



21 September 2006

LONDON CAPITAL GROUP HOLDINGS PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

London Capital Group Holdings plc ("LCG", the "Company" or the "Group") announces interim results for the six months ended 30 June 2006. LCG is a rapidly growing and profitable spread betting and financial services company offering online trading in the financial markets.

First Half 2006 Highlights:

- Turnover up 52% to £3.53 million (H1 05: £2.33 million)
- Profit before tax up 385% to £1.65 million (H1 05: £0.34 million)
- Average daily spread betting trades up 191% to 4,307
- Number of live financial spread betting client accounts increased 135% to 6,740
- FX division growing fast and is now profitable

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

"LCG has had an excellent six months. We have continued to experience strong trading with encouraging growth in both the number of live customer accounts and the daily trading volumes in the spread betting division. We are delighted with the progress made with Capital Forex which we believe will further enhance the development of the business in 2006."

All of our business areas have started the second half of the year well and we continue to perform in line with market expectations."

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

Notes to Editors:

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

Based in London, LCG is regulated and authorised by the Financial Services Authority, has a European passport and is a member of the London Stock Exchange, Liffe, Eurex and Euronext, giving it direct access to all European markets. LCG also has access to international markets through its global clearing relationships.

LCG floated on the London Stock Exchange's AIM market on 22nd December 2005 at an issue price of 82p. LCG is included in the General Financial sector (8770) and Speciality Finance sub sector (8775) and has a RIC code of LCG.L.

Chairman's Statement

Results

The Group achieved a profit before tax of £1.65 million (H1 05: profit £0.34 million) on turnover of £3.53 million (H1 05: £2.33 million). We experienced very strong growth from our spread betting business, **Capital Spreads**, in the period, with operating profit of £2.62 million, up 87% in like for like periods (H1 05: £1.40 million).

The average number of spread bets taken per day has increased by 191% to 4,307 (H1 05: 1,480) and the number of live spread betting client accounts at 30 June 2006 stood at 6,740, an increase of 135% on the number at the same point last year. Customer cash held on account has risen by 132% from £2.07 million to £4.79 million in the spread betting division and from £0.52m to £7.13 million in the foreign exchange ("forex") division, which is now profitable and showing very strong growth.

Whilst the Group's principal trading division, **Capital Spreads**, has been the main contributor to this strong performance, I am pleased to report that both the derivatives division, **Capital Derivatives**, and the forex division, **Capital Forex** have also had a good first half.

We are very pleased to announce that we have identified a Finance Director who has agreed to take up his post in November 2006. Details of his appointment will be confirmed in due course.

Dividend

The Group's policy is to pay dividends which reflect the earnings and cash flow record and potential of the Group. Dividends for the current financial year will depend upon full year results.

Current Trading and Outlook

All of our business areas have started the second half of the year well and we continue to perform in line with market expectations.

Robert Loosemore
Chairman
21 September 2006

Chief Executive's Statement

Financial Review

The turnover from our continuing business rose by 52% from £2.33 million in the first half of 2005 to £3.53 million in the six months ended 30 June 2006. This reflects the increased number of spread betting accounts and trades, which averaged 4,307 trades per day for the first half of 2006 (H1 05: 1,480), a like for like increase of 191%. As a result, profit before tax increased by 385% to £1.65 million from £0.34 million.

We are able to maintain a low cost operation by comparison with other companies in our sector because we have adopted an outsourcing model, whereby we sub-contract specialist support services to specialist providers. Included in administration costs, was expenditure of £0.5 million on IT infrastructure, up 67% on the previous year. We continue to invest in upgrading our software and trading platforms in order to provide our clients with the most up to date technology solutions.

Earnings per share increased from 0.86p to 3.14p per share.

The Company had no debt at end June 2006 and had cash resources of £2.05 million as well as £11.9 million of client funds.

Operating Review

Capital Spreads

Capital Spreads, our financial spread betting business, has continued to enjoy exceptional growth during the period with the number of live accounts having grown from 2,864 at 30 June 2005 to 6,740 at 30 June 2006 and trading volumes were also up from 41,000 trades in June 2005 to over 100,000 in June 2006.

Whilst our marketing activity plays a significant part in building our client base, our reputation means that over 50% of our clients join us via recommendation. Therefore, it is essential that we continue to provide our unique service, integral to this is our commitment to offer some of the tightest spreads in the industry.

Currently, 70% of our activated clients have funds on account and approximately 33% have traded within the last month, with over 99% of transactions being executed online.

Binary Bets

Binary betting is a hybrid of spread and fixed odds betting. We now have an active binary platform within our spread betting site and are continuing to develop this offering.

Capital Forex

Our foreign exchange trading platform, **Capital Forex**, provides the retail market with the ability to trade currencies whilst **Capital Forex Pro** provides professional traders with access to Currenex and Hotspot FX, two major online foreign exchange trading platforms. Volumes have grown exponentially during the period and this growth is continuing in the second half.

Capital Derivatives

Capital Derivatives provides execution services for exchange traded futures and options in fixed income products for institutional clients. Capital Derivatives has had a satisfactory six months in which its position was consolidated by the winning of a number of major new top tier institutional clients.

Growth Strategy

We are now becoming more focused on overseas markets for our product range and are in the process of forming strategic relationships to pursue this end. The company is actively pursuing Far Eastern partners for all of its product divisions. The company is also launching a new Financial Fantasy Game platform which is being marketed to media partners which will act as a client portal to LCG's product offerings.

Summary and Outlook

LCG has had an excellent six months. We have continued to experience strong trading with encouraging growth in both the number of live customer accounts and the daily trading volumes in the spread betting division. We are delighted with the progress made with Capital Forex which we believe will further enhance the development of the business in 2006.

Frank Chapman
Chief Executive Officer
21 September 2006

GROUP PROFIT & LOSS ACCOUNT
For the period ending 30 June 2006

	Note	H1 06 £'000	H1 05 £'000
GROUP TURNOVER	2	3,528	2,328
Cost of sales		<u>711</u>	<u>765</u>
GROSS PROFIT		2,817	1,563
Administrative expenses		1,219	1,252
EBITDA		1,656	751
Depreciation		(58)	(25)
Exceptional items	3	-	(415)
OPERATING PROFIT		1,598	311
Net interest receivable/(payable)		57	26
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,655	<u>337</u>
Tax on profit on ordinary activities	4	(451)	(28)
PROFIT FOR THE PERIOD		<u>1,204</u>	<u>309</u>

GROUP BALANCE SHEET
As at 30 June 2006

	H1 06 £'000	H1 05 £'000
FIXED ASSETS		
Intangible assets	9,303	-
Tangible assets	767	189
	<u>10,070</u>	<u>189</u>
CURRENT ASSETS		
Debtors	1,199	1,074
Cash at bank	13,062	2,621
	<u>14,261</u>	<u>3,695</u>
CREDITORS: Amounts falling due within one year	<u>12,640</u>	<u>2,520</u>
NET CURRENT ASSETS	<u>1,621</u>	<u>1,175</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>11,691</u>	<u>1,364</u>
PROVISIONS FOR LIABILITIES		
Deferred taxation	91	77
	<u>11,600</u>	<u>1,287</u>
CAPITAL AND RESERVES		
Called-up equity share capital	3,829	1,055
Share premium account	11,607	-
Other reserves	(5,344)	-
Profit and loss account	1,508	232
SHAREHOLDERS' FUNDS	<u>11,600</u>	<u>1,287</u>
	6 months to 30 June 2006	6 months to 30 June 2005 restated
	£'000	£'000
Profit for the period	1,204	309
Dividend in period	-	(242)
Net addition to shareholders' funds	<u>1,204</u>	<u>67</u>
Opening shareholders' funds	10,396	1,220
Closing shareholders' funds	<u>11,600</u>	<u>1,287</u>

GROUP CASH FLOW STATEMENT
For the period ended 30 June 2006

	6 months to 30 June 2006 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	7,962
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	57
TAXATION	—
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(549)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	7,470
FINANCING	—
INCREASE IN CASH	7,470

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM
OPERATING ACTIVITIES**

	6 months to 30 June 2006 £'000
Operating profit	1,598
Depreciation	58
Increase in debtors	(155)
Increase in creditors	6,461
Net cash inflow from operating activities	7,962

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	6 months to 30 June 2006 £'000
Increase in cash in the period	7,470
Movement in net funds in the period	7,470
Net funds brought forward	5,592
Net funds at period end	13,062

Notes to Financial Statements

1. BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

The financial information contained in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The unaudited consolidated financial information for the six months ended 30 June 2006 have been prepared in accordance with accounting policies adopted in the London Capital Group Holdings statutory accounts for 31 December 2005.

Comparative figures for 2005 are for memorandum purposes and comprise London Capital Group Limited results.

Charges in respect of employee share schemes will be completed in accordance with FRS 20 as part of the full year audited accounts. The effect of the change of accounting policy is expected to significantly accelerate the timing of the schemes' cost.

A copy of this interim statement is being sent to all shareholders and further copies are available from the Company's Registered Office as well as on the Company's website: www.londoncapitalgroup.com

2. TURNOVER

Turnover is stated net of brokerage and hedging costs:

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000	Year to 31 December 2005 £'000
Spread betting income	3,373	1,940	4,242
Brokerage income	517	625	1,066
Forex income	240	-	-
Turnover – continuing	4,130	2,565	5,308
Turnover – discontinued	-	-	-
Gross group turnover	4,130	2,565	5,308
Hedging and brokerage costs	(602)	(237)	(447)
Net group turnover	3,528	2,328	4,861

3. EXCEPTIONAL ITEMS

The exceptional items comprises the following:

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Vendor non recurring costs	-	(266)
Bonus	-	(153)
Other non recurring costs	-	(116)
Exceptional income	-	120
	-	(415)

4. TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the period

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 30% (2005 - 30%)	<u>442</u>	<u>28</u>
Total current tax	<u>442</u>	<u>28</u>
Deferred tax:		
Origination and reversal of timing differences	<u>9</u>	<u>-</u>
Tax on profit on ordinary activities	<u>451</u>	<u>28</u>

5. EARNINGS PER SHARE

The basic earnings per ordinary share is calculated by dividing profit for the period less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares outstanding during the period.

	at 30 June 2006 £
Profit after tax	1,204,000
Weighted average no of shares	38,292,683
Weighted average basic EPS	<u>3.14p</u>

The diluted earnings per ordinary share is the basic earnings per share after allowing for the dilative effect of the conversion into Ordinary shares of the weighted average number of options outstanding during the period.

	at 30 June 2006 £
Profit after tax	1,204,000
Weighted average no of shares	41,507,564
Weighted average diluted EPS	<u>2.90p</u>