

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action to be taken you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000, as amended.

If you have sold or transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold part only of your holding of Ordinary Shares, you should retain these documents.

The Directors, whose names appear on page 5, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out at pages 5 to 9 of this document and which recommends that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Lighthouse Group PLC

(Incorporated and registered in England and Wales with registered number 4042743)

Proposed Cancellation of Trading on AIM and Notice of General Meeting

Shore Capital, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and for no one else in connection with the Cancellation and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Shore Capital or for providing advice in relation to the Cancellation. Shore Capital's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in reliance on any part of this document. No representation or warranty, express or implied, is made by Shore Capital as to any of the contents of this document.

Notice of a General Meeting of the Company to be held at the offices of the Company at 26 Throgmorton Street, London EC2N 2AN on 31 July 2012 at 9:00 a.m. is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the General Meeting. To be valid, the Form of Proxy must be signed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event by not later than 9:00 a.m. on 29 July 2012 being 48 hours before the time and date of the General Meeting. Completion and posting of the Form of Proxy does not prevent a Shareholder from attending and voting in person at the General Meeting.

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EXPECTED TIMETABLE OF EVENTS

	<i>2012</i>
Despatch of this document	9 July
Last date and time for receipt of Forms of Proxy	9:00 a.m. on 29 July
General Meeting	9:00 a.m. on 31 July
Expected last day for dealings in Ordinary Shares on AIM	7 August*
Expected time and date that admission of Ordinary Shares to trading on AIM will be cancelled	with effect from 7:00 a.m. on 8 August*

* Assuming that the General Meeting is not adjourned and that the Resolution approving the Cancellation is duly passed.

Notes:

1. References to time in this document are to London time.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.
3. All events in the above timetable following the General Meeting are conditional upon approval by Shareholders of the Resolution to be proposed at the General Meeting.

FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Company’s view with respect to future events as at the date of this document and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s operations and strategy. Save as required by law, the Company has no obligation to release publicly the results of any revisions to any forward looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

DEFINITIONS

“Admission”	the admission of the Ordinary Shares to trading on AIM
“AIM”	the AIM securities market operated by the London Stock Exchange plc
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange plc from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
“Cancellation”	the proposed cancellation of the Company’s Ordinary Shares from admission to trading on AIM, subject to the passing of the Resolution
“City Code”	the City Code on Takeovers and Mergers
“Company” or “Lighthouse”	Lighthouse Group PLC
“CREST”	the electronic settlement system established under the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) which enables title to units of relevant securities to be evidenced and transferred without a written instrument and in respect of which Euroclear UK and Ireland Limited is the operator
“Directors” or “Board”	the directors of the Company whose names are set out on page 5 of this document
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Exchange Market Size”	the minimum number of shares that the market makers are obliged to quote for a particular security; it is based on a percentage of the average daily turnover in that security in the previous year
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the GM
“General Meeting” or “ GM”	the general meeting of the Company, convened for 9:00 a.m. on 31 July 2012, and any adjournment thereof, notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the GM
“Group”	the Company and its subsidiaries
“IFA”	independent financial adviser
“Notice of General Meeting”	the notice of General Meeting which is set out at the end of this document
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Resolution”	the special resolution to be proposed at the General Meeting, details of which are set out in the Notice of General Meeting set out at the end of this document
“RIS”	Regulatory Information Service
“Shareholders”	the holders of Ordinary Shares and “Shareholder” means any one of them
“Shore Capital”	Shore Capital and Corporate Limited, the Company’s nominated adviser
“RDR”	Retail Distribution Review
“UK”	United Kingdom

LETTER FROM THE CHAIRMAN

LIGHTHOUSE GROUP PLC

(Incorporated and registered in England and Wales with registered number 4042743)

Directors:

David Hickey (*Executive Chairman*)
Malcolm Streatfield (*Chief Executive*)
Peter Smith (*Finance Director*)
Mark Ross (*Risk Director*)
Richard Last (*Non-executive Director*)
Alex Scott-Barrett (*Non-executive Director*)

Registered Office:

26 Throgmorton Street
London
EC2N 2AN

9 July 2012

To the holders of Ordinary Shares and, for information only, to holders of options over Ordinary Shares

Dear Shareholder,

PROPOSED CANCELLATION OF ADMISSION TO TRADING ON AIM AND NOTICE OF GENERAL MEETING

Introduction

The Company has today announced that it intends to seek Shareholder approval for the cancellation of admission of its Ordinary Shares to trading on AIM.

The purpose of this letter is to explain the rationale behind the proposed Cancellation and why the Directors unanimously consider the proposed Cancellation to be in the best interests of the Company and its Shareholders as a whole, and to seek your approval for it. The Notice of General Meeting is set out at the end of this document.

Background to the Cancellation

Lighthouse was incorporated and admitted to trading on AIM in late 2000. At the time, a number of IFA businesses had their shares publicly traded, and the initial fund raising for Lighthouse was considerably assisted by an AIM quotation. It was generally believed that trading and development prospects for the IFA sector were sound, and consequently the investment community was supportive, especially of the many new IFA businesses being formed and floated.

In the immediate aftermath of that period, some groups prospered for a time and during 2001 the aggregate market value of quoted IFA groups exceeded £250 million. However in subsequent years a number of high profile IFA groups, including the majority of those quoted, ran into regulatory and trading difficulties, and became insolvent. Today Lighthouse constitutes the only IFA group still quoted on AIM and its current market capitalisation is approximately £6 million.

In its first annual trading results released on 15 March 2001, Lighthouse announced turnover of £5 million, EBITDA losses of £1.5 million, and cash balances of £35,000. The share price on 15 March 2001 was 60p. In the Company's 2011 preliminary results for the year ended 31 December released on 11 March 2012, Lighthouse recorded turnover of £60 million, EBITDA profits before non-recurring operating expenses of £1.6 million and net cash exceeding £11 million. The closing share price on 6 July 2012 being the last dealing day prior to the date of this document was 4.88p. The Board believes that this clearly demonstrates that sentiment for IFA businesses amongst the investment community has declined dramatically over the past decade.

Current Industry Issues

The IFA community faces significant challenges. These include the imposition of the RDR from 1 January 2013 which will require advisers' qualifications to be at a much higher level, will ban initial commission on savings and investment products and will introduce a significant number of other consequential structural changes in the industry.

In parallel, the collapse of several substantial international financial entities after 2008 has resulted in numerous concerns, reviews and litigation surrounding the potential mis-selling of retail financial products, including within the IFA community.

Finally, the Board believes that the increase in regulatory charges, and the noticeable escalation of consumer rights compared to most other stakeholders operating in retail financial services, has resulted in a far more uncertain trading environment than has ever previously existed. The scale of the structural, regulatory and trading challenges now facing the IFA industry makes it extremely difficult to forecast the trading outlook for the next few years. In addition, many IFA businesses, including Lighthouse, are undergoing very significant restructurings of their processes and operations, in order to be able to trade post the RDR. Against this background it is very difficult to indicate reliably to the investment community what future terms of trade will prevail within the sector, and hence virtually impossible to construct reliable valuation matrices.

Accordingly, the Board believes that it is difficult to see how the investment community will redevelop a desire to acquire and hold IFA related shares in the foreseeable future.

Conventional attractions of being a company admitted to trading on AIM

One of the reasons for being admitted to trading on AIM is to secure a greater ability to raise funds and to use quoted shares as currency. Lighthouse has not issued any new Ordinary Shares since 2008, whether for cash or any other transaction, and no issue of new Ordinary Shares is currently contemplated in the short or medium term.

Another conventional attraction of AIM is the possibility of an enhanced corporate profile. Given the current difficulties of the IFA industry the Board does not believe that an AIM quotation provides any realistic advantage for Lighthouse at this time. Moreover, AIM regulatory obligations to make prompt public announcements of any material change in a business can be untimely and place Lighthouse at a significant disadvantage to its unlisted competitors. In response to the RDR and other industry changes and challenges, Lighthouse will be significantly adapting its business and operations, and premature announcement of plans and actions being taken could alert competitors and damage the Group's prospects.

Liquidity in shares is an attraction of any stock market quote. However trading in and demand for the Company's Ordinary Shares is currently very limited which the Board believes is a significant explanation for the recent poor share price performance. The current Exchange Market Size is 4,500 Ordinary Shares, representing approximately £220 at the closing share price on 6 July 2012 being the last dealing day prior to the date of this document. Small volumes of shares being traded can cause material share price volatility, and the Company has experienced this especially in the past few years. The Board believes that this creates a misleading view of the Company, its trading performance and prospects, and can adversely affect the Company in its dealings with its various stakeholders.

Shareholder value through reference to current share price

Traditionally offerors for a publicly listed company pay a premium for control over the recent or current share price. Credible offerors are very conscious of the scale of the premium they are seen to be paying for publicly traded companies, and this can often limit their offer price. No such impediments apply to unquoted entities and consequently valuation discussions tend to focus more on other factors such as EBITDA, turnover, margin, customer base, growth prospects and financial strength.

In your Board's opinion, a heavily discounted share price will significantly restrict any valuation discussions with potential offerors in the future should such discussions take place. The retail financial services industry will understand the value within Lighthouse as trading conditions settle down post

RDR, and will assess that value by reference to industry parameters. In such circumstances a continually depressed share price will provide an alternative and more attractive benchmark for an offeror at the expense, potentially substantial, of Shareholders.

In addition, the current share price level hinders the Company's ability to use its equity as consideration towards any acquisition that the Board might consider given that the discounted price of the Company's Ordinary Shares distorts the relative value of Lighthouse compared to unquoted acquisition targets.

Reason for the Cancellation

The Board has concluded that none of the benefits traditionally associated with being admitted to trading on AIM have applied to the Company for some considerable time and this is not expected to change in the foreseeable future. In the meantime there are considerable costs, both financial and in management time, associated with maintaining its status as an AIM company.

In particular, the requirement to provide regular strategic and trading updates under the AIM Rules is potentially commercially disadvantageous at a time of significant regulatory change within the IFA sector.

The Board therefore believes that the Company's interests would be better served if the Company were to operate as an unquoted entity. The Board acknowledges that Cancellation will make it more difficult to trade in the Ordinary Shares but does not believe that this outweighs the commercial benefits to be gained from leaving AIM.

Following careful consideration, the Directors have therefore concluded that it is no longer in the best interests of the Company or its Shareholders to maintain the Company's admission to trading on AIM and the Board considers that the costs and commercial disadvantages of remaining listed on AIM far outweigh any potential benefits. The Board has therefore decided to propose the Cancellation. The Directors' intention is that the Company should remain a public but unquoted company.

Effect of the Cancellation on Shareholders

The principal effects of the Cancellation would be that:

- (a) there would no longer be a formal market mechanism enabling Shareholders to trade their Ordinary Shares on AIM or any other recognised market or trading exchange;
- (b) the Company would not be obliged to announce material events, administrative changes or material transactions nor to announce interim or final results;
- (c) the Company would no longer be required to comply with any of the additional specific corporate governance requirements for companies admitted to trading on AIM; and
- (d) the Company would no longer be subject to the AIM Rules and Shareholders would no longer be required to vote on certain matters as provided in the AIM Rules.

It is possible that the Cancellation could have taxation consequences for Shareholders. Shareholders who are in any doubt about their tax position should consult their own professional independent adviser.

Proposed Shareholder protections

Notwithstanding that there would be no such formal requirements, the Board has nevertheless resolved to maintain high standards of corporate governance and appropriate shareholder protections following the planned Cancellation. Accordingly the Board will continue to:

- (a) hold Shareholder meetings in accordance with the applicable statutory requirements and the Company's articles of association;
- (b) maintain non-executive representation on the Board. The Company currently has two non-executive Directors and the Board does not currently anticipate any change to this structure in the foreseeable future. The current non-executive Directors, who have each served over 4 years, and who have particular expertise in quoted companies, have agreed with the Board that they will step down in due course in favour of alternates of which one at least will have more specialised financial advisory expertise;

- (c) operate the Audit, Remuneration and Risk Committees;
- (d) review the feasibility of restoring the payment of dividends commensurate with the future profitability, cash availability and underlying growth of the business as was stated in the preliminary results for the year ended 31 December 2011 which was released on 12 March 2012; and
- (e) maintain an “Investors” section on its website at www.lighthousegroup.plc.uk. In addition, Shareholders will be sent an annual report; the Company intends to post a summary of its annual and half year financial performance on its website, as well as details of any significant events or developments in which Shareholders may be interested provided that these are not commercially sensitive.

The City Code

The City Code provides an orderly framework within which takeovers and mergers are conducted and operates principally to ensure that shareholders are treated fairly and not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. Shareholders should note that following the Cancellation the Company will remain subject to the provisions of the City Code on the basis set out in those provisions.

Share dealing following Cancellation

Whilst the Board believes that the Cancellation is in the interests of Shareholders as a whole, it recognises that the Cancellation will make it more difficult for Shareholders to buy and sell Ordinary Shares should they so wish. Accordingly, the Board intends to explore whether it is possible to set up a matched bargain arrangement to enable Shareholders to trade the Ordinary Shares. If such a facility can be arranged, details will be made available to Shareholders on the Company’s website at www.lighthousegroup.plc.uk.

The Company’s CREST trading facility will remain in place to facilitate the matched bargain facility and for so long as it remains economic to do so.

Approving the Cancellation and General Meeting

Under the AIM Rules, it is a requirement that the Cancellation must be approved by not less than 75 per cent. of the Shareholders voting in the General Meeting. Accordingly, the Notice of General Meeting to be held at 9:00 a.m. on 31 July, 2012 at the offices of the Company at 26 Throgmorton Street, London EC2N 2AN, is set out at the end of this document and contains a special resolution to approve the Cancellation.

If the Resolution is passed, it is expected that the Cancellation will take effect at 7:00 a.m. on 8 August 2012, being at least 20 business days following the date of this letter, and 5 clear business days following the date of the General Meeting.

Action to be taken by Shareholders

A Form of Proxy for use by Shareholders in connection with the General Meeting accompanies this document. Whether or not you intend to be present at the General Meeting, you are requested to complete and sign the Form of Proxy and return it to the Company’s registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 48 hours before the General Meeting.

Unless the Form of Proxy is received by the date and time mentioned in the instructions, it will be invalid. The completion and return of the Form of Proxy will not prevent you from attending the General Meeting and voting in person, if you so wish.

Recommendation to Shareholders

The Directors consider the Resolution to be in the best interests of the Company and Shareholders as a whole and consider that it is most likely to promote the success of the Company. The Directors therefore unanimously recommend Shareholders to vote in favour of the Resolution at the General Meeting, as they intend to do in respect of their own beneficial holdings of, in aggregate, 9,083,835 Ordinary Shares representing approximately 7.1 per cent. of the issued share capital of the Company at the date of this document.

Yours faithfully

David Hickey
Chairman

LIGHTHOUSE GROUP PLC

(Incorporated and registered in England and Wales with registered number 4042743)

(the “Company”)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at the offices of the Company at 26 Throgmorton Street, London EC2N 2AN on 31 July 2012 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following special resolution:

SPECIAL RESOLUTION

THAT the cancellation of admission of the ordinary shares of 1 pence each in the share capital of the Company to trading on AIM, a market operated by London Stock Exchange plc, be and is hereby approved (the “Cancellation”) and the Company’s officers or persons authorised by the directors of the Company be authorised and directed to execute all documents and take all necessary actions in connection with the Cancellation.

By order of the Board

Mark Ross
Secretary

Registered office:
26 Throgmorton Street
London
EC2N 2AN

Dated: 9 July 2012

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company.
2. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 12 below) does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an ‘X’. To abstain from voting on a resolution, select the relevant “Vote withheld” box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To be valid any proxy form or other instrument appointing a proxy must be:
 - completed and signed;
 - sent or delivered to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - received by Capita Registrars no later than 9:00 a.m. on 29 July 2012.
7. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.
8. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

10. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.
11. **Total Voting Rights:** As at 6 July 2012 the issued share capital of the Company consists of 127,700,298 Ordinary Shares of 1 pence each, carrying one vote each. Therefore, the total number of voting rights of the Company as at 6 July 2012 is 127,700,298.
12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held at 9:00 a.m. on 31 July 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company’s agent, Capita Registrars Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.
13. Only those members entered on the register of members of the Company at 6:00 p.m. on 29 July 2012 or, in the event that this meeting is adjourned, in the register of members as at 6:00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 29 July 2012 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

