Press Release **26 September 2011**

Lighthouse Group plc

("Lighthouse" or "the Group")

Financial Adviser Awards: Large IFA of the Year 2011 and 2010

Interim Results

Lighthouse Group plc (AIM: LGT) today announces its interim results for the six months ended 30 June 2011.

Summary

- Average annualised revenue per adviser up 8%
- 50% increase in EBITDA*
- Like-for-like recurring revenues up a further 5% to 28%
- Net cash balances of £11.8 million, up £0.6 million from 31 December 2010 after tax and dividend payments
- Interim dividend of 0.13p per share to be paid in October
- Non-recurring charge of £2.9 million in respect of Falcon historic trading and network re-organisation

**Earnings before interest, tax, depreciation, and amortisation and non-recurring operating expenses*

Commenting on the results, David Hickey, Executive Chairman of Lighthouse Group plc, said: "Trading progressed well during the period, with EBITDA rising for the fifth consecutive results announcement. The proportion of recurring revenues now exceeds 28 per cent. of the total and continues to rise, with the Group's operations continuing to generate cash.

"The non-recurring charge in respect of Falcon follows the recent winding down of this regulated entity and related costs.

"The Group balance sheet is extremely strong with substantial cash deposits. With financial strength now a key differentiator in this industry, the Board considers that the Group is well placed to take advantage of future opportunities."

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Chairman's statement for the six months ended 30 June 2011

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

The first six months of 2011 saw a substantial increase in the Group's profits, despite a modest reduction in revenues as a consequence of less productive advisers leaving the Group. The 50 per cent rise in EBITDA was particularly notable and reflected the Group's continued focus on gross margins and cost control. 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 rationalisation of two of its regulated entities announced earlier in the year, the Group has made provisions for certain aspects of the historical trading of its Falcon subsidiary. Falcon has since been wound down as a trading entity but will remain as a trading brand for certain of the Group's advisers.

During the period the Group was named "Large IFA of the Year", for the second year running, following a competitive technical assessment by the publication "Financial Adviser".

Trading highlights

	Unaudited 6 months to 30 June 2011	Unaudited 6 months to 30 June 2010 Restated*
Revenue	**£30.9 million**	£32.6 million
Gross profit	**£8.1 million**	£8.1 million
Operating costs	**£7.1 million**	£7.4 million
EBITDA **	**£967,000**	£648,000
(Loss)/profit before taxation	**£(2.4) million**	£117,000
Non-recurring charges	**£(2.9) million**	-
Earnings per share before non-recurring charges (basic)	**0.26p**	0.09p
(Loss)/earnings per share (basic)	**(1.88)p**	0.09p

* As restated to include employed adviser staff costs in cost of sales (see Note 1 for further details) - no impact on results as previously reported.

** Earnings before interest, tax, depreciation, and amortisation and non-recurring operating expenses.

Results

Revenues and cost of sales fell by 5 and 7 per cent. respectively when compared to the first half of 2010, reflecting the reduction in average adviser numbers from 820 to 713. Gross profits increased in all business segments and together with the reduction in operating costs meant that EBITDA rose by some 50 per cent. The Group continues to focus on procuring further margin improvement.

The full benefits of the centralisation of support services for two of the Group's regulated businesses conducted at the start of the year, the costs of which are included within the non-recurring charge of £2.9 million referred to above, will flow through in the second half of the year.

Depreciation and amortisation fell from £496,000 to £441,000 reflecting lower levels of capital expenditure in prior periods.

Earnings per share before the impact of non-recurring items amounted to 0.26p (2010: 0.09p).

The loss before taxation for the period was £2,414,000 (H1 2009: profit before tax of £117,000) and loss per share was 1.88p (2010: profit of 0.09p per share).

Falcon non-recurring charge

It was announced earlier this year that two of the Group’s regulated entities were to be rationalised to create LASER, a regulated network. As a consequence, the Falcon regulated entity has now been largely wound down, and will cease trading in the near future. There is a small number of advisers who utilise the brand for trading, and the Group will continue to make this facility available to them.

Subsequent to the above rationalisation, certain aspects of Falcon’s historical trading have become the subject of review. As a consequence, the Board has deemed it prudent to make a provision of £2.5 million in respect of closure costs and other potential historic liabilities. Together with other non-recurring Falcon expenses of some £400,000 already incurred, this resulted in an aggregate non-recurring charge of £2.9 million as set out in the consolidated statement of comprehensive income.

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 2011, recurring revenues rose to £8.7 million (H1 2010: £8.3 million on a like for like basis), an increase of some 5 per cent., and now represent approximately 28 per cent. of total Group revenues. In addition, the LighthouseCapital project (which is designed to match investments to a client's risk profile through a streamlined process) is accelerating, and approaching £250 million has now been placed via this mechanism.

Financial position

Cash balances amounted to £13.6 million at the period end, compared to £12.3 million at the end of the corresponding previous period. Net cash balances after adjusting for the five year trading facility rose from £11.2 million at the end of December 2010 to £11.8 million by 30 June 2011. The facility, which is repayable in instalments, is expected to be retired fully from surplus operating cash flows, in line with expectations, by mid-2012. The Group has no bank debt.

Dividends

Group trading in the first half of 2011 was in line with expectations and the Group's underlying cash generation has remained strong. Accordingly your Board has decided to increase the interim dividend for 2011 to 0.13p (2010: 0.12p) to reflect that progress, as well as continuing confidence in the Group's prospects.

The interim dividend is expected to be paid on 27 October 2011 to shareholders on the register at 7 October 2011.

Affinity relationships

The Group continues to develop its connections with major employee, union, and other organisations requiring financial advice for their employees and members. In May and June 2011 the Group announced three and two year contracts respectively to provide financial planning advice to members of The Association of Heads and Deputies ("AHDS") and the Civil Service Motoring Association ("CSMA") Club respectively, and in June the Group signed a contract with Dains Chartered Accountants. Further similar announcements are expected. As a consequence of the

Group’s success in this arena, the flow of new clients emanating from these relationships continues to grow and comprises a significant and increasing proportion of introductory leads for the Group's advisers.

Strategy and prospects

The Retail Distribution Review (“RDR”), due to come into effect by 1 January 2013, is casting a shadow over the industry. While greater clarity over client charging and increased professional qualifications among advisers are both to be welcomed, the transition is extremely disruptive. Many advisers are devoting substantial business time to academic study and in parallel their customer and business offerings have to be redesigned, and substantial systems re-alignments are required throughout the industry. This disruption is expected to continue until RDR completes and beyond. It is therefore gratifying that the Group continued to improve its profitability through the period.

It is expected that future per case remuneration will decline in the industry. For many advisers this will require new sources of business, with additional clients. It is for this reason that Lighthouse continues to expand its affinity relationships which in turn continually increases the number of new clients available for advisers.

Against this background your Board is satisfied that Lighthouse's scale, new customer flows and financial strength continue to differentiate the Group from most stand-alone organisations in the sector. In addition the LighthouseCapital process increases the rigour surrounding the client investment process, improves the visibility of client holdings and minimises remuneration leakage, all of which will increasingly benefit the Group. More immediately and since June, the Group has continued to trade at least in line with management 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
26 September 2011

Lighthouse Group plc
Consolidated statement of comprehensive income for the six months ended 30 June 2011

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010 Restated	Audited Year ended 31 December 2010
	£'000	£'000	£'000
Revenue	**30,924**	32,618	63,125
Cost of sales	**(22,831)**	(24,556)	(47,368)
Gross profit	**8,093**	8,062	15,757
Administrative expenses			
Other operating expenses	**(7,126)**	(7,414)	(14,436)
Earnings before interest, tax, depreciation, amortisation and exceptional items	***967***	*648*	*1,321*
Non-recurring operating expenses	**(2,926)**	-	(164)
Total operating expenses	**(10,052)**	(7,414)	(14,600)
Depreciation and amortisation	**(441)**	(496)	(973)
Total administrative expenses	**(10,493)**	(7,910)	(15,573)
Operating (loss)/profit	**(2,400)**	152	184
Finance revenues	**34**	31	64
Finance costs	**(48)**	(66)	(119)
(Loss)/profit before taxation	**(2,414)**	117	129
Tax credit	**48**	41	161
Gain on disposal of subsidiary undertakings	**-**	-	1,236
(Loss)/profit for the period	**(2,366)**	158	1,526
Other comprehensive income			
(Diminution)/gain in fair value of available-for-sale financial asset	**-**	(4)	15
Total comprehensive (loss)/income for the period	**(2,366)**	154	1,541
(Loss)/profit for the year attributable to:			
Equity holders of the parent	**(2,402)**	120	1,452
Non-controlling interest	**36**	38	74
	(2,366)	158	1,526
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the parent	**(2,402)**	116	1,467
Non-controlling interest	**36**	38	74
	(2,366)	154	1,541
(Loss)/earnings per share (basic)	**(1.88)p**	0.09p	1.14p
(Loss)/earnings per share (diluted)	**(1.88)p**	0.09p	1.13p

Lighthouse Group plc
Consolidated statement of changes in equity
for the six months ended 30 June 2011

	Share capital	Special non-distributable reserve	Reserves arising from share based payments	Retained earnings	Total attributable to equity shareholders	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	**1,277**	**1,999**	**919**	**9,659**	**13,854**	**106**	**13,960**
Total recognised income and expense for the period	**-**	**-**	**-**	**(2,402)**	**(2,402)**	**36**	**(2,366)**
Share based payment	**-**	**-**	**25**	**-**	**25**	**-**	**25**
Dividends paid	**-**	**-**	**-**	**(306)**	**(306)**	**(30)**	**(336)**
At 30 June 2011	**1,277**	**1,999**	**944**	**6,951**	**11,171**	**112**	**11,283**
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

Lighthouse Group plc
Consolidated statement of financial position
at 30 June 2011

	Unaudited 30 June 2011	Unaudited 30 June 2010	Audited 31 December 2010
	£'000	£'000	£'000
Assets			
Non current assets			
Intangible assets	**10,842**	11,648	11,228
Property, plant and equipment	**190**	204	202
Available-for-sale Investments	**135**	116	135
	11,167	11,968	11,565
Current assets			
Trade and other receivables	**8,920**	9,058	7,724
Cash and cash equivalents	**13,602**	12,302	13,924
	22,522	21,360	21,648
Total assets	**33,689**	33,328	33,213
Current liabilities			
Trade and other payables	**(10,239)**	(10,318)	(10,198)
Provisions	**(8,245)**	(2,993)	(4,246)
	(18,484)	(13,311)	(14,444)
Non current liabilities			
Trade and other payables	**-**	(1,884)	(912)
Provisions	**(2,625)**	(3,866)	(2,531)
Deferred tax liabilities	**(1,297)**	(1,512)	(1,366)
	(3,922)	(7,262)	(4,809)
Total liabilities	**(22,406)**	(20,573)	(19,253)
Net assets	**11,283**	12,755	13,960
Capital and reserves			
Called up share capital	**1,277**	1,277	1,277
Special non-distributable reserve	**1,999**	1,999	1,999
Other reserves - share based payments	**944**	922	919
Retained earnings	**6,951**	8,462	9,659
Total equity attributable to equity holders of the Company	**11,171**	12,660	13,854
Non-controlling interest	**112**	95	106
Total equity	**11,283**	12,755	13,960

The interim financial information was approved by the Board of Directors on 26 September 2011 and was signed on its behalf by

David Hickey
Executive Chairman

Peter Smith
Finance Director

Lighthouse Group plc
Consolidated statement of cashflows
For the six months ended 30 June 2011

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2009
Operating activities	**£'000**	£'000	£'000
Group (loss)/profit before tax for the period	**(2,414)**	117	129
Adjustments to reconcile group profit for the period to net cash inflows from operating activities			
Finance revenues	**(34)**	(31)	(64)
Finance costs	**48**	66	119
Loss on disposal of property, plant and equipment	**-**	-	2
Depreciation of property, plant and equipment	**55**	110	200
Amortisation of intangible assets	**386**	386	773
Share based payments	**25**	48	45
Movement in trade and other receivables	**(1,196)**	(904)	270
Movement in trade and other payables	**96**	(205)	(128)
Movement in provisions	**4,093**	601	269
Cash generated from operations	**1,059**	188	1,615
Finance costs paid	**(50)**	(66)	(121)
Income taxes (paid)/received	**(14)**	129	102
Net cash inflow from operating activities	**995**	251	1,596
Investing activities			
Payments to acquire trade and certain assets under business combination - deferred consideration	**(72)**	(105)	(144)
Proceeds from disposal of subsidiary undertakings	**-**	-	1,452
Purchase of property, plant and equipment	**(43)**	(40)	(130)
Finance revenues received	**34**	31	64
Net cash (outflow)/inflow from investing activities	**(81)**	(114)	1,242
Financing activities			
Repayments of trade facility	**(900)**	(900)	(1,800)
Dividends paid to equity shareholders	**(306)**	(255)	(409)
Dividends paid to non-controlling interests	**(30)**	(33)	(58)
Net cash outflow from financing activities	**(1,236)**	(1,188)	(2,267)
(Decrease)/increase in cash and cash equivalents	**(322)**	(1,051)	571
Cash and cash equivalents at the beginning of the period	**13,924**	13,353	13,353
Cash and cash equivalents at period end	**13,602**	12,302	13,924

Lighthouse Group plc
Notes to the financial information
for the six months ended 30 June 2011

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 2010, 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 issues. It is unaudited but has been reviewed by the auditor.

Change in basis of preparation of consolidated statement of comprehensive income
The allocation of the staff costs of employed advisers within the Consolidated Statement of Comprehensive Income has been changed from that applied in the six months to 30 June 2010 so as to include such costs within cost of sales rather than as administrative expenses. This is to more fairly reflect the origin of such costs and to improve the comparability of the Group's results. The effect of this change in allocation is to increase cost of sales and reduce administrative expenses by £819,000 from those previously reported upon for the period ended 30 June 2010 and by £793,000 for the period ended 30 June 2011. There was no other effect on any results, assets, liabilities, reserves or cashflows as previously reported.

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 2010, 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:

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited year ended 31 December 2010
(Loss)/earnings for the purposes of basic and dilutive earnings per share (£'000)	**(2,402)**	120	1,452
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	525,099
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**127,700,298**	128,226,686	128,225,397

As at 30 June 2011, there were 8,103,500 (June 2010: 8,581,491; December 2010: 8,223,710) 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. An additional 253,452 shares were excluded as their impact was aniti-dilutive.

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).

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 2011 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 2011 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

Chartered Accountants

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26 September 2011

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