

LONDON CAPITAL GROUP HOLDINGS PLC

PRELIMINARY RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

Highlights

Financial

- Total revenue increased 25% to £34.5m (2009: £27.6m)
- Adjusted profit before tax* up 8% to £6.5m (2009: £6.0m)
- Adjusted profit before tax* is stated after CFD start up costs of £0.8m; closure costs of our proprietary trading platform of £0.7m and the recent FSCS levy of £0.3m. Excluding these items adjusted profit before tax would have been £8.3m
- H2 profits impacted by the return of range bound markets which resulted in a fall in average revenue per user
- Loss before tax of £66k (2009: profit of £5.8m) as a result of £3.2m software impairment and a provision of £3.2m for Financial Ombudsman Service ("FOS") revised assessment both previously announced
- The Board proposes to raise approximately £8.0m before expenses, through the issue by way of a placing of 13,333,333 new ordinary shares at 60 pence per share
- Debt free and strong cash position of £13.9m at year end (2009: £10.0m)
- No final dividend proposed (2009: £nil)

Operational

- Trading revenue** increased 25% to £34.4m (2009: £27.5m)
- Steady UK spread betting performance
 - Net revenue per active UK Financial Spread betting (FSB) client increased 38% to £1,279 (2009: £929) for the year
 - FSB average trades per day increased 22% to 29,256 (2009: 23,975)
 - New client acquisition down 34% to 12,036 (2009: 18,235)
 - Retail FSB client funds up 16% to £24.9m (2009: £21.4m)
- Robust Forex performance
 - Trade volumes increased to \$429bn (2009: \$427bn)
 - 7% increase in revenue to £6.0 million (2009: £5.6 million)
 - Foreign exchange client funds down 14% to £16.5m (2009: £19.1m)
- Successful launch of two new CFD platforms; Capital CFD's and LCG Metatrader
- Actively participating in a number of new White Label opportunities

	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000	Change %
Revenue	34,491	27,645	25%
Adjusted EBITDA***	8,491	8,107	5%
(Loss)/profit before tax	(56)	5,848	(101%)
Adjusted profit before tax*	6,506	6,005	8%
Basic (loss)/earnings per share	(0.09)p	9.95p	(101%)
Diluted (loss)/earnings per share	(0.09)p	9.53p	(101%)
Dividend per share	1 p	2.5p	(60%)

*Adjusted profit before tax represents profit before tax excluding share based payment expense, exceptional software impairment charge and provision for FOS claims. Applied consistently hereafter.

**Trading revenue represents total revenue excluding interest income on client funds. Applied consistently hereafter.

***Adjusted EBITDA represents profit before interest, tax, depreciation, amortisation and share based payment expense and excludes the exceptional software impairment charge and provision for FOS claims. Applied consistently hereafter

Commenting on the results, Simon Denham, Chief Executive, said: "It has been a challenging year on a number of fronts but we remain positive about the future of the business. We have invested significantly in our products, platforms and people and believe the company is now well positioned to take advantage of these changes. Whilst there is little visibility in forecasting earnings I am pleased to report that trading in 2011 has started well."

For further information, please contact: www.londoncapitalgroup.com

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Notes to Editors:

London Capital Group Holdings plc (hereafter "LCGH plc" or "LCG" or "London Capital Group" or "the Group") is a rapidly growing financial services company offering online trading services.

London Capital Group Limited (LCG Ltd), a wholly owned trading subsidiary of LCGH plc, is authorised and regulated by the Financial Services Authority. 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 professional clients and also institutional derivatives broking. LCG Ltd is one of the leading providers of white label financial spread trading platforms and its white label partners including TradeFair, PartyGaming Plc, Saxo Bank, and TD Waterhouse.

LCG Ltd has a European passport and is a member of the London Stock Exchange. London Capital Group Limited also has access to international markets through its global clearing relationships.

Prospreads.com is authorised and regulated by the Financial Services Commission in Gibraltar and provides spread betting products on financial markets to professional clients.

Capital CFDs (Australia) is a trading name of London Capital Group Pty Limited, a wholly owned subsidiary of LCGH plc, which is regulated by the Australian Securities and Investments Commission.

LCGH plc is listed on the London Stock Exchange's AIM market. 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

For the year ended 31 December 2010

The results for 2010 that we have now produced show some healthy signs. The Group has been investing substantially for the future, both in product and geographical expansion. In addition, we have added significant resources to ensure the highest standards of customer service, compliance and regulatory satisfaction.

The Group's revenue has increased by 25 %, but operating profits have been held back by this necessary investment. However, the results are overshadowed by two principal events; first, the Financial Ombudsman Service ("FOS") issued a revised assessment in relation to customer complaints originating from transactions first initiated in 2009. As explained in our detailed statements, LCG intends to challenge robustly the FOS assessment.

Additionally, we experienced a default by a professional client who has so far failed to pay a loss deriving from a closed position.

The former event has necessitated the making of an extraordinary provision of £3.2 million, which in turn has made it inappropriate to pay a final dividend. In consequence your Board has made arrangements to raise approximately £8m before expenses to strengthen the Group's financial position and regulatory capital adequacy and to provide additional resources to support the Group's growth through additional White Label partnerships and international expansion. We are grateful for the support shown by our investors through their participation in the placing.

These events marred what would otherwise have been a satisfactory year, given markets which were not particularly suited to our business model. Your Board regrets these blemishes and is doubly determined to ensure that recurrences are avoided.

During the year there have been substantial changes to the composition of the Board. I welcome Malcolm McCaig as a new independent Non Executive Director. Thanks should also be extended to Frank Chapman who retired from the position of CEO, a position he had held from the time of the Group's flotation in 2005. We are pleased that Frank has agreed to remain on the Board as a Non Executive, given his profound understanding of the Group.

I also welcome Siobhan Moynihan as our new Group Finance Director who has strengthened our capabilities in this area.

The current year has seen a continuation of reasonable trading performance for the first two months and I am optimistic for the future of the business.

Richard Davey
Chairman
22 March 2011

CHIEF EXECUTIVE'S STATEMENT

For the year ended 31 December 2010

Summary

This is my first statement to shareholders since I took the position of CEO. Looking back over the past 7 years at LCG, I am enormously proud of the business that we have built with the help of our talented and ambitious staff. LCG has grown seven-fold in terms of revenue over the past 5 years and four-fold in terms of headcount. We are no longer a small, entrepreneurial business. We are now independently recognised as the number two provider of financial spread betting services* in the UK and we believe this is an astounding achievement in such a short amount of time in what is a highly competitive arena.

We have evolved organically over the years, but in 2010 we started to build a more formal and structured organisation enabling a more considered and strategic approach to growth. The Group spent time formalising the operating subsidiary Boards which work collaboratively and consist of operational department heads. In 2011 we plan to appoint a Chief Information Officer and expect to appoint additional resources in the areas of risk, marketing and sales. We are investing in and laying the foundations for growth.

As mentioned in the Chairman's statement, Frank Chapman retired and joined the Board as a non-executive Director. Due to other commitments, non-executive Director, Jack Inglis offered his resignation to the Board in September 2010. We would like to thank Jack for his contribution to the business over the past 3 years. In September 2010, Malcolm McCaig joined the Board as a non-executive Director and brings with him a wealth of experience in compliance and risk management and has made an immediate impact. Siobhan Moynihan was promoted to Group Finance Director in April 2010 and has established herself as an invaluable asset to the Group.

The current economic conditions present many challenges including a low interest rate environment which continues to impact our revenue and profit. In addition to this, our rapidly developing businesses have encountered a number of difficulties throughout the course of the year; despite this, LCG has again returned an operating profit for the year.

Our growth story has not been without its difficulties – any business that develops at such an exponential rate will always experience growing pains. As a result, 2010 has been mixed for LCG. We spent much of the year investing for the future and will continue to do so to ensure that we strengthen our competitive stance. We are delighted with our new CFD products which will focus on international customers. The launch of our first mobile application at the end of the year has been welcomed by our customers and we will launch additional applications in 2011.

We achieved full regulatory status in Australia at a time when CFD trading in that jurisdiction is under severe scrutiny. This is our first international satellite office offering CFDs to retail customers.

As discussed in the Chairman's statement, profit for the full year has been hindered by a number of legacy issues which have impacted the Group profits. I am however pleased to report that we made an adjusted profit before tax of £6.5m. This includes a recent levy from the FSCS of £341,000; excluding this the adjusted profit before tax would have been £6.8m

* Investment Trends UK FSB/CFD Report 2010

Anyone reading the business pages of the broadsheets will recognise that following the global financial crisis the financial services industry has been subject to increased levels of regulatory oversight causing the Group to divert more management time and financial resource towards compliance and governance. The new client money rules enforced from January 2011 do not adversely affect LCG as the Group already segregates all client funds as a matter of course. However, the new rules do appear to create a barrier to new entrants and could also restrict the ability of some of our existing competitors from growing apace.

Financial Spread Betting (FSB) and Contracts for Difference (CFDs)

LCG's Spread Betting unit continues to generate the bulk of the revenue for the Group and the company has continued to consolidate its position in the market place. The recent Investment Trends survey places LCG as the second largest financial spread betting provider by account numbers with Capital Spreads (LCG's own brand name) in third place overall*. Our platform and overall offering continues to score well on client satisfaction and value for money.

We believe that the robustness of our business model has been proven in the most difficult of environments. Average trades per day rose by 22% but client acquisition has been challenging for our own brands and our White Label partners with numbers falling some 34% over the course of the year due in part to the late delivery of technology upgrades. Despite this, we achieved a record month in December for client acquisition, which is normally a difficult month to attract new customers and active customer numbers for the year held up strongly showing increased client retention and industry low churn rates. Low market activity in the second half saw the FSB business average revenue per user decrease 40% from H1 to H2, but for the year as a whole we have seen an increase of 38%.

Whilst this is disappointing in the short term, the level of funds on account gives robust indications for future returns. Capital Spreads (LCG's own brand Spread Betting platform) has retained 42% of overall business with the remaining 17 White Label partners delivering the remainder. Capital Spreads' client retention numbers are an encouraging sign as gross profit from own brand clients is significantly greater than White Label partner income.

As announced on 7 March 2011 one of our long established and proactive partners, Paddy Power, has decided to remove its brand from the financial services sector. The current Paddy Power client base will be invited to migrate to the Capital Spreads brand name.

Our Gibraltar based Direct Market Access ("DMA") spread betting unit, ProSpreads, has built a sustainable client base and operationally positive returns have been recorded through the last quarter. The regulatory environment in Gibraltar has also shifted in recent months giving the unit more flexibility in its offering by allowing de-segregation of margin monies on Professional Client Account funds enabling the unit to gain volume whilst utilising less of the Group's capital. The unit has attracted its first White Label partners in the last quarter of 2010 and these are already adding considerably to the volume/revenue of the unit.

* Investment Trends UK FSB/CFD Report 2010

International Expansion

As mentioned above the Group has made its first steps into international expansion via CFDs. In October, we achieved regulatory status with ASIC in Australia which will, in time, provide us with further opportunities in Asia and the Far East. We see enormous opportunity for the Group internationally but we have adopted a considered approach to ensure that we have the right people and strategic goals to ensure a profitable result. Therefore, we do not expect material results from these ventures until 2012.

Institutional Foreign Exchange

Our institutional FX division continues to grow apace under the expert direction of Gavin Foster who launched the business in November 2005. The unit is attracting clients at an impressive rate; numbers have grown to 302 active accounts during 2010 an increase of 43% on the previous year. In addition to this, we now have up to 15 institutional market makers streaming their FX prices in upwards of 70 currency pairs thereby establishing LCG FX as one of the most competitive and liquid FX platforms in the market. This unit is still relatively small in terms of head count and overheads, so we watch with interest as its product continues to evolve.

Technology

Technology is the backbone of our business and the Group must continue to invest heavily to maintain its position in the market. In Q2 2010, LCG closed one of its trading platforms (see note 6) and consolidated its spread betting and CFD offerings onto one platform. The closure incurred costs of £0.7m and the company also wrote off £3.2m of capitalised expenditure. This decision was made as result of the revised strategic direction approved by the newly restructured Board.

We are committed to continued investment in IT development and strengthening of our IT resources throughout 2011.

Risk Management

The inherent risks in our business are constantly evolving. In Q2 the company unfortunately incurred its first serious bad debt as a result of an exceptional (and non-recurring) extension of a White Label customers. The Group is now in the process of claiming the debt via legal proceedings. Spread betting debts are legally binding and the Group expects full recovery of the outstanding sum of £1.4m.

The company has several layers of risk oversight encompassing all areas of exposure. All client activity is constantly screened to attempt to identify any potential fraud, money laundering, insider trading or market abuse incidents. The Group also has a risk management structure in place which consists of risk committees at both the operational and Board level.

Employees

We believe that we have a group of skilled and loyal staff who have worked hard with us to build a highly successful and profitable organisation. I am enormously proud of the team that has developed over the years and I would personally like to thank them all for their continued support and contribution in 2010.

In 2011, as part of our plans to lay the foundations for growth, we will appoint a CIO and other staff with specialist skills to enable us to grow in a more formal and strategic environment.

Summary and Outlook

As outlined above, the changes to the Board in early 2010 were the catalyst for the change of strategic direction for the Group and our long term investment for growth strategy. Going forward we are confident that our reinforced Board will result in a more considered approach and a greater focus on overall strategic decision making. As a Group we are positive about 2011 and feel that we will produce a strong set of results for our investors. The unexpected liability resulting from the FOS assessment announced on Monday 14 February has been a considerable disappointment to the Board and we intend to challenge the assessment. It is with regret that due to our regulatory capital requirements this contingent liability has now made it impossible for us to pay a final dividend.

The Company remains debt free with considerable net cash resources. We believe that the Group remains in a strong position with a solid product suite to offer to the retail and institutional derivative market place. We are optimistic about the future and are actively engaged in a number of new White Label opportunities.

In May 2011 we will move to a new office space in Devonshire Square, a stone's throw from our current location. We have managed to secure an excellent deal for a higher specification floor space with considerable room for expansion, at minimal extra cost. The new space will be an open plan trading floor which will benefit the business enormously and I believe that we will all look forward to this move as a part of a new and exciting chapter in the history of the Group.

Simon Denham
Chief Executive Officer
22 March 2011

GROUP FINANCIAL REVIEW

For the year ended 31 December 2010

Trading revenue and operating profit

UK financial spread betting revenue increased 31% to £25.8m in 2010, and represented 75% of the Group's total revenue. The first half of 2010 saw an improvement in market conditions driven by volatility in Q2. Volatility boosted client activity and resulted in an increase in average revenue per user of 75% to £1,051 in H1. The second half of 2010 saw the return of more range bound markets similar to those experienced in 2009 which resulted in a fall in average revenue per user to £661. Gross profit for the division increased to £18.1m (2009: £13.9m) as a result of the increase in revenue, proportionately white label costs remained consistent at 27% of net revenue at £7.0m (2009: £5.4m). Whilst client acquisition was lower in 2010, retail funds on account remained strong at £24.9m.

ProSpreads, our DMA financial spread betting business in Gibraltar also saw improvements in revenue which increased 13% to £1.5m. The business returned a loss of £0.5m for the year (2009: £0.3m) however recent trading and KPIs have shown significant improvement and we are optimistic for profitable return in 2011.

2010 saw the launch of our two CFD businesses. As expected, these incurred net losses of £0.9m for the year due to the start up costs associated with the setting up of these divisions.

The institutional FX division has continued to show strong growth increasing revenue 7% year on year to £6.0m and an increase in volume from \$427bn to \$429bn.

Our institutional brokerage business saw an increase in revenue of 33% to £1.1m (2009: £0.8m), and generated a contribution of £0.3m (2009: £0.2m).

Administrative expenses

Administrative expenses excluding the exceptional items noted below increased 27% to £16.9m (2009: 13.3m). Included within administrative expenses are non-recurring costs of £0.70m to close down our LCG Digital unit and costs to launch our CFD platforms of £0.8m. They also include a provision for £0.34m for an FSCS levy received on 25 January 2011 which had not been anticipated. Excluding the effect of these items, administrative expenses have increased by £1.8m on 2009 largely as a result of increased staff costs including enhanced bonus awards.

Adjusted profit before taxation

Adjusted profit before taxation which excludes the exceptional items noted below and share based payments, increased 8% to £6.5m (2009: £6.0m). Excluding the recent FSCS levy, CFD start up costs and closure costs of LCG Digital, would give an underlying adjusted profit before tax of £8.3m demonstrating the strong trading profitability of the Group.

Exceptional items

In February 2010 the Group completed a review of its IT Strategy and concluded that it would change the focus of its IT asset use in the future. As a result of this review an

impairment of £3.2m was incurred in relation to the Group's software assets. This charge did not impact either the cash or regulatory resources of the Group.

During H1'09 the Group made commission rebating errors whilst preparing the customer statements of a managed spot FX fund. The correction of these errors led to a series of complaints to the FOS. The initial assessment from the FOS received in October 2010 led the Board to conclude that the impact of the claims to the FOS would not be material to the business. However a revised assessment received on 11 February 2011 has led to the Group recognising a provision of £3.2m (£2.3m net of tax) at 31 December 2010 and disclosing a further contingent liability of £3.2m (£2.3m net of tax).

We have determined the valuation of the provision based on an analysis of the losses incurred in the fund attributable to clients under the protection of the FOS, the latest FOS assessment and the FOS's rules on compensation. Whilst the Board are confident that the provision represents a best estimate of the implications of the latest FOS determination, there remains significant uncertainty as to the eventual financial outcome. The Group is intending to challenge the adjudicator's assessment and, although the Directors are confident that there are grounds for challenge, the outcome of this process remains uncertain.

As noted below, recognition of this liability has had a material impact on the regulatory capital position of the Group.

Financial position, capital adequacy and going concern

Following the recognition of a £3.2m provision in relation to the FOS assessment the Group had net assets of £24.2m (2009: £24.4m) including intangible assets of £12.7m (2009: £15.8m) at the year-end. Cash and cash equivalents were £61.6m (2009: £63.9m) of which client deposits amounted to £47.6m (£53.8m) and Group net cash resources amounted to £13.9m (2009: £10.0m).

The Group's capital requirements fluctuate significantly depending on the residual market risk it retains from unhedged client positions. The Group has limits in place set by the Risk Committee which determine the level of market risk on an aggregate and individual product basis it can take. A key determinant of the Group's profitability is the amount of risk it can take with respect to unhedged client positions. This is dependent on the capital resources at LCG's disposal.

If the Group had been utilising the full limit, as set by the Risk Committee it would have had a regulatory deficit at 31 December 2010.

The Board has therefore decided to raise approximately £8.0m before expenses through the issue by way of a placing of 13,333,333 new ordinary shares at 60 pence per share to ensure the continued operating effectiveness and profitability of the Group. The placing is conditional on shareholder approval to be obtained at a General Meeting to be held on 7 April 2011. In light of this the Board has decided not to pay a final dividend (2009: nil).

The Directors have reviewed the Group's forecasts and projections. They have a reasonable expectation that the placing of 13,333,333 ordinary shares will be successful and, accordingly, that the Group will have sufficient capital available for it to continue in operational existence for the foreseeable future. The financial statements of the Group have, therefore, been prepared on a going concern basis.

Financial outlook

Whilst earnings are difficult to predict with any certainty, 2011 has started well for our UK spread betting and institutional FX businesses. Our ProSpreads business is trading profitably so far and we are working hard to develop our CFD offering internationally.

Siobhan Moynihan
Group Finance Director
22 March 2011

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Revenue	2	34,491	27,645
Cost of sales		<u>(11,368)</u>	<u>(8,671)</u>
Gross profit		23,123	18,974
Administrative expenses (excluding depreciation, amortisation and share-based payment charge)		(14,717)	(10,867)
Depreciation and amortisation		(1,985)	(2,251)
Impairment charge	6	(3,194)	-
Charge for provision against Financial Ombudsman Service ("FOS") claims	9	(3,200)	-
Share-based payment charge		(168)	(157)
Total administrative expenses		<u>(23,264)</u>	<u>(13,275)</u>
Operating (loss)/profit		(141)	5,699
Investment revenue		<u>85</u>	<u>149</u>
(Loss)/profit before taxation		(56)	5,848
Tax credit/(expense)		<u>20</u>	<u>(1,981)</u>
(Loss)/profit for the year		(36)	3,867
(Loss)/profit for the year attributable to owners of the parent		<u>(36)</u>	<u>3,867</u>
Earnings per share (pence)			
- Basic	3	(0.09)	9.95
- Diluted	3	(0.09)	9.53
- Adjusted basic	3	<u>12.02</u>	<u>10.24</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	2010	2009
	£'000	£'000
(Loss)/profit before taxation	(36)	3,867
Exchange differences in translation of foreign operations	14	-
Total comprehensive (loss)/income for the year	(22)	3,867
Total comprehensive (loss)/income for the year attributable to owners of the parent	(22)	3,867

**CONSOLIDATED BALANCE SHEET
As at 31 December 2010**

	Notes	2010 £'000	2009 £'000
NON-CURRENT ASSETS			
Intangible assets	5	12,745	15,753
Property, plant and equipment	7	597	911
Available-for-sale investments		100	-
Deferred tax asset		168	3
		13,610	16,667
CURRENT ASSETS			
Trade and other receivables		3,233	1,325
Cash and cash equivalents	8	61,583	63,871
Current tax receivable		473	-
		65,289	65,196
TOTAL ASSETS		78,899	81,863
CURRENT LIABILITIES			
Trade and other payables		51,540	56,723
Current tax liabilities		-	773
Provisions	9	3,200	-
		54,740	57,496
TOTAL LIABILITIES		54,740	57,496
NET ASSETS		24,159	24,367
EQUITY			
Share capital		3,985	3,899
Share premium account		13,390	12,153
Own shares held		(1,287)	-
Retained profits		13,415	13,659
Other reserves		(5,344)	(5,344)
TOTAL EQUITY		24,159	24,367

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2010

	Share capital £'000	Share premium account £'000	Own shares held £'000	Retained profits £'000	Other reserves £'000	Total equity £'000
At 1 January 2009	3,864	11,855	-	14,138	(5,344)	24,513
Total comprehensive income for the period	-	-	-	3,867	-	3,867
Dividends	-	-	-	(4,267)	-	(4,267)
Share-based payment transactions including deferred taxation	-	-	-	(79)	-	(79)
Issue of share capital	35	298	-	-	-	333
At 31 December 2009	3,899	12,153	-	13,659	(5,344)	24,367
Total comprehensive loss for the period	-	-	-	(22)	-	(22)
Dividends	-	-	-	(390)	-	(390)
Share-based payment transactions including deferred taxation	-	-	-	168	-	168
Share Ownership Plan	82	1,205	(1,287)	-	-	-
Exercise/forfeiture of share options in the year	4	32	-	-	-	36
At 31 December 2010	3,985	13,390	(1,287)	13,415	(5,344)	24,159

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2010

	2010	2009
Notes	£'000	£'000
(Loss)/profit for the year	(36)	3,867
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	542	418
Amortisation of intangible assets	1,443	1,833
Equity settled share based payment	168	157
Software impairment	3,194	-
Charge for provision against Financial Ombudsman Service ("FOS") claims	3,200	-
Investment income	(85)	(149)
Current tax charge	145	1,707
Movement in deferred tax asset	(165)	512
Operating cash flows before movements in working capital	8,406	8,345
(Increase)/decrease in receivables	(1,908)	1,969
(Decrease)/increase in payables	(5,183)	5,788
Cash generated by operating activities	1,315	16,102
Taxation paid	(1,388)	(2,430)
Net cash (used in)/from operations	(73)	13,672
Investing activities		
Investment income	85	149
Acquisitions of property, plant and equipment	(228)	(393)
Acquisitions of intangible assets	(1,608)	(2,564)
Acquisitions of investments	(100)	(353)
Net cash used in investing activities	(1,851)	(3,161)
Financing activities		
Dividends paid	(390)	(4,267)
Cash from issue of share capital	26	333
Net cash used in financing activities	(364)	(3,934)
Net (decrease)/increase in cash and cash equivalents	(2,288)	6,577
Cash and cash equivalents at beginning of year	63,871	57,294
Cash and cash equivalents at end of year	8	61,583
Own money	13,948	10,025
Client monies held	47,635	53,846
	61,583	63,871

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2010

1. Introduction

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the company's annual general meeting. The auditors have reported on those accounts. Their reports were unqualified. However their report for the year ended 31 December 2010 includes two emphasis of matter paragraphs. The first emphasis of matter paragraph is in respect of the uncertainty surrounding the eventual outcome of complaints to the FOS. The second emphasis of matter paragraph is in respect of the ability of the group to continue as a going concern should the proposed issue of new ordinary shares not to be successful. Their opinion is not qualified in respect of these matters.

The information included within the preliminary announcement has been based on the consolidated financial statements, which are prepared in accordance with the accounting policies adopted under International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board, and as adopted by the European Union. The accounting policies followed are the same as those detailed within the 2009 Report and Accounts which are available on the Group's website www.londoncapitalgroup.com.

While the financial information included in this preliminary announcement has been prepared in accordance with IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs.

2. Revenue and segmental information For the year ended 12 Months to 31 December 2010

	Financial spread betting, UK	CFDs UK	Institutional foreign exchange	Institutional brokerage	CFDs Australia	Financial spread betting, Gibraltar	Total
	£'000	£'000	£'000	£'000	£000	£'000	£'000
Revenue							
Segmental revenue	25,827	(67)	6,045	1,082	(2)	1,520	34,405
Foreign exchange gain on trading							86
Total group revenue							34,491
Segmental operating profit/(loss)	9,065	(532)	2,145	275	(323)	(483)	10,147
Unallocated corporate expenses							(10,288)
Operating loss							(141)
Finance income							85
Loss before taxation							(56)
Taxation credit							20
Loss for the year							(36)
Segmental assets	29,254	316	16,743	281	445	8,432	55,471
Unallocated corporate assets							23,428
Consolidated total assets							78,899
Segmental liabilities	24,917	316	16,481	48	21	6,507	48,290
Unallocated corporate liabilities							6,450
Consolidated total liabilities							54,740

2. Business and Geographical Segments (continued) For the year ended Months to 31 December 2009

	Financial spread betting, UK £'000	Institutional foreign exchange £'000	Institutional brokerage £'000	Financial spread betting, Gibraltar £'000	Total £'000
Revenue					
Segmental revenue	19,711	5,582	815	1,346	27,454
Foreign exchange gain on trading					191
Total group revenue					27,645
Segmental operating profit/(loss)	11,062	2,523	171	(257)	13,499
Unallocated corporate expenses					(7,800)
Operating profit					5,699
Finance income					149
Profit before taxation					5,848
Taxation expense					(1,981)
Profit for the year					3,867
Segmental assets	39,616	19,340	403	7,529	66,888
Unallocated corporate assets					14,975
Consolidated total assets					81,863
Segmental liabilities	30,178	19,130	-	5,084	54,392
Unallocated corporate liabilities					3,104
Consolidated total liabilities					57,496

3. Earnings per ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted number of ordinary shares in issue during the year, after deducting any own shares (JSOP). Fully diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of shares in issue during the year and the dilutive potential ordinary shares relating to share options. Dilutive potential ordinary shares were 1,615,398 (2009: 1,694,339).

	2010	2009
Basic EPS		
(Loss)/profit after tax (£'000)	(36)	3,867
Weighted average no of shares	38,994,692	38,865,569
Weighted average basic EPS	(0.09)p	9.95p
Diluted EPS		
Profit after tax (£'000)	(36)	3,867
Weighted average no of shares	40,610,090	40,559,908
Weighted average fully diluted EPS	(0.09)p	9.53p
Adjusted basic EPS		
Adjusted profit after tax (see note 4) (£'000)	4,689	3,980
Weighted average no of shares	38,994,692	38,865,569
Weighted average basic EPS	12.02p	10.24p

4. Adjusted profit before tax, adjusted operating profit and adjusted EBITDA

	2010	2009
	£'000	£'000
Reported (loss)/profit before tax	(56)	5,848
Add back – software impairment charge	3,194	-
Add back – charge for provision against FOS claims	3,200	-
Add back – share-based payment charge	168	157
	<hr/>	<hr/>
Adjusted profit before tax	6,506	6,005
Tax as reported	20	(1,981)
Tax effect on add backs	(1,837)	(44)
	<hr/>	<hr/>
<i>Adjusted profit after tax</i>	<u>4,689</u>	<u>3,980</u>

5. Intangible fixed assets

	Customer relationship £'000	Trade name £'000	Software £'000	Goodwill £'000	Total £'000
COST					
At 1 January 2009	152	136	5,353	9,998	15,639
Additions	-	-	3,090	-	3,090
Acquisitions through business combinations	-	-	324	-	324
Adjustment to deferred consideration	-	-	-	(300)	(300)
At 1 January 2010	152	136	8,767	9,698	18,753
Additions	-	-	1,608	-	1,608
Impairment (note 6)	-	-	(3,970)	-	(3,970)
At 31 December 2010	152	136	6,405	9,698	16,391
AMORTISATION					
At 1 January 2009	29	16	1,122	-	1,167
Charge for the year	51	27	1,755	-	1,833
At 1 January 2010	80	43	2,877	-	3,000
Charge for the year	51	27	1,365	-	1,443
Eliminated on impairment (note 6)	-	-	(797)	-	(797)
At 31 December 2010	131	70	3,445	-	3,646
NET BOOK VALUE					
At 31 December 2010	21	66	2,960	9,698	12,745
At 31 December 2009	72	93	5,890	9,698	15,753

6. Impairment charge

In February 2010 the Group completed its IT strategy review, the conclusion of which was that the Group would change the focus of its IT asset use. Consequently, the Board determined that the value of its Chaucer Digital software asset in relation to financial spread betting was not supportable and therefore recognised an impairment charge of £3.2m.

7. Property, plant and equipment

	Leasehold property £'000	Plant and machinery £'000	Total £'000
COST			
At 1 January 2009	510	957	1,467
Acquisitions through business combinations	-	29	29
Additions	37	356	393
At 1 January 2010	547	1,342	1,889
Additions	25	203	228
Disposals	-	(66)	(66)
At 31 December 2010	572	1,479	2,051
DEPRECIATION			
At 1 January 2009	143	417	560
Charge for the year	130	288	418
At 1 January 2010	273	705	978
Charge for the year	199	343	542
Eliminated on disposals	-	(66)	(66)
At 31 December 2010	472	982	1,454
NET BOOK VALUE			
At 31 December 2010	100	497	597
At 31 December 2009	274	637	911

8. Cash and cash equivalents

	2010	2009
	£'000	£'000
Cash at bank and in hand	5,651	1,992
Short-term deposits	8,297	8,033
Client money held	47,635	53,846
	61,583	63,871

9. Provisions and contingent liabilities

During H1'09 the Group made commission rebating errors whilst preparing the customer statements of a managed spot FX fund. The correction of these errors led to a series of complaints to the FOS. The Board reviewed the initial assessment from the FOS received on 18 October 2010 and concluded that the impact of the claims to the FOS would not be material to the business. A revised assessment was received on 11 February 2011. Whilst LCG believes its actions did not directly cause any loss to the client, the revised assessment determined that LCG should repay the total losses incurred by the client of £0.1m plus interest. LCG intends to challenge the revised assessment.

The Board has assessed that a gross provision of £3.2m should be booked and a contingent liability of a further £3.2m disclosed. The Directors have made this assessment based on an analysis of the losses incurred in the fund attributable to clients under the protection of the FOS, the latest FOS assessment and the FOS's rules on compensation. Whilst the Directors are confident that the provision represents a best estimate of the implications of the latest FOS determination, there remains significant uncertainty as to the eventual financial outcome. The Group is intending to challenge the adjudicator's assessment and, although the Directors are confident that there are grounds for challenge, the outcome of this process is uncertain. As a result of these variables, the timing of any such payment is also uncertain.

10. Post balance sheet events

As previously discussed in Note 9, the Group received a revised assessment in relation to complaints pertaining to a managed spot FX fund from the Financial Ombudsman Service on 11 February 2011. The effect of this revised assessment resulted in the Group having to reassess its liability in relation to the complaints. The effect of this reassessment has been disclosed in Note 9.