Registered in England and Wales No. 04042743

Lighthouse Group Limited (formerly Lighthouse Group plc)

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2020

CONTENTS

COMPANY INFORMATION

Directors	
	M Dean S C Gazard P J Smith
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: 0808 171 2626
	Registered in England and Wales No: 04042743

STRATEGIC REPORT

The Directors present their strategic review for Lighthouse Group Limited (“**Lighthouse**” or the ‘**Company’**) for the year ended 31 December 2020.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The principal activity of the Company is that of a holding company. The principal activities of its subsidiaries are the provision of financial advice to the market for retail financial products and services to a network of financial advisers.

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.

RESULTS FOR THE YEAR

The loss for the year on ordinary activities before and after taxation was £14.2 million (2019: Loss on ordinary activities before and after taxation of £9.8 million).

The significant loss in the year was due to an increase in the impairment charge against the carrying value of investments in subsidiary companies of £14.2 million (2019 decrease of £10.3 million), as a result of the losses incurred by those companies during the year

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. Quilter’s strategic objectives include delivering on customer outcomes, advice and wealth management growth, wealth platforms growth, and optimisation and efficiency

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 GROUP LIMITED STRATEGY

Lighthouse Group Limited forms part of the Quilter Financial Planning Group (the ‘**QFP group**’), a network of over 3,600 financial advisers, over 1800 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 of mass affluent and affluent customers. 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. The QFP Group operates a business model with two core channels, a National and a Network.

KEY PERFORMANCE INDICATORS (KPIs)

Management evaluate the performance of the business using a number of measures. Key metrics for the Company were as follows:

	2020 £m	2019 £m
Loss before tax	14.2	9.8
Net Assets	41.3	0.6

The loss after tax for the year was £14.2 million (2019: £9.8 million). The significant loss in the year was due to an increase in impairment charges against the carrying value of investments in subsidiary companies of £14.2 million (2019: £10.3 million), as a result of losses incurred in those companies 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 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 its parent company Quilter Financial Planning group in consideration for the capital contributions

The Company subsequently made series of capital injections with total value of £55m into its wholly owned subsidiary Lighthouse Advisory Services Limited (LASL) by way of subscriptions for new ordinary shares issued by that company. The capital injections were made in LASL to support its capital position and help the subsidiary meet all external regulatory capital requirements.

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’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.

STRATEGIC REPORT (continued)

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 immediate 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.
In light of this commitment of support from Quilter plc, the Company has received confirmation of ongoing intent to provide capital support from its immediate 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 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.

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.

STRATEGIC REPORT (continued)

Regulatory change - The QFP Group 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 value of its equity investment.

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 COVID-19 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 QFP Group 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.

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

S Gazard
Director
28th September 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:

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.

RE-REGISTRATION AS A PRIVATE LIMITED COMPANY

Special resolutions were passed at a general meeting of the Company held on 12 February 2021 to re-register the Company (formerly known as Lighthouse Group plc) as a private company, limited by shares, and to adopt new Articles of association accordingly, and the Company was duly re-registered as a private company, limited by shares, on 19 February 2021.

BOARD DIVERSITY

The Board believes that diversity brings benefits for our customers, our business and our colleagues. The Directors acknowledge that there is more to do to increase diversity on the Board and will continue to seek a diverse range of candidates in the recruitment of directors.

Quilter plc has published its Inclusion and Diversity Statement on its website at quilter.com/careers/inclusion-and diversity

RESULTS AND DIVIDENDS

The loss for the year, after taxation amounted to £14.2 million (2019: Loss after tax £9.8 million).

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

EMPLOYEES

The Company has no employees. Quilter Financial Planning Limited employs all staff and the related disclosures are shown in those financial statements.

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)

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 immediate 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 its parent company Quilter Financial Planning 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 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.

On behalf of the Board

M Dean
Director
28th September 2021

DIRECTORS' REPORT (continued)

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 immediate 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.

POST BALANCE SHEET EVENTS

On 19 August 2021, the Company entered into an agreement to sell the whole of the issued share capital of its wholly-owned subsidiary, LighthouseCarrwood Limited, to a third-party. The directors expect the sale to complete before 31 December 2021.

The directors assess this to be a non-adjusting post-balance sheet event as the decision to sell LighthouseCarrwood Limited took place after the balance sheet date, following a strategic review of the business.

INDEPENDENT AUDITORS

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

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 the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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;
- state whether applicable international accounting standards 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 also 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 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGHTHOUSE GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Lighthouse Group 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 and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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, the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows 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 GROUP 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 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 by the engagement team included:

- 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;

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

- Identifying and testing journal entries, in particular any journal entries with unexpected account combinations, unusual amounts, unusual words, unusual times, and any post closing entries, where any such entries were identified;

- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and

- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements.

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 directors 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
28 September 2021

INCOME STATEMENT
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Income			
Dividend income	4	-	3
Total income		-	3
Expenses			
Net impairment gains against amounts owed by group undertakings	5	-	514
Impairment losses in carrying value of subsidiary investments	8	(14,164)	(10,316)
Operating losses		(14,164)	(10,316)
Loss before tax		(14,164)	(9,799)
Taxation[1]		-	-
Loss after tax		(14,164)	(9,799)
Attributable to equity holders		(14,164)	(9,799)

[1]The Company is a non-trading holding company, and all items in the profit and loss account and other comprehensive income are exempt items for tax purposes. Therefore, the tax charge for the year is £nil (2019: £nil).

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

The notes on pages 19 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Loss after tax		(14,164)	(9,799)
Other comprehensive loss:			
Decrease in fair value of equity investment held	9	(213)	(336)
Total comprehensive loss for the year			
All attributable to equity holders		(14,377)	(10,135)

The notes on pages 19 to 31 are an integral part of these financial statements.

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

	Share capital £'000	Non-distributable reserve £'000	Equity investment fair value reserve £'000	Share based payments reserves £'000	Retained (losses)/ earnings £'000	Total equity £'000
Balance at 1 January 2020	1,399	90	(372)	-	(477)	640
Total comprehensive loss	-	-	(213)	-	(14,164)	(14,377)
Share issues during the year	55,000	-	-	-	-	55,000
Balance at 31 December 2020	56,399	90	(585)	-	(14,641)	41,263

	Share capital £'000	Non-distributable reserve £'000	Fixed asset investment fair value reserve £'000	Share based payments reserves £'000	Retained (losses)/ earnings £'000	Total equity £'000
Balance at 1 January 2019	1,277	90	(36)	1,496	8,178	11,005
Total comprehensive loss	-	-	(336)	-	(9,799)	(10,135)
Share issues during the year	122	-	-	-	-	122
Dividends paid	-	-	-	-	(639)	(639)
Equity contribution to subsidiary undertaking	-	-	-	287	-	287
Transfers	-	-	-	(1,783)	1,783	-
Balance at 31 December 2019	1,399	90	(372)	-	(477)	640

The notes on pages 19 to 31 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investments in subsidiaries	8	40,836	-
Financial assets at fair value through other comprehensive income	9	427	640
Cash and cash equivalents		-	-
Total assets		41,263	640
Equity and liabilities			
Share capital	10	56,399	1,399
Non-distributable reserves[1]		90	90
Equity investment fair value reserve		(585)	(372)
Retained earnings		(14,641)	(477)
Total equity attributable to equity holder		41,263	640

[1]Special non-distributable reserve arose from a reduction in the Company's share premium account undertaken during the year ended 31 December 2008.

The notes on pages 19 to 31 are an integral part of these financial statements.

Approved at a meeting of the Board of directors on 28th September 2021 and signed on its behalf by:

Mitchell Dean
Director

Company registered number: 04042743

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	2020	2019
	£'000	£'000
Cash flows from operating activities		
Operating loss	(14,164)	(9,799)
Adjustment to reconcile operating loss before tax to net cash from operating activities:		
Dividend income	-	(3)
Change in impairment of investments	14,164	10,316
Net cash flows from operating activities	-	514
Cash flows from investing activities		
Payment for acquisition of shares in subsidiary, net of cash acquired	(55,000)	-
Dividend received	-	3
Net cash flows from investing activities	(55,000)	3
Cash flows from financing activities		
Dividends paid to equity shareholders	-	(639)
Proceeds from issues of shares	55,000	122
Net cash flows used in financing activities	55,000	(517)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	-	-

Statement of cashflows is prepared according to the indirect method.

The notes on pages 19 to 31 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

1 GENERAL INFORMATION

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

The principal activity of the Company is that of a holding company. The principal activities of its subsidiaries are the provision of financial advice to the market for retail financial products 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

The financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on the historical cost basis. except for the revaluation of certain financial instruments, which are recognised at fair value. They have been prepared in sterling and are rounded to the nearest hundred thousand pounds. These are separate financial statements as the Company has elected under the Companies Act s.400 not to prepare consolidated financial statements.

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

In assessing the basis of preparation management have considered

- the liquidity of the Company's assets
- the projected regulatory capital position of the Company
- the impact of COVID-19 through scenario testing and modelling of a significant downturn in markets
- the written commitment of the Company's ultimate parent to provide the required level of continued capital support for at least three years to 31 December 2023 along with the managements' consideration of the ultimate parent's ability to provide that support.

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 Quilter plc.

The address of Quilter plc is:
Senator House
85 Queen Victoria Street
London
EC4V 4AB

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

The use of the going concern basis of accounting is considered appropriate, reflecting the intention of the Company's immediate parent 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 Limited has received a commitment of support from its ultimate parent, Quilter plc for the same period, reflecting the strategic importance of Quilter Financial Planning to 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.

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.

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 IFRS 3 *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.

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 contract*s (yet to be endorsed by the EU)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Non-derivative financial instruments, including investments with no fixed income, are recognised initially at fair value (see below). Subsequent to initial recognition, non-derivative financial instruments where market value is readily available e.g. investments in equity and debt securities tradeable on a public market, are carried at market value and any increase or decrease in fair value is accounted for as follows:

- where such instruments are not held for the purpose of trading but for the long-term, then the Company may opt for any increases or decreases to be dealt with through the statement of comprehensive income, with adjustments taken to the fixed asset investments fair value reserve within equity shareholders' funds rather than through profit and loss account for the year. This is assessed on a case by case basis as at the date of acquisition and any such election is irrevocable once made. Where applied the direct costs of acquiring the original investment are capitalised as part of the opening fair value recognition; or where the above option is not applied or where a non-derivative financial instrument where market value is readily available is not held for the long-term, direct costs on initial acquisition are expensed to profit and loss account when incurred and subsequent increases or decreases in fair value are dealt with through the profit and loss account.

Investments in subsidiaries

Investments in subsidiaries are initially held at historical cost and tested annually for impairment. Where the values of the subsidiaries are impaired, then investments in subsidiaries are carried at management's estimate of the recoverable value, being the higher of the value-in-use or fair value less costs to sell.

All impairments are recognised in the income statement as they occur.

Impairment of financial assets

The IFRS 9 impairment model applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables, cash and cash equivalents and corporate debt securities.

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Application of the impairment model
The Company applies IFRS 9's ECL model to two main types of 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 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 a probability-weighted estimate 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 ACL, 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 listed below. 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.	5
Impairment of amount invested in subsidiaries	Investments in subsidiaries are initially held at historical cost and tested annually for impairment. Where the values of the subsidiaries are impaired, then investments in subsidiaries are carried at management's estimate of the recoverable value.	8

The Company's critical accounting estimates 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.

Finance income
Dividends are recognised in the year in which they are received.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 taken directly to equity.

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 immediate parent 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 Limited 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.

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.

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.

The Company does not have any counterparty risk as there are no receivables.

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. The company is not exposed to interest rate risk

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 is not exposed to liquidity risk

The Company, whilst loss making, 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.

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.

3 RISK MANAGEMENT FRAMEWORK (continued)

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.

Market risk sensitivity

A 20% drop in the AIM will reduce our investee's share price from £1.40 to £1.12, which will result in unrealised loss of approximately £86,000 whereas a 20% increase in the AIM will increase the investees' share price from £1.40 to £1.68. which will result in unrealised gain of approximately £85,000.

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.

4 FINANCE INCOME

	2020 £'000	2019 £'000
Net investment income		
Dividends received	-	3

5 AMOUNTS OWED BY GROUP UNDERTAKINGS

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

	2020 £'000	2019 £'000
Gross amount owed by wholly owned subsidiary as at 31 December	6,415	6,415
Provision as at 1 January	(6,415)	(6,929)
Decrease in provision in year	-	514
Provision as at 31 December	(6,415)	(6,415)
Total	-	-

The decrease in provision for amounts owed by wholly owned subsidiaries represents the difference between the gross amount owed by fellow group entities and the recoverable net assets of those entities.

6 REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity and as such, only directors are considered to meet this definition.

The directors have minimal input in the day to day administration of the company and therefore there is no appropriate basis on which they can apportion part of their remuneration for their services to the company. The directors are remunerated by Quilter Financial Planning Limited, and their emoluments are disclosed in those financial statements.

7 DIVIDENDS PAID AND PROPOSED

Paid:	2020 £'000	2019 £'000
2019 final dividend at 0.50 pence per share (2018 0.50 pence per share)	-	639
No interim dividend was paid for 2020 (2019: nil pence per share)	-	-
	-	639

The directors do not recommend a final dividend for 2020 (2019: nil pence per share).

8 INVESTMENTS IN SUBSIDIARIES

	2020	2019
	£'000	£'000
At 1 January	19,840	19,553
Equity contribution to subsidiary undertaking in respect of share-based payments	-	287
Additional equity contribution to subsidiary undertaking during the year	55,000	-
At 31 December	74,840	19,840
Provision for impairment at 1 January	(19,840)	(9,524)
Movement in impairment provisions during the year	(14,164)	(10,316)
Provision for impairment at 31 December	(34,004)	(19,840)
Closing value at 31 December	40,836	-

The movement in the impairment provision detailed above arose as a result of the (decrease)/increase in the recoverable amount of the Company's subsidiary companies derived from the results in 2019 and 2020.

The subsidiary undertakings at the year end, all wholly owned (with 100% voting rights) and registered in England and Wales are:

Company name	**Share class**	**Registered office address**
Luceo Asset Management Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouse Wealth Management Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Falcon Financial Advice Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
The Falcon Group Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouse Pensions Help Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouse Advisory Services Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Financial Services Advice & Support Limited	Ordinary	C/O Addleshaw Goddard Llp, 19 Canning Street, Edinburgh, Scotland, EH3 8EH
LighthouseWealth Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
LighthouseCarrwood Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouse Financial Advice Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouse Corporate Services Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouse Direct Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
LighthouseTemple Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouse+ Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouseplus Limited	Ordinary	Senator House, 85 Queen Victoria Street, London
Lighthouse Support Services Limited	Ordinary	Senator House, 85 Queen Victoria Street, London

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

9 Financial assets at fair value through other comprehensive income

	2020 £'000	2019 £'000
Cost at 1 January	640	1,012
Investment made in the year at cost (including direct costs associated with the purchase)	-	-
Cost at 31 December	427	1,012
Cumulative fair value adjustment as at 1 January	(372)	(36)
Movement in fair value adjustment during the year	(213)	(336)
Fair value adjustment at 31 December	(585)	(372)
Fair value at 31 December	427	640

Financial assets carried at fair value
On 14 November 2018, the Company made a subscription of £1 million in cash for 30,487,805 new ordinary shares at 3.28 pence per ordinary share in a company quoted on the Alternative Investment Market of the London Stock Exchange. The investment is measured at fair value and the cost of £1,012,000 included the direct costs of acquisition associated with the investment and capitalised accordingly of £12,000.

As at 31 December 2020, that company's share price was 1.40 pence per ordinary share (2019: 2.10 pence per ordinary share), which resulted in the Company recognising a fair value adjustment (reduction in carrying value) within other comprehensive income for the year of £213,000 (2018: £336,000).

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's investment in equity securities of £427,000 (2019: £640,000) is measured at fair value through other comprehensive income using level 1 fair value measurement techniques as the equity securities are quoted on the Alternative Investment Market of the London Stock Exchange.

As at 31 December 2020, Lighthouse Group Limited holds 5.02% of the total shares in issue of the relevant company. The Company does not exercise significant influence over the investee's investments. The Company does not have a seat on the investee's board, nor does it participate in the financial and operating decisions made by their management.

10 CALLED UP SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted, issued and fully paid ordinary shares of £0.01 each	56,399	1,399

5.5 billion (2019: £nil) ordinary shares were issued in three tranches during the year for cash consideration. 1.5 billion were issued on 21 April 2020. 1.0 billion were issued on 29 June 2020. 3.0 billion were issued on 18 August 2020.

10 CALLED UP SHARE CAPITAL (continued)

The Company received share capital injection from its immediate parent company Quilter Financial Planning Limited (QFP) 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

11 SHARE BASED PAYMENTS

There were no share-based payments in 2020. (2019: There was one equity settled share option scheme operated by the Company during the year, with all options being fully exercised on 10 June 2019)

12 RELATED PARTY TRANSACTIONS

During the year, the below transactions were processed by LCSL, a wholly owned subsidiary of the Company.

New shares issued in the Company and paid into the LCSL bank account of £55,000,000 (2019: £122,000). In 2020 this was reinvested into Lighthouse Advisory Services Limited, a wholly owned subsidiary of the company.

In 2019, Company paid dividends from the LCSL bank account of £639,000

In 2019, dividends due to the company and received into the LCSL bank account of £3,000

In 2019, new shares issued in the company and paid in to the LCSL bank account of £122,000.00

13 EVENTS AFTER THE REPORTING DATE

On 19 August 2021, the Company entered into an agreement to sell the whole of the issued share capital of its wholly-owned subsidiary, LighthouseCarrwood Limited, to a third-party. The directors expect the sale to complete before 31 December 2021.

The directors assess this to be a non-adjusting post-balance sheet event as the decision to sell, LighthouseCarrwood Limited took place after the balance sheet date, following a strategic review of the business.

14 ULTIMATE PARENT COMPANY

The Company's immediate parent company is Quilter Financial Planning 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 & Wales. The financial statements are available from:

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