Company Registration No. 05497744

London Capital Group Holdings plc

Report and Financial Statements

31 December 2016

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CHAIRMAN'S STATEMENT
For the year ended 31 December 2016

2016 performance

Trading conditions in the first 2 months of 2016 were very positive. However, the year as a whole has been heavily affected by lower market volatility due primarily to the uncertainty in the lead up to the EU referendum and the subsequent result. This uncertainty had the effect of deterring market participation for both existing and new clients.

However, despite such challenging conditions, the Group, through its continued investment in innovation, IT, sales and marketing and the quality of people as well as an enhanced analytical approach to trading and risk, has been able to capture revenues far more efficiently than in prior periods. This approach has ensured that the Group is able to capitalise on significant trading opportunities as they present themselves whilst, at the same time, preserving the value of the enterprise through diligent risk management techniques.

We are confident the Group is now far better placed to derive a steady revenue stream during weak trading conditions and be in a position to take full advantage when conditions are favourable.

Organisational restructuring

As we have previously reported, the business had gone through a phase of consolidation as management has been focused on getting the building blocks in place within the business (in terms of technology, product offering, trading platforms, brand, customer service and, most importantly, people) in order to position LCG for a return to profitability. This effort has continued throughout the 2016 and has now been largely concluded. We now have the right combination of both people and product in place with LCG now positioned to take advantage of growth opportunities. The full benefits of the cost savings associated with the restructuring exercise in 2016 are expected to materialise in the next financial year.

In addition, during 2016, the balance sheet of the Group was strengthened by the redemption of the outstanding Convertible Loan Notes ("CLNs") and the issue of new equity capital. This enhanced the capital position of the Group whilst, at the same time, reduced debt.

Outlook

We continue to invest in and develop our people, products and services, to provide our clients with the service they expect in order to ensure that LCG is their provider of choice for their trading needs. Part of that investment and growth has resulted in the Group further developing its product offering by improving its Meta Trader 4 and LCG Trader platforms, which the Board expects will create a greater appeal to markets outside of the Group's traditional UK market place.

The Group looks forward to benefiting from the refreshed marketing campaigns and brand awareness initiatives, that in addition to the enhanced product offering, the Board believes will strengthen the brand, develop broader and more innovative products and service offerings, and attract a more diversified client base, both within the UK market and more importantly, internationally.

The regulatory landscape continues to evolve across multiple jurisdictions and particularly Europe. The recent announcements from the Financial Conduct Authority ("FCA") and other European regulators to protect clients through reduced leverage and enhanced risk warnings is in line with LCG's position of ensuring that the customer is protected and to improve customer outcomes. LCG is fully supportive of the efforts of global regulatory bodies to ensure that client interests are served at all times. Although no final announcement has been issued by the FCA, LCG remain committed to ensuring that the Group continues to operate to the highest regulatory standards and that the Group is well positioned to continue the strong growth in both client acquisition and revenue capture demonstrated thus far in spite of the regulatory uncertainty. LCG, as one of the leading providers in the industry with an established history of over 20 years and with a loyal client base, is well placed to continue its growth trajectory in this changing environment.

CHAIRMAN'S STATEMENT
For the year ended 31 December 2016

I, the other Board members and the senior management team remain confident about the prospects for the business in the coming periods and are fully committed to ensuring that LCG continues on the path to sustained long-term growth.

pp

Charles Poncet

Non-Executive Chairman

28 June 2017

STRATEGIC REPORT
For the year ended 31 December 2016

Strategic Report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

London Capital Group Holdings plc operates through its principal subsidiary, London Capital Group Limited ("LCGL"). LCGL is a global provider of trading services and solutions, specialising in over-the-counter, or OTC markets to private, retail high net worth and professional clients. LCGL offers customers access to a diverse range of over 5,000 financial products, including foreign exchange (or forex), precious metals, contracts for differences ("CFDs")and financial spread betting, which are investment products with returns linked to the performance of an underlying commodity, index, equity or security. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company's FCA Register Number is 182110, for further details see www.fca.gov.uk/register and its parent company London Capital Group Holdings plc is listed on AIM, a market operated by the London Stock Exchange.

Revenues are generated from the dealing spread – the difference between the buying and selling price of the CFD and spread betting products, commission income, exchange gains and interest.

The Company's success is expected to be achieved by providing a high quality service to its customers and offering a variety of financial trading products and platforms. Clients are attracted to the Company for its value for money, ease of platform navigation, its industry leading mobile app, tight dealing spreads and competitive margin requirements, in addition to high levels of customer service.

Business Review

The Company experienced a positive start to the trading year which coincided with a period of high volatility and market movements in January and February of 2016. January and February saw volatility at their highest levels for 6 months, with the CVIX (Chicago Board Options Exchange Market Volatility Index, which is a measure of the implied volatility of the S&P 500) gauging at historically high levels. This resulted in positive trading conditions as markets across the majority of asset classes traded outside of their ranges. The increased volatility encouraged participation by clients with newly funded accounts which were 12% higher in the first three months of 2016 compared with the same period in 2015.

The Company was able to take advantage of the favourable trading conditions coupled with an enhanced analytical view of the Group's client trading activity and behaviour to ensure maximum revenue capture where opportunities allowed. As a result, revenues in the first three months were 105% higher than the same period in 2015.

From March 2016 and continuing into the second quarter of the year, there was a decrease in volatility in financial markets as a result of the increased uncertainty over the EU referendum vote as market participants chose to refrain from any short term position taking, resulting in a reduction in activity across all asset classes. As a result of the decrease in volatility and range bound market conditions, client trading volumes decreased 28% during the second quarter of 2016 versus the first quarter and 50% lower compared with the same period in 2015. [check this is consistent with the half year figures]

Despite the down-turn in overall market volatility – the Group was still able to capture revenue at a greater rate than compared to the previous year due to its analytical risk management policy. Revenues for the second quarter were 98% higher than the same period in 2015 and this shows that the investment by the Group in both the brand and trading platform as well as the implementation of the enhanced risk management analysis of client trading behaviour and patterns is starting to generate a return.

Following a benign third quarter for market volatility coinciding with the traditional quiet summer months, the fourth quarter saw a return in volatility to the financial markets as uncertainty over a number of events including the post EU referendum political and economic landscape and the US presidential elections brought attractive trading conditions for clients. New accounts opened, funded and traded were around10% higher than the same period in 2015 and the net inflow of client funds was approximately 125% higher than the previous quarter (Q3-16) as the favourable trading conditions encouraged clients to open accounts and trade. Total trades in the fourth quarter were approximately 32% higher than the third quarter and fourth quarter revenues were up 63% compared to the third quarter and approximately 74% higher than the same period in 2015 as the Company continued to capture revenues at a greater rate than in previous periods.

Overall, for the year ended 31 December 2016 revenues increased by 50% compared to the prior year. The Company has seen monthly average open and funded accounts up 34% on the previous year and, although total client funds decreased 20% over the same period due to the cessation of un-economic trade partnerships, it is anticipated that as the brand continues to gain traction through marketing activities, both the acquisition of clients (direct and indirect) will begin to have a positive impact as seen by the upward trend in net new funds into the company from Q3-2016 onwards.

Costs of sales for the period were £3.7m (2015: £5.0m) and gross profit was £19.6m which is 86% higher than 2015 and represents an 84% gross profit margin on revenues (2015: £10.5m gross profit and 57% gross profit margin). This increase in gross profit margin is the result of the increase in revenue capture the firm has seen since the introduction of the enhanced risk management analysis of client behaviour which has led to increased revenue capture without any incremental increase in cost of sales. This has additionally been supplemented by the termination of non-economic trading partnerships which has further increased revenue capture for the company.

Adjusted EBITDA for 2016 was a loss of £4.8m (2015: loss of £12.3m), a 61% improvement on the same period last year. Administrative costs remain on the higher side at £27.2m for the period (2015: £24.8m) but the Company expects to see the benefits of its significant cost reduction initiatives that took place during 2016 in the next financial year.

The loss before tax decreased to £7.8m (2015: loss of £14.5m) and demonstrates the improvements the Company has made to ensure that, despite poor trading conditions seen in Q2 and Q3 2016, there is a clear path toward sustainable long term profitability, through the Group's improved branding, technology and investment in people.

Adjusted EBITDA from continuing operations

	2016 £'000	2015 £'000
Reported loss from continuing operations	**(7,443)**	**(14,076)**
Add back – amortisation and depreciation from continuing operations	1,925	1,302
Add back – credit for release of provision against market data costs	(403)	-
Add back – charge for provision against FOS claims	-	38
Add back – credit for restructuring costs	-	(900)
Add back – other costs of changing IT platform	360	-
Add back – impairment of leasehold assets	725	1,321
Adjusted EBITDA from continuing operations	(4,836)	(12,315)

The net cash and amounts due from brokers decreased 39% to £9.8m (2015: £16.1m) primarily as a result of the losses for 2016 and capital investments during the year. Available liquidity which comprises own cash held, title transfer funds, unsegregated funds and amounts due from brokers decreased by £3.4m to £13.0m (2015: £16.1m).

Available liquidity and cash flow

	Audited 31 December 2016	Audited 31 December 2015
	£'000	£'000
Own cash held	4,360	12,458
Short term receivables: Amounts due from brokers	5,393	3,657
Net cash and short term receivables	**9,753**	**16,115**
Title transfer funds and unsegregated funds	3,247	-
Available liquid resources	**13,000**	**16,115**

Total client money at the year-end was £19.1 million (2015: £23.8 million) of which £15.9 million (2015: £23.8m) was held in segregated bank accounts. These balances are excluded from the Balance Sheet. Unsegregated amounts held on behalf of clients under a Title Transfer Collateral Arrangement ("TTCA") are included on the Balance Sheet (see notes 20 and 22).

Both client acquisition and client volumes are continuing to improve in 2017, with the first two months of the year showing newly funded accounts up 30% on the same period in 2016 and client trading volumes up 14% over the same period.

Customer trading volumes are driven by eight main factors. Four of these factors are broad external factors outside the Company's control and include:

- changes in the financial strength of market participants;
- economic and political conditions;
- changes in the supply, demand and volume of foreign currency transactions; and
- regulatory changes.

Many of the above factors impact the volatility of financial markets, which have generally been positively correlated with client trading volume. The Company's customer trading volume is also affected by the following additional factors:

- the effectiveness of sales activities;
- the competitiveness of the Company's offerings;
- the effectiveness of the customer service team; and
- the effectiveness of the marketing activities.

In order to increase customer trading volume, the Company will continue to focus its marketing and its customer service and education activities on attracting new customers and increasing overall customer trading activity.

Historically, the Company's business model has been predominantly driven by retail client transactions focusing on the UK market with client trading focused on its spread betting and CFD offering. The Group is now looking to expand its offering beyond the UK and enhance its technology and product offering by developing both its existing Meta Trader 4 and LCG Trader platforms to ensure they are both market leading as well as being fit for purpose for the active trader. The Group has enlisted the services of a team of experts with a number of years of experience in both the target markets and the technology being offered, to ensure that the release is both suitable and scalable for the expected increase in client activity. This team is located in Cyprus and is able to take advantage of the local resources and talent pool to ensure the offering has the highest standard of technological requirements for the target market.

At the same time, the Company has also taken advantage of these resources and talent pool by re-locating many of its processing and operational functions to Cyprus which will additionally reduce costs for the Group. The full benefits of these cost saving initiatives are expected to be seen in 2017.

The Group looks forward to benefiting from the enhanced product offerings which will give the Company the opportunity to promote the brand, develop broader and more innovative products and service offerings, and attract a more diversified client base, both within the UK market and internationally.

The Company's future success continues to be based on providing a high quality service to its customers and offering a variety of financial trading products and platforms. The Company will deliver a complete multi-asset experience for its clients.

The increased investment in technology will allow the Company to offer an intelligent new platform while still delivering industry leading spreads with instant, reliable execution. In addition, the Company's analysts will offer high quality analysis, research and financial news.

The Company's medium-term strategy will also continue to focus on the promotion and further development of its key selling points which include:

- Industry-leading platforms
- Service
- Professional tools and news service
- Educational material
- Pricing
- Marketing
- Dealing execution

Marketing is expected to attract active retail traders. This combined with improving the customer journey and technology will ensure that the Company continues to be in a strong position within its market.

The Financial Conduct Authority ("FCA") in line with other global regulatory bodies recently announced proposed changes to both leverage and risk disclosures as part of its aim to protect client interests. The changes being proposed are in consultation with the industry and as yet, no final terms or timing of implementation have been finalised. It is unclear at this time what the impact of these changes will be to LCG given the uncertainty over the final terms and timing of the implementation. LCG is fully supportive of the efforts by global regulators to protect client's best interests and despite the uncertainty, LCG through its loyal client base and increasing diversified operations, will continue to meet these challenges and remain focused on ensuring that its growth strategy is maintained.

Our people

Continuing throughout 2016, the Company has strengthened the board of directors, senior management team and recruited best-in-class personnel to support the Company's ambitions.

Employees are incentivised with a discretionary performance-related bonus scheme to reward performance, and a range of other benefits are provided including pension contributions and private health insurance.

Environment

Given the nature of its activities, there is limited scope for the Company to have a major impact on environmental matters. Nevertheless, the Directors are mindful of their responsibilities in this regard and strive to seek opportunities where improvements may be made; these are generally concentrated in areas of energy conservation, recycling and waste control.

Equality and diversity

The Company is committed to promoting and developing equality of opportunity in all areas. Individuals are encouraged to achieve their full potential in every aspect of their employment and the Company supports fair and equitable treatment of our employees irrespective of gender, sexual orientation, religious beliefs, age, colour, ethnic or racial origin, nationality or disability.

Applications for employment by disabled persons are always fully considered and in the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Health and safety

The Company aims to provide and maintain a safe working environment for all its employees and visitors and seeks the involvement of its employees in improving health and safety throughout its operations. The Board keeps its health and safety policy under regular review to take account of changes in legislation, best practice and the working environment.

Principal risks and uncertainties

The principal risks and uncertainties to which the Company is exposed could each have a material impact on the Company's long-term performance and achievement of its strategic goals. The Company's risk appetite is set by the Board and is documented in the Risk Management Framework document.

The Company uses Key Risk Indicators to identify, monitor and measure risk in the business and maintains a Risk Register of all financial and operational risk events and the mitigating controls. This quantification process ensures that the Company operates within its risk appetite.

Ultimate responsibility for risk management lies with the Board, which has established an Audit and Risk Committee, chaired by an independent non-executive Director of the Company, which considers risk management in more detail. The principles and objectives of the Risk Management Framework are cascaded down through the Company. The responsibility for establishing specific internal control policies and procedures is being overseen by the Credit and Risk Committee.

The effectiveness of internal controls is monitored by the Compliance function and outsourced expert assessors who report both to the Audit and Risk Committee and the Board.

The main areas of risk for the Company are considered to be the following:

- Market risk: Market risk is the risk that changes in market prices will affect the Company's profit and loss or the value of financial instruments held and traded by clients. Although the Company does not directly enter into speculative proprietary positions, the effect of client trades does result in the Company retaining a net market risk. The Company has a formal risk policy and a methodology for setting limits for every financial market in which it operates. Market risk is managed on a day-to-day basis by the respective divisional heads with oversight provided by the Risk Management function, the

Audit and Risk Committee and the Board. The risk limits determine the maximum net exposure arising from client activity which the Company is prepared to carry. If the Company's exposure to clients exceeds these limits, the policy requires that the positions are hedged reducing exposure to within defined limits.

- Credit risk and concentration risk: The Company has a credit exposure to the banks with which it deposits funds and the counterparties with which it hedges its market positions. The Company mitigates this risk by ensuring diversification of counterparties and setting minimum levels of creditworthiness for Company counterparties. The Company does not ordinarily offer credit to its clients but does, on occasion, offer credit to clients who meet specific criteria. The Group has adopted a Credit Risk Policy which sets out specific requirements that will apply in the event that clients are offered credit.The Company ensures client credit risk is minimised via real time monitoring, management of unrealised profit and loss, margin and net equity and supported by mandatory stops and guaranteed stop losses being used by many clients to manage their accounts.
- Operational risk: Operational risk is defined as the risk of loss arising from inadequate internal processes, people or systems. The most significant operational risks the Company is exposed to are:
    - Technology risk and business continuity: Technology risk is the risk of a sustained loss of the Company's systems leading to an inability to provide online trading platforms to its clients. This will inevitably lead to a significant loss of customers and income. The Company operates backup for all its trading platforms in separately hosted environments and to support the loss of physical premises the Company also has a contract with a disaster recovery provider for disaster recovery premises. This is supported by ongoing business continuity planning and periodic testing of our disaster recovery facilities and procedures.

    - Employee risk: The Company requires suitably skilled staff to operate, control, develop and manage its business. The Company has a wide range of skill requirements including IT, project management, dealing/market risk management, customer support, HR, compliance, finance, sales and marketing. Without adequate staff resources the Company would not be able to operate effectively or achieve its strategic aims. The risk is managed initially through the recruitment and selection of appropriately qualified employees, validated by a pre-employment screening process. Employee risk is also managed on an ongoing basis through training and development (both regulatory and non-regulatory), and reviews of performance to ensure that individual remuneration and performance is managed consistently and fairly. Finally, we ensure the continued success of the Company through the proactive identification and retention of our key employees through share-based payment awards under long term incentive plans.
    - Legal, regulatory and compliance risk: Legal, regulatory and compliance risk is the risk of legal or regulatory sanctions, legal claims, defective contractual arrangements and the resulting financial loss, or damage to the reputation of the Company. The Company is a full scope firm and is therefore subject to close regulation. As such, regulatory risk is an important element of the risk assessment and management process. The regulatory landscape changes at an ever increasing pace and this imposes significant demands on the resources of the Company. The Company therefore continues to ensure sufficient investment is made in resources and training to meet regulatory demands. The responsibility for compliance is spread throughout the Company, and results are monitored and reported to senior management by the Compliance Department.

- Liquidity risk: Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company has established policies and a liquidity risk management framework to manage its liquidity risk, including daily production of liquidity reports that summarise current liquidity and liabilities. Liquidity is monitored daily by the LCGL Board. The Company also undertakes various stress and scenario testing as part of its Individual Capital Adequacy Assessment Process ("ICAAP") that is a requirement of the FCA. These scenarios stress the effect on the Company's capital and liquidity adequacy of both an individual risk materialising or a series of risk events occurring within a short timeframe.

- Treasury risk: Treasury risk is the risk arising from the movements in the interest rates or exchange rates which affect the Company's profitability or net cash resources.
  - Interest rate risk: Interest rate risk arises from the loss of revenue from interest earned on client deposits and margined client positions, and the Company's own cash resources. While interest rates remain low, interest income will not make a material contribution to Company profit. Conversely, as interest rates rise the Company should benefit.
  - Foreign currency risk: The Company faces currency exposures on translation of its monetary assets and liabilities. This risk is managed by daily monitoring of the Company's net foreign currency position as part of its liquidity risk management.

- Key supplier risk: Key supplier risk is the risk of failure of one of our principal business partners to provide contractual services. The Company conducts initial and ongoing due diligence on key suppliers, in addition to using multiple providers where available.

Key Performance Indicators

The Company uses the following key performance indicators to measure its financial and operational performance on delivering the strategic goals of the business.

- Revenue
- Gross profit
- Profit before tax
- Client assets under management
- Active trading clients
- Accounts opened, funded and traded

The following table shows the key performance indicators at 31 December 2016 against the same period in the prior year.

KPI	2015	2016	Change
Revenue	£15,489,000	£23,242,000	+50%
Gross profit	10,517,000	19,568,000	+86%
Loss before tax	(£14,503,000)	(£7,777,000)	+46%
Client assets under management including professional clients	£23.8m	£22.3m	(6%)
Active trading clients (Monthly average)	4,234	3,884	(8%)
Accounts open, funded, traded (Monthly Average)	308	413	+34%

- Revenue up 50% year on year as a result of enhancements to the brand, marketing strategy and increased client acquisition.
- Gross profit up 86% year on year as a result of greater revenue capture following the implementation of enahance risk management analysis of client trading behaviour.
- Loss before tax 46% lower than prior year as a result of the increased revenues for the group.

- Client assets and active trading clients down 6% and 8% respectively due in part to low volatility seen in financial markets during periods of 2016.
- Accounts opened, funded and traded up 35% as the Group continues to improve the brand, proposition and expansion into new markets and territories.

Tax

The Group's effective tax rate is 0% (2015: 3%). This is primarily due to losses incurred within LCGL. These losses will be carried forward and offset against future taxable profits.

Dividend policy

The Board has reviewed its dividend policy during the year and has concluded that a policy of paying dividends from available profits while considering the current and future capital requirements of the business is the most appropriate policy going forward. The Board is not recommending a final dividend (2015: nil).

Return on assets

In accordance with the Capital Requirements Directive IV ("CRD IV") and the IFPRU prudential regulations the Group is required to disclose a return on assets metric. This has been calculated as profit for the year divided by shareholders equity.

	2016	2015
Return on assets	(57.5%)	(132.0%)

Subsequent events

On 1st March 2017 the Group entered into an agreement for the occupation of new premises at 77 Grosvenor Street, W1K 3JR. The Group entered into a 5 year lease and surrendered the lease on 1 Knightsbridge to a 3rd party at nil cost to the Group.

As part of the office move the Group provided £725,000 as an impairment to reflect the true economic recoverability of the fixed assets on the balance sheet.

Capital Resources

The following table summarises the Group's capital resources.

	2016 £'000	2015 £000
Total capital resources	9,075	8,425
Total risk exposure	76,814	80,336
Total capital ratio	12%	10%

The Group's Tier 1 capital resources increased following the redemption of the convertible loan note to equity. This increased Tier 1 capital by approximately £8.3m but was offset by the audited losses during the year of £7.8m. At 31 December 2016 the capital resources represented 12% of the capital resources requirement (2015: 10%).

Preparation of the Strategic Report

This Strategic Report has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Group.

STRATEGIC REPORT
For the year ended 31 December 2016

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

By order of the Board

Charles-Henri Sabet

Chief Executive Officer

28 June 2017

DIRECTORS' PROFILES
For the year ended 31 December 2016

The directors' profiles at the date of the audit report are as follows:

Charles-Henri Sabet

Chief Executive Officer

Charles-Henri joined the board as Chief Executive Officer in September 2014. Charles-Henri has more than 25 years' experience at the forefront of the foreign exchange and private banking markets across Europe. After an initial career at Credit Agricole and Swiss Bank Corporation, in 1991 he founded TCC, Trading and Commercial Consulting, the Geneva-based FX, options and interest-rate trading firm. After obtaining a Swiss banking licence the firm changed name in 2000 to Synthesis Bank, a full-service private banking and asset management firm which he chaired until its sale in 2007 to Saxo Bank, and where Charles-Henri then became chairman of Saxo Bank Switzerland and global head of trading of the Saxo Group. Since 2008 he has been a Director of GIO Global Investments Opportunities Management Ltd, which offers proprietary trading and investment services, and served until its sale in April 2008 as non-executive Director of JIFFIX Markets Ltd foreign exchange brokerage. He is an experienced strategic investor in companies across sectors focussing on driving long-term sustainable growth and returns. Charles-Henri has broad experience in financial services regulation and is bilingual in English and French.

Charles Poncet

Non-Executive Chairman

Dr. Charles Poncet is one of the leading international arbitration specialists in Geneva and has been a practicing lawyer for over 40 years. Charles has appeared in several leading cases concerning large-scale investments, joint ventures and other disputes, often involving amounts in excess of $1 billion. He recently retired from CMS von Erlach Poncet, one of Switzerland's leading law firms and a member of the CMS network. Charles was a member of the Swiss Parliament from 1989 to 1995 and is fluent in French, Italian, English and German.

Frank Chapman

Non-executive Director

Frank joined the Board in October 2003 and was chief executive officer from May 2004 to April 2010. Following his retirement he became a non-independent, non-executive Director. Frank has over 30 years' experience in the London derivative and FX markets, having previously been a Director and managing director of a number of companies including London Investment Trust, Baring Securities, Deutsche Morgan Grenfell and Amerex Petroleum.

Julien Cohen

Non-executive Director

Julien Cohen has worked in general corporate management and financial investment for 15 years and brings a breadth of experience as a non-executive Director and investor across industry sectors including mining, defence, commodities and information technology services. Julien is currently a non-executive Director and major shareholder at Resources Robex, the Toronto and Frankfurt-listed mining explorer and developer. He has worked for the Georges Cohen family investment firm since 2001. From 2001 to 2012 Julien was a non-executive Director and major shareholder at Panhard General Defense, the combat vehicle maker. From 2003 to 2011 Julien was a non-executive Director and major shareholder at Altergaz, the French natural gas producer. Julien is a graduate of the Institute Supérieur de Gestion in Paris.

DIRECTORS' PROFILES
For the year ended 31 December 2016

Dimitri Goulandris

Non-executive Director

Dimitri Goulandris has 30 years' of experience in financial services, with a focus on private equity. He spent eight years at Morgan Stanley in its private equity group, structuring derivative products and executing mergers and acquisitions from New York and London. From 1999 to 2001 Dimitri set up and ran the European operations of Whitney & Company, the private equity firm. Dimitri founded The Cycladic Group in 2002, which specialises in investing in and creating businesses. The Group has invested in over 40 businesses and founded five in the US, Europe, India, Africa and Latin America. Dimitri holds an MBA from the Harvard Business School and a master's degree in electrical and information sciences from the University of Cambridge.

Nicholas Lee

Senior independent non-executive Director

Nicholas Lee has more than 25 years of experience in international investment banking and working as a company Director. Nicholas was with Dresdner Kleinwort and its antecedent firms from 1988 to 2009, starting at Kleinwort Benson Group plc and rising to Managing Director, Head of Banking, Hedge Fund Solutions. Previously as a Managing Director in mergers and acquisitions at Dresdner Kleinwort Wasserstein, Nicholas' clients included leading European financial services firms and large industrial, consumer leisure and technology companies. Nicholas is currently executive chairman of AIM-listed Paternoster Resources plc, non-executive chairman of AIM-listed MX Oil plc and a non-executive director of a number of other AIM-listed companies. Nicholas qualified as a chartered accountant with Coopers & Lybrand and has an MA in engineering from St John's College, Cambridge.

DIRECTORS' REPORT
For the year ended 31 December 2016

The Directors present their annual report on the affairs of the Group, together with the financial statements and the auditor's report, for the year ended 31 December 2016. The Corporate Governance Report set out on pages 18 to 21 and the Directors' Remuneration Report on pages 23 to 26 also form part of the Directors' Report.

Principal risks and uncertainties

The Group's principal risks and uncertainties are set out on pages 6 to 8 of the Strategic Report.

Results

The Group statutory loss for the year after taxation amounted to £7.8 million (2015: loss of £14.9 million).

Dividends

The Directors do not recommend the payment of a final dividend (2015: nil). No interim dividend was paid (2015: nil) making a total of nil for the year (2015: nil). Dividends are recognised in the financial statements in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders.

Substantial interests in shares

Details of substantial holdings in the issued ordinary share capital of the company notified as at 05 June 2017 were:

	Number of shares	% Holding at 05 June 2017
GLIO Holdings Limited	296,556,612	78.14
Hargreaves Lansdown Asset Management	8,329,288	2.19
Charles Henri Sabet	7,800,000	2.10
London Capital Group Holdings Employee Benefit Trust	7,280,000	1.92
Pictet Asset Mgmt., Geneva	6,348,809	1.67
Andrey Pavlov	5,354,157	1.41

Related party transactions

Details of related party transactions are set out in note 32 to the financial statements.

DIRECTORS' REPORT
For the year ended 31 December 2016

Directors

The Directors who held office during the year were as follows:

Charles-Henri Sabet
Dimitri Goulandris
Julien Cohen
Charles Poncet
Nicholas Lee
Rebecca Fuller – resigned on 31 January 2017
Frank Chapman

Details of their letters of appointment, service contracts and interests in shares and share options are shown in the Remuneration Report on pages 21 to 25

Share capital

Details of the Company's share capital are set out in notes 33 and 34 of the financial statements.

As at 1 January 2016, there were 79,846,889 ordinary shares of 10p each in issue. During 2016, the Company approved notices from holders of convertible loan notes to convert 13,332,000 convertible loan notes of £1.00 each in the Company at a price of 5.00p in accordance with the terms of the convertible loan notes (see note 26). Following the conversion, a total of 372,628,399 ordinary shares at 5.00p and 79,846,890 deferred shares at 5.00p were in existence. A further 7,903,120 new ordinary shares were issued in November 2016 to settle payment obligations with no net cash inflow.

Of the shares in issue at 31 December 2016, 12,130,000 were held in the Joint Share Ownership Plan ("JSOP") and 1,000,000 shares were held in treasury (see note 35). Therefore the total number of voting rights as at that date was 78,846,889. At the end of the year there were a total of 460,378,409 shares in issue comprising 380,531,519 5.00p ordinary shares and 79,846,890 5.00p deferred shares.

The Company has one class of ordinary shares and each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on AIM of the London Stock Exchange. The Group issues shares from time to time in respect of long term incentive schemes. Details of shares held in trust are set out in note 35 of the financial statements.

The deferred shares do not carry voting rights or hold any dividend rights and only in extreme circumstances are the holders of deferred shares entitled to a return of payment on return of capital or on a winding up of the company. The deferred shares are not quoted on the AIM market or any other stock market and are not transferable without the written consent of the company. No share certificates have been issued in respect of the deferred shares.

Insurance

The company maintained appropriate Directors' and Officers' liability and professional indemnity insurance throughout the period and to the date of this report.

Disclosure of information to the auditor

Each of the individuals who is a Director at the date of approval of this annual report confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) the Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT
For the year ended 31 December 2016

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Future developments

The Group's future developments are set out on pages 4 to 5 of the Strategic Report.

Annual General Meeting

This year's annual general meeting will be held at 10.00am on Friday 30 June 2017 at 77 Grosvenor Street, London W1K 3JR.

CORPORATE GOVERNANCE REPORT
For the year ended 31 December 2016

The Directors present their report on corporate governance. As the Company's shares are traded on AIM, it is not subject to the UK Corporate Governance Code ("the Code"). However, the Board has regard to the Code when considering the Company's governance arrangements and applies it as it considers appropriate for the Company's current size and stage of development. Details of how the Company complies with the provisions of the Code are set out below:

The Board

The role of the Board and its composition

The Board currently consists of one executive Director, Charles-Henri Sabet. Charles Poncet is non-executive chairman and there are four non-executive Directors.

The Board meets at least six times each year and otherwise as required. It has a schedule of matters reserved to it for decision and this is regularly reviewed. The Company maintains Directors' and officers' liability insurance.

As part of their role as members of the Board, non-executive Directors constructively challenge and help develop proposals on strategy. Non-executive Directors also hold management to account for the achievement of agreed goals and objectives and monitor the reporting of performance.

The Board has established three sub-committees, Audit and Risk, Remuneration and Nominations ("the Committees"). Details of the committees, their membership, chairs and duties are given below. The Committees have defined responsibilities and assist the Board in the effective management of the Group. The Committees meet regularly and have terms of reference, which can be obtained from the company secretary on request. The Board also delegates certain day to day operational responsibilities to the LCG Limited Board.

Attendance at Board and Committee Meetings for 2016

Director	Board		Audit & Risk Committee		Remuneration Committee		Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Frank Chapman	5	5	5	4	-	-	-	-
Julien Cohen	5	4	-	-	-	-	-	-
Rebecca Fuller	5	5	5	5	-	-	-	-
Dimitri Goulandris	5	3	-	-	-	-	-	-
Nicholas Lee	5	5	5	5	-	-	-	-
Charles Poncet	5	5	-	-	1	1	1	1
Charles-Henri Sabet	5	5	-	-	1	1	1	1

The Committees

Nominations Committee

The members of the Nominations Committee are Charles Poncet (Chair) and Charles-Henri Sabet. Appointments are made on merit and against objective criteria, with due regard to the benefits of diversity. The Nominations Committee leads the process and makes recommendations for the appointment of any new Directors. The Committee also considers succession planning for the Board and senior executive positions within the Group. It reviews the Directors who are due to be re-elected at each AGM and whether to recommend that they stand for re-election.

Audit and Risk Committee

The members of the Audit and Risk Committee are Nicholas Lee (Chair) and Frank Chapman. Other members of the Board and senior management team, as well as the external auditors and any internal auditors, may attend the Committee by invitation. The Audit and Risk Committee meets at least four times a year and receives reports from the Group's management relating to financial reporting, internal controls, the findings of both external and internal audit, and risk assessment and management. The primary purposes of the Audit and Risk Committee are to oversee the Group's financial reporting, maintain an appropriate relationship with the auditors, to monitor the Group's compliance responsibilities, to review and recommend to the Board the Group's risk appetite, tolerance and strategy.

The Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and reviewing significant financial reporting judgements contained in them;
- reviewing reports from the compliance department, in particular on the compliance monitoring activity;
- overseeing the Group's client money including the governance and oversight arrangements.
- monitoring and reviewing the effectiveness of any of the Group's internal audit function;
- overseeing the Group's whistle-blowing arrangements;
- reviewing the Group's arrangements for anti-bribery and corruption and for detecting fraud;
- making recommendations to the Board, for a resolution to be put to shareholders at a general meeting, for the appointment of the external auditors and the determination of their remuneration and terms of engagement;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- monitoring key risk indicators;
- monitoring the risks identified in the business;
- reviewing the effectiveness of the Group's overall internal control and Risk Management Framework and systems; and
- reviewing and recommending to the Board for approval the Group's ICAAP;
- Reviewing and approving the Group's auditors as part of the audit tender process.

Remuneration Committee

The Remuneration Committee comprises Charles Poncet (Chair) and Charles-Henri Sabet and meets at least once each year. The primary purpose of the Remuneration Committee is to review the salary levels, discretionary bonuses, equity/option awards and terms and conditions of service of the Executive Directors and those staff who are covered by the FCA Remuneration Code.

The Committee also reviews the service contracts and remuneration decisions made in respect of other senior management and/or Group employees with a total compensation package of £100,000 or more, as well as the bonus and share incentive distribution policy across the Group.

The Committee has regard to best practice as well as the FCA's remuneration code and the Code, when recommending packages and arrangements for those within its remit.

Accountability

Financial reporting

The Board recognises that it is responsible for presenting a true and fair assessment of the Group's position and prospects. This is evidenced by the Strategic Report provided on pages 4 to 11.

Risk management and internal controls

The Group has established processes and procedures for identifying, evaluating and managing the significant risks faced by the Group. The responsibility for establishing specific internal control policies and procedures is overseen by a management Credit & Risk Committee. The Committee meets monthly to discuss and manage the financial and operational risks of the Group. The main areas of focus are set out within the Strategic Report on pages 4 to 11.

The Board is ultimately responsible for the Group's system of internal controls and for reviewing its effectiveness. The role of management is to implement Board policies on risk and control. The system of internal controls is designed to manage rather than to eliminate the risk of failure of the achievement of business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management.

The Board has also engaged with an internal audit service provider who will report to the Audit and Risk Committee in order for it to gain further assurance that its obligations and responsibilities are being met.

Remuneration

The Remuneration Committee has prepared a report on Directors' remuneration. This is set out on pages 21 to 23 of the annual report and includes details of the remuneration policy and individual remuneration packages.

Relations with shareholders

The Group's results are communicated to shareholders and analysts at the time of the full year and half-year results, disclosing such information as is permitted within the guidelines of the AIM Rules. Feedback is provided to the Board.

All shareholders are encouraged to attend the Annual General Meeting at which the Committee Chairs are available to answer questions. The Company endeavours to ensure that the notice of AGM is sent to shareholders at least 20 working days before the meeting.

The Group website contains electronic versions of the latest annual report and accounts, half-year reports, biographical information on the Directors, and share price information.

pp

Charles-Henri Sabet

Chief Executive Officer

28 June 2017

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2016

Remuneration policy

The Remuneration Committee is responsible for making recommendations to the Board on the Group's remuneration policy including contract terms, remuneration and other benefits for each of the executive Directors and staff covered by the FCA's Remuneration Code ("Code Staff"), including performance-related bonus payments, and any share based awards.

In determining contract terms and remuneration the Remuneration Committee considers: individual performance; retention of key staff; the principles of the FCA's Remuneration Code; promotion of effective risk management; alignment with shareholder interests; and promotion of sustainable growth.

No Director or manager is involved in any decisions that could impact their own remuneration.

Executive Directors' remuneration

The following comprised the principal elements of executive Directors' remuneration for the period under review:

- basic salary — this is not performance-related and is normally reviewed with effect from 1 January in each year;
- annual cash bonus — this is performance-related and is paid in full within three months of the year end;
- healthcare for the executive Director, their spouse and dependent children;
- company car for the executive Director; and
- pension contributions – the Group meets employee contributions at a rate equal to the contribution made by the employee subject to a maximum employer contribution of 4% of basic salary.

Share based awards

The Group currently operates the London Capital Group Holdings plc the Joint Share Ownership Plan ("JSOP"). Share based awards are determined by the Remuneration Committee to provide long term incentives to key personnel including executive Directors.

Non-executive Directors' remuneration

The remuneration for non-executive Directors is set by the full Board on the recommendation of the executive Director. Remuneration for non-executive directors serving during the year comprises a basic salary and benefits for Frank Chapman of £50,000 per annum, Rebecca Fuller of £55,000 per annum, and a basic salary for Charles Poncet of £60,000 per annum and Nicholas Lee of £55,000 per annum. The other non-executive Directors are not paid a fee. Non-executive Directors are not eligible to participate in any of the Company's bonus or share based long term incentive schemes.

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2016

Directors' remuneration

The remuneration of the Directors who served during the year was as follows:

Year to 31 December	Basic salary and fees 2016 £	Basic salary and fees 2015 £	Benefits 2016 £	Benefits 2015 £	Annual bonus 2016 £	Annual bonus 2015 £	Pension contributions 2016 £	Pension contributions 2015 £	Total 2016 £	Total 2015 £
Executive										
Charles-Henri Sabet[1]	525,214	260,000	109,851	139,371	-	-	40,167	26,000	675,232	425,371
	525,214	260,000	109,851	139,371	-	-	40,167	26,000	675,232	425,371
Non-executive										
Frank Chapman	43,040	60,000	6,960	-	-	-	-	-	50,000	60,000
Julien Cohen[6]	-	-	-	-	-	-	-	-	-	-
Rebecca Fuller[7]	55,000	55,000	-	-	-	-	-	-	55,000	55,000
Dimitri Goulandis[8]	-	-	-	-	-	-	-	-	-	-
Nicholas Lee[9]	55,000	43,000	-	-	-	-	-	-	55,000	43,000
Charles Poncet[11]	60,000	60,000	-	-	-	-	-	-	60,000	60,000
	213,040	218,000	6,960	-	-	-	-	-	220,000	218,000
Total	738,254	478,000	116,811	139,371	-	-	40,167	26,000	895,232	643,371

[1] *Charles-Henri Sabet was appointed as an Executive Director on 3 September2014;*
[6] *Julien Cohen was appointed as a Non-Executive Director on 7 November 2014;*
[7] *Rebecca Fuller was appointed as a Non-Executive Director on 23 December 2014 and resigned 31 January 2017*
[8] *Dimitri Goulandris was appointed as a Non-Executive Director on 7 November 2014;*
[9] *Nicholas Lee was appointed as a Non-Executive Director on 23 December 2014;*
[11] *Charles Poncet was appointed as Non-Executive Chairman on 7 November 2014;*

Benefits (which are taxable) comprise the provision of healthcare and company cars. The highest paid Director was Charles-Henri Sabet.

Pension benefits

Pension contributions payable to the executive Director are payable by the Group at a rate of 10% of basic salary.

Directors' interests in options

	Date of grant	Number of options: At 1 January 2016	Granted during the year	Exercised and sold during the year	Lapsed	At 31 December 2016	Exercise price	Date from which exercisable	Expiry date
Frank Chapman	08.11.07	60,000	-	-	-	60,000	4.5p	08.11.07	08.11.17
Charles Henri-Sabet	23.01.15	5,000,000	-	-	-	5,000,000	4.5p	23.01.15	23.01.25
Charles Poncet	23.01.15	200,000	-	-	-	200,000	4.5p	23.01.15	23.01.25

	Date of grant	At 1 January 2015	Granted during the year	Exercised and sold during the year	Lapsed	At 31 December 2015	Exercise price	Date from which exercisable	Expiry date
Frank Chapman	08.11.07	60,000	-	-	-	60,000	4.5p	08.11.07	08.11.17
Charles Henri-Sabet	23.01.15	-	5,000,000	-	-	5,000,000	4.5p	23.01.15	23.01.25
Charles Poncet	23.01.15	-	200,000	-	-	200,000	4.5p	23.01.15	23.01.25

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2016

Directors' direct interests in shares

	At 31 December	
Ordinary shares	**2016**	**2015**
Charles-Henri Sabet	7,800,000	2,800,000
Frank Chapman	3,215,000	3,500,000

Executive Directors' service contracts

Details of executive Directors' service contracts and notice periods are given below:

Executive Directors	Date of contract	Notice period
Charles-Henri Sabet	3 September 2014	12 months

Non-executive Directors' letters of appointment

The non-executive Directors are each appointed as detailed below. Non-executive Director appointments are terminable on the notice periods set out below, except in the case of the Company being taken over or the individual concerned becoming prohibited by law from acting as a Director in which case termination is immediate. All Directors are subject to regular re-election by shareholders.

Non-executive Directors	Date of letter of appointment	Notice period
Frank Chapman	20 September 2011	3 months
Nicholas Lee	With effect from 23 December 2014	1 month
Charles Poncet	With effect from 7 November 2014	1 month
Dimitri Goulandris	With effect from 7 November 2014	1 month
Julien Cohen	With effect from 7 November 2014	1 month

By order of the Board

Charles Poncet

Chairman of the Remuneration Committee

28 June 2017

DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2016

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group and the company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements:
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT
To the members of London Capital Group Holdings plc

We have audited the financial statements of London Capital Group Holdings plc for the year ended 31 December 2016 which comprise of the consolidated income statement, the consolidated statement of comprehensive income, the group and company balance sheets, consolidated statement of changes in shareholders equity, company statement of changes in shareholders equity, the group and company cash flow statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as regards the parent company financial statements, as applied with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at *www.frc.org.uk/auditscopeukprivate*.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Neil Griggs (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, UK

28 June 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue		23,242	15,489
Operating expenses		(3,674)	(4,972)
Gross profit		19,568	10,517
Other operating income		159	165
Administrative expenses (before non-recurring items)		(26,488)	(24,291)
Non-recurring items:			
Charge for provision against FOS claims	25	-	(38)
Credit for market data provision	25	403	-
Impairment of leasehold assets	16	(725)	(1,321)
Restructuring credit	25	-	900
Other costs of changing IT platform		(360)	(8)
Total administrative expenses	6	(27,170)	(24,758)
Operating loss		(7,443)	(14,076)
Investment revenue	9	31	257
Finance costs	10	(365)	(684)
Loss before taxation	5	(7,777)	(14,503)
Tax charge	11	-	(433)
Loss for the year attributable to the owners of the parent		(7,777)	(14,936)
Loss per share			
Basic	12	(0.035)	(0.24)
Diluted	12	(0.033)	(0.24)

The notes on pages 34 to 73 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016 £'000	2015 £'000
Loss after taxation	(7,777)	(14,936)
Other comprehensive income/(expense):		
Currency translation differences	225	-
Other comprehensive income/(expense) for the year	225	-
Total comprehensive income for the year	(7,552)	(14,936)
Total comprehensive income for the year attributable to owner of the parent	(7,552)	(14,936)

The notes on pages 34 to 73 form an integral part of these financial statements.

BALANCE SHEET
For the year ended 31 December 2016

	Note	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Non-current assets					
Intangible assets	15	3,768	2,903	249	273
Property, plant and equipment	16	1,358	2,382	-	-
Investments	17	150	-	43,835	43,835
		5,276	5,285	44,084	44,108
Current assets					
Financial investments – held for trading		3,550	670	-	-
Trade and other receivables	19	8,356	6,456	853	-
Cash and cash equivalents	20	4,360	12,459	-	-
		16,266	19,585	853	-
Total assets		21,542	24,870	44,937	44,108
Current liabilities					
Trade and other payables	22, 23	7,793	3,680	3,833	2,204
Obligations under finance leases	21	66	93	-	-
Other liabilities		-	135	-	135
Provisions	25	587	990	-	-
Total current liabilities		8,446	4,898	3,833	2,339
Net current assets		7,820	14,687	(2,980)	(2,339)
Non-current liabilities					
Convertible loan notes	26	-	8,265	-	8,265
Obligations under finance leases	21	-	149	-	-
Deferred consideration		250	230	250	230
		250	8,644	250	8,495
Total liabilities		8,696	13,542	4,083	10,834
Net assets		12,846	11,328	40,854	33,274
Equity					
Share capital	33	23,019	7,985	23,019	7,985
Share premium	34	23,744	23,819	23,744	23,819
Own shares held	35	(6,065)	(6,065)	(2,899)	(2,899)
Equity reserve	36	1,384	3,967	1,384	3,967
Accumulated deficit / retained earnings	37	(24,430)	(12,907)	(4,757)	530
Merger reserve	37	(5,344)	(5,471)	-	(127)
Share option reserve		538	-	363	-
Total equity		12,846	11,328	40,854	33,274

The financial statements of London Capital Group Holdings plc, registration number 05497744, were approved and authorised for issue by the Board of Directors on 26 June 2017 and signed on its behalf by:

Charles-Henri Sabet
Director

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The loss for the year ended 31 December 2016 dealt within the financial statement of the Company was £1,312,992 (2015: loss of £1,085,211).

The notes on pages 34 to 73 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2016

	Share capital	Share premium	Own shares held	Equity reserve	Accumulated deficit/ retained earnings	Other Reserves	Share Option Reserve	Total equity
	(note 33)	(note 34)	(note 35)	(note 36)		(note 37)	(note 37)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	5,580	20,592	(6,065)	6,809	1,887	(5,344)	-	23,459
Issue of share capital	2,405	3,227	-	-	-	-	-	5,632
Total comprehensive loss for the year		-	-	-	(14,936)	-	-	(14,936
Equity settled share-based payment transaction	-	-	-	-	142	-	-	142
Equity component of convertible loan notes	-	-	-	(2,842)	-	-	-	(2,842
Other movement	-	-	-	-	-	(127)	-	(127
At 31 December 2015	7,985	23,819	(6,065)	3,967	(12,907)	(5,471)	-	11,328
Reclassification of reserves	-	-	-	-	(363)	-	363	-
Issue of share capital during the year	1,307	-	-	-	(1,307)	-	-	-
Capital restructure – issue of ordinary shares	9,339	-	-	-	-	-	-	9,339
Capital restructure – issue of deferred shares	3,993	-	-	-	-	-	-	3,993
Redemption of convertible loan notes	-	-	-	-	(4,884)	-	-	(4,884
Total comprehensive loss for the year	-	-	-	-	(7,552)	-	-	(7,552
Equity component of convertible loan notes converted to share capital	-	-	-	(2,583)	2,583	-	-	-
New shares issued	-	(75)	-	-	-	-	-	(75
Equity settled share-based payment transaction	395	-	-	-	-	-	175	570
Merger reserve written off	-	-	-	-	-	127	-	127
At 31 December 2016	23,019	23,744	(6,065)	1,384	(24,430)	(5,344)	538	12,846

The notes on pages 34 to 73 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2016

	Share capital (note 33) £'000	Share premium (note 34) £'000	Own shares held (note 35) £'000	Equity reserve (note 36) £'000	Accumulated deficit/ retained earnings (note 37) £'000	Merger Reserve (note 37) £'000	Share Option reserve £'000	Total equity £'000
At 1 January 2015	5,580	20,592	(2,899)	6,809	3,746	-	-	33,828
Issue of share capital	2,405	3,227	-	-	-	-	-	5,632
Total comprehensive loss for the year	-	-	-	-	(1,085)	-	-	(1,085)
Equity settled share-based payment transaction	-	-	-	-	(2,131)	-	-	(2,131)
Equity component of convertible loan notes	-	-	-	(2,842)	-	-	-	(2,842)
Other movement	-	-	-	-	-	(127)	-	(127)
At 31 December 2015	7,985	23,819	(2,899)	3,967	530	(127)	-	33,274
Reclassification of Other Reserves	-	-	-	-	(363)	-	363	-
Issue of share capital	1,307	-	-	-	(1,307)	-	-	-
Capital restructure – issue of ordinary shares	9,339	-	-	-	-	-	-	9,339
Capital restructure – issue of deferred shares	3,993	-	-	-	-	-	-	3,993
Redemption of convertible loan notes	-	-	-	-	(4,884)	-	-	(4,884)
Total comprehensive loss for the year	-	-	-	-	(1,314)	-	-	(1,314)
Equity settled share based payments	395	-	-	-	-	-	-	395
New shares issued	-	(75)	-	-	-	-	-	(75)
Merger reserve written off	-	-	-	-	-	127	-	127
Equity component of convertible loan notes converted to share capital	-	-	-	(2,583)	2,583	-	-	-
At 31 December 2016	23,019	23,744	(2,899)	1,384	(4,757)	-	363	40,854

The notes on pages 34 to 73 form an integral part of these financial statements.

CASHFLOW STATEMENT
For the year ended 31 December 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Loss for the year		(7,777)	(14,936)	(918)	(1,085)
Adjustments for:					
Depreciation of property, plant and equipment	16	579	584	-	-
Amortisation of intangible assets	15	1,346	718	28	13
Impairment of leasehold improvements		725	1,321	-	-
Share-based payments	27	175	142	-	-
Loss on disposal of property, plant and equipment		18	39	-	-
Provisions	25	(28)	(836)	-	-
Investment income	9	(31)	(257)	-	-
Finance costs	10	365	684	353	671
Current tax charge	11	-	(2)	-	-
Movement in deferred tax asset	11	-	435	-	-
Operating cash flows before movements in working capital		(4,650)	(12,108)	(537)	(401)
(Increase)/decrease in receivables		(4,780)	1,849	(853)	-
Increase/(decrease) in payables		3,447	(640)	1,394	560
Cash (used in)/generated by operating activities		(5,983)	(10,899)	4	159
Taxation received		-	164	-	-
Net cash (used in)/from operations		(5,983)	(10,735)	4	159
Investing activities					
Investment income		31	257	-	-
Proceeds on disposal of property, plant and equipment		93	90	-	-
Acquisitions of property, plant and equipment	16	(296)	(1,200)	-	-
Acquisition of leasehold assets		(77)	(940)	-	-
Acquisitions of intangible assets	15	(2,211)	(1,679)	(4)	(159)
Acquisitions of trademarks	15	-	(116)	-	-
Acquisition of investments		(150)			
Net cash used in investing activities		(2,610)	(3,588)	(4)	(159)
Financing activities					
Share Capital Transactions		855		628	
Finance costs	10	(365)	(11)	-	-
Net cash used in financing activities		490	(11)	-	-
Net decrease in cash and cash equivalents		(8,103)	(14,334)	-	-
Cash and cash equivalents at the beginning of year		12,459	26,793	-	-
FX on transactions		(18)	-	-	-
Cash and cash equivalents at end of year	20	4,360	12,459	-	-

The notes on pages 34 to 73 form an integral part of these financial statements.

General Information

London Capital Group Holdings plc is a company incorporated in the United Kingdom under the Companies Act 2006. The principle activities of London Capital Group Holdings plc and its subsidiaries' ("the Group") is that of a global provider of trading services and solutions, specialising in over-the-counter, or OTC markets to private, retail high net worth and professional clients. LCGL offers customers access to a diverse range of over 5,000 financial products, including foreign exchange (or forex), precious metals, contracts for differences ("CFDs")and financial spread betting, which are investment products with returns linked to the performance of an underlying commodity, index, equity or security. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company's FCA Register Number is 182110, for details see www.fca.gov.uk/register and its parent company London Capital Group Holdings plc is listed on the London Stock Exchange's AIM market ("AIM").

Revenues are generated from the dealing spread – the difference between the buying and selling price of the CFD and spread betting products, commission income, exchange gains and interest.

The Company's success is expected to be achieved by providing a high quality service to its customers and offering a variety of financial trading products and platforms. Clients are attracted to the Company for its value for money, ease of platform navigation, its industry leading mobile app, tight dealing spreads and competitive margin requirements, in addition to high levels of customer service.

These financial statements are presented in pounds sterling because that is the currency of the primary environment in which the Group operates.

1. Accounting policies

The principal accounting policies adopted are set out below. These have been applied consistently to all periods presented in the financial statements.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below:

Basis of consolidation
The Group's consolidated financial statements incorporate the financial statements of London Capital Group Holdings plc (the "Company") and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed to or has rights to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls the investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between the aggregate fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill) less the liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred to another category of equity as specific / permitted by applicable IFRS).

Going concern

The Group's business activities; the factors likely to affect its future development and performance; and its objectives and policies in managing the financial risks to which it is exposed and its capital are discussed in the Strategic Report. In addition, note 29 of the financial statements includes the Group's objectives, policies and processes for managing its financial assets and financial liabilities; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group's capital requirements fluctuate significantly depending on the residual market risk it retains from unhedged client positions. The Group is currently sufficiently capitalised and the Directors have reviewed the on-going risks to which the business is exposed and its available liquidity and capital resources, and have concluded there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As part of the assessment the Directors have considered the impact and probability of on-going low volatility and interest rate, environments, increasing competition, changes to the size of market, the planned cost efficiency process, and how these may affect the profitability, capital requirements and going concern of the business.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Upon transition to IFRS, the Group took advantage of the optional exemption afforded by IFRS 1 not to restate the business combination concerning the acquisition of Tradex Enterprises Limited using the purchase method.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Impairment testing of goodwill

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that a specific unit may be impaired.

If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset within the unit. An impairment loss recognised for goodwill is not reversible in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue

The group generates revenue from flow management, spreads and financing income associated with acting as a market maker to clients who trade financial spread bets and contract for difference (CFD) with the group.

Revenue comprises the rendering of services includes gains and losses on the running of betting and trading in financial markets, net of commission expensed, exchange gains and interest, including interest earned on client deposits and commissions from the foreign exchange business. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses on positions that have closed.

Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured.

Other operating income

Items of income that are material by size and/or nature and are non-business related are classified as other operating income on the face of the consolidated income statement.

Foreign currencies

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date as these relate to revenue items these are recognised in revenue. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly in the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are classified to profit or loss.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from the net profit shown in the income statement because it excludes income or expenses that are taxable or deductible in other years and furthermore it might exclude other items that are never taxable or deductible.

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws which are enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax represents the tax payable on temporary differences between the amount recoverable in respect of any differences between the carrying amounts of assets and liabilities in the financial statements as compared to corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of any deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured using the rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is recognised so as to write-off the cost of assets less any residual value over their useful lives, using the straight-line method, on the following basis:

▪ Plant and equipment	25% straight-line
▪ Motor vehicles	25% straight-line
▪ Leasehold property	over the useful economic life of the asset or over the lease term, whichever is shorter

The assets' estimated residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

▪ Software	straight-line basis over 4 years
▪ Domain names	over 10 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, as follows:

- Software straight-line basis over 4 years

Patents and trademarks

Patents and trademarks are measured initially at purchase costs and are amortised on a straight-line basis over their estimated useful lives as follows:

- Trademarks over 5 years

Impairment testing of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset is the greater of its fair value less costs to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Included within software are capitalised costs related to the Group's trading platforms.

Cash and cash equivalents

Cash and cash equivalents comprise current account balances, bank deposits and other short-term highly liquid investments with maturity dates of less than three months.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Trade receivables due from brokers includes amounts due from brokers and cash held with brokers.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Compound instruments

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the revenue line item in the income statement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which even the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Shares in Group undertakings

Shares in Group undertakings are held at cost less impairment.

Finance lease agreements

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held as finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit and loss.

Operating lease agreements
Rental payments under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement on a straight-line basis over the term of the lease.

Share-based payment transactions

The Group operates a share-based payment programmes that allow employees to acquire shares of the Company

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions.

Additional equity settled share based payments are issued in relation to payment for services and are measured at fair value at the date of issue. The cost is recognised in the income statement.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Cash-settled share based payments are measured at fair value with future values at the point of vesting calculated on the market capitalisation of the Group. The payments relate to contractual agreements in relation to payment for services. The cost is recognised in the income statement.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of that obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle the provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement is to be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets are not recognised as liabilities or assets. However, a contingent liability is disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset is disclosed if an inflow of economic benefit is probable.

Share Capital

Ordinary and deferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Included within share capital are ordinary shares purchased by the company and held in treasury. These shares have the same nominal value and voting rights as existing ordinary shares.

Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of a payment obligation is deferred. It is stated at fair value at the date of the financial statements, which is determined by calculating the market capitalisation of the Group at the reporting date. At each balance sheet date deferred consideration comprises the remaining deferred consideration valued at market capitaliation at the current reporting date to the prior year reporting date.

2. Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year.

Standards not affecting the reported results nor the financial position

The adoption of the following new and revised Standards and Interpretations has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The Group has adopted the amendment to IAS 19 *Defined Benefit Plans: Employee Contributions* for the first time in the current year. The amendments to IAS 19 clarify the requirements that relate to how contributions from employees to third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments require the Group to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service costs upon payments to the plans; and
- Employee contributions specified in the defined benefit plans are accounted for as reduction of service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Group recognises the reduction in the service cost in the period in which the related services are rendered.

Annual Improvements to IFRSs 2010 – 2012 Cycle	The Group has adopted the amendments to IFRSs included in the *Annual Improvements to IFRSs 2010 – 2012 Cycle* for the first time in the current year. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements. However, the amendments to IFRS 8 *Operating Segments* – Aggregation of operating segments and IAS 24 *Related Party Disclosures* – Key management personnel represent changes to existing requirements. The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics. The amendments to IAS24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.
Annual Improvements to IFRSs 2010 – 2012 Cycle	The Group has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2011 – 2013 Cycle for the first time in the current year. The amendments are in the nature of clarifications rather than substantive changes to existing requirements.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRS 16	*Leases*
IAS 1 (amendments)	*Disclosure Initiative*
IAS 16 and IAS 38 (amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 *Financial Instruments: Disclosures,* IAS 19 *Employee Benefits and* IAS 34 *Interim Financial Reporting*

The Directors are still assessing the impact of the Standards listed above, with it not being practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including investment in subsidiaries. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

- In respect of provisions, determine the amount of potential liabilities arising from each potential provision and estimate the likelihood of liability, taking into account known factors from internal and external sources.

- In respect of the capital restructuring, including the CLN redemption as disclosed in note 26, the directors have considered that transactions with GLIO Holdings Limited should be accounted for as transactions with a shareholder in its capacity as a shareholder and have therefore accounted for such transactions through equity.

Impairment of software assets

Software assets are held on the balance sheet at cost less accumulated amortisation. An annual review of software assets is performed to determine whether impairments are appropriate. A software asset is impaired if management deem its economic life to be expired.

Provisions and contingent liabilities

Provision against FOS claims

The Group has recognised a provision in relation to losses generated by a number of clients who delegated their trading activities under a Power of Attorney to an individual who turned out to be a convicted fraudster. As a result of a determination from the Financial Ombudsman Service ("FOS") in relation to a complaint lodged by two clients, the Directors have therefore determined the valuation of the provision in accordance with the Ombudsman's directions and taken into account expected associated costs such as interest The provision at 31 December 2015 and unchanged at 31 December 2016 of £486,000 reflects the directors estimate of amounts due to clients.

Dilapidation provision

In late 2015, the Group relocated to its new offices in Knightsbridge which included a fit out of the office space to meet LCG's operational needs. Under the conditions of the lease the Group is obliged to return the office space in its original condition at the end of the lease term. This requires an estimate by the directors of the future cost of such an activity and the provision of £101,000 at 31 December 2005 represents the directors' best estimate.

4. Business and geographical segments

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the Group's different product offerings and geographies. The Group's reportable segments under IFRS 8 are as follows:

- UK financial spread betting and contracts for difference ("CFDs"); and
- institutional foreign exchange.

Financial spread betting and contracts for differences segmental revenues are generated from the net of the gains and losses on the provision of the spread betting and CFD products, commission income, exchange gains and interest. Institutional foreign exchange segmental revenue is the commission income generated from the clients' FX trading. Information regarding the Group's operating segments is reported below.

For the year ended 31 December 2016	Financial spread betting and CFDs, UK £'000	Institutional foreign exchange £'000	Corporate Centre £000	Total £'000
Revenue				
Segmental revenue	23,141	101	-	23,242
Segmental operating profit/(loss)	10,435	(42)	-	10,393
Other operating income			159	159
Corporate expenses			(17,995)	(17,995)
Operating loss				(7,443)
Finance income			31	31
Finance costs			(365)	(365)
Loss before taxation				(7,777)
Taxation charge				-
Loss for the year				(7,777)

Included within revenue is interest income on client money held.
Included within the corporate centre are costs associated with maintaining the Group and support functions.

For the year ended 31 December 2015	Financial spread betting and CFDs, UK £'000	Institutional foreign exchange £'000	Corporate Centre £000	Total £'000
Revenue				
Segmental revenue	15,285	204	-	15,489
Segmental operating profit/(loss)	2,473	(631)	-	1,842
Other operating income			157	157
Corporate expenses			(16,075)	(16,075)
Operating loss				(14,076)
Finance income			257	257

Finance costs	(684)	(684)
Loss before taxation		(14,503)
Taxation credit		(433)
Loss for the year		(14,936)

Included within revenue is interest income on client money held.
Included within the corporate centre are costs associated with maintaining the Group and support functions.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segmental profit represents the profit earned by each segment without allocation of the share of central administration costs including central support salaries and expenses, investment revenue, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segmental performance.

5. Loss before tax

Loss before tax is stated after charging / (crediting):

	2016 £'000	2015 £'000
Share-based payment charge	175	142
Depreciation of fixed assets	579	584
Amortisation of intangible assets – software	1,346	718
Loss on disposal of fixed assets	18	39
Impairment of leasehold assets	725	1,321
Charge for provision against FOS claims	-	38
Credit for release of provision against market data claims	(403)	-
Operating lease costs:		
- Land and buildings	982	751
Net (gain)/loss on foreign currency translation	(838)	215

All of the above are included within administrative expenses apart from the net gain on foreign currency translations arising on balance sheet items held in foreign currencies, which is included in revenue.

6. Administrative Expenses

	2016 £'000	2015 £'000
Staff costs	7,845	9,185
IT Costs	4,917	5,054
Data fees	956	880
Marketing costs	3,544	2,594
Premises	1,414	1,755
Legal and Professional fees	1,699	771
Regulatory fees	430	325
Depreciation and amortisation and impairment of fixed assets	2,650	1,901
Other administrative expenses	3,033	1,826
Administrative expenses before non-recurring items	**26,488**	**24,291**
Non-recurring items	682	467
Total administrative expenses	**26,775**	**24,758**

7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2016 £'000	2015 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	75	102
Fees payable to the Company's auditors and their associates for other services to the Group:		
- The audit of the Company's subsidiaries	5	15
Total audit fees	80	117
Regulatory assurance services	55	13
Audit related services pursuant to legislation	15	11
Other services including tax	86	1
Total non-audit fees	156	25

The auditor's remuneration in 2015 relates to the Group's previous auditors. The disclosure for 2016 relate to services provided by the Group's current auditors, BDO LLP.

8. Staff costs

The average number of employees in the Group during the financial year amounted to:

	2016 Number	2015 Number
Financial spread betting and CFDs	45	35
Institutional foreign exchange	-	1
Central support and Directors	41	44
	86	80

The aggregate staff costs for the year including Directors were as follows:

	2016 £'000	2015 £'000
Wages and salaries	6,866	8,239
Pension costs	153	158
Social security costs	826	788
	7,845	9,185

Wages and salaries include the following amounts in respect of performance related bonuses, commissions (both inclusive of national insurance) and share-based payments charged to the income statement:

	2016 £'000	2015 £'000
Performance related bonuses	29	58
Commission payments	303	226
Share-based payment	175	142
	507	426

The Group operates a stakeholder pension scheme. Pension contributions were payable at a rate equal to the contribution made by the employee subject to a maximum employer contribution of 4% of basic salary.

Directors' remuneration

	2016 £'000	2015 £'000
Executive		
Remuneration for qualifying services	635	399
Pension costs	40	26
	675	425
Non Executive		
Remuneration for qualifying services	220	218
Pension costs	-	-
	220	218
Total director' remuneration	895	643

The above directors are considered to be the key management personnel of the Group.

Remuneration of highest paid director

The remuneration of the Executive Director is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2016 £'000	2015 £'000
Short-term employee benefits	635	399
Pension costs	40	26
	675	425

9. Investment revenue

	2016 £'000	2015 £'000
Bank interest receivable	31	257
	31	257

Bank interest receivable represents that earned on Group funds. Interest earned on client deposits is included in revenue.

10. Finance costs

	2016 £'000	2015 £'000
Interest on convertible loan notes	353	670
Interest on obligations under finance leases	12	13
Interest on put option	-	1
	365	684

Further information on interest on convertible loan notes is provided in note 25.

11. Taxation

(a) Tax on (loss) on ordinary activities

	2016 £'000	2015 £'000
Current tax		
Current tax on profits for the year	-	(1)
Total current tax	-	(1)
Deferred tax		
Origination and reversal of temporary differences	-	497
Adjustment in respect of prior periods	-	(57)
Adjustment for change in corporation tax rate	-	(6)
Total deferred tax charge	-	434
Total tax per income statement	-	433

(b) Factors Affecting Total Tax Charge for the Current Period

The charge for the year can be reconciled to the profit per the income statement as follows:

	2016 £'000	2015 £'000
Accounting loss before taxation	(7,777)	(14,936)
Accounting loss multiplied by UK standard rate of corporation tax of 20.00% (2015: 20.25%)	(1,555)	(3,025)
Expenses not deductible for tax purposes	210	141
Goodwill impairment not deductible for tax purposes	-	-
Non-taxable income	27	(23)
Movement in unprovided deferred tax	1,298	3,427
Change in deferred tax rate bought forward	-	(6)
Chargeable gains	20	-
Adjustment in respect of prior years	-	(57)
Adjustment for differences in UK and foreign tax rate	-	3
Total tax income reported in the income statement	-	460

The tax charge in the income statement for the year just ended is the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%) following a change in the corporation tax rate announced in the budget of 2013 and effective from April 2015.

(c) Deferred tax

	2016 £'000	2015 £'000
Deferred tax assets	-	-
	-	-

(d) Deferred tax assets

The deferred tax assets included in the balance sheet are as follows:

	2016 £'000	2015 £'000
Property, plant and equipment	-	-
Temporary differences	-	-
Tax losses	-	-
	-	-

The gross movement in the deferred income tax assets included in the balance sheet is as follows:

	2016 £'000	2015 £'000
Deferred taxation asset brought forward	-	435
Origination and reversal of temporary differences	-	(492)
Adjustment in respect of prior years	-	57
Effect of change in tax rate (20.25% to 20.00%)	-	-
Deferred taxation asset carried forward	-	-

(e) Deferred tax – income statement charge

The deferred tax charge / (credit) included in the income statement is made up as follows:

	2016 £'000	2015 £'000
Depreciation in excess of capital allowances	-	403
Adjustment in respect of prior years	-	(57)
Temporary differences	-	14
Tax losses	-	74
Effect of change in corporation tax rate (20.25% to 20.00%)	-	-
	-	434

At the balance sheet date the Group had an unrecognised deferred tax asset of £3,994,045 (2015: £3,038,712). This deferred tax asset relates to unused tax losses which have arisen within London Capital Group Holdings plc that have not been recognised due to the uncertain nature of the future profits in these businesses. These losses are available for offset against future profits and have no expiry date.

12. Earnings per ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. 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.

	2016	2015
Basic EPS		
Loss after tax (£'000)	(7,777)	(14,936)
Weighted average number of shares	222,908,488	61,412,303
Weighted average basic EPS	(0.035)	(0.243)
Diluted EPS		
Loss after tax (£'000)	(7,777)	(14,936)
Weighted average number of shares	235,304,335	61,412,303
Weighted average fully diluted EPS	(0.033)	(0.243)

The shares held under the Joint Share Option Programme (JSOP) are considered dilutive and are therefore included in the calculation of diluted earnings per share.

13. Dividends

No dividends have been proposed or paid in 2016 (2015: nil).

14. Dilapidations

Subsequent to year end the Group terminated its lease at 1 Knightsbridge, London, SW1X, 7LX and took up a lease a 77 Grosvenor Street, London, W1K 3JR. Consequently a leasehold improvements dilapidation charge relating to assets held at 1 Knightsbridge has been recognised for £725,000 at 31 December 2016.

15. Intangible fixed assets

COMPANY

	Domain name £'000	Total £'000
Cost		
At 1 January 2015	-	-
Additions	286	286
At 1 January 2016	286	286
Additions	4	4
At 31 December 2016	**290**	**290**
Amortisation		
At 1 January 2015	-	-
Charge for the year	13	13
At 1 January 2016	13	13
Charge for the year	28	28
At 31 December 2016	**41**	**41**
Net book value		
At 31 December 2015	273	273
At 31 December 2016	**249**	**249**

GROUP

	Trademarks £'000	Software £'000	Domain name £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2015	-	2,558	-	9,698	12,256
Additions	116	2,074	286	-	2,476
At 1 January 2016	116	4,632	286	9,698	14,732
Additions	-	2,207	4	-	2,211
At 31 December 2016	**116**	**6,839**	**290**	**9,698**	**16,943**
Amortisation					
At 1 January 2015	-	1,413	-	9,698	11,111
Charge for the year	7	698	13	-	718
At 1 January 2016	7	2,111	13	9,698	11,829
Charge for the year	23	1,295	28	-	1,346
At 31 December 2016	**30**	**3,406**	**41**	**9,698**	**13,175**
Net book value					
At 31 December 2015	109	2,521	273	-	2,903
At 31 December 2016	**86**	**3,433**	**249**	**-**	**3,768**

Domain name relates to the cost of acquiring www.lcg.com to support the Group brand, LCG.

Trademarks relates to the cost of acquiring various global trademarks in respect of the 'LCG' brand that was launched during the year ended 31 December 2015.

16. Property, plant and equipment

GROUP	Leasehold property £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2015	2,330	316	1,010	3,656
Additions	1,040	-	1,200	2,240
Disposals	-	(141)	-	(141)
At 1 January 2016	3,370	175	2,210	5,755
Additions	77	-	296	373
Disposals	(2,330)	(175)	-	(2,505)
At 31 December 2016	**1,117**	**-**	**2,506**	**3,623**
Depreciation				
At 1 January 2015	804	23	653	1,480
Charge for the year	223	41	320	584
Eliminated on disposal	-	(12)	-	(12)
Impairment losses for the year	1,321	-	-	1,321
At 1 January 2016	2,348	52	973	3,373
Charge for the year	113	30	436	579
Eliminated on disposal	(2,330)	(82)	-	(2,412)
Impairment losses for the year	725	-	-	725
At 31 December 2016	**856**	**-**	**1,409**	**2,265**
Net book value				
At 31 December 2015	1,022	123	1,237	2,382
At 31 December 2016	**261**	**-**	**1,097**	**1,358**

The Group's obligations under finance leases (see note 21) are secured by the lessors' title to the leased assets, which have a carrying amount of £nil (2015 – £123,000).

17. Investments

COMPANY	£'000
At 1 January 2015	21,833
Additions	22,002
Disposals	-
At 1 January 2016	43,835
Additions	-
At 31 December 2016	43,835
Net book value	
At 31 December 2015	43,835
At 31 December 2016	**43,835**

The investment additions during 2015 comprise the acquisition of (and subsequent capital contributions to Surecom Limited of £1,515,000, and an increased investment in Tradex Enterprises Limited of £20,487,000 in the year, being share capital in Tradex Enterprises Limited issued to the Company in exchange for the capitalisation of debt.

Details of investments in which the Company hold 100% of the nominal value of any class of share capital, included in the consolidated Group, are as follows:

Name of company	Principal activity	Registered office	Country of incorporation
Tradex Enterprises Limited	Holding Company	77 Grosvenor Street, Mayfair, London W1K 3JR	UK
London Capital Group Limited *	Financial Services	77 Grosvenor Street, Mayfair, London W1K 3JR	UK
London Capital Group (Cyprus) Limited	Service Company	205 Arch Makarious III Avenue, Victory House, 5th Floor, Block A, 3030 Limassol, Cyprus	Cyprus
Elan Capital Partners Limited *	Service Company	Suite 3, 2nd Floor, Icom House, 1/5 Irish Town, PO Box 883, Gibralter	Gibraltar
Surecom Limited *	Service Company	Koronis, 19 3081, Limassol, Cyprus	Cyprus
LCG Digital Limited *	Dormant	43/3 Habanaim, Herzliya, Israel	Israel
Capital Spreads Limited *	Dormant	77 Grosvenor Street, Mayfair, London W1K 3JR	UK
Capital Forex Limited *	Dormant	77 Grosvenor Street, Mayfair, London W1K 3JR	UK

** These companies are owned indirectly via a subsidiary undertaking.*

The issued share capital of all subsidiary undertakings is 100% owned, which also represents the proportion of the voting rights in the subsidiary undertakings.

18. Impairment of goodwill

Goodwill

	£'000
Cost	
At 1 January 2016	9,698
At 31 December 2016	**9,698**
Accumulated impairment losses	
At 1 January 2015	9,698
Impairment losses for the year	-
At 1 January 2016	9,698
Impairment losses for the year	-
At 31 December 2016	**9,698**
Carrying amount	
At 1 January 2016	-
At 31 December 2016	**-**

19. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade receivables	760	1,052	-	-
Allowance for impairment	(758)	(939)	-	-
	2	113	-	-
Amounts due from brokers	5,393	3,657	-	-
Amounts owed by Group undertakings	-	-	853	-
Other receivables	654	297	-	-
Prepayments	2,307	2,389	-	-
	8,356	6,456	853	-

The Directors consider that the carrying amount of trade receivables, amounts due from brokers, amounts owed to Group undertakings and other receivables approximates to their fair value due to their short term maturity.

Trade receivables due from brokers includes amounts due from brokers and cash held with brokers.

20. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Gross cash and cash equivalents	20,275	36,262	-	-
Less: Segregated client funds	(15,915)	(23,803)	-	-
Own cash and title transfer funds	4,360	12,459	-	-
Analysed as:				
Cash at bank and in hand	4,360	12,459	-	-
	4,360	12,459	-	-

Gross cash and cash equivalents include Group cash and all client funds (segregated funds and funds under title transfer).

The Group holds money on behalf of clients in line with the requirements of the Financial Conduct Authority (FCA) and other regulatory bodies. This money is held as 'cash and cash equivalents' unless the client is a retail client in which case the funds are held in 'segregated client funds accounts'. Segregated client money accounts hold statutory trust status restricting the Group's ability to control the funds and accordingly the amounts are not held on the Group's balance sheet. The Group's own funds exclude client segregated funds.

Title transfer funds are held by the Group's subsidiary under a Title Transfer Collateral Arrangement ("TTCA") by which the client agrees that full ownership of such monies is unconditionally transferred to the Group. Funds under TTCA are included on the balance sheet.

21. Obligations under finance leases

	Minimum lease payments 2016 £'000	Minimum lease payments 2015 £'000
Amounts payable under finance leases		
Within one year	68	104
In the second to fifth years inclusive	-	156
	68	260
Less: future finance charges	(2)	(18)
Present value of lease obligations	66	242

	Present value of minimum lease payments 2016 £'000	Present value of minimum lease payments 2015 £'000
Amounts payable under finance leases		
Within one year	66	93
In the second to fifth years inclusive	-	149
After five years	-	-
Present value of lease obligations	66	242
Analysed as:		
Amounts due for settlement within 12 months (disclosed under current liabilities)	66	93
Amounts due for settlement after 12 months	-	149
Present value of lease obligations	66	242

It is the policy of the Group to lease certain of its fixed assets under finance leases. The average lease term is 2.5 years (2015: 2.5 years). For the year ended 31 December 2016, the average effective borrowing rate was 4.7% (2015: 4.7%). Interest rates are fixed at the date of signing of the contract. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental repayments.

All finance lease obligations are denominated in sterling.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' right over the leased assets disclosed in note 16.

22. Trade payables

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade payables	1,041	1,323	-	-
Amounts due to clients:				
Institutional FX clients under TTCA	3,247	-	-	-
	4,288	1,323	-	-

23. Other payables

	Group		Company	
	2016	2015 Restated	2016	2015 Restated
	£'000	£'000	£'000	£'000
Amounts owed to Group undertakings	-	-	3,725	2,114
Other taxes and social security	334	233	-	-
Accruals	3,164	2,124	108	90
Other payables	7	-	-	-
	3,505	2,357	3,833	2,204

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged on the trade payables for the first 30-60 days from the date of the invoice.

The Directors consider that the carrying amount of trade payables, amounts due to clients, commission payments due, amounts owed to Group undertakings and other taxes and social security approximate to their fair values due to their short term maturity.

25. Provisions and contingent liabilities

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Provision against FOS claims	486	486	-	-
Market data provision	-	403	-	-
Dilapidation provision	101	101	-	-
	587	990	-	-

Movements for the year:

GROUP	Provision against FOS claims	Marketing data provision	Dilapidation provision	Total
	£'000	£'000	£'000	£'000
At 31 December 2015	486	403	101	990
Release	-	(403)	-	(403)
At 31 December 2016	**486**	**-**	**101**	**587**

Provision and contingent liability against FOS claims

	Provision against FOS claims £'000	Contingency against FOS claims £'000
At 1 January 2015	**505**	**1,142**
Utilisation	(56)	-
Release	(490)	(1,142)
Recognised during the year	527	-
At 31 December 2015	**486**	-
Utilisation	-	-
Release	-	-
At 31 December 2016	**486**	-

During the year ended 31 December 2014, the Group recognised a provision in respect of amounts due to eligible claimants concerning of a number of commission rebate errors that occurred during the first half of 2009. The provision had been recognised based on a number of complaints from clients that were considered by the Financial Ombudsman Service ("FOS").

During the year ended 31 December 2015, a number of eligible claimants had been repaid, resulting in an utilisation of the provision in the period of £56,000. The provision of £490,000 and contingent liability of £1,142,000 release is due to claims not being made within the time limit prescribed by United Kingdom legislation.

During 2015, the Group received a complaint from a client seeking to recover losses that arose in 2013 from an agreement that they entered into with an individual who turned out to be a convicted fraudster. This individual manged a number of clients under a Power of Attorney.

This complaint was ultimately forwarded to the FOS and following the decision by the FOS to uphold the original complaint, the Group has provided in full for the losses incurred by other clients who were managed by this individual together with accrued interest. The value of the claims totals £527,000 and the original complaint totalling £56,000 was settled prior to 31 December 2015. There were no further settlements during 2016 and the provision at 31 December 2016 is £486,000.

Market data provision

Throughout 2014 and 2015, a number of exchanges used by the Group have been conducting audits in relation to data usage and redistribution. The provision of £403,000 is the Group's best estimate of the liability in relation to these open audits from the relevant exchanges.

During 2015, a small settlement of £2,000 took place and a further £26,000 was recognised following agreement of the final liability with one of the exchanges (this balance was settled in 2016). At 31 December 2016, no further claims were outstanding and the previous provision of £403,000 was released.

Dilapidation provision

Following the office move to 1 Knightsbridge, the Company is required to recognise the future cost of returning the premises to its original state on the eventual conclusion of the lease.

This provision has been recognised within the additions to leasehold property in note 17 and will be released over the life of the lease.

26. Convertible loan notes

As at 31 December 2015, the Group had £13,332,000 of convertible loan notes outstanding. These notes would convert into 53,285,372 ordinary shares based on a conversion price of 25.02p , The liability component of these convertible loan notes at 31 December 2015 amounted to £8,265,000. Any notes that have not been converted will be redeemed at par on 16 October 2021. Interest of 5 per cent will be paid in the form of shares where the notes are converted up until that settlement date. The interest component to be settled in shares will be based on the amount of interest that would accrue up to maturity of the CLNs, regardless of when the CLNs are converted or repaid at maturity.

On July 2016, the Group decided to redeem the outstanding convertible loan notes as part of a capital reorganisation exercise to improve the Group's Tier 1 capital position. This redemption was funded through the issue of new ordinary shares (see note 33).

	£'000
Liability component at 1 January 2015	9,705
Conversions during the year	(2,110)
Interest charged (at effective interest rate)	670
Liability component at 31 December 2015	8,265
Adjustment to prior year	(170)
Revised Liability component at 1 January 2016	8,095
Interest charged (at effective interest rate)	353
Accelerated interest charged on conversion	4,884
Conversions during the year	(13,332)
Liability component at 31 December 2016	-

The interest charged is calculated by applying an effective interest rate of 8 per cent to the liability component of the notes from date of issue on 16 October 2014 to year end. The liability component is measured at amortised cost.

£4,884,000 of accelerated interest, which included an amount of £170,000 relating to the prior year, being the remaining discount unwind on the liability component, was recognised directly in equity in the profit and loss reserve. A corresponding amount of £2,583,000 has been transferred between the profit and loss and equity reserves to reflect the equity component of the principal redemption.

In addition, a further 26,141,509 shares with a nominal value of 5.00p were issued in consideration of commission paid to the holder of the CLN and the Group's majority shareholder, GLIO as part of the redemption of the CLN. This transaction with the shareholder resulted in an amount of £1,307,000 being reflected in the profit & loss reserve.

Despite the redemption of the CLNs liability component, the obligation to issue the shares for the interest element of the CLN is still outstanding and these shares will be issued at a later date at GLIO's demand. The residual amount in the equity reserve relates to these shares. (see note 36).

27. Equity settled share-based payment

The Group has a share-based payment scheme for all employees (including Directors). Options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The vesting period for all options is three years. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest. The weighted average exercise price (WAEP) of the share options outstanding at the year-end was 29.64 pence (2015: 51.1 pence).

Additional equity settled share based payments were issued in relation to payment obligations. 7,903,120 new ordinary shares were issued in November 2016 to settle the payment obligations with no net cash inflow. The cost of £395,000 is recognised in the income statement.

Joint Share Ownership Plan ("JSOP")

The Remuneration Committee approves share awards under the JSOP. Certain Executive Directors and employees received JSOP awards on 21 November 2016. Shares awarded under the JSOP confer a beneficial interest in shares that are legally held by the employee benefit trust ("EBT"). The participant's beneficial interest consists of a small proportion of each JSOP share at the outset but an interest in almost all of the growth in the value of the shares above a specific equity hurdle. The remaining beneficial interest in the shares is held by the EBT. The participants' economic interest in the shares therefore broadly only reflects the extent to which the company's share price exceeds a determined equity hurdle. The JSOP awards vest three years from the date of grant. [Once vested, the participant shall sell their interest in the JSOP shares to the EBT, if required to do so by the EBT]. In return for selling their interest to the EBT, the participant shall receive a whole number of shares equal to the market value of the interest previously held. [No performance conditions apply.]

The maximum number of shares that vest based on the awards made are as follows:

Award date	Exercise price (pence)	At the beginning of the year	Awarded during the year	Exercised during the year	Lapsed during the year	At the end of the year
13 March 2006	82	25,847	-	-	-	25,847
08 November 2007	390	130,000	-	-	-	130,000
26 May 2010	126	135,000	-	-	(25,000)	110,000
23 January 2015	46	8,725,000	-	-	(3,690,000)	5,035,000
30 June 2015	46	2,020,000	-	-	(1,520,000)	500,000
21 November 2016	7	-	6,595,000	-	-	6,595,000
Year ended 31 December 2016		11,035,847	6,595,000	-	(5,235,000)	12,395,847
Year ended 31 December 2015		801,424	12,455,000	-	(2,220,577)	11,035,847

The weighted average exercise price in relation to the above movements was as follows:

	At the beginning of the year (pence)	Awarded during the year (pence)	Exercised during the year (pence)	Lapsed during the year (pence)	At the end of the year (pence)
Year ended 31 December 2015	162.69	46.00	-	62.70	51.11
Year ended 31 December 2016	51.11	7.40	-	46.38	29.64

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Each tranche of share options was valued separately using the actual exercise price. The Group recognised total charge of £175,000 (2015: £142,000) related to equity-settled share-based payment transactions during the year.

The inputs into the Black-Scholes model used to fair value the options are as follows:

	2016	2015
Weighted average share price	0.16	0.46
Expected volatility	54.83%	48.71%
Expected life	3 Years	3 Years
Risk free rate	0.96%	0.92%
Expected dividends	0.00%	0.00%

28. Cash settled share-based payment

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Deferred consideration	250	230	250	230
	250	230	250	230

The cash settled share-based payment recognised by the Group relates to a contractual agreement for the Group to pay an equity-based payment to the provider of the Group's new dealing platform. This payment is scheduled to take place in 2017 and will be calculated with reference to the market capitalisation of the Group.

29. Financial instruments

Accounting classifications and fair values

The table below sets out the classification of each class of financial assets and liabilities and their fair values valued using direct market quotes where applicable (excluding accrued interest). The Group considers the carrying value of all financial assets and liabilities to be a reasonable approximation of their fair value.

'Investments' held in the Company are shares in Group undertakings which are held at cost.

'Cash and cash equivalents' is cash held on demand or on deposit with financial institutions (note 20).

'Positions held at brokers at fair value through the profit and loss' represent shares which are held by the Company to hedge client market exposures.

'Trade receivables – due from brokers' represent balances with brokers where the combination of cash held on account (disclosed as loans and receivables) and the valuation of long financial derivative open positions (disclosed as held for trading) results in an amount due to the Group. These positions are reported net in the Group Balance Sheet within 'Trade payables – due to brokers' as the Group has the legal right and the intention to settle on a net basis. These positions are held to hedge client market exposures and held for trading hence are accounted for at fair value through profit and loss (FVTPL). The net balance of 'trade receivables – due from brokers' and 'trade payables – due to brokers' results in a balance of £5,393,000 representing the 'amounts due from brokers' has been classified as loans and receivables in the following table (see note 19).

'Trade receivables – other' represent outstanding commission income from the Group's institutional foreign exchange and broking divisions together with amounts due from clients which arise when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred and are stated net of an allowance for impairment.

'Trade payables – due to brokers' represent balances with brokers where the combination of cash held on account and the valuation of short financial derivative open positions (disclosed as held for trading) results in an amount due to the Broker. These positions are reported net in the Group Balance Sheet with 'Trade receivables – due from brokers' as the Group has the legal right and the intention to settle on a net basis. These positions are held to hedge client market exposures and held for trading hence are accounted for at fair value through profit and loss (FVTPL). The net balance of 'trade receivables – due from brokers' and 'trade payables – due to brokers' results in a balance of £5,393,000 representing the 'amounts due from brokers' (see note 19).

'Other receivables' includes significant balances in relation to merchant services deposits.

'Amounts due to clients' represent amounts due to institutional foreign exchange clients with funds under Title Transfer Collateral Arrangement (TTCA) (note 22). These balances are calculated as a combination of the client cash on account and the valuation of their derivative open positions.

The nature of 'Obligations under finance leases' is disclosed in note 21.

'Trade and other payables' include accruals balances and trade payables that have arisen in the normal course of business (notes 22 & 23).

The nature of 'Provisions' is disclosed in note 25.

The nature of 'Convertible Loan Notes' is disclosed in note 26.

Group	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
As at 31 December 2016	£'000	£'000	£'000	£000	£'000	£'000
Financial assets						
Investments	-	-	150	-	150	150
Financial investments – held for trading	3,550	-	-	-	3,550	3,550
Trade receivables – due from brokers	-	5,393	-	-	5,393	5,393
Trade receivables – other	-	2	-	-	2	2
Other receivables	-	654	-	-	654	654
Cash and cash equivalents	-	4,360	-	-	4,360	4,360
	3,550	10,409	150	-	14,109	14,109
Financial liabilities						
Trade and other payables	-	-	-	7,793	7,793	7,793
Trade payables – due to brokers	-	-	-	-	-	-
Amounts due to clients	-	-	-	-	-	-
Obligations under finance leases	-	-	-	66	66	66
Derivative financial instruments	-	-	-	-	-	-
	-	-	-	7,859	7,859	7,859
At 31 December 2015						
Financial assets						
Financial investments – held for trading	670	-	-	-	670	670
Trade receivables – due from brokers	-	3,657	-	-	3,657	3,657

Trade receivables – other	-	113	-	-	113	113
Other receivables	-	297	-	-	297	297
Cash and cash equivalents	-	12,459	-	-	12,459	12,459
	670	16,526	-	-	17,196	17,196

Financial Liabilities	-	-	-	-	-	-
Trade payables – due to brokers						
Amounts due to clients	-	-	-	-	-	-
Obligations under finance leases	-	-	-	242	242	242
Trade and other payables	-	-	-	3,680	3,680	3,680
Derivative financial instruments	-	-	-	135	135	135
Convertible loan notes	-	-	-	8,265	8,265	8,265
	-	-	-	12,322	12,322	12,322

Company **As at 31 December 2016**	**Fair value through profit or loss £'000**	**Loans and receivables £'000**	**Available-for-sale £'000**	**Other financial liabilities £000**	**Total carrying amount £'000**	**Fair value £'000**
Financial assets						
Investments	-	43,835	-	-	43,835	43,835
Intercompany receivables	-	853	-	-	853	853
Other receivables	-	-	-	-	-	-
	-	44,688	-	-	44,688	44,688
Financial liabilities						
Intercompany liabilities	-	-	-	3,725	3,725	3,725
Trade and other payables	-	-	-	108	108	108
Derivative financial instrument	-	-	-	-	-	-
	-	-	-	3,833	3,833	3,833

Company **As at 31 December 2015**	**Fair value through profit or loss £'000**	**Loans and receivables £'000**	**Available-for-sale £'000**	**Other financial liabilities £000**	**Total carrying amount £'000**	**Fair value £'000**
Financial assets						
Investments	-	43,835	-	-	43,835	43,835
Intercompany receivables	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
	-	43,835	-	-	43,835	43,835
Financial liabilities						

Intercompany liabilities	-	-	-	2,114	2,114	2,114
Trade and other payables	-	-	-	90	90	90
Derivative financial instrument	135	-	-		135	135
Convertible loan notes	-	-	-	8,265	8,265	8,265
	135	-	-	10,469	10,604	10,604

Fair value measurements recognised in the balance sheet.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability. For example, where an active market does not exist for an identical financial instrument to the product offered by the Group to its clients or used by the Group to hedge its market risk; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or the liability that are not based on observable market data.

Group	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 December 2016				
Financial assets at FVTPL				
Financial investments – held for trading	3,550	-	-	3,550
	3,550	-	-	3,550
Financial liabilities at FVTPL				
Put option over own shares	-	-	-	-
	-	-	-	-
As at 31 December 2015				
Financial assets at FVTPL				
Financial investments – held for trading	3,657	-	-	3,657
	3,657	-	-	3,657
Financial liabilities at FVTPL				
Put option over own shares	-	-	-	-
	-	-	-	-

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the period. During the year ended 31 December 2016, there were no transfers (2015: nil) between level 1 and level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of financial instruments held. The Group does not directly enter into speculative proprietary positions however the effect of client trades does result in the Group retaining a net market risk. The Group has a formal risk policy and a methodology for setting limits for every financial market in which it trades. These limits determine the net exposure arising from client activity and hedging which the Group is prepared to carry. If the Group's exposure exceeds these limits, the policy requires that sufficient hedging is carried out to bring the exposure back within defined limits. The Group therefore has exposure to market risk to the extent that it has a residual un-hedged position.

Sensitivity analysis

The following sensitivity analysis shows the potential impact of large moves in index markets on revenue. The percentage applied is based on the Group's assessment of movements in index markets and is considered to represent a single day market fall that is reasonably possible.

	Equity exposures	Market movement applied	Potential revenue impact
	£'000	%	£'000
As at 31 December 2016			
Australian equities	36	5%	2
Asian equities	130	5%	7
US equities	3,384	5%	169
As at 31 December 2015			
US equities	670	5%	34

Foreign currency risk

Foreign currency exposures arise from offering markets and trading in a number of different currencies in the normal course of business. Management of this risk forms part of the Group's overall risk policy. Limits on the exposures which the Group will accept in each currency are set by the Risk Committee and the Group hedges its exposures as necessary. Foreign currency risk is managed on a Group-wide basis.

The Group's risk monitor measures foreign currency risks including bets and trades in foreign currencies and net balance sheet exposures arising from cash balances held in foreign currencies and amounts due to clients in foreign currencies. No sensitivity analysis has been presented for foreign exchange risk as the impact of reasonably possible market movements on the Group's revenue and equity are not significant due to the hedging and risk limits in place.

Interest rate risk

The Group has a small amount of interest rate risk arising from its trading activities but has a larger exposure relating to its cash deposits. Interest is not paid on client deposits.

The interest rate risk profile of the Group's financial assets and liabilities as at the balance sheet date is shown in the table below.

Group	Within one year		More than five years		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Floating rate						
Gross cash and cash equivalents and amounts due from brokers	29,218	39,919	-	-	29,218	39,919

In addition to the interest rate exposure relating to cash deposits, the Group charges clients overnight financing charges for Rolling Daily contracts that are held overnight. This financing charge is based on the relevant base rate of the market. The effect of a change in interest rates on this income has not been included in the sensitivity analysis.

Sensitivity analysis

A non-trade interest rate risk sensitivity analysis has been performed on cash and cash equivalents, amounts due from brokers and client funds to ascertain the potential impact of reasonable possible moves in interest rates on revenue. A 1% increase and 1% fall has been modelled and is considered by management as a reasonable move in interest rates. A 1% fall in interest rates would have resulted in no interest being earned for the year:

	Interest rate exposure £'000	Market movement applied %	Potential revenue impact £'000
As at 31 December 2016			
Interest rate fall	29,218	- 1%	(292)
Interest rate increase	29,218	+ 1%	292
As at 31 December 2015			
Interest rate fall	39,919	-1%	(399)
Interest rate increase	39,919	+1%	399

Credit risk

Credit risk is the risk that a party to a financial instrument will cause financial loss to the other party by failing to discharge its obligation. The Group does not ordinarily offer credit to its clients. However, the Group is exposed to credit risk through its cash deposits and receivables with financial institutions and outstanding brokerage fees from its institutional derivatives business.

Credit risk is managed on a Group-wide basis. The Group's principal credit risk exposure arises through its cash deposits with financial institutions. The Group has set policies on minimum credit ratings of institutions that hold funds, and limits its exposure to each institution.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date the maximum credit risk was:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash and cash equivalents	4,360	12,459	-	-
Amount due from brokers	5,393	3,657	-	-
Trade receivables	2	113	-	-
Other receivables	2,961	2,686	-	-
	12,716	18,915	-	-

Included in cash and cash equivalents, the Group's largest credit exposure to any bank was £3,634,598 or 89.7% of the exposure to all banks (2015: £4,760,773 or 38.2%).

The table below presents further detail on the Group's exposure to credit risk. External credit ratings (Standard & Poor's short-term ratings or equivalent) are available for exposures to brokers and banks, and these are shown over leaf. No external credit rating of clients is available and therefore the balances are unrated.

Amounts due from clients are considered past due from the date that positions are closed and are aged from that date. If debtors arise on open positions the amounts due from clients are considered neither past due nor impaired.

Group	Trade receivables – due from clients		Trade receivables – amount due from brokers		Cash and cash equivalents	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Individually Impaired						
Gross exposure	758	939	-	-	-	-
Allowance for impairment	(758)	(939)	-	-	-	-
Past due but not impaired						
Ageing profile:						
0 – 3 months	-	113	-	-	-	-

	Trade receivables – due from clients		Trade receivables – amount due from brokers		Cash and cash equivalents	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Neither past due or impaired						
A-1	-	-	-	-	1,761	9,612
A-2	-	-	-	3,657	1,566	2,687
A-3	-	-	-	-	-	-
B	-	-	-	-	-	-
Unrated	-	113	2	-	1,033	160
Total carrying amount	-	113	2	3,657	4,360	12,459

No equivalent table is presented for the Company since all balances are nil.

The table showing the details of the movement in the Group's provision for impairment of trade receivables is shown below:

	2016	2015
	£'000	£'000
Opening provision	939	20
Net debt provided	424	2,144
Debt written off	(605)	(1,225)
Closing provision	758	939

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities.

Liquidity risk is managed centrally for the Group by the Finance department. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its broker margin requirements and liabilities when due, under both normal and stressed conditions.

All the Group's non-derivative financial liabilities are due within 1 month.

Capital Management

The Group's objectives for managing capital are as follows:

- to comply with the capital requirements set by the financial market regulators to which the Group is subject;
- to ensure that all Group entities are able to operate as going concerns and satisfy any minimum externally imposed capital requirements; and
- to ensure that the Group maintains a strong capital base to support the development of its business.

The capital resources of the Group consists of equity, being share capital and share premium, reduced by own shares held, equity, share option and other reserves and retained earnings, which at 31 December 2016 totalled £12,846,000 (31 December 2015: £11,328,000).

The Group is supervised on a consolidated basis by the FCA.

The Group's Internal Capital Adequacy Assessment Process (ICAAP), prepared under the requirements of the FCA and the Capital Requirements Directive, is an on-going assessment of the Group's risks and risk mitigation strategies, to ensure that adequate capital is maintained against risks that the Group wishes to take to achieve its business objectives.

The outcome of the ICAAP is presented as an Internal Capital Assessment document covering the Group. It is reviewed and approved by the Board.

30. Commitments under operating leases

At 31 December 2016, the Group had future minimal rentals payable under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2016	2015
	£'000	£'000
Within one year	204	887
In the second to fifth years inclusive	-	3,547
After five years	-	3,916
Total	204	8,350

Operating lease payments represent rentals payable by the Group for its office properties at 1 Knightsbridge, London SW1X 7LX. The Company entered into a new lease on the 1st March 2017 for the provision of new office property at 77 Grosvenor Street, London W1K 3JR.

31. Capital commitments

There were no contractual commitments for future capital expenditure as at 31 December 2016 (31 December 2015: £nil).

32. Related party transactions

Balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Balances outstanding at the reporting date were as follows.

Balances at 31 December	2016 £'000	2015 £'000
Company balances with LCGH plc group companies		
London Capital Group (Cyprus) Limited - Receivables	853	-
London Capital Group Limited – Payables	(3,725)	(2,113)
	(2,872)	(2,113)

Transactions during the year	2016 £'000	2015 £'000
Transactions with LCGH plc group companies		
Loan to affiliate - London Capital Group (Cyprus) Limited	853	-
Expenses paid by London Capital Group Limited	(1,612)	(1,193)
	(759)	(1,193)

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	2016 £'000	2015 £'000
Alogoweb Trading Services FZE (formerly Algoweb S.A.R.L) – purchase of licence	1,200	1,080
	1,200	1,080

Loans from related parties

	2016 £'000	2015 £'000
GLIO Holdings Limited – convertible loan note	-	13,332
	-	13,332

The following amounts were outstanding at the balance sheet date:

	Due to related parties		Due from related parties	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Alogoweb Trading Services FZE (formerly Algoweb S.A.R.L) – purchase of licence	-	300	-	-
GLIO Holdings Limited – convertible loan note	-	13,332	-	-
TTCM Traders Trust Capital Markets Limited	82	101	-	-
	82	13,733	-	-

In 2014, a subsidiary Company entered into a licencing agreement with Algoweb S.A.R.L. ("Algoweb"). On 18 September 2015, this agreement was novated to Algoweb Trading Services FZE. The Licencing agreement will allow the Group to access Algoweb's retail distribution platforms and software, as well as connectivity to post trade services. Algoweb is a related party of the Group because Charles-Henri Sabet, Chief Executive Officer of London Capital Group Holdings plc and his wife, together own 50 per cent of the share capital in Algoweb.

GLIO Holdings Limited ("GLIO") is a related party of the Group because Charles-Henri Sabet, Chief Executive Officer of London Capital Group Holdings plc holds a 100% interest in ILOG Investments Limited, GLIO's largest shareholder. The balance represents both the liability and equity components of this transaction (see note 26).

During the year TTCM Traders Trust Capital Markets Limited ("TTCM") was a related party of the Group as Nicola Berardi, former Chief Financial Officer of London Capital Group Holdings plc, held a majority interest in the company. During the year, TTCM opened a trading account with LCG in accordance with LCG's standard terms and conditions.

33. Share capital

Allotted, called up and fully paid:

	2016		2015	
	Number	£'000	Number	£'000
Equity shares				
Ordinary shares of £0.05 each (2015: £0.10 each)	380,531,519	19,026	79,846,889	7,985
Deferred shares of £0.05 each	79,846,890	3,993	-	-
	460,378,409	23,019	79,846,889	7,985

Reconciliation of the movement in the number of shares 2016:

	At 1 January 2016	Shares issued in the year	At 31 December 2016
Ordinary shares	79,846,889	300,684,629	380,531,519
Deferred shares	-	79,846,890	79,846,890
	79,846,889	380,531,519	460,378,890

Reconciliation of the movement in the number of shares 2015:

	At 1 January 2015	Shares issued in the year	At 31 December 2015
Ordinary shares	55,800,908	24,045,981	79,846,889
Deferred shares	-	-	-
	55,800,908	24,045,981	79,846,889

The Company has one class of ordinary shares and each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on AIM of the London Stock Exchange. The Group issues shares from time to time in respect of long term incentive schemes. Details of shares held in trust are set out in note 35 of the financial statements. The ordinary shares carry no right to fixed income. The shares carry dividend rights, voting rights and rights to distribution of capital on a winding up.

The deferred shares do not carry voting rights or hold any dividend rights and only in extreme circumstances are the holders of deferred shares entitled to a return of payment on return of capital or on a winding up of the company. The deferred shares are not quoted on the AIM market or any other stock market and are not transferable without the written consent of the company.

In July 2016, the Company decided to redeem the convertible loan notes that it had outstanding. In order to fund this redemption, the Group issued 292,781,509 of new ordinary shares. To enable this issue to take place, the Group implemented a capital reorganisation to reduce the nominal value of the Company's ordinary shares from 10p to 5p. Following the conversion, a total of 372,628,399 ordinary shares at 5.00p and 79,846,890 deferred shares at 5.00p were in existence. In addition to the capital reorganisation, a further 7,903,120 new ordinary shares were issued to settle outstanding payment obligations.

34. Share premium

	2016 £'000	2015 £'000
Balance at the beginning of the year	23,819	20,592
Premium arising on issue of equity shares	(75)	3,227
Balance at the end of the year	23,744	23,819

35. Own shares

	2016 £'000	2015 £'000
Balance at the beginning of the year	6,065	6,065
Acquired in the period – transferred to JSOP	-	-
Acquired in the period – transferred to Treasury	-	-
Balance at the end of the year	6,065	6,065

The Group has a Joint Share Ownership Plan ("JSOP") to provide incentives to Directors and employees. At 31 December 2016, 12,130,000 ordinary shares of £0.05 each were held in the JSOP, 5,535,000 with an initial participation price of £0.045, 6,595,000 with an initial participation price of £0.074.

In 2014, the Company purchased 1,000,000 ordinary shares of £0.10 each at a price of £0.33 per share. These shares were held in Treasury at year end.

36. Equity reserve

	2016 £'000	2015 £'000
Balance at the beginning of the year	3,967	6,809
Equity component of convertible loan notes converted to share capital (see note 26)	(2,583)	(2,842)
Balance at the end of the year	1,384	3,967

37. Other reserves

Merger reserve

The other reserves arose as a result of the business combination concerning the acquisition of Tradex Enterprises using the merger method. As noted in the accounting policies, the Group has taken advantage of the exemption permitted by IFRS 1 not to restate this business combination.

Share option reserve

Includes a credit for the excess of the tax deduction for the equity-settled share-based payments, the net adjustment for those options forfeited in the period and the charge for the estimated cost of equity-settled share options based on a straight-line basis over the vesting period.

38. Post balance sheet events

On 1st March 2017 the Group entered into an agreement for the occupation of new premises at 77 Grosvenor Street, W1K 3JR. The Group entered into a 5 year lease and surrendered the lease on 1 Knightsbridge to a 3rd party at nil cost to the Group.

As part of the office move the Group provided £725,000 as an impairment to reflect the true economic recoverability of the fixed assets on the balance sheet.

39. Ultimate controlling party

The Group's ultimate controlling party is GLIO Holdings Limited ("GLIO") by virtue of their majority shareholding in London Capital Group Holdings plc. Charles-Henri Sabet, Chief Executive Officer of London Capital Group Holdings plc holds a 100% interest in ILOG Investments Limited, GLIO's largest shareholder.