financial performance through growing our white label offering, developing new products and services to meet the evolving needs of our clients whilst continually investing in IT, infrastructure and key personnel.

Operating Review

Overall, the Group has continued to pursue its strategy of controlled growth in its own brands and by expanding via new White Label partnerships and joint ventures.

Capital Spreads

Capital Spreads, our financial spread betting business, continues to grow at a

rapid pace. During 2007, the number of live accounts has grown significantly (see KPI table below).

We have devoted increased resource into our marketing activity during the year to further build our client base. However, it is also remains the case that in excess of 50% of Capital Spreads clients continue to be acquired via word of mouth and recommendation. Clients are attracted to our spread betting platform due to both our commitment to some of the tightest spreads in the industry and to our exceptional customer service team.

We use a number of KPIs in spread betting to monitor the success and quality of our business operations.

Spread Betting KPI's 2006	2007
No of live accounts 8,708	19,125
New client acquisitions 4,244	10,417
No of trades per day 4,314	9,858
Average value per trade £4.56	£5.31
Average trades per month 92,000	210,000
% Active 43.2%	37.3%

Binary Bets

Binary betting is a hybrid of spread and fixed odds betting. We have an active binary platform within our spread betting site and are developing this offering both through our own brand and with external partners.

We are also continuing to monitor and looking to capitalise, where we can, on the impact of MiFID (Markets in Financial Instruments Directive) which came into force during the latter part of 2007.

It remains our policy not to accept bets from US resident clients.

Capital Forex

Capital Forex has successfully completed its first full financial year of trading having commenced its trading activity in the middle of 2006. The division has grown substantially during this period and now regularly achieves daily turnover in excess of two billion dollars. This has resulted in an improvement in profitability of the division and new clients continue to be attracted to the platform. Trading turnover in Capital Forex has risen to US\$74.5 billion in fourth quarter of 2007 compared to US\$38.7 billion in same quarter in 2006.

As in the previous year, the marketing budget for 2007 has been minimal yet the division has now signed up in excess of 240 institutional and professional clients rising from a level of 100 in 2006, of which 105 are active clients compared to 60 in 2006.

Capital Derivatives

Capital Derivatives experienced growth in 2007, particularly in the second half of the year where it turned over record volumes, albeit in difficult market conditions arising from sub-prime market fallout.

Trading turnover in Capital Derivatives has risen to 2.74 million lots in 2007 compared to 2.60 million lots in 2006.

The division was further strengthened by the arrival of experienced new personnel in institutional sales.

Growth Strategy

We remain focussed on our strategy of measured growth and becoming one of the mainstream European on-line financial trading services companies. We aim to continue to deliver this via on-line state-of-the-art comprehensive trading solutions to our retail customer base, together with low risk and high margin broking and execution services to our institutional clients.

Longer term, we plan to continue to expand our operations across continental Europe and also into Asia.

As on-line financial trading becomes more widespread outside the UK, we plan to offer white label solutions to partners in other jurisdictions (other

than the US) rather than to set up our own operations. This will provide cheaper and faster access to these markets.

During the latter part of 2007 we launched significant white labels with Paddy Power and Betfair and are encouraged by early trading volumes. With the implementation of new European directives during 2007, the Group plans to market its spread betting and trading products throughout Europe with associated growth arising from this region in 2008. As the benefits of trading via spread betting and trading platforms become more evident globally, Capital Spreads is well placed to take advantage of its strong brand name, reputation and quality product offering and will continue to be a major player in this sector.

The forex division will continue to concentrate on its institutional customer growth, marketing its platform to major institutions internationally. We have invested in personnel to increase sales in this division and intend to continue to build on this in 2008.

Capital Derivatives is highly respected in the industry for its options expertise and plans to continue to capitalise on this during 2008. The division aims to achieve further growth by focussing on interest rate options and by recommending bespoke solutions to clients to help them achieve their aims, be it directional, hedging or volatility trading. We will also be looking to broaden our offering in 2008 by growing our in-house sales team.

Employees

We recognise that the core of our brand and the continued provision of a high quality service are our people.

On behalf of the Board, I would like to thank all our employees for their commitment, hard work and support during the past year. Our business would not have achieved these impressive results without their effort and dedication. Our employee numbers have risen from 33 to 42 during 2007, in line with the expansion of the business.

We firmly believe that our employees are our most valuable asset and, in recognition of this, newcomers to the business continue to be introduced to

the Group share option scheme.

My thanks also go to my fellow Board members and senior management for their exceptional efforts during the year.

Current Trading and Outlook

All the key drivers of our business remain positive and with targeted investment in people, infrastructure, sales and marketing and we are well placed to sustain future growth and improve our strong financial position. We remain confident of continued progress in 2008 and beyond.

Frank Chapman
Chief Executive Officer
20 February 2008

Group Finance Director's Review

Our strong trading results for 2007 reflect continued growth in revenues, profitability and cash flow.

Group turnover rose 119% to £18.98 million (2006: £8.65 million). Profit before tax also rose by 138% to £9.31 million in 2007 from £3.91 million in the previous year. EBITDA increased by 138% to £9.61 million (2006: £4.03 million).

Both the operating profit before tax and the EBITDA are stated before recognising an expense of £0.74 million (2006 - £0.54 million) relating to the share option reserve. This reserve arises from the adoption of FRS 20: Share Based Payment.

EBITDA represents earnings before exceptional administration costs, share option reserve, depreciation, taxation, interest receivable on corporate cash balances and includes interest receivable on clients' money net of interest payable to clients.

The EBITDA margin was 51% up from 47% in 2006 and represents EBITDA as a percentage of turnover.

Cash and cash equivalents at the end of 2007 were £46.13 million (2006: £18.12 million), an increase of £28.01 million. This increase mainly arises from the total client money held of £35.81 million at the end of 2007 (2006: £14.82

million).

We are again pleased to report the Group had no debt at the year end, the same as in previous years, and had cash resources of £10.28m up from £3.35 million in 2006. This is after allowing for normal business running costs, capital expenditure, dividends and corporation tax. This demonstrates a high conversion rate of profit into cash.

Basic earnings per share also increased by 149% to 15.69p (2006: 6.3p).

Both the Capital Forex and the Capital Derivatives divisions are operated under a profit share arrangement with managers who head up each division. As a result the profit generated by the turnover is shared and the operating profit is stated after the deduction of such profit share.

The Group continues to maintain a low cost operation by comparison with other companies in our sector because of the continuing use of an outsourcing model.

The Group will seek approval, at its Annual General Meeting to be held on 23 April 2008, for its final dividend for 2007 of 5.25p per share. This will result in total dividends for the year of 6.50p per share, equating to £2.49 million (2006: 1.70p totaling £0.65m). This represents Group dividend cover of 2.41 (2006: 3.70). The final dividend will be paid on 28 April 2008 to shareholders on the register on 29 February 2008.

Finally, the company has prepared 2007 financial statements in accordance with International Financial Reporting Standards (IFRSs) for the first time. These IFRSs have been adopted by the European Union (EU) and therefore comply with EU IAS regulation.

Raj Gandhi
Group Finance Director
20 February 2008

GROUP INCOME STATEMENT
For the year ending 31 December 2007

2006

2007

£000	Notes	£000
Revenue	2	18,980
8,651		
Cost of sales		3,774
1,798		

Gross Profit		15,206
6,853		
Administrative expenses (excluding depreciation and share-based payments)		5,595
2,819		

EBITDA		9,611
4,034		
Depreciation		434
164		

Operating Profit (before share-based payments)		9,177
3,870		
Share-based payments		737
541		

Operating Profit		8,440
3,329		
Finance revenue		134
45		
Finance costs		-
(2)		

Profit before taxation		8,574
3,372		
Tax expense		2,566
968		

Profit for the year		6,008
2,404		
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Profit for the year attributable to:

Equity holders of the parent		6,008
2,404		-----

Earnings per share (pence)		
- Basic	3	15.69
6.3		
- Diluted	3	13.91
5.8		-----

GROUP BALANCE SHEET
As at 31 December 2007

		Year to 31
		December
Year to 31		2007
December		2006
2006	Notes	£'000
£'000		
NON-CURRENT ASSETS		
Intangible assets	5	11,826
9,303		
Property, plant and equipment	6	792
1,655		
Deferred tax asset		67
43		-----

		12,685
11,001		-----

CURRENT ASSETS		
Trade and other receivables		1,096
2,182		
Cash and cash equivalents	7	46,132
16,622		-----

		47,228
18,804		-----

TOTAL ASSETS		59,913
29,805		-----

CURRENT LIABILITIES		
Trade and other payables		39,511
15,872		

Current tax liabilities	1,467
592	-----

	40,978
16,464	-----

LONG TERM LIABILITIES	
Deferred tax liability	-
-	-----

	-
-	-----

TOTAL LIABILITIES	40,978
16,464	-----

NET ASSETS	18,935
13,341	-----

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EQUITY	
Called-up equity share capital	3,829
3,829	
Share premium account	11,607
11,607	
Retained profits	7,639
2,708	
Share option reserve	1,204
541	
Other reserves	(5,344)
(5,344)	-----

TOTAL EQUITY	18,935
13,341	-----

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GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ending 31 December 2007

Share				Issued share Capital £'000	Share premium account £'000
Retained profits £'000	option reserve £'000	Other reserves £'000	Total equity £'000		
At 1 January 2007				3,829	11,607
2,708	541	(5,344)	13,341		

Total recognised income and expense for the year				-	-
6,008	-	-	6,008		
Recognition of equity-settled share-based payments in the year				-	-
-	737	-	737		
Forfeiture of share options				-	-
52	(74)	-	(22)		
Equity dividends paid				-	-
(1,129)	-	-	(1,129)		

At 31 December 2007				3,829	11,607
7,639	1,204	(5,344)	18,935		
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GROUP CASH FLOW STATEMENT

For the year ending 31 December, 2007

		Year to 31
		December
		2007
	Notes	£'000
Year to 31		
December		
2006		
£'000		
Operating profit from continuing operations		6,008
2,404		
Adjustments for:		
Depreciation of property, plant and equipment		434
164		
Equity settled share based payment		737
541		
Finance income		(134)
(45)		
Finance expense		-
2		
Current tax charge		2,612
1,093		
Deferred tax asset		(46)
(125)		
Deferred tax liability		
-		

Operating cash flows before movements in working capital		9,611
4,034		
(Increase)/decrease in receivables		(410)
359		
Increase/(decrease) in payables		23,639
10,328		

Cash generated by operations		32,840
14,721		

Taxation paid		(1,737)
(695)		
-----		-----
Net cash from operations		31,103
14,026		
-----		-----
Investing activities		
Interest received		134
45		
Interest paid		-
(2)		
Acquisitions of property, plant and equipment		(2,094)
(1,543)		
-----		-----
Net cash used in investing activities		29,143
12,526		
-----		-----
Financing activities		
Dividends paid	4	(1,129)
-		
-----		-----
Net increase/(decrease) in cash and cash equivalents		28,014
12,526		
Cash and cash equivalents at beginning of year		18,118
5,592		
-----		-----
Cash and cash equivalents at end of year	7	46,132
18,118		
		=====

Notes to consolidated interim financial statements

1. Basis of preparation

The last financial statements published under UK GAAP were for the year ended 31 December 2006. In 2007, the company will prepare final financial statements in accordance with International Financial Reporting Standards (IFRSs) for the first time. These IFRSs have been adopted by the European Union (EU) and therefore comply with EU IAS regulation.

In terms of IFRS 1, First-time Adoption of International Financial Reporting Standards, the date of transition for the 2007 financial statements is 1 January 2006.

Financial information in this report has been prepared in accordance with accounting policies consistent with those adopted within the half year reporting for 2007 concerning the change from UK GAAP to IFRS.

The results for the year ended 31 December 2007 do not constitute statutory accounts as defined in section 240 (5) of the companies Act 1985. They are extracted from the full statutory accounts for the year which were approved by the Board of Directors on 19 February 2008, but which have not been delivered to the Registrar of Companies. The report of the Auditors on these accounts is unqualified and does not contain a statement under section 237 (2) or 237 (3) of the Companies Act 1985.

2. Revenue and Segmental information

	2007
	£'000
2006	
£'000	
Revenue	
Spread betting	16,162
7,112	
Forex	3,943
1,380	
Brokerage	1,080
905	

Gross group revenue	21,185
9,397	
Spread betting brokerage and hedging costs	(2,205)
(746)	

Net group revenue	18,980
8,651	
Unallocated corporate expenses	10,540
5,322	

Operating profit	8,440
3,329	
Net financing income	134
43	

Profit before taxation	8,574
3,372	
Taxation expense	(2,566)
(968)	

Profit for the period	6,008
2,404	

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3. Earnings per ordinary share

	2007
2006	
	£'000
£'000	

Basic EPS

Profit after tax	6,008
2,404	
Weighted average no of shares	38,292,683
38,292,683	
Weighted average basic EPS	15.69p
6.3p	

Diluted EPS

Profit after tax	6,008
2,404	
Weighted average no of shares	43,199,989
41,119,304	
Weighted average fully diluted EPS	13.91
5.8p	

Diluted earnings per share is the basic earnings per share after allowing for the dilative effect of the conversion into Ordinary shares of the weighted average number of options outstanding during the period.

4. Dividends

	2007
2006	
	£'000
£'000	

Declared and paid during the year:

Final dividend for 2006 at 1.70p per share (2005 - nil)	650
-	
Interim dividend for 2007 at 1.25p per share (2006 - nil)	479
-	

1,129

-

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Proposed for approval by shareholders at the AGM:

Final dividend for 2007 at 5.25p per share (2006 - 1.70p)	2,010
650	

5. Intangible fixed assets

	Software	Goodwill
Total	£000	£000
£000		
COST		
At 1 January 2007	-	9,303
9,303		
Transfers	2,879	-
2,879		

At 31 December 2007	2,879	9,303
12,182		

AMORTISATION		
At 1 January 2007 and 31 December 2007	-	-
-		
Transfers	356	-
356		

At 31 December 2007	356	-
356		

NET BOOK VALUE		
At 31 December 2007	2,523	9,303
11,826		

At 31 December 2006	-	9,303
9,303		

Following the continued development of the trading platform, the company has reclassified this as an intangible asset from the previous Plant & Machinery and Equipment. (see Note 6).

6. Property, plant and equipment

Equipment	Total	Leasehold	Plant &
		Property	Machinery
		£000	£000
£000	£000		
COST			

At 1 January 2007	339	1,068	472
1,879			
Additions	1	1,314	779
2,094			
Transfers	-	(1,628)	
(1,251) (2,879)			

At 31 December 2007	340	754	-
1,094			

DEPRECIATION			
At 1 January 2007	18	206	-
224			
Charge for the year	38	297	99
434			
Transfers	-	(257)	
(99) (356)			

At 31 December 2007	56	246	-
302			

NET BOOK VALUE			
At 31 December 2007	284	508	-
792			

At 31 December 2006	321	862	472
1,655			

7. Cash and cash equivalents

	2007
2006	£000
£000	
Cash at bank and in hand	454
2,061	
Short-term deposits	9,865
1,239	
Client money held:	
Spread Betting Clients	16,785
7,435	
Forex Clients	19,028
7,383	

	46,132
18,118	

This information is provided by RNS
The company news service from the London Stock Exchange

Note 1: Prices and trades are delayed by at least 15 minutes.