

Company Registration No. 03218125

London Capital Group Limited

Report and Financial Statements

31 December 2017

TUESDAY



L74K0A2W

L02

24/04/2018

#106

COMPANIES HOUSE

London Capital Group Limited

Report and financial statements 2017

Contents	Page
Officers and professional advisers	1
Strategic Report	2
Directors' report	10
Statement of directors' responsibilities	12
Independent auditor's report	13
Statement of profit or loss and other comprehensive income	15
Statement of changes in equity	16
Balance sheet	17
Cash flow statement	18
Notes to the financial statements	19

London Capital Group Limited

Report and financial statements 2017

Officers and professional advisers

Directors

Mukid Chowdhury - appointed 3 May 2016
Simon Henry - appointed 29 November 2016, resigned 9 March 2017
Laurence Crosby - appointed 18 November 2016, resigned 7 February 2017
George Mantilas - appointed 9 March 2017
Olivia Claudia Blanchard – appointed 20 October 2017

Company secretary

Simon Hooks - appointed 11 October 2016, resigned 12 June 2017
Harper Associates Limited – appointed 12 Jun 2017

Registered office

77 Grosvenor Street
Mayfair
London,
W1K 3JR

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

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 Limited ("LCG") 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. LCG offers customers access to a diverse range of over 5,000 financial products, including foreign exchange (or forex), precious metals, contracts for differences, or ("CFDs"), and financial spread betting, which are investment products with returns linked to the performance of an underlying commodity, index, equity or security. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company's FCA Register Number is 182110, for details see www.fca.gov.uk/register and its parent company London Capital Group Holdings plc is listed on the NEX Exchange. The company moved from London Stock Exchange (AIM) to the NEX exchange on 13th December 2017.

Revenues are generated from the dealing spread – the difference between the buy and sell 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.

The immediate parent company is Tradex Limited ("Tradex"). The ultimate parent company and controlling party is London Capital Group Holdings PLC ("LCGH"), as per note 31.

Business Review

Following the investment made by the Company in prior periods to improve its technology, product and people, as well as expand its offering to clients both from a product and geographical perspective, the Company 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. 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, against this backdrop of challenging trading conditions, the Company has continued its upward trajectory in delivering increased revenues compared with previous periods while ensuring that it continues to invest and innovate. The Company's efforts to improve its technology, sales and marketing means that the Company 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 in which 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 Company and reconstruction efforts seen through 2016 which focused on getting these key building blocks in place within the business resulted in the Company 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

STRATEGIC REPORT

For the year ended 31 December 2017

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 (2015: GBP 19 billion per month) demonstrating that the improvements made to both the marketing strategies, Company brand as well as the enhancements to the trading platform have significantly improved the ability of the Company to attract new business.

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: £19.5m 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.

EBITDA for 2017 is a loss of £1.197m (2016: loss of £4.2m) and is a 71% improvement on the same period last year. Administrative costs are £24m for the period (2016: £25.3m).

The loss before tax was £1.7m (2016: loss of £5.9m) and demonstrates the improvements the Company have made to ensure that, there is a clear path of improvement and move toward sustainable long term profitability, through its improved branding, technology and investment in people.

The net cash and short term receivables increased 10% to £10.5m (2016: £9.5m). Available liquidity which comprises own cash held, title transfer funds, unsegregated funds and amounts due from brokers increased by £5.1m from 31 December 2016.

Available liquidity and cash flow

	Audited 31 December 2017 £'000	Audited 31 December 2016 £'000
Own cash held	4,184	4,085
Short term receivables: Amounts due from brokers	6,262	5,393
Net cash and short term receivables	<u>10,446</u>	<u>9,478</u>

The results for the year and the financial position at the year-end were considered satisfactory by the directors and they are confident of improved results in the ensuing year with both client acquisition and client volumes showing continued improvements in 2018, with the first two months of the year showing new accounts 109% higher than the same period in 2017, new funded accounts up 104% on the same period in 2016 and client trading volumes up 103% over the same period.

STRATEGIC REPORT

For the year ended 31 December 2017

Strategic Report (continued)

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

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

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

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

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

Historically, the Company's business model has been predominantly driven by retail client transactions focusing on the UK market with client trading focused on its spread betting and CFD offering. The Group is now looking to expand its offering beyond the UK and enhance its technology and product offering by developing 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 Company 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 Company 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 Company 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 Company's future success continues to be based on providing a high quality service to its customers and offering a variety of financial trading products and platforms. The Company will deliver a complete multi-asset experience for its clients.

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

STRATEGIC REPORT

For the year ended 31 December 2017

Strategic Report (continued)

The Company'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 Company'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 Company continues to be in a strong strategic position.

With the new initiatives being employed by the Company 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 Company 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 27th 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 (NCA's) 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 Company. However, uncertainty surrounding BREXIT results in an inability to accurately forecast the financial impact to the Company. As a contingency for the Company's European customers LCG Cyprus, a wholly owned subsidiary of Tradex Limited, has registered with the Cyprus Securities and Exchange commission.

STRATEGIC REPORT

For the year ended 31 December 2017

Dividends

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

Our people

Continuing throughout 2017 the Company have 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 Company is exposed could each have a material impact on the Company's long-term performance and achievement of its strategic goals. The Company's risk appetite is set by the Board and is documented in the Risk Management Framework document.

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

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

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

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

- **Market risk:** Market risk is the risk that changes in market prices will affect the Company's profit and loss or the value of financial instruments held and traded by clients. Although the Company does not directly enter into speculative proprietary positions, the effect of client trades does result in the Company retaining a net market risk. The Company has a formal risk policy and a methodology for setting limits for every financial market in which it operates. Market risk is managed on a day-to-day basis by the respective divisional heads with oversight provided by the Risk Management function, the Audit and Risk Committee and the Board. The risk limits determine the maximum net exposure arising from client activity which the Company is prepared to carry. If the Company's exposure to clients exceeds these limits, the policy requires that the positions are hedged reducing exposure to within defined limits.
- **Credit risk and concentration risk:** The Company has a credit exposure to the banks with which it deposits funds and the counterparties with which it hedges its market positions. The Company mitigates this risk by ensuring diversification of counterparties and setting minimum levels of creditworthiness for Company counterparties. The Company does not ordinarily offer credit to its clients but does, on occasion, offer credit to clients who meet specific criteria. The Group has adopted a Credit Risk Policy which sets out specific requirements that will apply in the event that clients are offered credit.

The Company ensures client credit risk is minimised via real time monitoring, management of unrealised profit and loss, margin and net equity and supported by mandatory stops and guaranteed stop losses being used by many clients to manage their accounts.
- **Operational risk:** Operational risk is defined as the risk of loss arising from inadequate internal processes, people or systems. The most significant operational risks the Company is exposed to are:
 - **Technology risk and business continuity:** Technology risk is the risk of a sustained loss of the Company's systems leading to an inability to provide online trading platforms to its clients. This will

STRATEGIC REPORT

For the year ended 31-December 2017

inevitably lead to a significant loss of customers and income. The Company operates backup for all its trading platforms in separately hosted environments and to support the loss of physical premises the Company also has a contract with a disaster recovery provider for disaster recovery premises. This is supported by ongoing business continuity planning and periodic testing of our disaster recovery facilities and procedures.

- *Employee risk:* The Company requires suitably skilled staff to operate, control, develop and manage its business. The Company has a wide range of skill requirements including IT, project management, dealing/market risk management, customer support, HR, compliance, finance, sales and marketing. Without adequate staff resources the Company would not be able to operate effectively or achieve its strategic aims. The risk is managed initially through the recruitment and selection of appropriately qualified employees, validated by a pre-employment screening process. Employee risk is also managed on an ongoing basis through training and development (both regulatory and non-regulatory), and reviews of performance to ensure that individual remuneration and performance is managed consistently and fairly. Finally, we ensure the continued success of the Company through the proactive identification and retention of our key employees through share-based payment awards under long term incentive plans.
- *Legal, regulatory and compliance risk:* Legal, regulatory and compliance risk is the risk of legal or regulatory sanctions, legal claims, defective contractual arrangements and the resulting financial loss, or damage to the reputation of the Company. The Company is a full scope firm and is therefore subject to close regulation. As such, regulatory risk is an important element of the risk assessment and management process. The regulatory landscape changes at an ever increasing pace and this imposes significant demands on the resources of the Company. The Company therefore continues to ensure sufficient investment is made in resources and training to ensure regulatory demands are met. The responsibility for compliance is spread throughout the Company, and results are monitored and reported to senior management by the Compliance Department. The company 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 Non Executive Director to the Board, with a background in compliance as well as the appointment of and outsourced internal audit function.
- *Liquidity risk:* Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company has established policies and a liquidity risk management framework to manage its liquidity risk, including daily production of liquidity reports that summarise current liquidity and liabilities. Liquidity is monitored daily by the London Capital Group Limited Board. The Company also undertakes various stress and scenario testing as part of its Individual Capital Adequacy Assessment Process ("ICAAP") that is a requirement of the FCA. These scenarios stress test the effect on the Company's capital and liquidity adequacy of both an individual risk materialising or a series of risk events occurring within a short timeframe.
- *Treasury risk:* Treasury risk is the risk arising from the movements in the interest rates or exchange rates which affect the Company's profitability or net cash resources.
 - *Interest rate risk:* Interest rate risk arises from the loss of revenue from interest earned on client deposits and margined client positions, and the Company's own cash resources. While interest rates remain low, interest income will not make a material contribution to Company profit. Conversely, as interest rates rise the Company should benefit. . Given the low interest rates we don't believe interest rate to be major risk.
 - *Foreign currency risk:* The Company faces currency exposures on translation of its monetary assets and liabilities. This risk is managed by daily monitoring of the Company's net foreign currency position as part of its liquidity risk management.
- *Key supplier risk:* Key supplier risk is the risk of failure of one of our principal business partners to provide contractual services. The Company conducts initial and ongoing due diligence on key suppliers, in addition to using multiple providers where available.

STRATEGIC REPORT

For the year ended 31 December 2017

Key Performance Indicators

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

- Revenue
- Gross profit
- Profit before tax
- Client assets under management

The following table shows the key performance indicators at 31 December 2017 against the same period in the prior year.

KPI	2017	2016	Change
Revenue	£26,499,983	£23,267,000	12%
Gross profit	22,893,032	19,593,000	15%
Profit/(Loss) before tax	-£1,732,016	-£5,982,000	245%
Client assets under management	£30.3m	£22.4m	26%

Financial instruments

Details of the Company's financial risk management objectives and policies are included in [note 25] to the accounts.

Subsequent Events

On 2 March 2018, the London Capital Group Holdings (LCGH), the ultimate Parent 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 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 Company'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.

Going concern

The Company's capital requirements fluctuate significantly depending on the residual market risk it retains from unhedged client positions. The Company 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 Company 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.

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 Company.

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

By order of the Board



Mukid Chowdhury

Director

24 April 2018

DIRECTORS' REPORT

For the year ended 31 December 2017

Principal risks and uncertainties

The Company's principal risks and uncertainties are set out on pages 6 to 7 of the Strategic Report.

Results and dividends

The loss for the year, after taxation, amounted to £1,732,016 (2016: loss of £5,982,000).

The directors do not recommend payment of a final dividend. Therefore, the total dividend for the year amounts to £nil (2016: £nil)

Directors

The directors who served the Company during the year and to the date of signing except as noted, were as follows:

Mukid Chowdhury	appointed 3 May 2016
Simon Henry	appointed 29 November 2016, resigned 9 March 2017
Laurence Crosby	appointed 18 November 2016, resigned 7 February 2017
George Mantilas	appointed 9 March 2017
Olivia Claudia Blanchard	appointed 20 October 2017

Directors' loans

There were no loans made during the period under review, or for the previous period.

Related party transactions

Details of related party transactions are set out in note 28 to the financial statements.

Share capital

As at 31 December 2017 there were 24,903,777 ordinary shares (2016: 24,903,777) of £1 each (2016: £1) in issue. The Company has one class of ordinary share and each share carries the right to one vote at general meetings of the Company.

Details of the Company's share capital are set out in note 29 of the financial statements.

Supplier payment policy

The Company does not follow any stated code on payment practice. It is the Company's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms.

Insurance

The Company maintained appropriate Directors' and officers' liability insurance throughout the period and to the date of this report.

DIRECTORS' REPORT

For the year ended 31 December 2017

Auditor

Each of the persons who are a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Mukid Chowdhury

Director

24 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2017

The Directors are responsible for preparing the 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 have prepared 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 Company and of the profit or loss of the Company for that year. 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 applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper 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.

On behalf of the Board



Mukid Chowdhury

Director

24 April 2018

INDEPENDENT AUDITOR'S REPORT

To the members of London Capital Group Limited

Opinion

We have audited the financial statements of London Capital Limited ("the Company") for the year ended 31 December 2017 which comprise the statement of profit or loss and other comprehensive income, statement of changes in equity, balance sheet, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

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

INDEPENDENT AUDITOR'S REPORT

To the members of London Capital Group Limited

Opinion on other matters prescribed by the Capital Requirements (Country-by-Country Reporting) regulations 2013

In our opinion, the information given in note 33 to the financial statements for the year ended 31 December 2017 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) regulations 2013.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
24 April 2017

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	4	26,500	23,267
Cost of sales		(3,606)	(3,674)
Gross profit		22,894	19,593
Other operating income		-	58
Administrative expenses (before certain items)		(24,091)	(22,939)
<i>Certain items:</i>			
Depreciation and amortisation	15,16	(975)	(1,453)
Credit for provision against FOS claims	23	486	-
Impairment of leasehold assets	16	-	(725)
Share- based payment charge	24	(78)	(175)
Total administrative expenses		(24,658)	(25,292)
Other operating expenses		-	(360)
Operating (loss)		(1,764)	(6,001)
Investment revenue	10	33	31,000
Finance costs	11	(1)	(12)
(Loss) before taxation	5	(1,732)	(5,982)
Tax credit / (charge)		-	-
Loss for the year attributable to the owners of the parent		(1,732)	(5,982)

There are no recognised gains or losses other than the loss of £1.7 million attributable to the shareholders for the year ended 31 December 2017 (2016: loss of £5.9 million).

	2017 £'000	2016 £'000
(Loss) for the period	(1,732)	(5,982)
Total comprehensive (loss) for the period	(1,732)	(5,982)
Total comprehensive (loss) for the period attributable to the owner of the parent	(1,732)	(5,982)

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

	Share capital	Share option Reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2016	24,904	363	(1,660)	23,607
Total comprehensive loss for the period	-	-	(5,982)	(5,982)
Equity settled share-based payment transaction	-	175	-	175
At 31 December 2016	24,904	538	(7,644)	17,798
Total comprehensive loss for the period	-	-	(1,732)	(1,732)
Equity settled share-based payment transaction	-	78	-	78
At 31 December 2017	24,904	616	(9,376)	16,143

BALANCE SHEET

As at 31 December 2017

	Notes	At 31 December 2017 £'000s	At 31 December 2016 £'000s
Non-current assets			
Intangible assets	15	1,056	1,421
Property, plant and equipment	16	752	1,236
Investments		-	150
		<u>1,808</u>	<u>2,807</u>
Current assets			
Financial investments – held for trading		-	3,550
Trade and other receivables	18	18,853	15,995
Cash and cash equivalents	19	4,184	4,085
		<u>23,037</u>	<u>23,630</u>
Total assets		<u>24,845</u>	<u>26,437</u>
Current liabilities			
Trade and other payables	21, 22	8,702	7,986
Obligations under finance leases	20	-	66
Provisions	23	-	587
Total Current Liabilities		<u>8,702</u>	<u>8,639</u>
Net current assets		<u>14,335</u>	<u>14,991</u>
Total liabilities		<u>8,702</u>	<u>8,639</u>
Net assets		<u>16,143</u>	<u>17,798</u>
Equity			
Share capital	29	24,904	24,904
Share option reserve		616	538
Retained earnings	30	(9,376)	(7,644)
Total equity		<u>16,143</u>	<u>17,798</u>

The financial statements of London Capital Group Limited (registered number 03218125) were approved by the Board of Directors and authorised for issue on 24.04.18 and are signed on its behalf by


Mukid Chowdhury

Director

24 April 2018

CASHFLOW STATEMENT

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Loss for the year		(1,732)	(5,982)
Adjustments for:			
Depreciation of property, plant and equipment	16	456	576
Amortisation of intangible assets	15	519	877
Impairment of leasehold improvements	16	-	725
Share-based payments	24	78	175
Loss on disposal of property, plant and equipment		26	-
Movement in provisions		(587)	(403)
Investment income	10	(33)	(31)
Finance costs	11	1	12
Operating cash flows before movements in working capital		(1,272)	(4,051)
(Increase)/decrease in receivables and positions at brokers		393	(7,137)
Increase/(Decrease) in payables		1,117	4,428
Cash used by operating activities		237	(6,760)
Taxation received		-	-
Net cash used in operations		237	(6,760)
Investing activities			
Investment income	10	33	31
Proceeds on disposal of property, plant and equipment		-	93
Proceeds on disposal of leasehold property		50	9
Disposal / (Acquisition) of investments		150	(150)
Acquisition of property, plant and equipment	16	(47)	(257)
Acquisition of leasehold improvements	16	(87)	-
Acquisition of intangible assets	15	(169)	(1,151)
Acquisitions of trademarks		-	-
Net cash used in investing activities		(70)	(1,425)
Financing activities			
Finance costs	11	(1)	(12)
Payments to finance lease creditors		(66)	(176)
Net cash used in financing activities		(68)	(188)
Net decrease in cash and cash equivalents		99	(8,373)
Cash and cash equivalents at the beginning of year		4,085	12,458
Cash and cash equivalents at end of year		4,184	4,085

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

General information

London Capital Group Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The nature of London Capital Group Limited's operations and its principal activities are set out in the Strategic Report on pages 2 to 9.

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

The 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 the assets.

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 Company 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 Company was, at the end of the year, a wholly-owned subsidiary of another Company incorporated in the European Economic Area and in accordance with s400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Going concern

The Company'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 on page 2. In addition, note 25 of the financial statements includes the Company'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 Company's capital requirements fluctuate significantly depending on the residual market risk it retains from unhedged client positions. The Company 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, and have concluded there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Revenue recognition

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

Rendering of services includes gains and losses on the running of betting and trading in financial markets, net of bonuses, incentives, commission expensed, inactivity fees charged to clients, 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 when it is probable that the economic benefits associated with the transaction will accrue to the Company and can be reliably measured.

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 is provided in full, using the liability method. It 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 Company 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 scrapping 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

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.

For the year ended 31 December 2017

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

- 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.

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

- ## Patents and trademarks

- Trademarks over 5 years

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.

Page | 22

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company 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.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when either the financial asset is 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 Company 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 re-measurement 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.

Trade receivables due from brokers represents the combination of open derivative positions and cash held with the broker.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company 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.

Derecognition of financial assets

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as 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 Company 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 re-measurement 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 Company derecognises financial liabilities when, and only when, the Company'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 re-measured 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.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 against profits on a straightline basis over the period of the lease.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date as these relate to revenue items these are recognised in revenue. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Share-based payment transactions

The Company remunerates certain of its employees using equity instruments in its ultimate parent company, London Capital Group Holdings plc.

The Company operates share-based payment programmes that allow employees to acquire shares of the Company's ultimate parent. In accordance with the transitional provisions of *IFRS 2, Share-based payment*, the requirements of the standard have been applied retrospectively to all the options granted after 7 November 2002 that were not yet vested as at 1 January 2005.

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

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 Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company 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.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as result of a past event, and it is probable that the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2. Adoption of new and revised Standards

New standards, amendments and interpretations adopted

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:

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. This treatment will therefore not change under IFRS 9.

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' negative balances and the Company's current policy is to fully provide for them.

IFRS 15 Revenue from Contracts with Customers

This standard will be adopted on its mandatorily effective date which is 1st of January 2018, 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, as all transactions are accounted for on a trade date basis.

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 Company's 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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 Company 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 bonuses, incentives, 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.

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

5. Adjusted loss before tax, adjusted operating loss and adjusted EBITDA from continuing operations

	2017	2016
	£'000	£'000
Reported loss before tax from continuing operations	(1,732)	(5,982)
Add back – credit for release of provision against FOS claims	(486)	-
Add back – credit for release of provision against market data costs	-	(403)
Add back – other costs of changing IT platform	-	360
Add back – credit for restructuring costs	-	-
Add back – impairment of leasehold assets	-	725
Add back – share-based payment charge	78	175
Adjusted loss before tax from continuing operations	(2,140)	(5,125)
Tax as reported	-	-
Tax effect on add backs	-	-
Adjusted loss after tax from continuing operations	(2,140)	(5,125)
Reported operating loss before tax from continuing operations	(1,764)	(6,501)
Add back – share-based payment charge	78	175
Adjusted operating loss from continuing operations	(1,686)	(6,326)
Add back – amortisation and depreciation from continuing operations	975	1,453
Add back – credit for release of provision against market data costs	-	(403)
Add back – credit for release of 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	(1,197)	(4,191)

6. Loss before tax

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

	2017	2016
	£'000	£'000
Share-based payment charge	78	175
Depreciation of fixed assets	456	576
Amortisation of intangible assets – software	519	877
Loss on disposal of fixed assets	26	-
Impairment of leasehold assets	-	725
Credit for provision release relating to FOS claims	(486)	-
Operating lease costs:	-	-
- Land and buildings	839	952
Net (gain)/loss on foreign currency translation	207	(862)

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.

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

7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2017	2016
	£'000	£'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	65	55
Total audit fees	65	55
Audit related assurance	18	55
Other services	108	101
Total non-audit fees	126	211

8. Directors' emoluments

	2017	2016
	£'000	£'000
Executive		
Remuneration for qualifying services	354	635
Pension costs	8	40
	362	675
Non Executive		
Remuneration for qualifying services	72	220
Pension costs	-	-
	72	220
Total director' remuneration	434	895

The number of directors who:

	2017	2016
Are members of a money purchase pension scheme	2	5
Had awards receivable in the form of shares under a long-term incentive scheme	2	6

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	151	635
Pension costs	4	40
	155	675

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

9. Staff costs

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

	2017	2016
	Number	Number
Financial spread betting and CFDs	35	45
Central support and Directors	23	41
	58	86

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

	2017	2016
	£'000	£'000
Wages and salaries	3,958	6,866
Pension costs	124	153
Social security costs	487	826
	4,570	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	2016
	£'000	£'000
Performance related bonuses	25	29
Commission payments	356	303
	381	332

The Company operates a stakeholder pension scheme. In the case of executive directors, details of the pension arrangement are stated within note 8. Pension contributions were payable at a rate equal to the contribution made by the employee subject to a maximum contribution of 4% of basic salary.

10. Investment revenue

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

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

11. Finance costs

	2017	2016
	£'000	£'000
Interest on obligations under finance leases	1	12
	1	12

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

12. Taxation

(a) Tax on loss on ordinary activities

Tax charged/(credited) in the income statement:

	2017	2016
	£'000	£'000
Current tax		
Credit for current period	-	-
Adjustment in respect of prior periods	-	-
Total current tax credit	-	-
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 charge in income statement	-	-

(b) Reconciliation of the total tax charge

The tax charge in the income statement for the year just ended is lower than the standard rate of corporation tax in the

UK of 19.25% (2016: 20.00%).

	2017	2016
	£'000	£'000
Accounting loss before taxation	(1,732)	(5,982)
Accounting loss multiplied by UK standard rate of corporation tax of 19.25% (2016: 20.00%)	(333)	(1,197)
Effects of:		-
Adjustments in respect of prior periods		-
Expenses not deductible for tax purposes	57	179
Income not taxable	(11)	(11)
Tax rate changes		-
Amounts not recognised	287	1,009
Chargeable gains		20
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.

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

Unrecognised deferred tax:

	2017	2016
	£'000	£'000
Fixed assets	(925)	(712)
Losses	(2,801)	(2,808)
	(3,725)	(3,520)

Unrecognised deferred tax relates to temporary timing differences on property, plant and equipment (£5.4m) and unrelieved trading losses (£21.9m)

13. Dividends

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

14. Impairment charge

During 2017, the company terminated its lease at 1 Knightsbridge, London, SW1X, 7LX and took up a lease at 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

	Trademark	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2016	116	3,118	3,234
Additions	-	1,151	1,151
At 1 January 2017	116	4,269	4,385
Additions	-	169	169
Disposals	-	(2,534)	(2,534)
At 31 December 2017	116	1,904	2,020
Amortisation			
At 1 January 2016	7	2,080	2,087
Charge for the year	23	854	877
At 1 January 2017	30	2,934	2,964
Charge for the year	23	496	519
Realised on disposal	-	(2,519)	(2,519)
At 31 December 2017	53	911	964
Net book value			
At 31 December 2016	86	1,335	1,421
At 31 December 2017	63	993	1,056

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

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

16. Property, plant and equipment

	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	-	-	257	257
Disposals	(9)	(93)	-	(102)
At 1 January 2017	3,361	82	2,467	5,910
Additions	87	-	47	134
Disposals	(3,376)	(82)	(780)	(4,238)
At 31 December 2017	72	-	1,734	1,806
Depreciation				
At 1 January 2016	2,348	52	973	3,373
Charge for the year	113	30	433	576
Impairment losses for the year	725	-	-	725
At 1 January 2017	3,186	82	1,406	4,674
Charge for the year	33	-	423	456
Disposals	(3,214)	(82)	(780)	(4,076)
At 31 December 2017	5	-	1,049	1,054
Net book value				
At 31 December 2016	175	-	1,061	1,236
At 31 December 2017	67	-	686	752

17. Investments

Details of principal investments in which the Company holds 100% of the nominal value of any class of share capital are as follows:

Name of company	Principal activity	Country of incorporation
Capital Spreads Limited	Dormant	United Kingdom
Capital Forex Limited	Dormant	United Kingdom

The cost of investment of these investments is £2 (31 December 2016: £2).

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

18. Trade and other receivables

	At 31 December 2017 £'000	At 31 December 2016 £'000
Trade receivables	280	760
Allowance for doubtful debts	(271)	(758)
	<u>9</u>	<u>2</u>
Amounts due from brokers	6,262	5,393
Amounts owed by Group undertakings	9,095	7,759
Other receivables	2,520	610
Prepayments	967	2,231
	<u>18,844</u>	<u>15,993</u>
Total	<u>18,853</u>	<u>15,995</u>

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

Amounts due from brokers represents the combination of open derivative positions and cash held at brokers.

Amounts owed by group undertakings for the year ended 31 December 2016 include the following recharges to the Company's ultimate parent, London Capital Group Holdings plc: £0.3m of administrative expenses in respect of the year ended 31 December 2013; £0.3m of administrative expenses in respect of the year ended 31 December 2014; £3.5m to fund the Company's ultimate parent's purchase of own shares during the year ended 31 December 2014; £1.1m of administrative expenses and fixed assets acquired in respect of the year ended 31 December 2015; further £2.5m of administrative expenses and fixed assets acquired in respect of the year ended 31 December 2016 and a further £1.3m of administrative expenses and fixed assets acquired in respect of the year ended 31 December 2017.

In addition the Company paid £2.4m in respect of management fees to LCG Cyprus, a wholly owned subsidiary of LCG's parent company Tradex Limited.

19. Cash and cash equivalents

	At 31 December 2017 £'000	At 31 December 2016 £'000
Gross cash and cash equivalents	28,182	20,001
Less: Segregated client funds	(23,998)	(15,916)
Own cash and title transfer funds	<u>4,184</u>	<u>4,085</u>
<i>Analysed as:</i>		
Cash at bank and in hand	<u>4,184</u>	<u>4,085</u>
	<u>4,184</u>	<u>4,085</u>

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

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

Own cash and title transfer funds include a client money 'Prudent Segregated Amount' of £420,513.

Segregated client funds include client funds held in segregated accounts or breakable short-term deposits (less than three months) in line with the FCA's Client Asset rules ("CASS").

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

20. Obligations under finance leases

	At 31 December 2017 £'000	At 31 December 2016 £'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
	At 31 December 2017 £'000	At 31 December 2016 £'000
Amounts payable under finance leases		
Within one year	-	68
In the second to fifth years inclusive	-	-
After five years	-	-
Present value of lease obligations	-	68
Analysed as:		
Amounts due for settlement within 12 months (disclosed under current liabilities)	-	68
Amounts due for settlement after 12 months	-	-
Present value of lease obligations	-	68

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 (2015: 2.5 years). For the year ended 31 December 2016, 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.

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

21. Trade payables

	At 31 December 2017 £'000	At 31 December 2016 £'000
Trade payables	1,110	1,027
Amounts owed to Group undertakings	-	347
Professional Client Funds	6,304	3,247
	<u>7,414</u>	<u>4,621</u>

22. Other payables

	At 31 December 2017 £'000	At 31 December 2016 £'000
Other taxes and social security	130	307
Accruals	1,145	3,048
Other creditors	13	10
	<u>1,288</u>	<u>3,365</u>
Total	<u>8,702</u>	<u>7,986</u>

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.

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

23. Provisions and contingent liabilities

	At 31 December 2017 £'000	At 31 December 2016 £'000
Provision Charge / (Credit) against FOS claims	-	486
Dilapidation provision	-	101
	-	587

Provision and contingent liability against FOS claims

	Provision against FOS claims £'000
At 1 January 2017	486
Utilisation	0
Release	(486)
At 31 December 2017	0

During the year ended 31 December 2014, the Company 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, one final eligible claimant had been repaid, resulting in an utilisation of the provision in the period of £15,000. 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 Company 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 Company 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 totalled £527,000 and the original complaint totalling £35,000 was settled prior to 31 December 2015. There were no further settlements during 2016 and the provision at 31 December 2016 was £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 regards to these trading losses as not probable.

Dilapidation provision –

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

The provision was fully realised in 2017 and there is no future liability in relation to the office at 1 Knightsbridge.

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

24. Equity-settled share-based payment

The Company has three share-based payment schemes for all employees (including Directors). Options are exercisable at a price equal to the average market price of the shares of the Company's ultimate parent company, London Capital Group Holdings plc, 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).

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 share price of the ultimate parent company 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 Company recognised total charge of £77,517 (2016: £175,000) related to equity-settled share-based payment transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

25. Financial Instruments

Accounting classifications and fair values

The table below sets out the classification of each class of financial assets and liabilities and their fair values valued using direct market quotes where applicable (excluding accrued interest). The Company 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 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' represent shares which are held by the Company to hedge client market exposures.

'Trade receivables – due from brokers' represent balances with brokers where the combination of cash held on account (disclosed as loans and receivables) and the valuation of long financial derivative open positions (disclosed as held for trading) results in an amount due to the Company. These positions are reported net in the Balance Sheet within 'Trade payables – due to brokers' as the Company has the legal right and the intention to settle on a net basis. These positions are held to hedge client market exposures and held for trading hence are accounted for at fair value through profit and loss (FVTPL). The net balance of 'trade receivables – due from brokers' and 'trade payables – due to brokers' results in a balance of £6,261,576 representing the 'amounts due from brokers' (see note 18).

'Trade receivables – other' represent outstanding commission income from the Company's institutional foreign exchange and broking division.

'Trade payables – due to brokers' represent balances with brokers where the combination of cash held on account and the valuation of short financial derivative open positions (disclosed as held for trading) results in an amount due to the Broker. These positions are reported net in the Balance Sheet with 'Trade receivables – due from brokers' as the Company has the legal right and the intention to settle on a net basis. These positions are held to hedge client market exposures and held for trading hence are accounted for at fair value through profit and loss ("FVTPL"). The net balance of 'trade receivables – due from brokers' and 'trade payables – due to brokers' results in a balance of £6,261,576 representing the 'amounts due from brokers' (see note 18).

'Prepayments and other receivables' include significant balances in relation to merchant services deposits and a variety of prepaid items that have arisen in the normal course of business.

'Amounts due to clients' represent amounts due to institutional foreign exchange clients with funds under Title Transfer Collateral Arrangement ("TTCA") (note 20). These balances are calculated as a combination of the client cash on account and the valuation of their derivative open positions.

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

'Trade and other payables' include accruals balances and trade payables that have arisen in the normal course of business (notes 21 and 22).

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

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

	Fair value through profit or loss	Amortised Cost	Total carrying amount	Fair Value
	£'000	£'000	£'000	£'000
As at 31 December 2017				
Financial assets				
Cash and cash equivalents		4,184	4,184	4,184
Trade receivables – due from brokers	6,262		6,262	6,262
Trade receivables – other		56	56	56
Prepayments and other receivables		12,535	12,535	12,535
	6,262	16,775	23,037	23,037
Financial liabilities				
Obligations under finance leases				
Trade and other payables	-	8,702	8,702	8,702
	-	8,702	8,702	8,702
As at 31 December 2016				
Financial assets				
Cash and cash equivalents	-	4,085	4,085	4,085
Positions held at brokers	3,550	-	3,550	3,550
Trade receivables – due from brokers	5,393	-	5,393	5,393
Trade receivables – other	-	2	2	2
Prepayments and other receivables	-	10,600	10,600	10,600
	8,943	14,687	23,630	23,630
Financial liabilities				
Obligations under finance leases	-	66	66	66
Trade and other payables	-	5,279	5,279	5,279
Provisions	-	587	587	587
	-	5,932	5,932	5,932

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 Company to its clients or used by the Company 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.

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

	Level 1	Total
	£000's	£000's
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
	<u>6,262</u>	<u>6,262</u>

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
	<u>8,943</u>	<u>8,943</u>

There have been no changes in the valuation techniques for any of the Company's Positions held at brokers at fair value through the profit and loss 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 Company's income or the value of financial instruments held. The Company does not directly enter into speculative proprietary positions however the effect of client trades does result in the Company retaining a net market risk. The Company has a formal risk policy and a methodology for setting limits for every financial market in which it trades. These limits determine the net exposure arising from client activity and hedging which the Company is prepared to carry. If the Company's exposure exceeds these limits, the policy requires that sufficient hedging is carried out to bring the exposure back within defined limits. The Company 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 Company's assessment of movements in index markets and is considered to represent a single day market fall that is reasonably possible. A 5% daily move for all major indices represents a 3 standard deviation move from the mean, which in probability terms is less than 99.7%

	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 Company's overall risk policy. Limits on the exposures which the Company will accept in each currency are set by the Risk Committee and the Company hedges its exposures as necessary.

The Company'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 Company's revenue and equity are not significant due to the hedging and risk limits in place.

Interest rate risk

The Company 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 Company's financial assets and liabilities as at the balance sheet date is shown in the table below.

	Within one year		More than five years		Total	
	At 31	At 31	At 31	At 31	At 31	At 31
	December	December	December	December	December	December
	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Floating rate						
Gross cash and cash equivalents and amounts due from brokers	34,444	28,944	-	-	34,444	28,944

In addition to the interest rate exposure relating to cash deposits, the Company 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	34,444	-1%	(344)
Interest rate increase	34,444	1%	344
As at 31 December 2016			
Interest rate increase	28,944	1%	289
Interest rate fall	28,944	-1%	(289)

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

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 Company does not ordinarily offer credit to its clients. However, the Company 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 Company's principal credit risk exposure arises through its cash deposits with financial institutions. The Company 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:

	At 31 December 2017 £'000	At 31 December 2016 £'000
Cash and cash equivalents	4,184	4,085
Amounts due from brokers	6,262	5,393
Amounts owed by Group undertakings	9,095	7,759
Trade receivables	9	760
Other receivables	2,520	610
	22,070	18,607

Included in cash and cash equivalents, the Company's largest credit exposure to any bank was £2,695,659 or 50.99% of the exposure to all banks (2016: £3,634,598 or 89.7%).

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

The table below presents further detail on the Company'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 overleaf. 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.

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets.

Liquidity risk is managed centrally for the Company by the Finance department. The Company'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.

	Trade receivables due from clients		Trade receivables amount due from brokers		Cash and Cash equivalents	
	At 31 December 2017	At 31 December 2016	At 31 December 2017	At 31 December 2016	At 31 December 2017	At 31 December 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Individually impaired						
Gross exposure	-	758	-	2	-	-
Allowance for impairment	-	(758)	-	-	-	-
Past due but not impaired						
Ageing profile:		-	-	-	-	-
0 – 3 months	-	-	-	-	-	-
4 – 12 months	-	-	-	-	-	-
More than 12 months	-	-	-	-	-	-
Neither past due or impaired						
A-1	-	-	-	-	-	1,761
A-2	-	-	105	-	4,184	1,566
A-3	-	-	-	-	-	-
B	-	-	-	-	-	-
Unrated	9	-	7,522	2	-	758
Total carrying amount	9	-	7,627	2	4,184	4,085

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

Derivative and non-derivative cash flows

	Non- derivative £'000	Total £'000
As at 31 December 2017		
Financial assets		
Cash and cash equivalents	4,184	4,184
Positions held at brokers at fair value through profit & loss	-	-
Trade receivables – due from brokers	6,262	6,262
Trade receivables – due from clients	9	9
Trade receivables - amounts owed by Group undertakings	9,095	9,095
	19,550	19,550
Financial liabilities		
Trade payables – amounts due to clients	-	-
	-	-
2017 £'000		
2016 £'000		
Financial assets		
Cash and cash equivalents	4,085	4,085
Positions held at brokers at fair value through profit & loss	3,550	3,550
Trade receivables – due from brokers	5,393	5,393
Trade receivables – due from clients	2	2
Trade receivables - amounts owed by Group undertakings	7,759	7,759
	20,789	20,789
Financial liabilities		
Trade payables – amounts due to clients	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

26. Commitments under operating leases

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

	31 December 2017 £'000	31 December 2016 £'000
Within one year	453	204
In the second to fifth years inclusive	1,347	-
After five years	-	-
	<u>1,800</u>	<u>204</u>

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.

27. Capital commitments

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

28. Related party transactions

Trading transactions

During the year, the Company entered into the following transactions with related parties:

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

The following amounts were outstanding at the balance sheet date:

	31 December 2017 £'000	31 December 2016 £'000
Due to related parties:		
TTCM Traders Trust Capital Markets Limited	-	82
London Capital Group Cyprus Limited	-	347
	<u>-</u>	<u>429</u>

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

Due from related parties:	31	31
	December	December
	2017	2016
	£'000	£'000
London Capital Group Holdings PLC	7,453	6,891
Surecom Limited	1,642	868
	<u>9,095</u>	<u>7,759</u>

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 Company to access Algoweb's retail distribution platforms and software, as well as connectivity to post trade services. Algoweb is a related party of the Company because Charles-Henri Sabet, Executive Chairman of London Capital Group Holdings plc and his wife, together own 50 per cent of the share capital in Algoweb.

Amounts owed by group undertakings for the year ended 31 December 2016 include the following recharges to the Company's ultimate parent, London Capital Group Holdings plc: £0.3m of administrative expenses in respect of the year ended 31 December 2013; £0.3m of administrative expenses in respect of the year ended 31 December 2014, £3.5m to fund the Company's ultimate parent's purchase of own shares during the year ended 31 December 2014; £1.1m of administrative expenses and fixed assets acquired in respect of the year ended 31 December 2015; further £2.5m of administrative expenses and fixed assets acquired in respect of the year ended 31 December 2016 and a further £1.3m of administrative expenses and fixed assets acquired in respect of the year ended 31 December 2017.

In addition the Company paid £2.4m in respect of management fees to LCG Cyprus, a wholly owned subsidiary of LCG's parent company Tradex Limited.

LCG paid £61K in respect of incorporation expenses related to London Capital Group (Cayman) Limited; £93k in respect of incorporation expenses in relation to setting up offices in Switzerland; £2K in respect of incorporation expenses related to LCG (New Zealand) Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

29. Share capital

The Company has one class of ordinary shares which carry no right to fixed income. The shares carry dividend rights, voting rights and rights to distribution of capital on a winding up.

Allotted, called up and fully paid:

	At 31 December 2017		At 31 December 2016		At 1 January 2016	
	Number	£'000	Number	£'000	Number	£'000
Equity shares						
Ordinary shares of £1.00 each	24,903,777	24,904	24,903,777	24,904	24,903,777	24,904

Reconciliation of the movement in
the number of shares:

Ordinary shares	Number of shares
At 1 January 2016	24,903,777
Share issued during the year	-
At 31 December 2016	24,903,777
Shares issued during the year	-
At 31 December 2017	24,903,777

30. Other reserves

Retained deficit

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.

31. Ultimate parent company

The immediate controlling party is Tradex Enterprises Limited and ultimate parent and controlling company is London Capital Group Holdings plc. London Capital Group Holdings plc is the parent company of the smallest and largest groups into which the results of the Company are consolidated. Copies of the London Capital Group Holdings plc financial statements, which include the Company, are available from 77 Grosvenor Street, Mayfair, London W1K 3JR.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

32. 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. Charles-Henri Sabet who is the shareholder of the Company'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.

33. Country by country reporting

LCG is required to comply with the provisions of Statutory Instrument 2013 No. 3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013, which implements in the UK the requirements set out in Article 89 of the Capital Requirements Directive (Directive 2013/36/EU).

In order to comply with this requirement, LCG is publishing the following information, which has been subject to independent assurance, for the year ended 31 December 2017:

London Capital Group Limited ("LCG") 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. LCG offers customers access to a diverse range of over 5,000 financial products, including foreign exchange (or forex), precious metals, contracts for differences, or ("CFDs"), and financial spread betting, which are investment products with returns linked to the performance of an underlying commodity, index, equity or security. These services are operated out of the following geographical locations:

Establishment	Legal Entity	Trading As
United Kingdom	London Capital Group Limited	LCG
		United Kingdom
Number of Employees		54
Turnover (GBP 000's)		26,500
Pre-tax profit/(loss) (GBP 000's)		(1,732)
Corporation tax paid (GBP 000's)		-
Public subsidies received		-

LCG has 2 subsidiaries, Capital Spreads Limited and Capital Forex Limited, both of which are dormant companies at 31 December 2017. The CBCR disclosures for both companies are not included in the CBCR disclosure of LCG but will be included in the financial statements for both companies.