



Embargoed until 0700

Thursday 23 February 2006

LONDON CAPITAL GROUP HOLDINGS PLC

MAIDEN PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

London Capital Group Holdings plc ("LCG" or "the Group"), a rapidly growing and profitable spread betting and financial services company offering online trading in the financial markets today announces its maiden preliminary results for the full year ended 31 December 2005.

Highlights:

- Turnover up 85% to £4.86 million (2004: £2.62 million)
- Operating profit before exceptional items £1.86 million (2004: loss £0.06 million)
- Daily spread betting trades during the year up 141%
- Number of financial spread betting client accounts increased 128% to 4,319 in 2005 (2004: 1,895)
- Launch of binary bets in January 2006
- Admitted to AIM raising £15 million (before expenses) by a placing on 22 December 2005

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

"We have continued to experience strong trading since our flotation at the end of last year with encouraging growth in both the number of live customer accounts and the daily trading volumes in the spread betting division. We are delighted with the launch of Capital Forex Pro and binary bets which we believe will further enhance the development of the business in 2006."

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Print resolution images are available for the media to view and download from www.vismedia.co.uk

Notes to Editors:

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

Based in London, LCG is regulated and authorised by the Financial Services Authority, 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. LCG 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

I am pleased to present the Group's maiden preliminary results following its admission to AIM in December last year and my first report as Chairman of LCG. The year to 31 December 2005 has been both eventful and successful.

The admission to AIM was completed on 22 December 2005 at an issue price of 82p, raising £15 million before expenses, giving a free float of approximately 48% of the shares in issue. The Board believes that the admission to AIM, coupled with the restructuring of the balance sheet with funds raised on flotation, will allow LCG to take full advantage of the exciting growth opportunities within our target markets.

Results

The Group achieved an operating profit of £1.86 million (2004: loss £0.06) on turnover of £4.86 million (2004: £2.62 million). We experienced particularly strong growth from our spread betting business, **Capital Spreads**, in the last 6 months of the year, with revenue 127% higher than in 2004.

The average number of spread bets taken per day has increased by 141% year on year (2004: 830, 2005: 1,997) and the number of new live spread betting clients has increased by 128%. Customer cash held on account, reflecting the increased number of live accounts, has risen by 174% from £1.20 million to £3.30 million in the spread betting division and from zero to £1.56 million in the forex division.

Whilst the Group's principle trading division, **Capital Spreads**, has been the main contributor to this strong performance, I am pleased to report that both the derivatives division, **Capital Derivatives**, and the foreign exchange ("forex") products, **Capital Forex** and **Capital Forex Pro**, also had a good year. The forex division, launched in July 2005, is already breaking even on a monthly basis.

Dividend

As indicated in the AIM admission document, the Directors do not intend to recommend a dividend for the year just ended. In future, however, we intend to adopt a progressive dividend policy in line with the earnings and cash flow potential of the Group. We therefore anticipate the payment of a dividend in respect of the current year ending 31 December 2006.

Board

The Board has three Executive Directors – Frank Chapman (Chief Executive Officer), Simon Denham (Chief Operating Officer) and Rachel Woodford (Sales and Marketing Director) – each of whom has a proven track record in developing and commercialising products in the financial services market.

My fellow non-executive Director, Geoffrey Forster and I have good experience, respectively, of the financial services and software industries and we believe, therefore, that we have a well balanced Board. We indicated at the time of our flotation that we intended to appoint a finance director during the first half of 2006 and I can confirm that we still expect to be able to announce an appointment in that timescale.

Geoffrey Forster and I are the sole members of both the audit and the remuneration committees, with the former being chaired by Geoffrey and the latter by myself.

Employees

On behalf of the Board, I would like to thank all our employees for their enormous contribution, hard work and support during the past year. Our people are our most valuable asset and in recognition of this, we have set up a share option scheme giving them the opportunity to share in the Company's future value. My thanks also go to my fellow Board members and senior management for all their efforts.

Current Trading and Outlook

All of our business areas have started the year well with the new client acquisitions achieved by **Capital Spreads** being particularly pleasing. **Capital Derivatives** has also secured a number of new institutional clients with several more in the pipeline, which places it in a good position for the current year. As stated above, the foreign exchange division, **Capital Forex** and **Capital Forex Pro**, are now breaking even and we have high hopes that these and our new binary bets business, launched in January, will contribute in 2006.

Robert Loosemore
Chairman
23 February 2006

Chief Executive's Statement

2005 was a very exciting year for both the Group and its employees. We have delivered a strong maiden set of results following a successful flotation on AIM.

Financial Review

The turnover from our continuing business rose by 85% from £2.62 million in 2004, to £4.86 million in 2005. This reflects the increased number of spread betting accounts and trades, which averaged 128,800 trades per quarter during the year (2004: 53,500 trades per quarter), a like for like increase of 140%. As a result, operating profit before exceptional items increased, from a loss of £0.06 million in 2004 to a profit of £1.86 million in 2005, although this improvement was also in part due to the closure of a loss making business in 2004.

We are able to maintain a low cost operation by comparison with other companies in our sector because we have adopted an outsourcing model, whereby we sub-contract the specialist services to specialist providers. Included in the administration costs, was a spend of £250,000 on IT infrastructure, up 98% on the previous year.

Profit before tax increased from £155,000 to £503,000. Earnings per share, adjusted for balance sheet restructuring, increased from 0.16p to 3.3p per share.

The Company had no debt at the year end and had cash resources of £1.67 million as well as £4.86 million of client funds.

These results have been reported under UK GAAP but we have now adopted international accounting standards and future results will therefore be reported under IFRS.

Operating Review

Capital Spreads

Capital Spreads, our financial spread betting business, has enjoyed exceptional growth during the year with the number of live accounts having grown from approximately 1,800 in 2004 to over 4,300 in 2005 and trading volumes also up from 17,600 trades in December 2004 to over 63,300 in December 2005.

A key driver to our increasing volumes is our white label model, which generates good revenue from clients who would otherwise be inaccessible to us. We are actively seeking additional white label partners and have a number of discussions ongoing.

Whilst our marketing activity and our reputation play a significant part in the building of our client base, over 50% of our clients join us via recommendation. Therefore, it is essential that we provide a unique offering and integral to this is the maintenance of some of the tightest spreads in the market.

Currently, 73% of our clients have funds on account and approximately 30% have traded within the last month, with over 99% of transactions being executed online.

Binary Bets

Binary betting is a hybrid of spread and fixed odds betting. In January this year, we launched binary bets on to our Capital Spreads platform and we are already seeing profitable results.

Capital Forex and Capital Forex Pro

Our foreign exchange trading platform, **Capital Forex**, provides the retail market with the ability to trade currencies whilst **Capital Forex Pro** provides professional traders with access to Currenex and Hotspot FX, two major on-line foreign exchange trading platforms.

We are pleased to report that we have secured two white label partnerships, now have a number of institutional clients and expect a measurable contribution from this division in 2006.

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 satisfactory year in which its position was

consolidated by the winning of a number of new clients. We have continued to gain new institutional clients in 2006 and we expect to see further growth from this division during the course of the year.

Growth Strategy

LCG intends to build on its achievements to date by broadening its offering with new and complementary products. The launch of **Capital Forex Pro** in the last quarter of 2005 and last month's launch of binary bets are good example of this. The Group's diversified product range, coupled with its hedging strategy, should lead to an even more stable revenue stream in 2006.

LCG will continue to focus on marketing its white label offering. It currently has eight white label spread betting partners, including one of the world's largest online brokers. Since the start of the year, we have signed up an additional three new spread betting partnerships, two of which will be marketing primarily in Europe. These partnerships will enhance our planned international expansion. We are also in negotiation with several other potential spread betting partners and we have secured two international white label partners for the **Capital Forex** platform.

Summary and Outlook

LCG has had an excellent year and achieved a great deal in a short space of time. This has been mainly due to the efforts of our dedicated teams in all business areas. We have continued to experience strong trading since our flotation at the end of last year with encouraging growth in both the number of live customer accounts and the daily trading volumes in the spread betting division. We are delighted with the launch of Capital Forex Pro and binary bets, which we believe will further, enhance the development of the business in 2006.

Frank Chapman
Chief Executive Officer
23 February 2006

GROUP PROFIT & LOSS ACCOUNT
For the period ending 31 December 2005

	Note	2005 £000	2004 £000
Turnover – continuing		4,861	2,623
Turnover - discontinued		-	497
		<hr/>	<hr/>
GROUP TURNOVER	2	4,861	3,120
Cost of sales		<hr/> 1,085	<hr/> 1,154
GROSS PROFIT		3,776	1,966
Administrative expenses		1,855	2,019
Depreciation		56	4
Exceptional costs/(income)	3	262	(204)
OPERATING PROFIT		1,603	147
Interest receivable		21	8
Interest payable and similar charges		(1,121)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		503	155
Tax on profit on ordinary activities		199	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL PERIOD		304	155
		<hr/> <hr/>	<hr/> <hr/>

GROUP BALANCE SHEET
As at 31 December 2005

	2005	2004
	£000	£000
FIXED ASSETS		
Intangible assets	9,303	-
Tangible assets	276	200
	9,579	200
CURRENT ASSETS		
Debtors	1,044	1,081
Cash at bank	5,592	1,630
	6,636	2,711
CREDITORS: Amounts falling due within one year	5,737	1,614
NET CURRENT ASSETS	899	1,097
TOTAL ASSETS LESS CURRENT LIABILITIES	10,478	1,297
PROVISIONS FOR LIABILITIES		
Deferred taxation	82	-
	10,396	1,297
CAPITAL AND RESERVES		
SHAREHOLDERS' FUNDS	10,396	1,297

GROUP CASH FLOW STATEMENT
For the period ended 31 December 2005

	2005 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	5,627
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	21
Interest paid	<u>(1,121)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(1,100)
TAXATION	-
CAPITAL EXPENDITURE	
Payments to acquire intangible fixed assets	(9,303)
Payments to acquire tangible fixed assets	<u>(132)</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(9,435)
ACQUISITIONS	
Payments to acquire group companies	<u>(6,324)</u>
NET CASH OUTFLOW FROM ACQUISITIONS	(6,324)
EQUITY DIVIDENDS PAID	(242)
CASH OUTFLOW BEFORE FINANCING	<u>(11,474)</u>
FINANCING	
Issue of equity share capital	3,829
Share premium on issue of equity share capital	<u>11,607</u>
NET CASH INFLOW FROM FINANCING	15,436
INCREASE IN CASH	<u><u>3,962</u></u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	
	2005 £'000
Operating profit	1,603
Depreciation	56
Decrease in debtors	38
Increase in creditors	3,930
Net cash inflow from operating activities	<u><u>5,627</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005
	£'000
Increase in cash in the period	<u>3,962</u>
Movement in net funds in the period	<u>3,962</u>
Net funds at 1 January 2005	<u>1,630</u>
Net funds at 31 December 2005	<u>5,592</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2005 £000	Cash flows £000	At 31 Dec 2005 £000
Net cash:			
Cash in hand and at bank	<u>1,630</u>	<u>3,962</u>	<u>5,592</u>
Net funds	<u>1,630</u>	<u>3,962</u>	<u>5,592</u>

Notes to Financial Statements

1. Basis of preparation

The results for the period ended 31 December 2005 comprise the consolidated results London Capital Group Holdings Plc and its subsidiaries. The company adopted the merger method of accounting for consolidation. This basis assumes that London Capital Group plc owned London Capital Group Ltd for the whole year. Comparative figures for 2004 are for memorandum purposes and comprise London Capital Group Limited results.

The financial information contained in this Preliminary Report has been prepared using accounting policies and practices consistent with those used in preparing the accounts of London Capital Group Ltd for the year ended 31 December 2004

2. Turnover is stated net of brokerage and hedging costs:

	2005	2004
	£000	£000
Spread betting income	4,242	1,913
Brokerage income	<u>1,066</u>	<u>1,358</u>
Turnover – continuing	5,308	3,271
Turnover – discontinued	<u>-</u>	<u>497</u>
Gross group turnover	5,308	3,768
Hedging and brokerage costs	<u>(447)</u>	<u>(648)</u>
Net group turnover	<u>4,861</u>	<u>3,120</u>

3. Exceptional items

	2005	2004
	£000	£000
Vendor non recurring costs	266	-
Other non recurring costs	116	-
Exceptional income	(120)	-
Profit on sale of fixed assets	-	(204)
	<u>262</u>	<u>(204)</u>

4. Earnings per share

Basic EPS	2005
	£
Profit after tax	304,000
Weighted average no of shares	1,888,411
Weighted average basic EPS	<u>0.16p</u>
Diluted EPS	2005
	£
Profit after tax	304,000
Weighted average no of shares	1,955,979
Weighted average fully diluted EPS	<u>0.15p</u>

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.

Adjusted EPS	2005
	£
Profit after tax	304,000
Add:	
Exceptional items	262,000
Interest payable	1,121,000
Tax effect on the above adjustments	<u>(415,000)</u>
Adjusted profit after tax	<u>1,272,000</u>
Issued no of shares at the period end	38,292,683
Adjusted EPS	<u>3.3p</u>

The adjusted EPS has been calculated to show the effect of 2005 earnings adjusted for non recurring expenditure and using the share in issue at the end of the year, as this will be more comparable with future years.