Press Release **25 September 2013**

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 2013.

Highlights

- Average revenue per adviser increased 3 per cent. to £80,000 p.a.
- Recurring revenues up to 28 per cent. of total from 25 per cent. in H1 2012
- Gross profit margin increased to 32 per cent. from 27 per cent. in H1 2012
- Revenues £23.4 million (£27.2 million H1 2012)
- Operating costs up £0.9 million mainly due to ongoing investment in LFA growth plan of £0.6 million
- New three year affinity agreement signed with the USDAW trade union in March 2013

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

“The Board is pleased with the progress that the Group has made during the period. This strong result has been driven by the Group’s focus on increasing revenue per adviser, higher levels of engagement between advisers and clients and an ongoing focus on building relationships with affinity groups through the LFA division. All of this has been achieved despite the unprecedented changes that the industry has faced in recent months.

“Lighthouse is in a robust position in the market with a strong balance sheet and a good operating position post-RDR, and the Board is confident that the outlook for the Group in the short and longer term remains positive.”

For further information, please contact:

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Chairman's statement for the six months ended 30 June 2013

Trading highlights

	Unaudited 6 months to 30 June 2013	Unaudited 6 months to 30 June 2012
Revenue	**£23.43 million**	£27.17 million
Gross profit	**£7.51 million**	£7.27 million
Operating costs	**£7.46 million**	£6.53 million
EBITDA *	**£51,000**	£740,000
Non-recurring items	**-**	£(295,000)
(Loss)/earnings per share before non-recurring items (basic)	**(0.20p)**	0.29p
(Loss)/profit before taxation	**(£232,000)**	£59,000
(Loss)/earnings per share (basic)	**(0.20p)**	0.06p

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

Financial performance

I am pleased to report a resilient performance in the first trading period for the Group since the Retail Distribution Review ("RDR") became effective from 1 January 2013. Despite revenues being reduced by 14 per cent., primarily as a result of the 18 per cent. reduction in adviser numbers (in comparison with the first six months of 2012) due to RDR, the average revenue production per adviser rose by 3 per cent. to £80,000 p.a. in comparison with the first six months of 2012. The increase in average revenue production is particularly pleasing given the immense efforts made by all of the Group's advisers in dealing with the considerable operational changes and associated technological developments that were required in order to operate within the new landscape introduced by the RDR.

The Board is pleased that during the period, recurring revenues increased to 28 per cent. of total Group revenues compared with 25 per cent. in the first six months of 2012.

The increased proportion of revenues generated by Lighthouse Financial Advice ("LFA") and the Group's employed advisers within LighthouseCarrwood as compared with that derived from network members contributed to an increase in gross profit percentage from 27 per cent. to 32 per cent.

Operating costs increased by £0.9 million to £7.46 million (2012: £6.53 million) as a result of £0.6 million additional investment in recruitment, training, technology and marketing costs in LFA, along with higher professional indemnity (“PI”) insurance costs in line with general market trends. This resulted in EBITDA of £51,000 in the first six months of 2013 (2012: £740,000).

After depreciation and amortisation charges and net interest paid, the Group recorded a pre-tax loss of £232,000 (2012: profit of £59,000).

The Board has reviewed the position concerning potential liabilities arising from the historic trading of certain subsidiary companies and has concluded that the provisions previously established to meet potential consumer redress arising from Arch Cru and other advice issues remain adequate. Historic business placed with Arch Cru on behalf of customers is subject to the review imposed on the financial advisory sector by the Financial Conduct Authority under s404 FSMA 2000 of all historic business placed with Arch Cru on behalf of customers which is scheduled to be completed by 9 December 2013.

Financial position and cash flow

The Group’s net cash balances (after deduction of the loan notes of £820,000, as detailed below) stood at £8.3 million at 30 June 2013, a reduction of £2.2 million from the 2012 year end position of £10.5 million. This was as a result of the short-term impact of the RDR on amounts due from other counterparties, including PI insurers, as well as payment of non-recurring expenditure previously provided for in the 2012 financial statements.

Loan notes

As indicated in my previous statement in the 2012 Annual Report, in March 2013, the Group raised £820,000 in unsecured loan notes, redeemable on 31 December 2015, and raised a further £500,000 in July 2013.

The notes bear interest at 8 per cent. per annum, rolled up until redemption, and the funds will be used to finance the up front investment costs of the LFA Growth plan. Any premium on redemption is dependent on the future revenue, EBITDA and adviser numbers of LFA and will be self financing.

Proposed property acquisition

The Group is in final negotiations for the purchase of the long leasehold interest in an office property in Woodingdean, near Brighton, which is currently partially occupied by the LFA operations function. The purchase price of c. £1 million is to be funded by a combination of a commercial mortgage from the Group's bankers and the latest loan note receipt referred to above.

The property is recently built to a high standard and specification and underlines the Group's commitment to the growth plan in place for LFA. Once the fit-out of the combined new and existing space has been completed, the location will comprise a dedicated training and development centre for the Group's advisers and staff and will also provide capacity for the existing income processing and finance functions currently undertaken at the Exeter office, should the proposal to close that location be confirmed (see "Proposed re-organisation" below).

Dividends

The Board does not propose an interim dividend for the current year (2012: £Nil).

Affinity relationships

As noted in previous reports, the Group places considerable emphasis on maintaining and increasing its relationships with its affinity group and professional partners which are expected to drive future growth in both LFA and LighthouseCarrwood.

Further progress has been made in this area during the period with a new three year agreement with the Union of Shop, Distributive and Allied Workers ("USDAW") being signed in March 2013 and the Civil Service Motoring Association renewing their agreement for a further year in August 2013.

RDR and regulatory change

As noted above, the RDR came into force on 1 January 2013 and has had a significant impact on the way advisers interact with retail customers as well as introducing for the first time a significantly higher qualification standard for investment and pension advisers.

The process of preparing the Group and its advisers for the changes introduced by the RDR has entailed considerable time and expense being devoted to developing and then implementing new customer charging structures and operating and IT systems capable of delivering customer solutions and processing business in a post-RDR environment. This has occupied senior management and advisers for all of 2012 and during the first half of 2013, and during this latter period the new systems and processes were deployed.

It is a testament to the professionalism and resilience of all concerned that the Group has continued to operate effectively notwithstanding the considerable challenges posed by such a monumental change in the way in which financial advice is delivered in the UK retail financial services sector. From 1 April 2013, there has been a new regulatory body in place within the retail distribution sector of the UK financial services market with the Financial Conduct Authority ("FCA") taking over from its predecessor, the Financial Services Authority ("FSA").

Initial discussions with the FCA have indicated that it will seek to have a more consultative approach than its predecessor whilst at the same time focus more closely on identifying likely issues and on achieving improved consumer outputs. There is however little doubt that regulation will continue to have a major impact on the market within which the Group operates.

Proposed re-organisation

On 5 September 2013 the Group announced that, following a strategic review undertaken as a result of the changing market place post-RDR and the growth plans for the future, in particular in respect of LFA and LighthouseCarrwood, it is proposed that the Exeter office, the extended lease for which will expire in March 2014, will be closed and the functions undertaken there be transferred to other Group locations in Stockport and near Brighton. The proposal is subject to a collective consultation process with employees based in Exeter and thereafter to Board approval.

Should the proposal be ratified following the consultation, it is likely that functions currently undertaken in Exeter will begin to be transferred in late 2013 with all such transfers being completed before the end of March 2014.

The primary drivers for the proposal are to align service delivery more closely with the Group's own advisory businesses in LFA and LighthouseCarrwood, to maximise the availability of suitably skilled and experienced staff resources and the remaining lease terms of the respective office locations. However, in addition the proposal is also expected to result in improved service delivery for all of the Group's Appointed Representatives and advisers as well as operational efficiencies and lower operating costs once the process has been fully completed in mid-2014.

Once the collective and (if appropriate) individual consultations have been completed and the Board has, if appropriate, confirmed its decision to implement the proposal, the Group will provide guidance as to the likely level of operational efficiencies that will be achieved.

Strategy and Outlook

The Group has demonstrated considerable resilience during the pre- and post-RDR period against a backdrop of unprecedented regulatory and business change.

Those advisers who are willing to engage fully and at appropriate margins with the product offerings, business processes and technology available through Lighthouse will receive the full support of the Group's operations in meeting the challenges facing the industry.

Finally I would like to express my thanks to all of the advisers within the Group and to all employees and directors of Lighthouse for their continuing professionalism and support during this most recent period of unprecedented change.

Richard Last

Chairman - Non-Executive
25 September 2013

Lighthouse Group plc

Consolidated statement of comprehensive income for the six months ended 30 June 2013

	Unaudited 6 months ended 30 June 2013 £'000	Unaudited 6 months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Revenue	**23,425**	27,165	55,045
Cost of sales	**(15,914)**	(19,897)	(39,988)
Gross profit	**7,511**	7,268	15,057
Administrative expenses			
Other operating expenses	**(7,460)**	(6,528)	(13,548)
Earnings before interest, tax, depreciation, amortisation and exceptional items	***51***	*740*	*1,509*
Non-recurring operating expenses	**-**	(295)	(1,401)
Total operating expenses	**(7,460)**	(6,823)	(14,949)
Impairment charge on intangible assets	**-**	-	(3,909)
Depreciation and amortisation	**(266)**	(404)	(813)
Total administrative expenses	**(7,726)**	(7,227)	(19,671)
Operating (loss)/profit	**(215)**	41	(4,614)
Finance revenues	**26**	51	87
Finance costs	**(43)**	(33)	(54)
(Loss)/profit before taxation	**(232)**	59	(4,581)
Tax (charge)/credit	**(5)**	44	1,084
(Loss)/profit for the period	**(237)**	103	(3,497)
Other comprehensive income:			
Increase/(diminution) in fair value of available-for-sale financial asset	**12**	(7)	7
Total comprehensive (loss)/income for the period	**(225)**	96	(3,490)
(Loss)/profit for the year attributable to:			
Equity holders of the parent	**(251)**	81	(3,516)
Non-controlling interest	**14**	22	19
	(237)	103	(3,497)
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the parent	**(239)**	74	(3,509)
Non-controlling interest	**14**	22	19
	(225)	96	(3,490)
(Loss)/earnings per share (basic)	**(0.20)p**	0.06p	(2.76)p
(Loss)/earnings per share (diluted)	**(0.20)p**	0.06p	(2.76)p

Lighthouse Group plc
Consolidated statement of changes in equity
for the six months ended 30 June 2013

	Share capital £'000	Special non-distributable reserve £'000	Reserves arising from share based payments £'000	Retained earnings £'000	Total attributable to equity shareholders £'000	Non-controlling interest £'000	Total £'000
At 1 January 2013	**1,277**	**1,999**	**983**	**2,882**	**7,141**	**43**	**7,184**
Total recognised income and expense for the period	**-**	**-**	**-**	**(239)**	**(239)**	**14**	**(225)**
Share-based payment	**-**	**-**	**18**	**-**	**18**	**-**	**18**
At 30 June 2013	**1,277**	**1,999**	**1,001**	**2,643**	**6.920**	**57**	**6,977**

	Share capital £'000	Special non-distributable reserve £'000	Reserves arising from share based payments £'000	Retained earnings £'000	Total attributable to equity shareholders £'000	Non-controlling interest £'000	Total £'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

Lighthouse Group plc
Consolidated statement of financial position
at 30 June 2013

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Assets			
Non current assets			
Intangible assets	**6,152**	10,100	6,346
Property, plant and equipment	**205**	165	215
Available-for-sale Investments	**147**	121	135
	6,504	10,386	6,696
Current assets			
Trade and other receivables	**11,123**	7,852	8,808
Cash and cash equivalents	**9,067**	10,634	10,489
	20,190	18,486	19,297
Total assets	**26,694**	28,872	25,993
Current liabilities			
Trade and other payables	**(10,179)**	(9,939)	(10,748)
Provisions	**(5,325)**	(4,879)	(5,785)
	(15,504)	(14,818)	(16,533)
Non current liabilities			
Provisions	**(3,418)**	(2,263)	(2,276)
Loan notes	**(795)**	-	-
Deferred tax liabilities	**-**	(1,029)	-
	(4,213)	(3,292)	(2,276)
Total liabilities	**(19,717)**	(18,110)	(18,809)
Net assets	**6,977**	10,762	7,184
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	**1,001**	975	983
Retained earnings	**2,643**	6,465	2,882
Total equity attributable to equity holders of the Company	**6,920**	10,716	7,141
Non-controlling interest	**57**	46	43
Total equity	**6,977**	10,762	7,184

The interim financial information was approved by the Board of Directors on 25 September 2013 and was signed on its behalf by

Richard Last
Non-Executive Chairman

Peter Smith
Finance Director

Lighthouse Group plc
Consolidated statement of cash flows
For the six months ended 30 June 2013

	Unaudited 6 months ended 30 June 2013 £'000	Unaudited 6 months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Operating activities			
(Loss)/profit before tax for the period	**(232)**	59	(4,581)
Adjustments to reconcile (loss)/profit for the period to net cash (outflows)/inflows from operating activities			
Finance revenues	**(26)**	(51)	(87)
Finance costs	**43**	33	54
Impairment charge on intangible assets	**-**	-	3,909
Depreciation of property, plant and equipment	**72**	44	96
Amortisation of intangible assets	**194**	360	717
Share based payments	**18**	24	32
Movement in trade and other receivables	**(2,315)**	(513)	(1,489)
Movement in trade and other payables	**(574)**	1,170	2,003
Movement in provisions	**682**	(1,023)	(104)
Cash (utilised by)/generated from operations	**(2,138)**	103	550
Finance costs paid	**(21)**	(34)	(55)
Income taxes paid	**-**	(36)	(31)
Net cash (outflow)/inflow from operating activities	**(2,159)**	33	464
Investing activities			
Payments to acquire trade and certain assets under business combination – deferred consideration	**-**	(12)	(12)
Purchase of intangibles	**-**	-	(512)
Purchase of property, plant and equipment	**(62)**	(63)	(165)
Finance revenues received	**26**	51	89
Net cash outflow from investing activities	**(36)**	(24)	(600)
Financing activities			
Issue of loan notes net of legal costs of £47,500	**773**	-	-
Repayments of trade facility	**-**	(900)	(900)
Dividends paid to equity shareholders	**-**	(345)	(345)
Dividends paid to non-controlling interests	**-**	(25)	(25)
Net cash inflow/(outflow) from financing activities	**773**	(1,270)	(1,270)
Decrease in cash and cash equivalents	**(1,422)**	(1,261)	(1,406)
Cash and cash equivalents at the beginning of the period	**10,489**	11,895	11,895
Cash and cash equivalents at the end of the period	**9,067**	10,634	10,489

Lighthouse Group plc
Notes to the financial information
for the six months ended 30 June 2013

1. The interim financial information, which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position 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 2012. 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 2012, 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 2013	Unaudited 6 months ended 30 June 2012	Audited year ended 31 December 2012
(Loss)/earnings for the purposes of basic and dilutive earnings per share (£'000)	**(251)**	81	(3,516)
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	**-**	202,903	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**127,700,298**	127,903,201	127,700,298

   As at 30 June 2013, there were 7,907,213 (30 June 2012: 8,092,189 ; 31 December 2012: 8,019,615) 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 Group to review the condensed set of financial statements in the interim report for the six months ended 30 June 2013 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 Group in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Group 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 Group 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 Group 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 2013 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 Raisbeck (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc

Chartered Accountants

15 Canada Square
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25 September 2013