Press Release **20 September 2010**

Lighthouse Group plc

("Lighthouse" or "the Group")

Financial Adviser Awards: Large IFA of the Year

Interim Results

Lighthouse Group plc (AIM: LGT) today announces interim results for the six months ended 30 June 2010.

Highlights

- Revenues up 11%
- 23% increase in EBITDA*
- Recurring revenues up by nearly 20 per cent
- Cash balances in excess of £12 million
- Interim dividend of 0.12p per share to be paid in October
- Successful sale of City Trustees for £1.85 million in cash following the period end (in August)

**Earnings before interest, tax, depreciation, and amortisation*

Commenting on the results, David Hickey, Executive Chairman of Lighthouse Group plc, said: "Trading progressed steadily during the period. The proportion of recurring revenues now exceeds 25 per cent of the total and continues to rise, and the Group's operations continue to generate cash.

"The balance sheet is extremely strong with substantial cash deposits. With financial strength becoming a key differentiator in this industry, the Board remains confident of further progress during the remainder of the year and beyond."

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Chairman's statement for the six months ended 30 June 2010

I am pleased to report another period of good progress for Lighthouse.

The first six months of 2010 saw significant improvements in revenues, gross profits and EBITDA. The rise in recurring income continued the improvement in the quality of earnings and the ongoing cash generation of the business further boosted the Group's already significant financial strength.

Subsequent to the period end, the Group successfully completed the sale of City Trustees allowing greater focus to be placed on the Group's advisory businesses going forward.

Trading Highlights

	Unaudited 6 months to 30 June 2010	Unaudited 6 months to 30 June 2009
Revenue	**£32.6 million**	£29.3 million
Gross profit	**£8.9 million**	£8.6 million
Operating costs	**£8.2 million**	£8.1 million
EBITDA *	**£648,000**	£526,000
Profit before taxation	**£117,000**	£56,000
Earnings per share (basic)	**0.09p**	0.05p

*Earnings before interest, tax, depreciation, and amortisation

Results

Revenues, gross profits and EBITDA all rose in comparison with the corresponding period; by 11 per cent., 3 per cent. and 23 per cent. respectively, on a like for like basis. The increase in revenues reflected greater investor confidence in markets generally. The reduction in percentage gross margin was a result of the recovery in, and consequently a greater proportion of, revenues generated by, the network operating segment whose activities contribute lower margins than other segments.

Operating costs were marginally higher at £8.2 million (H1 2009: £8.1 million) but declined by 2 per cent. to 25 per cent. as a percentage of revenues. The relatively fixed nature of such costs meant that the revenue increase flowed through to the EBITDA level, generating the significant 23 per cent. increase from £526,000 to £648,000 seen for the period.

Depreciation and amortisation rose from £456,000 to £496,000 reflecting a full six months' charge in respect of the intangible assets arising from the Godfrey Pearson acquisition.

Profit before taxation for the period was £117,000 (H1 2009: £56,000) as a result of the increase in EBITDA offset by the higher depreciation and amortisation and net financing costs.

Recurring Income

The Board remains keen to improve further the visibility of its revenues, and hence places considerable emphasis on recurring revenue. Typically this comprises regular income derived from client investments and other products placed on their behalf. During the first half of 2010, recurring revenues rose to £8.6 million (H1 2009: £7.2 million), an increase of some 19 per cent., and now represents approximately 26 per cent of all Group revenues.

Balance Sheet

Cash balances amounted to £12.3 million at the period end, which were similar to those held at the same date in 2009, and the Group has no bank debt.

The Group continues to hold a trading facility which is repayable in instalments between 2010 and 2012. At 30 June 2010 the outstanding balance had been reduced from £4.5 million to £3.6 million and the facility is expected to be retired fully from surplus operating cash flows, in line with expectations, by the end of 2012.

Since the period end, the proceeds of the sale of City Trustees (see below) added further to the Group's cash balances. Your Board continues to believe that financial strength is an essential prerequisite to advisory operations, in the interest of shareholders, advisers and customers, and will continue to preserve a robust and liquid balance sheet.

Dividends

Last year the Board restored dividend payments following the restructuring of balance sheet reserves. Since then the Group has improved profitability and maintained a strong underlying cash flow. Accordingly your Board has decided to increase the interim dividend for 2010 to 0.12p (2009: 0.1p normalised) to reflect that progress and continuing confidence in the Group's prospects.

The dividend is expected to be paid on 28 October 2010 to shareholders on the register at 1 October 2010. Thereafter, but always subject to satisfactory trading, the Board plans to adopt a progressive dividend policy.

Affinity Relationships

The Group continues to develop its connections with those major employee, union, and other organisations requiring financial advice for their employees and members. The Group announced in March that, following a competitive interview process, it had been exclusively contracted to advise employees of the Royal Mint regarding changes to their pension arrangements. Subsequently in July the Group announced that it had been appointed by UNISON, Britain's largest public sector trade union, to supply financial advice to all of the union's members on an exclusive basis. The flow of new clients emanating from these relationships continues to grow and already comprises a significant proportion of introductory leads for the Group's advisers.

Sale of City Trustees

On 10 August 2010 the Group announced the sale of its pensions administration business for a cash consideration of £1.85 million payable on completion. While City Trustees had traded steadily since being acquired as part of the £2.7 million Carrwood transaction in 2005, it had remained sub scale and was not viewed by the Board as core to the Group's future business. The proceeds have been added to the Group's existing cash balances and the profit arising from the sale will be treated as non-recurring in the Group's annual accounts.

Strategy and Prospects

The Retail Distribution Review, due to come into effect by 1 January 2013, and various other regulatory changes, continue to dominate industry prospects. Many of the likely outcomes are becoming clearer. Increased adviser qualifications will lead to a reduction in the number of advisers; the parallel increase in capital adequacy requirements for smaller firms will challenge the continued existence of many; and the removal of commission on non protection related product sales will remove the financial lever currently available to product manufacturers.

Within a couple of years, there will be considerably fewer advisers operating outside major organisations, such as Lighthouse; many advisers will see reductions in remuneration per case; and manufacturers will need alternative strategies both to maintain market share of new business and to ensure continued persistency of existing business.

Lighthouse continues to assist its advisers in securing the remaining qualifications required. The expansion of the affinity relationships continually increases the number of new clients available to the Group's advisers, to compensate them for any pending reduction in income per case; and discussions with leading manufacturers are progressing to ensure that the Group benefits from their expected future greater proximity to the major distribution groups.

Against this background your Board is satisfied that Lighthouse's scale and financial strength differentiates the Group from most stand-alone organisations in the sector.

More immediately and since June, the Group has continued to trade at least in line with expectations and accordingly the Board looks forward to reporting further progress for the full year.

Finally, I would like to express my thanks to our independent financial advisers for their professionalism and loyalty to the Group, and to all my fellow employees and directors, for their contributions during the period.

David Hickey

Executive Chairman
17 September 2010

Lighthouse Group plc
Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

	Unaudited 6 months ended 30 June 2010 £'000	Unaudited 6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Revenue	**32,618**	29,281	60,738
Cost of sales	**(23,737)**	(20,630)	(43,425)
Gross profit	**8,881**	8,651	17,313
Administrative expenses			
Other operating expenses	**(8,233)**	(8,125)	(16,232)
Earnings before interest, tax, depreciation, amortisation and exceptional items	***648***	*526*	*1,081*
Depreciation and amortisation	**(496)**	(456)	(941)
Total administrative expenses	**(8,729)**	(8,581)	(17,173)
Operating profit	**152**	70	140
Finance revenues	**31**	45	70
Finance costs	**(66)**	(59)	(117)
Profit before taxation	**117**	56	93
Tax credit	**41**	35	124
Profit for the period	**158**	91	217
Other comprehensive income			
(Diminution)/gain in fair value of available-for-sale financial asset	**(4)**	-	21
Total comprehensive income for the period	**154**	91	238
Profit for the year attributable to:			
Equity holders of the parent	**116**	60	175
Minority interest	**38**	31	63
	154	91	238
Earnings per share (basic)	**0.09p**	0.05p	0.12p
Earnings per share (diluted)	**0.09p**	0.04p	0.11p

Lighthouse Group plc
Consolidated Statement of Changes in Equity
For the six months ended 30 June 2010

	Share capital	Share premium account	Merger reserve	Special non-distributable reserve	Reserves arising from share based payments	Retained earnings	Total attributable to equity shareholders	Minority interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	**1,277**	**-**	**-**	**1,999**	**874**	**8,601**	**12,751**	**90**	**12,841**
Total recognised income and expense for the period	**-**	**-**	**-**	**-**	**-**	**116**	**116**	**38**	**154**
Share based payment	**-**	**-**	**-**	**-**	**48**	**-**	**48**	**-**	**48**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(255)**	**(255)**	**(33)**	**(288)**
At 30 June 2010	**1,277**	**-**	**-**	**1,999**	**922**	**8,462**	**12,660**	**95**	**12,755**
At 1 January 2009	1,277	5,696	2,785	1,999	2,169	(1,271)	12,655	107	12,762
Total recognised income and expense for the period	-	-	-	-	-	60	60	31	91
Share based payment	-	-	-	-	88	-	88	-	88
Cancellation of share premium account	-	(5,696)	-	-	-	5,696	-	-	-
Dividends paid	-	-	-	-	-	-	-	(60)	(60)
At 30 June 2009	1,277	-	2,785	1,999	2,257	4,485	12,803	78	12,881

Lighthouse Group plc
Consolidated Statement of Financial Position
At 30 June 2010

	Unaudited 6 months ended 30 June 2010	Unaudited 6 months ended 30 June 2009	Audited Year ended 31 December 2009
	£'000	£'000	£'000
Assets			
Non current assets			
Intangible assets	**11,648**	12,105	12,034
Property, plant and equipment	**204**	262	274
Available-for-sale Investments	**116**	99	120
	11,968	12,466	12,428
Current assets			
Trade and other receivables	**9,058**	4,874	8,274
Cash and cash equivalents	**12,302**	12,238	13,353
	21,360	17,112	21,627
Total assets	**33,328**	29,578	34,055
Current liabilities			
Trade and other payables	**(10,318)**	(8,586)	(10,515)
Provisions	**(2,993)**	(2,054)	(2,811)
	(13,311)	(10,640)	(13,326)
Non current liabilities			
Trade and other payables	**(1,884)**	(3,600)	(2,856)
Provisions	**(3,866)**	(883)	(3,447)
Deferred tax liabilities	**(1,512)**	(1,574)	(1,585)
	(7,262)	(6,057)	(7,888)
Total liabilities	**(20,573)**	(16,697)	(21,214)
Net assets	**12,755**	12,881	12,841
Capital and reserves			
Called up share capital	**1,277**	1,277	1,277
Merger reserve	**-**	2,785	-
Special non-distributable reserve	**1,999**	1,999	1,999
Other reserves - share based payments	**922**	2,257	874
Retained earnings	**8,462**	4,485	8,601
Total equity attributable to equity holders of the company	**12,660**	12,803	12,751
Minority interests	**95**	78	90
Total equity	**12,755**	12,881	12,841

The interim financial information was approved by the Board of Directors on 17 September 2010 and was signed on its behalf by

Malcolm Streatfield
Joint Chief Executive

Peter Smith
Finance Director

Lighthouse Group plc
Consolidated Statement of Cashflows
For the six months ended 30 June 2010

	Unaudited 6 months ended 30 June 2010	Unaudited 6 months ended 30 June 2009	Audited Year ended 31 December 2009
Operating activities	**£'000**	£'000	£'000
Group profit before tax for the period	**117**	56	93
Adjustments to reconcile group profit for the period to net cash inflows from operating activities			
Finance revenues	**(31)**	(45)	(70)
Finance costs	**66**	59	117
Loss on disposal of property, plant and equipment	-	4	5
Depreciation of property, plant and equipment	**110**	83	168
Amortisation of intangible assets	**386**	370	773
Share based payments	**48**	88	176
(Increase)/decrease in trade and other receivables	**(904)**	201	(3,028)
(Decrease)/increase in trade and other payables	**(205)**	(892)	93
Movement in provisions	**601**	199	3,520
Cash generated from operations	**188**	123	1,847
Finance costs paid	**(66)**	(59)	(127)
Income taxes received/(paid)	**129**	-	(150)
Net cash flow from operating activities	**251**	64	1,570
Investing activities			
Payments to acquire trade and certain assets under business combination - deferred consideration	**(105)**	(89)	(180)
Purchase of property, plant and equipment	**(40)**	(12)	(61)
Receipts from sales of property, plant and equipment	**-**	1	-
Finance revenues received	**31**	45	70
Net cash flow utilised by investing activities	**(114)**	(55)	(171)
Financing activities			
Repayments of trade facility	**(900)**	-	-
Dividends paid to equity shareholders	**(255)**	-	(255)
Dividends paid to minority interests	**(33)**	(60)	(80)
Net cash flow from financing activities	**(1,188)**	(60)	(335)
(Decrease)/increase in cash and cash equivalents	**(1,051)**	(51)	1,064
Cash and cash equivalents at the beginning of the period	**13,353**	12,289	12,289
Cash and cash equivalents at period end	**12,302**	12,238	13,353

Lighthouse Group plc
Notes to the Financial Information
For the six months ended 30 June 2010

1. The interim financial information, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated cashflow statement and consolidated statement of changes in equity and the related explanatory notes has been prepared on the basis of the accounting policies set out in the Group accounts for the year ended 31 December 2009, as adjusted by the adoption of the amendments to International Accounting Standard 1 (Presentation of Financial Statements) which had the effect only of minor presentational changes. It is unaudited but has been reviewed by the auditor.

   This information does not constitute statutory accounts for the purpose of section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2009, prepared under International Financial Reporting Standards has been delivered to the Registrar of Companies and contained an unqualified auditors' report.

2. The calculation of the basic and diluted earnings per share attributable to equity shareholders of the parent company is based on the following data:

	6 months ended 30 June 2010	6 months ended 30 June 2009	Audited year ended 31 December 2009
Earnings for the purposes of basic and dilutive earnings per share (£'000)	**116**	60	175
Weighted average number of ordinary shares for the purpose of basic earnings per share	**127,700,298**	127,700,298	127,700,298
Effect of the dilutive potential on ordinary shares: Share options	**526,388**	8,772,649	8,203,956
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**128,226,686**	136,472,947	135,904,254

As at 30 June 2010, there were 8,581,491 (June 2009: 9,851,695; December 2009: 17,411,107) options that existed which could potentially dilute basic earnings per share in the future, but were not included in the calculation of dilutive shares because the options are unlikely to be exercised in the foreseeable future.

3 A copy of the Interim Statement is being sent to all shareholders and copies are available for collection indefinitely from the Group's Head Office (address: Lighthouse Group plc, 26 Throgmorton Street, London, EC2N 2AN) or at the Group's website (www.lighthousegroup.plc.uk).

4 **Post balance sheet event**

As indicated in the Chairman's Statement, on 9 August 2010 the Group sold its wholly owned subsidiary companies, City Trustees Limited and City Pensions Limited, for a combined consideration of £1.85 million, paid in cash at Completion.

The sale generated a net cash inflow of £1.6 million and a profit on disposal of £1.1 million which will be treated as a non-recurring gain in the financial statements of the Group for the year ending 31 December 2010.

INDEPENDENT REVIEW REPORT TO LIGHTHOUSE GROUP PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2010 which comprises the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated balance sheet and the consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Murray Alexander Raisbeck (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

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17 September 2010