

Lighthouse Advisory Services Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2020

CONTENTS

Company information	1
Strategic report	2
Directors' report	8
Statement of Directors' responsibilities in respect of the strategic report, Director's report and the financial statements	11
Independent auditors' report	12
Income statement	15
Statement of comprehensive income	16
Statement of changes in equity	17
Statement of financial position	18
Notes to the financial statements	19

COMPANY INFORMATION

Directors

P J Smith
L R Barnard (resigned 17 June 2020)
D W J Sharkey (resigned 3 July 2020)
A B Thompson (resigned 30 June 2020)
M Dean (appointed 3 July 2020)
S C Gazard (appointed 3 July 2020)

Secretary

Quilter CoSec Services Limited

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

Senator House
85 Queen Victoria St,
London
EC4V 4AB

Telephone: 08000 85 85 90

Registered in England and Wales No: 04086645

STRATEGIC REPORT

The Directors present their strategic review for Lighthouse Advisory Services Limited ("**Lighthouse**" or the '**Company**') for the year ended 31 December 2020.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The Company is registered in England and Wales and provides financial advice to the market for retail financial products and the provision of regulatory authorisation and services to a network of financial advisers operating from locations across the United Kingdom ("**UK**"). There have not been any significant changes in the Company's principal activity in the year under review and no significant change in the Company's principal activity is expected.

The Company is authorised and regulated by the Financial Conduct Authority ("**FCA**").

The Company is part of the Quilter plc Group (the "**Group**" or "**Quilter**"). Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc provides the Company with strategic and governance oversight.

QUILTER PLC STRATEGY

Quilter aims to be the leading UK and cross-border full service wealth manager, providing advice-led investment solutions and investment platforms, focusing on delivering good customer outcomes. The breadth of the Group's model helps to generate prosperity for customers by providing the services to develop suitable financial plans, manage customers' investments in risk-based solutions and by helping customers access modern wealth wrappers via the Group's platforms. Quilter's purpose and strategy are underpinned by core beliefs, which include: the belief in the value of trusted advice, that better choice for customers does not mean more choice, and modern, simple and transparent products should be easily accessible and good value. The Directors believe that the Group's competitive advantage lies in its strong positions in attractive markets and its ability to offer high quality solutions across each element of the value chain at a competitive, transparent and unbundled price.

Management is confident in the Group's strategic path and growth prospects. Short term market, economic and political uncertainty may temper momentum in near term flows, business volumes and the level of assets under administration, as experienced in 2020 with the adverse impact of COVID-19 on equity market levels, but the Group operates in a large and fragmented market that has good long-term growth potential.

LIGHTHOUSE ADVISORY SERVICES LIMITED STRATEGY

Lighthouse Advisory Services Limited forms part of the Quilter Financial Planning Group (the '**QFP group**'), a network of over 3,600 financial advisers, including 1,842 restricted financial planners, who deliver personalised financial advice tailored to meet specific needs of the customer to deliver positive customer outcomes. The strategic aim of the Quilter Financial Planning Group is to provide a market leading customer experience through controlled distribution and a focus upon the delivery of full financial planning within our target markets of mass affluent and affluent customers. The Quilter Financial Planning Group is committed to offering a controlled advice proposition that delivers excellent customer outcomes, with a structure which ensures strong leadership and a strategic focus for advisers and clients in different market segments.

STRATEGIC REPORT (continued)**KEY PERFORMANCE INDICATORS (KPIs)**

Management evaluate the performance of the business using a number of measures. These measures have been updated to align with QFP Group. Key metrics for the Company were as follows:

	2020 £m	2019 £m
Revenue	43.5	49.8
Administrative expenses	(4.2)	(4.0)
Charge for potential redress/associated costs re British Steel pension transfer advice	(7.6)	(17.1)
Loss before tax	(7.4)	(20.7)
Cash and cash equivalents	34.7	9.2
Total equity attributable to equity holder	40.8	(11.6)

The loss after tax for the year was £2.6 million (2019: £20.8 million).

The loss in the year was due to an increase in the British Steel complaints provision of £11.0 million (2019: £17.1 million), including £10.9 million which relates to potential redress payable by the Company in respect of pension transfers for British Steel pension scheme members and offset by Professional Indemnity Insurance recoverable. The increase in provision has been disclosed separately in arriving at total expenses.

265 British Steel pension scheme members acted on pension transfer advice provided by the Company between 2016 and 2018. The Company was advised after the 2019 year-end of a number of complaints relating to the advice given in respect of the above. A review of British Steel pension scheme cases advised by Lighthouse was then initiated to assess the standard of advice given to British Steel pension scheme members.

In December 2020, Lighthouse received a skilled person review final requirement notification from the FCA, which includes a review of the British Steel pension transfers. A skilled person has been appointed, who has performed redress calculations on a significant portion of the British Steel complaints received. The redress calculations were divided into transfers pre and post June 2017, when the Trustees of the British Steel pension fund changed the basis on which transfer values were calculated. The estimated redress per client as a proportion of the transfer value of the pensions was determined and extrapolated to the overall population of cases where advice was provided, and that advice was then acted upon.

The methodology employed to assess the calculated redress payable uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers". The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which are impacted by market movements and other parameters affecting the defined contribution scheme asset, and are therefore exposed to volatility from this, and may vary from the amounts currently provided.

A provision of £28.1 million (2019: £17.1 million) has been recognised as at 31 December 2020 relating to this matter. This amount includes £3.0 million to cover anticipated legal and professional fees and other costs associated with the redress process.

STRATEGIC REPORT (continued)

Further information is set out in notes 10 and 12 to the financial statements.

During 2020 the Company benefited from the release of £0.9 million of a provision (2019: £3.5 million increase) established as an impairment against amounts owed by fellow Lighthouse Group Limited undertakings as a result of those companies having net liabilities. The release follows a reduction in the amounts due being £3.4 million at the year end (2019: £4.3 million).

No dividends were proposed or paid in the year (2019: £nil).

Revenue decreased by £6.3 million to £43.5 million, due to the softened demand from customers in the wake of the coronavirus pandemic (“**COVID-19**”). COVID-19 has also had a negative impact on financial markets reducing revenue derived from assets under administration.

Administrative expenses, excluding the changes in the provision for potential redress and associated costs arising from British Steel pension transfer advice noted above, increased by £0.2 million due to the provision for complaints on non-British Steel pension scheme cases.

FUTURE DEVELOPMENTS

The withdrawal of the UK from the EU on 31 January 2020 continues to generate a level of uncertainty in the UK financial services sector. The effect of this uncertainty is the extent to which this translates into an impact upon advice income. The Company actively supports advisers in their communication with customers in order to mitigate the adverse impact of this uncertainty.

The Company’s strategy is focused on customers domiciled in the UK and so there is limited direct impact on the Company as a result of the UK’s withdrawal from the European Union. The Company will continue to closely monitor potential impacts alongside the wider Quilter Group. The Company is however exposed to additional risks, such as reducing investor confidence and adverse market reaction, as a result of the significant downturn in the markets due to the impact of COVID-19. As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. The Company will continue to benefit from ongoing capital support from Quilter Financial Planning Limited, the parent company of the immediate parent company, Lighthouse Group Limited, and the broader Quilter Group.

Climate change and Environmental, Social and Governance (“**ESG**”) matters are areas of increasing focus. The frequency of climate-related risk events or a disorderly transition to a low carbon economy could give rise to additional costs and adversely impact asset values and customer outcomes. The acceleration of government, regulatory and corporate activity in support of meeting climate change targets requires Quilter to develop its approach to the identification and management of the risks associated with climate change. There is increasing focus on sustainability and sustainable investing, bringing opportunity and also increased pressure from investors and customers to bring about change. Quilter is focused on delivering against its climate and ESG responsibilities, including developing the required Taskforce on Climate-related Financial Disclosures (“**TCFD**”) for the 2021 financial year.

GOING CONCERN

In evaluating going concern the Directors have given consideration to the matters outlined in this Strategic report, along with recognising the strategic importance of the Company to Quilter Financial Planning Group and the wider Quilter Group. This was evidenced during the year by the capital contributions from the Company’s indirect parent, Quilter Financial Planning Limited, with a £15 million capital injection on 21 April 2020, a £10 million capital injection on the 29 June 2020, and a further £30 million on 18 August 2020.

Furthermore, Quilter plc, the Company’s ultimate parent company, has confirmed its intention to provide continued capital support for at least the three years to 31 December 2023 to Quilter Financial Planning Limited.

STRATEGIC REPORT (continued)

In light of this commitment of support from Quilter plc, the Company has received confirmation of ongoing intent to provide capital support from its indirect parent, Quilter Financial Planning Limited, for a minimum of three years to 31 December 2023, continuing to recognise the strategic importance of the Company within Quilter Financial Planning group.

Accordingly, these financial statements have been prepared on the basis of the Company being a going concern.

Going concern has been evaluated at Group level by the Directors of Quilter plc and has been re-assessed by the Directors of the Company at the date of signing these financial statements. The use of the going concern basis of accounting is considered appropriate for the Group, reflecting future expected profitability. An assessment of the impact of COVID-19 on the going concern for the Group has been completed, concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months and can feasibly provide the capital support commitment outlined above.

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks and uncertainties relate to investment market performance, adviser and customer persistency, expense levels and risks within operational activities associated with systems, processes, people and external influences. The Company does not seek market risk from trading securities with its own funds. The Company has limited risk appetite for credit risk via loans to Appointed Representatives and company cash held with counterparties. The risk management objectives and policies of the Company are disclosed in note 3. The principal risks and uncertainties facing the Company are those which impact upon the ability of its regulated subsidiaries to deliver sustainable advice profits that support this ongoing investment in the business. These include:

Conduct risk management - The delivery of demonstrably suitable customer outcomes continues to be a central focus for the advice businesses. The Company is aware of the customer harm, regulatory and cost implications arising from the provision of unsuitable advice and/or ongoing servicing. It continues to provide adviser supervision and advice assessments through its compliance operations, monitoring arrangements and executive governance arrangements, with oversight of its systems and controls at the core of the Company's control environment. This has been identified as a key strategic priority with investment allocated for the continued strengthening of its risk and control environment.

Cost of service provision - The Company acts as a service provider to the trading subsidiaries in which it has invested, the cost of which is charged to these businesses. Failure to provide a cost-effective service commensurate with the activities being undertaken will limit the advice profits that may be able to be generated. The business continues to adapt its structure and resourcing both in light of the ongoing expansion of the business and its business maturity journey as it further integrates within the Group.

Investment in growth and development - The Quilter plc Board sets the overall Business strategy for the Group, which is tested and challenged by the Board of the Company.

Development and implementation of IT systems - The Company continues to implement a programme of IT development. The Company will continue to focus on updating and enhancing its IT capabilities with a particular focus on delivering operational efficiency and enhancing the risk and control environment. Such IT developments carry inherent execution risk. The Company is managing the execution risk arising on IT implementation through its Change Management Team dedicated to the implementation of projects within the business.

Risk management - Management recognises the need for a risk and control environment commensurate with the size and complexity of the business, together with the obligations required as a result of being part of a FTSE 250 group through its ultimate parent company, Quilter plc. The Company will continue to invest to further strengthen its risk and control environment through improved governance and risk reporting and to align with the wider Quilter Enterprise Risk Management Framework.

Regulatory change - The Company actively manages compliance with changes in regulatory requirements through processes including horizon scanning, commissioning and delivery of regulatory change projects and compliance

STRATEGIC REPORT (continued)

monitoring. Where necessary the Company engages third parties to provide support and assurance in respect of its delivery of regulatory change.

Financial instruments - The Company's main exposure to risk arising from financial instruments is its exposure to credit risk arising on cash or short-term deposits, Money Market Funds ("MMFs") and trade and other receivables. Cash and short-term deposits are placed with high credit-rated banks which significantly reduces credit risk. Where the operational exposure limit is breached with any bank a daily diversification process is triggered. MMFs are sterling denominated and only invest in highly rated short-term commercial paper.

Emerging risks

Quilter is a long-term business and as such we monitor risks which are less certain in terms of timescales and impact. The emerging risk profile is subject to regular review by management committees and the Board. The identification of these risks contributes to our stress and scenario testing which feeds into our strategic planning process and informs our capital calculations. The following are the emerging risks we feel are the most significant.

Pandemic evolution: The resurgence of the Pandemic in late 2020 and early 2021 is causing further economic pressure as well as direct impacts on our customers, people, advisers and operations. The rapid roll-out of the vaccine in the UK gives reason for optimism in the medium-term outlook, though further disruption is likely in the short-term and there remains uncertainty as to the pace and shape of economic recovery. Quilter's NCCF, AuM, profitability and free cash levels could be materially affected by an extended or volatile economic recovery.

Disruptive competition: There is increased competition in the wealth management industry and an acceleration in technological advancements. A rapidly shifting external environment brings opportunity for greater competitive disruption with potential to erode Quilter's market share.

Margin pressure: There is increasing competitive pressure to provide wealth management services at a lower overall cost to customers (there is a need to reduce the sum of advice fees, platform costs and fund management costs to remain competitive).

Cyber threat developments: Evolving sophisticated cyber criminality presents a persistent threat of attack, capable of compromising the continuity of operations, or the security and integrity of information. Quilter's cyber risk landscape is made more complex by the current remote working environment.

Generational shifts: The UK is experiencing shifts in generational wealth accumulation with newer generations potentially less able to accumulate wealth and assets from income. Existing intergenerational tensions are being further accelerated by an ageing population and the impact of the COVID-19 pandemic on the economic outlook. Robotics, and in the longer term, artificial intelligence and the increased need to manage natural resources all have the potential to materially change the nature of the future labour force (for example, through mass unemployment), which represents additional challenge to Quilter's target market. There is a risk of strategic failure to adapt to future customer needs.

Change strategy and execution risk: Quilter continues to be subject to material change programmes, within Quilter Financial Planning the implementation of a new commission payment system is due to launch in 2021. In addition, several initiatives to further enhance the control environment will be ongoing in 2021. This delivery profile carries a delivery risk, a risk of implementation issues, and a dependence on key individuals. As 2021 progresses there will be a need to ensure these projects remain on track to deliver the intended benefits, without risking disruption to continuing operations and the control environment.

STRATEGIC REPORT (continued)

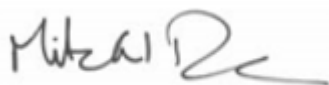
SECTION 172 (1) STATEMENT

The Company is a wholly owned indirect subsidiary of Quilter plc and therefore operates in line with the strategy, policies and practices that are set by the Quilter plc Board and are described in the Quilter plc Annual Report. The following statement should therefore be read in conjunction with the Quilter plc Annual Report 2020.

In order to ensure decision making bodies within Quilter continue to take their decisions on a fully informed basis, the Group has taken steps to further embed Management's and Directors' understanding of the responsibilities ascribed to directors under section 172 (1) of the Companies Act 2006 ("**s172**") at a Quilter plc level and across its management committees and subsidiaries, including the Company. Quilter Corporate Secretariat continue to engage with management to explain the importance of the considerations referred to in s172 as part of good decision-making, to ensure that proposals coming to the Board contain appropriate information on the potential impact of business decisions on all stakeholders of the Company and other relevant matters. Examples of best practice have been provided and rolled out to the business, with further explanation and guidance on directors' duties, to ensure that s172 considerations remain at the heart of the Group's decision-making at all levels. Directors who joined during 2020 were provided with a full induction including training on their responsibilities set out in s172.

In overseeing the business of the Company during the year, the Board of the Company has paid due regard to its duty to promote the success of the Company for the benefit of Quilter plc, its ultimate parent company, in the long-term, by supporting the delivery of the Group's strategic priorities

On behalf of the Board

A handwritten signature in dark ink, appearing to read 'Mitchell Dean', with a stylized flourish at the end.

Mitchell Dean
Director

19 March 2021

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2020.

The review of the business, including future outlook and principal risks and uncertainties are disclosed within the strategic report.

DIRECTORS

The Directors of the Company who held office during the year and up to the date of the signing of these financial statements were:

L R Barnard (resigned 17 June 2020)
M Dean (appointed 3 July 2020)
S C Gazard (appointed 3 July 2020)
D W J Sharkey (resigned 3 July 2020)
P J Smith
A B Thompson (resigned 30 June 2020)

The company secretary during the year was Quilter CoSec Services Limited.

Qualifying third-party indemnities were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2020 for the benefit of the then Directors, and at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties/powers or office.

BOARD DIVERSITY

The Board believes that diversity brings benefits for our customers, our business and our colleagues. The Board will continue to seek a diverse range of candidates in the appointment of Directors.

Quilter plc has published its Inclusion and Diversity Statement on its website at [quilter.com/careers/inclusion-and-diversity](https://www.quilter.com/careers/inclusion-and-diversity)

RESULTS AND DIVIDENDS

The loss for the year, after taxation amounted to £2,567,840 (2019: Loss after tax £20,830,547).

The Directors do not recommend the payment of a dividend (2019: £nil).

EMPLOYEES

The Company has no employees.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies of the Company are disclosed in note 3.

POLITICAL DONATIONS

No political donations were made during the year (2019: £nil).

DIRECTORS' REPORT (continued)

MANAGED CAPITAL

The Company's objectives in managing its capital are to ensure that there are adequate resources to meet the Company's liabilities as they fall due, to meet external capital requirements set by the Financial Conduct Authority, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company manages its capital by measuring its resources and cash available on a regular basis, and through regular monitoring of excess regulatory capital. The Company's capital position and the movement in this from the prior year are disclosed within the statement of changes in equity. The Company met all external regulatory capital requirements during the year. During the year the Company received a total of £55 million of capital contributions from its indirect parent Quilter Financial Planning group: a £15m capital injection on 21 April 2020, a £10 million capital injection on the 29 June 2020 and £30 million capital injection on 18 August 2020. The Company issued 55 million new ordinary shares of £1 each, for cash, to the immediate parent company, Lighthouse Group Limited.

BUSINESS RELATIONSHIPS STATEMENT

The Company forms part of the Quilter Group, with Quilter plc providing strategic and governance oversight to each of its subsidiaries. During the course of their decision-making the Board of the Company, together with the Board of Quilter plc, have considered their duties to stakeholders, including the need to foster business relationships.

An explanation of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, has been set out in the report and accounts of the Quilter plc Annual Report, which does not form part of this report.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Directors are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given in accordance with the provisions of the Companies Act 2006.

STATEMENT OF GOING CONCERN

Whilst the Company has reported a loss for the year ended 31st December 2020, the use of the going concern basis of accounting is considered appropriate, reflecting the intention of the Company's indirect parent company, Quilter Financial Planning Limited, to provide continued capital support to the Company for at least the three years to 31 December 2023.

In turn Quilter Financial Planning Limited has received a capital commitment from its ultimate parent, Quilter plc for the same period, reflecting the strategic importance of the Quilter Financial Planning Group in the wider group.

An assessment of the impact of COVID-19 on the going concern for the overall Quilter Group has been completed, concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months.

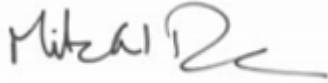
In light of the above there are no material uncertainties, related events or conditions that may cast significant doubt over the ability of the Company to meet its liabilities as they fall due, for at least 12 months from the date of approving these financial statements.

DIRECTORS' REPORT (continued)

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has been appointed by the Company to hold office in accordance with s.485 of the Companies Act 2006.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Mitchell Dean', with a stylized flourish at the end.

Mitchell Dean
Director

19 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosures Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so; and
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGHTHOUSE ADVISORY SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Lighthouse Advisory Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "**Annual Report**"), which comprise: the Statement of Financial Position as at 31 December 2020; the Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("**ISAs (UK)**") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGHTHOUSE ADVISORY SERVICES LIMITED (continued)

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase revenue of the Company and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed included:

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGHTHOUSE ADVISORY SERVICES LIMITED
(continued)**

- Discussions with the Board of Directors and with management (Finance, Internal Audit, Legal, Risk and Compliance), including consideration of their process for identifying and responding to the risk of fraud, and any known or suspected instances of fraud or non-compliance with laws and regulations;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board of Directors and the Audit Committee;
- Identifying and testing journal entries, in particular any revenue related journal entries posted with unusual account combinations or were created and approved by the same individual;
- Identifying and testing journal entries, in particular any journal entries created and approved by the same person, posted with unexpected account combinations, large amounts, posted by unexpected persons, and containing unusual account descriptions, where any such journal entries were identified;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to the British Steel redress provision.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Shujaat Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 March 2021

INCOME STATEMENT

for the year ended 31 December 2020

	Note	2020 £	2019 £
Revenue	4	43,473,037	49,769,009
Cost of sales		<u>(40,114,435)</u>	<u>(45,974,428)</u>
Gross profit		<u>3,358,602</u>	<u>3,794,581</u>
Expenses			
Administrative expenses	5	(4,217,991)	(4,004,746)
Charges relating to potential re-dress for pension transfer advice		(7,554,013)	(17,054,592)
Net impairment of amounts owed by group undertakings	6, 10	<u>859,417</u>	<u>(3,500,593)</u>
Total expenses		<u>(10,912,587)</u>	<u>(24,559,931)</u>
Loss before interest and taxation		(7,553,985)	(20,765,350)
Finance income	7	154,325	23,803
Loss before tax		<u>(7,399,660)</u>	<u>(20,741,547)</u>
Tax	8	4,831,820	(89,000)
Loss for the financial year		<u>(2,567,840)</u>	<u>(20,830,547)</u>
Attributable to shareholders		<u>(2,567,840)</u>	<u>(20,830,547)</u>

All the above amounts in the current and prior year derive from continuing activities.

The notes on pages 19 to 37 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020 £	2019 £
Loss for the financial year after tax	<u>(2,567,840)</u>	<u>(20,830,547)</u>
Total comprehensive loss for the year		
All attributable to shareholders	<u>(2,567,840)</u>	<u>(20,830,547)</u>

The notes on pages 19 to 37 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Note	Called up share capital s	Retained losses £	Total shareholders' equity £
Balance at 1 January 2020		181,000	(11,777,508)	(11,596,508)
Loss for the financial year		-	(2,567,840)	(2,567,840)
Issue of share capital	11	55,000,000	-	55,000,000
Balance at 31 December 2020		<u>55,181,000</u>	<u>(14,345,348)</u>	<u>40,835,652</u>

		Called up share capital £	Retained losses £	Total shareholders' equity £
Balance at 1 January 2019		181,000	9,053,039	9,234,039
Loss for the financial year		-	(20,830,547)	(20,830,547)
Balance at 31 December 2019		<u>181,000</u>	<u>(11,777,508)</u>	<u>(11,596,508)</u>

The notes on pages 19 to 37 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

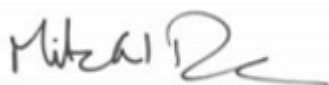
at 31 December 2020

		2020	2019
		£	Restated £
Note			
Current assets			
	10	6,239,578	1,414,483
Trade receivables			
Owed by group undertakings	10	30,000,000	-
Other receivables	10	3,927,676	1,107,841
Cash and cash equivalents		<u>34,712,869</u>	<u>9,160,217</u>
Total assets		<u>74,880,123</u>	<u>11,682,541</u>
Equity and liabilities			
Equity			
Share capital	11	55,181,000	181,000
Retained losses		<u>(14,345,348)</u>	<u>(11,777,508)</u>
Total shareholders' equity		<u>40,835,652</u>	<u>(11,596,508)</u>
Liabilities			
Non-current liabilities		<u>310,000</u>	<u>310,000</u>
Current liabilities			
Provisions ¹	12	29,550,170	18,302,743
Other payables ¹	13	<u>4,184,301</u>	<u>4,666,306</u>
Total liabilities		<u>34,044,471</u>	<u>23,279,049</u>
Total equity and liabilities		<u>74,880,123</u>	<u>11,682,541</u>

The notes on pages 19 to 37 are an integral part of these financial statements.

¹See note 2 for details of the reclassification.

Approved at a meeting of the Board of Directors on 18 March 2021 and signed on its behalf by:



M Dean
Director

Company registered number: 04086645

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

1 GENERAL INFORMATION

Lighthouse Advisory Services Limited ("**the Company**"), a limited company incorporated and domiciled in the United Kingdom ("**UK**").

The principal activities of the Company are provision of financial advice to the market for retail financial products and provision of regulatory authorisation and services to a network of financial advisers.

All activities are carried out in the UK.

The address of the registered office is Senator House, 85 Queen Victoria St, London, EC4V 4AB.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("**FRS 101**") and in accordance with the Companies Act 2006.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- disclosures in respect of capital management;
- the effects of new but not yet effective FRSs;
- disclosures in respect of the compensation of Key Management Personnel;
- disclosures required by FRS 7 and FRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives;
- transactions with other wholly owned group companies.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

On this basis management have a reasonable expectation that the Company has adequate resources to continue in operational existence, for the foreseeable future (being 12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's financial statements are consolidated within the financial statements of the ultimate parent of the Company, Quilter plc.

Senator House
85 Queen Victoria Street
London
EC4V 4AB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Prior year restatements****Accrual for legal fees and professional fees**

Following a review performed during the year, the accrual for legal and professional fees in relation to British Steel cases has been reclassified from Other Payables to Provisions. The prior year balance has been restated accordingly. This has no impact upon equity at the beginning or end of the prior year.

The impact of the restatement is summarised below:

	31 December 2019	Legal fees and professional fees reclassification	31 December 2019 restated
Total assets	11,682,541	-	11,682,541
Non-current liabilities	310,000	-	310,000
Current liabilities			
Provisions	15,402,743	2,900,000	18,302,743
Other payables	7,566,306	(2,900,000)	4,666,306
Total liabilities	23,279,049	-	23,279,049
Total Equity	(11,596,508)	-	(11,596,508)

Standards, amendments to standards, and interpretations adopted in the 2020 annual financial statements

There have been no new standards or interpretations which became effective 1 January 2020.

Amendments to standards:

The following amendments to the accounting standards, issued by the International Accounting Standards Board ("IASB") and endorsed by the EU, have been adopted by the Group from 1 January 2020 with no material impact on the Company's results, financial positions or disclosures:

- amendments to Reference to the Conceptual Framework in IFRS Standards;
- amendments to IFRS3 *Business combinations* – Definition of a Business;
- amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors* – Definition of Material;
- amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* – Interest Rate Benchmark Reform; and
- amendments to IFRS 16 *Leases* – COVID-19 Related Rent Concessions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Future standards, amendments to standards and interpretations not early-adopted in these financial statements

Certain new standards, interpretations and amendments to existing standards have been published by the IASB that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2021. The Company has not early adopted these standards, amendments and interpretations.

The following standards have been issued by the International Accounting Standards Board, and are expected to be either not relevant or not applicable for the Company:

- IFRS 17 *Insurance contracts* (yet to be endorsed by the EU)

Financial instruments

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and financial liabilities, trade payables, and borrowings.

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. The Company de-recognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Company. A financial liability is de-recognised when, and only when the liability is extinguished.

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed, and information is reported to management. The assessment considers the stated portfolio policies and objectives. It is important to determine whether management's strategy in holding the financial asset is to earn contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets, or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. This helps management determine whether financial assets should be measured at fair value.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. Reclassifications are expected to occur infrequently.

Measurement

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which two are applicable to the Company: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in the income statement
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in income statement. Any gain or loss on de-recognition is recognised in the income statement

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

Financial investments

All other financial assets that are not measured at amortised cost are classified as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's interests in pooled investment funds, equity securities and debt securities are mandatorily at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the income statement.

The Company recognises purchases and sales of financial investments on trade date, which is the date that the Company commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the statement of comprehensive income.

Loans and advances

Loans with fixed maturities are recognised when cash is advanced to borrowers or policyholders. Loans and advances are carried at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as at amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities and equity

Management also determines the classification of financial liabilities at initial recognition. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements. Financial liabilities are measured at amortised cost using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Trade payables and receivables**

Trade payables and receivables are classified at amortised cost. Due to the short-term nature of trade payables and receivables, their carrying amount is considered to be the same as their fair value.

The company applies the IFRS 9 simplified approach to measuring expected credit losses on trade receivables. The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Critical accounting estimates and judgements

The preparation of the financial statements requires management to exercise judgement in applying the Company's significant accounting policies. Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are provisions and deferred tax. Each of these areas is discussed in more detail in the relevant accounting policies and notes to the financial statements.

Area	Critical accounting judgements	Notes
Impairment of amounts owed by group undertakings	In assessing whether an impairment provision should be recognised, the Company evaluates the likelihood of the carrying value of the amount owed being lower than the recoverable net assets of the group entity.	6

The Company's critical accounting estimates are shown below and involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant accounting guidance to make predictions about future actions and events. Actual results may differ from those estimates.

Area	Critical accounting estimates	Notes
Complaints – British Steel pension transfer advice	<p>The Company provided pension transfer advice to 265 British Steel pension scheme members between 2016 and 2018. A review of British Steel pension scheme cases advised by Lighthouse was then initiated to assess the standard of advice given to British Steel pension scheme members.</p> <p>An estimate of the potential redress payable in relation to British Steel pension transfer advice has been made, following a skilled person review in December 2020 and sensitivity analysis provided. This is expanded upon in the Strategic report and Note 12 of these financial statements.</p>	12
Deferred tax measurement	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the Group assesses recoverability based on estimated taxable profits over a 3 year planning horizon.	9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding VAT.

Revenue primarily represents fees on advice provided and commission receivable on financial products sold by financial advisers.

Income relating to new business paid through providers of financial products, either as commissions or provider facilitated fees, is recognised at the inception of financial policies sold, with an appropriate discount being applied for policies not completed. Pipeline recurring income arising from existing policies is recognised on receipt.

This is because such income is only earned when the performance obligation has been satisfied i.e. either the service (review) has been provided to the customer (for ongoing charges) or at a specific valuation date (for renewal commission earned on investments commencing prior to the Retail Distribution Review ("**RDR**"). In both cases the income would not arise if the customer was to cancel the agreement for ongoing service and hence charge or withdraw the funds previously invested (in the case of pre-RDR investments) before the date on which the service was to be delivered or the valuation updated.

Provision for repayment of indemnity commission in the event that a policy may lapse is made in the financial statements.

Fees for administration charges and other services are recognised as the services are provided, in line with the period in which the related costs are expensed by the Company.

Cost of Sales

Cost of Sales represents the proportion of revenue received from customers, which is paid to appointed representatives and advisers authorised by the Company and will also include introducer payments in accordance with the terms agreed between the Company and those parties. Cost of sales will be recognised at the same time as the corresponding revenue is recognised.

Taxation

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured as the amount expected to be recovered from or paid to the taxation authorities, or paid to or recovered from other group companies in respect of group relief surrendered or received. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax

Deferred taxes are calculated according to the statement of financial position method, based on temporary timing differences between reported and tax values of assets and liabilities. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax liabilities are not discounted.

Deferred tax assets are recognised for all temporary timing differences to the extent that it is probable that taxable profit will be available against which the deductible temporary timing difference can be utilised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Finance income

Interest income is recognised as it accrues using the effective interest rate method applicable over the period of the income. Interest income represents bank interest receivable on the Company's cash balances, and interest earned on an intercompany loan with Quilter Financial Planning Limited. It is recognised as it is earned over the term of the deposit.

Capital contribution

Capital contributions represent the amount received from the parent company and are reflected within equity as there is no obligation to repay the contribution nor is there any interest payable on the contribution.

Contract assets

Contract assets are recognised as result of the contractual right to benefit from providing investment management services. This is effectively the income that is due from platform providers, as a result of advisers providing services, within the last 3 months, and that has not yet been received. Items still due after 90 days are written off as a reduction in revenue recorded when the provision of service occurred.

PI Insurance recoverability

In ordinary circumstances, an asset related to insurance recoverability can only be recognised if the cash inflow is virtually certain [IAS 37.33, 35]. If it is only probable that insurance will be recovered, a contingent asset should be disclosed instead.

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the entity. If a reliable estimate cannot be made, such items are disclosed as contingent liabilities.

Contingent liabilities

Contingent liabilities are possible obligations of the Company of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated statement of financial position. They are disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and recognised as a liability.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

Whilst the Company has reported a loss for the year ended 31st December 2020, the use of the going concern basis of accounting is considered appropriate, reflecting the intention of the Company's indirect company, Quilter Financial Planning Limited, to provide continued capital support for at least the three years to 31 December 2023. An assessment of the impact of COVID-19 on the going concern for the overall Quilter Group has been completed, concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months.

In turn Quilter Financial Planning Ltd has received a capital commitment from its ultimate parent, Quilter plc for the same period, reflecting the strategic importance of Quilter Financial Planning in the wider group. In light of the support committed to by Quilter plc, there are no material uncertainties, related events or conditions that may cast significant doubt over the ability of the Company to meet its liabilities as they fall due, for at least 12 months from the date of approving these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 RISK MANAGEMENT FRAMEWORK

Enterprise-wide risk management

The Board of Quilter has developed an Enterprise-wide Risk Management ("**ERM**") approach that applies to all companies within the Quilter Group, including the Company. Quilter's risk management objective is to operate a robust ERM framework within every part of the Group through embedding a risk and governance framework that supports an efficient and effective operating environment. The ERM framework encompasses a number of elements, including:

- The corporate governance arrangements which set out the way that the organisation is structured and managed;
- The end-to-end processes involved in the identification, assessment, measurement, monitoring and management of risk, including assignment of risk owners and risk reporting; and
- The culture and behaviour that is exhibited and the associated reward mechanisms.

The ERM framework aims to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities, uncertainties and threats in a structured, disciplined manner. In this way Quilter seeks to ensure that risk and capital implications are considered when making strategic and operational decisions, and to ensure that the risk profile is understood and managed within the agreed risk appetite.

Risk Appetite

The Risk Appetite Framework ("**RAF**") is defined as the policies, processes, skills and systems that set out the way that Quilter staff across all businesses and control functions should talk about, think about, and manage risk in relation to Quilter's risk appetite. The RAF builds upon the existing business planning, capital and risk management processes and has three distinctive components:

- **Strategy and Business Planning Process:** Quantitative and qualitative strategic risk appetite principles linked to risk limits.
- **The Stress and Scenario Framework:** Quantitative risk appetite statements linked to the business's strategic objectives, and contractual and regulatory requirements.
- **The Risk Policy Framework:** Quantitative and qualitative risk appetite statements for individual risks embedded into the policy framework. These set out the approach taken to mitigate and manage risks, informed by the policy appetite statements and control standards.

The qualitative and quantitative risk appetite statements are undergoing further development as part of the enhancement to the ERM framework.

Risk Culture

Risk culture is defined as the system of values and behaviours embedded in the Company that shapes risk decisions. The Company's risk culture is defined by the following principles:

- Responsibility and accountability for risk management is clearly assigned throughout the organisation with the aim of fostering an open and transparent organisational culture that encourages the right behaviours.
- Creating a climate for our employees to voice genuine concerns about, and risks within, the business.
- A risk-aware culture is seen as an enabler for management to be empowered to take risks in a manner that is transparent and in line with the business and risk strategy.
- Good risk management practices are encouraged, such that our employees understand how to make educated risk related decisions in their day-to-day roles.
- Training and awareness programmes are in place to ensure that a risk-aware culture is fostered and that employees understand the importance of good risk management.
- Performance management encourages and incentivises good risk management practices.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 RISK MANAGEMENT FRAMEWORK (continued)

a) Credit and counterparty risk

Credit and counterparty risk is the risk that the Company is exposed to a loss if another party fails to meet its financial obligations, including failing to meet them in a timely manner. The Group has established a credit risk policy which sets out restrictions on the permitted financial transactions with counterparties to control and monitor the level of credit risk to which the Company is exposed.

Credit risk primarily arises from cash held at bank and other receivables, including loans which can fall due for repayment in more than one year. The principal amounts receivable on these balances are materially the same as fair value and as such credit risk has not had a significant impact on the valuation of these balances.

The credit risk on liquid funds is limited because the counterparties are banks and Money Market Funds (“MMFs”) with high credit ratings assigned by international credit rating agencies

The Company's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements.

b) Market risk

Market risk is defined as the risk that a change in the value of or income from any asset is not matched by an equal change in the value of the related liability. Market risk arises from fluctuations in variables such as interest rates and foreign exchange rates. The Company is subject to market risk in the following areas:

Interest rate risk

The effective interest rate applicable to interest bearing financial instruments is at a floating rate based on daily bank deposit rates.

Currency risk

The Company is not exposed to currency risk, as all company assets are held in Pounds Sterling.

Liquidity risk

Liquidity risk is the risk that a company, although solvent, does not have available sufficient financial resources to enable it to meet its financial obligations as they fall due, or can secure them only at excessive cost.

The Company, whilst loss making, is exposed to minimal liquidity risk as it has the financial support of Quilter Financial Planning Limited. The Directors of the Company have received written confirmation of continued support from Quilter Financial Planning Limited for at least twelve months from the date of approval of these accounts.

In turn Quilter Financial Planning Limited have received a commitment of financial support from its ultimate parent, Quilter plc, for a minimum of three years to 31 December 2023.

Furthermore, the Company's investments and bank accounts are available either on demand or next day settlement. There are no external borrowings.

There are no material uncertainties, related events or conditions that may cast significant doubt over the ability of the Company to meet its liabilities as they fall due, for at least 12 months from the date of approving these financial statements in light of the support committed to by Quilter Financial Planning Limited and, in turn, Quilter plc.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 RISK MANAGEMENT FRAMEWORK (continued)

Capital Adequacy

As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. In support of this, and as outlined in the Strategic Report, the Company will continue to benefit from ongoing capital support from Quilter Financial Planning Limited and the broader Quilter Group.

Political risk

The withdrawal of the UK from the EU on 31 January 2020 continues to generate a level of uncertainty in the UK financial services sector. The effect of this uncertainty is the extent to which this translates into an impact upon advice income. The Company actively supports advisers in their communication with customers in order to mitigate the adverse impact of this uncertainty.

The Company's strategy is focused on customers domiciled in the UK and so there is limited direct impact on the Company from the UK's withdrawal from the European Union. The Company is part of a pan-Quilter project to manage the impacts on the business of this withdrawal. The Company is however exposed to secondary risks potentially associated with this, such as reducing investor confidence and adverse market reaction. As part of its capital adequacy planning the Company performs adverse scenario assessments to ensure it remains adequately capitalised to cover such scenarios. The Company will continue to benefit from ongoing capital support from Lighthouse Group Limited, the immediate parent company and the broader Quilter Group.

Risk and capital management

The Quilter Group's capital management policy sets out the key considerations and restrictions with regard to the amount of capital that is retained by each entity within the Group.

In the event of the Company incurring losses resulting in erosion of its capital base it is supported financially by its immediate parent company Lighthouse Group Limited.

c) Operational risk

Operational risk is defined as the risk of adverse business outcomes resulting from inadequate or failed internal processes, personnel and systems, or from external events (other than financial or business environment risks). Operational risk is an unavoidable consequence of being in business as it can never be fully eliminated. However, it can be effectively managed to ensure exposures and associated risk events are kept to a minimum.

The constituent parts of the Operational Risk Framework are:

Risk & Control Self-Assessment

Identify, assess, manage, monitor and report risk exposures arising from people, processes, systems and external events.

Significant Business Change

Comprehensively assess risk arising from new products, significant variations to existing products, new areas to undertake business, regulatory change programmes or other material or transformational programmes.

Scenario Analysis

Assess the possible impact of extreme but plausible operational risk events.

Issues Management

Ensure that all risk issues raised against the business are captured, classified and managed consistently.

Events Management

Ensure that internal events are identified, assessed, analysed for root causes, managed, monitored and reported.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4 REVENUE

Revenue primarily represents income receivable on financial products sold and advice provided by financial advisers and is derived from continuing operations in the United Kingdom.

5 ADMINISTRATIVE EXPENSES

	2020 £	2019 £
Provision for customer redress arising from cases of pension transfers from the British Steel Pension Scheme (note 12)	10,933,971	14,154,592
Professional indemnity insurance recoverable (note 10)	(3,450,000)	-
Accrual for legal and professional associated with the above (see note 12)	<u>70,042</u>	<u>2,900,000</u>
	<u>7,554,013</u>	<u>17,054,592</u>
Other administrative expenses	<u>4,217,991</u>	<u>4,004,746</u>
	<u>11,772,004</u>	<u>21,059,338</u>

Administrative expenses include:

	2020 £	2019 £
Auditors' remuneration: audit of these financial statements paid to Pricewaterhouse Coopers LLP	<u>33,812</u>	<u>-</u>

Auditors' remuneration for audit services consists of fees in respect of the statutory audit. Auditors' fees were £33,812 (2019: £15,000). Auditors' remuneration in respect of fees for the audit of the Company were borne by a fellow subsidiary company and not included in Administrative expenses in 2019.

6 MOVEMENT IN IMPAIRMENT OF AMOUNTS OWED BY GROUP UNDERTAKINGS

	2020 £	2019 £
(Decrease)/Increase in provision for recoverability of inter-group debt (see note 10)	<u>(859,417)</u>	<u>3,500,593</u>

Intercompany receivables arise due to the Company initially bearing the direct costs of fellow group entities within Lighthouse Group Limited. These are subsequently recharged to fellow group entities resulting in intercompany balances receivable from fellow group entities. The recoverable net assets of fellow group entities are reviewed annually against the gross amount owed by them. Provision for intercompany receivables is recognised when the gross amount owed by fellow group entities is greater than the recoverable net assets of those entities.

The provision for amounts owed by subsidiaries of Lighthouse Group Limited has reduced by £0.9 million (2019: £3.5 million increase) in line with the amount receivable from those subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

7 FINANCE INCOME

	2020 £	2019 £
Bank interest receivable	22,498	23,803
Interest earned on loan to Quilter Financial Planning Limited (see note 10)	<u>131,827</u>	<u>-</u>
	<u>154,325</u>	<u>23,803</u>

The interest earned on the money market fund is the actual amount received. The interest earned on the loan to Quilter Financial Planning Limited is calculated using the effective interest rate method.

8 TAX ON LOSS

	2020 £	2019 £
Current year credit	(1,567,393)	-
Adjustment for prior years	(3,264,427)	-
Deferred tax charge	-	89,000
Tax (credit)/charge on loss	<u>(4,831,820)</u>	<u>89,000</u>

Factors affecting tax charge for the period

Loss before tax	(7,399,660)	(20,741,547)
Corporation tax (credit)/charge at 19% (2019: 19%)	(1,405,935)	(3,940,894)

Effect of:

Expenses not deductible for tax purposes	1,831	-
Movement in impairment of amounts owed by group companies not allowed for tax purposes	(163,289)	665,113
Unrelieved losses carried forward	-	3,275,781
Deferred tax movement	-	89,000
Prior year adjustments	<u>(3,264,427)</u>	<u>-</u>
Total tax (credit)/charge	<u>(4,831,820)</u>	<u>89,000</u>

The main rate of corporation tax is 19%. The reduction to 17% due to come into effect from 1 April 2020 was cancelled.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

9 DEFERRED TAX

The recognised and not recognised deferred tax balances, calculated at 19% (2019: 19%) can be analysed as follows:

Assets	2020	2020	2019	2019
	Recognised £	Not recognised £	Recognised £	Not recognised £
Difference between accumulated depreciation and capital allowances	-	219	-	219
Trading losses carried forward	-	498,889	-	3,364,793
Deferred tax asset	-	499,108	-	3,365,012

The rate of 19.00% is the most recent enacted rate at the time of signing these financial statements.

The Company has reviewed the proportion of unutilised corporation tax losses as at 31 December 2020 that are now considered to be recoverable in the foreseeable future and has released the previously recognised deferred tax asset in full on the basis that future utilisation of the losses is doubtful. This position will continue to be reviewed annually.

On the 3 March 2021 the Chancellor of the Exchequer announced in the Budget a future increase in the Corporation Tax rate from 19% to 25%, effective from 1 April 2023. The change in rate has not yet been substantially enacted but had it been at the 31 December 2020 the impact on the Company's deferred tax assets and liabilities would be immaterial.

10 TRADE AND OTHER RECEIVABLES

	2020 £	2019 £
Trade receivables	6,239,578	1,414,483
Loan with indirect parent Quilter Financial Planning Limited	30,000,000	-
Owed by subsidiaries of Lighthouse Group Limited	3,445,663	4,305,080
Provision for intercompany receivables	(3,445,663)	(4,305,080)
	<u>36,239,578</u>	<u>1,414,483</u>
Prepayments and accrued income	477,676	464,903
Other receivables	3,450,000	642,938
	<u>3,927,676</u>	<u>1,107,841</u>
	<u>40,167,254</u>	<u>2,522,324</u>

All receivables are non-discounted. Trade receivables are non-interest bearing and generally on industry terms of up to 90 days. Other receivables include amounts recoverable from insurers and/or advisers in respect of complaints (note 12).

A £30 million intercompany loan was extended to Quilter Financial Planning Limited as the indirect parent of the Company on 9 August 2020 and is repayable on demand. Interest is earned at a rate of LIBOR+115 bps. This is considered to be fully recoverable from Quilter Financial Planning Limited, given ongoing support by Quilter plc.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

10 OTHER RECEIVABLES (continued)

A provision was recognised as at 31 December 2020 relating to 265 cases of advice provided by the Company in respect of pension transfers for British Steel pension scheme members (see note 12). The Professional Indemnity ("PI") insurers of Lighthouse have been notified of the 265 cases, and the subsequent FCA enforcement investigation and FCA skilled person review. Management has taken a prudent view with regard to insurance recoveries against the provision made while discussions with Lighthouse's insurers remain ongoing. The insurance asset at 31 December 2020 is £3.45 million.

A number of advisers (and former advisers) are indebted to the Company. This debt ordinarily arises from claw backs or complaint insurance excesses applied to the adviser's account. Each one of these is reviewed regularly in conjunction with the amounts retained from advisers to cover potential claw backs and provision made where recovery is deemed necessary. All the Company's financial assets are classified as assets at amortised cost under IFRS 9. IFRS 9 requires impairments of financial assets to be assessed using an 'expected loss' model. The movements in provisions made against trade debtors and deducted in arriving at the balances stated above were as follows:

	2020 £	2019 £
Bad debt provision utilisation		
Balance brought forward	39,641	138,145
Charged to the profit and loss account	30,213	8,888
Utilised in the year	<u>(12,251)</u>	<u>(107,392)</u>
Balance carried forward	<u>57,603</u>	<u>39,641</u>

The utilisation of £12,251 includes accounting for debts that were deemed irrecoverable.

Intercompany receivables arise due to the Company initially bearing the direct costs of fellow group entities. These are subsequently recharged to fellow group entities resulting in intercompany balances receivable from fellow group entities. The recoverable net assets of fellow group entities are reviewed annually against the gross amount owed by them. Provision for intercompany receivables is recognised when the gross amount owed by fellow group entities is greater than the recoverable net assets of those entities.

Amounts owed by group undertakings are shown at their estimated recoverable amount, net of a provision for non-recoverability:

	2020 £	2019 £
Gross amount owed by subsidiaries of Lighthouse Group Limited as at 31 December	3,445,663	4,305,080
Provision as at 1 January	4,305,080	804,487
(Decrease)/increase in provision in year (note 6)	<u>(859,417)</u>	<u>3,500,593</u>
Provision as at 31 December	<u>3,445,663</u>	<u>4,305,080</u>
Net amount owed by group undertakings as at 31 December	<u>-</u>	<u>-</u>

The provision for amounts owed by subsidiaries of Lighthouse Group Limited has reduced in line with the amount receivable from those subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

11 CALLED UP SHARE CAPITAL

	2020 £	2019 £
Allotted, issued and fully paid ordinary shares of £1 each	55,181,000	181,000

55,000,000 (2019: £nil) ordinary shares were issued in three tranches during the year for cash consideration. £15 million was issued on 21 April 2020. £10 million was issued on 29 June 2020. £30 million was issued on 18 August 2020.

12 PROVISIONS

	Provision for claw back of indemnity commission £	Redress provision £	Total £
At 1 January 2020	505,413	17,797,330	18,302,743
Charged to Income Statement	-	12,324,851	12,324,851
Utilised during the year	-	(1,077,424)	(1,077,424)
At 31 December 2020	505,413	29,044,757	29,550,170

Claw back Provision

In the event of a claw back of indemnity commission in respect of policies cancelled during the indemnity period, the Company has an obligation to settle the liability. The provision for claw back of indemnity commission represents the expected cost of claw backs from product providers for subsequent policy cancellations and mid-term adjustments in respect of policies written at 31 December 2020. The provision is calculated by reference to historical data resulting from past claims, referenced to present day sales of indemnity products. The amount provided represents the gross obligation, discounted at a cost of capital of 15%. and, where these amounts can be recovered from advisers, an asset is recognised (and similarly discounted). This provision is charged as a reduction of revenue on the income statement at the point of sale of each policy. The provision was reviewed at the end of 2020, but has not materially changed from the 2019 balance held.

Redress provision

The Company has an obligation to settle upheld complaints. Any complaint is recorded and assessed as to its validity and financial quantum. Cases where there is a 50% or greater likelihood of redress are provided for in full. Some individual cases have excesses, which are generally recoverable in full from the adviser under the Company's standard terms of trade with its advisers. The balance of the amount payable in redress is generally recoverable from the Company's professional indemnity insurance arrangements, subject to acceptance by the insurers and the overall limits on that policy. The Company's liability is therefore generally limited to recovering the excess from the adviser.

The redress provision represents the estimated cost of settling claims from clients and the amount represents the gross obligation and, where these amounts can be recovered from advisers and insurers, an asset is recognised. In view of the relative short duration anticipated for these liabilities and assets, the amounts included are not discounted. At 31 December 2020, the gross amount of the asset recognised within trade and other receivables was £3,450,000 (2019: £642,938) (see note 10).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

12 PROVISIONS (continued)

A provision of £29,044,577 (2019: £17,797,330) was recognised as at 31 December 2020. Of this £28.1 million (2019: £17.1 million) relates to 265 cases of advice provided by the Company in respect of pension transfers for British Steel pension scheme members, prior to the Group's acquisition of Lighthouse in June 2019. This includes a provision for anticipated costs of legal and professional fees of £3.0 million (2019: £2.9 million), in relation to the redress process, and includes the expected costs to review advice provided of a similar nature in relation to cases that management believe may have similar characteristics. A further £0.7 million of legal and professional fees relating to this matter was recognised through the Income Statement during the year.

265 British Steel pension scheme members acted on pension transfer advice provided by the Company between 2016 and 2018. The Company was advised after the 2019 year-end of a number of complaints relating to the advice given in respect of the above. A review of British Steel pension scheme cases advised by Lighthouse was then initiated to assess the standard of advice given to British Steel pension scheme members.

In December 2020, the Group received a skilled person review final requirement notification from the FCA, which includes a review of the British Steel pension transfers. A skilled person has been appointed, and they have performed provisional redress calculations on a significant portion of the British Steel complaints received. The redress calculated on the complaints has been extrapolated to the entire population of British Steel transfers, by subdividing the population into cohorts with similar characteristics, including dividing into transfers pre and post June 2017, when the Trustees of the British Steel pension fund changed the basis on which transfer values were calculated. The timing of any benefits withdrawn by the member after the transfer also has an impact upon the redress calculated. The estimated redress per client as a proportion of the transfer value of the pensions was determined and extrapolated to the overall population of cases where advice was provided, and that advice was then acted upon. The methodology employed to assess the calculated redress payable uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers". The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which are impacted by market movements and other parameters affecting the defined contribution scheme asset, and therefore exposed to volatility from this, and may vary from the amounts currently provided.

The key assumptions which have an impact upon the redress payable calculation are the discount rate, changes in market levels and proportion of cases where redress is estimated to be payable. For the purpose of the redress calculation, changes in the discount rate impact the valuation of the defined benefit ("DB") scheme at the reporting date, and market level changes, impact the valuation of the personal pension scheme for each client. The following table shows the potential change to the provision balance at 31 December 2020 as a result of movements in the key assumptions:

	31 December 2020	
	£m	
	Increase	Decrease
Change in discount rate of 0.25%	(4)	4
Change in market levels of 5%	(2)	2
Change in number of cases upheld of 10%	1	(1)

A further assumption which has an impact upon the provision is the timing of benefits taken. The uncertainty regarding the timing of benefits taken by each member for the cases not yet determined by the skilled person has a potentially material future impact upon the provision. The range of outcomes for the provision, including anticipated costs, varies from £25 million to £36 million at each extremity of possible timing of benefits taken.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

13 OTHER PAYABLES

	2020 £	2019 £
Amounts falling due within one year		
Trade payables	<u>4,184,301</u>	<u>4,666,306</u>

All payables falling due within one year are non-discounted.

Trade payables are non-interest bearing and are normally settled on receipt of funds from product providers, or within 30 days in respect of overheads.

	2020 £	2019 £
Amounts falling due after one year		
Owed to group undertakings	<u>310,000</u>	<u>310,000</u>

Creditors due after more than one year comprised a subordinated loan provided by a group company.

The loan is unsecured, interest-free and is not repayable within the next two years. A notice period of 2 years needs to be given by either the Company or the lending group company, to their counterparty and the FCA, before payment can be made.

14 CONTINGENT LIABILITIES

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group routinely monitors and assesses contingent liabilities arising from matters such as litigation, warranties and indemnities relating to past acquisitions and disposals. In December 2020, the Group received a final requirement notice from the FCA in relation to Lighthouse Defined Benefit ("DB") pension transfer advice, requiring a report by a skilled person, under section 166(3)(a) of the Financial Services and Markets Act 2000 ("FSMA"). The review covers Lighthouse Advisory Services Limited only, and no other companies within the Group. The review covers the period from 1 April 2015 to 27 January 2020, which is the date that Lighthouse converted to the Quilter Financial Planning advice process for their Defined Benefit transfer activity

The review will cover British Steel DB pension transfer advice activity undertaken by Lighthouse, and a representative sample of other Lighthouse DB pension transfer advice activity. The skilled person will also calculate redress, following the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers" guidance. The skilled person will also review the redress methodology applied by Lighthouse to any complaints already upheld. The skilled person's final report is expected to be submitted to the FCA in the third quarter of 2021.

For the British Steel cases, management currently consider that the likelihood of redress is probable on the majority of the cases. An estimate of the amount of redress payable has been made and is included within Provisions in note 13. For the non-British Steel cases, it is possible that further costs of redress may be incurred following the outcome of the skilled person review. At present, there is no indication of redress payable in relation to non-British Steel cases.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

15 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Quilter plc and, in accordance with the exemption conferred under FRS 101, transactions with fellow wholly-owned group companies are not disclosed separately in these financial statements.

16 EVENTS AFTER THE REPORTING DATE

There are no events that have occurred, between the reporting date and the date when the financial statements have been authorised for issue, that require disclosure.

17 ULTIMATE PARENT COMPANY

The Company's immediate parent company is Lighthouse Group Limited, a company registered in England and Wales.

The Company's financial statements are consolidated within the financial statements of Quilter plc, the ultimate parent company and controlling party, registered in England and Wales. The financial statements are available from:

The Company Secretary
Quilter plc
Senator House
85 Queen Victoria Street
London
EC4V 4AB