INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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Financial peace of mind.

LIGHTHOUSEGROUP

Highlights

- Average annualised revenue production per adviser increased by 22 per cent. to £117,000.
- EBITDA* increased by £258,000 (26 per cent.) to £1.27m.
- Recurring revenue accounted for 49 per cent of all Group revenue derived from customers (£11.83m).
- Revenue from affinity relationships increased by 29 per cent. to £4.32m, from £3.34m.
- Net cash balance £8.1 million (31 December 2016: £8.1 million).
- Interim dividend increased by 33 per cent. to 0.12p, from 0.09p.
- New affinity contracts secured with the Social Workers Union and Money Advice Service and contracts with Prospect and Usdaw renewed.

* Earnings before interest, tax, depreciation and amortisation.

** The increases set out above are in comparison with the six months ended 30 June 2016 or as at that date.

"Affinity relationships continue to be an important component of the Group's operations. The gross revenues derived from such sources… included new business revenues of £2.6 million, an increase of £0.8 million over the £1.8 million recorded in the six months to 30 June 2016. This increase was largely driven by the demand for pensions advice from affinity partner members.

The Group's asset management business, Luceo Asset Management, launched in September 2016, developed further in the period, with assets under management having increased from £5 million at 31 December 2016 to £20 million as at 30 June 2017. Gross investment flows from the actively managed fund of fund products (managed by Octopus Investments) remain healthy…. The Group expects to announce the launch of a new product area for the Luceo range addressing the needs of customers looking for a cost-effective passive proposition in the near future that should augment further the regular investment flows."

Richard Last, Chairman, Lighthouse Group plc

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CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL PERFORMANCE

I am pleased to report that Lighthouse has continued to make good progress in the six months to 30 June 2017. Revenues increased by £1.89 million or 8 per cent. to £25.67 million driven by further income generation from our affinity relationships (revenues in the period up £0.98 million or 29 per cent. to £4.32 million from the £3.34 million achieved in the comparable period in 2016) and continuing demand in the area of pension advice. Average annualised revenue production per adviser increased by £21,000 or 22 per cent. to £117,000 from £96,000 in the first half of 2016.

Recurring revenue accounted for 49 per cent. of all Group revenue derived from customers and amounted to £11.83 million (including on-going fees of £8.4 million) in the period to 30 June 2017 (2016: 44 per cent., being £9.79 million and including on-going fees of £6.46 million). The increase in recurring revenue was broadly in line with the increase in total Group revenues, reflecting the higher activity levels achieved in the period.

Gross margin was lower at 27 per cent. in comparison with 30 per cent. in the comparator period in 2016 as a result of the higher introducer payments from the increase in affinity-sourced business, along with refunds from the FCA regarding prior year charges repaid to advisers (which resulted in lower operating costs with no overall profit impact). Gross margin reduced marginally in financial terms to £6.99 million from £7.14 million in 2016.

TRADING HIGHLIGHTS

	Unaudited 6 months to 30 June 2017	Unaudited 6 months to 30 June 2016
Revenue	**£25.67m**	£23.78m
Gross profit	**£6.99m**	£7.14m
Operating costs	**£5.72m**	£6.13m
EBITDA*	**£1.27m**	£1.01m
Profit before taxation	**£1.13m**	£829,000
Earnings per share (basic)	**0.88p**	0.65p
Earnings per share (diluted)	**0.83p**	0.63p

* Earnings before interest, tax, depreciation and amortisation.

Operating costs reduced by £0.41 million to £5.72 million in comparison with £6.13 million in 2016, reflecting the Group's on-going focus on improving operational and cost efficiency.

EBITDA for the period amounted to £1.27 million, an increase of £258,000 or 26 per cent. from the £1.01 million recorded in the comparative period in 2016. This arose principally as a result of positive trading assisted by reductions in operating costs. The Group invested and expensed £400,000 in the period in the development of its asset management business, pension products and mortgage and protection offerings (2016: £434,000).

CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

After deduction of depreciation, amortisation and net finance costs, the Group recorded a profit before and after taxation of £1.13 million (2016: £829,000), with basic earnings per ordinary share of 0.88 pence (2016: 0.65 pence).

FINANCIAL POSITION AND CASH FLOW

The Group continues to maintain a strong balance sheet with net cash reserves amounting to £8.1 million at 30 June 2017 (31 December 2016: £8.1 million, 30 June 2016: £7.5 million). Legacy matters continued to run-off in line with expectations with £709,000 paid out in the period. It is pleasing to note that, as previously reported, the financial restrictions previously imposed by the Financial Conduct Authority ("FCA") have now been lifted.

"The Group continues to maintain a strong balance sheet with net cash reserves amounting to £8.1 million at 30 June 2017 (31 December 2016: £8.1 million, 30 June 2016: £7.5 million)."

BUSINESS RELATIONSHIPS AND DEVELOPMENTS

Affinity relationships continue to be an important component of the Group's operations, particularly in Lighthouse Financial Advice (our national division). The gross revenues derived from such sources noted under "Financial performance" above included new business revenues of £2.6 million, an increase of £0.8 million over the £1.8 million recorded in the six months to 30 June 2016. This increase was largely driven by the demand for pensions advice from affinity partner members. Total revenues from affinity sources amounted to 18 per cent. of revenues generated from customers by the Group in the half year (2016: 14 per cent.).

The Group continues to maintain its affinity relationships with contracts with Usdaw and Prospect trades unions being renewed for three years and twelve months from 1 February 2017 and 1 September 2017 respectively and a new contract signed with the Social Workers Union for an initial eighteen-month period on 29 August 2017. The Group was also appointed as the preferred financial adviser to staff at the Money Advice Service for an initial twelve-month period from March 2017. The Group now has 19 contracted affinity agreements with organisations representing more than 6 million members.

Lighthouse Financial Advice ("LFA"), the Group's National advisory division servicing affinity-based clients, maintained the progress made in recent periods with gross revenues increasing by £1.54m or 22 per cent. to £8.51 million from £6.97 million with a similar percentage increase in contribution to Group profits.

The Group's Wealth Advisory division, comprising LighthouseCarrwood (employed advisers working with accountancy connections) and LighthouseWealth (self-employed advisers) saw revenues grow by £0.49m or 12 per cent. to £4.66 million in the period to 30 June 2017. The division continues to deliver valued and independent advice to high net worth clients.

The Group continues to support its Network members in developing client relationships whilst focusing on improved customer outcomes and risk minimisation. The Network accounted for £10.95 million of Group revenue in the first half of 2017 (2016: £11.11 million).

The Group's asset management business, Luceo Asset Management, launched in September 2016, developed further in the period, with assets under management having increased from £5 million at 31 December 2016 to £20 million as at 30 June 2017. Gross investment flows from the actively-managed fund-of-fund products (managed by Octopus Investments) remain healthy, bolstered by the addition in February 2017 of two further funds matched to different risk profiles.

The Group expects to announce the launch of a new product area for the Luceo range addressing the needs of customers looking for a cost-effective passive proposition in the near future that should augment further the regular investment flows.

The Group has staged circa 400 auto-enrolment compliant workplace pension schemes for corporate clients and continues to satisfy demand through the Corporate Pensions Trust, incorporating its proprietary product offering the Lighthouse Pensions Trust ("LPT"). The Corporate Pensions Trust was listed by the Pensions Regulator as an Approved Master Trust auto-enrolment solution in May 2017. This will assist distribution of the LPT, with some 600,000 businesses still to establish an appropriate workplace pension scheme over the period to mid-2018.

"The Group's asset management business, Luceo Asset Management, launched in September 2016, developed further in the period, with assets under management having increased from £5 million at 31 December 2016 to £20 million as at 30 June 2017."

CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

DIVIDENDS

The Board is pleased to announce an interim dividend of 0.12 pence per ordinary share (2016: 0.09 pence) which will be payable on 10 October 2017 to shareholders on the register as at 15 September 2017. The Group's ordinary shares will go ex-dividend on 14 September 2017.

GENERAL ECONOMIC BACKGROUND

The combination of an impending Brexit, political uncertainties at home, in Europe and wider afield make for testing times for stock markets. However, the legislation enacted in recent years to provide UK individuals with significantly increased access to their accumulated pension funds has continued to provide substantial opportunities for the Group and its advisers to engage with and advise customers.

REGULATORY DEVELOPMENTS

The scope and number of regulatory developments continue to increase across the entire spectrum of the financial advice market in the UK, with MiFID II, GDPR and the extension of the Senior Persons Regime high on the agenda for the next twelve months. The Board is satisfied that the Group is well placed to deal with the various requirements introduced by the aforementioned reviews and regulations.

STRATEGY AND OUTLOOK

The Group remains positive as to achieving its market estimate for the full year and continues with its strategy of developing its own proprietary product offerings in the asset management and workplace solutions markets whilst at the same time focusing on opportunities that provide higher margins. The Group will continue to seek operational efficiencies across its businesses.

Richard Last
Chairman

4 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Revenue	**25,673**	23,776	47,919
Cost of sales	**(18,680)**	(16,636)	(33,452)
Gross profit	**6,993**	7,140	14,467
Administrative expenses			
Other operating expenses	**(5,725)**	(6,130)	(12,259)
Earnings before interest, tax, depreciation, amortisation and exceptional items	**1,268**	1,010	2,208
Total operating expenses	**(5,725)**	(6,130)	(12,259)
Depreciation and amortisation	**(137)**	(168)	(299)
Profit on disposal of property, plant and equipment	**–**	1	–
Total administrative expenses	**(5,862)**	(6,297)	(12,558)
Operating profit	**1,131**	843	1,909
Finance revenues	**1**	6	11
Finance costs	**(7)**	(20)	(27)
Profit before taxation	**1,125**	829	1,893
Tax charge	**–**	–	750
Profit for the period	**1,125**	829	2,643
Total comprehensive income for the period	**1,125**	829	2,643
Profit for the period attributable to:			
Equity holders of the parent	**1,125**	829	2,643
Total comprehensive income for the period attributable to:			
Equity holders of the parent	**1,125**	829	2,643
Earnings per share (basic)	**0.88p**	0.65p	2.07p
Earnings per share (diluted)	**0.83p**	0.63p	1.97p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Share capital £'000	Special non-distributable reserve £'000	Reserves arising from share-based payments £'000	Retained earnings £'000	Total attributable to equity share-holders £'000
At 1 January 2017	**1,277**	**1,999**	**1,102**	**4,586**	**8,964**
Total recognised income and expense for the period	**–**	**–**	**–**	**1,125**	**1,125**
Dividends paid	**–**	**–**	**–**	**(230)**	**(230)**
Share-based payment	**–**	**–**	**39**	**–**	**39**
At 30 June 2017	**1,277**	**1,999**	**1,141**	**5,481**	**9,898**

At 1 January 2016	1,277	1,999	1,023	2,262	6,561
Total recognised income and expense for the period	–	–	–	829	829
Dividends paid	–	–	–	(204)	(204)
Share-based payment	–	–	39	–	39
At 30 June 2016	1,277	1,999	1,062	2,887	7,225

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Assets			
Non-current assets			
Intangible assets	**5,170**	5,214	5,230
Property, plant and equipment	**1,180**	1,273	1,240
Deferred tax	**750**	–	750
	7,100	6,487	7,220
Current assets			
Trade and other receivables	**8,279**	11,615	9,004
Cash and cash equivalents	**8,508**	7,923	8,501
	16,787	19,538	17,505
Total assets	**23,887**	26,025	24,725
Current liabilities			
Trade and other payables	**(8,394)**	(10,318)	(9,302)
Provisions	**(3,214)**	(2,905)	(3,005)
	(11,608)	(13,223)	(12,307)
Non-current liabilities			
Trade and other payables	**(389)**	(423)	(405)
Provisions	**(1,992)**	(5,154)	(3,049)
	(2,381)	(5,577)	(3,454)
Total liabilities	**(13,989)**	(18,800)	(15,761)
Net assets	**9,898**	7,225	8,964
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	**1,141**	1,062	1,102
Retained earnings	**5,481**	2,887	4,586
Total equity attributable to equity holders of the Company being total equity	**9,898**	7,225	8,964

The interim financial information was approved by the Board of Directors on 4 September 2017 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 2017

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Operating activities			
Profit before tax for the period	**1,125**	829	1,893
Adjustments to reconcile profit for the period to net cash outflows from operating activities			
Finance revenues	**(1)**	(6)	(11)
Finance costs	**7**	20	27
Depreciation of property, plant and equipment	**77**	84	157
Amortisation of intangible assets	**60**	84	142
Profit on disposal of property, plant and equipment	**–**	(1)	–
Share-based payments	**39**	39	79
Change in trade and other receivables	**725**	1,651	4,262
Change in trade and other payables	**(907)**	(344)	(1,361)
Change in provisions	**(848)**	(2,488)	(4,493)
Cash generated/(absorbed) by operations	**277**	(132)	695
Finance costs paid	**(7)**	(20)	(27)
Net cash inflow/(outflow) from operating activities	**270**	(152)	668
Investing activities			
Purchase of property, plant and equipment	**(17)**	(86)	(126)
Purchase of intangible assets	**–**	(14)	(88)
Proceeds from disposal of property, plant and equipment	**–**	1	–
Finance revenues received	**1**	6	11
Net cash outflow from investing activities	**(16)**	(93)	(203)
Financing activities			
Bank loan	**(17)**	(17)	(34)
Dividends paid to equity shareholders	**(230)**	(204)	(319)
Net cash outflow from financing activities	**(247)**	(221)	(353)
Increase/(decrease) in cash and cash equivalents	**7**	(466)	112
Cash and cash equivalents at the beginning of the period	**8,501**	8,389	8,389
Cash and cash equivalents at the end of the period	**8,508**	7,923	8,501

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 statement of cash flows 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 2016. 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 2016, prepared under International Financial Reporting Standards, as adopted for use in the European Union, 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 2017	Unaudited 6 months ended 30 June 2016	Audited Year ended 31 December 2016
Earnings for the purposes of basic and dilutive earnings per share (£'000)	**1,125**	829	2,643
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	**7,258,833**	2,911,021	6,131,391
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**134,959,131**	130,611,319	133,831,689

   As at 30 June 2017 there were 548,936 (30 June 2016: 660,594; 31 December 2016: 610,594) 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 (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 half-yearly report for the six months ended 30 June 2017 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 half-yearly 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 half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly 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 half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting* 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 half-yearly 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 half-yearly report for the six months ended 30 June 2017 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

4 September 2017

Principal areas of activity

The principal activities of the Group are the provision of financial advice on retail financial investments and regulatory authorisation and related services to financial advisers across the UK. The Group comprises three operating segments:

National/Affinity:
- Lighthouse Financial Advice, a national advisory business that provides appropriate financial advice and solutions to “Middle Britain”, servicing affinity partners through self-employed advisers.
- Advisers use the Lighthouse Financial Advice brand.
- Higher margins and more support/direction from Group management.
- Expanding affinity-based proposition.
- Advisers use Lighthouse Researched Solutions, including Luceo funds, and Lighthouse Fairway operating system as a matter of course.

Wealth Management:
- Highly-skilled advisers operating under LighthouseCarrwood (incorporating Lighthouse Group Employee Benefits) and LighthouseWealth brands.
- Employed and self-employed advisers provide independent, specialist advice on investments, pensions and employee benefits, mainly through professional and other relationships, to high net worth individuals and corporate clients.
- Instrumental in addressing service provision gaps inherent within the workplace solutions and auto-enrolment markets.

Communities/Network:
- Lighthouse Advisory Services, a network offering support services to self-employed advisers.
- Mainly sole traders or Appointed Representative firms using their own brands.
- The Group provides regulatory cover, risk management, professional indemnity insurance and income collection and processing services.

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