Press Release **24 September 2012**

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 2012.

Highlights

- Average revenue per adviser increased by 3 per cent.
- Operating costs reduced by £598,000 or 8 per cent.
- EBITDA* £740,000 (H1 2011: £967,000) down 23 per cent. due to lower adviser numbers
- Named Large IFA of the Year for third consecutive year in Financial Adviser Awards 2012
- Three new affinity contracts secured with high profile groups: BA Clubs in March 2012, followed by Royal College of Nurses and Bakers, Foods and Allied Workers Union post period-end
- Business reshaping for post RDR environment proceeding well
- Net cash balances of £10.6 million, trade facility fully repaid

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

Commenting on the results, Richard Last, Chairman of Lighthouse Group plc, said:

"Trading during the period under review, which saw considerable focus by the Group and its advisers on attaining the qualifications and reshaping business models and systems necessary for operating in the post RDR environment, generated an EBITDA of £740,000. Whilst this was lower than in the comparable period last year (H1 2011: £967,000), due to lower adviser numbers, average revenue per adviser increased by 3 per cent. reflecting the higher level of engagement between the Group's advisers and clients.

“The non-recurring provision established in 2011, in respect of historic trading issues at two regulated subsidiaries (which have now ceased trading) was maintained throughout the period.

“The Group balance sheet remains strong with sufficient cash balances available to meet working capital requirements, which are likely to increase post implementation of the RDR, and to meet regulatory needs. With financial strength now a key differentiator in this industry and with well developed plans for business development for post 1 January 2013 trading, 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 2012

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

Trading highlights

	Unaudited 6 months to 30 June 2012	Unaudited 6 months to 30 June 2011
Revenue	**£27.2 million**	£30.9 million
Gross profit	**£7.3million**	£8.1 million
Operating costs	**£6.5 million**	£7.1 million
EBITDA *	**£740,000**	£967,000
Non-recurring items	**£(295,000)**	£(2.9) million
Earnings per share before non-recurring items (basic)	**0.29p**	0.41p
Profit/(loss) before taxation	**£59,000**	£(2.4) million
Earnings/(loss) per share (basic)	**0.06p**	(1.88)p

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

Financial performance

The first six months of 2012 saw a reduction in average adviser numbers of 15 per cent. (from 713 to 608) in comparison with the first six months of 2011. The decrease was primarily as a result of the departure of certain Appointed Representatives of Financial Services Advice and Support ("FSAS") following that regulated entity having ceased to trade and its advisers and operations having transferred to Lighthouse Advisory Services ("LASER"), as previously announced. LASER is now the single active regulated entity within the Group.

The decrease also reflected the departure of advisers in advance of the 31 December 2012 deadline to achieve QCA Level 4 qualifications required by the Retail Distribution Review ("RDR").

The impact of the reduction in adviser numbers was partially mitigated by the 3 per cent. increase in average revenue generation per adviser, resulting in a reduction in total revenues of 12 per cent. Recurring operating expenses were also reduced by £598,000 (8 per cent.), notwithstanding upward pressure on regulatory and professional indemnity insurance costs, reflecting the continued close management of the Group's cost base and the closure of certain subsidiary offices. This resulted in an EBITDA (before non-recurring expenses) of £740,000, which was 23 per cent. lower than in the comparable period (£967,000).

The Group continues to focus on readying the business and working with its advisers for trading post 1 January 2013 and on procuring further margin improvement. Non-recurring operating expenses of £295,000 comprised further costs in relation to previous re-organisations along with initial spend on the Group's project to ensure the business is ready to operate in accordance with the requirements of the RDR with effect from 1 January 2013.The non-recurring expenses amounting to £2.9 million in 2011 comprised a provision against the historic trading of Falcon (as previously announced), which ceased operations in late 2011, along with certain reorganisation costs.

Earnings per share before the impact of non-recurring items amounted to 0.29p (2011: 0.41p). The profit before taxation for the period was £59,000 (H1 2011: loss before tax of £2,414,000) and basic earnings per share was 0.06p (2011: loss of 1.88p per share).

Overall the Board considers the performance in the first six months of 2012 to be satisfactory given the uncertainties surrounding the general economic environment in the UK and the specific challenges faced as a result of the fast approaching deadline for the implementation of the RDR which is absorbing increasing amounts of adviser and executive management time.

Recurring income

During the first half of 2012, recurring revenues reduced by 17 per cent. (broadly in line with adviser numbers) to £6.8 million (2011: £8.2 million), representing approximately 25 per cent. of all Group revenues. It is anticipated that recurring revenues will decline in importance in future years following the moves to customer agreed charging as required by the RDR.

Financial position and cash flow

The Group's net assets decreased by £250,000 during the period from 1 January to 30 June 2012, with the profit after tax and non-controlling interest of £96,000 being offset by the final dividend for 2011 of £345,000 paid in June 2012. As a result of the historic issues referred to above, the Group has recently given undertakings that its regulated subsidiaries will not make distributions or non-trading payments without discussion with and assent from the FSA. The undertakings do not restrict the Group's normal trading activities.

Cash balances, net of the trade facility which was repaid on schedule in May 2012, reduced by £361,000 in the period, broadly reflecting the dividends paid in June 2012.

The majority of the Group's cash balances of £10.6 million as at 30 June 2012 (£11 million and £11.8 million as at 31 December 2011 and 30 June 2011 respectively, net of the trade facility) are subject to the undertakings described above and are utilised in meeting the regulatory capital requirements and obligations and the working capital needs of the Group. The balance is required to provide support for trading immediately post RDR which it is generally acknowledged will see lower revenues per case and a potential short-term hiatus in trading volumes as well as to deal with the ever increasing focus on consumer redress issues within the market for retail financial products in the UK.

In the light of the significant uncertainties referred to above, the Board has undertaken a review of the carrying value of the intangible assets it holds and has concluded that, on the basis of information currently available to it, there was no need for an impairment charge to be made as at 30 June 2012. A further review will be undertaken as at the end of the current financial year.

Customer redress provisions

In 2011 the Group announced that a provision of some £2.5 million had been established, primarily in respect of issues arising from the historic trading at The Falcon Group Limited ("Falcon"), a wholly owned subsidiary acquired via the merger with Sumus Limited in 2008. At 30 June 2012 this sum remained the Directors' best estimate of the likely liabilities arising from such issues.

Participants in the market for retail distribution in the UK face a number of challenges arising from financial distribution and product failures (such as Keydata and Arch Cru) which, whether direct via customer complaints or by recovery proceedings initiated by regulatory authorities, have given rise to significant uncertainties for distributors into this market. The Board is dealing with any such challenges, as well as those arising from the implementation of the RDR, the most wide ranging realignment of the UK market ever undertaken,

Dividends

As noted in the Chairman's Statement set out within the 2011 Annual Report, the short-term trading changes expected to arise from the introduction of the RDR with effect from 1 January 2013 means there can be no certainty about the appropriate level of dividend to be paid after that date.

In addition, the circumstances which resulted in the substantial charges recognised in prior periods from the historic trading of certain subsidiaries (which are now non-trading) remain in place and this, together with an increasingly challenging regulatory environment and the undertakings referred to above, emphasises the need to maintain the Group's cash resources until such uncertainties have been eliminated.

Accordingly, the Board believes that it would be inappropriate to seek to pay a dividend at this time and hence no interim dividend in respect of the current year is proposed (2011: £166,000 or 0.13p per share). The Board will continue to review industry trading and conditions and will advise shareholders further at the time the full year results are released, which is expected to be in March 2013.

Affinity relationships

The Board is pleased with the developments that the Group has made in its connections with major employee, union, and other organisations requiring financial advice for their employees and members. In June 2012 the Group announced a three year contract to provide financial planning advice to members of The British Airways Clubs ("BA Clubs") representing 40,000 members and current and former employees of that group. In addition in September 2012 announcements were made of further new three year contracts with the Royal College of Nursing ("RCN") and the Bakers, Food and Allied Workers' Union ("BAFWU") along with the renewal for a further three years of a similar arrangement with the Association of School and College Leaders ("ASCL"), all for the provision of similar services.

The new contracts provide the Group with access to in excess of 450,000 individuals not previously included within existing affinity arrangements, and brings the aggregate number of potential clients within such contracts to more than 5 million. 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.

The existence of such strong and enduring affinity relationships provides a significant base for future growth, particularly in the Group's National business segment.

Retail Distribution Review and regulatory change

As indicated in previous statements, the RDR, which is scheduled to come into effect by 1 January 2013, represents the most significant and far reaching change in the way the market for the distribution of retail financial products in the UK operates since regulation was first introduced.

The RDR imposes a minimum professional qualification standard equivalent to QCA Level 4 which must be attained (in certified form) by any adviser who wishes to continue advising on regulated investment products and pensions (but not mortgage or protection at this time) after 31 December 2012. In addition the RDR imposes an outright ban on advisers being remunerated by commission agreed with and paid by product providers; instead the charge for such new business advised on in future will have to be agreed with and paid by by the client (either direct or out of monies remitted to or held by the provider).

Whilst the aims of the RDR (greater transparency over client charging and increased professional qualifications among advisers) are laudable and are welcomed by the Group, the transition is extremely disruptive. Many advisers are (and have been) 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.

Currently some 72 per cent. of those advisers that are required to qualify (i.e. excluding mortgage and protection only advisers) and that have indicated a preferred route to do so have attained the necessary QCA Level 4 qualification with 48 per cent. of relevant advisers having the required Statements of Professional Standards ("SPS"). A further 19 per cent. of advisers have only one examination left to take. These levels are ahead of the industry norms as recently indicated by the Chief Executive of the Personal Finance Society (Money Marketing, 6 September 2012). The Group is monitoring the position closely and expects the majority of the remaining advisers to achieve the necessary qualification and to obtain the SPS certificates by 31 December 2012.

The Group is also investing in excess of £500,000 in business processing systems and processes over the next six months to ensure that advisers are able to transact business in accordance with the requirements of the RDR and in as efficient a manner as possible post 1 January 2013.

This investment will also enable the Group to further expand and develop business from its affinity relationships thereby increasing the number of leads and appointments available to its advisers, particularly in Lighthouse Financial Advice ("LFA") the Group's National segment where margins are considerably higher due to the level of support and lead delivery provided. To this end LFA moved into modern, newly fitted out premises to support the Group's growth strategy in September 2012 and a dedicated recruitment team has recently been assembled to procure new advisers for this exciting new project.

It is expected that the combination of improved technology and more integrated business processes that will be deployed in the affinity arena will mitigate the decline in per case remuneration that is generally forecast in the post RDR trading environment.

The regulatory environment within which the Group operates also continues to intensify and recent statements on behalf of the Financial Conduct Authority (which will assume responsibility for advisory firms operating within the UK market for the distribution of retail financial products in the UK) emphasise that in future regulation will be more intrusive.

The Group has recognised the need for additional resources in the light of the changing environment within which it operates and recently announced the appointment of an experienced individual as Group Compliance Director (subject to approval by the Financial Services Authority). Other resources necessary to the current and future challenges the Group faces will be closely monitored.

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 Group has continued to trade at least in line with expectations since 30 June 2012.

Company status and Board changes

As shareholders will be aware, a resolution to cancel the Company's admission for its shares to be dealt on the Alternative Investment Market ("AIM") was rejected by shareholders on 31 July 2012. As a result of that decision, the Company's shares will continue to be traded on AIM and the Board is committed to maintaining an active dialogue with all of the Group's primary stakeholders.

Following the shareholders' decision, David Hickey, the Group's then Executive Chairman, considered it appropriate to stand down as a Director of the Company and resigned on 30 August 2012, and I was asked to accept nomination as Non-Executive Chairman. I would like to thank David for his significant contribution to the Group over the years of his tenure.

The Board will look to secure additional Non-Executive Directors in due course so as to broaden the resources available to the Board, with particular focus on experience within consumer and retail financial services areas.

Strategy and Outlook

As noted above, the Group faces considerable change and challenges as a result of the impending RDR and other regulatory developments as well as dealing with the issues that have arisen from historic trading in regulated subsidiaries that have since ceased trading. Considerable executive time has been absorbed in dealing with these matters during 2012 and substantive progress has been, and is being made, with a formal plan for ensuring that the Group is in an appropriate position to trade under the new post RDR environment from 1 January 2013.

The Group has also developed a detailed plan for growing and developing the offering within its National business, LFA. This will require substantial investment in systems and procedures, premises and in operational areas such as recruitment, training and business transition and is expected to yield significant benefits in terms of our product offering to clients and to the medium term growth in the profitability of the Group. Focus is also being given to ensuring that the Group's other businesses – in the Network and Specialist Services segments – are managed so as to take advantage of operational efficiencies that become available from new systems and operating procedures as well as to reduce risk both to the Group and the consumer.

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

Richard Last

Chairman - Non-Executive
24 September 2012

Lighthouse Group plc

Consolidated statement of comprehensive income for the six months ended 30 June 2012

	Unaudited 6 months ended 30 June 2012 £'000	Unaudited 6 months ended 30 June 2011 £'000	Audited Year ended 31 December 2011 £'000
Revenue	**27,165**	30,924	60,383
Cost of sales	**(19,897)**	(22,831)	(44,820)
Gross profit	**7,268**	8,093	15,653
Administrative expenses			
Other operating expenses	**(6,528)**	(7,126)	(13,962)
Earnings before interest, tax, depreciation, amortisation and exceptional items	***740***	*967*	*1,601*
Non-recurring operating expenses	**(295)**	(2,926)	(3,365)
Total operating expenses	**(6,823)**	(10,052)	(17,327)
Depreciation and amortisation	**(404)**	(441)	(895)
Total administrative expenses	**(7,227)**	(10,493)	(18,222)
Operating profit/(loss)	**41**	(2,400)	(2,659)
Finance revenues	**51**	34	86
Finance costs	**(33)**	(48)	(84)
Profit/(loss) before taxation	**59**	(2,414)	(2,657)
Tax credit	**44**	48	251
Profit/(loss) for the period	**103**	(2,366)	(2,406)
Other comprehensive income			
Diminution in fair value of available-for-sale financial asset	**(7)**	-	(7)
Total comprehensive income/(loss) for the period	**96**	(2,366)	(2,413)
Profit/(loss) for the year attributable to:			
Equity holders of the parent	**81**	(2,402)	(2,444)
Non-controlling interest	**22**	36	38
	103	(2,366)	(2,406)
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the parent	**74**	(2,402)	(2,451)
Non-controlling interest	**22**	36	38
	96	(2,366)	(2,413)
Earnings/(loss) per share (basic)	**0.06p**	(1.88)p	(1.92)p
Earnings/(loss) per share (diluted)	**0.06p**	(1.88)p	(1.92)p

Lighthouse Group plc
Consolidated statement of changes in equity
for the six months ended 30 June 2012

	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 2012	**1,277**	**1,999**	**951**	**6,736**	**10,963**	**49**	**11,012**
Total recognised income and expense for the period	**-**	**-**	**-**	**74**	**74**	**22**	**96**
Share based payment	**-**	**-**	**24**	**-**	**24**	**-**	**24**
Dividends paid	**-**	**-**	**-**	**(345)**	**(345)**	**(25)**	**(370)**
At 30 June 2012	**1,277**	**1,999**	**975**	**6,465**	**10,716**	**46**	**10,762**

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

Lighthouse Group plc
Consolidated statement of financial position
at 30 June 2012

	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Assets			
Non current assets			
Intangible assets	**10,100**	10,842	10,460
Property, plant and equipment	**165**	190	146
Available-for-sale Investments	**121**	135	128
	10,386	11,167	10,734
Current assets			
Trade and other receivables	**7,852**	8,920	7,316
Cash and cash equivalents	**10,634**	13,602	11,895
	18,486	22,522	19,211
Total assets	**28,872**	33,689	29,945
Current liabilities			
Trade and other payables	**(9,939)**	(10,239)	(9,671)
Provisions	**(4,879)**	(8,245)	(5,825)
	(14,818)	(18,484)	(15,496)
Non current liabilities			
Provisions	**(2,263)**	(2,625)	(2,340)
Deferred tax liabilities	**(1,029)**	(1,297)	(1,097)
	(3,292)	(3,922)	(3,437)
Total liabilities	**(18,110)**	(22,406)	(18,933)
Net assets	**10,762**	11,283	11,012
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	**975**	944	951
Retained earnings	**6,465**	6,951	6,736
Total equity attributable to equity holders of the Company	**10,716**	11,171	10,963
Non-controlling interest	**46**	112	49
Total equity	**10,762**	11,283	11,012

The interim financial information was approved by the Board of Directors on 24 September 2012 and was signed on its behalf by

Richard Last
Non-Executive Chairman

Peter Smith
Finance Director

Lighthouse Group plc
Consolidated statement of cashflows
For the six months ended 30 June 2012

	Unaudited 6 months ended 30 June 2012	Unaudited 6 months ended 30 June 2011	Audited Year ended 31 December 2011
Operating activities	**£'000**	£'000	£'000
Group profit/(loss)before tax for the period	**59**	(2,414)	(2,657)
Adjustments to reconcile group profit/(loss) for the period to net cash inflows from operating activities			
Finance revenues	**(51)**	(34)	(86)
Finance costs	**33**	48	84
Loss on disposal of property, plant and equipment	**-**	-	2
Depreciation of property, plant and equipment	**44**	55	127
Amortisation of intangible assets	**360**	386	768
Share based payments	**24**	25	32
Movement in trade and other receivables	**(513)**	(1,196)	407
Movement in trade and other payables	**1,170**	96	532
Movement in provisions	**(1,023)**	4,093	1,388
Cash generated from operations	**103**	1,059	597
Finance costs paid	**(34)**	(50)	(84)
Income taxes paid	**(36)**	(14)	(44)
Net cash inflow from operating activities	**33**	995	469
Investing activities			
Payments to acquire trade and certain assets under business combination – deferred consideration	**(12)**	(72)	(144)
Purchase of property, plant and equipment	**(63)**	(43)	(73)
Finance revenues received	**51**	34	86
Net cash outflow from investing activities	**(24)**	(81)	(131)
Financing activities			
Repayments of trade facility	**(900)**	(900)	(1,800)
Dividends paid to equity shareholders	**(345)**	(306)	(472)
Dividends paid to non-controlling interests	**(25)**	(30)	(95)
Net cash outflow from financing activities	**(1,270)**	(1,236)	(2,367)
Decrease in cash and cash equivalents	**(1,261)**	(322)	(2,029)
Cash and cash equivalents at the beginning of the period	**11,895**	13,924	13,924
Cash and cash equivalents at period end	**10,634**	13,602	11,895

Lighthouse Group plc
Notes to the financial information
for the six months ended 30 June 2012

1. The interim financial information, which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet and consolidated cashflow statement 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 2011. 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 2011, 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 2012	Unaudited 6 months ended 30 June 2011	Audited year ended 31 December 2011
Earnings/(loss) for the purposes of basic and dilutive earnings per share (£'000)	**81**	(2,402)	(2,444)
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	**248,559**	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**127,948,857**	127,700,298	127,700,298

   As at 30 June 2012, there were 8,092,189 (30 June 2011: 8,103,500; 31 December 2011: 8,092,189) 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).

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 2012 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 2012 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

100 Temple Street
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24 September 2012