

London Capital Group Holdings PLC  
09 August 2007

Thursday 9 August 2007

LONDON CAPITAL GROUP HOLDINGS PLC

Interim Results for the Six Months ended 30 June 2007

London Capital Group Holdings plc ("LCG", the "Company" or the "Group") announces interim results for the six months ended 30 June 2007. LCG is a rapidly growing financial services company offering online trading services.

First Half 2007 Highlights

- \* Turnover: £8.13m (H1'06: £3.53m) up 131%
- \* Profit before tax (pre share option reserve): £3.90m (H1'06: £1.65m) up 136%
- \* Average spread betting trades per day: 7,030 (H1'06: 4,307) up 63%
- \* Spread betting client acquisition: 4,530 (H1'06: 1,981) up 129%
- \* Foreign exchange average monthly turnover at US\$22.90bn (H1'06: US\$2.25bn) up 918%
- \* Adjusted EPS: 7.1p (H1'06: 3.1p) up 129%
- \* Interim dividend of 1.25p per share to be paid on 7 September 2007
- \* Richard Davey appointed Chairman on 14th May 2007

Commenting on the results Chairman, Richard Davey, said:

"We are delighted with these results as they demonstrate our strategy is working, with all main brands performing above expectations and demonstrating our ability to perform well in volatile trading conditions. We continue to strengthen and widen our product offerings, delivering on our core spread betting business and expanding our foreign exchange (FX) and derivative divisions. Our progressive dividend policy reflects our strong cash generation and confidence in the business."

For further information, please contact:  
[www.londoncapitalgroup.com](http://www.londoncapitalgroup.com)

London Capital Group Holdings plc 020 7456 7000  
Frank Chapman, Chief Executive Officer

Smithfield Consultants 020 7360 4900  
George Hudson / Anne Howalt

Print resolution images are available for the media to view and  
download from  
[www.vismedia.co.uk](http://www.vismedia.co.uk)

#### Notes to Editors:

London Capital Group Holdings plc (LCG) is a rapidly growing financial services company offering online trading services. Its core activity is the provision of spread betting products on the financial markets to retail clients under the trading name Capital Spreads. Its other divisions provide online foreign exchange trading services to institutional and intermediate clients under the Capital Forex brand and institutional derivatives broking under the name Capital Derivatives.

London Capital Group Limited, a wholly owned trading subsidiary of LCG, is regulated and authorised by the Financial Services Authority. It has a European passport and is a member of the London Stock Exchange, Liffe, Eurex and Euronext, giving it direct access to all European markets. London Capital Group Limited also has access to international markets through its global clearing relationships.

LCG floated on the London Stock Exchange's AIM market on 22nd December 2005 at an issue price of 82p. LCG is included in the General Financial sector (8770) and Speciality Finance sub sector (8775) and has a RIC code of LCG.L.

#### Chairman's Statement

#### Results

The Group delivered excellent results in the first six months to 30 June 2007.

Profit before tax (before share option reserve) was up 136% to £3.90m (H1'06: £1.65m) on turnover of £8.13m up 131% from £3.53m in H1'06.

The average number of spread bets taken per day has increased by 63% to 7,030 (H1'06: 4,307) and the number of live spread betting client accounts increased by 96% to 13,180 (H1'06: 6,740). Spread betting customer's cash held on account continues to rise showing an increase of 203% to £14.53m (H1'06: £4.79m). The foreign exchange division also continues to grow rapidly and profitably with an average monthly volume of US\$22.90bn (H1'06: US\$ 2.25bn) up 918% . We plan to launch our FX retail platform in third quarter of 2007 which will further increase volumes and profitability in this rapidly expanding division.

I am also pleased to report that the Capital Derivatives division had a record first quarter in 2007 in terms of volume and income. Hedge fund and sub-prime fallout in the financial markets saw a quieter second quarter. We believe derivatives is still a growth market and the launch of institutional equity broking in the third quarter should provide additional value looking forward.

#### Dividend

The Group's policy is to pay dividends that reflect the earnings and cash flow record and potential of the Group.

An Interim Dividend of 1.25p per ordinary share will be paid on 7 September 2007 to shareholders on the register at 17 August 2007. The ex-dividend date will be 15 August 2007.

#### Current Trading and Outlook

All of our business areas have started the second half of the year well and we continue to perform in line with the market expectations.

Richard Davey  
Chairman  
9 August 2007

Chief Executive's Statement

Financial Review

I am pleased to announce that the interim results for the six months to 30 June 2007. This is the first interim financial report to be prepared within requirements of the International Financial Reporting Standards adopted for use in the EU.

The Group performed significantly above management expectations with growth in turnover of 131% to £8.13m (H1'06: £3.53m) and further growth in operating profit before tax (before share option reserve) of 136% to £3.90m (H1'06: £1.65m). This has resulted in adjusted earnings per share increasing 129% to 7.1p (H1'06: 3.1p).

The above reflects the increased number of spread betting accounts and trades, which averaged 7,030 trades per day for the first half of 2007 (H1'06: 4,307), a like for like increase of 63%, further augmented by the increase in foreign exchange average monthly volumes in H1'07 at US\$22.90bn (H1'06: US\$2.25bn) up 918%.

We continue to maintain a low cost operation by comparison with other companies in our sector due to the adoption of an outsourcing model, whereby we sub-contract specialist support services to specialist providers. We also continue to invest in upgrading our software and trading platforms in order to provide our clients with state of the art technology solutions.

The net assets of the Group at 30 June 2007 were £15.49m (H1'06: £11.60m) and cash resources were £4.79m (H1'06: £2.05m) with zero net debt.

## Operating Review

### Capital Spreads and Binary Bets

Capital Spreads, our financial spread betting business, continued to enjoy exceptional growth during the period with the number of live accounts having grown from 6,740 at 30 June 2006 to 13,180 at 30 June 2007. Trading volumes were also up from 547,019 trades in first half to June 2006 to 892,740 in first half to June 2007.

New clients are the main driver for growth. We are encouraged by the increase in spread betting client acquisition in H1'07 up by 129% with

approximately 1,000 live clients per month acquired in Q2'07. Although a major proportion of these clients have been generated directly, we have also signed some significant white label partnerships in H1'07 which should continue to fuel growth in the second half of 2007.

Our marketing activity plays a significant part in building our client base but our reputation means that over 50% of our clients continue to join us via recommendation. We are pleased to report that over 99% of transactions are executed online, which keeps overheads low and therefore ensures that we remain competitive.

Binary betting is a hybrid of spread and fixed odds betting. We now have an active binary platform within our spread betting site and are continuing to develop this now profitable offering.

#### Capital Forex

I am delighted with the on-going growth of our FX division. It has expanded rapidly in a competitive market and continues to attract a top quality institutional clientele in addition to the professional trading community. This is mainly due to the exceptional liquidity and pricing on our Capital Forex Pro platform. FX trading volumes and client funds on deposit have grown exponentially during the period and we are also planning to launch the retail platform in the next few weeks which should add additional value to this division.

#### Capital Derivatives

Capital Derivatives provides execution services for exchange traded futures and options in fixed income products for institutional clients. Capital Derivatives has had a record first quarter in 2007 in terms of volume and income but the Hedge Fund and sub-prime fallout in the financial markets saw a quieter second quarter. The launch of institutional equity broking in the third quarter in 2007 should provide additional revenue looking forward.

#### Growth Strategy

We are increasing our focus on overseas markets for our product range and are in the process of forming strategic relationships to achieve this.

## Summary and Outlook

I am pleased with our trading performance since the start of 2007, which has built on the growth levels achieved during 2006. We are committed to maintaining growth and profitability through organic development across all our divisions. This should ensure that LCG continues to deliver long term shareholder value.

Frank Chapman  
 Chief Executive Officer  
 9 August 2007

### CONSOLIDATED GROUP INCOME STATEMENT For the period ending 30 June 2007

Months	Year to	Note	6 Months to 30 June	6 30
June 31	December		2007	
2006	2006		£'000	
£'000	£'000			
Revenue		2/3	8,134	
3,528	8,651			
Cost of sales			1,660	
711	1,798		-----	-----
---	-----			
GROSS PROFIT			6,474	
2,817	6,853			
Administrative expenses			2,957	
1,219	3,524		-----	-----
---	-----			
OPERATING PROFIT			3,517	
1,598	3,329			
Finance income			56	
57	45			
Finance expenses			-	
-	(2)		-----	-----
---	-----			
PROFIT BEFORE TAXATION			3,573	
1,655	3,372			

Taxation		4	1,088
451	968		
---	-----		-----
Profit for the financial period			2,485
1,204	2,404		
=====	=====		=====

Earnings per share

			pence
pence	pence		
Basic		5	6.5
3.1	6.3		
Diluted		5	5.8
2.9	5.8		
Adjusted		5	7.1
3.1	7.3		

Administrative expenses includes provision for share option reserve as required under IFRS.

Adjusting for this, the profit before tax (before share option reserve of £331,000) for H'1 07 was £3,904,000. The share option reserve was nil for H1'06 resulting in profit before tax of £1,655,000. For the full year to 31 December 2006, the share option reserve was £541,000 resulting in profit before tax (before share option reserve) of £3,913,000.

All activities of the group are classed as continuing.

The Group has no recognised gains or losses other than the results for the period as set out above.

The Company has taken advantage of Section 230 of the Companies Act 1985 not to publish its own Income Statement.

CONSOLIDATED GROUP BALANCE SHEET

As at 30 June 2007

Year to	Notes	6 Months	6 Months	31
		to 30 June	to 30 June	
December		2007	2006	
2006				
£'000		£'000	£'000	
NON-CURRENT ASSETS				
Intangible assets		9,303	9,303	
9,303				
Property, plant and equipment	7	2,189	767	
1,655				

Deferred tax asset	77	-
43		
-----		
-----		
	11,569	10,070
11,001		
-----		
-----		
CURRENT ASSETS		
Trade and other receivables	4,428	1,199
2,182		
Cash and cash equivalents	33,798	13,062
16,622		
-----		
-----		
	38,226	14,261
18,804		
-----		
-----		
TOTAL ASSETS	49,795	24,331
29,805		
-----		
-----		
CURRENT LIABILITIES		
Trade and other payables	33,171	12,198
15,872		
Current tax liabilities	1,134	442
592		
-----		
-----		
	34,305	12,640
16,464		
-----		
-----		
LONG TERM LIABILITIES		
Deferred tax liability	-	91
-		
-----		
-----		
	-	91
-		
-----		
-----		
TOTAL LIABILITIES	34,305	12,731
16,464		
-----		
-----		
NET ASSETS	15,490	11,600
13,341		
=====		
=====		
EQUITY		
Called-up equity share		
capital	3,829	3,829
3,829		

Share premium account 11,607	11,607	11,607
Retained profits 2,708	4,580	1,508
Share option reserve 541	818	-
Other reserves (5,344)	(5,344)	(5,344)
-----	-----	-----
TOTAL EQUITY 13,341	15,490	11,600
=====	=====	=====

CONSOLIDATED GROUP STATEMENT OF CHANGES IN EQUITY  
For the period ending 30 June 2007

Total equity	Issued share capital	Share premium account	Retained profits	Share option reserve	Other reserves
At 1 January, 2007 (5,344) 13,341	3,829	11,607	2,708	541	
Profit for the year 2,485			2,485		
Equity dividends (651)			(651)		
Share based transactions including current and deferred taxation 331				331	
Forfeiture of (16) share options			38	(54)	
-----	-----	-----	-----	-----	-----
At 30 June, 2007 (5,344) 15,490	3,829	11,607	4,580	818	
=====	=====	=====	=====	=====	=====

CONSOLIDATED GROUP CASH FLOW STATEMENT  
For the period ending 30 June, 2007

Year to	6 Months	6 Months	
December	to 30 June	to 30 June	31

	2007	2006
	£'000	£'000
2006		
£'000		
Operating profit from continuing operations	2,485	1,204
2,404		
Adjustments for:		
Depreciation of property, plant and equipment	125	58
164		
Equity settled share based payment	331	-
541		
Finance income	(56)	(57)
(45)		
Finance expense	-	-
2		
Current tax charge	1,138	442
1,093		
Deferred tax asset	(66)	-
(125)		
Deferred tax liability	-	9
-		
-----		
Operating cash flows before movements in working capital	3,957	1,656
4,034		
(Increase)/decrease in receivables	(2,246)	(155)
(1,138)		
Increase/(decrease) in payables	17,301	6,461
10,329		
-----		
Cash generated by operations	19,012	7,962
13,225		
Taxation paid	(582)	-
(695)		
-----		
Net cash from operations	18,430	7,962
12,530		
-----		
Investing activities		
Interest received	56	57
45		
Interest paid	-	-
(2)		
Acquisitions of property, plant and equipment	(659)	(549)
(1,543)		
-----		
Net cash used in investing activities	17,827	7,470
11,030		
-----		

Financing activities		
Dividends paid	(651)	-
-		
-----		
Net increase/(decrease) in cash and cash equivalents	17,176	7,470
11,030		
Cash and cash equivalents at beginning of year	16,622	5,592
5,592		
-----		
Cash and cash equivalents at end of half year	33,798	13,062
16,622		
=====		

## Notes to consolidated interim financial statements

### 1. Basis of preparation

This is the first interim financial report for the Group to be prepared within the requirements of the International Financial Reporting Standards adopted for use in the EU. The consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The revised accounting policies arising from the adoption of IFRS, together with restated information for the accounting period of 6 months to 30 June 2006 and for the year to 31 December 2006, have been published on group's website, [www.londoncapitalgroup.com](http://www.londoncapitalgroup.com)

The accounting policies set out in that document have been consistently applied to all periods presented in these interim financial statements with the exception of the impact of IAS 32 and IAS 39 Financial Instruments. The revised policies have not impacted the reported financial position, financial performance and cash flow shown in this interim report, although there may be impacts that are relevant to future financial reports.

The consolidated financial statements have been prepared under the historical cost convention, using pounds sterling, which is both the presentation currency and the functional currency of the Group.

### 2. Segment information

	6 Months to	6 Months to
Year to 31		

	30 June	30 June
December	2007	2006
2006	£'000	£'000
Revenue		
Spread betting	6,242	3,373
7,112		
Forex	2,054	240
1,380		
Brokerage	488	517
905		
-----		
Gross group revenue	8,784	4,130
9,397		
Spread betting brokerage and		
hedging costs	(650)	(602)
(746)		
-----		
Net group revenue	8,134	3,528
8,651		
Unallocated corporate expenses	4,617	1,930
5,322		
-----		
Operating profit	3,517	1,598
3,329		
Net financing income	56	57
43		
-----		
Profit before taxation	3,573	1,655
3,372		
Taxation expense	(1,088)	(451)
(968)		
-----		
Profit for the period	2,485	1,204
2,404		
=====		

All of the segment revenue reported above is from external customers.

### 3. Operations in the interim period

The revenues of the group are not subject to seasonal or cyclical factors.

### 4. Taxation

Interim period taxation is accrued based on the estimated average annual effective income tax rate of 30% percent (12 months ended 31 December 2006 - 30%).

Year	6 Months	
	to 30 June	to 31
December		
2006	2007	
£'000	£'000	
Current tax:		
Charge for current period	1,134	
1,093		
Adjustment in respect of prior periods	4	
-		
-----		
Total current tax expense	1,138	
1,093		
-----		
Deferred tax:		
Origination and reversal of temporary differences	(67)	
(75)		
Adjustment in respect of prior periods	17	
(50)		
-----		
Total deferred tax expense	(50)	
(125)		
-----		
Total tax expense in income statement	1,088	
968		
=====		
Profit before taxation	3,573	
3,372		
=====		
Tax at 30%	1,072	
1,012		
Effect of:		
Depreciation on assets not eligible for tax allowances	3	
4		
Non-deductible expenses	1	
3		
Non-taxable income	(9)	
-		
Prior period adjustments	21	
(51)		
-----		
Total tax expense	1,088	
968		

=====	=====	
5. Earnings per share		
Year to 31	6 Months to	6 Months to
December	30 June	30 June
2006	2007	2006
£'000	£'000	£'000
Basic EPS		
Profit after tax	2,485	1,204
2,404		
Weighted average no of shares	38,292,683	38,292,683
38,292,683		
Weighted average basic EPS	6.5p	3.1p
6.3p		
Diluted EPS		
Profit after tax	2,485	1,204
2,404		
Weighted average no of shares	42,955,826	41,507,564
41,199,304		
Weighted average fully diluted EPS	5.8p	2.9p
5.8p		
Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into Ordinary shares of the weighted average number of options outstanding during the period		
Adjusted EPS		
Profit after tax	2,485	1,204
2,404		
Add:		
Share based payment reserve movement	331	-
541		
Tax effect of the above adjustments	(99)	-
(162)		
	-----	-----
Adjusted profit after tax	2,717	1,204
2,783		
Issued number of shares at the period end	38,292,683	38,292,683
38,292,683		
Adjusted EPS	7.1p	3.1p
7.3p		
6. Dividends		

During the interim period, a dividend of 1.7 pence (2006: nil) per share was paid to the shareholders. A dividend of 1.25 pence per share has been declared by the Board and will be paid on 7 September 2007 to shareholders on the register at 17 August 2007. The ex dividend date will be 15 August 2007.

7. Property, plant and equipment

The Group continues to invest in property, plant and equipment to develop its capacity to generate future economic benefits.

8. Related party transactions

- Transactions between related parties  
There have been no transactions between the company and its subsidiaries or between the company and other related parties, except for the key management personnel compensation disclosed below.

- Key management personnel compensation

The remuneration of key management personnel during the period was as follows:

Year to 31	6 Months to	6 Months to
December	30 June	30 June
2006	2007	2006
£'000	£'000	£'000
Key management emoluments including social security costs	332	278
394		
Share-option awards	125	-
157		
-	-----	-----
551	457	278
=====	=====	
=====		

9. Capital commitments

There were no contractual commitments for future capital expenditure as at 30 June 2007. (2006: £nil)

10. Contingent liabilities

There were no contingent liabilities as at 30 June 2007. (2006: £nil)

11. Events after balance sheet date

There were no adjusting events or non-adjusting events after the balance sheet date.

12. Deferred taxation

The following are the key deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior interim reporting periods.

	Accelerated tax depreciation	Share based payments	
Total	£'000	£'000	
£'000			
At 1 January 2006	(82)	-	
(82)			
Charge to income	(38)	163	
124			
-----			-
At 30 June 2006	(120)	163	
43			
=====			
At 1 January 2007	(120)	163	
43			
Charge to income	(49)	99	
50			
Charge to equity		(17)	
(17)			
-----			-
At 30 June 2007	(169)	245	
76			
=====			

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

**Note 1:** Prices and trades are provided by Digital Look Corporate Solutions and are delayed by at least 15 minutes.