Registered in England and Wales No. 04086645

Lighthouse Advisory Services Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2021

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COMPANY INFORMATION

Directors	M Dean S C Gazard
Secretary	Quilter CoSec Services Limited
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Registered office	Senator House 85 Queen Victoria Street, London EC4V 4AB
	Telephone: 020 7562 5800
	Registered in England and Wales No: 04086645

STRATEGIC REPORT

The Directors present their strategic review for Lighthouse Advisory Services Limited (the '**Company'**) for the year ended 31 December 2021.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

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**"). 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 plc strategy is focused on growing with its clients and advisers, enhancing the efficiency of its operations, increasing digitalisation across the business and being a responsible wealth manager. This will enable Quilter to increase flows from both its own advisers and independent financial advisers, manage more of those flows in investment solutions and increase efficiency of doing so, delivering top line growth and operating leverage. Those priorities are underpinned by embodying a diverse and inclusive culture, where colleagues embrace Quilter's cultural values of being pioneering, dependable and stronger together which aids achieving Quilter's goals and benefits all of stakeholders.

LIGHTHOUSE ADVISORY SERVICES LIMITED STRATEGY

Lighthouse Advisory Services Limited forms part of the Quilter Financial Planning Group (the '**QFP Group**"), a network of over 2,800 financial advisers, including over 1,600 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 QFP 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. The QFP 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.

STREAMLINED ENERGY AND CARBON REPORTING

The Group is committed to managing its environmental impact and supports the Carbon Disclosure Project ('CDC'), a globally recognised initiative for companies to measure, manage, disclose and reduce their environmental impacts. A full explanation of how the Directors have had regard to the impact on the environment is contained within the Quilter plc Annual Report 2021 as per the requirements of Streamlined Energy and Carbon Reporting. The Company is exempt from reporting Company specific information as it is a subsidiary of the Group.

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:

	2021 £m	2020 £m
Fee income and other income from service activities	37.2	43.5
Fee and commission expenses, and other acquisition costs	(35.2)	(40.1)
Other operating and administrative expenses	(5.9)	(11.8)
Loss before tax	(0.1)	(7.4)
Cash and cash equivalents	35.0	34.7
Total equity attributable to equity holder	41.4	40.8

Revenue of £37.2m was £6m lower than prior year (2020: £43.5m), mainly due to a reduced number of Advisers within the Company's network in 2021, compared to 2020. Some Adviser firms moved across to Quilter Financial Services Limited, while some became independently FCA authorised. LighthouseCarrwood Limited, which was an authorised representative of the Lighthouse Group, was sold on 1 November 2021.

Total expenses of £37.7m was £13.3m lower than prior year (2020: £51.0m), due to Adviser fee and commission expenses reducing by £4.9m to £35.2m in 2021 (2020: £40.1m) as a direct result of the movement of Advisers out of the LASL group and other operating and administrative expenses reducing by £8.4m to £2.5m in 2021 (2020: £10.9m). reflecting a £3.7m reduction in redress costs and £2.6m reversal of intercompany receivable impairments charged to the income statement in prior years.

The profit after tax for the year was £0.5 million (2020: £2.6 million loss).

Within the Financial Statements, 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 depends 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.

No dividends were proposed or paid in the year (2020: £nil).

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.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 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.

Economic environment: Quilter is exposed to the condition of global economic markets. Whilst market conditions generally stabilised during 2021 from the COVID-19 pandemic, the evolving Ukraine crisis is having an impact on the economic environment resulting in short term market volatility and creates increasing economic and political uncertainty which could impact consumer confidence. Quilter's Net Client Cash Flow, Asset under Management, profitability and free cash levels could be materially affected by an extended or volatile economic recovery**.**

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 the QFP Group the implementation of a new commission payment system is due to launch in 2022. In addition, several initiatives to further enhance the control environment will be ongoing in 2022. This delivery profile carries a delivery risk, a risk of implementation issues, and a dependence on key individuals. As 2022 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.

SECTION 172 (1) STATEMENT

The Company is a wholly owned 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 2021.

In order to ensure decision-making bodies within Quilter plc continue to take their decisions on a fully informed basis, the Group has taken steps to further embed management's and Director's understanding of the responsibilities ascribed to directors under section 172 (1) of the Companies Act 2006 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 section 172 (1) 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 section 172 (1) considerations remain at the heart of the Group's decision-making at all levels.

The Directors of the Company are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 (1) of the Companies Act 2006. 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.

Signed on behalf of the Board.

Mitchell Dean
Director
30 June 2022

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

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:

M Dean
S C Gazard
P J Smith (resigned on 01/04/2022)

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 2021 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.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2020: £nil).

EMPLOYEES

The Company has no employees. Quilter Financial Planning Limited ("QFP") employs all staff and the related disclosures are shown in the financial statements of that company.

POLITICAL DONATIONS

No political donations were made during the year (2020: £nil).

CLIMATE CHANGE

In 2021, the Group climate change strategy was formalised with the objective to reduce the Group's contribution to climate change and support the transition to a low carbon economy. To achieve this ambition, the Group has developed a framework which is helping reduce our direct carbon footprint, embed climate considerations in our investment management and stewardship activity, offer clients climate focused investment solutions and align with the Taskforce on Climate-related Financial Disclosures ("TCFD").

INVESTING RESPONSIBILITY

The Group has made a commitment to embed responsible investment principles across the business and is a signatory of the UN backed Principles for Responsible Investment ("PRI"). we are embedding environmental, social and governance ("ESG") into our standard advice process to help clients invest according to their ESG preferences, and we are embedding ESG even more deeply into our standard investment management processes.

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.

DIRECTORS' REPORT (continued)

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 its 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 financial statements 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 auditors are 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 auditors are aware of that information.

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

STATEMENT OF 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 the QFP Group and the wider Quilter Group. The Directors have considered the resilience of the Company, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2021 financial statements.

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 2024 to QFP.

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, QFP, for a minimum of three years to 31 December 2024, continuing to recognise the strategic importance of the Company within the QFP Group.

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

M Dean
Director
30 June 2022

Statement of Directors' responsibilities in respect of the Annual report and financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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 auditors are aware of that information.

Signed on behalf of the Board.

M Dean
Director
30 June 2022

Independent auditors' 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 2021 and of its profit 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, which comprise: the statement of financial position as at 31 December 2021; the income statement, the statement of comprehensive income and the 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 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 2021 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 Annual report and 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 breaches of UK regulatory principles such as those governed by the Financial Conduct Authority ("FCA"), 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 inappropriate journal entries to either inflate revenue or reduce expenditure of the Company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board of Directors, management, internal audit, management involved in the risk and compliance and legal functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing key correspondence between the Company and 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.
- Reviewing data regarding customer and policyholder complaints, the company's register of litigation and claims, internal audit reports, compliance reports, in so far as they related to non-compliance with laws and regulations and fraud.
- Challenging assumptions made by management in accounting estimates and judgements, in particular in relation to the valuation of the DB to DC (Defined Benefit to Defined Contribution) compensation provisions.
- Identifying and testing journal entries, in particular any journal entries posted with unexpected account combinations which may be indicative of the manipulation of revenue or expenses, containing unusual descriptions or unusual amounts, where any such journals were identified.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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
Edinburgh
30 June 2022

INCOME STATEMENT
for the year ended 31 December 2021

	Notes	**2021** **£'000**	2020 £'000
Income			
Fee income and other income from service activities	2	37,177	43,473
Other income	4	365	154
Total income		**37,542**	43,627
Expenses			
Fee and commission expenses	3	(35,237)	(40,114)
Other operating and administrative expenses	3	(5,898)	(11,772)
Impairment reversal	6	3,446	859
Total expenses		**(37,689)**	(51,027)
Loss before tax		**(147)**	(7,400)
Tax credit on loss	5	685	4,832
Profit/(loss) after tax for the financial year		**538**	(2,568)
Attributable to equity holders		538	(2,568)

The notes on pages 17 to 32 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	2021	2020
	£'000	£'000
Profit/(loss) after tax for the financial year	538	(2,568)
Total comprehensive income/(expense) for the financial year	**538**	**(2,568)**

The notes on pages 17 to 32 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share Capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2021	55,181	(14,345)	40,836
Total comprehensive income	-	538	538
Balance at 31 December 2021	55,181	(13,807)	41,374

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2020	181	(11,777)	(11,596)
Total comprehensive expense	-	(2,568)	(2,568)
Share capital issued	55,000	-	55,000
Balance at 31 December 2020	55,181	(14,345)	40,836

The notes on pages 17 to 32 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	Note	**2021 £'000**	2020 £'000
Assets			
Due from Group undertakings	6	30,000	30,000
Current tax receivable	6	2,188	4,832
Trade, other receivables and other assets	6	4,556	5,335
Cash and cash equivalents	7	34,976	34,713
Total assets		**71,720**	**74,880**
Equity and liabilities			
Equity			
Ordinary share capital	8	55,181	55,181
Accumulated losses		(13,807)	(14,345)
Total equity attributable to equity holders		**41,374**	**40,836**
Liabilities			
Provisions	9	26,569	29,550
Borrowings and lease liabilities	10	310	310
Trade, other payables and other liabilities	10	3,467	4,184
Total liabilities		**30,346**	**34,044**
Total equity and liabilities		**71,720**	**74,880**

The financial statements on pages 13 to 16 were approved by the Board of Directors and authorised for issue on 30 June 2022 and signed on its behalf by:

....
M Dean

Director

Company registered number: 04086645

The notes on pages 17 to 32 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

General information

Lighthouse Advisory Services Limited (the “Company”), is a private limited company limited by shares incorporated and domiciled in the United Kingdom (“UK”). The principal activities of the Company are disclosed in the strategic report on page 2.

The address of its registered office is disclosed in the Company information section on page 1.

1. Basis of preparation

The financial statements of the Company for the year ended 31 December 2021 have been prepared in accordance with Financial Reporting Standard 101, ‘Reduced Disclosure Framework’ (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(a).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, ‘Financial instruments: Disclosures’.
- Paragraphs 91 to 99 of IFRS 13, ‘Fair value measurement’ (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, ‘Presentation of financial statements’:
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures).
- The second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- IAS 7, ‘Statement of cash flows’.
- Paragraphs 30 and 31 of IAS 8, ‘Accounting policies, changes in accounting estimates and errors’ (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, ‘Related party disclosures’ (key management compensation).
- The requirements in IAS 24, ‘Related party disclosures’, to disclose related party transactions entered into between two or more members of a Company.

These financial statements have been prepared on a historical cost basis and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

The accounting policies set out below, have, unless otherwise stated, been applied consistently to all periods presented on these financial statements.

New standards, amendments to standards, and interpretations adopted by the Company

There were no new standards or interpretations which became effective from 1 January 2021.

Amendments to standards:

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company’s financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. **Basis of preparation (continued)**

Going concern

The Directors have considered the resilience of the Company, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2021 financial statements.

A wider assessment was carried out at a Quilter Group level and incorporated a number of stress tests covering a broad range of scenarios, including economic and market shocks of up to 40% falls in equity markets, mass lapse events, new business growth scenarios and severe business interruption, equivalent to 1-in-50 and 1-in-200 year events.

As a result, the Directors believe that the Company is well placed to manage its business risks in the context of the current economic outlook and has sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these financial statements and continue to adopt the going concern basis in preparing the financial statements

Whilst the Company has reported a loss before tax for the year ended 31 December 2021, the use of the going concern basis of accounting is considered appropriate, reflecting the intention of the Company's indirect company, QFP, to provide continued capital support for at least the three years to 31 December 2024.

QFP has received a capital commitment from its ultimate parent, Quilter plc for the same period, reflecting the strategic importance of QFP 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

Liquidity analysis of the statement of financial position

The Group's Statement of financial position is in order of liquidity as is permitted by IAS 1 *Presentation of Financial Statements*. For each asset and liability line item, those amounts expected to be recovered or settled after more than twelve months after the reporting date are disclosed separately in the notes to the consolidated financial statements.

a: Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Company's significant accounting policies and make estimates and assumptions that affect the reported amounts of net assets and liabilities at the date of the financial statements. The Board Audit Committee reviews these areas of judgement and estimates and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

Critical accounting judgements

The Company's critical accounting judgements are detailed below and are those that management makes when applying its significant accounting policies and that have the most effect on the net profit and net assets recognised in the Company's financial statements.

- *Recognition of insurance recovery asset in respect of Defined Benefit to Defined Contribution pension transfer advice*

  For Defined Benefit ("DB") to Defined Contribution ("DC") pension transfer advice provided, management has applied judgement in order to determine whether an asset can be reasonably estimated, and the measurement of such asset, in relation to an insurance recovery under the Company's professional indemnity policies ("PI Policies"). Under the PI Policies, the Company is entitled, subject to the policy terms and limits, to be indemnified for claims and defence costs in respect of legal liabilities arising in connection with DB pension transfer advice activities; however, at the current time the insurers have not confirmed coverage for legal liabilities. Therefore, the Directors have recognised an element of the total asset which they believe to be certain of recovering.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. **Basis of preparation (continued)**

Critical accounting estimates

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 net 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 actuarial and accounting standards and guidance to make predictions about future actions and events. Actual results may differ from those estimates.

- *Provision for cost of defined benefit pension advice*

  A significant portion of the provision required for British Steel DB pension transfer redress was determined based upon calculations performed as part of the skilled person review for cases upheld, and subsequent formal offers of redress payments made. An estimation of the remainder of the provision required for cases where a formal offer has yet to be made, was based upon those calculations, and the suitability assessments of all cases performed by the skilled person, which are nearing completion. The calculations per case where an offer has been made are based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate and inflation rate assumptions. An estimation was determined on a similar basis for unsuitable pension advice related to schemes other than the British Steel Pension Scheme, using a methodology which takes account of recent experience and applying a proportion of transfer value to determine redress payable as an indicative provision. See note 9 for further details.

b: Significant changes in the year

There are no significant changes in the current financial year.

Detailed discussion of the Company's performance and financial position to 31 December 2021 are included in the Strategic Report.

c: Significant accounting policies

The Company's significant accounting policies are described below.

Fee income and other income from service activities

Fee income and other income from service activities represent the fair value of services provided, net of value added tax. Revenue is only recognised to the extent that management is satisfied that it is highly probable that no significant reversal of the revenue recognised will be required when uncertainties are resolved. In circumstances where refunds are expected on a portion of the income, including indemnity commission on policies sold, an estimate of the reduction of revenue is made and charged to the income statement at the point of sale, based upon assumptions determined from historical experience.

Premium-based fees

This includes fees in respect of advice provided to clients when the advice has been provided to the client and the financial adviser's performance obligation has been fully delivered. Accordingly, fee income is recognised at the inception of the financial product sold.

Fixed fees

This is periodic fee income which is fixed in value according to underlying contract terms and relates to the provision of services and transactional dealing fees. It is recognised on provision of the transaction or service.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. **Basis of preparation (continued)**

Financial instruments

Financial instruments cover a wide range of financial assets, including, trade and intercompany receivables and cash and cash equivalents and certain financial liabilities, including and trade payables.. 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 derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Company. A financial liability is derecognised 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. The Company determines its strategy in holding the financial asset, particularly considering whether the Company earns 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. These factors enable management to determine which financial assets should be measured at Fair Value Through the Profit and Loss (FVTPL).

Initial measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent 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 within 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 financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
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 profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and unless recognised as FVTPL on initial recognition applying the Fair Value Option (see below):

- 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 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 for 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.

All other financial assets that are not measured at amortised cost are classified and measured at FVTPL.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. **Basis of preparation (continued)**

Loans and advances

Loans with fixed maturities, are recognised when cash is advanced. Loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, money market collective investment funds and other short-term deposits with an original maturity of three months or less.

Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below. The carrying amount of cash and cash equivalents, other than money market collective investment funds which are measured at fair value, approximates to their fair value.

Financial liabilities and equity

Financial liabilities and equity, including the Company's borrowings, are measured at amortised cost using the effective interest method.

Trade payables and receivables

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

Impairment of financial assets

The expected loss accounting model for credit losses applies to financial assets measured at amortised cost, but not to financial assets at FVTPL. Financial assets at amortised cost include trade and intercompany receivables, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value), fixed term deposits and loans and advances.

Credit loss allowances are measured on each reporting date according to a three-stage expected credit loss ("ECL") impairment model:

Performing financial assets:

Stage 1

From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ("12-month ECL").

Stage 2

Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ("Lifetime ECL").

The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime probability of default ("PD"). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets:

Stage 3

When a financial asset is considered to be credit-impaired, the allowance for credit losses ("ACL") continues to represent lifetime expected credit losses. However, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

1. **Basis of preparation (continued)**

Application of the impairment model

The Company applies the ECL model to all financial assets that are measured at amortised cost:

- Trade receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Loans, cash and cash equivalents at amortised cost, to which the general three-stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

ECLs are probability-weighted estimates of credit losses. ECLs for financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the Company expects to receive). ECLs for financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Company has implemented its impairment methodology for estimating the ECL, taking into account forward-looking information in determining the appropriate level of allowance. In addition, it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will exceed 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Company concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Contract assets

Contract assets are classified as non-financial instruments. Due to their short-term nature, their carrying amount is considered to be the same as their fair value

The expected loss accounting model for credit losses applies to contract assets, The Company applies the ECL model to contract assets, which are measured at amortised cost. The simplified approach prescribed by IFRS 9 is applied to contract assets. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.

Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. **Basis of preparation (continued)**

Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, provisions are discounted and represent the present value of the expected expenditure. Provisions are not recognised for future operating costs or losses.

The Company recognises specific provisions where they arise for the situations outlined below:

- Client compensation and related costs, when the Company compensates clients in the context of providing fair customer outcomes.
- Onerous contracts, when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting the obligations under the contract.
- Corporate restructuring, only if the Company has approved a detailed formal plan and raised a valid expectation among those parties directly affected, that the plan will be carried out either by having commenced implementation or by publicly announcing the plan's main features. Such provisions include the direct expenditure arising from the restructuring, such as employee termination payments but not those costs associated with the ongoing activities of the Company.
- Legal uncertainties and the settlement of other claims.

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 statement of financial position, unless they are assumed by the Company as part of a business combination. They are however 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.

Contingent assets, which are possible benefits to the Company, are only disclosed if it is probable that the Company will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the statement of financial position as an asset.

2. **Fee income and income from service activities**

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.

	£'000	**£'000**
	2021	2020
Other fee and commission income	37,177	43,473
Fee income and other income from service activities	37,177	**43,473**
Other income	365	154
Total income	**37,542**	**43,627**

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Other operating and administrative expenses

This note provides further details in respect of the items appearing in the expenses section of the income statement.

	2021 **£'000**	2020 £'000
Fee and commission expenses	35,237	40,114
Total Fee and commission expenses	**35,237**	**40,114**

Fee and commission expenses represent sums payable to advisers in respect of the fee income and other incomes from service activities.

	2021 **£'000**	2020 £'000
Movement in provision for customer redress, including pension transfers from the British Steel Pension Scheme (note 9)	2,277	10,934
Professional indemnity insurance recoverable	-	(3,450)
Movement in provision for legal and professional fees associated with the above	1,250	70
	3,527	7,554
Other administrative expenses	2,371	4,218
Total other operating and administrative expenses	**5,898**	**11,772**

Directors' remuneration

	£'000 **2021**	£'000 2020
Proportion of Directors' emoluments paid by third parties attributable to the company		
Remuneration	132	136
Pension	3	4
Total share based payments	19	34

3 Directors had money paid to money purchase schemes during the year (2020: 5).
3 Directors received, or were due to receive, shares or share options under a long-term incentive scheme (2020: 5).
3 Directors exercised options during the year (2020: 5).

During the year there was no compensation for loss of office paid to Directors (2020: £nil); this includes the estimated money value of the following benefits: payment in lieu of notice, loss of participation in the Save As You Earn scheme, pay-out of contractual long term incentive, pension contributions, bonus and statutory redundancy.

The Directors' remuneration was paid by other QFP Group entities and included in the management recharges made to the Company.

Auditors' remuneration

Included in other operating and administrative expenses are fees paid to the Company's auditors. These can be categorised as follows:

	2021 **£'000**	**2020** £'000
Fees payable for audit services	49	34
Fees payable for non-audit services	12	-
Total Company auditors' remuneration	**61**	34

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

4. Other income

	2021 £'000	2020 £'000
Bank interest receivable	4	22
Interest earned on loan to Quilter Financial Planning Limited	361	132
	365	154

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.

5. Tax on loss

Tax credited to the income statement

	2021 £'000	2020 £'000
Current tax		
United Kingdom	683	1,567
Adjustments to current tax in respect of prior periods	2	3,265
Total current tax credit	**685**	4,832
Total tax credited to income statement	**685**	4,832

Reconciliation of total income tax expense

The income tax charged to profit or loss differs from the amount that would apply if all of the Company's profits from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate is explained below:

	2021 £'000	2020 £'000
Loss before tax from continuing operations	(147)	(7,400)
Tax on loss before tax at UK standard rate of 19% (2020: 19%)	28	1,406
Expenses not deductible for tax	655	(2)
Adjustments to current tax in respect of prior years	2	3,265
Net movements on unrecognised deferred tax assets	-	163
Total tax credited to income statement	**685**	4,832

The main rate of corporation tax is 19%. 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, which change in rate having been substantially enacted by 31 December 2021 has been used in recognising the Company's deferred tax assets and liabilities should the reversal be expected to take place after 1 April 2023.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. Trade, other receivables and other assets

This note analyses total trade, other receivables and other assets

	2021 £'000	2020 £'000
Due from Group undertakings	30,000	30,000
Trade, other receivables and other assets	4,092	4,830
Current tax receivable	2,188	4,832
Accrued income	425	477
Other accruals and prepayments	39	28
Total trade, other receivables and other assets	**36,744**	40,167
To be settled within 12 months	6,744	10,167
To be settled after 12 months	30,000	30,000
Total trade, other receivables and other assets	**36,744**	40,167

Other receivables mainly relate to trade debtors, tax debtors and other debtors.

A £30 million intercompany loan to QFP as the indirect parent of the Company remains in place and is repayable on demand. Interest is earned at a rate of Bank of England base rate +115 bps. This is considered to be fully recoverable from QFP, given ongoing support by Quilter plc.

All other receivables, including other amounts due from group companies, are current, short term and interest free and are carried at fair value and are subject to the 12-month ECL model

There have been no non-performing receivables or material impairments in the financial year that require disclosure. None of the receivables reflected above have been subject to the renegotiation of terms.

A number of advisers (and former advisers) are indebted to the Company. This debt ordinarily arises from clawbacks 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 clawbacks 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:

Bad debt provision utilisation	**2021 £'000**	2020 £'000
Balance brought forward	58	40
Charged to the profit and loss account	5	30
Utilised in the year	-	(12)
Balance carried forward	63	58

There were no debts deemed irrecoverable during the year (2020: £12,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. Trade, other receivables and other assets (continued)

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

	2021 £'000	2020 £'000
Gross amount owed by subsidiaries of Lighthouse Group Limited as at 31 December	-	3,446
Provision as at 1 January	3,446	4,305
Decrease in provision in year	(3,446)	(859)
Provision as at 31 December	**-**	3,446
Net amount owed by subsidiary undertakings as at 31 December	**-**	-

In the year, the Company changed the basis of estimating when provision is required on balances due from subsidiaries of Lighthouse Group Limited. In prior years, provision was made if the balance receivable exceeded the recoverable net assets of the entity. Provision is now made if the balance receivable exceeds the recoverable net assets of the entity, and that entity does not have any commitment from support form elsewhere in the Quilter group.

The provision for amounts owed by subsidiaries of Lighthouse Group Limited has been released in the year as the balance from Lighthouse Group Limited was settled in the year.

7. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank	9,976	9,713
Money market funds	25,000	25,000
Total cash and cash equivalents	**34,976**	34,713

Management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

8. Share Capital

The Company's Ordinary Share capital at the end of the year is a follows:	Number of shares	£'000 Nominal value
Ordinary shares of £1 each – allotted and fully paid		
At 1 January 2020	181	181
Shares issued	55,000	55,000
At 31 December 2020	55,181	55,181
At 31 December 2021	**55,181**	55,181

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

9. Provisions

	Provision for clawback of indemnity commission £'000	Complaints provision £'000	British Steel provision £'000	DB to DC Provision £'000	Legal fees provision £'000	**Total** **£'000**
At 1 January 2021	505	986	25,089	-	2,970	**29,550**
Charged to Income Statement	-	468	-	6,521	1,250	**8,239**
Unused amounts reversed	(102)	-	(4,712)	-	-	**(4,814)**
Utilised during the year	-	(717)	(3,529)	-	(2,160)	**(6,406)**
At 31 December 2021	**403**	**737**	**16,848**	**6,521**	**2,060**	**26,569**

Provision for clawback of indemnity commission

In the event of a clawback of indemnity commission in respect of policies cancelled during the indemnity period, the Company has an obligation to settle the liability. The provision for clawback 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 2021. 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 9.9%. 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 2021.

Provision for complaints

Provision is made for expected settlements on open complaints.

Compensation provisions

Compensation provisions total £26,166,000 (31 December 2020: £29,045,000), include the following:

Pension transfer advice provision of £25,429,000 (31 December 2020: £28,059,000)

Pension transfer advice provided to British Steel members

A provision for DB to DC pension transfer advice provided by the Company in respect of pension transfers for British Steel Pension Scheme members, was established in 2019.

During 2020, the FCA reported the results of its thematic review into the general market of DB to DC pension transfers, which included British Steel Pension Scheme pension transfers. The FCA review determined that the percentage of unsuitable files for British Steel Pension Scheme transfers generally for the industry was higher than those for other DB to DC pension scheme transfers in their thematic sample. The FCA review included a sample of British Steel Pension Scheme pension transfer advice provided by the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

9. Provisions (continued)

Compensation provisions (continued)

In April 2020, the Company was informed by the FCA that it would be required to appoint a skilled person to review DB to DC pension transfer advice. A skilled person was appointed, and during 2020 they performed initial provisional calculations for a significant portion of the British Steel Pension Scheme complaints received by the Company where the advice given to customers was assessed as being unsuitable to obtain an indication of how much redress (if any) may be payable to these customers to the extent that they sustained losses as a result of that unsuitable advice. The methodology employed to perform these initial provisional redress calculations 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 provisional redress amounts calculated on the complaints were extrapolated to the entire population of 266 British Steel Pension Scheme transfers on which Lighthouse advisers provided advice and the relevant customers proceeded to make a transfer, in order to determine an approximation of the estimated redress that may be payable to customers who are found to have received unsuitable advice which caused them to sustain losses. The provision was determined by (a) subdividing the population into cohorts with similar characteristics, including the results in 2020 of the skilled person's assessment of the number of cases where unsuitable advice was given, and also (b) dividing the population into transfers pre and post June 2017 when the Trustees of the British Steel Pension Scheme 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 provisional redress amounts calculated. The estimated redress per client as a proportion of the transfer value of the pensions was determined for each cohort and extrapolated to the population of cases assessed as unsuitable where advice was provided and acted upon through the Company.

During 2021, a loss assessment and redress calculation methodology has been designed by the skilled person following discussions and in collaboration with the FCA, to ensure consistency and compliance with the FCA's Final Guidance 17/9, which is being used to calculate redress offers for those cases where the skilled person determines that a customer received unsuitable defined benefit pension transfer advice which caused them to sustain losses. At 31 December 2021, offers relating to the majority of the provision balance have been made to customers and, subject to FCA confirmation, we expect the skilled person review to be completed during 2022. The majority of suitability reviews were completed by the skilled person during the year. The provision has been updated at 31 December 2021 reflecting the outcome of the suitability review on a case-by-case basis, redress calculations performed by the skilled person using the agreed methodology and the offers made to customers who received unsuitable advice which caused them to sustain a loss.

British Steel provision and Legal fees provision

A total provision of £18,908,000 (2020: £28,059,000) has been calculated for the potential redress of British Steel cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

(a) Client redress provision of £16,848,000, comprised of £20,377,000 (31 December 2020: £25,089,000) redress payable, less payments made to customers of £3,529,000 during 2021,

(b) Anticipated costs associated with redress activity of £2,060,000 (31 December 2020: £2,970,000), comprised of £4,220,000 costs payable, less payments made of £2,160,000 during the year. This provision is recognised in respect of the anticipated costs of legal and professional fees related to the cases and redress process, which includes the expected costs to review advice provided of a similar nature in relation to cases that the Company believe may have similar characteristics. The costs do not include any potential regulatory fines or penalties as a result of the unsuitable advice.

The £3,450,000 insurance recoverable has not changed from the prior year. Discussion with insurers is ongoing, insurers have not confirmed coverage and the Company will review the recoverable amount as and when they receive further certainty, which is not expected until after the completion of the skilled person review. The insurance asset at 31 December 2021 is disclosed within "Trade, other receivables and other assets".

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

9. Provisions (continued)

Compensation provisions (continued)

The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which will be calculated per the detailed redress methodology designed by the skilled person following discussions and in collaboration with the FCA and also impacted by market movements and other parameters affecting the defined contribution scheme asset, and is 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 and changes in market levels. For the purpose of the redress calculation, changes in the discount rate impact the valuation of the defined benefit scheme at the reporting date, and market level changes impact the valuation of the personal pension scheme for each client.

At the date of signing the financial statements, a redress calculation has been performed for the majority of customers who have had an assessment of unsuitable pension transfer advice, leading to greater certainty over the range of the provision balance, and therefore provision sensitivity for changes in assumptions has not been disclosed. The range of outcomes for the remaining provision, including anticipated costs, varies from £19,000,000 (decrease of £2,000,000) to £22,000,000 (increase of £1,000,000), with full settlement of payments expected to be completed during 2022.

Pension transfer advice provided to members of other schemes (DB to DC Provision)

During 2021, the skilled person review has identified unsuitable DB to DC pension advice provided by former Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. The majority of the suitability assessments for cases currently identified as being in scope have been completed. Using provisional calculations of redress for similar cases where customers had sustained losses a factor was determined representing average redress as a proportion of average pension transfer value. The factor was used to estimate a provision of £6,521,000 for the unsuitable cases, which has been recognised at 31 December 2021. If the factor was to increase or decrease by 10%, the impact upon the provision would be £2,000,000. Payments are expected to be completed by the end of the third quarter of 2022.

10.Trade, other payables and other liabilities

	2021 **£'000**	2020 £'000
Borrowings and lease liabilities	310	310
Trade, other payables and other liabilities	3,467	4,184
Total trade, other payables and other liabilities	**3,777**	**4,494**
To be settled within 12 months	3,467	4,184
To be settled after 12 months	310	310
Total trade, other payables and other liabilities	**3,777**	**4,494**

Trade creditors principally comprise amounts due to clients and investment settlements outstanding. The Directors consider that the carrying amount of trade and other payables approximates to their fair value. All trade and other payables are short-term and interest-free. Amounts due to Group undertakings are unsecured, interest-free and current.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

11.Contingent liabilities

The Company, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. The Company 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.

Contingent liabilities

The Company routinely monitors and assesses contingent liabilities arising from matters such as business reviews, litigation, warranties and customer complaints.

In April 2020, the Company was informed by the FCA that it would be required to appoint a skilled person, under section 166(3)(a) of the Financial Services and Markets Act 2000 (“FSMA”), in relation to DB to DC pension transfer advice. The review covers the period from 1 April 2015 to 27 January 2020, which is the date that the Company converted to the QFP group advice process for their Defined Benefit transfer activity.

The review covers British Steel Pension Scheme DB to DC pension transfer advice activity undertaken by the Company, and a representative sample of other DB to DC pension transfer advice activity in the relevant period. The skilled person also calculates redress, using a redress methodology that the skilled person has designed following discussions and in collaboration with the FCA, and to ensure consistency with the FCA’s FG17/9 “Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers” guidance for those cases where the skilled person determines that a customer received unsuitable DB to DC pension transfer advice which led to customer sustaining losses. Until the skilled person review has finalised, uncertainty exists as to the value of total redress which will be payable, and a reliable estimate of all amounts cannot be determined. Subject to FCA confirmation, we expect the skilled person review to be completed during 2022.

For the British Steel Pension Scheme cases, and a portion of the other cases reviewed by the skilled person, the Company currently considers that the likelihood of redress is probable on a proportion of the cases, but this is subject to confirmation through the ongoing skilled person review process. An estimate of the amount of redress payable for those cases where a reliable estimate can be made has been made and is included within Provisions in note 9.

It is possible that further material costs of redress may be incurred in relation to the skilled person review.

Any further redress costs, and any differences between the provision and final payment to be made for the DB cases, will be recognised as an expense or credit in the Income Statement.

Complaints, disputes and regulations

The Company is committed to treating customers fairly and supporting its customers in meeting their lifetime goals. The Company does from time to time receive complaints and claims from customers, enters into commercial disputes with service providers, and is subject to regulatory discussions and reviews in the normal course of business. The costs, including legal costs, of these issues as they arise can be significant and, where appropriate, provisions have been established under IAS 37.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

12. Related party transactions

The Company is a wholly owned indirect 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.

Key management personnel transactions

Remuneration of key management personnel is disclosed in Note 3.

Key management personnel of the Company and members of their close family have had no other transactions with the Company.

13. Ultimate parent company

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

The ultimate parent company, controlling party and the smallest and largest group to consolidate these financial statements is Quilter plc, registered in England and Wales. The consolidated financial statements are available from:

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

14. Events after the end of the reporting period

On 17 June 2022, an insurance coverage letter was received from the insurers agent detailing payment of £13.3m to be made to the Company under the Professional Indemnity Policies, relating to British Steel complaints resulting from the advice given on DB to DC transfer advice (see note 9). A further £1.7m is expected to become receivable under the Policies related to opt-in cases once the Insurers have completed their review of the cases.