Company Registration No. 05497744

London Capital Group Holdings plc

Report and Financial Statements

31 December 2017

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CHAIRMAN'S STATEMENT
For the year ended 31 December 2017

2017 performance

The Group has experienced a positive 2017. The investment by the Group and reconstruction efforts seen through 2016 have resulted in the Group being able to deliver consistent monthly revenues. Consequently, for the 12 months ending 31 December 2017 the Group revenue was 14% higher than for the same period in 2016. This is despite the extremely difficult trading conditions seen throughout the year where the volatility has remained within low ranges. 2017 saw only 2 months of significant "spikes" in volatility, with the CVIX (Chicago Board Options Exchange Market Volatility Index, which is a measure of the implied volatility of the S&P 500) only gauging above 15 points during the year following geo-political events caused by actions surrounding North Korea in both March and August of 2017. The remainder of the year saw the CVIX remain at low levels. This resulted in benign trading conditions as markets across the majority of asset classes traded within of their ranges.

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

Adjusted EBITDA for 2017 is a loss of £1.9m (2016: loss of £4.8m) and is a 60% improvement on the same period last year. Administrative costs are £26.5m for the period (2016: £26.5m). The loss before tax was £3.01m (2016: loss of £7.78m)

Outlook

We remain committed in continuing the investment towards the development of our people, products and services, to provide our clients with the service they expect in order to ensure that LCG is their provider of choice for their trading needs. The investment strategy has resulted in the Group further developing its product offering and technology, which the Board expects will continue to enhance LCG's appeal in markets outside of the Group's traditional UK market place.

The Group continues to benefit from its marketing campaigns and brand awareness initiatives, that coupled with its commitment to improving its technology and providing clients with first class service, the Board believes will continue to strengthen the brand, develop broader and more innovative products and service offerings, and attract a more diversified client base, both within the UK market and more importantly, internationally.

The regulatory landscape continues to evolve across multiple jurisdictions and particularly Europe. The announcements from the European Securities and Markets Association ("ESMA"), the Financial Conduct Authority ("FCA") and other European regulators to protect clients through reduced leverage and enhanced risk warnings is in line with LCG's position of ensuring that the customer is protected and to improve customer outcomes. LCG is fully supportive of the efforts of global regulatory bodies to ensure that client interests are served at all times. LCG remain committed to ensuring that the Group operates at the highest regulatory standards and that the Group is well positioned to continue the strong growth in both client acquisition and revenue capture demonstrated thus far in spite of the regulatory uncertainty. LCG, as one of the leading providers in the industry with an established history of over 20 years and with a loyal client base, is well placed to continue its growth trajectory in this changing environment. On the 28th of December 2017 Tradex Limited sold 40% of its stake in London Capital Group (Cyprus) Limited to Charles Henri Sabet.

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

Charles Poncet
Non-Executive Chairman
30 May 2017

STRATEGIC REPORT
For the year ended 31 December 2017

Strategic Report

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

Principal activities

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

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

Business Review

Following the investment made by the Group in prior periods to improve its technology, product and people, as well as expand it's offering to clients both from a product and geographical perspective, the Group has experienced a positive start to the trading year. This is despite the extremely difficult trading conditions seen throughout the year where the volatility has remained within low ranges.

However, against this backdrop of challenging trading conditions, the Group has continued its upward trajectory in delivering increased revenues compared with previous periods while ensuring that it continues to invest and innovate. The Group's efforts to improve its technology, sales and marketing as well as retain and add to the quality of its people means that the Group remains on the path of continuous improvement and is now far better placed to derive a steady revenue stream during weak trading conditions and be in a position to take full advantage when conditions are favourable.

A key objective for LCG in 2017 was to capitalise on the improvements to the trading platform and increase its product offering to allow clients greater choice in the markets they are able to trade. Another key objective for LCG was to improve the branding, sales and marketing initiatives deployed by the firm and this has yielded positive results for LCG.

This investment by the Group and reconstruction efforts seen through 2016 which focused on getting these key building blocks in place within the business resulted in the Group being able to deliver consistent monthly revenues and for the 12 months ending 31 December 2017 revenues for the year were 14% higher than for the same period in 2016.

As a result, 2017 has seen a direct improvement across a number of key operating metrics. New accounts opened were 9% higher than in the same period in 2016, while funded accounts were 44% higher than the same period in 2016 and active traded accounts were 4% higher than the same period in 2016. The significant improvements seen in the client metrics resulted in a 26% increase in client volumes traded with the monthly volumes increasing 26% to GBP 25 billion per month (2016: GBP 19 billion per month) demonstrating that the improvements made to both the marketing strategies, Group brand as well as the enhancements to the trading platform have significantly improved the ability of the Group to attract new business.

STRATEGIC REPORT
For the year ended 31 December 2017

The overall result for 2017 has seen revenues increase 14% from the prior year and it is anticipated that as the brand continues to gain traction through marketing activities, both the acquisition of clients (both direct and indirect) will continue to have a positive impact.

Costs of sales for the period are £3.6m (2016: £3.7m) and gross profit is £22.9m which is 17% higher than 2016 and represents an 86% gross profit margin on revenues (2016: £19.6m gross profit and 84% gross profit margin). This high level in gross profit margin is the result of the elevated revenue capture the firm has seen since the introduction of the enhanced risk management analysis of client behaviour in early 2016, which has been maintained throughout 2017.

Adjusted EBITDA for 2017 is a loss of £1.9m (2016: loss of £4.8m) and is a 60% improvement on the same period last year. Administrative costs are £26.5m for the period (2016: £26.5m).

The loss before tax was £3.01m (2016: loss of £7.78m) and demonstrates the improvements the Group have made to ensure that, despite poor trading conditions seen in 2017, there is a clear path of improvement and move toward sustainable long-term profitability, through its improved branding, technology and investment in people.

Adjusted EBITDA from continuing operations

	2017 £'000	2016 £'000
Reported loss from continuing operations	**(3,041)**	**(7,443)**
Add back – amortisation and depreciation from continuing operations	1,606	1,925
Add back – credit for release of provision against market data costs	-	(403)
Add back – credit for provision against FOS claims	(486)	-
Add back – other costs of changing IT platform	-	360
Add back – impairment of leasehold assets	-	725
Adjusted EBITDA from continuing operations	(1,921)	(4,836)

The net cash and short-term receivables increased 11% to £10.8m (2016: £9.8m). Available liquidity which comprises own cash held, title transfer funds, unsegregated funds and amounts due from brokers increased by £1m from 31 December 2016.

Available liquidity and cash flow

	31 December 2017 £'000	31 December 2016 £'000
Own cash held	4,539	4,360
Short term receivables: Amounts due from brokers	6,262	5,393
Net cash and short-term receivables	**10,801**	**9,753**

Total client liability at the year-end was £30.3 million (2016: £19.1 million). Of the £30.30, unsegregated amounts held on behalf of clients under a Title Transfer Collateral Arrangement were £6.30m (2016: £3.25m), this amount is part of trade and other payables on the balance sheet (see note 21). £24.00 million (2016: £15.9m) was held in segregated bank accounts. The segregated bank balances are excluded from the Balance Sheet.

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.

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. The Group is now looking to expand its offering beyond the UK and enhance its technology and product offering by developing its existing Meta Trader 4 platform to ensure it is both market leading as well as being fit for purpose for the active trader. The Group has enlisted the services of a team of experts with a number of years of experience in both the target markets and the technology being offered, to ensure that the release is both suitable and scalable for the expected increase in client activity. The team is operated from Cyprus and has taken advantage of the local resources and talent pool to ensure the offering has the highest standard of technological requirements for the target market.

At the same time, the Group has also taken advantage of these resources and talent pool by off-shoring many of its processing and operational functions to Cyprus, which will additionally have a cost saving benefit to the Group. The benefits of these cost savings have not been evidenced in 2017 due to legacy costs. However, we believe that the Group and the wider group will benefit from these cost saving initiatives in 2018.

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.

The European Securities and Markets Authority (ESMA) released details on the 27tn of March 2017 of its intention to introduce a number of product intervention measures to prohibit the provision of binary options and to restrict the provision of Contract for Differences (CFDs) in order to protect retail investors. These measures apply to CFDs offered to retail clients. The CFDs include rolling spot forex and financial spread bets. The measures introduced include the following:

- Leverage limits between 30:1 and 2:1 on the opening of a position
- Negative balance protection
- Limited retail clients' liabilities to the funds in their CFD trading account
- Prohibition of firms offering monetary and non-monetary benefits (excluding research and information tools) to retail investors
- Standardised risk warning, including firm-specific figures on the percentage of client accounts that have lost money trading CFDs

The Company is authorised and regulated by the Financial Conduct Authority (FCA). Its principal activity is the provision of CFD and financial spread bets products to retail and professional customers. The ESMA intervention measures will therefore apply directly to LCG Ltd. It should be noted that the Group continues to support the work by all National Competent Authorities (NCAs) to ensure the best outcome for clients whilst continuing to operate to the highest regulatory standards. LCGH senior management have considered the impact of the changes to the revenues of the firm and have concluded that the ESMA changes should ensure a higher quality of client that is willing to place a higher initial and subsequent deposit. Such clients are expected to retain the commitment to trade both more frequently and for longer periods. This is expected to have an effect of increasing trade volumes and therefore revenue capture. We also believe the intervention measures will also create a more sustainable and certain environment for both clients and brokers – ensuring reputable firms continue to attract high quality clients with the intention to trade, resulting in an increase in revenues. LCG's senior management remained supportive of the efforts of the European regulator to increase regulatory standards and to improve client outcomes.

BREXIT

LCG 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 wholly owned subsidiary of Tradex Limited, has registered with the Cyprus Securities and Exchange commission.

Dividends

No dividends were declared or paid during the year (2016: £Nil).

Our people

Throughout 2017 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 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 FCA. 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 2016 against the same period in the prior year.

KPI	2017	2016	Change
Revenue	£26,547,707	£23,242,000	**14%**
Gross profit	£22,940,756	£19,568,000	**17%**
Profit/(Loss) before tax	-£3,009,998	-£7,777,000	**-61%**
Client assets under management -	£30.3m	£22.3m	**36%**

- Revenue up 14% year on year as a result of enhancements to the brand, marketing strategy and increased client acquisition.
- Gross profit up 17% year on year as a result of greater revenue capture following the implementation of enhanced risk management analysis of client trading behaviour.
- Loss before tax 61% lower than prior year as a result of the increased revenues for the group.
- Client assets and active trading clients are up by 36%, which demonstrates the effectiveness of LCG's continued business strategy to acquire and retain clients
- Client assets under management represent the mark to market valuation of the client position plus any cash on deposit.

Tax

The Group's effective tax rate is 0% (2016: 0%). This is primarily due to losses incurred within LCGL. These losses will be carried forward and offset against future taxable profits.

Dividend policy

The Board has reviewed its dividend policy during the year and has concluded that a policy of paying dividends from available profits while considering the current and future capital requirements of the business is the most appropriate policy going forward. The Board is not recommending a final dividend (2016: nil).

Return on assets

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

	2017	2016
Return on assets	(29.19%)	(57.5%)

Subsequent events

On 2 March 2018, the Company, issued a notice about a proposed restructure. The restructure is conditional on the approval of the Shareholders, which was given on the 21st of March 2018, and the approval by the FCA on the change in control. As part of the restructure LCGH, together with its wholly owned subsidiary Tradex will sell up to 100 hundred percent of the issued share capital of London Capital Group Limited (LCGL) and the other subsidiaries in the group, which represents the entire trading business of the group to a newly created entity SLCG International. Charles-Henri Sabet who is the shareholder of the Group's major shareholder, GLIO, will control SLCG International.

The proposed restructure is conditional on the change of control being approved by the FCA. Under the Change of Control Regime, any person who decides to acquire or increase control over an authorised firm must notify the appropriate regulator in writing before proceeding with the acquisition or increase in control in accordance with section 178 of FSMA. Failure to obtain the appropriate approval constitutes a criminal offence. SLCG International would become a "controller" of LCGL on the basis that on Completion, it would own 91.5 per cent. Of the issued share capital of LCGL. A section 178 notice has been submitted to the FCA by SLCG International. The FCA can take up to 90 working days to assess a complete application, and until such time as approval is granted, the Disposal cannot be completed.

The Company was admitted on the NEX exchange on 14 December 2017. Subsequent to listing on the NEX exchange, LCGH delisted from the AIM on 14 February 2018.

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.

Capital Resources

The following table summarises the Group's capital resources.

	2017 £'000	2016 £'000
Total capital resources	6,755	9,075
Total risk exposure	48,302	76,814
Total capital ratio	14%	12%

The Group's Tier 1 capital resources has decreased as a result of 2017 trading losses. At 31 December 2017 the capital resources represented 13% of the capital resources requirement (2016: 12%).

STRATEGIC REPORT
For the year ended 31 December 2017

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

Charles Poncet
Chairman

DIRECTORS' PROFILES
For the year ended 31 December 2017

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

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.

Julien Cohen

Non-Executive Director

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

Dimitri Goulandris

Non-Executive Director

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

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 2017

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 2017. The Corporate Governance Report set out on pages 16 to 18 and the Directors' Remuneration Report on pages 19 to 21 also form part of the Directors' Report.

Principal risks and uncertainties

The Group's principal risks and uncertainties are set out on pages 8 to 10 of the Strategic Report.

Results

The Group statutory total comprehensive income amounted to a loss of £3.01 million (2016: loss of £7.78 million).

Dividends

The Directors do not recommend the payment of a final dividend (2016: nil). No interim dividend was paid (2016: nil) making a total of nil for the year (2016: 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 30 May 2019 were:

	Number of shares	% Holding at 31 Dec 17
GLIO Holdings Limited	296,556,612	77.93%
Charles-Henri Sabet	7,800,000	2.05%
London Capital Group Holdings	7,280,000	1.91%
Hargreaves Lansdown Asset Mgt	6,474,285	1.70%
Pictet Asset Mgmt, Geneva	6,348,809	1.67%
Andrey Pavlov	5,354,157	1.41%

Related party transactions

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

Directors

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

Charles-Henri Sabet – resigned 14 March 2018
Olivia Claudia Blanchard – appointed 22 February 2018
Dimitri Goulandris
Julien Cohen
Charles Poncet
Nicholas Lee – resigned 23 February 2018
Rebecca Fuller – resigned on 31 January 2017
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 19 to 22

DIRECTORS' REPORT
For the year ended 31 December 2017

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 2017, 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 are listed on NEX Exchange. The Group issues shares from time to time in respect of long term incentive schemes. Details of shares held in trust are set out in note 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 4 to 5 of the Strategic Report.

Annual General Meeting

This year's annual general meeting will be held at 10.00am on Friday 22 June 2018 at 77 Grosvenor Street, London W1K 3JR.

CORPORATE GOVERNANCE REPORT
For the year ended 31 December 2017

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

The Board

The role of the Board and its composition

The Board currently consists of 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 and Committee Meetings for 2017

Director	Board		Audit & Risk Committee		Remuneration Committee		Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Frank Chapman	4	4	3	2	-	-	-	-
Julien Cohen	4	4	-	-	-	-	-	-
Rebecca Fuller	-	-	-	-	-	-	-	-
Dimitri Goulandris	4	2	-	-	-	-	-	-
Nicholas Lee	4	4	3	3	-	-	-	-
Charles Poncet	4	4	-	-	1	1	1	1
Charles-Henri Sabet	4	4	-	-	1	1	1	1

The Committees

Nominations Committee

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

Audit and Risk Committee

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

The Committee is responsible for:

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

Remuneration Committee

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

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

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

Accountability

Financial reporting

The Board recognises that it is responsible for presenting a true and fair assessment of the Group's position and prospects. This is evidenced by the Strategic Report provided on pages 4 to 12.

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

The Remuneration Committee has prepared a report on Directors' remuneration. This is set out on pages 19 to 21 of the annual report and includes details of the remuneration policy and individual remuneration packages.

Relations with shareholders

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

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

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

Charles Poncet
Chairman
30 May 2017

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2017

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 Rebecca Fuller of £55,000 per annum, and a basic salary for Charles Poncet of £75,000 per annum and Nicholas Lee of £55,000 per annum. The other non-executive Directors are not paid a fee. Non-executive Directors are not eligible to participate in any of the Company's bonus or share based long term incentive schemes.

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2017

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	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
December	£	£	£	£	£	£	£	£	£	£
Executive										
Charles-Henri -Sabet[1]	760,875	525,214	3,250	109,851	-	-	65,676	40,167	829,80	675,232
	760,875	525,214	76,888	109,851	-	-	65,676	40,167	829,80	675,232
Non-executive										
Frank Chapman[12]	-	43,040	-	6,960	-	-	-	-	-	50,000
Julien Cohen[6]	-	-	-	-	-	-	-	-	-	-
Rebecca Fuller[7]	4,583	55,000	-	-	-	-	-	-	4,583	55,000
Dimitri Goulandis[8]	-	-	-	-	-	-	-	-	-	-
Nicholas Lee[9]	55,000	55,000	-	-	-	-	-	-	55,000	55,000
Charles Poncet[11]	75,000	60,000	-	-	-	-	-	-	75,000	60,000
Olivia Claudia Blanchard [13]	-	-	-	-	-	-	-	-	-	-
	134,583	213,040	-	6,960	-	-	-	-	134,58	220,000
Total	895,458	738,254	3,250	116,811	-	-	65,676	40,167	964,38	895,232

[1] Charles-Henri Sabet was appointed as an Executive Director on 3 September 2014 and resigned on 14 March 2018;
[6] Julien Cohen was appointed as a Non-Executive Director on 7 November 2014;
[7] Rebecca Fuller was appointed as a Non-Executive Director on 23 December 2014 and resigned on 31 January 2017
[8] Dimitri Goulandris was appointed as a Non-Executive Director on 7 November 2014;
[9] Nicholas Lee was appointed as a Non-Executive Director on 23 December 2014 and resigned on 23 February 2018;
[11] Charles Poncet was appointed as Non-Executive Chairman on 7 November 2014;
[12] Frank Chapman resigned as a Non-Executive Director on 22 February 2018;
[13] 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.

Pension benefits

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

Directors' interests in options

	Date of grant	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
Frank Chapman	08.11.07	60,000	-	-	-	60,000	4.5p	08.11.07	08.11.17
Charles-Henri Sabet	23.01.15	5,000,000	-	-	-	5,000,000	4.5p	23.01.15	23.01.25
Charles Poncet	23.01.15	200,000	-	-	-	200,000	4.5p	23.01.15	23.01.25

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2017

	Date of grant	At 1 Jan 16	Granted During the year	Exercised and sold during the year	Lapsed	at 31 Dec 16	Exercise price	Date from which exercisable	Expiry Date
Frank Chapman	08.11.07	60,000	-	-	-	60,000	4.5p	08.11.07	08.11.17
Charles Henri-Sabet	23.01.15	5,000,000	-	-	-	5,000,000	4.5p	23.01.15	23.01.25
Charles Poncet	23.01.15	200,000	-	-	-	200,000	4.5p	23.01.15	23.01.25

Directors' beneficial interests in shares

Ordinary Shares	**31 Dec 17**	**31 Dec 16**
Charles-Henri Sabet	304,356,612	299,356,612
Frank Chapman	3,215,000	3,500,000

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
Dimitri Goulandris	With effect from 7 November 2014	1 month
Julien Cohen	With effect from 7 November 2014	1 month
Olivia Claudia Blanchard	Appointed on 22 February 2018	3 months

By order of the Board

Charles Poncet

Chairman of the Remuneration Committee

DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2017

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

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

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 2017 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the group and parent company balance sheets, the group and company statements of changes in shareholders' equity, the group and company cashflow statements and the 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 2017 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.

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.

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 notes 1 and 4 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 IAS 18. 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 reviewed the IT infrastructure that is relevant to the recognition of revenue, which involved identifying and assessing the design and implementation of IT General Controls. • 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.

Impairment of investment in subsidiaries and intangible assets The Parent Company has investments in subsidiaries with a carrying value of £43.8m at 31 December 2017 and the Group holds intangible assets with a carrying value of £3.6m at 31 December 2017. As set out in 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 and intangible assets.	Our procedures performed included: • We considered and challenged management's assessment of impairment and reviewed the investment in subsidiaries for recoverability • We reviewed the assumptions applied in management's assessment, which derives the recoverable amount of the investments in subsidiaries and intangibles. 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, particularly revenue growth rates, as well as the discount rates. • We considered the accuracy of historic forecasts and budgets compared with actual results including trading results in the period since December 2017. • We consulted with our internal valuations specialists in reviewing the accuracy of the value in use model and the appropriateness of inputs used by management in deriving an appropriate weighted average cost of capital.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole to be £330,000 (2016: £340,000), which represents 1.5% of the average Group revenue for the last 3 years. We used an average of 3 years as the benchmark is subject to variability from year to year and the Group has shown significant growth in revenue during that period. 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.

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

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% (2016: 50%) of materiality, namely £215,000 (2016: £170,000).

We agreed with the Audit Committee that we would report to them all audit differences in excess of £6,600 (2016: £6,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

The Group manages its operations from London and Cyprus and consists of the Parent Company, the main trading entity, London Capital Group Limited, as well as other components.

The Group audit engagement team carried out full scope audits for the Parent Company and the significant components based in the UK. Other transactions and balances within the financial statements, arising in insignificant components, were audited directly by the Group audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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 statement set out on page 22, 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.

Peter Smith (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

30 May 2018

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

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	4	26,548	23,242
Operating expenses		(3,607)	(3,674)
Gross profit		**22,941**	**19,568**
Other operating income		-	159
Administrative expenses (before non-recurring items)	6	(26,468)	(26,488)
Non-recurring items:			
Credit for provision against FOS claims	23	486	-
Credit for market data provision	23	-	403
Impairment of leasehold assets		-	(725)
Other costs of changing IT platform		-	(360)
Total administrative expenses	6	(25,982)	(27,170)
Operating loss		**(3,041)**	**(7,443)**
Investment revenue	9	33	31
Finance costs	10	(2)	(365)
Loss before taxation	5	**(3,010)**	**(7,777)**
Tax charge	11	-	-
Loss for the year attributable to the owners of the parent		**(3,010)**	**(7,777)**
Loss for the year attributable to Non-Controlling Interest	38	-	-
Loss per share			
Basic	12	(0.008)	(0.035)
Diluted	12	(0.006)	(0.033)

The notes on pages 34 to 71 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

		2017	2016
		£'000	£'000
Loss after taxation		**(3,010)**	**(7,777)**
Other comprehensive income/(expense):			
Items that will be reclassified to profit or loss:			
Currency translation differences	34	50	225
Other comprehensive income/(expense) for the year		**50**	**225**
Items that will not be classified to profit or loss:		-	-
Total comprehensive income for the year		**(2,960)**	**(7,552)**
Total comprehensive income for the year attributable to owner of the parent		**(2,960)**	**(7,552)**
Total comprehensive income for the year attributable to Non-Controlling Interest		-	-

The notes on pages 34 to 71 form an integral part of these financial statements.

BALANCE SHEET
For the year ended 31 December 2017

	Note	Group 2017	Group 2016	Company 2017	Company 2016 Restated [1]	Company 2015 Restated [1]
		£'000	£'000	£'000	£'000	£'000
Non-current assets						
Intangible assets	15	3,559	3,768	220	249	273
Property, plant and equipment	16	869	1,358	-	-	-
Investments	17	-	150	42,573	42,495	42,321
Total non-current assets		4,428	5,276	42,793	42,744	42,594
Current assets						
Financial investments – held for trading		-	3,550	-	-	-
Trade and other receivables	18	10,256	8,356	2,385	2,368	1,515
Cash and cash equivalents	19	4,539	4,360	-	-	-
Total current assets		14,795	16,266	2,385	2,368	1,515
Total assets		19,223	21,542	45,178	45,112	44,109
Current liabilities						
Trade and other payables	21, 22	8,910	7,793	4,301	3,833	2,204
Obligations under finance leases	20	-	66	-	-	135
Provisions	23	-	587	-	-	-
Total current liabilities		8,910	8,446	4,301	3,833	2,339
Net current assets (liabilities)		5,885	7,820	(1,916)	(1,465)	(824)
Non-current liabilities						
Convertible Loan Notes		-	-	-	-	8,265
Deferred consideration	25	-	250	-	250	230
Total non-current liabilities		-	250	-	250	8,495
Total liabilities		8,910	8,696	4,301	4,083	10,834
Net assets		10,313	12,846	40,877	41,029	33,275
Equity						
Share capital	30	23,019	23,019	23,019	23,019	7,985
Share premium	31	23,744	23,744	23,744	23,744	23,819
Own shares held	32	(6,065)	(6,065)	(2,899)	(2,899)	(2,899)
Equity reserve	33	1,384	1,384	1,384	1,384	3,967
Accumulated deficit / retained earnings	34	(27,665)	(24,430)	(4,987)	(4,757)	167
FX Reserve	34	275	-	-	-	-
Merger reserve	35	(5,172)	(5,344)	-	-	(127)
Share option reserve	35	616	538	616	538	363
Minority Interest	38	177	-	-	-	-
Total equity		10,313	12,846	40,877	41,029	33,275

[1] The comparative numbers have been restated. Details of the restatement are included in note 38 to the financial statements.

The financial statements of London Capital Group Holdings plc, registration number 05497744, were approved and authorised for issue by the Board of Directors on 30 May 2018 and signed on its behalf by:

Charles Poncet
Chairman

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 2017 dealt within the financial statement of the Company was £230,459 (2016: loss of £1,315,992).
The notes on pages 34 to 71 form an integral part of these financial statements.

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2017

	Share Capital	Share Premium	Own Shares held	Equity Reserve	Accumulated deficit/ retained earnings	FX Reserve	Other Reserves	Share Option Reserve	Non-Controlling Interest	Total Equity
	(note 30)	(note 31)	(note 32)	(note 33)	(note 34)	(note 34)	(note 35)	(note 35)	(note 38)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2016	7,985	23,819	(6,065)	3,967	(12,907)	-	(5,471)	-	-	11,328
Total comprehensive loss for the year	-	-	-	-	(7,552)	-	-	-	-	(7,552)
Contribution by and distributions to owners										
Reclassification of reserves	-	-	-	-	(363)	-	-	363	-	-
Issue of share capital during the year	1,307	-	-	-	(1,307)	-	-	-	-	-
Capital restructure – issue of ordinary shares	9,339	-	-	-	-	-	-	-	-	9,339
Capital restructure – issue of deferred shares	3,993	-	-	-	-	-	-	-	-	3,993
Redemption of convertible loan notes	-	-	-	-	(4,884)	-	-	-	-	(4,884)
Equity component of convertible loan notes converted to share capital	-	-	-	(2,583)	2,583	-	-	-	-	-
New shares issued	-	(75)	-	-	-	-	-	-	-	(75)
Equity settled share-based payment transaction	395	-	-	-	-	-	-	175	-	570
Merger reserve written off	-	-	-	-	-	-	127	-	-	127
At 31 December 2016	23,019	23,744	(6,065)	1,384	(24,430)	-	(5,344)	538	-	12,846
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

The notes on pages 34 to 71 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2017

	Share Capital	Share Premium	Own Shares held	Equity Reserve	Accumulated deficit/ retained earnings	Other Reserves	Share Option Reserve	Total Equity
	(note 30)	(note 31)	(note 32)	(note 33)	(note 34)	(note 35)	(note 35)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2016 per reported annual report (Note 38)	7,985	23,819	(2,899)	3,967	530	(127)	-	33,275
Reclassification of share option reserve from retained earnings	-	-	-	-	(363)	-	363	-
At 1 January 2016 restated [1]	7,985	23,819	(2,899)	3,967	167	(127)	363	33,275
Total comprehensive loss for the year	-	-	-	-	(1,316)	-	-	(1,316)
Contribution by and distributions to owners								
Issue of share capital	1,307	-	-	-	(1,307)	-	-	-
Capital restructure – issue of ordinary shares	9,339	-	-	-	-	-	-	9,339
Capital restructure – issue of deferred shares	3,993	-	-	-	-	-	-	3,993
Redemption of convertible loan notes	-	-	-	-	(4,884)	-	-	(4,884)
Equity settled share based payments	395	-	-	-	-	-	-	395
New shares issued	-	(75)	-	-	-	-	-	(75)
Merger reserve written off	-	-	-	-	-	127	-	127
Equity component of convertible loan notes converted to share capital	-	-	-	(2,583)	2,583	-	-	-
Equity settled share-based payment transaction	-	-	-	-	-	-	175	175
At 31 December 2016	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

The notes on pages 34 to 71 form an integral part of these financial statements.

[1] The comparative numbers have been restated. Details of the restatement are included in note 38 to the financial statements.

CASHFLOW STATMENT
For the year ended 31 December 2017

	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Loss for the year		**(3,010)**	**(7,777)**	**(231)**	**(918)**
Adjustments for:					
Depreciation of property, plant and equipment	16	486	579	-	-
Amortisation of intangible assets	15	1,120	1,346	29	28
Impairment of leasehold improvements		-	725	-	-
Share-based payments	5	78	175	-	-
Loss on disposal of property, plant, equipment and intangibles	15	26	18	-	-
Provisions	23	(486)	(28)	-	-
Investment income	9	(33)	(31)	-	-
Finance costs	10	2	365	-	353
Operating cash flows before movements in working capital		(1,817)	(4,650)	(202)	(537)
(Increase)/decrease in receivables		2,050	(4,780)	(18)	(853)
Increase/(decrease) in payables		1,018	3,447	220	1,394
Cash (used in)/generated by operating activities		**1,251**	**(5,983)**	-	**4**
Taxation received		-	-	-	-
Net cash (used in)/from operations		**1,251**	**(5,983)**	-	**4**
Investing activities					
Investment income	9	33	31	-	-
Proceeds on disposal of property, plant and equipment		-	93	-	-
Proceeds on disposal of leasehold property	16	50	-	-	-
Payment of deferred consideration in respect of Secom acquisition	25	(202)	-	-	-
Acquisitions of property, plant and equipment	16	(56)	(296)	-	-
Acquisition of leasehold assets	16	(109)	(77)	-	-
Acquisitions of intangible assets	15	(946)	(2,211)	-	(4)
Disposal / (Acquisition) of investments		150	(150)	-	-
Net cash used in investing activities		**(1,080)**	**(2,610)**	-	**(4)**
Financing activities					
Share Capital Transactions		-	855	-	628
Finance costs	10	(2)	(365)	-	-
Payments to finance lease creditors	20	(66)	-	-	-
Net cash used in financing activities		**(68)**	**490**	-	-
Net decrease in cash and cash equivalents		103	(8,103)	-	-
Cash and cash equivalents at the beginning of year		4,360	12,459	-	-
FX on transactions		76	(18)	-	-
Cash and cash equivalents at end of year	**19**	**4,539**	**4,360**	-	-

The notes on pages 34 to 71 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

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. LCGL offers customers access to a diverse range of over 5,000 financial products, including foreign exchange (or forex), precious metals, contracts for differences ("CFDs") and financial spread betting, which are investment products with returns linked to the performance of an underlying commodity, index, equity or security. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company's FCA Register Number is 182110, for details see www.fca.gov.uk/register and its parent company London Capital Group Holdings plc is 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.

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.

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.

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

Business combinations

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

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

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.

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

Other operating income

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

Foreign currencies

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

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

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

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

Taxation

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

Current taxation

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

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

Deferred taxation

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Intangible assets acquired separately

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

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

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

- Software straight-line basis over 4 years

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.

Compound instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or

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

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

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.

2. Adoption of new and revised Standards

New standards, amendments and interpretations adopted by EU

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Company's financial statements.

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 are:

IFRS 9 Financial Instruments

The Company has identified that the adoption of IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018, will not materially impact its consolidated financial statements. In coming to this judgement, the Company has considered two key areas:

Classification and measurement of financial assets as they will continue to be held at fair value through profit and loss.

The Company's financial assets consist of trading assets from its business, which currently measured at fair value through profit or loss either held for trading or designated at fair value. Under IFRS 9 there is no option to designate at fair value, therefore the policy will change however there will be no resulting change to the outcome of measurement of financial assets as they are currently held at fair value.

Impairment:

The Company will need to apply 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 Company 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 Company does not consider that this will result in increased impairment provisions, this is because the bulk of trade receivables relate to clients' negatives balances and the Company's policy is to fully provide for them.

IFRS 15 Revenue from Contracts with Customers

This standard will be adopted on its mandatorily effective date, and the standard will be applied on a retrospective basis, recognising the cumulative effect, if any, of initially applying the standard as an adjustment to 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 where necessary and therefore has assessed the impact of the new revenue standard to have no significant effect on the results.

IFRS 16 Leases

Adoption of IFRS 16 will result in the Company 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 Company 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 2017, operating lease commitments amounted to £1.8 million. At 31 December 2018, operating lease commitments amounted to £1.35 million. Further work will be carried out in the course of 2018 to determine the right-of-use assets and lease liabilities to be recognised on 1 January 2019, during which the Companies lease profile is likely to change. Instead of recognising an operating expense for its operating lease payments, the Company will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

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

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

- In respect of the capital restructuring in 2016, including the CLN redemption as disclosed in note 26, the directors have considered that transactions with GLIO Holdings Limited should be accounted for as transactions with a shareholder in its capacity as a shareholder and have therefore accounted for such transactions through equity.

Impairment of software assets

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

Provisions and contingent liabilities

Provision against FOS claims

The Group 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 23.

4. Revenue

Revenue represents net trading results, rebates received and management services supplied by the Company. Revenue is attributable to the provision of spread betting, CFD, derivatives broking and foreign exchange services, which arose wholly in the United Kingdom.

Rendering of services includes gains and losses on the running of betting and trading in financial markets, net of commission expensed, interest received and foreign exchange gains/losses. Open positions are carried at fair market value. Gains and losses arising on this valuation are recognised in revenue as well as gains and losses on positions that have closed.

5. Loss before tax

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

	2017 £'000	2016 £'000
Share-based payment charge	78	175
Depreciation of fixed assets	486	579
Amortisation of intangible assets – software	1,120	1,346
Loss on disposal of fixed assets	(461)	18
Impairment of leasehold assets	-	725
Credit for provision against FOS claims	(486)	-
Credit for release of provision against market data claims	-	(403)
Operating lease costs:	-	-
- Land and buildings	988	982
Net (gain)/loss on foreign currency translation	208	(838)

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

6. Administrative Expenses

	2017 £'000	2016 £'000
Staff costs	6,595	7,845
IT Costs	4,402	4,917
Data fees	907	956
Marketing costs	4,446	3,544
Premises	1,800	1,414
Legal and Professional fees	1,362	1,699
Regulatory fees	843	430
Depreciation and amortisation and impairment of fixed assets	1,606	2,650
Other administrative expenses	4,507	3,033
Administrative expenses before non-recurring items	**26,468**	**26,488**
Non-recurring items	(486)	682
Total administrative expenses	**25,982**	**27,170**

7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2017 £'000	2016 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	23	20
Fees payable to the Company's auditors and their associates for other services to the Group:	-	-
- The audit of the Company's subsidiaries	70	60
Total audit fees	93	80
Regulatory assurance services	18	15
Audit related services pursuant to legislation	-	15
Other services including tax	108	126
Total non-audit fees	126	156

8. Staff costs

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

	2017 Number	2016 Number
Financial spread betting and CFDs	44	45
Central support and Directors	50	41
	94	86

The London Capital Group Holdings entity, directly employees zero personnel (2016: Zero).

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

	2017 £'000	2016 £'000
Wages and salaries	5,839	6,866
Pension costs	121	153
Social security costs	635	826
	6,595	7,845

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.

	2017 £'000	2016 £'000
Performance related bonuses	367	29
Commission payments	361	303
Share-based payment	78	175
	806	507

The Group operates a stakeholder pension scheme. In the case of executive Directors, details of the pension arrangements are stated within note 9. Pension contributions were payable at a rate equal to the contribution made by the employee subject to a maximum employer contribution of 4% of basic salary.

Directors' remuneration

	2017	2016
	£'000	£'000
Executive		
Remuneration for qualifying services	764	635
Pension costs	66	40
	830	675
Non-Executive		
Remuneration for qualifying services	135	220
Pension costs	-	-
	135	220
Total director' remuneration	964	895

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

Remuneration of highest paid director

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

	2017	2016
	£'000	£'000
Short-term employee benefits	764	635
Pension costs	66	40
	830	675

9. Investment revenue

	2017	2016
	£'000	£'000
Bank interest receivable	33	31
	33	31

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

10. Finance Costs

	2017	2016
	£'000	£'000
Interest on convertible loan notes	-	353
Interest on obligations under finance leases	2	12
	2	365

11. Taxation

(a) Tax on (loss) on ordinary activities

	2017	2016
	£'000	£'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:

	2017	2016
	£'000	£'000
Accounting loss before taxation	(3,010)	(7,777)
Accounting loss multiplied by UK standard rate of corporation tax of 19.25% (2016: 20.00%)	(579)	(1,555)
Expenses not deductible for tax purposes	57	210
Goodwill impairment not deductible for tax purposes	-	-
Non-taxable income	(11)	27
Movement in unprovided deferred tax	533	1,298
Change in deferred tax rate bought forward	-	-
Chargeable gains	-	20
Adjustment in respect of prior years	-	-
Adjustment for differences in UK and foreign tax rate	-	-
Total tax income reported in the income statement	-	-

The standard rate of corporation tax in the United Kingdom for the year is 19.25% (2016: 20%). 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 £4,763,711 (2016: £3,994,045). 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.

12. Earnings per ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Fully diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of shares in issue during the year and the dilutive potential ordinary shares relating to share options.

	2017	2016
Basic EPS		
Loss after tax (£'000)	(3,010)	(7,777)
Weighted average number of shares	380,531,519	222,908,488
Weighted average basic EPS	(0.008)	(0.035)
Diluted EPS		
Loss after tax (£'000)	(3,010)	(7,777)
Weighted average number of shares	491,877,366	235,304,335
Weighted average fully diluted EPS	(0.006)	(0.033)

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

13. Dividends

No dividends have been proposed or paid in 2017 (2016: nil).

14. Dilapidations

During 2017, the company terminated its lease at 1 Knightsbridge, London, SW1X, 7LX and took up a lease a 77 Grosvenor Street, London, W1K 3JR. Consequently, a leasehold improvements impairment charge relating to assets held at 1 Knightsbridge was recognised in the prior year 2016 accounts for a value of £725,000. No Charge exists as at 31 December 2017.

15. Intangible fixed assets

COMPANY	Domain name £'000	Total £'000
Cost		
At 1 January 2016	286	286
Additions	4	4
At 1 January 2017	290	290
Additions	-	-
At 31 December 2017	**290**	**290**
	-	-
Amortisation / Impairment	-	-
At 1 January 2016	13	13
Charge for the year	28	28
At 1 January 2017	41	41
Charge for the year	29	29
At 31 December 2017	**70**	**70**
Net book value		
At 31 December 2016	249	249
At 31 December 2017	**220**	**249**

GROUP	Trademarks £'000	Software £'000	Domain Name £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2016	116	4,632	286	9,698	14,732
Additions	-	2,207	4	-	2,211
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 31 December 2017	**116**	**5,259**	**290**	-	**5,665**
Amortisation / Impairment					
At 1 January 2016	7	2,111	13	9,698	11,829
Charge for the year	23	1,295	28	-	1,346
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 31 December 2017	**53**	**1,983**	**70**	-	**2,106**
Net book value					
At 31 December 2016	86	3,433	249	-	3,768
At 31 December 2017	**63**	**3,276**	**220**	-	**3,559**

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

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

16. Property, plant and equipment

GROUP	Leasehold property £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2016	3,370	175	2,210	5,755
Additions	77	-	296	373
Disposals	(2,330)	(175)	-	(2,505)
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 31 December 2017	**184**	**-**	**1,773**	**1,957**
Depreciation				
At 1 January 2016	2,348	52	973	3,373
Charge for the year	113	30	436	579
Eliminated on disposal	(2,330)	(82)	-	(2,412)
Impairment losses for the year	725	-	-	725
At 1 January 2017	856	-	1,409	2,265
Charge for the year	56	-	430	486
Eliminated on disposal	(884)	-	(780)	(1,664)
FX on consolidation	1	-	0	1
At 31 December 2017	**29**	**-**	**1,059**	**1,088**
Net book value				
At 31 December 2016	261	-	1,097	1,358
At 31 December 2017	**155**	**-**	**714**	**869**

17. Investments

COMPANY	£'000
At 1 January 2015	42,179
Additions	142
Disposals	-
At 1 January 2016	42,321
Additions	175
Disposals	-
At 1 January 2017	42,495
Additions	78
At 31 December 2017	42,573
Net book value	
At 31 December 2015	42,320
At 31 December 2016	42,495
At 31 December 2017	**42,573**

17. Investments - continued

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
Tradex Enterprises Limited	Holding Company	77 Grosvenor Street, Mayfair, London W1K 3JR	UK	100
London Capital Group Limited *	Financial Services	77 Grosvenor Street, Mayfair, London W1K 3JR	UK	100
London Capital Group (Cyprus) Limited *	Service Company	205 Arch Makarious III Avenue, Victory House, 5th Floor, Block A, 3030 Limassol, Cyprus	Cyprus	60
Elan Capital Partners Limited *	Service Company	Suite 3, 2nd Floor, Icom House, 1/5 Irish Town, PO Box 883, Gibraltar	Gibraltar	100
Surecom Limited *	Service Company	Koronis, 19 3081, Limassol, Cyprus	Cyprus	100
LCG Digital Limited *	Dormant	43/3 Habanaim, Herzliya, Israel	Israel	100
Capital Spreads Limited *	Dormant	77 Grosvenor Street, Mayfair, London W1K 3JR	UK	100
Capital Forex Limited *	Dormant	77 Grosvenor Street, Mayfair, London W1K 3JR	UK	100
LCG (SA) (Pty) Limited*	Dormant	Norton Rose Fulbright South Africa Inc, 15 Alice Lane, Sandton 2196, South Africa.	South Africa	100
LCG (NZ) Limited*	Dormant	DLA Piper New Zealand, 50 Customhouse Quay, Wellington Central, Wellington, 6011, NZ.	New Zealand	100
Online Wealth Management Limited*	Dormant	Canon's Court. 22 Victoria Street. Hamilton HM 12. Bermuda	Bahamas	100
London Capital Group (Cayman) Limited	Dormant	Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O Box 2681, Grand Cayman, KY1-1111, Cayman Islands.	Cayman	60
London Capital Group (Bahamas) Limited	Dormant	GTC Corporate Services Limited. Sassoon House, Shirley Street and Victoria Avenue. City of Nassau. Island of New Providence. PO BOX SS-5383. Bahamas	Bahamas	60

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

On 28th December 2017 Tradex Limited sold 40% of its stake in London Capital Group (Cyprus Limited) to Charles-Henri Sabet. At the time of sale, the net value of the investment was €1m. Further details available in note 29.

18. Trade and other receivables

	Group		Company		
	2017	2016	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Trade receivables	280	760	-	-	-
Allowance for impairment	(271)	(758)	-	-	-
	9	2	-	-	-
Amounts due from brokers	6,262	5,393	-	-	-
Amounts owed by Group undertakings	-	-	2,385	2,368	1,516
Other receivables	2,939	654	-	-	-
Prepayments	1,046	2,307	-	-	-
	10,247	8,354	2,385	2,368	1,516
Total	10,256	8,356	2,385	2,368	1,516

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.

19. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Gross cash and cash equivalents	28,537	20,275	-	-
Less: Segregated client funds	(23,998)	(15,915)	-	-
Own cash and title transfer funds	4,539	4,360	-	-
Analysed as:				
Cash at bank and in hand	4,539	4,360	-	-
	4,539	4,360	-	-

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

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

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

20. Obligations under finance leases

	Minimum lease payments	
	At 31 December 2017	At 31 December 2016
	£'000	£'000
Amounts payable under finance leases		
Within one year	-	68
In the second to fifth years inclusive	-	-
	-	68
Less: future finance charges	-	(2)
Present value of lease obligations	-	66

	Present value of minimum lease payments	
	2017	2016
	£'000	£'000
Amounts payable under finance leases		
Within one year	-	66
In the second to fifth years inclusive	-	-
After five years	-	-
Present value of lease obligations	-	66
Analysed as:		
Amounts due for settlement within 12 months (disclosed under current liabilities)	-	66
Amounts due for settlement after 12 months	-	-
Present value of lease obligations	-	66

It is the policy of the Company to lease certain of its fixed assets under finance leases. The average lease term is 2.5 years (2016: 2.5 years). For the year ended 31 December 2017, the average effective borrowing rate was 4.7%, there were no finance leases in 2017.

Interest rates are fixed at the date of signing of the contract. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental repayments.

All finance lease obligations are denominated in sterling.

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

21. Trade payables

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables	1,118	1,041	-	-
Amounts due to clients:				
Professional clients under TTCA	6,304	3,247	-	-
	7,422	4,288	-	-

22. Other payables

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts owed to Group undertakings	-	-	4,256	3,725
Other taxes and social security	176	334	-	-
Accruals	1,299	3,164	45	108
Other payables	13	7	-	-
	1,488	3,505	4,301	3,833

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.

23. Provisions and contingent liabilities

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Provision against FOS claims	-	486	-	-
Market data provision	-	-	-	-
Dilapidation provision	-	101	-	-
	-	587	-	-

Movement for the year:

GROUP	**Provision against FOS claims**	**Dilapidation provision**	**Total**
	£'000	**£'000**	**£'000**
At 31 December 2016	486	101	587
Release	(486)	(101)	(587)
At 31 December 2017	-	-	-

Provision and contingent liability against FOS claims

	Provision against FOS claims
	£'000
At 1 January 2016	**486**
Utilisation	-
Release	-
At 31 December 2016	**486**
Release	(486)
At 31 December 2017	-

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.

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.

24. 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 7.77 pence (2016: 29.64 pence).

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	130,000	-	-	(10,000)	120,000
26 May 2010	126	110,000	-	-	(40,000)	70,000
23 January 2015	46	5,035,000	-	-	-	5,035,000
30 June 2015	46	500,000	-	-	(100,000)	400,000
21 November 2016	74	6,595,000	-	-	(900,000)	5,695,000
21 November 2016	74	100,000,000	-	-	-	100,000,000
Year ended 31 December 2017		112,395,847	-	-	(1,050,000)	111,345,847
Year ended 31 December 2016		11,035,847	106,595,000	-	(5,235,000)	112,395,847

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 2016	51.11	7.40	-	46.38	29.64
Year ended 31 December 2017	7.84	-	-	15.30	7.77

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 £77,517 (2016: £175,000) related to equity-settled share-based payment transactions during the year.

25. Cash settled share-based payment

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Deferred consideration	-	250	-	250
	-	250	-	250

The cash settled share-based payment charge recognised by the Group relates to a contractual agreement for the Group to make an equity-based payment to the provider of the Group's new dealing platform. The payment was made in Oct 17 for £202,000. The payment amount £202,000 was calculated in accordance with clause 11 of the agreement and is based on a market valuation of LCG of £8.07m. This payment represents the final payment and releases LCG from its contractual obligation. The difference between the opening liability and the payment was credited to the income statement for the year ending 2017.

26. 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 – due from brokers' represent balances with brokers, being the combination of cash held on account of £6,775,218 and unrealised losses on positions of £513,641. Unrealised losses are derived from the notional value of positions held with brokers, which comprise the notional value of hedged long financial derivative open positions of £76,063,279 and of short financial derivative positions of £41,898,036. The gain / loss on these positions is reported net in the Group Balance Sheet as the Group has the legal right and the intention to settle on a net basis. These positions are held to hedge client market exposures and held for trading hence are accounted for at fair value through profit and loss (FVTPL).

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

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

'Amounts due to clients' represent amounts due to institutional foreign exchange clients with funds under Title Transfer Collateral Arrangement (TTCA) (note 22). The total professional client liability of £6,304,005 includes unrealised gains on positions held by professional clients of £1,031,420. Unrealised gains are derived from the notional value of positions held by clients. These amounts are shown net.

The notional value of long financial derivative open positions held by clients is £43,416,970 and of short financial derivative positions held by clients is £73,960,564.

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 21 & 22).

The nature of 'Provisions' is disclosed in note 23.

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Group	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Total Carrying Amount	Fair Value
As at 31 December 2017	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets						
Trade receivables – due from brokers	6,262	-	-	-	6,262	6,262
Trade receivables – other	-	9	-	-	9	9
Other receivables	-	3,630	-	-	3,630	3,630
Cash and cash equivalents	-	4,539	-	-	4,539	4,539
	6,262	8,178	-	-	14,440	14,440
Financial liabilities						
Trade and other payables	-	8,910	-	-	8,910	8,910
	-	8,910	-	-	8,910	8,910
As at 31 December 2016						
Financial assets						
Investments	-	-	150	-	150	150
Financial investments – held for trading	3,550	-	-	-	3,550	3,550
Trade receivables – due from brokers	5,393	-	-	-	5,393	5,393
Trade receivables – other	-	2	-	-	2	2
Other receivables	-	654	-	-	654	654
Cash and cash equivalents	-	4,360	-	-	4,360	4,360
	8,943	5,016	150	-	14,109	14,109
Financial liabilities						
Trade and other payables	-	-	-	7,793	7,793	7,793
Obligations under finance leases	-	-	-	66	66	66
	-	-	-	7,859	7,859	7,859

Company	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Total Carrying Amount	Fair Value
As at 31 December 2017	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets						
Intercompany receivables	-	872	-	-	872	872
	-	872	-	-	872	872
Financial liabilities						
Intercompany liabilities	-	4,256	-	-	4,256	4,256
Trade and other payables	-	45	-	-	45	45
	-	4,301	-	-	4,301	4,301
As at 31 December 2016						
Financial assets						
Intercompany receivables	-	853	-	-	853	853
	-	853	-	-	853	853
Financial liabilities						
Intercompany liabilities	-	-	-	3,725	3,725	3,725
Trade and other payables	-	-	-	108	108	108
	-	-	-	3,833	3,833	3,833

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 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
As at 31 December 2016				
Financial assets at FVTPL				
Positions held at brokers at fair value through the profit and loss	3,550	-	-	3,550
Trade receivables – due from brokers	-	5,393	-	5,393
	3,550	5,393	-	8,943

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 2017, there were no transfers (2016: 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 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
As at 31 December 2016			
Australian equities	36	5%	2
Asian equities	130	5%	7
US equities	3,384	5%	169

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**	
	2017	**2016**	**2016**	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Floating rate						
Gross cash and cash equivalents and amounts due from brokers	34,798	29,218	-	-	35,901	29,218

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 2017			
Interest rate fall	34,798	-1%	(348)
Interest rate increase	34,798	1%	348
As at 31 December 2016			
Interest rate increase	29,218	1%	292
Interest rate fall	29,218	-1%	(292)

Credit risk

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

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

Exposure to credit risk

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

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,539	4,360	-	-
Amount due from brokers	6,262	5,393	-	-
Trade receivables	9	2	-	-
Other receivables	2,584	2,961	872	853
	13,394	12,716	872	853

Included in cash and cash equivalents, the Group's largest credit exposure to any bank was £2,695,659 or 59% of the exposure to all banks (2016: 3,634,598 or 89.7%)

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**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Individually Impaired						
Gross exposure	280	758	-	-	-	-
Allowance for impairment	(271)	(758)	-	-	-	-
Past due but not impaired						
Ageing profile:	-	-	-	-	-	-
0 – 3 months	-	-	-	-	-	-
Neither past due or impaired						
A-1	-	-	109	-	-	1,761
A-2	-	-	355	-	4,184	1,566
A-3	-	-	-	-	-	-
B	-	-	-	-	355	-
Unrated	9	-	8,737	2	-	1,033
Total carrying amount	9	-	9,201	2	4,539	4,360

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:

	2017	**2016**
	£'000	**£'000**
Opening provision	758	939
Net debt provided	271	424
Debt written off	(758)	(605)
Closing provision	271	758

Liquidity risk

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

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

All the Group's non-derivative and derivative financial liabilities are short term and due within 1 month. At 31 December the group had an overall £29.0m long exposure and a £25.5m short exposure.

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 2017 totalled £9,958,000 (31 December 2016: £12,846,000).

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

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

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

27. Commitments under operating leases

At 31 December 2017, the Group had future minimal rentals payable under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2017	**2016**
	£'000	**£'000**
Within one year	453	204
In the second to fifth years inclusive	1,347	-
After five years	-	-
Total	1,800	204

2017 lease commitments represent rental payments due on the LCG's new office premises at 77 Grosvenor Street, London W1K 3JR. The company entered the lease contract on 31st of March 2017. LCG has no commitments left at its prior tenancy at Knightsbridge.

28. Capital commitments

There were no contractual commitments for future capital expenditure as at 31 December 2017 (31 December 2016: £nil).

29. 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	2017	2016
	£'000	£'000
Company balances with LCGH plc group companies:		
London Capital Group (Cyprus) Limited - Receivable	1	853
Tradex Enterprise - Receivable	2,386	-
London Capital Group Limited – Payables	(4,256)	(3,725)
	(1,869)	(2,872)

Transactions during the year	2017	2016
	£'000	£'000
Transactions with LCGH plc group companies		
Repayment of loan - London Capital Group (Cyprus) Limited	(852)	853
Loan to affiliate - Tradex Enterprises Limited	871	
Expenses paid by London Capital Group Limited	(531)	(1,612)
	(512)	(759)

Trading transactions

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

	2017	2016
	£'000	£'000
Alogoweb Trading Services FZE (formerly Algoweb S.A.R.L) – purchase of licence	1,200	1,200
	1,200	1,200

Loans to related parties

	2017	2016
	£'000	£'000
Receivable from Charles-Henri Sabet	355	-
	355	-

On 28th December 2017, Tradex Limited, a wholly owned subsidiary of LCGH, sold 40% of its stake in London Capital Group (Cyprus) Limited to Charles-Henri Sabet for €400,000.

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

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

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

30. Share capital

Allotted, called up and fully paid:

	2017		2016	
	Number	**£'000**	**Number**	**£'000**
Equity shares				
Ordinary shares of £0.05 each (2016: £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 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

Reconciliation of the movement in the number of shares 2016:

	At 1 January 2016	Shares issued in the year	At 31 December 2016
Ordinary shares	79,846,889	300,684,629	380,531,518
Deferred shares	-	79,846,890	79,846,890
	79,846,889	380,531,519	460,378,408

The ordinary share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on NEX Exchange. 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 35 of the financial statements. The ordinary shares carry no right to fixed income. The shares carry dividend rights, voting rights and rights to distribution of capital on a winding up.

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

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

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31. Share premium

	2017	2016
	£'000	£'000
Balance at the beginning of the year	23,744	23,819
Premium arising on issue of equity shares	-	(75)
Balance at the end of the year	23,744	23,744

32. Own shares

	2017	2016
	£'000	£'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.

33. Equity reserve

	2017	2016
	£'000	£'000
Balance at the beginning of the year	1,384	3,967
Equity component of convertible loan notes converted to share capital	-	(2,583)
Balance at the end of the year	1,384	1,384

34. Retained Earnings and FX Reserve

	Retained Earnings		FX Reserve	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Balance at the beginning of the year	(24,430)	(12,907)	-	-
Reclassification of reserves	(225)	(363)	225	-
Issue of share capital during the year	-	(1,307)	-	-
Equity component of convertible loan notes converted to share capital	-	2,583	-	-
Redemption of convertible loan notes	-	(4,884)	-	-
Total comprehensive loss for the year	(3,010)	(7,552)	50	-
Balance at the end of the year	(27,665)	(24,430)	275	-

35. 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.

36. Post balance sheet events

On the 2nd of March 2018 the Company issued a notice about a proposed restructure. The restructure is conditional on the approval of the Shareholders, which was given on the 21st of March 2018 and the approval by the FCA on the change in control. As part of the restructure the Company, together with its wholly owned subsidiary Tradex will sell up to 100 hundred percent of the issued share capital of London Capital Group Limited (LCGL) and the other subsidiaries in the group, which represents the entire trading business of the group to a newly created entity SLCG international. SLCG International will be controlled by Charles-Henri Sabet who is the shareholder of the Company's major shareholder, GLIO.

The proposed restructure is conditional on the change of control being approved by the FCA. Under the Change of Control Regime Any person who decides to acquire or increase control over an authorised firm must notify the appropriate regulator in writing before proceeding with the acquisition or increase in control in accordance with section 178 of FSMA. Failure to obtain the appropriate approval constitutes a criminal offence. SLCG International would become a "controller" of LCGL on the basis that on Completion, it would own 91.5 percent of the issued share capital of LCGL. A section 178 notice has been submitted to the FCA by SLCG International. The FCA can take up to 90 working days to assess a complete application, and until such time as approval is granted, the Disposal cannot be completed.

Further details of the restructure can be found on the strategic report.

The Company was admitted on the NEX exchange on 14 December 2017. Subsequent to listing on the NEX exchange, LCGH delisted from the AIM on 14 February 2018.

37. Ultimate controlling party

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

38. Prior Period Error

	2016 Restated £000's	2015 Restated £000's
Investments per reported financial statements	43,835	43,835
Surecom investment	(1,515)	(1,515)
Share option reserve	175	1
Investments restated	42,495	42,321
Trade and other receivables per reported financial statements	853	-
Surecom investment	1,515	1,515
Trade and other receivables restated	2,368	1,515

	2016 Restated £000's	2015 Restated £000's
Retained earnings per reported financial statements	(4,757)	530
Share based payment charge	-	(363)
Retained earnings restated	(4,757)	167
Share option reserve per reported financial statements	363	-
Share based payment charge	175	363
Share option reserve restated	538	363

Investment in Surecom:

The direct investment in Surecom Limited was incorrectly recognised in London Capital Group Holdings individual accounts. Surecom Limited is owned by Tradex and as such the direct investment should have been recognised in Tradex Limited. This has been corrected in the 2017 financial statements. This error only impacts London Capital Group Holdings Limited. It has no impact on the consolidated financials as investments in subsidiaries are eliminated in preparing consolidated statements.

Due to this error the investments in LCGH company accounts were overstated in 2015 and 2016 by £1,514,241 in 2015 and 2016.

Share option reserve:

The share option reserve was not presented correctly in the LCGH company accounts for the year ended 2016. As a result, the investments in LCGH and the share option reserve were both understated by £175,000. This error only impacts London Capital Group Holdings Limited and has no impact on the consolidated financials as investments in subsidiaries are eliminated in preparing consolidated statements. Additionally, the reclassification journal of £363,000 relating to the 2015 balance of share options, was amended for in the 2016 retained earnings rather than adjusting the 2015 investments and share option reserve.

Due to this error the investments in LCGH company accounts were understated by £175,000 in 2016.

39. Non-Controlling Interests

During the year Tradex Limited disposed of 40% of its holdings in London Capital Group (Cyprus) Limited. Details of this disposal are in Note 29. London Capital Group (Cyprus) Limited is now a 60% owned subsidiary of Tradex Limited and is a material Non-Controlling Interest to the Group. Charles-Henri Sabet owns 40% of the share capital of London Capital Group (Cyprus) Limited.

Summarised financial information of London Capital Group (Cyprus) Limited are presented below:

For the period ended 31 December	**2017**	**2016**
Income Statement:	**£'000s**	**£'000s**
Revenue	2,275	606
Cost of Sales	-	-
Gross Profit	2,275	606
Administrative Expense	(2,655)	(663)
Other Expenses	-	-
Profit / (Loss) before tax	(381)	(57)
Tax	-	-
Profit / (Loss) after tax	(380)	(57)
Profit / (Loss) after tax attributable to parent	(381)	(57)
Profit / (Loss) after tax attributable to Non-Controlling interests	-	-
Cash Flow:		
Cash and cash equivalents at beginning of the year	272	-
Cash flow from operating activities	(773)	379
Cash flow from investing activities	(31)	(108)
Cash flow from financing activities	887	1
Cash and cash equivalents at end of year	355	272
Balance Sheet:		
Assets:		
Property Plant and Equipment	113	106
Trade and other Debtors	317	446
Cash and Cash equivalents	354	272
Liabilities:		
Trade and other payables	(343)	(883)
Net Assets	441	(59)
Non-controlling interests share of net assets	177	-