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Lighthouse Group PLC
11 March 2008

Press Release

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Lighthouse Group plc
('Lighthouse' or 'the Group')

Preliminary Results

Lighthouse Group plc (AIM:LGT), one of the UK's largest Independent Financial Adviser and wealth management groups, today announces record results for the year ended 31 December 2007.

Highlights

- * Revenues increased 12% to £53 million (2006: £47 million)
- * Pre-tax profit up 171% to £1.9 million (2006: £0.7 million)
- * Cash balances increased 32% to £9 million (2006: £7 million), with no debt
- * Total funds under advice grew to approximately £6 billion, an increase of 22% since 31st December 2006
- * Recurring revenues now at an annualised £10.5 million (2006:£6.6 million)
- * Average turnover per adviser up to £86,000 (2006: £83,000)
- * Successful integration of transaction with LV= (formerly Liverpool Victoria Friendly Society)
- * Maiden final dividend of 0.5 p per share recommended

Commenting on the results, David Hickey, Executive Chairman of Lighthouse Group plc, said:

'We are pleased to announce another year of record results. We continue to make sizeable improvements in revenues, gross profit, pre-tax profit, cash balances and earnings per share. The improvement in the quality of earnings is also encouraging following a notable rise in recurring income during the period, derived both from the LV= arrangements and organic growth. We are particularly pleased to confirm the planned payment of our first dividend, demonstrating our confidence in the future of Lighthouse and its Independent Financial Advisers.'

Today, the Company is also pleased to announce a merger with Sumus Plc, full details of which are set out in a separate announcement.

David Hickey, Executive Chairman of Lighthouse, said: 'We have strong shareholder support from both sides for this merger, which will combine two profitable groups with substantial balance sheet cash resources.'

'The merger creates an IFA and wealth management group which is genuinely independent, with over £8 billion in assets under advice and approximately 900 experienced advisers.'

'I believe that this merger creates the best positioned independent advisory group in the UK.'

- Ends -

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CHAIRMAN'S STATEMENT

I am pleased to report another period of significant progress for Lighthouse Group plc.

2007 saw continued improvements in revenue, gross profit, pre-tax profit, and earnings per share. Recurring income rose by 60 per cent and cash balances also increased significantly. The transaction with LV= (formerly Liverpool Victoria Friendly Society) was completed and the business subsequently fully integrated. I am also pleased to report that the Board has recommended a maiden final dividend of 0.5p per share.

Trading Highlights

	Year to 31st December 2007 IFRS	Year to 31st December 2006 (restated for IFRS)
Revenue	£52.9 million	£47.2 million
Gross Profit	£16.6 million	£15.7 million
Operating Costs	£14.2 million	£13.4 million

EBITDA *	£2.5 million	£2.3 million
Profit Before Taxation	£1.9 million	£0.7million
Earnings Per Share	2.6p	1.0p

*Earnings before interest, tax, depreciation, amortisation and exceptional items.

Results

Revenue for the period rose by 12 per cent to £52.9 million (2006: £47.2 million), and was split approximately in the percentage proportions, investment 42, pensions 28, protection 15 and mortgages 15, which represents a healthy diversity of business.

The increase in revenue was partly due to increased revenue per adviser which rose to an annualised figure of approximately £86,000 (2006: £83,000) representing strong performance by each adviser, and partly due to the increase in recurring income. The average number of advisers increased slightly to 525.

Gross Profit increased by £0.9 million to £16.6 million primarily reflecting the increase in turnover. Gross profit margin remained relatively steady at just over 30 per cent.

The increase in Operating Costs from £13.4 to £14.2 million while modest, was unwelcome and largely due to expenses in the Carrwood division running ahead of recruitment. This overshoot has since been corrected.

At the EBITDA level (earnings before interest, tax, depreciation, amortisation and exceptional items) the Group results increased by 9 per cent to £2.5 million (2006: £2.3 million).

Two exceptional charges amounting in aggregate to approximately £0.5 million were taken in the year. The first for £333,729 was taken in December relating to

legal costs associated with a former employee court case, and the second for £212,606 was incurred in March 2008 and related to settlement of potential litigation against the trustee of the Group's EBT (2006: £1.5 million relating to a non-cash charge for the Group's Employee Benefit Trust).

The profit before taxation was £1.9 million (2006: £0.7 million).

Cash balances were £9.0 million (2006: £6.8 million) at the period end. The Board plans to continue to increase cash balances so as to anticipate any future requirements for regulatory capital, and to pay dividends.

Dividends

The Board is pleased to recommend a maiden and final dividend of 0.5p per share, payable to shareholders on the register at 25 March 2008, subject to ratification at the forthcoming Annual General Meeting. Your Board believes that paying dividends demonstrates confidence in the prospects of the Group, and accordingly expects to follow a progressive dividend policy in the future. It is intended that hereafter the Group will pay dividends on the basis of one third interim, two thirds final, payable in October and May respectively.

Transaction with LV=

The essence of this transaction, which was announced in March 2007, was that LV= outsourced its customer requirements for independent financial advice to Lighthouse. 20 of the independent financial advisers formerly employed by LV= chose to accept self-employed status within LighthouseTemple. Finally, a large client base with recurring income of a value to Lighthouse exceeding £1 million on an annualised basis, was also transferred to the Group. In return Lighthouse paid approximately £1 million in new Lighthouse shares. LV= also subscribed for a 5 per cent shareholding in Lighthouse for cash.

The business has now been fully integrated, the quality of new leads arising from the LV= client base is high, the new advisers are trading in line with expectations, and the recurring income is also running to budget.

Recurring Income

For some years your Board has had a target of growing recurring revenues to match annual running costs. In 2006 annual revenues totalled £6.6 million, just below 50% of running costs that totalled £13.4 million. For 2007, recurring revenues totalled £10.5 million, 75% of running costs of £14.2 million. It is hoped therefore that the target will be achieved within the next couple of years. Equally importantly, the proportion of recurring income owned outright by the Group has risen to £3.4 million in 2007 from £1.7 million in 2006, and is now running at an annualised £4 million.

Funds under Advice

New investment flows continued to run at about £1 billion for the year resulting in the total funds under advice with the Group's advisers rising to approximately £6 billion, an increase of 22 per cent on the year. The Board will continue to focus on growing the absolute value of these funds and, in conjunction with its IFAs, the Board is also determined to increase the level of influence over these funds.

Accordingly, the Group has recently embarked on a number of related initiatives, including the use of a psychometric fact finding process that matches client attitude to investment risk to an appropriate asset allocation. In parallel with these arrangements, the Group has commenced the roll out of a capital reward offering to its self-employed advisers, linked to their recurring income. Already approximately 20% of the Group's IFAs have contracted to this scheme, and it is expected that this number will grow significantly.

Retail Distribution Review

This H.M. Treasury inspired review is now some 18 months old and continues to stimulate discussion covering most aspects of retail financial products advice and services, and their distribution, in the UK. The scale of the debate is now so broad that managing the review process has become a significant challenge. The next step rests with the FSA which has indicated that it will publish

indicative proposals before the summer.

Some themes are emerging clearly. Greater transparency of customer charges at both the manufacturing and distribution stages of retail financial products, and at the advice stage, will undoubtedly feature, which is to be welcomed. Proposals to increase the qualifications and skills of IFAs are also likely to emerge. Finally, fresh thinking surrounding responsibility and liability

timeframes for advice given and products sold is also expected.

None of these issues ought to give IFAs, or IFA groups, grounds for concern. Where there is concern however is the possibility that the current clear lines between advice and sales will be blurred, which will lead inevitably to customer confusion and a grave risk of a new wave of inappropriate products being sold aggressively by manufacturers' sales teams working to targets. This must be avoided.

Various members of your Board hold prominent positions on a number of key industry forums representing the IFA channel, and accordingly the Group has some influence on the process, and will receive plenty of notice of impending changes. In the meantime I expect to keep shareholders up to date on a regular basis through our interim and annual reports.

Strategy and Prospects

Growing profits, increasing the Group's cash balances and paying dividends, all remain areas of specific focus for your Board, as well as simultaneously improving our offering to our advisers and their clients. It is satisfied that the prospects for the future remain sound, notwithstanding current stock market volatilities. One of the attractions of the IFA sector is that advisers tend to flex the mix of their advice to suit the cycle.

In the meantime, and since the year end, the Group has continued to trade in line with the Board's expectations and accordingly the Board looks forward to reporting further significant progress for the full year.

Merger with Sumus

I am very pleased to announce a merger with Sumus Plc, full details of which are set out in a separate announcement, and formal notice of which will be posted to shareholders shortly. Sumus is a well established business with an excellent record and which has long been admired by the Lighthouse Board. The merger, which is broadly in the proportions of 60 per cent Lighthouse and 40 per cent Sumus, will create a substantial retail financial products distribution group, with approximately 900 Independent Financial Advisers, producing combined pro-forma turnover in excess of £80 million, with strong cash flows and very substantial assets under advice.

The merger will be effected by an offer for the shares of Sumus by Lighthouse. Irrevocable undertakings in relation to the offer representing over 50 per cent of the Sumus shares have already been secured. Accordingly it is expected that the transaction will complete in early May. Further details are contained in the related announcement. My colleagues and I much look forward to working with the Sumus team and their advisers in the very near future.

Finally, I would like to express my thanks to our independent financial advisers in each of our divisions, for their professionalism and loyalty to the Group, and to all my fellow employees and Board Directors, for their contributions during the year.

David Hickey

Executive Chairman

10 March 2008

CHIEF EXECUTIVE'S REVIEW

GROUP STRUCTURE

Lighthouse Group activities comprise both the provision of services to Independent Financial Advisers, and pension scheme administration, advising private and corporate clients throughout the U.K. While the Group has various operating divisions, some of which are the result of acquisitions, the Group is operationally fully integrated and able to absorb large scale client servicing arrangements.

DIVISIONAL TRADING PERFORMANCES

LighthouseCarrwood

LighthouseCarrwood is the Group's professional salaried adviser division: 32 salaried advisers and managers trade from accountancy firms. There are 80 formal introductory agreements in place. LighthouseCarrwood turnover in 2007 was £6.1 million (2006: £7.5million). The reduction in turnover is due to fewer advisers compared to 2006. The division has recently been restructured with the removal of less performing advisers. Average annualised turnover (ex the departed advisers) remained at £193,000.

LighthouseTemple

LighthouseTemple has a full geographical representation, with the Group owning the trading brand, the clients and all income deriving therefrom, although the advisers are self-employed. At 31 December 2007, the division had 188 registered advisers. The Group's Brighton office provides a UK wide support function for this division, including a customer call centre, and an advisory service for the provision of new business leads and related diary management. Following the successful integration of the LV= arrangements, this office has arranged 6,700 appointments for advisers and organised 300 seminars/surgeries in the past 8 months.

Turnover for the year was £11 million representing an increase of 20 per cent over 2006. The increase was assisted by the LV= arrangements which contributed

£1.9 million turnover, boosting average adviser turnover to £66,500 (2006: £63,000).

LighthouseXpress (inclusive of Lighthouse Wealth and Lighthouse Practices)

LighthouseXpress is the Group's network division. At the end of 2007 there were 319 advisers each operating under their own brand as sole traders, partnerships or limited companies. The Group provides regulatory cover, professional indemnity insurance and collects income due on their behalf. LighthouseXpress is also one of two Group FSA regulated subsidiaries, and supports each of the Group's adviser divisions in the areas of regulation, supervision and training.

For 2007, turnover was £28 million, an increase of 3 per cent over 2006 with adviser turnover averaging £88,500 (2006: £80,000) on constant adviser numbers. The average turnover improvement is a result of continuing to address poor performance.

Lighthouse Group Benefits

This division was originally part of Carrwood but is now being separately operated. As at 31 December 2007, it administered approximately 440 active pension schemes (2006: 400) with over 5,500 members (2006: 5000), 115 group risk schemes covering life, income protection and critical illness, and approximately 100 group health schemes covering over 1,000 lives. Total revenues for 2007 were £1.3 million (2006: £1million) and the Board expects significant growth in this division during the next few years. During 2007, these services were extended to other divisions of the Group.

City Pensions Limited

The Group's trustee business administers 1,014 SIPPs and 200 SSASs, (Small Self Administered Schemes) with aggregate client assets of over £300 million. SIPPs increased by over 100 during the year and 30 percent by number came from referral sources outside the Group. The new management team has settled down well, the basis of charging has been varied from flat fees to time based arrangements, and the business is now growing satisfactorily.

The division holds Corporate Trustee status, has been FSA regulated since 6th April 2007, and operates out of the Throgmorton Street, London, offices.

ADVISERS

In aggregate the number of advisers throughout the Group at the end of 2007 was 539 (2006: 516) and the average number for the year was 525. The Group's advisers have continued to increase average turnover, rising during 2007 to £86,000 from £83,000 in 2006. The Group continues to focus on quality recruitment and seeks to replace exiting advisers with new and able recruits.

The Group's cost base grew by £772,000 (6 per cent over 2006) primarily as a result of the LighthouseCarrwood support cost base anticipating more growth in adviser numbers than was realised. This cost overrun has now been reversed with the closure of the satellite support at Reading and Milton Keynes offices, and associated redundancies, which was completed in January 2008.

TREATING CUSTOMERS FAIRLY

The provision of high levels of customer care remains of central importance to the Group.

Dedicated resource has been allocated to our TCF regime and progress is regularly reported to the Group/Executive board, a communications programme is in place for both advisers and staff which involves many mediums such as conferences, regional meetings, newsletters and e-mail updates and staff briefings via meetings, newsletters, messages.

The Group continues to invest significantly in control and risk management processes, evidenced by the recent appointment of a Risk Director which follows the earlier appointment of a TCF Manager and the forming of the Regulatory and Risk Committee under the Chairmanship of a non executive Director.

OTHER DEVELOPMENTS

LighthouseCapital

This initiative was announced at our National Conference in June, 2007, and formally launched later in the year.

Lighthouse is pioneering the introduction of a scientific risk profiling program in the advice process, which accurately and independently determines a client's attitude to risk. This risk profile is then matched directly and automatically to a suitable whole of market 'Fund of Funds' investment portfolio, of which the first set is branded 'Lifestyle' and managed by F&C. Investors can access the funds directly or by a series of life company 'wrappers', currently sourced from AXA, Friends Provident and Canada Life. Lighthouse expects to add further independent fund management houses in 2008. IFA remuneration includes recurring revenue rather than initial commission alone.

In essence therefore the risk profiling of clients is scientifically determined, and matching investment portfolios are procured, updated and professionally managed by independent fund management groups. In parallel a capital scheme has been set up and funded by Lighthouse for the benefit in due course of the participating Lighthouse IFAs.

Lighthouse advisers currently invest new funds on behalf of clients with an annualised value exceeding £1 billion, and it is expected that a significant proportion of this will flow into the new scheme during the next few years. Already over 100 Group advisers have signed up to participate and 2008 should see this number increase significantly.

Lighthouse leadership pathways programme

Early in 2007 Group employees were asked to complete a confidential survey which covered many areas ranging from the Treating Customers Fairly initiative (TCF), to the quality of support for personal development.

While the results were positive, areas for improvement were identified which included planning and evaluation of learning and development, management development and communication. Subsequently a strategy has been developed to address the issues raised and at the beginning of May 2007, the Group formally announced its commitment to engage in the Investors In People (IIP) national

standard. An action plan was established incorporating the three overriding IIP principles of: developing strategies, taking action and evaluating the impact on the performance of our organisation.

It was recognised that in order to get the business benefits quickly, it would be necessary for our people managers to be at the core of activities and so the Lighthouse Leadership Pathway Programme (LLPP) was developed as the means of delivering the changes necessary to address the development needs and to link directly to the Group's strategic approach to TCF.

To do this, a unique and important partnership has been established between Lighthouse Group, The National Skills Academy for Financial Services and Orpington College to pioneer this new leadership programme which is closely linked to TCF and which recognises the importance of developing a culture that puts customers at the heart of what we do.

Our employees and customers are already seeing the benefits of these initiatives and I look forward later in 2008 to reporting further on our progress towards IIP accreditation.

THE FUTURE

LighthouseCapital will continue to be developed, leading to the Group and its advisers significantly increasing their joint influence over client investments. The resulting boost in recurring revenues will increase the value of the IFA's own business, and in parallel will reinforce the financial strength of the Group. This strategy also accords with the tenor of the FSA Retail Distribution Review.

Finally, Lighthouse continues to generate cash, gross profits and EBITDA and I look forward to reporting further positive progress in 2008.

Malcolm Streatfield

Chief Executive

10 March 2008

Group Income Statement for the year ended 31 December 2007

	2007 £	2006 £
Revenue	52,941,313	47,159,671
Cost of sales	(36,317,910)	(31,458,272)
Gross profit	16,623,403	15,701,399
Administrative expenses		
Other operating expenses	(14,166,971)	(13,395,032)
Earnings before interest, tax, depreciation, amortisation and exceptional items	2,456,432	2,306,367
Exceptional operating expenses	(546,335)	(1,519,375)
Depreciation and amortisation	(368,189)	(272,088)
Total administrative expenses	(15,081,495)	(15,186,495)
Operating profit	1,541,908	514,904
Finance revenue	410,939	215,703
Finance costs	(55,835)	(57,495)
Profit before taxation	1,897,012	673,112
Tax expense	-	-
Profit for the year attributable to equity holders of the parent	1,897,012	673,112

Basic earnings per share	2.58p	1.00p
Diluted earnings per share	2.31p	0.89p

Statement of Changes in Equity for the year ended 31 December 2007

	Share capital	Share premium account	Merger reserve	Special undistributable reserve arising from reduction in share premium	Reserves arising from share based payments	Profit and loss reserve	Total
	£	£	£	£	£	£	£
At 1 January 2007	752,669	15,713,946	2,002,685	-	1,934,008	(10,218,109)	10,185,199
Issue of ordinary share capital	83,708	1,882,017	-	-	-	-	1,965,725
Total recognised income and expense for the year	-	-	-	-	-	1,897,012	1,897,012
Share based payment	-	-	-	-	57,802	-	57,802
Reduction in share premium account	-	(11,900,000)	-	1,999,374	-	9,900,626	-
At 31 December 2007	836,377	5,695,963	2,002,685	1,999,374	1,991,810	1,579,529	14,105,738
At 1 January 2006	751,402	15,713,946	2,002,685	-	377,815	(10,891,221)	7,954,627
Issue of ordinary share capital	1,267	-	-	-	-	-	1,267
Total recognised income and expense for the year	-	-	-	-	-	673,112	673,112
Share based payment	-	-	-	-	1,556,193	-	1,556,193
At 31 December 2006	752,669	15,713,946	2,002,685	-	1,934,008	(10,218,109)	10,185,199

Group Balance Sheet as at 31 December 2007

	2007	2006
	£	£
Assets		
Non current assets		
Intangible assets	8,260,470	7,715,825
Property, plant and equipment	363,962	485,217
Investments	-	-
	8,624,432	8,201,042
Current assets		
Trade and other receivables	8,271,976	9,629,692
Cash and cash equivalents	8,953,784	6,799,888
	17,225,760	16,429,580
Total assets	25,850,192	24,630,622
Current liabilities		
Trade and other payables	8,289,965	10,609,232
Contingent consideration	-	552,480
Provisions	2,271,057	2,243,579
	10,561,022	13,405,291
Non current liabilities		
Other payables	-	1,341
Provisions	1,183,432	1,038,791
	1,183,432	1,040,132

Total liabilities	11,744,454	14,445,423
Net assets	14,105,738	10,185,199
Capital and reserves		
Called up share capital	836,377	752,669
Share premium account	5,695,963	15,713,946
Merger reserve	2,002,685	2,002,685
Special undistributable reserve	1,999,374	-
Other reserves	1,991,810	1,934,008
Profit and loss account	1,579,529	(10,218,109)
Shareholders' equity	14,105,738	10,185,199

Consolidated Cash Flow Statement for the year ended 31 December 2007

	2007 £	2006 £
Operating activities		
Group profit for the year	1,897,012	673,112
Adjustments to reconcile profit for the year to net cash (outflows)/inflows from operating activities		
Loss on disposal of property, plant and equipment	2,426	4,552
Depreciation of property, plant and equipment	218,257	259,219
Amortisation of intangible assets	149,932	12,869
Share based payments	57,802	1,556,193
Adjustment for net settlement of revenue against cost of asset purchase	(140,632)	-
Decrease/(increase) in trade and other receivables	1,348,341	(3,434,201)
(Decrease)/increase in trade and other payables	(2,320,607)	3,109,734

Movement in provisions	172,118	(142,286)
Net cash flow from operating activities	1,384,649	2,039,192
Investing activities		
Payments to acquire intangible assets	(63,775)	(224,946)
Purchase of property, plant and equipment	(99,428)	(116,711)
Expenses associated with acquisitions	(115,288)	(13,724)
Net cash outflow from investing activities	(278,491)	(355,381)
Financing activities		
Proceeds from share issue	1,047,738	1,267
Net cash flow from financing activities	1,047,738	1,267
Increase in cash and cash equivalents	2,153,896	1,685,078
Cash and cash equivalents at the beginning of the year	6,799,888	5,114,810
Cash and cash equivalents at the year end	8,953,784	6,799,888

Notes to the consolidated financial statements for the year ended 31 December 2007

Basis of preparation

This is the first year in which the Group has prepared its financial statements under IFRS and the comparatives have been restated from UK Generally Accepted Accounting Practice (UK GAAP) to comply with IFRS. The Group issued a press release on 17 August 2007 incorporating its preliminary IFRS financial statements for 2006.

The Group and Company financial statements are presented in Sterling except where stated otherwise.

Earnings per ordinary share

The calculation of earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding shares held by the Trust.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. There are options 591,168 (2006: 2,644,582) which could potentially dilute earnings per share in the future, but were not included within the calculation of diluted loss per share as they were anti-dilutive for the periods presented.

Statutory financial statements

The financial information set out in this announcement does not constitute the Group statutory financial statements for the year ended 31 December 2007 or 31 December 2006, but is derived from these financial statements. The statutory financial statements for the Group for the year ended 31 December 2006 were reported on by the auditors without qualification and such reports did not contain any statement under section 237(2) or (3) of the Companies Act 1985. The financial statements for 2006 were delivered to the Registrar of Companies and those for 2007 will be delivered in due course.

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