INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2014

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ASCL Association of School and College Leaders

CSMA CLUB

PARLIAMENT HILL THE BENEFIT MANAGEMENT SPECIALISTS

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Royal College of Nursing

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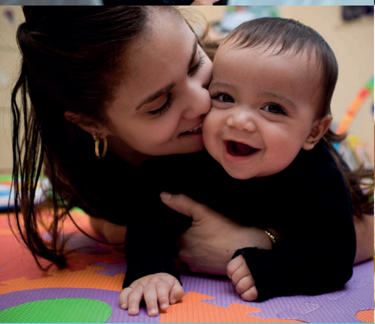

LIGHTHOUSE Pensions Trust

LIGHTHOUSEGROUP

Highlights

- Revenue stable at £23.4 million.
- Average annualised revenue production per adviser increased 3 per cent. to £83,000.
- Operating costs down £1m to £6.4m despite on-going investment in LFA of £0.6m (2013: £0.6m).
- EBITDA* up from £51,000 to £436,000.
- Profit before taxation of £88,000 (2013: loss before taxation of £232,000).
- Earnings per share (basic) 0.07p (2013: loss per share 0.20p).
- Company returns to dividend list with interim dividend of 0.06p per share (2013: nil pence per share).
- Contracts with CSMA Club and Prospect, the trade union for professionals, renewed for a further three years and a new contract signed with Parliament Hill.

* Earnings before interest, tax, depreciation and amortisation.

"Higher average revenue production from advisers and a £1 million reduction in operating costs have resulted in an EBITDA of £436,000 and a pre-tax profit of £88,000, both achieved after expensing further investment costs of £0.6 million in our national LFA division. The Group is on schedule to meet market expectations for 2014 and the Board is pleased to announce a return to the dividend list and an interim dividend of 0.06 pence per share, payable on 31 October 2014. With a strong balance sheet and net cash balances of some £6 million the Group is well placed to take advantage of the strategic opportunities available in what remains a fast developing market."

Richard Last, Chairman, Lighthouse Group plc.

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FINANCIAL PERFORMANCE

I am pleased to report a positive trading performance in the first six months of 2014. Whilst revenues remained broadly flat in comparison with the same period in 2013, average annualised revenues produced per adviser rose by 3 per cent. to £83,000 in comparison with the comparative period in 2013 (£80,000). This demonstrates the resilience of the Group and its advisers in addressing the revised methods of trading following the implementation of the Retail Distribution Review ("RDR") on 1 January 2013.

TRADING HIGHLIGHTS

	Unaudited 6 months to 30 June 2014	Unaudited 6 months to 30 June 2013
Revenue	**£23.36m**	£23.43m
Gross profit	**£6.86m**	£7.51m
Operating costs	**£6.42m**	£7.46m
EBITDA*	**£436,000**	£51,000
Profit/(loss) before taxation	**£88,000**	(£232,000)
Earnings/(loss) per share (basic)	**0.07p**	(0.20p)

* Earnings before interest, tax, depreciation and amortisation.

Although gross margins reduced from 32 per cent. (£7.5 million) to 29 per cent. (£6.9 million), as a result of variations in divisional sales mix, EBITDA increased by £385,000 to £436,000 (2013: £51,000) due to a reduction in operating costs of £1.04 million or 14 per cent. This reduction was due in large part to the restructuring referred to in the 2013 Annual Report which was achieved whilst continuing to invest in the Group's affinity-based national division, Lighthouse Financial Advice ("LFA"), where training and adviser development costs amounted to £0.6 million (2013: £0.6 million).

After deduction of depreciation and amortisation and net interest charges, the Group recorded a profit before taxation of £88,000 (2013: loss before taxation of £232,000).

As noted in the 2013 Annual Report, the Group continues to make progress in dealing with industry-wide redress and regulatory issues that have arisen in recent years. The Board considers that the provisioning established as at 30 June 2014 is adequate and appropriate, based on information currently available.

CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014 (continued)

FINANCIAL POSITION AND CASH FLOW

The Group continues to maintain a strong balance sheet with net cash reserves, which are in excess of regulatory capital requirements, amounting to £5.8 million as at 30 June 2014 (2013: £8.3 million). The net cash balance is stated after deduction of the unsecured loan notes and property mortgage taken out in 2013 amounting to £1.9 million as at 30 June 2014 (2013: £0.8 million). The decrease in net cash of £2.5 million from 30 June 2013 was as a result of the purchase of the Group's premises in Woodingdean in October 2013 for £1.1 million, the defrayal of £0.9 million in respect of restructuring costs previously provided against, which should be recouped through lower operating costs in the second half of 2014 and beyond, and by general working capital movements.

BUSINESS RELATIONSHIPS AND DEVELOPMENTS

The Group continues to develop its affinity relationships and on 1 September 2014 announced the renewal of its contract with the CSMA (Civil Service Motoring Association) Club for a further three years to 2017, adding to the new contractual relationship with Parliament Hill Limited announced on 20 March 2014. Affinity relationships are at the heart of the LFA offering and provide an ever-increasing source of new leads for that division's advisers. Total revenues generated through affinity connections in the six months ended 30 June 2014 amounted to £2.2 million (2013: £1.6 million).

LFA continues to make progress despite recruitment having been slower than initially anticipated as a result of the contracting number of active financial advisers in the UK and the stringent criteria applied during the recruitment process. Focus is also being placed on enabling LFA advisers to increase their revenue production by taking full advantage of the Group's unique affinity-based offering and the new product areas and services being developed.

LighthouseCarrwood and LighthouseWealth, which both focus on higher net worth customers' requirements, continue to develop satisfactorily. The Group continues to support its network members in addressing their trading and technology requirements in the post-RDR environment whilst minimising risk.

As detailed in the 2013 Annual Report, the Group launched the Lighthouse Pensions Trust ("LPT") in the period under review. This went live on 11 April 2014 and has been well received in the market place. Over 200 of the Group's advisers have registered to participate in the roll-out process and have been fully trained in the product and related marketing requirements.

It is anticipated that LPT will gather momentum when the main swathe of companies with fewer than 50 employees (the Group's primary target market) are required to establish auto-enrolled schemes during 2015 and beyond. The Group is examining complementary product offerings that could be provided alongside the LPT and thus enhance further the earnings from this exciting development.

DIVIDENDS

The Board is pleased to announce a return to the dividend list and the payment of an interim dividend of 0.06p per ordinary share. This will be paid on 31 October 2014 to shareholders on the register as at 3 October 2014.

REGULATORY DEVELOPMENTS

Regulatory change continues to impact the market for retail finance advice in the UK within which the Group operates. The Group and its advisers are working hard to engage with clients that have legacy assets on platforms, with a view to mitigating the impact on both the clients and the advisers as they reposition assets held on platforms to comply with FCA requirements in this area. Whilst this is very much work-in-progress the Board is pleased with the progress made to date and the procedures established for future engagement with clients.

CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014 (continued)

STRATEGY AND OUTLOOK

The Board continues to address market and regulatory change and is implementing strategies for future growth in new product and service areas as well as driving growth in its LFA and wealth advisory businesses, whilst improving the cost efficiency of the Group.

The Board believes that the Group is well placed to take advantage of opportunities within what remains a fast evolving market place and is on schedule to meet market expectations for 2014.

Richard Last
Chairman
22 September 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Unaudited 6 months ended 30 June 2014 £'000	Unaudited 6 months ended 30 June 2013 £'000	Audited year ended 31 December 2013 £'000
Revenue	**23,363**	23,425	47,884
Cost of sales	**(16,505)**	(15,914)	(32,858)
Gross profit	**6,858**	7,511	15,026
Administrative expenses			
Other operating expenses	**(6,422)**	(7,460)	(14,811)
Earnings before interest, tax, depreciation, amortisation and exceptional items	**436**	**51**	**215**
Non-recurring operating expenses	**–**	–	(1,721)
Total operating expenses	**(6,422)**	(7,460)	(16,532)
Impairment charge on intangible assets	**–**	–	–
Depreciation and amortisation	**(268)**	(266)	(504)
Total administrative expenses	**(6,690)**	(7,726)	(17,036)
Operating profit/(loss)	**168**	(215)	(2,010)
Gain on disposal of subsidiary undertaking	**–**	–	436
Finance revenues	**10**	26	45
Finance costs	**(90)**	(43)	(118)
Profit/(loss) before taxation	**88**	(232)	(1,647)
Tax charge	**–**	(5)	–
Profit/(loss) for the period	**88**	(237)	(1,647)
Other comprehensive income:			
Increase in fair value of available-for-sale financial asset	**4**	12	26
Total comprehensive income/(loss) for the period	**92**	(225)	(1,621)
Profit/(loss) for the period attributable to:			
Equity holders of the parent	**88**	(251)	(1,604)
Non-controlling interest	**–**	14	43
	88	(237)	(1,647)
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the parent	**92**	(239)	(1,578)
Non-controlling interest	**–**	14	43
	92	(225)	(1,621)
Earnings/(loss) per share (basic)	**0.07p**	(0.20p)	(1.26p)

There was no material difference between basic and fully diluted earnings/(loss) per share in any of the above periods.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

	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 2014	**1,277**	**1,999**	**1,023**	**1,304**	**5,603**	**–**	**5,603**
Total recognised income and expense for the period	**–**	**–**	**–**	**88**	**88**	**–**	**88**
Increase in fair value of available-for-sale financial asset	**–**	**–**	**–**	**4**	**4**	**–**	**4**
Share-based payment	**–**	**–**	**18**	**–**	**18**	**–**	**18**
At 30 June 2014	**1,277**	**1,999**	**1,041**	**1,396**	**5,713**	**–**	**5,713**
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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Assets			
Non-current assets			
Intangible assets	**5,768**	6,152	5,959
Property, plant and equipment	**1,358**	205	1,365
Available-for-sale investments	**165**	147	161
	7,291	6,504	7,485
Current assets			
Trade and other receivables	**12,769**	11,123	12,324
Cash and cash equivalents	**7,724**	9,067	9,507
	20,493	20,190	21,831
Total assets	**27,784**	26,694	29,316
Current liabilities			
Trade and other payables	**(10,284)**	(10,179)	(11,177)
Provisions	**(5,138)**	(5,325)	(5,104)
	(15,422)	(15,504)	(16,281)
Non-current liabilities			
Trade and other payables	**(1,918)**	(795)	(1,858)
Provisions	**(4,731)**	(3,418)	(5,574)
	(6,649)	(4,213)	(7,432)
Total liabilities	**(22,071)**	(19,717)	(23,713)
Net assets	**5,713**	6,977	5,603
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	**1,041**	1,001	1,023
Retained earnings	**1,396**	2,643	1,304
Total distributable reserves	**2,437**	3,644	2,327
Total equity attributable to equity holders of the Company	**5,713**	6,920	5,603
Non-controlling interest	**–**	57	–
Total equity	**5,713**	6,977	5,603

The interim financial information was approved by the Board of Directors on 22 September 2014 and was signed on its behalf by:

Malcolm Streatfield, Chief Executive

Peter Smith, Finance Director.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Unaudited 6 months ended 30 June 2014 £'000	Unaudited 6 months ended 30 June 2013 £'000	Audited year ended 31 December 2013 £'000
Operating activities			
Profit/(loss) before tax for the period	**88**	(232)	(1,647)
Adjustments to reconcile profit/(loss) for the period to net cash outflows from operating activities			
Finance revenues	**(10)**	(26)	(45)
Finance costs	**90**	43	118
Gain on disposal of subsidiary undertaking	**–**	–	(436)
Impairment charge on intangible assets	**–**	–	–
Depreciation of property, plant and equipment	**77**	72	117
Amortisation of intangible assets	**191**	194	387
Share-based payments	**18**	18	40
Change in trade and other receivables	**(445)**	(2,315)	(3,531)
Change in trade and other payables	**(893)**	(574)	426
Change in provisions	**(809)**	682	2,617
Cash utilised by operations	**(1,693)**	(2,138)	(1,954)
Finance costs paid	**(30)**	(21)	(37)
Income taxes paid	**–**	–	1
Net cash outflow from operating activities	**(1,723)**	(2,159)	(1,990)
Investing activities			
Proceeds from disposal of subsidiary undertaking (net of costs)	**–**	–	452
Purchase of property, plant and equipment	**(72)**	(62)	(1,269)
Proceeds from disposal of investment, net of costs	**2**	–	–
Finance revenues received	**10**	26	45
Net cash outflow from investing activities	**(60)**	(36)	(772)
Financing activities			
Issue of loan notes net of legal costs	**–**	773	1,273
Bank loan	**–**	–	507
Net cash inflow from financing activities	**–**	773	1,780
Decrease in cash and cash equivalents	**(1,783)**	(1,422)	(982)
Cash and cash equivalents at the beginning of the period	**9,507**	10,489	10,489
Cash and cash equivalents at the end of the period	**7,724**	9,067	9,507

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2013. 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 2013, 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 2014	Unaudited 6 months ended 30 June 2013	Audited year ended 31 December 2013
Earnings/(loss) for the purposes of basic and dilutive earnings per share (£'000)	**88**	(251)	(1,604)
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	**281,006**	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**127,981,304**	127,700,298	127,700,298

   As at 30 June 2014, there were 4,707,364 (30 June 2013: 7,907,213; 31 December 2013: 5,002,324) options that existed which could potentially dilute basic earnings per share in the future, but were regarded as being anti-dilutive and therefore were not included in the calculation of dilutive shares, as their exercise price was higher than the average mid-market price of the Company's ordinary shares during the period.

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:
   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 2014 which comprises the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of financial position and the consolidated statement of cash flows 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 2014 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.

Ravi Lamba

for and on behalf of
KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL

22 September 2014

Principal areas of activity

Lighthouse Group plc is an AIM-listed company whose principal activity is the provision of financial advice to personal and corporate clients through financial advisers operating from locations across the UK. The Group comprises three operating segments:

Lighthouse Financial Advice ("LFA"):

- National advisory business servicing affinity partners through self-employed advisers.
- The "Go to" financial adviser for Middle Britain.
- Advisers use the LFA brand, Lighthouse Researched Solutions and Fairway operating system as a matter of course.
- Higher margins and more support and direction from Group management.

Specialist Services:

- Highly skilled employed advisers using LighthouseCarrwood and Lighthouse Group Employee Benefits brands.
- Independent, specialist advice on investments, pensions and employee benefits to high net worth and corporate clients, mainly through professional and employer relationships.
- Actively address gaps within the auto-enrolment and employee benefits market, eg via Lighthouse Pensions Trust.

Lighthouse Advisory Services:

- Provides regulatory authorisation, risk management and income collection and processing services and procures professional indemnity insurance cover for sole traders and Appointed Representative firms, using their own brands, and for advisers within the LFA and Specialist Services segments.

LIGHTHOUSEGROUP

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