

**THIS DOCUMENT AND THE ACCOMPANYING FORM OF EXERCISE ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

The action you take in response to this letter is a matter for you alone to decide. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial and taxation advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

This letter should be read in conjunction with the circular to shareholders of Lighthouse Group plc dated 15 April 2019, containing, inter alia, details of the Scheme ("**Scheme Document**"). Words and expressions defined in the Scheme Document and the rules of the Lighthouse Long Term Incentive Plan have the same meaning in this letter unless the context otherwise requires.

**Lighthouse Group plc ("Lighthouse")**  
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**Intrinsic Financial Services Limited  
("Intrinsic")**  
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Swindon  
SN1 5AH

To: Holders ("**Option Holders**") of options ("**Options**") under the Lighthouse Long Term Incentive Plan ("**LTIP**")

15 April 2019

Dear Option Holder

**RECOMMENDED CASH OFFER FOR LIGHTHOUSE BY INTRINSIC, A WHOLLY OWNED INDIRECT SUBSIDIARY OF QUILTER PLC ("QUILTER")**

**1. INTRODUCTION**

**1.1 Offer for Lighthouse**

On 3 April 2019, the boards of directors of Quilter, Intrinsic and Lighthouse announced that they had reached agreement on the terms of a recommended cash offer pursuant to which Intrinsic would acquire the entire issued and to be issued share capital of Lighthouse ("**Acquisition**"). The Acquisition will be effected by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 ("**Scheme**").

The Scheme is subject to (amongst other things) the receipt of approval from the Financial Conduct Authority ("**FCA**"), certain antitrust approvals and the terms and conditions set out in Part 3 of the Scheme Document ("**Conditions**").

It is currently expected that the Scheme will be sanctioned by the Court no later than 14 days after the FCA and antitrust approvals have been received.

More information about the Acquisition is set out in the Scheme Document which is available to download from Lighthouse's website at:

<https://www.lighthousegroup.plc.uk/website-offer-disclaimer/>.

If you require a hard copy of the Scheme Document please contact Peter Smith at Lighthouse (Peter.smith@lighthousegroup.plc.uk)

If the Scheme becomes effective in accordance with its terms, Lighthouse Scheme Shares will be transferred to Intrinsic and Lighthouse Scheme Shareholders will receive:

**for each Lighthouse Scheme Share: 33 pence in cash**

Intrinsic reserves the right to reduce the consideration payable if the Pre-Close Dividend (as defined in the Scheme Document) exceeds 0.5 pence per Lighthouse Share, and by the amount of any other dividend or distribution which is paid or becomes payable to Lighthouse Shareholders on or prior to the Effective Date.

This letter explains the effect of the Scheme on your Options, the steps you may take in respect of your Options and the proposal from Intrinsic to you to exercise your Options in connection with the Scheme ("**Option Proposal**").

## **1.2 Vesting of Options**

To the extent that your Options are not already vested, and assuming that the consideration per Lighthouse Scheme Share remains at 33 pence per Lighthouse Share, they will vest and become exercisable in full (subject to the rules of the LTIP) as a result of the Scheme with effect from immediately prior to the Court sanction of the Scheme.

## **2. THE OPTION PROPOSAL**

### **2.1 What is the Option Proposal?**

The Option Proposal made to you is that you agree, using the enclosed form of exercise (the "**Form of Exercise**"), to exercise your Options, with such exercise being conditional upon but to take effect immediately prior to the Court sanction of the Scheme.

If you exercise your Options with effect from immediately prior to the Court sanction of the Scheme, arrangements will be made for Lighthouse Shares to be issued to you to satisfy your Options. The Scheme will then apply to those Lighthouse Shares. This means that the Lighthouse Shares which you acquire on the exercise of your Options will be transferred to Intrinsic and you will receive 33 pence in cash ("**Cash Consideration**") for each Lighthouse Share in the same way as other Lighthouse Scheme Shareholders (subject as mentioned in Section 1.1 above).

The Option Proposal includes a cashless exercise facility ("**Cashless Exercise Facility**") which will allow you to exercise your Options without having to pay in advance the Exercise Price of your Options or any income tax and national insurance contributions ("**NICs**") which may arise on the exercise of your Options and which is due and payable under PAYE and for which you are liable. Instead, the Exercise Price and any such income tax and NICs will be deducted from your Cash Consideration.

The exercise of your Options under the Option Proposal is dependent on the Court sanction of the Scheme and satisfaction of the Conditions. If the Court does not sanction the Scheme, or the Conditions are not satisfied, your exercise will not be effective. Your Options will not, however, lapse – they may already be exercisable or if not, may vest and become exercisable

in the future in accordance with the terms on which they were granted (and the rules of the LTIP).

The Form of Exercise enclosed is for you to exercise your Options in accordance with the Option Proposal.

## **2.2 What is the timetable and procedure for accepting the Option Proposal?**

If you wish to exercise your Options and accept the Option Proposal you must complete the enclosed Form of Exercise and return it to Peter Smith at Lighthouse by hand, by email (a pdf of the signed form must be sent if return is by email) to Peter.smith@lighthousegroup.plc.uk, or by post or courier, as soon as possible and in any event to be received by no later than 6.00pm (UK time) on 15 May 2019.

Subject to the Scheme becoming effective, any Cash Consideration due to you (after deduction of the exercise price and any applicable income tax and NICs for which you are liable) will be paid to you through payroll as soon as reasonably practicable following the Effective Date of the Scheme (the Effective Date is expected to be two Business Days after the Court sanction of the Scheme) but in any event within 14 days of the Effective Date of the Scheme.

If you accept the Option Proposal, your acceptance cannot subsequently be revoked. However, your acceptance will be of no effect if the Scheme is not approved by shareholders and sanctioned by the Court, or if the Conditions are not satisfied.

## **3. TAXATION**

A summary of the tax consequences of the Option Proposal is set out in the schedule to this letter. If you are in any doubt as to your own taxation position, you should consult your own personal tax advisor immediately.

## **4. IF YOU DO NOT ACCEPT THE OPTION PROPOSAL AND THE SCHEME BECOMES EFFECTIVE**

If you do not accept the Option Proposal, your Options can be exercised in accordance with the rules of the LTIP at any time from the Court sanction of the Scheme until the date on which they lapse in accordance with the rules of the LTIP.

If you do not accept the Option Proposal, you will have to make arrangements with Lighthouse for the payment of the Exercise Price and any income tax and NICs which arise on exercise of your Options and for which you are liable, before the Lighthouse Shares are issued or transferred to you.

If you exercise any of your Options after the Scheme Record Time (expected to be 6.00 p.m. on the Business Day after the day on which the Court sanctions the Scheme) the Lighthouse Shares to which you become entitled will not form part of the Scheme. However, you should note that a resolution will be proposed at the General Meeting to amend Lighthouse's articles of association so that any Lighthouse Shares issued after the Scheme Record Time to satisfy the exercise of Options will be automatically transferred to Intrinsic for the same Cash Consideration as is payable under the Scheme, i.e. 33 pence per Lighthouse Share.

## 5. RECOMMENDATION BY THE LIGHTHOUSE DIRECTORS

The Lighthouse Directors, who have been so advised by Investec as to the financial terms of the Option Proposal, consider the terms of the Option Proposal being made by Intrinsic to Option Holders as set out in this letter to be fair and reasonable in the context of the Acquisition. In providing advice to the Lighthouse Directors, Investec has taken into account the commercial assessments of the Lighthouse Directors. Investec is acting as financial adviser to Lighthouse for the purposes of providing independent advice to the Lighthouse Directors on the Acquisition. Accordingly, the Lighthouse Directors unanimously recommend that you should accept the Option Proposal set out in this letter.

## 6. GENERAL

Nothing in this letter or the Scheme Document extends the exercise period for any Option. Any Options that have already lapsed or would otherwise lapse prior to the Scheme being sanctioned (for example, on leaving employment) will not be or become exercisable as a result of the Scheme.

If you have any questions about this letter, please contact Peter Smith at Lighthouse on Peter.smith@lighthousegroup.plc.uk. For legal reasons, Peter will not, however, be able to provide you with any financial or tax advice. If you are in any doubt as to the action you should take, you should seek your own independent advice immediately.

Yours faithfully



**Richard Last**  
**Chairman**  
**Lighthouse Group plc**



**Andrew Thompson**  
**Chief Executive Officer**  
**Intrinsic Financial Services Limited**

## Notes:

1. Unless the context otherwise requires, words and expressions defined in the Scheme Document and the rules of the LTIP have the same meaning in this letter and the enclosed Form of Exercise. In the event of any difference between this letter and the Form of Exercise and the LTIP, or any relevant legislation, the rules of the LTIP or the legislation will prevail.
2. The Lighthouse Directors whose names appear in Part 5 of the Scheme Document accept responsibility for the information contained in this letter and the Form of Exercise. To the best of the knowledge and belief of the Lighthouse Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter and the Form of Exercise for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
3. The Quilter Directors and the Intrinsic Directors whose names appear in Part 5 of the Scheme Document accept responsibility for the information contained in this letter and the Form of Exercise relating to Quilter and Intrinsic. To the best of the knowledge and belief of the Quilter Directors and the Intrinsic Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter and the Form of Exercise for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
4. Investec, which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the Financial Conduct Authority and the PRA, is acting exclusively for Lighthouse and no-one else in relation to the Acquisition and/or other matters set out in this letter and will not be responsible to anyone other than Lighthouse for providing the protections afforded to clients of Investec, or for providing advice in relation to the Acquisition, the contents of this document or any other matter referred to herein.
5. Investec has given and not withdrawn its written consent to the issue of this letter (including the schedule) and the Form of Exercise with the inclusion of the references to its name in the form and context in which it appears.
6. Accidental omission to despatch this letter or the Form of Exercise to, or any failure to receive the same by, any person to whom the Option Proposal is made or should be made, will not invalidate the Option Proposal in any way.
7. Receipt of documents will not be acknowledged. All documents sent by or to an Option Holder will be sent at the individual's risk.
8. Nothing in this letter will be construed as investment advice or any investment recommendation given by or on behalf of any other person.
9. Any Lighthouse Shares which you acquire on exercise of your Option will on the Court Sanction be issued and allotted to you (or to a nominee on your behalf), and will be automatically transferred to Intrinsic on the Effective Date, in accordance with the terms of the Scheme, and you will be entitled to your Cash Consideration as beneficial owner of your Lighthouse Shares.
10. This document and the Form of Exercise are governed by and construed in accordance with English law and any dispute arising in connection with them is subject to the jurisdiction of the Courts of England.

## SCHEDULE

### United Kingdom Taxation

**THIS SCHEDULE CONTAINS A SUMMARY OF THE MAIN UK TAXATION IMPLICATIONS OF ACCEPTING THE OPTION PROPOSAL IN RESPECT OF OPTIONS GRANTED UNDER THE LTIP ON THE ASSUMPTION THAT YOU ARE RESIDENT FOR TAX PURPOSES IN THE UK AT ALL RELEVANT TIMES.**

The information contained below is for guidance only and is based on the tax legislation in force, and published HM Revenue and Customs ("**HMRC**") guidance, as at the date of this letter. It is not a full description of all the circumstances in which a tax liability may occur and only considers the implications for you of accepting the Option Proposal. If you are in any doubt as to your tax position or if you are not resident in the UK, you should consult an appropriate independent professional adviser immediately.

The UK taxation consequences of exercising your Option depend upon whether or not it qualifies as an Enterprise Management Incentive ("**EMI**") Option under UK tax legislation.

#### **1. EMI Options**

The summary in this paragraph assumes that your Option was, when granted, and has at all times since remained, a qualifying EMI Option.

##### **1.1 Income tax and national insurance contributions ("**NICs**")**

Since the EMI Options were granted with an Exercise Price at a discount to the market value of a Lighthouse Share at the date of grant, this means that income tax is chargeable on the exercise of your Options on the difference between (1) the aggregate market value at the date of grant of the Lighthouse Shares over which the Options were granted and (2) the aggregate Exercise Price. You will also have a liability to employee NICs on the same amount.

Any income tax and employee NICs which arise will be deducted from the Cash Consideration you receive under the Scheme in respect of your Lighthouse Shares and accounted for to HMRC under PAYE.

##### **1.2 Capital gains tax ("**CGT**")**

You may incur a liability to CGT in respect of the Cash Consideration you receive under the Scheme in respect of the Lighthouse Shares you acquire on exercise of your EMI Options. Your chargeable gain will be the excess of the Cash Consideration you received under the Scheme of the sum over (1) the exercise price, and (2) the amount on which income tax is payable on exercise. In respect of Lighthouse Shares acquired on the exercise of qualifying EMI options ("**EMI Shares**") provided that:

- (a) at least two years have elapsed between the date of grant of your Options and the disposal of your EMI Shares; and
- (b) you were an employee of the Company (or a group company) at the date of grant of your Option(s) and have remained a group employee throughout the period up to and including the date of disposal of your EMI Shares,

you may be eligible for the entrepreneur's relief rate of CGT at 10% when you dispose of your EMI Shares. You should ensure you take personal tax advice from an appropriately qualified personal tax adviser in completing your tax return to claim this special rate.

There is an exemption for chargeable gains (less allowable losses) from all sources for a tax year which are below an annual exempt amount. The annual exemption for the 2019/2020 tax year is £12,000. In practice, you will have no liability to CGT unless your chargeable gains, reduced by any allowable losses, exceed the annual exemption available to you (taking into account any other gains you have made in the tax year). Rates of CGT are applied to your annual chargeable gains in excess of your annual exemption.

## **2. Options which do not qualify as EMI Options**

### **2.1 Income tax and NICs**

An income tax charge will arise on the exercise of your Options.

This charge will be calculated on the market value of a Lighthouse Share on the date of exercise of your Options multiplied by the relevant number of Lighthouse Shares over which your Options are exercised. In practice, the market value is likely to be more or less equal to the amount of Cash Consideration payable under the Scheme of 33 pence per Lighthouse Share. You will also have a liability to employee NICs on the same amount.

Any income tax and NICs liabilities will be deducted from the Cash Consideration you receive under the Scheme in respect of your Lighthouse Shares and accounted for to HMRC under PAYE.

### **2.2 CGT**

As you are required to pay income tax on the exercise of your Options on the market value of the Lighthouse Shares at that time, it is likely that you will not realise any capital gain (or only a very small capital gain) as a result of the transfer of the Lighthouse Shares to Intrinsic under the Scheme.

There is an exemption for chargeable gains (less allowable losses) from all sources for a tax year which are below an annual exempt amount. The annual exemption for the 2019/2020 tax year is £12,000. In practice, you will have no liability to CGT unless your chargeable gains, reduced by any allowable losses, exceed the annual exemption available to you (taking into account any other gains you have made in the tax year). Rates of CGT (presently 10% or 20%, according to your marginal rate of tax) are applied to your annual chargeable gains in excess of your annual exemption.

## **3. Tax returns**

- 3.1 Under the self-assessment rules, you will have to inform HMRC of any gain made from your Options that is subject to income tax and of any chargeable gains in respect of which a CGT liability arises. This is done by completing a self-assessment tax return.
- 3.2 Your tax return must be submitted to HMRC and tax (if any) paid by the usual filing date for the 2019/2020 tax year (the tax year in which your Options are expected to be exercised).
- 3.3 You may be required to notify HMRC and pay tax even if you do not automatically receive a tax return. You may, therefore, need to request a self-assessment tax return for completion

and submission to HMRC. If you do not receive a tax return, you may need to ask HMRC to send you one, including pages relating to employee share schemes.