Company Registration No. 05497744

London Capital Group Holdings plc

Report and Financial Statements

31 December 2018

CONTENTS

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 (the "Company" or "LCGH plc") currently operates through its principal subsidiaries, LCG Int. Limited ("LCG Cayman") which is regulated by the Cayman Islands Monetary Authority ("CIMA") and London Capital group (Cyprus) Limited ("LCG Cyprus"), which is regulated by the Cyprus Securities Exchange Commission ("CySEC").

Each subsidiary is a provider of trading services and solutions, specialising in over-the-counter, or OTC markets to private, retail high net worth and professional clients. Each subsidiary 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 parent company London Capital Group Holdings plc is listed on the NEX 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.

Business Review

For the twelve months ended 31 December 2018, trading conditions have again been affected by lower market volatility coupled with significant changes to the CFD industry by both domestic and European regulators. However, against this backdrop, The Company continued to deliver revenues and together with the hard work across the business to drive efficiency, has delivered positive results. LCG demonstrated that it remains on track to deliver its objective of increasing client acquisition, client activity and increasing Company profitability.

In such challenging conditions, the Company has continued its upward trajectory compared with previous periods, whilst ensuring that it continues to invest and innovate. The Company's efforts to improve its technology, sales and marketing as well as retain and add to the quality of its people means that the Company remains on the path of improvement. In addition, by continually updating and making improvements to its client segmentation analysis and modelling, the Company is now far better placed to derive both a steady revenue stream when trading conditions are weak and be in a position to take full advantage when conditions are favourable.

During the year, the Company issued a notice to shareholders relating to a proposed restructure. The restructure was conditional on the approval of the Shareholders, which was given on the 21st of March 2018 and regulatory approval was provided by the FCA for the change in control on 6th June 2018. On the 31st July 2018, London Capital Group Holdings plc, as part of the restructure the Company, and together with its wholly owned subsidiary Tradex, sold 91.5% percent of the issued share capital of London Capital Group Limited (LCGL) to a newly created entity SLCG international. SLCG International, controlled by Charles-Henri Sabet who is the shareholder of the Company's major shareholder, GLIO. The consideration for this sale is the issue to the Company of the Loan Notes by LCGL in an amount of £4,636,107. The value of the consideration is based on aggregate of (i) the market capitalisation of the Company at a share price of 1.3315 pence per share, which represents the 6-month volume weighted average price of the shares as at 23 February 2018 and approximately 40 per cent premium to the Company's share price as at the close of trading on the day before the publication of the notice of the transaction (2nd March 2018) attributable to the value of LCGL, and (ii) £5.00 in respect of the LCG Subsidiaries. The Loan Notes are unsecured and perpetual and carry a fixed interest coupon of 8 per cent per annum payable in two equal instalments in arrears each year.

Following Completion, the Company has retained an 8.5% shareholding in LCGL through its subsidiary, Tradex. At Completion, the Company and Tradex will enter into the Call Option Agreement in favour of SLCG International, under which Tradex will grant a call option to SLCG International for it to acquire the remaining 8.5% of the issued share capital of LCGL to be satisfied by the issue of further Loan Notes. The total consideration received by the

Company in connection with the Disposal will increase to £5,066,883 once the option has been exercised by SLCG International pursuant to the Call Option Agreement.

Revenues were £6.6m (2017: £48k) following the disposal and the introduction of the Cayman entity and Gross Profit was £4.4m (2017: £47k).

Administrative costs total were £4.1m for the period (2017: £1.1m).

The loss on disposal of subsidiaries was £12m.

The loss for the year was £12.2m (2017: loss of £3.0m).

The net cash and short-term receivables decreased 94% to £0.7m (2017: £10.8m) following the disposal of LCG Limited.

The net cash and short-term receivables decreased to £0.7m (2017: £10.8m) following the disposal of LCG Limited. Available liquidity which comprises own cash held, title transfer funds, unsegregated funds and amounts due from brokers decreased to £0.7m (2017: 10.8m).

Available liquidity and cash flow

	31 December 2018	31 December 2017
	£'000	£'000
Own cash held	697	4,539
Short term receivables: Amounts due from brokers	-	6,262
Net cash and short-term receivables	**697**	**10,801**

Total client liability at the year-end was £5.3 million (2017: £30.3 million) but are excluded from the balance sheet as well as the segregated bank balances.

Customer trading volumes are driven by eight main factors. Four of these factors are broad external factors outside the Group'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 has generally been positively correlated with client trading volume. The Group's customer trading volume is also affected by the following additional factors:

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

In order to increase customer trading volume, the Group will continue to focus its marketing and its customer service and education activities on attracting new customers and increasing overall customer trading activity to both its regulated subsidiaries, London Capital Group (Cyprus) Limited and LCG Int. Limited.

Historically, the Group'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. Following the disposal of LCG Limited, the Group is now looking to expand its offering beyond the UK and enhance its technology and product offering including further developments to its existing Meta Trader 4 platform and the LCG Trader platform to ensure they are both market leading as well as being fit for purpose for the active trader.

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

The Group'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 Group will deliver a complete multi-asset experience for its clients.

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

The Group's medium-term strategy will also continue to focus on the promotion and further development of its key selling points upon the completion of the Group's near-term objectives of:

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

The marketing is being aimed at attracting active retail traders. This combined with improving the customer journey and technology will ensure that the Group continues to be in a strong strategic position.

With the new initiatives being employed by the Group to expand its already robust product offering through its enhanced and client focused technology, whilst building on the LCG brand and expanding into new markets and territories. The strategic initiatives being deployed by the Group will improve LCG's capacity to expand into new markets and geographies and the other Board members and senior management team remain excited 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.

BREXIT

LCGH plc Senior management have considered the impact of BREXIT to the Group. However, uncertainty surrounding BREXIT results in an inability to accurately forecast the financial impact to the Group. As a contingency for the Group's European customers LCG Cyprus, a subsidiary of Tradex Limited, is registered with the Cyprus Securities and Exchange commission.

Dividends

No dividends were declared or paid during the year (2017: £Nil).

Our people

Throughout 2018 the Group has continued its efforts to streamline the operations of the Business and the Group to create efficiencies in personnel numbers and staff costs.

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

Principal risks and uncertainties

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

The Group 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 Group 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 Group, which considers risk management in more detail. The principles and objectives of the Risk Management Framework are cascaded down through the Group. 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 Group are considered to be the following:

- Market risk: Market risk is the risk that changes in market prices will affect the Group's profit and loss or the value of financial instruments held and traded by clients. Although the Group does not directly enter into speculative proprietary positions, 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 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 Group is prepared to carry. If the Group'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 Group has a credit exposure to the banks with which it deposits funds and the counterparties with which it hedges its market positions. The Group mitigates this risk by ensuring diversification of counterparties and setting minimum levels of creditworthiness for Group counterparties. The Group 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 Group 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 Group is exposed to are:
    - Technology risk and business continuity: Technology risk is the risk of a sustained loss of the Group'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 Group operates backup for all its trading platforms in separately hosted environments and to support the loss of physical premises the Group 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 Group requires suitably skilled staff to operate, control, develop and manage its business. The Group 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 Group 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 Group 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 Group. The Group 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 Group. The
  Group therefore continues to ensure sufficient investment is made in resources and training to meet regulatory demands. The responsibility for compliance is spread throughout the Group, and results are monitored and reported to senior management by the Compliance Department. The Group has also looked to increase the Compliance resources in 2017 and 2018 following an assessment of its compliance framework. This is also resulted in the addition of a Non-Executive Director to the Board with a background in compliance as well as the appointment of an outsourced internal audit function. LCG Cyprus is also impacted by ESMA and Brexit risk as discussed on page 7 of the strategic report.

- Liquidity risk: Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group 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 Group also undertakes various stress and scenario testing as part of its Individual Capital Adequacy Assessment Process ("ICAAP") that is a requirement of the several regulators including the Cypriot Securities . These scenarios stress the effect on the Group'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 Group'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 Group's own cash resources. While interest rates remain low, interest income will not make a material contribution to Group profit. Conversely, as interest rates rise the Group should benefit. Given the low interest rates we don't believe interest rate to be a major risk.
  - Foreign currency risk: The Group faces currency exposures on translation of its monetary assets and liabilities. This risk is managed by daily monitoring of the Group'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 Group conducts initial and ongoing due diligence on key suppliers, in addition to using multiple providers where available.

Key Performance Indicators

The Group 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

The following table shows the key performance indicators at 31 December 2018 against the same period in the prior year.

KPI's (Full Year)	2018 £000s	2017 £000s	Change %
Revenue	£6,647	£48	**13,742%**
Gross profit	£4,359	£47	**9,113%**
Operating profit/(loss)	£185	-£1,277	**114%**
Client assets under management	£5.3m	£0m	**100%**

- Revenue and Gross Profit up 13k% and 9k% respectively year on year as a result of the commencement of business in LCG Cyprus and LCG Int.
- Operating profit 114% higher than prior year as a result of the commencement of business in LCG Cyprus and LCG Int.
- Client assets up by 100%, following the commencement of business in LCG Cyprus and LCG Int.

Tax

The Group's effective tax rate is 0% (2017: 0%). This is primarily due to losses incurred within the Group. These losses will be carried forward and offset against future taxable profits.

Joint Share Ownership Plan ("JSOP")

The Group has recognised a liability to the Joint Share Ownership Plan ("JSOP") which represents cash contributions made to the JSOP in prior periods.

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 (2017: nil).

Going concern

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

For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

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

Mukid Chowdhury

Director

DIRECTORS' PROFILES
For the year ended 31 December 2018

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

Mukid Chowdhury

Chief Exécutive Officer

Mukid joined LCG in May 2016, bringing over 20 years financial services experience. He previously worked for both JP Morgan Chase and ING Bank before spending the last 10 years within the retail derivatives sector. He held several senior finance positions prior to LCG, firstly as Group financial Controller for City Index and then Finance Director for International Operations at Gain Capital. As Group Chief Financial Officer and UK CEO, Mukid is registered with the FCA as CF1, CF3 and CF10a and brings significant experience of building and leading finance functions both domestically and internationally as well as taking a leading role in ensuring regional locations operate commercially whilst ensuring regulatory obligations are fulfilled. Mukid is an Associate of the Chartered Institute of Management Accountants.

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.

Olivia Claudia Blanchard

Non-Executive Director

Olivia Blanchard has worked in a multitude of environments including private banking, Investment banking, asset management and institutional broking. She has held several FCA controlled functions and has international experienced in a variety of roles, from Compliance Officer to Head of Compliance and Internal Control. She has gained knowledge in various asset classes, including equities (cash and derivatives) fixed income, commodities, and foreign exchange and financial market regulations of several countries, including France (AMF, ACPR), the United Kingdom (FCA) and the United States (NFA, FINRA). Since February 2017, she has been operating her own consultancy and work as an advisor for several UK regulated investment firms.

DIRECTORS' REPORT
For the year ended 31 December 2018

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 2018.

Principal risks and uncertainties

The Group's principal risks and uncertainties are set out on pages 6 to 9 of the Strategic Report.

Results

The Group statutory total comprehensive income amounted to a loss of £12.2 million (2017: loss of £3.01 million).

Dividends

The Directors do not recommend the payment of a final dividend (2017: nil). No interim dividend was paid (2017: nil) making a total of nil for the year (2017: 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 31 December 2018 were:

	Number of shares	% Holding at 31 Dec 18
GLIO Holdings Limited	296,556,612	78.14%
London Capital Group Holdings	12,480,000	3.29%
Pictet Asset Mgmt, Geneva	6,348,809	1.67%
Hargreaves Lansdown Asset Mgt	6,143,365	1.62%
Pictet Asset Mgmt, Geneva	6,348,809	1.67%
Andrey Pavlov	5,354,157	1.41%
Barclays Bank	4,694,570	1.24%

Related party transactions

Details of related party transactions are set out in note 29 to the financial statements.

Directors

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

Mukid Chowdhury – appointed 29 June 2018
Olivia Claudia Blanchard – appointed 22 February 2018
Charles Poncet – appointed 7 November 2014
Charles-Henri Sabet – resigned 14 March 2018
Dimitri Goulandris – resigned 26 July 2018
Julien Cohen – resigned 17 April 2019
Nicholas Lee – resigned 23 February 2018
Frank Chapman – resigned 22 February 2018

Details of their letters of appointment, service contracts and interests in shares and share options are shown in the Remuneration Report on pages 15 to 18

Share capital

Details of the Company's share capital are set out in notes 30 and 31 of the financial statements.

As at the 1 January 2018, there were 380,531,519 5.00p ordinary shares and 79,846,890 5.00p deferred shares. Of the shares in issue at 31 December 2017, 111,345,847 were held in the Joint Share Ownership Plan ("JSOP") and 1,000,000 shares were held in treasury (see note 32). 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 were delisted from the NEX Exchange on 30th November 2019. 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 32 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 NEX 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.

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 3 to 4 of the Strategic Report.

Annual General Meeting

This year's annual general meeting will be held at 4pm on 19 December 2019 at 80 Cheapside, London EC2V 6EE.

CORPORATE GOVERNANCE REPORT
For the year ended 31 December 2018

The Directors present their report on corporate governance. As the Company's shares were previously traded on NEX Exchange, it is not subject to the UK Corporate Governance Code ("the Code"). The share were delisted from the NEX Exchange on 30th November 2019, 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 Charles Poncet as non-executive chairman and there are three 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 Meetings for 2018

Director	**Board**	
	Eligible	**Attended**
Olivia Blanchard	2	2
Mukid Chowdhury	2	2
Julien Cohen	2	0
Charles Poncet	2	2

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 10.

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 12.

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

This is set out on pages 16 to 18 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. The Group's shares have now been delisted from the NEX Exchange from 30th November 2019. 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.

Mukid Chowdhury

Director

19 December 2019

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 of basic salary for Charles Poncet of £60,000 per annum and Olivia Blanchard of £73,032 per annum. The other non-executive Directors are not paid a fee. Non-executive Directors are not eligible to participate in any of the Group's bonus or share based long term incentive schemes.

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2018

Directors' remuneration

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

	Basic salary and fees		Benefits		Annual bonus		Pension contributions		Total	
Year to 31 December	**2018 £**	**2017 £**	**2018 £**	**2017 £**	**2018 £**	**2017 £**	**2018 £**	**2017 £**	**2018 £**	**2017 £**
Executive										
Charles-Henri -Sabet[1]	165,407	760,875	-	3,250	-	-	16,541	65,676	181,948	829,80[illegible]
Mukid Chowdhury[2]	100,000		1,707	-	-	-	2,584	-	104,291	-
	265,407	760,875	1,707	3,250	-	-	19,125	65,676	286,239	829,80[illegible]
Non-executive										
Frank Chapman[3]	-	-	-	-	-	-	-	-	-	-
Julien Cohen[4]	-	-	-	-	-	-	-	-	-	-
Rebecca Fuller[5]	-	4,583	-	-	-	-	-	-	-	4,583
Dimitri Goulandis[6]	-	-	-	-	-	-	-	-	-	-
Nicholas Lee[7]	9,167	55,000	-	-	-	-	-	-	9,167	55,000
Charles Poncet[8]	60,000	75,000	-	-	-	-	-	-	76,508	75,000
Olivia Claudia[9] Blanchard	73,032	-	-	-	-	-	-	-	73,032	-
	142,199	134,583	-	-	-	-	-	-	158,707	134,58[illegible]
Total	407,606	895,458	1,707	3,250	-	-	19,125	65,676	445,036	964,38[illegible]

[1] *Charles-Henri Sabet resigned on 14 March 2018;*
[2] *Mukid Chowdhury was appointed on 29 June 2018;*
[3] *Frank Chapman resigned on 22 February 2018;*
[4] *Julien Cohen resigned on 17 April 2019*
[5] *Rebecca Fuller resigned on 31 January 2017;*
[6] *Dimitri Goulandris resigned on 26 July 2018;*
[7] *Charles Poncet was appointed as Non-Executive Chairman on 7 November 2014;*
[8] *Olivia Claudia Blanchard was appointed as a Non-Executive Director on 22 February 2018*

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

Directors are remunerated based on work for the greater group and paid by London Capital Group Limited, which was disposed of during the year.

Pension benefits

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

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2018

Directors' interests in options

	Date of grant	At 1 Jan 18	Granted During the year	Exercised and sold during the year	Lapsed	at 31 Dec 18	Exercise price	Date from which exercisable	Expiry Date
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 Jan 17	Granted During the year	Exercised and sold during the year	Lapsed	at 31 Dec 17	Exercise price	Date from which exercisable	Expiry Date
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' beneficial interests in shares

Ordinary Shares	31 Dec 18	31 Dec 17
Charles-Henri Sabet	304,356,612	304,356,612

Executive Directors' service contracts

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

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
Charles Poncet	With effect from 7 November 2014	1 month
Olivia Claudia Blanchard	Appointed on 22 February 2018	3 months

By order of the Board

Mukid Chowdhury

Director & Chief Executive Officer

DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2018

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.

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

Independent auditor's report to the members of London Capital Group Holdings plc

Opinion

We have audited the financial statements of London Capital Group Holdings plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the consolidated income statement, consolidated statement of other comprehensive income, consolidated and company balance sheet, group and company statement of changes in shareholders equity, consolidated and company cash flow statement, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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 in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the parent company financial statements have been properly 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter in the Audit
Revenue Recognition As described in note 2 to the financial statements, the Group generates revenue from several different distinct revenue streams including net trading results, commission income, exchange gains and income. The recognition of the revenue should be accounted for in accordance with the requirements of IFRS 15. The subsidiary London Capital Group Ltd to which these revenue streams mainly relate was sold during the year with 7 months of revenue included in the consolidated financial statements. The recognition of revenue was considered to be a key audit matter as revenue consists of a high volume of transactions and the recognition of revenue is dependent on the integrity of the trading system.	Our procedures performed included: • We reconciled data from the trading platform to the data warehouse and through to the general ledger, considering the completeness of transactions. • We traced a sample of trades through the trading platform and data warehouse and through to the general ledger. • We performed a variety of Computer Assisted Audit Techniques ('CAATs') to gain assurance over the integrity of the information within the data warehouse. • For a sample of clients, we vouched the existence of the client by inspecting client on-boarding documentation. • We obtained summaries of trading data used to post the monthly profit and loss reporting to the general ledger and agreed these to the monthly revenue & equity journals processed by the finance team. We agreed opening equity positions to the prior year closing balance, recalculated the foreign exchange revaluation on opening equity using month end exchange rates and using the previously reconciled information to calculate the closing client equity for each month. • We reconciled the hedging revenue from brokers to broker statements. • For the portion of Revenue from the disposed subsidiary/discontinued operation included in the consolidated accounts, we performed cut-off testing to

	ensure that the Revenue was accurately recognized • Management performed an assessment of the implementation of IFRS 15 per revenue stream to ensure that the revenue has recognized per the standard and we have assessed this as part of our audit procedures <u>Key observation</u> Following revenue test above, we did not have any findings on the integrity of the trading system or database or of the application of the revenue recognition in terms of IFRS 15.
Impairment of investment in subsidiaries The Parent Company has investments in subsidiaries with a carrying value of £42.5m at 31 December 2018. Management impaired this investment in subsidiaries by £39,4m at the year-end, leaving a carrying value of £3,1m. As set out in the "shares in group undertakings" accounting policy in note 1 and the and note 3 "Critical accounting judgements and key sources of estimation uncertainty" management make judgements over the economic viability and expected future performance of subsidiaries in determining whether there are indicators of impairment of investments in subsidiaries as a result we have determined this to be a key audit matter	Our procedures performed included: • We reviewed the assumptions applied in management's impairment assessment, which derives the recoverable amount of the investments in subsidiaries. This included evaluating the sensitivity of inputs used in calculating the discounted expected future cash flows. These inputs included the accuracy and assumptions of the future forecasted cash flows, as well as the discount rates. • We considered the consistency of forecasts to those, which we examined as part of the going concern review. We reviewed the accuracy of previous forecasts to actuals to establish the accuracy of management's forecasting procedures and estimated the impact of the sensitivity of the valuation of investments in subsidiaries and intangibles. • We consulted with our valuations team to review the discount and growth rates used as well as the accuracy of the discounted cash flow model used. <u>Key observation</u> Based on the evidence obtained, we found the impairment model assumptions and forecasts to be reasonable. Management identified the impairment triggers due to the group being loss making and selling a large revenue generating subsidiary and we concurred with

	management's conclusion to raise an impairment adjustment in respect of the investment in subsidiaries.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

The materiality for the Group financial statements as a whole to be £365,000 (2017: £330,000), which represents 1.5% of the 3 year average of Group revenue. We used revenue as the most important benchmark as the Group is loss-making and given the importance of revenue as a measure for shareholders in assessing the performance of the Group. The parent company materiality was set at £571,000 (2018: £677,000) which represents 1.5% of total assets. We used total assets as the most important benchmark as the entity is a holding company and is the measure shareholder use to assess the performance of the entity. The parent was audited at the group materiality number of £365,000 due to it being a component and higher than the group materiality we limited it to the group's materiality for our opinion on the consolidated financial statements.

Our audit work on each component of the Group was executed at levels of materiality applicable to the individual entity, all of which were lower than Group materiality, ranging from £130,000 to £237,000 for the four significant components.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessment together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality for the Group should be 65% (2018: 65%) of materiality, namely £237,000k (2017: £215,000). The performance materiality for the parent company was set at 65%, which is comparable to the group audit namely: £371,150 (2018: £440,050), but audited at the Group performance materiality of £235,000 due to it being a component and higher than the group materiality we limited it to the group's materiality for our opinion on the consolidated financial statements.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £7,300 (2017: £6,600) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the company and group's activitiesand the overall control environment. Based on this understanding focussed our audit on those aspects of the company and the group's transactions and balances which were most likely to give rise to a material misstatement.

We identified four significant components other than the parent company as part of the group audit. The parent company London Capital Group Holdings plc operates through its principal subsidiaries LCG Int. Limited ("LCG Cayman") and London Capital group (Cyprus) Limited, and Tradex Enterprises Limited as well as its former subsidiary London Capital Group Limited before the disposal of it during the year. The work for all the significant components were carried out by BDO LLP at component materiality levels.

The non-significant components were CG Digital Limited, Online Wealth Management Limited, LCG (SA) (Pty) Limited, Surecom Limited, Elan Capital Partners Limited, LCG (NZ) Limited, London Capital Group (Bahamas) Limited.

The UK entities are subject to a full scope statutory audit by BDO LLP. For the remaining three non-UK significant components BDO LLP completed audit work at a group component materiality level over significant balances.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters 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 the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Peter Smith (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

19 December 2019

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	Total 2018 £'000	Total 2017 £'000
Revenue	4	6,647	48
Operating expenses		(2,287)	(1)
Gross profit		**4,360**	**47**
Other operating income		-	-
Administrative expenses (before non-recurring items)	7	(4,176)	(1,324)
Non-recurring items:			
Credit for provision against FOS claims	23	-	-
Total administrative expenses	7	(4,176)	(1,325)
Operating profit/(loss)		**184**	**(1,277)**
Investment revenue	10	119	-
Finance costs	11	-	(1)
Loss before taxation	6	**303**	**(1,278)**
Tax charge	12	-	-
Loss from continuing operations		**303**	**(1,278)**
Loss on discontinued operations (net of tax)	17	(12,460)	(1,732)
Loss for the year		**(12,157)**	**(3,010)**
Profit for the year attributable to:			
Owners of the parent		(12,269)	(3,010)
Non-controlling interest		112	-
		(12,157)	**(3,010)**

The notes on pages 31 to 74 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

		2018	2017
		£'000	£'000
Loss for the year		**(12,157)**	**(3,010)**
Other comprehensive income/(expense):			
Items that will be reclassified to profit or loss:			
Currency translation differences	33	19	50
Other comprehensive income/(expense) for the year		**19**	**50**
Items that will not be classified to profit or loss:		-	-
Total comprehensive loss for the year		**(12,138)**	**(2,960)**
Total comprehensive loss for the year attributable to owner of the parent		**(12,250)**	**(2,960)**
Total comprehensive profit for the year attributable to Non-Controlling Interest		**112**	**-**

The notes on pages 31 to 74 form an integral part of these financial statements.

BALANCE SHEET
For the year ended 31 December 2018

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	14	14	3,559	-	220
Property, plant and equipment	15	89	869	-	-
Investments	16	431	-	3,398	42,573
Loan notes	17	4,636	-	4,636	-
Total non-current assets		**5,170**	**4,428**	**8,034**	**42,793**
Current assets					
Financial investments – held for trading		-	-	-	-
Trade and other receivables	19	1,451	10,256	-	2,385
Cash and cash equivalents	20	697	4,539	-	-
Total current assets		**2,147**	**14,795**	**-**	**2,385**
Total assets		**7,317**	**19,223**	**8,034**	**45,178**
Current liabilities					
Trade and other payables	21	9,192	8,910	4,875	4,301
Obligations under finance leases		-	-	-	-
Provisions	22	-	-	-	-
Total current liabilities		**9,192**	**8,910**	**4,875**	**4,301**
Net current assets/(liabilities)		**(7,045)**	**5,885**	**(239)**	**(1,916)**
Non-current liabilities					
Deferred consideration		-	-	-	-
Total non-current liabilities		**-**	**-**	**-**	**-**
Total liabilities		**9,192**	**8,910**	**4,875**	**4,301**
Net assets		**(1,875)**	**10,313**	**3,159**	**40,877**
Equity					
Share capital	29	23,019	23,019	23,019	23,019
Share premium	30	23,744	23,744	23,744	23,744
Own shares held	31	(6,065)	(6,065)	(2,899)	(2,899)
Equity reserve	32	-	1,384	1,384	1,384
Accumulated deficit / retained earnings	33	(39,678)	(27,665)	(42,705)	(4,987)
FX Reserve	33	295	275	-	-
Merger reserve	34	(3,629)	(5,172)	-	-
Share option reserve	34	-	616	616	616
Non-controlling interest	36	439	177	-	-
Total equity		**(1,875)**	**10,313**	**3,159**	**40,877**

The financial statements of London Capital Group Holdings plc, registration number 05497744, were approved and authorised for issue by the Board of Directors on 19 December 2019 and signed on its behalf by:

Mukid Chowdhury
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 2018 dealt within the financial statement of the Company was £37.7m (2017: loss of £230,459).
The notes on pages 31 to 74 form an integral part of these financial statements.

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2018

	Share Capital (note 29) £'000	Share Premium (note 30) £'000	Own Shares held (note 31) £'000	Equity Reserve (note 32) £'000	Accumulated deficit/ retained earnings (note 33) £'000	FX Reserve (note 33) £'000	Other Reserves (note 34) £'000	Share Option Reserve (note 34) £'000	Non-Controlling Interest (note 36) £'000	Total Equity £'000
At 1 January 2017	23,019	23,744	(6,065)	1,384	(24,430)	-	(5,344)	538	-	12,846
Total comprehensive loss for the year	-	-	-	-	(3,010)	50	-	-	-	(2,960)
Contribution by and distributions to owners										
Reclassification of reserves	-	-	-	-	(225)	225	-	-	-	-
Equity settled share-based payment transaction	-	-	-	-	-	-	-	78	-	78
Minority interests relating to LCG Cyprus disposal	-	-	-	-	-	-	172	-	177	349
At 31 December 2017	23,019	23,744	(6,065)	1,384	(27,665)	275	(5,172)	616	177	10,313
Total comprehensive loss for the year	-	-	-	(1,384)	(11,925)	20	1,543	(616)	112	(12,250)
Contribution by and distributions to owners										
FX on consolidation	-	-	-	-	(88)	-	-	-	150	62
Equity settled share-based payment transaction	-	-	-	-	-	-	-	-	-	-
At 31 December 2018	23,019	23,744	(6,065)	-	(39,678)	295	(3,629)	-	439	(1,875)

The notes on pages 31 to 74 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2018

	Share Capital	Share Premium	Own Shares held	Equity Reserve	Accumulated deficit/ retained earnings	Other Reserves	Share Option Reserve	Total Equity
	(note 29)	(note 30)	(note 31)	(note 32)	(note 33)	(note 34)	(note 34)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017 per reported annual report (Note 38)	23,019	23,744	(2,899)	1,384	(4,757)	-	538	41,029
Issue of share capital during the year	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(230)	-	-	(230)
Equity settled share-based payment transaction	-	-	-	-	-	-	78	78
At 31 December 2017	23,019	23,744	(2,899)	1,384	(4,987)	-	616	40,877
Issue of share capital during the year	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(37,718)	-	-	(37,718)
At 31 December 2018	23,019	23,744	(2,899)	1,384	(42,705)	-	616	3,159

The notes on pages 31 to 74 form an integral part of these financial statements.

CASHFLOW STATEMENT
For the year ended 31 December 2018

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Loss for the year		**(12,157)**	**(3,010)**	**(37,718)**	**(231)**
Adjustments for:					
Depreciation of property, plant and equipment	15	463	486	-	-
Amortisation of intangible assets	14	542	1,120	24	29
Share-based payments		-	78	-	-
Loss on disposal of property, plant, equipment and intangibles	14	-	26	-	-
Loss on impairment of investment		-	-	39,411	-
Loss on disposal of subsidiary	17	12,210	-	-	-
Liability to JSOP	24	(3,166)			
Intercompany write-offs	28	-	-	236	-
Provisions	22	-	(486)	-	-
Investment income	10	(119)	(33)	-	-
Finance costs	11	-	2	-	-
Operating cash flows before movements in working capital		**(2,227)**	**(1,817)**	**1,953**	**(202)**
(Increase)/decrease in receivables		4,169	2,050	(2,251)	(18)
Increase/(decrease) in payables		283	1,018	574	220
Cash (used in)/generated by operating activities		**2,225**	**1,251**	**276**	**-**
Taxation received		-	-	-	-
Net cash (used in)/from operations		**2,225**	**1,251**	**276**	**-**
Investing activities					
Investment income	10	119	33	-	-
Proceeds on disposal of leasehold property	15	-	50	-	-
Payment of deferred consideration in respect of Surecom acquisition		-	(202)	-	-
Acquisitions of property, plant and equipment	15	-	(56)	-	-
Acquisition/(Disposal) of leasehold assets	15	-	(109)	-	-
Acquisition/(Disposal) of intangible assets	14	-	(946)	(220)	-
Cash lost on disposal of subsidiary	17	(6,262)	-	-	
Disposal / (Acquisition) of investments		-	150	-	-
Net cash used in investing activities		**(6,143)**	**(1,080)**	**(220)**	**-**
Financing activities					
Share Capital Transactions		-	-	-	-
Finance costs	11	-	(2)	-	-
Payments to finance lease creditors		-	(66)	-	-
Net cash used in financing activities		**-**	**(68)**	**-**	**-**
Net decrease in cash and cash equivalents		(3,919)	103	55	-
Cash and cash equivalents at the beginning of year		4,539	4,360	-	-
FX on transactions		77	76	(55)	-
Cash and cash equivalents at end of year	18	**697**	**4,539**	**-**	**-**

The notes on pages 31 to 74 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 principal 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. The Group 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 Cyprus Securities and Exchange Commission ("CySEC") via its subsidiary, London Capital Group Cyprus Limited and by the Cayman Islands Monetary Authority ("CIMA") via LCG Int. Limited.

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 comply with Article 4 of the EU IAS Regulation.

The consolidated and company 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.

The consolidated financial statements have been presented for the continuing operations, being London Capital Group (Cyprus) Limited and LCG Int. Limited. The Comprehensive Statement of Other income represents the results of the continuing operations and have been restated on the same basis for the prior year.

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 26 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.

Although the Group shows negative net assets of £1.8m, management believe the future revenues to be generated by both LCG Cyprus and LCG Cayman will be sufficient to return the Group to positive net assets in 2020 and to continue to grow thereafter.

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.

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 net trading results, rebates received, 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 and 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.

Revenues are recognised at a point in time for both open and closed positions. The performance obligation is met at the point where the trade is closed.

Revenues are recognised at a point in time. For continued operations, revenues are based on a cost-plus percentage basis, which is typically 10 per cent on top of the costs incurred and where the performance obligation is the incurred costs of the Cyprus and Cayman entities. Revenues are recognised at the point at which costs are incurred.

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

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
- 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

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

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 including investments in subsidiaries 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.

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.

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.

Offsetting financial instruments

Amounts 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 amounts are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 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 capitalisation at the current reporting date to the prior year reporting date.

Non-controlling interests

Where a subsidiary is less than wholly owned, the equity interest held by external parties are presented separately as non-controlling interest on the consolidated balance sheet. The total comprehensive income of non-wholly owned subsidiaries is attributed to the owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

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.

The Group has recognised a liability to the Joint Share Ownership Plan ("JSOP") which represents cash contributions made to the JSOP in prior periods. The JSOP is also part of the consolidated group.

2. Adoption of new and revised Standards

New standards, amendments and interpretations adopted

This is the first set of the Group's annual financial statements in which IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied, the impact of which is described below.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39: Recognition and Measurement. IFRS 9 contains three principal classification categories for financial assets: fair value through profit or loss ("FVTPL"), measured at amortised cost ("AC") and fair value through other comprehensive income ("FVOCI"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

Transition:

The standard has been adopted from 1 January 2018 and applied retrospectively by adjusting where necessary, the opening balance sheet at the date of initial application, with no restatement of comparative periods.

Classification and measurement of financial assets:

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018:

As at 01 January 2018	Old classification under IAS 39	New classification under IFRS 9	Old Carrying Amount under IAS 39	New Carrying Amount under IFRS 9
Financial assets			£ 000's	£ 000's
Cash and cash equivalents	(AC)	AC	4,539	4,539
Trade receivables – due from brokers	(FVPTL)	FVTPL	6,262	6,262
Trade receivables – other	AC	AC	2,939	2,939
Other receivables	AC	AC	1,046	1,046
Financial liabilities				
Trade and other payables	AC	AC	8,910	8,910

Impairment:

The Group applies an expected credit loss model when calculating impairment losses on its trade and other receivables (both current and non-current). In applying IFRS 9 the Group must consider the probability of a default occurring over the contractual life of its trade receivables and contract asset balances on initial recognition of those assets. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the Group's income statement. However, no such line appears for the year ended 31 December 2018 or 31 December 2017 as a result of materiality considerations.

IFRS 15 Revenue from Contracts with Customers

This standard has been adopted on its mandatorily effective date of 1 January 2018 and applied on a retrospective basis. There was no impact of applying the standard on this basis and therefore no cumulative effect to adjust in the opening balance of retained earnings. The Company will continue to assess individual customer contracts for separate performance obligations to allocate the correct transaction price as they occur. The impact of the new revenue standard has not had a significant effect on the company's results.

For additional information on the Company's accounting policies relating to revenue recognition see further down in note 1.

Standards, amendments and interpretations in issue but not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these is:

- **IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).**

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

At 31 December 2018, operating lease commitments amounted to £1.35 million (see note 27).

Transition:

The standard will be adopted from 1 January 2019 using the modified retrospective approach. This recognises the cumulative effect of initially applying the standard as an adjustment to equity at the date of the initial application.

The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

The Company anticipates recording a right of use asset of £620K and corresponding lease liability of £620K, with the right of use asset to be depreciated over the life of the lease and the lease liability subsequently measured at amortised cost using the effective interest rate of 5.07% in accordance with IFRS 9.

The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

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.

3. 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 (see note 14).

- 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 (see note 23).

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.

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 had 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 determined, in accordance with the Ombudsman's directions, a value of £486,000 for the provision. In December 2017 following no claims in 2015, 2016 and 2017 the directors made the decision to release the provision. The decision was arrived after assessing the likelihood of any further claims. Further qualitative are available in note 22.

4. Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The application of IFRS 15 Revenue from contracts with customers has not resulted in any significant changes to the way the following revenue streams have been recognised. Financing income is derived on the running of and trading in financial markets, net of bonuses, incentives, commission expensed, interest received and foreign exchange gains/losses.

Gains and losses on the purchase and sale of financial instruments is derived per IFRS 9. Open positions are carried at fair market value. For discontinued operations, gains and losses arising on this valuation are recognised in revenue as well as gains and losses on positions that have closed. Revenues are recognised at a point in time. For continued operations, revenues are based on a cost-plus percentage basis, which is typically 10 per cent on top of the costs incurred and where the performance obligation is the incurred costs of the Cyprus and Cayman entities. Revenues are recognised at the point at which costs are incurred.

The split of revenues are as follows:

	Continued Operations		**Discontinued Operations**	
	2018	**2017**	**2018**	**2017**
	£000	**£000**	**£000**	**£000**
Revenue from CFD and spread betting	-	-	21,263	26,500
Revenue from Cost Plus Arrangements	6,647	48	-	-
Total revenue	**6,647**	**48**	**21,263**	**26,500**

5. Segmental reporting

London Capital Group Holdings plc has a number of companies which are consolidated within the Group including London Capital Group (Cyprus) Limited ("LCG Cyprus") and LCG Int. Limited ("LCG Cayman") which are both providers of trading services and solutions, specialising in over-the-counter, or OTC markets to private, retail high net worth and professional clients. LCG Cyprus and LCG Cayman offer customers access to a diverse range of over 5,000 financial products, including foreign exchange (or forex), precious metals, contracts for differences, or ("CFDs"), which are investment products with returns linked to the performance of an underlying commodity, index, equity or security. These services are operated out of the following geographical locations:

Establishment	**Legal Entity**	**Trading As**
Cyprus	London Capital Group (Cyprus) Limited	LCG
Cayman	LCG Int. Limited	LCG

	Cyprus	Cayman
Number of Employees	45	1
Turnover (GBP 000's)	3,693	2,954
Pre-tax profit (GBP 000's)	140	140
Corporation tax paid (GBP 000's)	-	-
Public subsidies received	-	-

6. Loss before tax

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

	2018 £'000	2017 £'000
Share-based payment charge	-	78
Depreciation of fixed assets	463	486
Amortisation of intangible assets – software	542	1,120
Loss on disposal of fixed assets	-	(461)
Loss on disposal of discontinued operations	12,210	-
Credit for provision against FOS claims	-	(486)
Credit for release of provision against market data claims	-	-
Operating lease costs:	-	-
- Land and buildings	480	988
Net (gain)/loss on foreign currency translation	-	208

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.

7. Administrative Expenses

	2018 £'000	2017 £'000
Staff costs	2,492	809
IT Costs	34	53
Data fees	-	-
Marketing costs	98	4
Premises	225	46
Legal and Professional fees	736	200
Regulatory fees	24	3
Depreciation and amortisation and impairment of fixed assets	53	57
Other administrative expenses	515	1
Administrative expenses before non-recurring items	**4,176**	**1,172**
Non-recurring items	-	-
Total administrative expenses	**4,176**	**1,172**

8. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	31	23
Fees payable to the Company's auditors and their associates for other services to the Group:	-	-
- The audit of the Company's subsidiaries	46	70
Total audit fees	77	93
Regulatory assurance services	11	18
Audit related services pursuant to legislation	-	-
Other services including tax	-	108
Total non-audit fees	11	126

9. Staff costs

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

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

	Continued Operations 2018 Number	Discontinued Operations 2018 Number	Total 2018 Number	Continued Operations 2017 Number	Discontinued Operations 2017 Number	Total 2017 Number
Financial spread betting and CFDs	0	33	33	9	35	44
Central support and Directors	46	18	64	27	23	50
	46	51	97	36	58	94

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

	Continued Operations 2018 £'000	Discontinued Operations 2018 £'000	Total £'000	Continued Operations 2017 £'000	Discontinued Operations 2017 £'000	Total £'000
Wages and salaries	2,298	2,222	4,520	665	3,958	5,839
Pension costs	-	53	53	0	121	121
Social security costs	194	246	440	144	491	635
	2,492	2,521	5,013	809	4,570	6,595

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.

	Continued Operations 2018 £'000	Discontinued Operations 2018 £'000	Total £'000	Continued Operations 2017 £'000	Discontinued Operations 2017 £'000	Total £'000
Performance related bonuses	-	-	-	0	367	367
Commission payments	-	294	294	0	361	361
Share based payment	-	-	-	0	78	78
	0	294	294	0	806	806

10. Investment revenue

	2018 £'000	2017 £'000
Bank interest receivable	119	-
	119	-

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

11. Finance Costs

	2018 £'000	2017 £'000
Interest on convertible loan notes	-	-
Interest on obligations under finance leases	-	(1)
	-	(1)

12. Taxation

(a) Tax on (loss) on ordinary activities

	2018 £'000	2017 £'000
Current tax		
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Adjustment in respect of prior periods	-	-
Adjustment for change in corporation tax rate	-	-
Total deferred tax charge	-	-
Total tax per income statement	-	-

(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:

	2018 £'000	2017 £'000
Profit/(Loss) from continuing operations	304	(1,126)
Loss on discontinued operations	(12,293)	(1,732)
Tax credit received	167	-
Accounting loss before taxation	(12,157)	(2,858)
Accounting loss multiplied by UK standard rate of corporation tax of 19.00% (2018: 19.00%)	(2,310)	(550)
Expenses not deductible for tax purposes	8,246	57
Non-taxable income	(4,486)	(40)
Movement in unprovided deferred tax	-	533
Amounts not recognised	(1,276)	-
Other adjustments	(138)	-
Adjustment for differences in UK and foreign tax rate	(36)	-
Total tax income reported in the income statement	-	-

The standard rate of corporation tax in the United Kingdom for the year is 19.00% (2018: 19.00%). The Finance Act 2015 enacted a reduction in the main rate of corporation tax to 19% with effect from 1 April 2017, and the Finance Act 2016 enacted a further reduction to 17% with effect from 1 April 2020.

At the balance sheet date, the Group had an unrecognised deferred tax asset of £5,509,768 (2017: £4,763,711). This deferred tax asset relates to fixed asset timing differences and 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.

13. Dividends

No dividends have been proposed or paid in 2018 (2017: nil).

14. Intangible fixed assets

COMPANY	Domain name £'000	Total £'000
At 1 January 2017	290	290
Additions	-	-
At 1 January 2018	290	290
Disposals	(290)	(290)
At 31 December 2018	-	-
Amortisation / Impairment		
At 1 January 2017	41	41
Charge for the year	29	29
At 1 January 2018	70	70
Charge for the year	24	24
Disposals	(94)	(94)
At 31 December 2018	-	-
Net book value		
At 31 December 2017	220	220
At 31 December 2018	-	-

GROUP	Trademarks £'000	Software £'000	Domain Name £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2017	116	6,839	290	9,698	16,943
Additions	-	946	-	-	946
Disposals	-	(2,534)	-	(9,698)	(12,232)
FX on consolidation	-	8	-	-	8
At 1 January 2018	116	5,259	290	-	5,665
Additions	-	579	-	-	579
Disposals	(116)	(5,824)	(290)	-	(6,230)
FX on consolidation	-	-	-	-	-
At 31 December 2018	-	**14**	-	-	**14**
Amortisation / Impairment					
At 1 January 2017	30	3,406	41	9,698	13,175
Charge for the year	23	1,068	29	-	1,120
Disposals	-	(2,519)	-	(9,698)	(12,217)
FX on consolidation	-	28	-	-	28
At 1 January 2018	53	1,983	70	-	2,106
Charge for the year	-	542	-	-	542
Disposals	(53)	(2,524)	(70)	-	(2,647)
FX on consolidation	-	-	-	-	-
At 31 December 2018	-	-	-	-	-
Net book value					
At 31 December 2017	63	3,276	220	-	3,559
At 31 December 2018	-	**14**	-	-	**14**

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.

15. Property, plant and equipment

GROUP	Leasehold property £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2017	1,117	2,506	3,623
Additions	109	56	165
Disposals	(1,045)	(790)	(1,835)
FX on consolidation	3	1	4
At 1 January 2018	184	1,773	1,957
Additions	1	103	104
Disposals	(72)	(1,839)	(1,911)
FX on consolidation	-	(1)	(1)
At 31 December 2018	**113**	**36**	**149**
Depreciation			
At 1 January 2017	856	1,409	2,265
Charge for the year	56	430	486
Eliminated on disposal	(884)	(780)	(1,664)
Impairment losses for the year	1	0	1
At 1 January 2018	29	1,059	1,088
Charge for the year	30	433	463
Eliminated on disposal	(12)	(1,479)	(1,491)
FX on consolidation	1	0	1
At 31 December 2018	**48**	**13**	**61**
Net book value			
At 31 December 2017	155	714	869
At 31 December 2018	**65**	**23**	**88**

16. Investment in subsidiaries

COMPANY	£'000
At 1 January 2017	42,495
Additions	78
At 1 January 2018	42,573
Additions	236
Impairment of investment in subsidiaries	(39,411)
At 31 December 2018	3,398
Net book value	
At 31 December 2017	42,573
At 31 December 2018	**3,398**

Following the sale of 91.5% of the shares in LCG Limited, and in accordance with *IAS 36 Impairment of Assets*, management carried out an impairment review to ensure that the investments held on London Capital Group Holdings (LCGH) balance sheet at the reporting date (31 December 2018) were not carried at more than their recoverable amount (higher of the fair value less costs of disposal and the value in use) and to determine if any impairment was required.

After determining that there were indicators of impairment, the Value in Use method was used to determine the recoverable amount. The model used, assumed the following:

- Terminal growth of 3%
- Tax Rate of 17%
- Risk free rate of 0.48% (based on UK 10 year Government Bond yields)
- Market risk premium of 10% and additional premium of 6%
- Zero debt

This resulted in a Weighted Average Cost of Capital (WACC) of 10.36% which was applied to the cash flows of the following entities remaining as investments:

- 8.5% share of LCG Limited
- 60% share of London Capital Group (Cyprus) Limited

Revenues were based on:

- UK + Cyprus revenues for 2019 (Annualised)
- Forecast revenues in 2020 of 3% growth
- 5% Year on Year growth thereafter
- 10% increase in costs year on year

The analysis and review of impairment resulted in a £39.4m impairment charge to the investment in subsidiary.

17. Discontinued operations

On the 31st July 2018, London Capital Group Holdings plc, as part of the restructure the Company, and together with its wholly owned subsidiary Tradex, sold 91.5% percent of the issued share capital of London Capital Group Limited (LCGL) to a newly created entity SLCG international. SLCG International, controlled by Charles-Henri Sabet who is the shareholder of the Company's major shareholder, GLIO. The consideration for this sale is the issue to the Company of the Loan Notes by LCGL in an amount of £4,636,107. The restructure also included the disposals of LCG subsidiaries, Surecom Limited, Online Wealth Management, and Elan Capital Partners

The post-tax gain on disposal of discontinued operations was determined as follows:

	2018
	£'000
Cash disposed of	(6,262)
Net cash outflow on disposal of discontinued operations	(6,262)
	2018
	£'000
Assets disposed of:	
Assets of LCG Limited and Surecom	
Intangible & Tangible assets	(4,095)
Prepayment & other debtors	(2,091)
Cash and Broker cash	(6,262)
Trade & other creditors	3,234
Total assets disposed of	**(9,214)**
Add:	
Fair value of retained 8.5% investment	431
Less: liabilities assumed	
Net payable to LCG post disposal	(4,897)
Liability to JSOP recognised	(3,166)
	(17,096)
Add proceeds – loan notes	4,636
Pre-tax gain /(loss) on disposal	**(12,210)**
Tax	**0**
Post-tax gain /(loss) on disposal	**(12,210)**

The post tax results of the discontinued operations were as follows:

	Discontinued Operations 2018 £'000	Discontinued Operations 2017 £'000
Revenue	21,263	26,500
Operating expenses	(6,452)	(3,606)
Gross profit	**14,812**	**22,894**
Other operating income		
Administrative expenses (before non-recurring items)	(15,539)	(25,144)
Non-recurring items:		
Credit for provision against FOS claims	-	486
Total administrative expenses	(15,539)	(24,657)
Operating profit/(loss)	**(728)**	**(1,764)**
Loss on disposal of subsidiaries	-	-
Loans written off	274	-
Investment revenue	52	33
Finance costs	(16)	(1)
Loss before taxation	**(418)**	**(1,732)**
Tax charge	167	-
Loss for the year	**(250)**	**(1,732)**
Loss on disposal of discontinued operations	(12,210)	-
Loss for the year	**(12,460)**	**(1,732)**

The Group has also entered in an option agreement for the sale of remaining 8.5%. At Completion, which can be defined as receiving full regulatory approval for the change in control of all subsidiary companies as part of the Group restructure, the Group, via Tradex, will enter into the Call Option Agreement in favour of SLCG International, under which Tradex will grant a call option to SLCG International for it to acquire the remaining 8.5% of the issued share capital of LCGL for £430,676 to be satisfied by the issue of further Loan Notes. The total consideration received by the Company in connection with the Disposal will increase to £5,066,883 once the option has been exercised by SLCG International pursuant to the Call Option Agreement.

18. Investments

Details of investments in which the Company holds, included in the consolidated Group, are as follows:

Name of company	Principal activity	Registered office	Country of incorporation	% Share Holding 2018	% Share Holding 2017
Tradex Enterprises Limited	Holding Company	80 Cheapside, London EC2V 6EE	UK	100	100
London Capital Group (Cyprus) Limited *	Service Company	205 Arch Makarious III Avenue, Victory House, 5th Floor, Block A, 3030 Limassol, Cyprus	Cyprus	60	60
LCG Digital Limited *	Dormant	43/3 Habanaim, Herzliya, Israel	Israel	100	100
LCG (SA) (Pty) Limited*	Dormant	Norton Rose Fulbright South Africa Inc, 15 Alice Lane, Sandton 2196, South Africa.	South Africa	100	100
Online Wealth Management Limited*	Dormant	Canon's Court. 22 Victoria Street. Hamilton HM 12. Bermuda	Bahamas	100	100
LCG Int. Limited	Financial Services	Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O Box 2681, Grand Cayman, KY1-1111, Cayman Islands.	Cayman	60	0
London Capital Group Limited**	Financial Services	80 Cheapside, London EC2V 6EE	UK	8.5	100

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

*** 91.5% Sold during the year – 8.5% equity investment remaining.*

19. Trade and other receivables

	Group		Company		
	2018	2017	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Trade receivables	-	280	-	-	-
Allowance for impairment	-	(271)	-	-	-
	-	9	-	-	-
Amounts due from brokers	-	6,262	-	-	-
Amounts owed by Group undertakings	1,290	-	-	2,385	2,368
Other taxes and social security	52	-	-	-	-
Other receivables	20	2,939	-	-	-
Prepayments	89	1,046	-	-	-
	1,451	10,247	-	2,385	2,368
Total	1,451	10,256	-	2,385	2,368

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Gross cash and cash equivalents	4,919	28,537	-	-
Less: Segregated client funds	(4,222)	(23,998)	-	-
Own cash and title transfer funds	697	4,539	-	-
Analysed as:				
Cash at bank and in hand	697	4,539	-	-
	697	4,539	-	-

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 regulatory bodies in Cyprus and the Cayman Islands. 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. Trade and other payables

Trade payables

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade payables	8	1,118	-	-
Amounts due to clients:				
Professional clients under TTCA	1,088	6,304	-	-
	1,096	7,422	-	-

Other payables

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Related party creditor	4,875	-	4,875	-
Amounts owed to Group undertakings	9	-	-	4,256
Employee benefit trust	3,166	-	-	-
Other taxes and social security	-	176	-	-
Accruals	45	1,299	-	45
Other payables	1	13	-	-
	8,096	1,488	4,875	4,301
Total	**9,192**	**8,910**	**4,875**	**4,301**

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.

22. Provisions and contingent liabilities

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Provision against FOS claims	-	-	-	-
Market data provision	-	-	-	-
Dilapidation provision	-	-	-	-
	-	-	-	-

Movement for the year:

GROUP	Provision against FOS claims	Dilapidation provision	Total
	£'000	£'000	£'000
At 31 December 2017	-	-	-
Release	-	-	-
At 31 December 2018	-	-	-

Provision and contingent liability against FOS claims

	Provision against FOS claims £'000
At 1 January 2017	**486**
Release	(486)
At 31 December 2017	**-**
At 31 December 2018	**-**

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 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 managed 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.

In December 2017 following no further claims the directors made the decision to reverse the provision. The decision was arrived after assessing the likelihood of any further claims. The claims relate to 2013 losses and the directors deem the likelihood of any further claims in regard to these trading losses as not probable. At 31 December 2018, this was no longer part of the Group.

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.

The provision was utilised fully in 2017 and there is no future lability in relation to the office at 1 Knightsbridge or 77 Grosvenor Street.

23. 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 9.72 pence (2017: 7.77 pence).

24. 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.

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	120,000	-	-	-	120,000
26 May 2010	126	70,000	-	-	-	70,000
23 January 2015	46	5,035,000	-	-	-	5,035,000
30 June 2015	46	400,000	-	-	-	400,000
21 November 2016	74	5,695,000	-	-	-	5,695,000
21 November 2016	74	100,000,000	-	-	(3,900,000)	96,100,000
Year ended 31 December 2018		111,345,847	-	-	(3,900,000)	107,445,847
Year ended 31 December 2017		112,395,847	-	-	(1,050,000)	111,345,847

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 2017	29.64	-	-	15.30	9.64
Year ended 31 December 2018	9.64	-	-	7.40	9.72

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 £NIL (2017: £77,517) related to equity-settled share-based payment transactions during the year. All charges relating to share based payments are recognised in LCG Limited. The shares are still under option and the JSOP forms part of the consolidation of the Group.

25. Financial instruments

Accounting classifications and fair values

The table below sets out the classification of each class of financial asset and liability 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 19).

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

'Trade receivables – other' represent the total value of the loan note issued to London Capital Group Limited in consideration for the sale of 91.5% of the share capital in London Capital Group Limited to SLCG International DMCC.

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

The nature of 'Obligations under finance leases' is disclosed in note 20.

'Trade and other payables' include accruals balances and trade payables that have arisen in the normal course of business (notes 20 & 21).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

Group	Fair value through profit or loss	Amortised Cost	Total Carrying Amount	Fair Value
As at 31 December 2018	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets				
Investment in LCG @ 8.5%	431	-	431	431
Trade receivables – due from brokers	-	-	-	-
Non-current loans receivable	-	4,636	4,636	4,636
Other receivables	-	1,451	1,451	1,451
Cash and cash equivalents	-	697	697	697
	431	6,784	7,215	7,215
Financial liabilities				
Trade and other payables	-	9,192	9,192	9,192
	-	9,192	9,192	9,192
As at 31 December 2017				
Financial assets				
Trade receivables – due from brokers	6,262	-	6,262	6,262
Trade receivables – other	-	9	9	9
Other receivables	-	3,985	3,630	3,630
Cash and cash equivalents	-	4,539	4,539	4,539
	6,262	8,533	14,795	14,795
Financial liabilities				
Trade and other payables	-	8,910	8,910	8,910
	-	8,910	8,910	8,910

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

Company	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total Carrying Amount	Fair Value
As at 31 December 2018	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets					
Loan note	-	4,636	-	4,636	4,636
	-	4,636	-	4,636	4,636
Financial liabilities					
Trade and other payables	-	4,875	-	4,875	4,875
	-	4,875	-	4,875	4,875
As at 31 December 2017					
Financial assets					
Intercompany receivables	-	2,387	-	2,387	2,387
	-	2,387	-	2,387	2,387
Financial liabilities					
Intercompany liabilities	-	4,256	-	4,256	4,256
Trade and other payables	-	45	-	45	45
	-	4,301	-	4,301	4,301

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	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
As at 31 December 2018				
Financial assets at FVTPL				
Investment held at fair value through the profit and loss	-	-	431	431
	-	-	431	431
As at 31 December 2017				
Financial assets at FVTPL				
Positions held at brokers at fair value through the profit and loss	-	-	-	-
Trade receivables – due from brokers	-	6,262	-	6,262
	-	6,262	-	6,262

Investments held at at fair value through the profit and loss represent the 8.5% investment in LCG Limited. Trade receivables represent the Loan Note between the Company and LCG Limited.

The valuation technique and significant unobservable inputs used in determining the fair value measurement of investment property, as well as the inter-relationship between key unobservable inputs and fair value, is detailed in the table below.

Valuation Techniques used	Significant unobservable inputs	Inter – relationship between key unobservable inputs and fair value
Fair value measurement	Net assets of LCG Limited at the date of disposal (31 July 2018). The valuation technique was based on the price achieved (which was the last sale price) for the 91.5% disposal of LCG Limited.	The net assets of LCG Limited will ultimately influence the sale price.

There were no changes to the valuation techniques of level 3 fair value measurements in the period. The fair value measurement is based on the above items highest and best use, which does not differ from their actual use.

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 2018, there were no transfers (2017: 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
As at 31 December 2018			
Swiss equities	-	5%	-
Eurozone equities	-	5%	-
Other equities	-	5%	-
US equities	-	5%	-
UK equities	-	5%	-
Japan equities	-	5%	-
As at 31 December 2017			
Swiss equities	19	5%	1
Eurozone equities	53	5%	3
Other equities	158	5%	8
US equities	575	5%	29
UK equities	593	5%	30
Japan equities	943	5%	47

The exposures in 2017 relate to LCG Limited, which was disposed of during the year.

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	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Floating rate						
Gross cash and cash equivalents and amounts due from brokers	4,919	34,798	-	-	4,919	34,798

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	Market Movement Applied	Potential Revenue Impact
	£'000	%	£'000
As at 31 December 2018			
Interest rate fall	4,919	-1%	(49)
Interest rate increase	4,919	1%	49
As at 31 December 2017			
Interest rate increase	34,798	-1%	(348)
Interest rate fall	34,798	1%	348

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. An assessment of the credit worthiness of counterparties has been undertaken and any expected credit loss is not significant.

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	697	4,539	-	-
Amount due from brokers	-	6,262	-	-
Trade receivables		9	-	-
Loan note	4,636	-	-	-
Other receivables	1,451	2,584	-	872
	6,784	13,394	-	872

Included in cash and cash equivalents, the Group's largest credit exposure to any bank was £107,067 or 100% of the exposure to all banks (2017: 2,695,659 or 59%)

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 and amount due from brokers		Cash and Cash equivalents	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Individually Impaired						
Gross exposure	-	280	-	-	-	-
Allowance for impairment	-	(271)	-	-	-	-
Past due but not impaired						
Ageing profile:	-	-	-	-	-	-
0 – 3 months	-	-	-	-	-	-
Neither past due or impaired						
A-1	-	-	-	109	-	-
A-2	-	-	-	355	-	4,184
A-3	-	-	-	-	-	-
B	-	-	-	-	-	355
Unrated	-	9	112	8,737	697	-
Total carrying amount	-	9	112	9,201	697	4,539

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:

	2018 £'000	2017 £'000
Opening provision	-	758
Net debt provided	-	271
Debt written off	-	(758)
Closing provision	-	271

The Group's provision for impairment of trade receivables all related to LCG Limited, which was sold during the year.

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.

Liabilities will be met through the generation of future earnings through both LCG Cyprus and LCG Int. which are both cash generative. In addition, the payable to LCG limited is offset by the loan notes receivable to the same party which provides sufficient liquidity.

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 consist 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 2018 totalled £557,000 (31 December 2017: £9,958,000).

27. Commitments under operating leases

At 31 December 2018, the Group had future minimal rentals payable under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2018	**2017**
	£'000	**£'000**
Within one year	453	453
In the second to fifth years inclusive	893	1,347
After five years	-	-
Total	1,346	1,800

2018 lease commitments represent rental payments due on the LCGH plc Group's office premises at 77 Grosvenor Street, London W1K 3JR.

27. Capital commitments

There were no contractual commitments for future capital expenditure as at 31 December 2018 (31 December 2017: £nil).

28. 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	**2018**	**2017**
	£'000	**£'000**
London Capital Group Limited Loan Note receivable	4,636	-
London Capital Group (Cyprus) Limited - Receivable	-	1
London Capital Group (Cyprus) Limited – Payable to LCG Limited (Trading)	(6)	
LCG Int. Limited – Receivable from LCG Limited (Trading)	1,287	
Tradex Enterprise - Receivable	-	2,386
London Capital Group Limited – Payables	(4,875)	(4,256)
	1,042	(1,869)

Transactions during the year	**2018**	**2017**
	£'000	**£'000**
Transactions with LCGH plc group companies		
Repayment of loan - London Capital Group (Cyprus) Limited	-	(852)
Revenue received from LCG Limited in respect of cost-plus arrangement (LCG Cyprus)	3,693	-
Revenue received from LCG Limited in respect of cost-plus arrangement (LCG Int.)	2,954	-
Loan to affiliate - Tradex Enterprises Limited	-	871
Gains/(Loss) on disposal of subsidiaries	(12,210)	-
Expenses paid by London Capital Group Limited	-	(531)
	(5,563)	(512)

Trading transactions

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

	2018	**2017**
	£'000	**£'000**
Alogoweb Trading Services FZE (formerly Algoweb S.A.R.L) – purchase of licence	-	1,200
	-	1,200

Loans to related parties

	2018	2017
	£'000	£'000
Receivable from Charles-Henri Sabet	-	355
	-	355

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, a shareholder in GLIO Holdings Limited, which is the largest shareholder 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 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, the Company issued a notice to shareholders relating to a proposed restructure. The restructure was conditional on the approval of the Shareholders, which was given on the 21st of March 2018 and regulatory approval was provided by the FCA for the change in control on 6th June 2018. On the 31st July 2018, London Capital Group Holdings plc, as part of the restructure the Company, and together with its wholly owned subsidiary Tradex, sold 91.5% percent of the issued share capital of London Capital Group Limited (LCGL) to a newly created entity SLCG international. SLCG International, controlled by Charles-Henri Sabet who is the shareholder of the Company's major shareholder, GLIO. The consideration for this sale is the issue to the Company of the Loan Notes by LCGL in an amount of £4,636,107. The value of the consideration is based on aggregate of (i) the market capitalisation of the Company at a share price of 1.3315 pence per share, which represents the 6-month volume weighted average price of the shares as at 23 February 2018 and approximately 40 per cent. premium to the Company's share price as at the close of trading on the day before the publication of the notice of the transaction (2nd March 2018) attributable to the value of LCGL, and (ii) £5.00 in respect of the LCG Subsidiaries. The Loan Notes are unsecured and perpetual and carry a fixed interest coupon of 8% per annum payable in two equal instalments in arrears each year.

Following Completion of the Group restructure, the Company has retained an 8.5% shareholding in LCGL through its subsidiary, Tradex. At Completion, the Company and Tradex have entered into the Call Option Agreement in favour of SLCG International, under which Tradex has granted a call option to SLCG International for it to acquire the remaining 8.5% of the issued share capital of LCGL to be satisfied by the issue of further Loan Notes. The total consideration received by the Company in connection with the Disposal will increase by the value of the option, if exercised, to £5,066,883 once the option has been exercised by SLCG International pursuant to the Call Option Agreement.

During the year, the Group created an entity in the Cayman Islands, which gained regulatory approval with the Cayman Islands Monetary authority ("CIMA") for the purpose of conducting investment business. The Group retains a 60% shareholding in the entity with the remaining 40% held by Charles Henri-Sabet.

29. Share capital

Allotted, called up and fully paid:

	2018		2017	
	Number	**£'000**	**Number**	**£'000**
Equity shares				
Ordinary shares of £0.05 each (2017: £0.05 each)	380,531,519	19,026	380,531,519	19,026
Deferred shares of £0.05 each	79,846,890	3,993	79,846,890	3,993
	460,378,409	23,019	460,378,409	23,019

Reconciliation of the movement in the number of shares 2018:

	At 1 January 2018	Shares issued in the year	At 31 December 2018
Ordinary shares	380,531,519	-	380,531,519
Deferred shares	79,846,890	-	79,846,890
	460,378,409	-	460,378,409

Reconciliation of the movement in the number of shares 2017:

	At 1 January 2017	Shares issued in the year	At 31 December 2017
Ordinary shares	380,531,519	-	380,531,519
Deferred shares	79,846,890	-	79,846,890
	460,378,409	-	460,378,409

The ordinary share carries the right to one vote at general meetings of the Company. The ordinary shares were delisted from the NEX Exchange on 30th November 2019. The Company issues shares from time to time in respect of long term incentive schemes. Details of shares held in trust are set out in note 34 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 NEX market or any other stock market and are not transferable without the written consent of the company.

30. Share premium

	Group 2018 £'000	Group 2017 £'000
Balance at the beginning of the year	23,744	23,744
Premium arising on issue of equity shares	-	-

Balance at the end of the year	23,744	23,744

31. Own shares

	Group 2018 £'000	Group 2017 £'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.

32. Equity reserve

	Group 2018 £'000	Group 2017 £'000
Balance at the beginning of the year	1,384	1,384
Derecognition on disposal of LCG Limited and Surecom	(1,384)	-
Balance at the end of the year	-	1,384

33. Retained Earnings and FX Reserve

	Group Retained Earnings		Group FX Reserve	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Balance at the beginning of the year	(27,665)	(24,430)	275	-
Reclassification of reserves	-	(225)	-	225
Foreign exchange loss on consolidation	32			
Issue of share capital during the year	-	-	-	-
Equity component of convertible loan notes converted to share capital	-	-	-	-
Minority interest	-	-	-	-
Total comprehensive loss for the year	(12,045)	(3,010)	19	50
Balance at the end of the year	(39,678)	(27,665)	294	275

34. 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.

35. 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.

36. Non-Controlling Interests

Summarised financial information of London Capital Group (Cyprus) Limited and LCG Int. Limited are presented below:

For the period ended 31 December	LCG Cyprus 2018	LCG Int. 2018	Total 2018	LCG Cyprus 2017	LCG Int. 2017	2017
Income Statement:	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Revenue	3,693	2,954	6,647	2,275	-	2,275
Cost of Sales	53	(2,340)	(2,287)	-	-	-
Gross Profit	3,745	614	4,359	2,275	-	2,275
Administrative Expense	(3,605)	(472)	(4,077)	(2,655)	-	(2,655)
Other Expenses	-	(2)	(2)	-	-	-
Profit / (Loss) before tax	140	140	280	(381)	-	(381)
Tax	-	-	-	-	-	-
Profit / (Loss) after tax	140	140	280	(380)	-	(380)
Profit / (Loss) after tax attributable to parent	140	140	280	(381)	-	(381)
Profit / (Loss) after tax attributable to Non-Controlling interests	56	56	112	(152)	-	(152)
Cash Flow:						
Cash and cash equivalents at beginning of the year	355	-	355	272	-	272
Cash flow from operating activities	(891)	331	(560)	(773)	-	(773)
Cash flow from investing activities	(7)	-	(7)	(31)	-	(31)
Cash flow from financing activities	887	-	887	887	-	887
Cash and cash equivalents at end of year	344	331	676	355	-	355
Balance Sheet:						
Assets:						
Property Plant and Equipment	92	11	103	113	-	113
Trade and other Debtors	257	16	273	317	-	317
Cash and Cash equivalents	344	331	676	354	-	354
Liabilities:						
Trade and other payables	(105)	151	46	(343)	-	(343)
Net Assets	588	510	1,098	441	-	441
Non-controlling interests share of net assets	235	204	439	177	-	177

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

37. Post balance sheet events

As at the date of this report, the completion of the Group restructure is still outstanding. Therefore, the option for the remaining 8.5% shares in LCG Limited remains unexercised. In addition, the loan note receivable of £4,636k from London Capital Group Limited was used to settle the related party payable balance of £4,897k to London Capital Group Limited during 2019.