

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document you should consult a person who is authorised under the Financial Services and Markets Act 2000 and who specialises in advising on the acquisition of shares and other securities.

Application has been made for the New Ordinary Shares to be admitted to the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not officially listed.

A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and if appropriate, consultation with an independent financial adviser.

The London Stock Exchange has not itself examined or approved the contents of this document.

This document, which comprises an AIM admission document, drawn up in accordance with the AIM Rules, has been issued in connection with application for admission to trading of the Enlarged Issued Share Capital to AIM. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

LIGHTHOUSE GROUP PLC

Proposed acquisition of BWA (Holdings) Ltd

and

Placing of 3,666,667 Ordinary Shares at 60p per share

by

KBC PEEL HUNT LTD

and

Admission to trading on the Alternative Investment Market

The Placing is conditional, *inter alia*, on Admission taking place on or before 9 April 2002 (or such later date as KBC Peel Hunt Ltd ("KBC Peel Hunt") may in its absolute discretion decide). The New Ordinary Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

The Directors and Proposed Directors of Lighthouse, whose names appear on page 6 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and there is no other material information the omission of which is likely to affect the import of such information.

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting for the Company in relation to the Placing and the Acquisition and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of KBC Peel Hunt or for advising them on the contents of this document or any other matter in relation to the Placing.

Notice of an extraordinary general meeting of the Company to be held at the offices of KBC Peel Hunt, 6th Floor, 62 Threadneedle Street, London EC2R 8HP, on 8 April 2002 at 10.00 a.m. is set out at the end of this document. Shareholders are requested to complete and return the enclosed form of proxy to the Company's registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0JQ, as soon as possible but in any event so as to arrive no later than 10.00 a.m. on 6 April 2002, whether or not they propose to be present at the extraordinary general meeting.

CONTENTS

	<i>Page</i>
Expected timetable of principal events	2
Definitions and glossary of terms	3
Directors, secretary and advisers	5
Key information	6
PART I Letter from the Chairman	7
PART II Risk Factors	15
PART III A: Financial information on Lighthouse	16
B: Financial information on Lighthouse Independent Financial Advisers (Kent) Limited	38
PART IV A: Financial information on BWA (Holdings) Ltd for the period ended 30 November 2001	48
B: Financial information on the BWA Partnership for the three years ended 31 March 2001	64
PART V Pro forma unaudited statement of net assets	77
PART VI Additional information	78
Notice of extraordinary general meeting	93

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time for receipt of Forms of Proxy	10.00 a.m., 6 April 2002
Extraordinary General Meeting	10.00 a.m., 8 April 2002
Admission effective and dealings commence in the Enlarged Issued Share Capital	9 April 2002
Crediting of CREST accounts	9 April 2002
Share certificates in respect of New Ordinary Shares despatched by	9 April 2002

DEFINITIONS AND GLOSSARY OF TERMS

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of BWA Holdings pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 15 March 2002 between the Company and the Vendors, a summary of which is set out in paragraph 12 of Part VI of this document
“Act”	the Companies Act 1985
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange relating to AIM
“Bankhall”	Bankhall Investment Associates Limited
“Board”	the board of directors of the Company from time to time
“BWA”	Berkeley Wodehouse Associates Limited, registered in England and Wales under number 4086645
“BWA Founders”	Michael Milton Gaze and Valerie Elizabeth Gaze whose voluntary settlements own the majority of the issued share capital of BWA Holdings
“BWA Group”	BWA Holdings and its subsidiaries
“BWA Holdings”	BWA (Holdings) Limited, registered in England and Wales under number 4086656
“BWA Partnership”	the partnership carried on by the BWA Founders under the name of the Berkeley Wodehouse Associates Partnership
“Company” or “Lighthouse”	Lighthouse Group plc, registered in England and Wales number 4042743
“Consideration Shares”	the 3,463,281 new Ordinary Shares proposed to be issued credited as fully paid, pursuant to the terms of the Acquisition Agreement
“Consultation Paper 121”	FSA Consultation Paper 121. Reforming Polarisation: Making the market work for consumers
“Directors”	the directors of the Company, whose names are set out on page 5 of this document
“Enlarged Group”	the Group, as enlarged by the Acquisition
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company following completion of the Placing and of the Acquisition
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 10.00 a.m. on 8 April 2002, notice of which is set out at the end of this document
“Form of Proxy”	the enclosed form of proxy for use in connection with the Extraordinary General Meeting
“FSA”	the Financial Services Authority, or where appropriate prior to 1 December 2001, the Personal Investment Authority

“Group”	the Company and its subsidiary undertakings, including LIFAL and Lighthouse Kent & City Practice
“IFA”	independent financial adviser
“ISL”	Investment Strategies (UK) Ltd, a subsidiary of Bankhall
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“LIFAL”	Lighthouse Independent Financial Advisers Limited
“LIFAL Advisers Scheme”	the LIFAL Advisers Benefits and Share Incentive Scheme
“LIFAL Employee Scheme”	the LIFAL Employee Benefits and Share Incentive Scheme
“Lighthouse Kent & City Practice”	together Lighthouse Independent Financial Advisers (Kent) Ltd and Lighthouse Independent Financial Advisers (City) Ltd
“LIFAL Practice”	a company, partnership or sole trader offering IFA services to the public which has signed a practice agreement with LIFAL
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	together the Consideration Shares and the Placing Shares
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Pensions Mis-Selling Review”	the review instigated by the Securities Investment Board into pensions mis-selling covering the period from April 1988 to June 1994
“Placing”	the conditional placing by KBC Peel Hunt of the Placing Shares
“Placing Agreement”	the conditional agreement dated 15 March 2002, between the Company and KBC Peel Hunt, relating to the Placing, further details of which are set out in paragraph 9 of Part I and paragraph 11 of Part VI of this document
“Placing Shares”	the 3,666,667 new Ordinary Shares being placed by KBC Peel Hunt pursuant to the Placing Agreement
“Product Providers”	financial institutions such as life insurers, banks and insurance companies which supply the financial products (including regulated financial products) marketed, sold and advised upon by direct sales forces, tied agents and IFAs
“Proposed Directors”	Malcolm Streatfield, Päivi Grigg and Philip Whitehead
“Resolution”	the special resolution to be proposed at the Extraordinary General Meeting
“Registered Individual”	a registered individual of an FSA appointed representative
“Shareholders”	holders of Ordinary Shares
“Share Option Schemes”	the Lighthouse Group plc Approved Share Option Plan and the Lighthouse Group plc Unapproved Share Option Plan
“Vendors”	Valerie Elizabeth Gaze, Richard George Coombs and Edmund Arthur Whitmore Probert as trustees of the Valerie Gaze Voluntary Settlement (1), Michael Milton Gaze, Richard George Coombs and Edmund Arthur Whitmore Probert as trustees of the Michael Gaze Voluntary Settlement (2), Michael Milton Gaze (3) and Valerie Elizabeth Gaze (4)

References to page numbers, paragraphs and Parts are references to such page numbers, paragraphs and Parts in this document, unless the context requires or indicates otherwise.

DIRECTORS, SECRETARY AND ADVISERS

Directors	David Martin James Hickey (<i>Chairman</i>) Matthew Frazer Goldsmith (<i>Managing Director</i>) Nicholas Paul Hamson (<i>Sales and Marketing Director</i>) Peter Laurence Tann (<i>Non-executive Director</i>)
	<i>all of the registered office</i>
Proposed Directors	Malcolm John Streatfield Päivi Katriina Grigg Philip Whitehead
	<i>all of the registered office</i>
Secretary	Kevin Brian Lawrence
Registered office	26 Throgmorton Street London EC2N 2AN
Nominated adviser and nominated broker	KBC Peel Hunt Ltd 62 Threadneedle Street London EC2R 8HP
Solicitors to the Company	Hobson Audley 7 Pilgrim Street London EC4V 6LB
Reporting accountants	PricewaterhouseCoopers Temple Court 35 Bull Street Birmingham B4 6JT
Auditors	PricewaterhouseCoopers 31 Great George Street Bristol BS1 5QD
Solicitors to the Placing	Theodore Goddard 150 Aldersgate Street London, EC1A 4EJ
Bankers	Bank of Scotland 15 Queen Square House Brighton East Sussex BN1 3FD
Registrars and receiving agents	Northern Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

KEY INFORMATION

This information is derived from, and should be read in conjunction with, the full text of this document.

- Through its subsidiary LIFAL, Lighthouse provides its IFAs with a practice business model and with compliance, administrative, training and other services. The objective of the LIFAL practice business model is to maximise adviser productivity.
- Principal IFAs working within LIFAL's practice business model since January 2001 are now generating annual gross income of approximately £200,000 each. Lighthouse retains a percentage of this income in exchange for its services.
- Lighthouse has grown rapidly since it was floated on AIM in October 2000 and as at 31 January 2002 provided services to 101 IFAs operating from 40 practices across the United Kingdom. At the same date, a further 34 IFAs had signed up with LIFAL, but had not yet received FSA authorisation. Once authorised, these new IFAs will increase the total number of practices to 50.
- In the year to 31 December 2001, Group revenue was £5,166,132 compared to £1,629,547 for the nine months ended 31 December 2000. Whilst the Group made a loss before tax of £2,821,550 for the year ended 31 December 2001, the rate of losses incurred, prior to exceptional expenses, declined significantly in the second half of the year. The Directors estimate that the Group generated revenue of more than £800,000 in January 2002.
- BWA operates an IFA network and is directly authorised and regulated by the FSA. BWA's principal activity is the provision of regulatory, administrative, training and other services to its network of independent financial advisers.
- As at 29 January 2002, BWA's network comprised 199 IFAs operating throughout the United Kingdom.
- On average, BWA's network members generate commission and fee income of approximately £42,000 per year. BWA retains commissions of up to 15 per cent. on this commission and fee income for the services it provides.
- The Directors and Proposed Directors believe that the acquisition of BWA will create an Enlarged Group with a broader service offering that will appeal to all levels of adviser and will assist in the recruitment and retention of IFAs. They also believe that the Enlarged Group will have critical mass in terms of IFA numbers, operational and compliance capability, and a strengthened management team.
- Although not essential to the Enlarged Group's development plans, the Directors and Proposed Directors believe that implementation of the proposals contained within the FSA's Consultation Paper 121 will have a beneficial effect on the Enlarged Group's recruitment of advisers and its growth prospects generally.
- The Directors and Proposed Directors believe that the Enlarged Group will be at a more advanced stage than many of its competitors in terms of the breadth of service that it has to offer and particularly in the area of fee based independent financial advice to high net worth individuals and corporates. They believe that the Enlarged Group will be well placed to benefit from industry developments, a more discerning consumer and the increasing availability of more sophisticated financial services products.
- The Company has received preliminary approval that after completion of the Acquisition and Placing, it will be a qualifying company for the purposes of investment by venture capital trusts and individual investors under the Enterprise Investment Scheme. It is expected that individual investors will receive Enterprise Investment Scheme relief in the 2002-2003 tax year.

PART I

LETTER FROM THE CHAIRMAN

LIGHTHOUSE GROUP PLC

(Registered in England and Wales – No. 4042743)

15 March 2002

To Shareholders and, for information only, to holders of options under the Share Option Schemes

Dear Shareholder

PROPOSED ACQUISITION OF BWA (HOLDINGS) LTD AND PLACING OF 3,666,667 NEW ORDINARY SHARES

1. Introduction

It was announced today that the Company has conditionally agreed to acquire the entire issued share capital of BWA Holdings for a total consideration, payable on completion, of 3,463,281 Consideration Shares. In addition, on completion of the Acquisition, a debt of £343,500 owed by BWA Holdings to the BWA Founders will be repaid by the Enlarged Group.

It was also announced today that the Company intends to raise £2,200,000 (£1,695,000 net of expenses) through a placing by KBC Peel Hunt of 3,666,667 Placing Shares at 60p per share. Of the funds raised, £343,500 will be used to repay the debt to the BWA Founders, referred to above with the balance being used to provide additional working capital for the Enlarged Group. The Placing has been fully underwritten by KBC Peel Hunt. The Placing is conditional, *inter alia*, upon the approval of Shareholders at the Extraordinary General Meeting and Admission, which is expected to take place on 9 April 2002.

The Company also announced today its audited results for the year ended 31 December 2001. A copy of the Company's annual report for the year ended 31 December 2001 will be despatched to Shareholders shortly.

Due to BWA's level of revenue, the Acquisition constitutes a reverse take-over under the AIM Rules and therefore requires the prior approval of Shareholders at the Extraordinary General Meeting. Provided the Resolution is passed at the Extraordinary General Meeting, the Acquisition Agreement will be completed immediately following the close of that meeting conditional only on Admission.

The purpose of this document is to provide you with information on the Acquisition and the Placing and to seek your approval for them at the Extraordinary General Meeting.

A notice of the Extraordinary General Meeting is set out at the end of this document, at which a resolution will be proposed to approve, *inter alia*, the Acquisition and the Placing.

2. Information on the Enlarged Group

Lighthouse

Lighthouse operates through LIFAL and the Lighthouse Kent & City Practice. LIFAL provides LIFAL Practices and the Lighthouse Kent & City Practice with a practice business model and with compliance, administrative, training and other services for which it retains a percentage of all commissions and fees generated by the relevant practice. All LIFAL Practices trade under the Lighthouse name, although they are not owned by the Company.

Lighthouse has grown rapidly since it was floated on AIM in October 2000 and as at 31 January 2002 provided services to 101 IFAs operating from 40 practices across the United Kingdom. In addition, as

at the same date a further 34 IFAs had signed up with LIFAL, but had not yet received FSA authorisation. Once authorised these new IFAs will increase the total number of practices to 50.

LIFAL Practices typically comprise principal and other IFAs who provide wealth management and financial planning advice mainly to the expanding high net worth client community and to the corporate market. The Lighthouse Kent & City Practice operates on a similar basis and offers a similar range of services to LIFAL Practices.

IFAs generate commissions and fees derived from the sale of financial services and products. LIFAL Practices are typically staffed by high revenue earning advisers. Principal IFAs that have been trading with the assistance of LIFAL since January 2001 are now generating annual gross income of approximately £200,000 each and other IFAs that have been trading with the assistance of LIFAL for a similar period are now generating annual gross income of approximately £70,000 each.

The objective of the LIFAL practice business model is to maximise adviser productivity. At the core of LIFAL's service proposition is the provision of consultancy support. Continuous coaching to principal IFAs is provided under the brand name "Peak Practice" to assist the IFA to deliver a comprehensive wealth management service to the client. Advice in relation to building and developing the support team required to assist the LIFAL Practices to deliver continuous value added services to the client is provided under the brand name "Money pennies". LIFAL has an agreement in place with each LIFAL Practice to provide its services for an initial term of between three and five years.

All IFAs operating under the Lighthouse name must be regulated either directly or indirectly by the FSA. LIFAL outsources regulatory, compliance and training services to ISL and Bankhall (members of the same group), which have both made significant contributions to Lighthouse's progress to date. IFAs that are directly regulated by the FSA receive compliance advice from Bankhall. IFAs that are not directly regulated are appointed representatives of ISL or Registered Individuals, and are able to conduct business by virtue of ISL's regulatory authorisation. LIFAL became directly regulated to conduct investment business by the FSA in November 2001.

LIFAL outsources the compliance and commission processing of the majority of business written by its advisers to ISL. All commissions and fees on such business are received by ISL and remitted net of agreed costs to Lighthouse and the advisers.

LIFAL retains up to 20 per cent. of all revenues generated by each LIFAL Practice for its services and 100 per cent. of all revenues generated by the Lighthouse Kent & City Practice. LIFAL typically pays 5 per cent. of all regulated commission income to ISL, for the provision of regulatory, compliance and training services.

LIFAL principals are encouraged to remain with LIFAL through an agreement that 47 out of a total of 73 principal IFAs had signed as at 31 January 2002. Under the terms of this agreement, a recommendation has been made by LIFAL that the principal be allocated Ordinary Shares. A further recommendation that the Ordinary Shares be issued to the principal will be made only in the event that he or she remains with the Group for not less than three years from the date of the agreement.

Financial information on the Group is set out in Part III of this document.

BWA

BWA operates an IFA network which the BWA Founders originally set up as a partnership in 1992. BWA's principal activity is the provision of regulatory, administrative, training and other services to its network of independent financial advisers. BWA is directly authorised and regulated by the FSA. In addition, BWA processes all business written by its members and receives all commissions and fees. BWA operates from premises in Devon.

As at 29 January 2002, BWA's network comprised 199 IFAs operating throughout the United Kingdom. Each IFA is an appointed representative of BWA or a Registered Individual and trades under their own name or the name of the appointed representative. BWA's network members are authorised to conduct business by virtue of their status within BWA and its licence. Members do not

therefore need to be individually regulated by the FSA thereby releasing them from a direct regulatory burden.

In order to ensure that its members are conducting business professionally and appropriately, BWA monitors its network at various levels through the in-house checking of client documents and two compliance visits per 12 month period. BWA currently employs 11 compliance staff to monitor its network.

BWA's members trade under their own name and offer a range of financial service products predominantly in the areas of life assurance, pensions and collective investments. On average, BWA's network members generate commission and fee income of approximately £42,000 per year. BWA retains commissions of up to 15 per cent. on these commissions and fees for the regulatory, administrative and training services provided.

BWA has recently launched a new service to non-network members called BWA Link. This offers IFAs a menu of services to suit their needs, although one of the services must be either compliance or training. Services are offered on a fixed fee basis. The compliance service offered is in an advisory capacity only and the individual IFAs must therefore be directly regulated by the FSA.

In its capacity as a network provider, BWA has had regular regulatory monitoring visits from the FSA generally as well as in relation to the Pensions Mis-Selling Review and has neither received any regulatory fines, nor received any notification of impending fines.

Malcolm Streatfield was recruited by the BWA Founders in April 2000 to prepare the business for incorporation and growth. Malcolm Streatfield invited Philip Whitehead to become chairman of the new board in November 2000 and also recruited Päivi Grigg, who was appointed Finance Director in June 2001. These three individuals worked together for five years at The Burns-Anderson Independent Network plc, Philip Whitehead as chief executive, Malcolm Streatfield as associate commercial director responsible for growth and group business development and Päivi Grigg as finance director.

A financial summary of BWA for the three years and eight months ended 30 November 2001 is set out below:

	<i>Year ended 31 March</i>		<i>Period ended 30 November</i>	
	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2001</i>
Turnover	£6,659,000	£7,786,000	£8,419,000	£5,815,000
Gross Profit	£1,020,000	£1,094,000	£1,310,000	£910,000
Profit/(Loss) before taxation	£360,000	£188,000	£254,000	£(70,000)
Network membership at period end	146	171	187	199

The above financial results relating to turnover, gross profit and profit/(loss) before taxation have been extracted from, and should be read in conjunction with, the accountants' reports set out in Part IV of this document. The network membership figures have been extracted from BWA management information systems.

Financial information for the three years ended 31 March 2001, relates to the BWA Partnership. On 30 March 2001, the BWA Partnership sold its business and assets to BWA. Whilst a partnership, certain costs such as partners salaries, rent and equipment leasing costs were deducted as appropriations from post taxation profits and are consequently not reflected in the profit before tax figures shown above. These costs amounted in total to approximately £100,000, £154,000, and £183,000 in the three years ended 31 March 1999, 2000 and 2001 respectively. During the period ended 30 November 2001, all these costs were reclassified as normal operational costs and are fully reflected in the loss before taxation figure shown above. In addition, the loss before taxation figure for this period includes an estimated £72,000 for non-recurring costs including those relating to the incorporation of the business.

3. Reasons for the Acquisition

The Directors and Proposed Directors believe that the acquisition of BWA will create an Enlarged Group with a broader service offering that will appeal to all levels of adviser and will assist in the recruitment and retention of IFAs. They also believe that the Enlarged Group will have critical mass in terms of IFA numbers, operational and compliance capability, and a strengthened management team. Some of the benefits of the Acquisition are set out in more detail below:

Broader service offering to assist with recruitment and retention of IFAs

On completion of the Acquisition, the Enlarged Group will have four categories of service offering, set out below, each targeted at different types of adviser. The categories are expected to be:

- Operating as a principal or other IFA within a LIFAL Practice;
- Operating as a directly regulated IFA with the assistance of BWA Link;
- Operating as an IFA within Lighthouse's fee based wealth management model; and
- Operating as an IFA within the BWA network.

The Directors and Proposed Directors believe that each category will have different attractions for an IFA depending on their level of development within the industry. It is expected that this broad offering will result in the recruitment of more IFAs who were not previously attracted to, or suitable for, either LIFAL's or BWA's service offerings in isolation. As advisers will be able to switch between categories whilst still remaining a member of the Enlarged Group, the Directors and Proposed Directors expect that this broad offering will also assist with the retention of IFAs and offer them enhanced business and career opportunities.

Critical mass

BWA has a network of over 150 member firms representing 199 Registered Individuals. This will increase to over 330 the number of IFAs signed up to the Enlarged Group. The Directors and Proposed Directors believe that this increase will enhance the Enlarged Group's ability to procure better levels of general and specific support from Product Providers for its advisers and the Enlarged Group generally. It is expected that this will in turn have a positive effect on adviser recruitment and retention.

Compliance infrastructure and expertise

Lighthouse outsources all regulatory and compliance functions to ISL and Bankhall. LIFAL has an agreement in place for ISL and Bankhall to provide the compliance, supervisory, and training services for the current Lighthouse practices and to accommodate the future recruitment of new advisers into those practices. The board of the Enlarged Group intends to continue working with Bankhall.

Following receipt by LIFAL of regulatory approval from the FSA in November 2001, Lighthouse established its own regulation and compliance function for LIFAL. BWA already has an established professional compliance infrastructure which allows it to operate and monitor a nationwide network of members and the Proposed Directors have significant managerial and financial expertise in the operation of an IFA network. The acquisition of BWA removes the need for Lighthouse to develop its own regulatory and compliance capability.

Strengthened management team

The Directors believe that the Proposed Directors, with their experience of operating an IFA network, will significantly enhance the operational expertise of the board. In addition, the appointment of Päivi Grigg as Finance Director is expected to further improve the Enlarged Group's financial systems and controls.

Cost savings

The Directors and the Proposed Directors believe that there will be certain overheads in the areas of recruitment, marketing and management that are duplicated in the Enlarged Group which may be rationalised after completion. These will be in addition to the anticipated compliance and regulatory savings described above.

4. Industry Developments

On 14 January 2002, the FSA published Consultation Paper 121 proposing that, amongst other things, the polarisation of advisers between tied agents and IFAs should be abolished and that enhanced disclosures to consumers should be introduced. It also proposed that IFAs offering independent advice should be remunerated on a fee basis agreed in advance of any advice given, as opposed to being remunerated by commissions from Product Providers. After a period of consultation ending on 19 April 2002, it is anticipated that the changes to be introduced by the FSA will be announced towards the end of 2002.

Although not essential to the Enlarged Group's development plans, the Directors and Proposed Directors believe that implementation of the FSA's proposals will have a beneficial effect on the Enlarged Group's recruitment of advisers and its growth prospects generally. Some of the beneficial implications are set out below:

- It is expected that the inability of independent advisers to charge commissions will result in a new category of 'authorised financial adviser' coming into existence. Through multi-tied distributor firms, these authorised financial advisers will be able to have relationships with a number of Product Providers from whom they will still be entitled to receive commissions. The Enlarged Group will be able to act as a multi-tied distributor firm and will be able to offer these authorised financial advisers enhanced relationship terms with Product Providers that would be difficult for such advisers to obtain if operating individually.
- The Directors and Proposed Directors believe that most IFAs will have to reassess their status under the proposed de-polarised regime. The Enlarged Group's broad service offering described above will cater for all advisers irrespective of whether they wish to become independent fee-based financial advisers, authorised financial advisers operating through a multi-tied distributor firm, or authorised financial advisers operating independently.
- It is expected that a minority of existing IFAs will remain independent under the proposed de-polarised regime. The Directors and Proposed Directors believe that corporates and high net worth individuals will increasingly demand a fee based service and that Lighthouse's fee based practice model will be well positioned to benefit from the migration of any such high net worth individuals and corporates.

The Sandler Review of retail financial services is due to report in early summer 2002. It is not yet possible to discuss the implications of this review for the Enlarged Group as no indications have been given to date as to the likely nature of the Sandler Review's recommendations.

5. Competition

Competition for recruiting new advisers for Lighthouse tends to come principally from larger national IFA companies. Competition for new network members for BWA has tended to come from rival national networks. The Directors and Proposed Directors believe that the Enlarged Group will be at a more advanced stage than many of its competitors in terms of the breadth of service that it is offering, particularly in the area of fee based independent financial advice to high net worth individuals and corporates. It is believed that the Enlarged Group will be well placed to benefit from current industry developments, a more discerning consumer and the increasing availability of more sophisticated financial services products.

6. Results and current trading

Today the Company announced its audited results for the year ended 31 December 2001. A copy of the Company's annual report for the year ended 31 December 2001 will be despatched to Shareholders shortly.

In the year to 31 December 2001, Group revenue was £5,166,132 compared to £1,629,547 for the period ended 31 December 2000. Whilst the Group made a loss before tax of £2,821,550 during the year ended 31 December 2001, the rate of losses incurred, prior to exceptional expenses, declined significantly in the second half of the year. The Directors estimate that the Group generated revenue of more than £800,000 in January 2002.

Trading since the year end has started well for both the Company and BWA and is in line with the expectations of the Directors and the Proposed Directors.

7. Proposed terms of the Acquisition

The consideration for the issued share capital of BWA Holdings will be the allotment and issue by the Company of 3,463,281 Consideration Shares to the current shareholders of BWA Holdings. The Consideration Shares will rank *pari passu* in all respects with all Ordinary Shares currently in issue. In addition, on completion of the Acquisition, a debt of £343,500 owed by BWA Holdings to the BWA Founders will be repaid by the Enlarged Group.

The Acquisition Agreement is conditional, *inter alia*, on approval by Shareholders of the Acquisition and completion of the Placing.

Further details of the Acquisition Agreement are set out in paragraph 12 of Part VI of this document.

8. Board changes

It was announced today that Kevin Lawrence and Simon Leadsom had resigned from the Lighthouse board with immediate effect. Following completion of the Acquisition, certain additional board changes will be made in order to reflect the broader operational base of the business.

David Hickey will be Chairman of the Enlarged Group.

Matthew Goldsmith will be appointed as Deputy Chairman of the Enlarged Group. In this role, Matthew will be responsible for developing a new practice business model which is to be promoted amongst all Lighthouse's fee based advisers. He will also be responsible for developing joint ventures for the Enlarged Group as a whole.

Nick Hamson, will be appointed Joint Managing Director – Sales of the Enlarged Group and will have primary responsibility for the financial performance of the LIFAL Practices. He will lead the recruitment effort across the Enlarged Group and be responsible for the integration of new and existing advisers into the Enlarged Group's relevant service offerings. He will also be responsible for developing the Peak Practice and Moneypennies brands.

Malcolm Streatfield, currently chief executive of BWA Holdings, will be appointed Joint Managing Director – Operations of the Enlarged Group and will have primary responsibility for the financial performance of BWA. He will lead the operational board to deliver the service proposition across the Enlarged Group with further responsibility for the development of Product Provider relationships.

Päivi Grigg, currently finance director of BWA Holdings, will be appointed Finance Director and company secretary of the Enlarged Group.

Peter Tann will be a non-executive Director of the Enlarged Group.

Philip Whitehead, currently chairman of BWA Holdings will be appointed as a non-executive Director of the Enlarged Group.

9. The Placing

The Placing is intended to raise £2,200,000 (£1,695,000 net of expenses) by the placing of 3,666,667 Placing Shares. These shares have been conditionally placed with institutional and other investors. Of the funds raised, £343,500 will be used to repay the debt to the BWA Founders, with the balance being used to provide additional working capital for the Enlarged Group.

The Directors believe that the additional time and expense required to offer the Placing Shares to Shareholders on a pre-emptive basis would not be in the best interests of the Company and Shareholders as a whole. Consequently no arrangements have been made for Shareholders to take up the Placing Shares on a pro rata basis.

The Placing is conditional, *inter alia*, on the passing of the Resolution, the Acquisition Agreement and the Placing Agreement becoming unconditional and on Admission becoming effective. It is expected that Admission of the Enlarged Issued Share Capital will take place on, and dealings in the Ordinary Shares will commence, on 9 April 2002.

Under the terms of the Placing Agreement, KBC Peel Hunt has agreed to subscribe any Placing Shares which are not taken up under the Placing.

It is expected that the proceeds of the Placing will be received by the Company on or before 9 April 2002.

Further details of the Placing Agreement are set out in paragraph 11 of Part VI of this document.

10. Taxation status

The Inland Revenue has indicated that after completion of the Acquisition and the Placing, the Company will be a qualifying company for the purpose of qualifying investments by venture capital trusts and for income and capital gains tax relief under the Enterprise Investment Scheme. It is expected that an individual investor will receive Enterprise Investment Scheme tax relief in the 2002-2003 tax year. Further details of the operation of these reliefs are set out in paragraph 10 of Part VI of this document. The details set out in those paragraphs are, however, intended only as a general guide to the current tax position under UK taxation law and practice. An investor who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

11. Substantial shareholders and lock-in arrangements

As at the date of this document, the LIFAL Employee Scheme and the LIFAL Advisers Scheme had an interest in 5,000,000 Ordinary Shares and 3,125,000 Ordinary Shares respectively representing 24.69 per cent. and 15.43 per cent. of the Enlarged Issued Share Capital. These schemes were established to provide discretionary benefits and incentives for employees of LIFAL, Lighthouse consultants and advisers of practices that have entered into practice agreements with LIFAL. Further details of these schemes are set out in paragraph 7 of Part VI of this document.

Each of the Directors and the trustee of each of the LIFAL Employee Scheme and the LIFAL Advisers Scheme has agreed that subject to certain exceptions, they will not dispose of any Ordinary Shares held by them for a period of 12 months following Admission.

The Vendors have agreed, subject to certain exceptions, not to sell any Consideration Shares for a period of 12 months following Admission and not to sell 75 per cent. of the Consideration Shares between 13 months and 24 months following Admission.

On completion of the Acquisition, 709,188 Consideration Shares, representing 3.50 per cent. of the Enlarged Issued Share Capital will be held in trust for the potential benefit of the Proposed Directors and others. The trustees of these trusts have agreed that subject to certain exceptions, these Ordinary Shares will be subject to the lock-in arrangements agreed by the Vendors, as described above.

12. Share options

Lighthouse currently has two executive share option schemes in place, the Lighthouse Group plc Approved Share Option Plan and the Lighthouse Group plc Unapproved Share Option Plan. Under these schemes, options over up to 10 per cent. of the Company's issued ordinary share capital from time to time are capable of being granted. To date, options over a total of 92,575 Ordinary Shares have been granted, 45,700 at an exercise price of 162p and 46,875 at 160p.

13. Extraordinary General Meeting

The notice of the Extraordinary General Meeting to be held at 10.00 a.m. on 8 April at the offices of KBC Peel Hunt, 6th floor, 62 Threadneedle Street, London EC2R 8HP, is set out at the end of this document. At the meeting a Resolution will be proposed to:

- approve the Acquisition;
- increase the Company's authorised share capital from £175,000 to £400,000 by the creation of an additional 22,500,000 Ordinary Shares;
- authorise the Directors to allot £200,000 in nominal value of new Ordinary Shares (being sufficient authority to cover the Acquisition and the Placing and to give the Directors authority to allot a further £128,700.52 in nominal value of new Ordinary Shares);
- disapply Shareholders' statutory pre-emption rights in relation to the Placing and certain future issues of Ordinary Shares for cash up to an aggregate nominal amount of £20,254.95 (being approximately 10 per cent. of the issued share capital following the Acquisition and the Placing).

Undertakings to vote in favour of the Resolution have been received by the Company from the Directors and certain other Shareholders. These interests amount to 8,125,000 Ordinary Shares, representing approximately 61.9 per cent. of the existing issued ordinary share capital of the Company.

14. Action to be taken

Shareholders will find enclosed with this document a form of proxy for use at the Extraordinary General Meeting, at which the Resolution will be proposed to approve the Acquisition and the Placing. Whether or not Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event so as to be received by the Company's registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0JQ not later than 10.00 a.m. on 6 April 2002. Completion and return of the Form of Proxy will not prevent Shareholders from attending the Extraordinary General Meeting and voting in person should they wish to do so.

15. Further information

Your attention is drawn to the further information set out in Parts II to VI of this document.

16. Recommendation

Your Directors, who have been advised by KBC Peel Hunt, consider the Acquisition and the Placing to be in the best interests of the Company and Shareholders as a whole. Accordingly, your Directors unanimously recommend that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own holdings. In providing its advice to the Board, KBC Peel Hunt has placed reliance on the Directors' commercial assessments.

Yours sincerely

David Hickey
Chairman

PART II

RISK FACTORS

Prior to making an investment decision, prospective investors should be aware of the risks associated with an investment in the Company. In addition to the other information in this document, the following risk factors should be carefully considered. It should be noted that these risks do not necessarily comprise all those associated with an investment in the Company.

- The regulatory regime applicable to companies such as Lighthouse is actively under review. The recent publication of Consultation Paper 121 and the Sandler Review may result in significant changes to the regulatory environment which could impose a greater burden upon the Enlarged Group and the industry in terms of additional compliance and other costs.
- The recruitment and retention of IFAs is an important part of the Enlarged Group's development plans. Changes in the regulatory and/or the competitive environment may render the Enlarged Group's service offerings unattractive to IFAs and have an adverse effect on the Enlarged Group's revenues.
- The Company is reliant upon the services provided by ISL and Bankhall. Were ISL or Bankhall to terminate their agreements with LIFAL or the LIFAL Practices at short notice, the Company would have to replace their services which could have a temporary disruption on its business and a consequent delay in revenue.
- The FSA may request all regulated companies to review certain categories of product sales. These reviews, may result in compensation having to be paid to investors.
- The FSA has the power to impose public censures or fines, or to revoke a company's regulatory license to conduct investment business. Any of these sanctions may have a material impact on the ability of the Enlarged Group to carry on its business.
- The Enlarged Group's success depends on the continued efforts of its senior management team. The loss of the services of key personnel or the inability to attract additional qualified personnel could have an adverse effect on the Enlarged Group's business, financial condition and trading results.
- The reputation of the Enlarged Group is dependent in part on the performance and conduct of its IFAs. There is a risk, beyond the reasonable control of the Directors and the Proposed Directors, that an IFA may fall below the standards of conduct required by the FSA and expected by the Enlarged Group. Such misconduct by an individual IFA may give rise to a consequential risk of damaging the Enlarged Group's reputation and business.
- The Enlarged Group's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by early-stage companies. Lighthouse may not be successful in addressing these risks, may not be able to successfully integrate BWA into the Enlarged Group, or the overall business strategy of the Enlarged Group may not be successful.
- The financial services markets in which the Enlarged Group operates are highly competitive. In particular, current margins may reduce, and consequently commissions payable may fall, for traditional product areas.

PART III

A: FINANCIAL INFORMATION ON LIGHTHOUSE



PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham B4 6JT

The Directors
Lighthouse Group plc
26 Throgmorton Street
London
EC2N 2AN

The Directors
KBC Peel Hunt Ltd
62 Threadneedle Street
London
EC2R 8HP

15 March 2002

Dear Sirs

Lighthouse Group plc

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 15 March 2002 (“the Admission Document”) of Lighthouse Group plc (“the Company”) relating to the proposed acquisition by Lighthouse Group plc of BWA (Holdings) Ltd (“Target”).

The Company was incorporated as Broomco (2286) Limited on 28 July 2000, changed its name to Lighthouse Group Limited with effect from 8 August 2000 and was re-registered as a public limited company on 10 October 2000.

On 15 September 2000, the Company acquired the entire issued share capital of Lighthouse Independent Financial Advisers Limited and Lighthouse Independent Financial Advisers (Kent) Limited.

The Company established Lighthouse Independent Financial Advisers (City) Limited during 2001 as a wholly owned subsidiary.

The Company and its subsidiaries are referred to as “the Group”.

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of the Group for the year ended 31 December 2001 and the period ended 31 December 2000 after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Company, who approved their issue.

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements for the year ended 31 December 2001 and the evidence recorded by the auditors who audited the financial statements for the period ended 31 December 2000, both of which underlie the financial information set out herein. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its losses and cash flows for the periods then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 of the Public Offers of Securities Regulations 1995.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>9 month period ended 31 December 2000</i>	<i>Year ended 31 December 2001</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Turnover	2	1,629,547	5,166,132
Cost of sales		<u>(1,279,092)</u>	<u>(4,236,339)</u>
Gross profit		<u>350,455</u>	<u>929,793</u>
Administrative expenses:			
Other operating expenses		787,345	2,576,685
Exceptional operating expenses	4	50,000	1,110,704
Exceptional cost of shares issued at below fair value	4	1,500,000	—
Amortisation of goodwill	4	<u>16,131</u>	<u>63,394</u>
Total administrative expenses		<u>(2,353,476)</u>	<u>(3,750,783)</u>
Operating loss	4	(2,003,021)	(2,820,990)
Net interest receivable/ (payable)	5	<u>28,682</u>	<u>(560)</u>
Loss on ordinary activities before taxation		(1,974,339)	(2,821,550)
Tax on loss on ordinary activities	6	<u>—</u>	<u>—</u>
Loss on ordinary activities after tax and loss for the financial period/year	18	<u>(1,974,339)</u>	<u>(2,821,550)</u>
Basic loss per share	7	<u>(107.01p)</u>	<u>(63.55p)</u>
Diluted loss per share	7	<u>(106.93p)</u>	<u>(63.55p)</u>

The results are all attributable to continuing operations.

The above profit and loss accounts reflect the use of merger accounting for the business combination of Lighthouse Independent Financial Advisers Limited and the Company. Further details can be found in note 10.

The group had no recognised gains or losses in either period other than as disclosed in the profit and loss accounts.

CONSOLIDATED BALANCE SHEETS

		<i>31 December</i>	<i>31 December</i>
		<i>2000</i>	<i>2001</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Fixed assets			
Intangible assets	8	664,250	600,856
Tangible assets	9	176,277	410,352
Investments	10	—	—
		<u>840,527</u>	<u>1,011,208</u>
Current assets			
Debtors	11	937,721	1,473,646
Investments	12	1,750,000	1,549,846
Cash at bank and in hand		879,254	34,807
		<u>3,566,975</u>	<u>3,058,299</u>
Creditors: amounts falling due within one year	13	<u>(1,123,014)</u>	<u>(3,074,173)</u>
Net current assets/(liabilities)		<u>2,443,961</u>	<u>(15,874)</u>
Total assets less current liabilities		3,284,488	995,334
Creditors: amounts falling due after more than one year	14	(377,999)	(405,039)
Provisions for liabilities and charges	15	(49,672)	(160,022)
		<u>2,856,817</u>	<u>430,273</u>
Net assets		<u>2,856,817</u>	<u>430,273</u>
Capital and reserves			
Called up share capital	17	125,000	131,250
Share premium account	18	3,246,806	3,635,562
Merger reserve	18	(40,650)	(40,650)
Profit and loss account	18	(474,339)	(3,295,889)
		<u>2,856,817</u>	<u>430,273</u>
Equity shareholders' funds	19	<u>2,856,817</u>	<u>430,273</u>

CONSOLIDATED CASH FLOW STATEMENTS

		<i>9 month period ended 31 December 2000</i>	<i>Year ended 31 December 2001</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Net cash outflow from operating activities	21(a)	<u>(509,302)</u>	<u>(2,437,793)</u>
Returns on investments and servicing of finance			
Interest received		30,878	47,313
Interest paid		(2,196)	(25,989)
Finance lease interest paid		<u>—</u>	<u>(21,884)</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		<u>28,682</u>	<u>(560)</u>
Taxation		<u>—</u>	<u>—</u>
Capital expenditure			
Payments to acquire tangible fixed assets		<u>(175,782)</u>	<u>(146,104)</u>
Net cash outflow for capital expenditure		<u>(175,782)</u>	<u>(146,104)</u>
Acquisitions and disposals			
Payment of deferred consideration		—	(100,000)
Purchase of business		(50,000)	—
Payments to acquire subsidiary undertakings	10	(3)	(2)
Net cash acquired with subsidiary undertakings		<u>4,503</u>	<u>—</u>
Net cash outflow from acquisitions		<u>(45,500)</u>	<u>(100,002)</u>
Net cash outflow before use of liquid resources and financing		<u>(701,902)</u>	<u>(2,684,459)</u>
Management of liquid resources			
Purchase of current asset investments		(1,750,000)	—
Proceeds of disposal of current asset investment		<u>—</u>	<u>150,000</u>
Net cash (outflow)/inflow from management of liquid resources	21(c)	<u>(1,750,000)</u>	<u>150,000</u>
Financing			
Capital element of finance lease payments		—	(20,594)
Cash received from other loans		—	104,561
Issue of ordinary share capital		4,059,350	400,000
Expenses of issue of share capital		<u>(728,194)</u>	<u>(4,994)</u>
Net cash inflow from financing		<u>3,331,156</u>	<u>478,973</u>
Increase/(decrease) in cash	21(c)	<u><u>879,254</u></u>	<u><u>(2,055,486)</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies is set out below.

Basis of preparation

The directors have prepared the accounts on a going concern basis having regard to the existing financing arrangements together with the proposed acquisition and the underwritten placing as described in note 23.

Basis of consolidation

The Group accounts consolidate the accounts of Lighthouse Group plc and of its subsidiary undertakings drawn up to 31 December each year. The results of acquisitions are consolidated for the period from which control passed.

With the exception of the combination with Lighthouse Independent Financial Advisers Limited, the acquisition method of accounting has been adopted. The combination with Lighthouse Independent Financial Advisers Limited has been accounted for as a merger and accordingly the financial information for the current and prior year has been presented as if it had been a subsidiary from the date of its incorporation.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings or a separately identifiable business, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is a maximum of twenty years. Provision is made for any impairment.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are shown at the lower of cost and net realisable value.

Impairment provisions

In determining the requirement to make impairment provisions against tangible fixed assets and goodwill the directors have regard to the post tax net realisable value and the ongoing value in use of the assets to the business. The value in use is determined from estimated discounted future cash flows. Provision is made where the current carrying amount exceeds the higher of these two figures.

Liquid resources

Liquid resources comprise those current asset investments which are readily convertible into cash at or near their carrying amount, held for their potential to manage the net cash position of the group and not for their investment potential.

Turnover

Turnover represents fees and commissions earned, excluding value added tax, and is recognised from the date that the policy goes on risk with the product provider, or on the raising of a fee invoice for services provided.

Provision for clawback of indemnity commission

The provision for clawback of indemnity commission represents the expected value of commissions potentially reclaimable by product providers in respect of policies cancelled during the indemnity period, based on the past experience of such claims.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset to its residual value over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Website development	33% straight line
Office equipment	20% straight line
Computer equipment	33% straight line
Telephone equipment	33% straight line
Leasehold improvements	10% straight line

Website development costs which do not meet the specific criteria for capitalisation set out in UITF 29 are expensed in the period in which they are incurred.

The depreciation charge is pro-rated in the years of acquisition and disposal.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability or asset will not crystallise in the foreseeable future.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payment is treated as a liability.

Rentals payable under operating leases are charged on a straight line basis over the lease term. Where the features of operating leases include rent free periods or incentives to occupy, these are spread equally over the term of the lease. Any liability recognised is included within provisions for liabilities and charges.

Pensions

The Group makes contributions to money purchase pension plans for certain employees. Contributions payable for the period are charged to the profit and loss account as they become payable.

Employee and Lighthouse adviser share schemes

The cost of awards to employees or Lighthouse advisers that take the form of shares or rights to shares are charged to the profit and loss account over the period to which the employees' or Lighthouse advisers' performance relates. The charge is calculated as the difference between the fair value of the shares at the date an award is made to participants in the schemes and the payments in respect of the shares received by the group.

2. Turnover

The turnover and loss before taxation are attributable to the principal activity of the Group and arise in the United Kingdom.

3. Directors' and staff costs

	<i>9 month period ended 31 December 2000 £</i>	<i>Year ended 31 December 2001 £</i>
Directors		
Aggregate emoluments	172,063	496,738
Company contributions to money purchase pension schemes	6,678	40,071
	<u>178,741</u>	<u>536,809</u>
Highest paid director		
Aggregate emoluments	53,643	111,836
Company contributions to money purchase pension schemes	1,718	10,793
	<u>55,361</u>	<u>122,629</u>

Period ended 31 December 2000

The remuneration of the directors during the period was as follows:

	<i>Basic salary and fees £</i>	<i>Benefits £</i>	<i>Total excluding pensions £</i>	<i>Contributions to pensions scheme £</i>
<i>Executive directors:</i>				
M.F. Goldsmith	53,500	143	53,643	1,718
N.P. Hamson	43,500	219	43,719	1,769
S.S. Leadsom	43,500	236	43,736	1,799
K.B. Lawrence	13,624	132	13,756	1,392
<i>Non-executive directors:</i>				
D.M.J. Hickey	13,333	—	13,333	—
P.L. Tann	3,750	126	3,876	—
	<u>171,207</u>	<u>856</u>	<u>172,063</u>	<u>6,678</u>

Year ended 31 December 2001

The remuneration of the directors during the year was as follows:

	<i>Basic salary and fees £</i>	<i>Benefits £</i>	<i>Total excluding pensions £</i>	<i>Contributions to pensions scheme £</i>
<i>Executive directors:</i>				
D.M.J. Hickey (for part of the year)	27,250	—	27,250	—
M.F. Goldsmith	109,000	1,719	110,719	10,309
N.P. Hamson	109,000	2,631	111,631	10,617
S.S. Leadsom	109,000	2,836	111,836	10,793
K.B. Lawrence	87,200	1,587	88,787	8,352
<i>Non-executive directors:</i>				
D.M.J. Hickey (for part of the year)	30,000	—	30,000	—
P.L. Tann	15,000	1,515	16,515	—
	<u>486,450</u>	<u>10,288</u>	<u>496,738</u>	<u>40,071</u>

Interest in options

The following directors have been granted options under the unapproved Company share option scheme. No options have been exercised or have lapsed.

	<i>Date granted</i>	<i>Number of ordinary shares</i>	<i>Exercise price</i>	<i>Earliest date exercisable</i>	<i>Latest date exercisable</i>
K.B. Lawrence	9 November 2000	31,250	160p	9 November 2003	8 November 2010
P.L. Tann	19 October 2000	15,625	160p	27 October 2003	26 October 2010

The market price of the Company's shares on 31 December 2000 was 170p per share and the high and low share prices during the period since the company was admitted to the Alternative Investment Market on 27 October 2000 were 180p and 160p respectively. No options were exercised during the year.

The market price of the Company's shares on 31 December 2001 was 64p per share and the high and low share prices during the year were 170p and 63p respectively. No options were exercised during the year.

No directors had any interest in the Approved share option scheme.

The staff costs for the period/year, including directors, were as follows:

	<i>9 month period ended 31 December 2000</i>	<i>Year ended 31 December 2001</i>
	<i>£</i>	<i>£</i>
Wages and salaries	238,251	1,106,998
Social security costs	29,250	112,425
Other pension costs	13,035	74,900
	<u>280,536</u>	<u>1,294,323</u>

The average number of employees during the period/year was as follows:

	<i>Number</i>	<i>Number</i>
Directors	4	5
Administration staff	7	19
	<u>11</u>	<u>24</u>

4. Operating loss and exceptional operating costs

The operating loss is stated after charging:

	<i>9 month period ended 31 December 2000</i>	<i>Year ended 31 December 2001</i>
	<i>£</i>	<i>£</i>
Depreciation of tangible fixed assets	21,051	98,634
Amortisation of goodwill	16,131	63,394
Hire of plant and machinery under operating leases	25,537	151,699
Exceptional operating expenses	50,000	1,110,704
Exceptional cost of shares issued to promoters at below fair value	1,500,000	—
Leasehold property rents	19,106	256,813
Auditors' remuneration – as auditors	21,737	34,663
	<u>1,614,552</u>	<u>1,755,907</u>

In addition to the auditors' remuneration noted above, for the period ended 31 December 2000 the auditors were also paid £53,764 in connection with the flotation of the Company on the Alternative Investment Market which has been set against the share premium account.

The exceptional expenses in the period ended 31 December 2000 represent the write down of an unlisted current asset investment in Real Group Limited, a company of which M.F. Goldsmith and N.P. Hamson were also directors.

The exceptional cost of shares issued at below fair value in the period ended 31 December 2000 relates to a charge recognised in respect of shares issued to promoters of the company in the period pre-flotation. The charge is notional, based on an estimate of the fair value of the shares at the time prior to flotation, and there is no underlying cash outflow or other financial liability associated with the charge, nor does it give rise to a reduction in assets or shareholders' funds.

The exceptional expenses during the year ended 31 December 2001 represent costs incurred by the Group in establishing and opening its franchised offices for Lighthouse advisers around the country, together with associated brand building costs and recruitment of initial Lighthouse advisers, none of which are expected to recur in the future. The costs have all been settled in cash.

There is no associated tax impact in the period in respect of any of the above exceptional expenses as a result of the trading losses reported. However, the exceptional costs incurred in 2001 increase the tax losses available to offset future trading profits (note 6).

5. Net interest receivable/(payable)

	<i>9 month period ended 31 December 2000 £</i>	<i>Year ended 31 December 2001 £</i>
Bank interest receivable	30,878	47,313
Bank interest payable	(2,196)	(25,989)
Finance leases	—	(21,884)
	<u>28,682</u>	<u>(560)</u>

6. Taxation

No taxation charge arises in either year because of the trading losses (2000: £nil).

The deferred tax balances can be analysed as follows:

	<i>31 December 2001</i>		<i>31 December 2000</i>	
	<i>Provided £</i>	<i>Unprovided £</i>	<i>Provided £</i>	<i>Unprovided £</i>
Difference between accumulated depreciation and capital allowances	40,181	—	43,004	—
Trading losses	<u>(40,181)</u>	<u>(942,697)</u>	<u>(43,004)</u>	<u>(124,512)</u>
Deferred tax asset	<u>—</u>	<u>(942,697)</u>	<u>—</u>	<u>(124,512)</u>

7. Loss per ordinary share

The calculation of loss per share is based on the losses attributable to ordinary shareholders divided by the weighted average number of shares in issue during each year, as adjusted for the shares held by the remuneration trusts (note 10(c)).

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	<i>Losses</i> £	<i>2000</i> <i>Weighted</i> <i>average</i> <i>number</i> <i>of shares</i>	<i>Per share</i> <i>amount</i> <i>pence</i>	<i>Losses</i> £	<i>2001</i> <i>Weighted</i> <i>average</i> <i>number</i> <i>of shares</i>	<i>Per share</i> <i>amount</i> <i>pence</i>
Basic earnings per share						
Losses attributable to ordinary shareholders	(1,974,339)	1,845,086	(107.01p)	(2,821,550)	4,440,068	(63.55p)
Dilutive effect						
Options	—	1,249	—	—	—	—
Diluted earnings per share	<u>(1,974,339)</u>	<u>1,846,335</u>	<u>(106.93p)</u>	<u>(2,821,550)</u>	<u>4,440,068</u>	<u>(63.55p)</u>

8. Intangible fixed assets

	<i>Goodwill</i> £
Cost	
Additions	680,381
At 31 December 2000 and 31 December 2001	<u>680,381</u>
Amortisation	
Charge for the period	16,131
At 31 December 2000	16,131
Charge for the year	63,394
At 31 December 2001	<u>79,525</u>
Net book value	
At 31 December 2000	<u>664,250</u>
At 31 December 2001	<u>600,856</u>

Details of the goodwill arising on the acquisition of subsidiary undertakings are shown in note 10 to the financial information.

During the period ended 31 December 2000 certain elements of the goodwill were being amortised over 20 years. However, having regard to the expected period over which the group will benefit, the decision was taken during the year ended 31 December 2001 to bring all goodwill periods into line at 10 years. This change has been dealt with prospectively and has no material effect on the results.

The directors have reviewed the carrying value to determine any requirement to make provision for impairment. This review has concluded, based on the experience to date and expectations of improved results in 2002 and thereafter, that no provision is required.

9. Tangible fixed assets

The Group

	<i>Leasehold improvements</i>	<i>Website development</i>	<i>Telephone equipment</i>	<i>Office and computer equipment</i>	<i>Total</i>
	£	£	£	£	£
Cost					
Additions	—	23,067	16,954	135,761	175,782
Acquisition of subsidiaries	—	—	—	25,049	25,049
At 31 December 2000	—	23,067	16,954	160,810	200,831
Additions	119,261	—	42,031	171,417	332,709
At 31 December 2001	119,261	23,067	58,985	332,227	533,540
Depreciation					
Acquisition of subsidiaries	—	—	—	3,503	3,503
Provided in the period	—	2,643	1,718	16,690	21,051
At 31 December 2000	—	2,643	1,718	20,193	24,554
Provided in the year	5,241	7,690	12,656	73,047	98,634
At 31 December 2001	5,241	10,333	14,374	93,240	123,188
Net book value					
At 31 December 2000	—	20,424	15,236	140,617	176,277
At 31 December 2001	114,020	12,734	44,611	238,987	410,352

The figures stated above include assets held under finance leases, as follows:

	<i>Leasehold improvements</i>	<i>Office and computer equipment</i>
	£	£
Net book value at 31 December 2000	—	—
Net book value at 31 December 2001	114,020	64,396
Depreciation provided in the year ended 31 December 2001	5,241	2,948

10. Investments

The payments to acquire subsidiary undertakings were as follows:

	£
Purchase of Lighthouse Independent Financial Advisers (Kent) Limited (note 10(a))	1
Establishment of dormant subsidiaries	2
For the period ended 31 December 2000	3
Establishment of Lighthouse Independent Financial Advisers (City) Limited	2
For the year ended 31 December 2001	2

(a) *Acquisitions*

On 15 September 2000 the Company acquired the whole of the issued share capital of Lighthouse Independent Financial Advisers Limited in exchange for the issue to the former shareholders of the company of 8,125,000 ordinary shares of 1p each in the Company at par. The rules governing merger accounting, as they relate to group re-organisations, as prescribed in Financial Reporting Standard No.6 (FRS6) have been adopted in respect of this acquisition:

	£
Nominal value of shares acquired	1,000
Share premium account acquired	39,600
	<u>40,600</u>
Nominal value of shares issued	(81,250)
	<u>(40,650)</u>

There were no significant adjustments made to the assets or liabilities of the undertaking acquired.

The aggregate book values of the net assets of each entity immediately prior to the merger were as follows:

	£
Lighthouse Group plc	81,250
Lighthouse Independent Financial Advisers Limited	(204,174)

On 15 September 2000 the Company acquired the whole of the issued share capital of Lighthouse Independent Financial Advisers (Kent) Limited from M.F. Goldsmith, a director of the Company.

Analysis of the acquisition:

	<i>Book and fair value to the Group</i> £
Tangible fixed assets	21,546
Debtors	27,279
Cash at bank and in hand	4,503
Creditors due within one year	(283,708)
Creditors due after more than one year	(400,000)
Net liabilities	(630,380)
Goodwill arising on acquisition (including goodwill in the acquired entity subsumed of £462,500)	630,381
Cash consideration	<u>1</u>

Lighthouse Independent Financial Advisers (Kent) Limited contributed £14,053 to the Group's net operating cash flows, paid £nil in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation and utilised £163 for capital expenditure in the period ended 31 December 2000.

Lighthouse Independent Financial Advisers (Kent) Limited contributed turnover of £187,142 and an operating profit of £27,308 to the Group results for the period ended 31 December 2000. The summarised profit and loss account for the period from 9 November 1999, the date of incorporation of Lighthouse Independent Financial Advisers (Kent) Limited, to the effective date of acquisition is as follows:

	£
Turnover	275,344
Operating loss	(167,880)

In October 2000 the group acquired the business, which included the rights to the Lighthouse Development Model and the right to use the name “Peak Practice Consulting” from N.P. Hamson, a director of Lighthouse Group plc, for a consideration of £50,000. There were no other separable assets or liabilities acquired and the consideration has been accounted for as Goodwill.

(b) Subsidiary undertakings

The principal subsidiary undertakings are:

Name of company	<i>Principal activity</i>	<i>% of issued shares held and voting rights</i>
Lighthouse Independent Financial Advisers Limited	Business services	100%
Lighthouse IFA (Kent) Limited	Independent financial advice	100%
Lighthouse IFA (City) Limited	Independent financial advice	100%

All companies are incorporated and operate in England and Wales, and are included in the Group accounts.

(c) Investment in own shares

The Group has an investment in own shares amounting to £nil (2000: £nil) in respect of shares held by Atlas Trust Company (Jersey) Limited as sole discretionary trustee of the Lighthouse Independent Financial Advisers Limited Remuneration Trust (“Remuneration Trust”) and the Lighthouse Independent Financial Advisers Limited Consultants and Advisers Benefits and Share Incentive Scheme (“Advisers Trust”). The trusts hold between them 8,125,000 ordinary shares in the Company which were acquired for £nil consideration from the founding members and directors of the Company prior to its flotation in October 2000.

The Trustee is guided by the wishes of the remuneration committee of the Board regarding eligibility for receipt of discretionary benefits under the Remuneration Trust and by the wishes of the Board regarding eligibility for receipt of discretionary benefits under the Advisers Trust. These include exceptional performance, teamwork, loyalty, length of service and other significant contributions to the overall development and success of the group. There have been no discretionary share allocations from the Trusts since their inception.

11. Debtors

	<i>31 December 2000</i>	<i>31 December 2001</i>
	£	£
Amounts due within one year:		
Trade debtors	666,267	1,270,819
Other debtors	140,100	99,273
Prepayments	119,016	91,216
	<u>925,383</u>	<u>1,461,308</u>
Amounts due in more than one year:		
Other debtors	12,338	12,338
	<u>937,721</u>	<u>1,473,646</u>

12. Current asset investments

	<i>31 December</i> 2000 £	<i>31 December</i> 2001 £
Offshore bond	<u>1,750,000</u>	<u>1,549,846</u>

The offshore bond represents an investment in a single premium life assurance bond secured on the lives of four of the executive directors.

13. Creditors: amounts falling due within one year

	<i>31 December</i> 2000 £	<i>31 December</i> 2001 £
Bank overdraft	—	1,211,039
Other loans	—	104,561
Trade creditors	726,448	1,348,701
Other taxation and social security	40,192	160,811
Deferred purchase consideration	100,000	50,000
Finance leases	—	60,972
Other creditors	171,800	101,051
Accruals and deferred income	84,574	37,038
	<u>1,123,014</u>	<u>3,074,173</u>

The bank overdraft is secured by a fixed charge over the Group's current asset investment (note 12). The other loans are unsecured, repayable on demand and attract interest at the rate of 2 per cent. over the base lending rate of Royal Bank of Scotland plc.

14. Creditors: amounts falling due after more than one year

	<i>31 December</i> 2000 £	<i>31 December</i> 2001 £
Other creditors – deferred purchase consideration	350,000	300,000
Finance leases	—	105,039
Deferred income	27,999	—
	<u>377,999</u>	<u>405,039</u>

The deferred purchase consideration relates to the acquisition of a business (note 10). The consideration is payable in ten equal annual instalments of £50,000.

The amounts payable under finance leases are secured on the assets to which they relate and are payable between one and five years.

15. Provisions for liabilities and charges

	<i>Provision for clawback of indemnity commission</i> £	<i>Reverse lease premium</i> £	<i>Total</i> £
At incorporation	—	—	—
Charged to profit and loss account	78,042	—	78,042
Utilised during the period	(28,370)	—	(28,370)
At 31 December 2000	<u>49,672</u>	<u>—</u>	<u>49,672</u>
Charged to profit and loss account	220,094	47,931	268,025
Utilised during the year	(150,485)	(7,190)	(157,675)
At 31 December 2001	<u>119,281</u>	<u>40,741</u>	<u>160,022</u>

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 each year end. The amount represents the gross obligation and, where recovery of these amounts from Lighthouse advisers can be foreseen with reasonable certainty, an asset is also recognised. At 31 December 2001 the asset recognised within trade debtors was £90,000 (2000: £32,000). The provision is expected to be utilised within 12 months of each balance sheet date.

The reverse lease premium is being amortised over a period of five years.

16. Derivatives and other financial instruments

The Group's financial instruments comprise cash, short term deposits, an investment in an offshore life assurance bond, overdraft facilities, finance lease facilities and deferred consideration for the purchase of a business. The Group has financed its operations principally from an equity share issue in October 2000 when the Company's shares were admitted to the Alternative Investment Market, and subsequently by way of bank borrowings secured on the current asset investment.

The most significant treasury exposures faced by the group are raising finance, managing interest rate positions by the use of a mixture of fixed and floating rate liabilities and investing surplus cash in high quality assets. Clear parameters have been established, including levels of authority, on the type and use of financial instruments to manage these exposures, which at present exclude the use of any derivatives or hedges. Transactions are only undertaken if they relate to underlying exposures and cannot be viewed as speculative. Regular reports are provided to senior management and treasury operations are subject to periodic independent reviews, which includes consideration of the use of derivatives or hedges.

(a) Short-term debtors and creditors

Short term debtors, creditors and provisions have been excluded from the following disclosures.

(b) *Interest rate risk profile of financial liabilities*

	<i>Floating rate financial liabilities</i> £	<i>Fixed rate financial liabilities</i> £	<i>Interest free</i> £	<i>Total</i> £
Deferred purchase consideration	—	—	450,000	450,000
At 31 December 2000	—	—	450,000	450,000
Bank overdrafts	1,211,039	—	—	1,211,039
Other loans	104,561	—	—	104,561
Finance lease agreements	—	166,011	—	166,011
Deferred purchase consideration	—	—	350,000	350,000
At 31 December 2001	<u>1,315,600</u>	<u>166,011</u>	<u>350,000</u>	<u>1,831,611</u>

The floating liabilities bear interest based on a margin over bank base rate. The interest rate implicit in the finance leases is approximately 32 per cent. per annum.

(c) *Interest rate risk of financial assets*

	<i>2000 Cash at bank</i> £	<i>2000 Investment bond</i> £	<i>2001 Cash at at bank</i> £	<i>2001 Investment bond</i> £
Floating rate	<u>879,254</u>	<u>1,750,000</u>	<u>34,807</u>	<u>1,549,846</u>

The floating rate assets earn interest at rates based on a discount applied to bank base rates.

(d) *Maturity of financial liabilities*

The maturity profile of the carrying amount of the Group's financial liabilities at 31 December was as follows:

	<i>Debt</i> £	<i>Finance leases</i> £	<i>Other financial liabilities</i> £	<i>2001 Total</i> £	<i>2000 Total</i> £
In one year or less, or on demand	1,315,600	60,972	50,000	1,426,572	100,000
In more than one but not more than two years	—	72,804	50,000	122,804	50,000
In more than two years but not more than five years	—	32,235	150,000	182,235	150,000
In more than five years	—	—	100,000	100,000	150,000
	<u>1,315,600</u>	<u>166,011</u>	<u>350,000</u>	<u>1,831,611</u>	<u>450,000</u>

All liabilities for 2000 disclosed above were other financial liabilities.

(e) *Borrowing facilities*

The Group has the following undrawn committed borrowing facilities available at 31 December:

	<i>2001</i> <i>Floating rate</i> £	<i>2000</i> <i>Floating rate</i> £
Expiring within one year	<u>262,871</u>	<u>10,000</u>

(f) *Currency risk*

The Group is not exposed to currency risk, as it does not trade in or hold investments in foreign currencies in either the year ended 31 December 2001 or the period ended 31 December 2000.

(g) *Fair value in financial instruments*

There is no material difference between the fair value and book value of financial assets and liabilities in either the year ended 31 December 2001 or the period ended 31 December 2000.

(h) *Hedges*

The Group does not hedge its financial assets and liabilities in either the year ended 31 December 2001 or the period ended 31 December 2000.

17. Share capital

	<i>Authorised</i> <i>2000</i> £	<i>Authorised</i> <i>2001</i> £
17,500,000 ordinary shares at 1p each	<u>175,000</u>	<u>175,000</u>
	<i>Allotted, called up and fully paid Number</i>	<i>Allotted, called up and fully paid £</i>
On incorporation (2 ordinary shares of £1 sub-divided on 15 September 2000 into 1p shares)	200	2
15 September 2000, issued at par	1,874,800	18,748
15 September 2000, issued at par on acquisition of LIFAL	8,125,000	81,250
27 October 2000, issued at 160p on admission to the Alternative Investment Market	<u>2,500,000</u>	<u>25,000</u>
At 31 December 2000	<u>12,500,000</u>	<u>125,000</u>
23 November 2001, issued at 64 p per share	<u>625,000</u>	<u>6,250</u>
At 31 December 2001	<u>13,125,000</u>	<u>131,250</u>

Under the Company's Unapproved Share Option Scheme the following options were held at 31 December 2000 and 31 December 2001:

<i>No. of shares</i>	<i>Option price</i>	<i>Period during which options can be exercised</i>
15,625	160p	27 October 2003 and 26 October 2010
31,250	160p	9 November 2003 and 8 November 2010

Under the Company's Approved Share Option Scheme the following options were held at 31 December 2001:

<i>No. of shares</i>	<i>Option price</i>	<i>Period during which options can be exercised</i>
45,700	162p	6 April 2004 and 5 April 2011

18. Reserves

	<i>Share premium account £</i>	<i>Merger reserve £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
Group				
Loss for the period	—	—	(1,974,339)	(1,974,339)
Premium arising on issue of shares	3,975,000	—	—	3,975,000
Reversal of fair value of shares issued to promoters	—	—	1,500,000	1,500,000
Expenses of issue of share capital	(728,194)	—	—	(728,194)
Merger reserve adjustment	—	(40,650)	—	(40,650)
At 31 December 2000	3,246,806	(40,650)	(474,339)	2,731,817
Loss for the year	—	—	(2,821,550)	(2,821,550)
Premium arising on issue of shares	393,750	—	—	393,750
Expenses of issue of share capital	(4,994)	—	—	(4,994)
At 31 December 2001	<u>3,635,562</u>	<u>(40,650)</u>	<u>(3,295,889)</u>	<u>299,023</u>

19. Reconciliation of movements in Group shareholders' funds

	<i>Period ended 31 December 2000 £</i>	<i>Year ended 31 December 2001 £</i>
Loss for the financial period/year	(1,974,339)	(2,821,550)
Reversal of charge in respect of shares issued at below fair value (note 4)	1,500,000	—
Issue of ordinary share capital	4,100,000	400,000
Merger adjustment (note 10)	(40,650)	—
Expenses of issue of share capital	(728,194)	(4,994)
Net increase/(decrease)in shareholders' funds	2,856,817	(2,426,544)
Shareholders' funds on incorporation/at 1 January 2001	—	2,856,817
Shareholders' funds at 31 December	<u>2,856,817</u>	<u>430,273</u>

20. Commitments and contingencies

(a) Capital commitments

There was no capital expenditure contracted for but not provided for at 31 December 2000 or 31 December 2001.

(b) Financial commitments

The following annual rentals are committed to be paid by the group in respect of non-cancellable operating leases:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>
	£	£	£	£
Leases which expire:				
Within one year	43,710	—	—	73,889
In two to five years	24,675	24,675	79,022	116,155
In more than five years	—	219,151	—	—
	<u>68,385</u>	<u>243,826</u>	<u>79,022</u>	<u>190,044</u>

(c) Contingent liabilities

The group has provided its bankers with guarantees in respect of amounts advanced by them to Lighthouse advisers. The outstanding amount in respect of which guarantees exist at 31 December 2001 was £221,000 (2000: £Nil).

21. Notes to the cash flow statement

(a) Reconciliation of operating loss to net cash flow from operating activities

	<i>Period ended</i>	<i>Year ended</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2000</i>	<i>2001</i>
	£	£
Operating loss	(2,003,021)	(2,820,990)
Depreciation	21,051	98,634
Amortisation of goodwill	16,131	63,394
Cost of shares issued at below fair value	1,500,000	—
Provision against current asset investment	—	50,154
Increase in debtors	(910,441)	(535,924)
Increase in provisions for liabilities and charges	49,672	110,350
Increase in creditors	817,306	596,589
Net cash outflow from operating activities	<u>(509,302)</u>	<u>(2,437,793)</u>

(b) Reconciliation of movement in net debt – 2000

	<i>On</i>	<i>Cash flow</i>	<i>At</i>
	<i>incorporation</i>	<i>Cash flow</i>	<i>31 December</i>
	£	£	2000
			£
Cash in hand and at bank	—	879,254	879,254
Investment bond	—	1,750,000	1,750,000
	<u>—</u>	<u>2,629,254</u>	<u>2,629,254</u>

Reconciliation of movement in net debt – 2001

	<i>1 January</i> 2001 £	<i>Cash flow</i> £	<i>Non-cash</i> <i>changes</i> £	<i>At</i> <i>31 December</i> 2001 £
Cash in hand and at bank	879,254	(844,447)	—	34,807
Overdrafts	—	(1,211,039)	—	(1,211,039)
		(2,055,486)		
Investment bond	1,750,000	(150,000)	(50,154)	1,549,846
Debt due within one year	—	(104,561)	—	(104,561)
Finance leases	—	20,594	(186,605)	(166,011)
	<u>2,629,254</u>	<u>(2,289,453)</u>	<u>(236,759)</u>	<u>103,042</u>

(c) Reconciliation to net cash

	<i>Period ended</i> <i>31 December</i> 2000 £	<i>Year ended</i> <i>31 December</i> 2001 £
Net increase/(decrease) in cash	879,254	(2,055,486)
Inflow from increase in net debt	—	(83,967)
Change in net debt resulting from cash flows	879,254	(2,139,453)
Movement in liquid resources	1,750,000	(150,000)
Non cash items:		
Investment bond	—	(50,154)
Inception of finance leases	—	(186,605)
Movement in net debt in the period	<u>2,629,254</u>	<u>(2,526,212)</u>
Opening net cash	—	2,629,254
Closing net cash	<u>2,629,254</u>	<u>103,042</u>

(d) Liquid resources

The Group classifies its offshore investment bond as liquid resources.

22. Related party transactions

In July 2000 the Group made an investment of £50,000 in Real Group Limited, an unlisted company of which M.F. Goldsmith and N.P. Hamson are also directors. The value of this investment was written down to £nil based on the unaudited financial statements of Real Group Limited, and the investment was subsequently transferred to the Lighthouse Independent Financial Advisers Limited Remuneration Trust.

In October 2000 the Group purchased all the rights to the Lighthouse Development Model and the right to use the name Peak Practice Consulting from N.P. Hamson, a director of Lighthouse Group Plc, for a consideration of £50,000.

On 15 September 2000, the Company acquired the whole of the issued share capital of Lighthouse Independent Financial Advisers (Kent) Limited from M.F. Goldsmith, a director of the Company, for £1.

During the period ended 31 December 2000 Mr D.M.J. Hickey subscribed for 62,500 shares at par. As more fully disclosed in note 4, the fair value of these shares at that date was considered to be 80p per share.

Included within other creditors of the Group at 31 December 2001 is an amount of 40,637 (2000: £42,529) owing to M.F. Goldsmith, a director of the Company.

During the year ended 31 December 2001 the group have made payments of £6,570 (2000: £nil) to Atlas Trust Company (Jersey) Limited in respect of their services as trustees of the Remuneration and Advisers Trusts (note 10(c)).

23. Post balance sheet events

On 15 March 2002 the Company announced that it has conditionally agreed to acquire the entire issued share capital of BWA (Holdings) Ltd for a total consideration of 3,463,281 new Ordinary Shares. In addition the Company intends to raise £2,200,000 (£1,695,000 net of expenses) through a placing by KBC Peel Hunt Ltd. The funds raised will be used to repay £343,500 of debt to the BWA Founders, the balance being used to provide additional working capital. The placing has been fully underwritten by KBC Peel Hunt Ltd.

24. Majority shareholder

The Atlas Trust Company (Jersey) Limited (note 10(c)) controls 61.9% of the issued share capital of the Company at 31 December 2001 (2000: 65%).

Yours faithfully

PricewaterhouseCoopers

**B: FINANCIAL INFORMATION ON
LIGHTHOUSE INDEPENDENT FINANCIAL ADVISERS (KENT) LIMITED**



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The Directors
Lighthouse Group plc
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London
EC2N 2AN

The Directors
KBC Peel Hunt Limited
62 Threadneedle Street
London
EC2R 8HP

15 March 2002

Dear Sirs

Lighthouse Independent Financial Advisers (Kent) Limited

Introduction

We report on the financial information set out below relating to Lighthouse Independent Financial Advisers (Kent) Limited (“the Company”). This financial information has been prepared for inclusion in the Admission Document dated 15 March 2002 (“the Admission Document”) of the Lighthouse Group plc relating to the proposed acquisition of BWA (Holdings) Plc.

The Company was incorporated as Lighthouse Innovative Investment Solutions Limited on 9 November 1999, commenced trading on 1 January 2000 and changed its name to Lighthouse Independent Financial Advisers (Kent) Limited with effect from 21 June 2000. On 15 September 2000, the Company was acquired by Lighthouse Group plc for a consideration of £1. A separate accountants’ report on Lighthouse Group plc for the period from incorporation to 31 December 2001 is set out in section A of Part III of the Admission Document.

Basis of preparation

The financial information set out below is based on the audited financial statements of the Company for the period ended 31 December 2000, after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The directors of Lighthouse Group plc are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated and of its loss for the period then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 of the Public Offers of Securities Regulations 1995.

PROFIT AND LOSS ACCOUNT

for the period 9 November 1999 to 31 December 2000

	<i>Note</i>	<i>£</i>
Turnover	2	462,486
Cost of sales		(125,169)
Gross profit		<u>337,317</u>
Administrative expenses		
Other operating expenses		(377,875)
Exceptional operating expenses	4	(100,000)
Total administrative expenses		<u>(477,875)</u>
Operating loss	5	(140,558)
Interest payable and similar charges	6	(7)
Loss on ordinary activities before taxation		(140,565)
Tax on loss on ordinary activities	7	—
Loss on ordinary activities after taxation and loss for the financial period	15	<u><u>(140,565)</u></u>

The results set out above are all derived from continuing operations.

The company has no recognised gains or losses in the period other than the loss as set out above.

BALANCE SHEET

at 31 December 2000

	<i>Note</i>	<i>£</i>
Fixed assets		
Intangible assets	8	450,000
Tangible assets	9	19,545
		<u>469,545</u>
Current assets		
Debtors	10	205,509
Cash at bank		18,394
		<u>223,903</u>
Creditors: amounts falling due within one year	11	(443,459)
Net current liabilities		<u>(219,556)</u>
Total assets less current liabilities		249,989
Creditors: amounts falling due after more than one year	12	(377,999)
Provisions for liabilities and charges	13	(12,553)
Net liabilities		<u><u>(140,563)</u></u>
Capital and reserves		
Called up share capital	14	2
Profit and loss account	15	(140,565)
Deficit on equity shareholders' funds	16	<u><u>(140,563)</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. A summary of the more important accounting policies is set out below.

Going concern basis

The Company made a loss of £140,565 and the balance sheet shows net current liabilities of £219,556 together with net liabilities of £140,563. The accounts have been prepared under the going concern concept which assumes the company will have sufficient funds to continue to pay its debts as and when they fall due and thus continue to trade. This assumption is based on the ongoing financial support of the parent company, Lighthouse Group plc. The directors have received written confirmation of continued parent company support for twelve months from the date of approval of these accounts.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings or a separately identifiable business, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Impairment provisions

In determining the requirement to make impairment provisions against tangible fixed assets and goodwill the directors have regard to the post tax net realisable value and the ongoing value in use of the assets to the business. The value in use is determined from estimated discounted future cash flows. Provision is made where the current carrying amount exceeds the higher of these two figures.

Turnover

Turnover represents fees and commissions earned, excluding value added tax, and is recognised from the date that the policy goes on risk with the product providers, or on the raising of a fee invoice for services provided.

Provision for clawback of indemnity commission

The provision for clawback of indemnity commission represents the expected value of commissions potentially reclaimable by product providers in respect of policies cancelled during the indemnity period, based on the past experience of such claims.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office equipment	20% straight line
Computer equipment	33% straight line

The depreciation charge is pro-rated in the years of acquisition and disposal of assets.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability or asset will not crystallise in the foreseeable future.

Pensions

The Company operates a defined contribution pension scheme. Contributions payable for the period are charged in the profit and loss account.

Leasing and hire purchase transactions

Where an asset is acquired under a finance lease or hire purchase agreement, the asset is capitalised and the corresponding liability to the finance company is included in creditors. Depreciation on assets held under finance leases and those being acquired under hire purchase agreements is provided in accordance with the policy listed above. Finance lease payments and hire purchase repayments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a systematic basis over the period of the agreement. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Cash flow statement

Exemption has been taken from preparing a cash flow statement on the grounds that the Company is a wholly owned subsidiary of a company registered in England and Wales, which prepares a consolidated cash flow statement.

2. Turnover

The turnover and loss before taxation are attributable to the principal activities of the Company and arises wholly in the United Kingdom.

3. Staff costs

	<i>14 month period ended 31 December 2000 £</i>
Wages and salaries	136,600
Social security costs	15,449
Other pension costs	8,572
	<hr/>
	160,621
	<hr/> <hr/>

The average monthly number of employees during the period was 3, all of whom were either administration staff or directors.

4. Exceptional operating expenses

The exceptional expense relates to the write down to nil book value of a current asset investment in Real Group Limited, a company in which M.F. Goldsmith and N.P. Hamson were directors, as in the opinion of the directors, there was a diminution in value of this investment during the period. There is no associated tax impact as a result of the trading losses reported.

5. Operating loss

The operating loss is stated after charging:

	<i>14 month period ended 31 December 2000</i>
	£
Operating leases:	
Hire of plant and machinery	1,187
Rental of property	22,711
Depreciation – owned assets	5,667
Permanent diminution in value of investments (note 4)	100,000
Amortisation of goodwill (note 8)	50,000
Directors' emoluments	77,000
	<u> </u>

Auditors' remuneration in respect of the audit for the period ended 31 December 2000 of £4,700 has been paid on behalf of the company by the company's sister company, Lighthouse Independent Financial Advisers Limited.

6. Interest payable and similar charges

	<i>14 month period ended 31 December 2000</i>
	£
Bank interest payable	<u> 7</u>

7. Taxation

No liability to UK corporation tax arose on ordinary activities for the period due to the losses reported.

8. Intangible fixed assets

	<i>Goodwill</i>
	£
Cost:	
Additions	<u>500,000</u>
At 31 December 2000	<u>500,000</u>
Amortisation:	
Charge for period	<u>50,000</u>
At 31 December 2000	<u>50,000</u>
Net Book Value:	
At 31 December 2000	<u> 450,000</u>

The goodwill relates to the acquisition of a business for £500,000, payable in ten equal annual instalments of £50,000. The goodwill is being amortised over a period of 10 years. The directors have reviewed the carrying value to determine any requirement to make a provision for impairment. This review has concluded that no provision is required.

There were no separate assets and liabilities acquired as these were retained by the vendors. The undertaking acquired comprised an active customer base which was previously advised by the vendor in his capacity as a tied agent. The business acquired operated as a partnership, one

element of which was acquired by the group. Consequently it has not been possible to identify the pre-acquisition trading performance in respect of the acquired business.

9. Tangible fixed assets

	<i>Office equipment</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost:			
Additions	7,707	17,505	25,212
At 31 December 2000	<u>7,707</u>	<u>17,505</u>	<u>25,212</u>
Depreciation:			
Charge for period	849	4,818	5,667
At 31 December 2000	<u>849</u>	<u>4,818</u>	<u>5,667</u>
Net book value:			
At 31 December 2000	<u>6,858</u>	<u>12,687</u>	<u>19,545</u>

10. Debtors

	<i>31 December 2000</i> £
Amounts due within one year:	
Trade debtors	150,896
Amounts due from group undertakings	35,250
Prepayments	<u>7,026</u>
	193,172
Amounts due after more than one year:	
Other debtors	<u>12,337</u>
	<u>205,509</u>

11. Creditors: amounts falling due within one year

	<i>31 December 2000</i> £
Trade creditors	58,780
Other creditors	271,802
Amounts due to fellow group undertakings	79,855
Social security and other taxes	4,217
Accrued expenses and deferred income	<u>28,805</u>
	<u>443,459</u>

Included in other creditors is an amount of £42,529 due to M.F. Goldsmith, a director of the Company.

12. Creditors: amounts falling due after more than one year

	<i>31 December</i> <i>2000</i> £
Other creditors – deferred consideration	350,000
Accruals and deferred income	27,999
	<u>377,999</u>

The deferred purchase consideration relates to the acquisition of a business (note 8). The consideration is payable in ten equal instalments of £50,000 per annum.

13. Provisions for liabilities and charges

	<i>Provision for</i> <i>clawback</i> <i>of indemnity</i> <i>premiums</i> £
At incorporation	—
Charged to profit and loss account	16,678
Utilised during the period	(4,125)
At 31 December 2000	<u>12,553</u>

The provision for clawback of indemnity premiums represents the expected cost of claw-backs from product providers for subsequent policy cancellations and mid-term adjustments in respect of policies written as at 31 December 2000. The provision is expected to be utilised within 12 months.

The deferred tax balances can be analysed as follows:

	<i>31 December 2000</i>	
	<i>Provided</i> £	<i>Unprovided</i> £
Difference between accumulated depreciation and capital allowances	—	4,476
Trading losses	—	—
Deferred tax liability	<u>—</u>	<u>4,476</u>

14. Called up share capital

	<i>Number</i>	£
Authorised		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and called up		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

15. Profit and loss account

	£
At 9 November 1999	—
Loss for the period	(140,565)
At 31 December 2000	<u>(140,565)</u>

16. Reconciliation of movements in shareholders' deficit

	<i>14 month period ended 31 December 2000</i> £
Loss for the financial period	(140,565)
Shares issued	<u>2</u>
Net increase in shareholders' deficit	(140,563)
Opening shareholders' funds	—
Closing shareholders' deficit	<u>(140,563)</u>

17. Commitments

(a) Financial commitments

Annual commitments due under operating leases at 31 December 2000 were as follows:

	<i>Land & buildings</i> £	<i>Other</i> £
Leases expiring within 2 to 5 years	<u>24,675</u>	<u>949</u>

(b) Capital commitments

There was no capital expenditure contracted for but not provided for at 30 December 2000.

18. Related party transactions

The company is a wholly owned subsidiary of Lighthouse Group plc and in accordance with the exemption conferred by Financial Reporting Standard No. 8, transactions with other group companies are not disclosed in these financial statements.

Included in other creditors is an amount of £42,529 due to M.F. Goldsmith, a director of the Company (note 11).

In July 2000, the Company made an investment of £100,000 in Real Group Limited, an unlisted company of which M.F. Goldsmith and N.P. Hamson were also directors. The value of this investment was written down to £nil in the accounts of the company for the period ended 31 December 2000 (note 4), based on the unaudited financial statements of Real Group Limited and the investment was subsequently transferred to the Lighthouse Independent Financial Advisers Limited Remuneration Trust.

19. Ultimate parent company

The company is a wholly owned subsidiary of Lighthouse Group plc, a Company incorporated in Great Britain and registered in England. The consolidated financial statements of Lighthouse Group plc are available from that Company's registered office.

Yours faithfully

PricewaterhouseCoopers

PART IV

A: FINANCIAL INFORMATION ON BWA (HOLDINGS) LTD FOR THE PERIOD ENDED 30 NOVEMBER 2001



PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham B4 6JT

STRICTLY PRIVATE AND CONFIDENTIAL

The Directors
Lighthouse Group plc
26 Throgmorton Street
London
EC2N 2AN

The Directors
KBC Peel Hunt Ltd
62 Threadneedle Street
London
EC2R 8HP

15 March 2002

Dear Sirs

BWA (Holdings) Ltd

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 15 March (“the Admission Document”) of the Lighthouse Group plc (‘the Company’ or ‘Lighthouse’) relating to the proposed acquisition of BWA (Holdings) Ltd (formerly known as BWA (Holdings) plc) (collectively referred to as “BWA Holdings”).

BWA (Holdings) plc re-registered as a private limited company, BWA (Holdings) Ltd, on 6 February 2002.

BWA (Holdings) Ltd has two subsidiaries: BWA Limited and BWA Link Limited (collectively referred to as ‘the BWA Group’).

The BWA Group commenced trading on 31 March 2001 following the acquisition of the business of the BWA partnership on 30 March 2001. The goodwill of the BWA partnership, together with its intellectual property and contracts, were acquired by the BWA Group for a consideration of £3. In addition, the tangible fixed assets of the BWA partnership were acquired by the BWA Group for a consideration of £45,000.

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of the BWA Group for the period ended 30 November 2001.

Responsibility

Such financial statements are the responsibility of the directors of the BWA Group.

The directors of Lighthouse Group plc are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the partnership accounts and the financial statements underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the partnership accounts and financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the BWA Group, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the BWA Group as at the date stated and of its result and cash flows for the period then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

PERIOD TO 30 NOVEMBER 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Period to 30 November 2001</i>
	<i>Note</i>
	<i>£'000</i>
Turnover – acquired operations	5,815
Cost of sales	(4,905)
Gross profit	910
Administrative expenses	(985)
Operating loss – acquired operations	3 (75)
Interest receivable	5 9
Interest payable	5 (4)
Loss on ordinary activities before taxation	(70)
Tax on loss on ordinary activities	6 (30)
Loss on ordinary activities after taxation	(100)
Dividends	—
Loss for the period	13 (100)

The results are all attributable to continuing operations

The group has no recognised gains or losses other than the loss reported in the period above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

BWA (Holdings) plc was incorporated on 4 October 2000 and subsequently re-registered as a private limited company, BWA (Holdings) Ltd, on 6 February 2002. The accounts reflect the period from 4 October 2000 to 30 November 2001.

The business was acquired from a related party on 30 March 2001. Further details of this transaction are provided in note 2.

CONSOLIDATED BALANCE SHEET

		<i>30 November 2001 £'000</i>
	<i>Note</i>	
Fixed assets		
Tangible assets	7	129
Current assets		
Debtors	8	1,397
Cash at bank and in hand		461
		<hr/>
		1,858
Creditors: amounts falling due within one year	9	(1,548)
		<hr/>
Net current assets		310
		<hr/>
Total assets less current liabilities		439
		<hr/>
Creditors: amounts falling due after more than one year	10	(23)
Provisions for liabilities and charges	11	(454)
		<hr/>
Net liabilities		(38)
		<hr/> <hr/>
Capital and reserves		
Called up share capital	12	51
Share premium account	13	11
Profit and loss account	13	(100)
		<hr/>
Deficit on equity shareholders' funds	14	(38)
		<hr/> <hr/>

CONSOLIDATED CASH FLOW STATEMENT

		<i>Period to 30 November 2001 £'000</i>
	<i>Note</i>	
Net cash inflow from operating activities	23 (1)	509
Returns on investments and servicing of finance	23 (2)	5
Taxation		—
Capital expenditure	23 (2)	(70)
Acquisitions and disposals	23 (2)	(45)
		<hr/>
Cash inflow before financing		399
Financing	23 (2)	62
		<hr/>
Increase in cash	23 (3)	461
		<hr/> <hr/>

ACCOUNTING POLICIES

Basis of accounting

The financial information is prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The directors consider that the accounting policies set out below are the most appropriate, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

Basis of consolidation

The Group financial information consolidates the financial statements of BWA Holdings and its subsidiary undertakings made up to 30 November 2001. Acquisitions are accounted for under the acquisition accounting method. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the profit and loss account from the date of acquisition or up to the date of disposal.

Basis of preparation – going concern

The Group has made a loss on ordinary activities before taxation of £70,000 for the period ended 30 November 2001 and at that date it had net liabilities of £38,000.

However, the directors have prepared the financial statements on a going concern basis, taking into account the current market position and prospects of the company, together with the past trading history of the acquired business and available sources of funding (see note 22).

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets to residual value over their estimated useful life and are as follows:

Plant and machinery	– 25% on reducing balance
Motor vehicles	– 25% on reducing balance

Goodwill

Goodwill arising on acquisition, representing the excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Provisions

Provision is made for the potential future claw back of commissions received on an indemnity basis and is included within the financial information. The provision is calculated having regard to previous experience of such claims.

Leases

Leasing agreements and hire purchase contracts that transfer to the company substantially all the benefits and risks of ownership of an asset (“finance leases”) are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account as incurred. Assets held under finance leases are depreciated over the shorter of the estimated useful life and the lease term.

All other leases are treated as operating leases, the costs of which are charged on a straight line basis over the lease term.

Pensions

The Group operates a defined contribution pension scheme for the benefit of employees. The costs relating to this scheme are charged to the profit and loss account as they fall due.

Turnover

Turnover comprises commission and other fees receivable. All income arises in the United Kingdom.

Commission and transactions in life products on pension contracts is recognised in the period in which the policy goes on risk. Other fees are recognised on the raising of a fee invoice for services provided.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences, to the extent that it is probable that a liability or asset will crystallise.

Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares are charged to the profit and loss account over the period to which the employee's performance relates. The charge is calculated as the difference between the fair value of the shares at the date an award is made to participants in the schemes and the payments in respect of the shares received by the group.

1. Turnover

The turnover and loss before taxation are attributable to the principal activity of the Group and arise in the United Kingdom.

2. Acquisitions

The BWA Group commenced trading on 31 March 2001 following the acquisition of the business of the BWA partnership on 30 March 2001. The business of the BWA partnership was acquired by the BWA Group for a consideration of £3. In addition, the tangible fixed assets of the BWA partnership together with their related hire purchase liabilities were acquired at book value by the BWA Group for a consideration of £45,000, which was also deemed to be their fair value.

Goodwill arising on the acquisition of the business and assets of the BWA partnership of £3, has been fully expensed during the period.

Analysis of the acquisition

	£
Tangible fixed assets	84,000
Creditors	(39,000)
Net assets	45,000
Goodwill arising on acquisition	3
Cash consideration	<u>45,003</u>

3. Loss on ordinary activities before taxation

	<i>Period to 30 November 2001 £'000</i>
Loss on ordinary activities before taxation is stated after charging:	
Auditors' remuneration – audit	17
Employee costs – excluding directors	422
Directors' emoluments – total	144
Operating leases	
– hire of plant and machinery	23
– other operating lease rentals	49
Depreciation on tangible fixed assets	
– owned assets	12
– assets held under hire purchase agreements	<u>10</u>

4. Directors and employees

	<i>Period to 30 November 2001 £'000</i>
Staff costs (including directors' emoluments)	
Wages and salaries	513
Social security costs	49
Other pension costs	4
	<u>566</u>

Directors' emoluments for the period totalled £144,000. The directors did not receive pension benefits from the Group.

	<i>Period to 30 November 2001 Number</i>
Average number employed	
Administration staff	22
Directors	5
	<u>27</u>

5. Interest

	<i>Period to 30 November 2001 £'000</i>
Interest receivable	
Bank deposits	9
	<u>9</u>
Interest payable	
Interest on hire purchase agreements	4
	<u>4</u>

6. Taxation

The tax charge on the loss on ordinary activities for the period was as follows:

	<i>Period to 30 November 2001 £'000</i>
Corporation tax	
– current year (26%)	26
Deferred taxation (see note 11)	4
	<u>30</u>

The tax charge for the period arises due to the existence of certain disallowable expenditure.

7. Tangible fixed assets

	<i>Plant and machinery £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost			
On incorporation	—	—	—
Acquisitions	84	—	84
Additions	45	22	67
At 30 November 2001	<u>129</u>	<u>22</u>	<u>151</u>
Depreciation			
On incorporation	—	—	—
Charge for period	19	3	22
At 30 November 2001	<u>19</u>	<u>3</u>	<u>22</u>
Net book amount At 30 November 2001	<u>110</u>	<u>19</u>	<u>129</u>

Fixed assets held under hire purchase agreements had a cost of £61,000 and accumulated depreciation of £10,000.

Certain tangible fixed assets were acquired from related parties (see note 21).

8. Debtors

	<i>Period to 30 November 2001 £'000</i>
Trade debtors	738
Amounts due from related parties (see note 21)	485
Other debtors	19
Prepayments and accrued income	32
Amounts due from appointed representatives in respect of future claw back liabilities	123
	<u>1,397</u>

9. Creditors – Amounts falling due within one year

	<i>30 November 2001 £'000</i>
Trade creditors	1,029
Corporation tax	26
Other taxation and social security	23
Accruals and deferred income	113
Obligations under hire purchase agreements (see note 15)	13
Amounts due to related parties (see note 21)	344
	<u>1,548</u>

10. Creditors – Amounts falling due after more than one year

30 November
2001
£'000

Obligations under hire purchase agreements (see note 15) 23

11. Provisions for liabilities and charges

30 November
2001
£'000

Provision for claw back liabilities (see note 11a) 450
Deferred taxation (see note 11b) 4
454

11a. Provision for claw back liabilities

The provision for claw back liabilities which is expected to be utilised in the next four years is calculated as follows:

30 November
2001
£'000

Net amount payable by the group 67
Add: Amounts retained from appointed representatives 260
Add: recoverable from appointed representatives 123
Gross claw back liabilities to finance providers 450

The movement on the provision payable by the group during the period is analysed as follows:

Provision on acquisition 450
Utilised during the year (27)
Profit and loss charge for the period 27
Amount payable by the group at 30 November 2001 450

11b. Deferred taxation

30 November 2001
Potential Liability
liability recognised
£'000 £'000

Deferred taxation provided in the accounts comprises:

Accelerated capital allowances 4 4

The potential liability or liability recognised are based on a corporation tax rate of 30 per cent.

12. Called up share capital

	<i>Authorised Number</i>	<i>£'000</i>	<i>Authorised, allotted, called up and fully paid Number</i>	<i>£'000</i>
30 November 2001				
Ordinary shares of 1p each	9,500,000	95	5,000,000	50
Non-voting convertible ordinary shares of 1p each	500,000	5	38,463	1
	<u>10,000,000</u>	<u>100</u>	<u>5,038,463</u>	<u>51</u>

On incorporation the company's authorised share capital was 100,000 ordinary shares of £1 nominal value each. In October 2000 50,000 ordinary shares were issued at par and credited as fully paid.

In November 2001 38,463 non-voting convertible ordinary shares were issued at 30 pence per share and credited as fully paid.

Directors share option agreements are in force for the allotment of 2,499,998 1p ordinary shares at a price of 30p each. The options can be exercised for a period of 5 years from 5 September 2001, the date of the agreements.

BWA (Holdings) plc re-registered as a private limited company, BWA (Holdings) Ltd, on 6 February 2002.

The convertible ordinary shares have no voting rights but otherwise rank *pari passu* with the other ordinary shares. The shares will convert into ordinary shares (with the same voting rights) upon the occurrence of the following:

- (a) The admission of the company to the official list of the United Kingdom Listing Authority or admission to the trading on the Alternative Investment Market or the admission to or the grant of permission by any like authority to be traded on any other equivalent or similar share market; or
- (b) The completion of any sale of all or the majority of the issued share capital of the company.

13. Reserves

	<i>Profit and loss account £'000</i>	<i>Share premium account £'000</i>
On incorporation	—	—
Loss for the financial period	(100)	—
Issue of non-voting convertible ordinary shares	—	11
As at 30 November 2001	<u>(100)</u>	<u>11</u>

14. Reconciliation of movements in shareholders' funds

	<i>£'000</i>
Loss for the financial period	(100)
Issue of share capital (including premium)	62
Net reduction of equity shareholders' funds	<u>(38)</u>
Equity shareholders' funds on incorporation	—
Closing equity shareholders' funds	<u>(38)</u>

15. Obligations under hire purchase agreements

	<i>30 November 2001 £'000</i>
Due within one year	13
Due between 2 and 5 years	23
	<hr/>
	36
	<hr/> <hr/>

Obligations under hire purchase agreements are secured against the related assets.

16. Other financial commitments

	<i>30 November 2001</i>	
	<i>Land and buildings £'000</i>	<i>Other £'000</i>
Operating lease commitments expiring		
Within one year	—	37
Within one to five years	24	47
	<hr/>	<hr/>
	24	84
	<hr/> <hr/>	<hr/> <hr/>

There were authorised capital commitments not provided for in the financial information as at 30 November 2001 of £23,000.

17. Financial assets and liabilities of the Group

The following disclosures with regard to financial assets and financial liabilities of the Group are in accordance with FRS 13 “Derivatives and other financial instruments: Disclosures” and as permitted exclude short-term trade debtors and creditors.

The most significant treasury exposures faced by the Group are to ensure there are adequate funds for working capital purposes and to invest surplus funds in high quality assets. The Group does not utilise financial instruments such as derivatives.

The Group had no un-drawn committed borrowing facilities at 30 November 2001. There is no material difference between the book values and fair values of the group’s financial assets and liabilities. The Group is not exposed to foreign currency risk.

Financial assets

The Group had financial assets of £461,000 at 30 November 2001, consisting of bank deposits with floating rates of interest.

Financial liabilities

The Group had financial liabilities of £380,000 at 30 November 2001. Of this amount, £344,000 relates to an unsecured loan from two directors of BWA Holdings, M. and Mrs V. Gaze. Interest is payable on this loan at a rate of 2.5 per cent. above the NatWest Bank plc base rate. This loan is repayable on demand.

The Group had £36,000 of hire purchase liabilities at 30 November 2001 and the maturity profile is shown in note 15. Obligations under hire purchase agreements are secured against the related assets.

18. Subsidiary companies

At 30 November 2001 the company holds the following interests in:

Name of company	<i>Country of registration</i>	<i>Class of share</i>	<i>Proportion held</i>	<i>Nature of business</i>
BWA Limited	England and Wales	Ordinary	100%	Network of IFA's
BWA Link Limited	England and Wales	Ordinary	100%	Provision of services to IFA's

19. Contingent liabilities

1. *Pension Mis-selling Review*

The Personal Investment Authority (PIA) requires that BWA Limited undertake a review of all personal pensions arranged for clients during the period 29 April 1988 to 30 June 1994. The financial statements include a net £10,000 accrual in respect of the review. This is disclosed as a gross accrual of £28,000, less an amount recoverable within other debtors of £18,000.

The directors consider it possible that further liabilities could arise as a result of compensation payable to clients. There are six remaining pension mis-selling cases under review at 30 November 2001.

2. *FSAVC Mis-selling Review*

The PIA requires that BWA Limited undertake a review of certain FSAVC contracts arranged for clients. There were a small number of remaining FSAVC cases under review at 30 November 2001.

The directors do not believe that any liabilities arising as a result of any review will have a material impact on the business. On this basis, the financial statements include no provision for costs arising from any review.

3. *Misappropriation of funds by an appointed representative*

BWA Limited is subject to a complaint relating to the misappropriation of £250,000 of funds by an appointed representative.

The directors of the company do not believe that it has any responsibility for this matter.

4. *Potential corporation taxation charge on directors loan*

Two directors of BWA Holdings, M. and Mrs V. Gaze, have a loan account with BWA Limited which had a balance of £607,523 (gross of tax) as at 30 November 2001.

M. and Mrs V. Gaze have stated that this balance will be repaid to the company by 31 December 2002. BWA Limited will be subject to a corporation tax charge of £152,000, under s491 ICTA 1988, should the loan balance not be repaid.

5. *Legal claim from appointed representative*

BWA Limited is subject to a legal claim brought by an appointed representative relating to unpaid commission of no more than £15,000. The directors of the company do not believe that a liability will arise as a result of this matter.

20. Pension commitments

BWA Limited contributes to a group personal pension scheme. The assets of this defined contribution scheme are held separately from those of the company in an independently administered fund.

Total pension contributions for the period amounted to £4,306. There are no outstanding or pre-paid contributions at the balance sheet date.

21. Related parties

1. *BWA Holdings and subsidiary companies*

BWA Limited commenced trading as an IFA network business on 31 March 2001 following the acquisition of the business of the BWA partnership on 30 March 2001. The goodwill of the BWA partnership, together with its intellectual property and contracts, were acquired by the BWA Group for a consideration of £3.

In addition, the tangible fixed assets of the BWA partnership were acquired by the BWA Group for a consideration of £45,000. The BWA Group also acquired certain assets, to the value of £39,000, which were subject to hire purchase liabilities of the same value.

2. *M. and Mrs V. Gaze*

Two directors of BWA Holdings, M. and Mrs V. Gaze, have a loan account with BWA Limited which had a net balance of £484,527 as at 30 November 2001. The maximum outstanding balance on this loan account during the period was £491,566. The loan is not subject to interest. This loan account arose as a result of the BWA Limited bank accounts being utilized to collect the debtors and pay the creditors of the BWA partnership.

BWA Holdings borrowed £344,000 from M. and Mrs V. Gaze on 30 March 2001 that was outstanding at 30 November 2001. Interest is payable on this loan at a rate of 2.5 per cent. above the NatWest Bank plc base rate, however, M. and Mrs V. Gaze have waived their right to the interest until 31 March 2002. The loan is repayable on demand.

On 31 March 2001 BWA Holdings entered into a two-year lease agreement in respect of Kingsley House, 67 Fore Street, Chudleigh, a property owned by M. and Mrs V. Gaze at a rental of £24,000 per annum.

3. *Director's share options*

On 5 September 2001 M. Streatfield, P. Whitehead and Mrs P. Grigg, directors of BWA Holdings, were each given Enterprise Management Incentive share options to acquire 333,333 1p ordinary shares for the sum of 30p each. The options remain valid for five years.

P. Whitehead and Mrs P. Grigg, directors of BWA Holdings, were each given unapproved share options to acquire 83,333 1p ordinary shares for the sum of 30p each. M. Streatfield, a director of BWA Holdings, was given unapproved share options to acquire 1,333,333 1p ordinary shares on the same terms. The options remain valid for five years.

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8, no disclosures are made of transactions with other member companies of the BWA Group.

22. Subsequent events

1. In February 2002, 333,332 ordinary shares were issued to M. and Mrs V. Gaze at 30 pence per share and credited as fully paid.
2. BWA (Holdings) plc re-registered as a private limited company, BWA (Holdings) Ltd on 6 February 2002.

23. Notes to the cash flow statement

(1) Reconciliation of operating loss to net cash inflow from operating activities

	<i>Period to 30 November 2001 £'000</i>
Operating loss	(75)
Depreciation	22
Increase in debtors	(1,397)
Increase in creditors	1,509
Movement in the claw back provision	450
Net cash inflow from operating activities	<u>509</u>

(2) Analysis of cash flows for headings netted in the cash flow statement

	<i>Period to 30 November 2001 £'000</i>
Returns on investments and servicing of finance	
Interest received	9
Interest element of hire purchase payments	(4)
Net cash inflow for returns on investments and servicing of finance	<u>5</u>
Capital expenditure	
Purchase of tangible fixed assets	70
Net cash outflow from capital expenditure	<u>70</u>
Acquisitions and disposals	
Purchase of business and assets	45
Net cash outflow from acquisitions and disposals	<u>45</u>
Financing	
Issue of ordinary shares	62
Net cash inflow from financing	<u>62</u>

(3) Reconciliation of net cash flow to movement in net funds

	<i>Period to 30 November 2001 £'000</i>
Increase in cash in the period	461
New hire purchase agreements	(36)
Movements in net funds in the period	425
Net funds at the start of the period	(344)
Net funds at the end of the period	<u>81</u>

(4) *Analysis of net funds*

	<i>On incorporation</i>	<i>Cash flow</i>	<i>Non-cash movements</i>	<i>As at 30 November 2001</i>
Cash at bank and in hand	—	461	—	461
Inception of HP agreements	—	—	(36)	(36)
Amount due to related party	(344)	—	—	(344)
	<u>(344)</u>	<u>461</u>	<u>(36)</u>	<u>81</u>

24. Ultimate controlling party

The ultimate controlling party is the BWA partnership, the partners being M. and Mrs V. Gaze who are also equal shareholders in BWA (Holdings) plc.

Yours faithfully

PricewaterhouseCoopers

**B: FINANCIAL INFORMATION ON THE BWA PARTNERSHIP
FOR THE THREE YEARS ENDED 31 MARCH 2001**



PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham B4 6JT

STRICTLY PRIVATE AND CONFIDENTIAL

The Directors
Lighthouse Group plc
26 Throgmorton Street
London
EC2N 2AN

The Directors
KBC Peel Hunt Ltd
62 Threadneedle Street
London
EC2R 8HP

15 March 2002

Dear Sirs

BWA partnership

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 15 March 2002 (“the Admission Document”) of the Lighthouse Group plc (‘the Company’ or ‘Lighthouse’) relating to the proposed acquisition of BWA (Holdings) Ltd (formerly known as BWA (Holdings) plc) (collectively referred to as “BWA Holdings”).

BWA (Holdings) plc re-registered as a private limited company, BWA (Holdings) Ltd, on 6 February 2002. BWA (Holdings) Ltd has two subsidiaries; BWA Limited and BWA Link Limited (collectively referred to as ‘the BWA Group’).

The BWA partnership traded in its own right until 30 March 2001. On 30 March 2001 the BWA partnership ceased trading in its own right and sold its contracts, intellectual property and related goodwill to the BWA Group for a consideration of £3. In addition, the tangible fixed assets of the partnership were sold to the BWA Group for a consideration of £45,000.

The trade formerly carried out by the BWA partnership has been carried on by the BWA Group from the date of transfer. Otherwise than as stated above, the partnership balance sheet at 31 March 2001 retained the assets and liabilities arising from trading activities prior to the cessation of trade on 30 March 2001.

The partnership has not prepared financial statements for any period since 31 March 2001.

Basis of preparation

The financial information set out below is based on the audited financial statements of the BWA partnership for the three years ended 31 March 2001.

Responsibility

Such financial statements are the responsibility of the Partners of the BWA partnership.

The directors of Lighthouse Group plc are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the partnership financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the partnership accounts and the financial statements underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the partnership accounts and financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of BWA, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the BWA partnership as at the dates stated and of its result and cash flows for the periods then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(2)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

PERIOD TO 31 MARCH 2001

PROFIT AND LOSS ACCOUNT

	<i>Note</i>	<i>Year ended 31 March</i>		
		<i>1999</i>	<i>2000</i>	<i>2001</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover – discontinued operations		6,659	7,786	8,419
Cost of sales		(5,639)	(6,692)	(7,109)
Gross profit		1,020	1,094	1,310
Administrative expenses		(676)	(918)	(1,077)
Operating profit – discontinued operations	1	344	176	233
Interest receivable	3	19	15	24
Interest payable	3	(3)	(3)	(3)
Profit on ordinary activities before taxation		360	188	254
Tax on profit on ordinary activities	4	(96)	(53)	(67)
Profit on ordinary activities after taxation		264	135	187
Appropriations	5	(153)	(194)	(209)
Profit/(loss) for the period	11	111	(59)	(22)

The partnership has no recognised gains or losses other than the profit/(loss) reported in each period above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the period stated above and their historical cost equivalents.

The business was sold to a related party on 30 March 2001 all operations being discontinued. Further details of this transaction are provided in note 15.

BALANCE SHEET

	Note	31 March		
		1999 £'000	2000 £'000	2001 £'000
Fixed assets				
Tangible assets	6	55	60	—
Investments	7	—	—	50
		<u>55</u>	<u>60</u>	<u>50</u>
Current assets				
Debtors	8	814	964	1,597
Cash at bank and in hand		551	569	345
		<u>1,365</u>	<u>1,533</u>	<u>1,942</u>
Creditors: amounts falling due within one year	9	<u>(670)</u>	<u>(830)</u>	<u>(1,146)</u>
Net current assets		<u>695</u>	<u>703</u>	<u>796</u>
Total assets less current liabilities		<u>750</u>	<u>763</u>	<u>846</u>
Provisions for liabilities and charges	10	<u>(360)</u>	<u>(400)</u>	<u>(450)</u>
Net assets		<u>390</u>	<u>363</u>	<u>396</u>
Partnership equity				
Partners' capital accounts	11	<u>390</u>	<u>363</u>	<u>396</u>

CASH FLOW STATEMENT

	Note	Year ended 31 March		
		1999 £'000	2000 £'000	2001 £'000
Net cash inflow/(outflow) from operating activities	17 (1)	371	322	(31)
Returns on investments and servicing of finance	17 (2)	16	12	21
Taxation		(93)	(128)	(17)
Capital expenditure and financial investment	17 (2)	(28)	(26)	(43)
Appropriations		<u>(153)</u>	<u>(194)</u>	<u>(209)</u>
Cash inflow/(outflow) before financing		<u>113</u>	<u>(14)</u>	<u>(279)</u>
Financing	17 (2)	18	32	55
Increase/(decrease) in cash	17 (3)	<u>131</u>	<u>18</u>	<u>(224)</u>

ACCOUNTING POLICIES

Basis of accounting

The financial information is prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The partners consider that the accounting policies set out below are the most appropriate, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets over their estimated useful life and are as follows:

Computer equipment	– 25% on reducing balance
Office furniture	– 25% on reducing balance
Motor vehicles	– 25% on reducing balance

Investments

Fixed asset investments are shown at cost, less any provision for impairment.

Provisions

Provision is made for the potential future claw back of commissions received on an indemnity basis and is included within the financial information. The provision is calculated having regard to previous experience of such claims.

Leases

Leasing agreements and hire purchase contracts that transfer to the company substantially all the benefits and risks of ownership of an asset (“finance leases”) are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account as incurred. Assets held under finance leases are depreciated over the shorter of the estimated useful life and the lease term.

All other leases are treated as operating leases, the costs of which are charged on a straight-line basis over the lease term.

Pensions

The partnership operates a defined contribution pension scheme for the benefit of employees. The costs relating to this scheme are charged to the profit and loss account as they fall due.

Turnover

Turnover comprises commission and other fees receivable. All income arises in the United Kingdom and is attributable to the principal activity of the Group.

Commission and transactions in life products on pension contracts is recognised in the period in which the policy goes on risk. Other fees are recognised on the raising of a fee invoice for services provided.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences, to the extent that it is probable that a liability or asset will crystallise.

NOTES TO THE FINANCIAL INFORMATION

1. Profit on ordinary activities before taxation

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit on ordinary activities before taxation is stated after charging:			
Auditors' remuneration – audit	8	9	12
Loss on disposal of fixed assets	—	—	28
Depreciation on tangible fixed assets			
– owned assets	16	18	26
– assets held under hire purchase agreements	3	2	—
	<u> </u>	<u> </u>	<u> </u>

2. Partners and employees

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Staff costs (excluding partners' appropriations)			
Wages and salaries	210	377	568
Social security costs	21	38	57
	<u> </u>	<u> </u>	<u> </u>
	<u>231</u>	<u>415</u>	<u>625</u>

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Average number employed			
Administration staff	9	14	18
	<u> </u>	<u> </u>	<u> </u>

3. Interest

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest receivable			
Bank deposits	19	15	24
	<u> </u>	<u> </u>	<u> </u>
Interest payable			
Bank overdraft	3	3	3
	<u> </u>	<u> </u>	<u> </u>

4. Taxation

The tax charge on the profit on ordinary activities for the period was as follows:

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Income tax	109	53	67
Release of provision for tax payable on cessation of trading	(13)	—	—
	<u>96</u>	<u>53</u>	<u>67</u>

Income taxation is charged on the profit for the period, after deduction of the partner's allowances, at income tax rates between 20 per cent. and 40 per cent.

5. Appropriations

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Appropriations	<u>(153)</u>	<u>(194)</u>	<u>(209)</u>

Appropriations represent cash drawings by the partners of BWA.

6. Tangible fixed assets

(1) *Year ended 31 March 1999*

	<i>Computer equipment</i>	<i>Office furniture</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost				
At 31 March 1998	75	25	7	107
Additions	17	12	—	29
Disposals	(16)	(5)	—	(21)
At 31 March 1999	<u>76</u>	<u>32</u>	<u>7</u>	<u>115</u>
Depreciation				
At 31 March 1998	41	14	7	62
Charge for the year	13	6	—	19
Disposals	(16)	(5)	—	(21)
At 31 March 1999	<u>38</u>	<u>15</u>	<u>7</u>	<u>60</u>
Net book amount				
At 31 March 1999	<u>38</u>	<u>17</u>	<u>—</u>	<u>55</u>

Fixed assets held under hire purchase agreements had a cost of £23,000 and accumulated depreciation of £15,000.

(2) Year ended 31 March 2000

	<i>Computer equipment £'000</i>	<i>Office furniture £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost				
At 31 March 1999	76	32	7	115
Additions	13	5	7	25
Disposals	—	—	(7)	(7)
At 31 March 2000	<u>89</u>	<u>37</u>	<u>7</u>	<u>133</u>
Depreciation				
At 31 March 1999	38	15	7	60
Charge for the year	13	5	2	20
Disposals	—	—	(7)	(7)
At 31 March 2000	<u>51</u>	<u>20</u>	<u>2</u>	<u>73</u>
Net book amount				
At 31 March 2000	<u>38</u>	<u>17</u>	<u>5</u>	<u>60</u>

Fixed assets held under hire purchase agreements had a cost of £23,000 and accumulated depreciation of £17,000.

(3) Year ended 31 March 2001

	<i>Computer equipment £'000</i>	<i>Office furniture £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost				
At 31 March 2000	89	37	7	133
Additions	33	9	—	42
Disposals	(122)	(46)	(7)	(175)
At 31 March 2001	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Depreciation				
At 31 March 2000	51	20	2	73
Charge for the year	18	7	1	26
Disposals	(69)	(27)	(3)	(99)
At 31 March 2001	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net book amount				
At 31 March 2001	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

7. Fixed asset investments

	<i>31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment – cost	—	—	50

The partnership held the following direct interest at 31 March 2001:

Name of company	<i>Country of registration</i>	<i>Class of share</i>	<i>Proportion held</i>	<i>Nature of business</i>
BWA (Holdings) plc	England and Wales	Ordinary	100%	Holding company

Through BWA (Holdings) plc the partnership held the following indirect interest at 31 March 2001:

Name of company	<i>Country of registration</i>	<i>Class of share</i>	<i>Proportion held</i>	<i>Nature of business</i>
BWA Limited	England and Wales	Ordinary	100%	Network of IFA's
BWA Link Limited	England and Wales	Ordinary	100%	Dormant

The BWA partnership traded in its own right until 30 March 2001. The trade formerly carried out by the BWA partnership has been carried on by BWA Limited from the date of transfer. Further details of this transaction are set out in note 15.

8. Debtors

	<i>31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	512	732	947
Amounts due from related parties (see note 15)	—	—	465
Income taxation	—	7	—
Prepayments and accrued income	25	13	—
Amounts due from appointed representatives in respect of future clawback liabilities	277	212	185
	<u>814</u>	<u>964</u>	<u>1,597</u>

9. Creditors – Amounts falling due within one year

	<i>31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade creditors	549	751	1,056
Income taxation and national insurance	74	—	50
Other taxation and social security	9	10	17
Accruals and deferred income	38	69	23
	<u>670</u>	<u>830</u>	<u>1,146</u>

10. Provisions for liabilities and charges

The provision for clawback liabilities which is expected to be utilised in the next four years is calculated as follows:

	<i>31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net amount payable by the partnership	54	60	67
Add: amounts retained from appointed representatives	29	128	198
Add: recoverable from appointed representatives	277	212	185
Gross claw back liabilities to finance providers	360	400	450

The movement on the net provision payable by the partnership during the period is analysed as follows:

Net provision brought forward	36	54	60
Utilised during the year	(54)	(36)	(48)
Profit and loss charge for the period	72	42	55
Net amount payable by the partnership at 31 March	54	60	67

11. Partners capital accounts

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit/(loss) for the financial year after appropriations	111	(59)	(22)
Capital introduced	20	32	55
Net addition/(deduction) to partnership capital	131	(27)	33
Opening partnership capital	259	390	363
Closing partnership capital	390	363	396

12. Guarantees or other financial commitments

There were no outstanding financial commitments under non-cancellable operating leases at 31 March 1999, 2000 or 2001.

There were no authorised capital commitments not provided for in the financial information as at 31 March 1999, 2000 or 2001.

13. Contingent liabilities

1999

1. Pension Mis-selling Review

The Personal Investment Authority (PIA) requires that the partnership undertake a review of all personal pensions arranged for clients during the period 29 April 1998 to 30 June 1994. The financial statements include a £10,000 accrual (1998: £nil) for the outstanding costs of undertaking the review.

The partners consider it possible that further liabilities could arise as a result of compensation payable to clients. However, in the opinion of the partners the costs are unlikely to be material. The partnership has now completed the first phase of the pension mis-selling review and the second phase includes seventeen potential mis-selling cases.

2000

1. Pension Mis-selling Review

The Pension Mis-selling Review remained outstanding at 31 March 2000, the information indicated in 1999 still being applicable.

2. FSAVC Mis-selling Review

The Personal Investment Authority (PIA) has indicated that the partnership may need to undertake a review of certain FSAVC contracts arranged for clients.

The partners do not believe that any liabilities arising as a result of any review will have a material impact on the business. On this basis, the financial statements include no provision for costs arising from any review.

3. Compensation offer to the partnership

The partners received a £45,000 compensation offer from the partnership's former solicitors in connection with a negligence claim. The partners accepted this offer and introduced the funds into the partnership in order to provide additional funds for the business.

2001

1. Pension Mis-selling Review

The Pension Mis-selling Review remained outstanding at 31 March 2001, the information indicated in 2000 still being applicable. There were three remaining pension mis-selling cases under review at 31 March 2001.

2. FSAVC Mis-selling Review

The Personal Investment Authority (PIA) now requires that the partnership undertake a review of certain FSAVC contracts arranged for clients. There were seven FSAVC cases under review at 31 March 2001.

14. Pension commitments

BWA contributes to a group personal pension scheme. The assets of this defined contribution scheme are held separately from those of the company in an independently administered fund.

There are no outstanding or pre-paid contributions at 31 March 1999, 2000 or 2001.

15. Related parties

Year ending 31 March 1999

1. M. and Mrs V. Gaze

The partnership paid £10,000 to M. and Mrs V. Gaze in respect of the business use of a property.

2. Finstock Financial Services Limited

The partnership made payments of £35,000 (1998; £47,000) to Finstock Financial Services Limited. The major shareholder of this company is Alan Kennedy who became an employee of the partnership on 1 September 1998. The payments were made in respect of rent and services rendered.

Year ending 31 March 2001

1. BWA Holdings and subsidiary companies

On 30 March 2001 the BWA partnership ceased trading as an IFA network business in its own right and sold its business to the BWA Group (whose share capital was owned by the BWA partnership) for a consideration of £3.

In addition, the tangible fixed assets of the partnership were sold at their book value to the BWA Group for a consideration of £45,000.

The trade formerly carried out by the BWA partnership has been carried on by the BWA Group from the date of transfer. Otherwise than as stated above, the partnership balance sheet at 31 March 2001 retained the assets and liabilities arising from trading activities prior to the cessation of trade on 30 March 2001.

The BWA partnership reverted to a category B3 non-network business under PIA guidelines on 31 March 2001.

2. M and Mrs V. Gaze

On 30 March 2001 BWA Holdings entered into a two-year lease agreement in respect of Kingsley House, 67 Fore Street, Chudleigh, a property owned by M. and Mrs V. Gaze, at a rental of £24,000 per annum.

BWA Holdings borrowed £344,000 from M. and Mrs V. Gaze on 30 March 2001 that was outstanding at 31 March 2001. Interest is payable on this loan at a rate of 2.5 per cent. above the NatWest Bank plc base rate, however, M. and Mrs V. Gaze have waived their right to the interest until March 2002. The loan is repayable on demand.

3. Quantum Recruitment Consultants Limited

The partnership paid £9,000 to Quantum Recruitment Consultants Limited, a company in which M. and Mrs V. Gaze own $\frac{1}{3}$ of the ordinary share capital. These transactions were carried out on an arms length basis.

4. BWA Supplies Limited

The partnership paid £22,000 to BWA Supplies, a company in which M. and Mrs V. Gaze are the sole shareholders. These transactions were carried out on an arms length basis.

16. Subsequent events

1. The share structure of BWA Holdings changed on 5 September 2001 to an authorised share capital of 10,000,000 ordinary shares of 1p nominal value each.
2. BWA Link Limited, a subsidiary of BWA Holdings at 31 March 2001, commenced trading as a provider of services to IFA's in July 2001.
3. The investment in BWA Holdings was transferred to, and split equally between, two trusts known respectively as the M. Gaze Voluntary Settlement Trust and the Mrs V. Gaze Voluntary Settlement Trust on 25 June 2001.
4. BWA (Holdings) plc re-registered as a private limited company, BWA (Holdings) Ltd, on 6 February 2002.

17. Notes to the cash flow statement

(1) Reconciliation of operating profit to net cash inflow from operating activities

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit	344	176	233
Depreciation	19	20	26
Loss on disposal of tangible fixed assets	—	—	28
Increase in debtors	(224)	(150)	(633)
Increase in creditors	232	236	265
Movement in the clawback provision	—	40	50
Net cash inflow/(outflow) from operating activities	<u>371</u>	<u>322</u>	<u>(31)</u>

(2) *Analysis of cash flows for headings netted in the cash flow statement*

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Returns on investments and servicing of finance			
Interest received	19	15	24
Interest paid	(3)	(3)	(3)
Net cash inflow for returns on investments and servicing of finance	<u>16</u>	<u>12</u>	<u>21</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(28)	(26)	(42)
Sale of tangible fixed assets	—	—	49
Investment in the shares of BWA (Holdings) plc	—	—	(50)
Net cash outflow from capital expenditure	<u>(28)</u>	<u>(26)</u>	<u>(43)</u>
Financing			
Introduction of partnership capital	20	32	55
Capital element of hire purchase payment	(2)	—	—
Net cash inflow from financing	<u>18</u>	<u>32</u>	<u>55</u>

(3) *Reconciliation of net cash flow to movement in net funds*

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Increase/(decrease) in cash in the period	131	18	(224)
Cash outflow from decrease in hire purchase agreements	2	—	—
Movements in net funds in the year	<u>133</u>	<u>18</u>	<u>(224)</u>
Net funds at the start of the period	418	551	569
Net funds at the end of the period	<u>551</u>	<u>569</u>	<u>345</u>

(4) *Analysis of net funds*

	<i>Year ended 31 March</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	<u>551</u>	<u>569</u>	<u>345</u>

Yours faithfully

PricewaterhouseCoopers

PART V

PRO FORMA STATEMENT OF NET ASSETS

The following unaudited pro forma statement of net assets of the Enlarged Group has been prepared in order to illustrate how the net assets as at 31 December 2001 might have been affected had the Acquisition and the Placing been completed on that date. It has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group. It is computed in accordance with the notes set out below.

	<i>Lighthouse at 31 December 2001⁽¹⁾ £'000</i>	<i>BWA Holdings at 30 November 2001⁽²⁾ £'000</i>	<i>Placing and Acquisition adjustment⁽³⁾⁽⁴⁾ £'000</i>	<i>Combined £'000</i>
Fixed assets				
Tangible	410	129	—	539
Intangible	601	—	2,621	3,222
	<u>1,011</u>	<u>129</u>	<u>2,621</u>	<u>3,761</u>
Current assets				
Debtors	1,473	1,397	—	2,870
Investments	1,550	—	—	1,550
Cash at bank and in hand	35	461	1,351	1,847
	<u>3,058</u>	<u>1,858</u>	<u>1,351</u>	<u>6,267</u>
Creditors: amounts falling due within one year	<u>(3,074)</u>	<u>(1,548)</u>	<u>344</u>	<u>(4,278)</u>
Net current (liabilities)/assets	<u>(16)</u>	<u>310</u>	<u>1,695</u>	<u>1,989</u>
Total assets less current liabilities	995	439	4,316	5,750
Creditors: amounts falling due after more than one year	(405)	(23)	—	(428)
Provisions for liabilities and charges	(160)	(454)	—	(614)
Net assets/(liabilities)	<u><u>430</u></u>	<u><u>(38)</u></u>	<u><u>4,316</u></u>	<u><u>4,708</u></u>

Notes:

- The net assets of Lighthouse have been extracted from the consolidated balance sheet at 31 December 2001 included in Part III of this document.
- The net assets of BWA Holdings have been extracted from the consolidated balance sheet at 30 November 2001 included in Part IV of this document.
- The Placing adjustment reflects the net proceeds of the Placing of £1,695,000 and the repayment of the £344,000 debt to the BWA Founders.
- The Acquisition adjustment, being the goodwill arising on acquisition is calculated as follows:

Consideration	<i>£'000</i>
– Consideration Shares (3,463,281 Shares at 60p each)	2,078
– Expenses	505
	<u>2,583</u>
Net liabilities of BWA Holdings at 30 November 2001	38
Goodwill arising on acquisition	<u><u>2,621</u></u>
- No account has been taken of any trading of the Company subsequent to 31 December 2001 and of BWA Holdings subsequent to 30 November 2001 and no adjustments have been made to reflect any fair value adjustments which may be required following the Acquisition.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Directors and Proposed Directors, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Directors, the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information.

2. Share capital

(a) The Company was incorporated and registered in England and Wales on 28 July 2000 with number 4042743 under the name of Broomco (2256) Limited as a private company limited by shares under the Act. On 8 August 2000 the Company changed its name to Lighthouse Group Limited. On 10 October 2000 the Company was re-registered as a public limited company and on 27 October 2000 the Company's shares were admitted to trading on AIM. The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the members of the Company is limited.

(b) The authorised and issued share capital of the Company as at the date of this document is as follows:

	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary shares of 1p each	17,500,000	175,000	13,125,000	131,250

(c) At the Extraordinary General Meeting of the Company to be held on 8 April 2002 it will be proposed that the Company's authorised share capital be increased from £175,000 to £400,000 by the creation of an additional 22,500,000 Ordinary Shares. It will also be proposed that the Directors be generally and unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities of an aggregate nominal value not exceeding £200,000, such authority to expire on the earlier of (i) the date 15 months after the date of the Extraordinary General Meeting or (ii) at the conclusion of the annual general meeting of the Company to be held in 2003, unless revoked or renewed before that date. Such authority will revoke all previous authorities.

It will also be proposed that the Directors are empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) as if sub-section (1) of section 89 of the Act did not apply to any such allotment. This power will, *inter alia*, permit the allotment for cash (otherwise than pro rata to existing holdings) of the authorised but unissued ordinary shares in the capital of the Company up to an aggregate nominal value of £20,254.95, representing approximately 10 per cent. of the nominal value of the Company's issued ordinary share capital following the Placing and completion of the Acquisition. This power will expire on the earlier of (i) the date 15 months after the date of the Extraordinary General Meeting or (ii) at the conclusion of the annual general meeting of the Company to be held in 2003, unless renewed, varied or extended before that date.

The New Ordinary Shares will be issued in reliance on the authority and power described in this sub-paragraph (c).

(d) The Company's articles of association contain no provisions as to rights of pre-emption on either the transfer, issue or allotment of shares. The provisions of section 89 of the Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company except to the extent that such provisions have been or will be disapplied by the resolutions referred to in sub-paragraph (c) above .

- (e) Following the Placing and completion of the Acquisition, the authorised and issued share capital of the Company is expected to be as follows:

	<i>Authorised Number</i>	<i>£</i>	<i>Issued (fully paid) Number</i>	<i>£</i>
Ordinary shares of 1p each	40,000,000	400,000	20,254,948	202,549.48

- (f) On 6 April 2001, options were granted under the Lighthouse Group plc Approved Share Option Plan (the “Approved Plan”) to 14 employees to subscribe 45,700 Ordinary Shares in aggregate, equivalent to 0.35 per cent. of the Company’s issued share capital at the date of this document. The options are exercisable between 6 April 2004 and 5 April 2011 at a subscription price of 162p per share.

46,875 Options have been granted under the Lighthouse Group plc Unapproved Share Option Plan (“Unapproved Plan”).

3. Directors and Proposed Directors

(a) Interests in Ordinary Shares

- (i) The interests of the Directors in the Ordinary Shares, all of which are beneficial, are as follows:

	<i>As at the date of this document</i>		<i>As expected on Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
David Hickey ¹	5,118,750	39.00%	5,243,750	25.89%
Matthew Goldsmith	6,250	0.05%	6,250	0.03%
Nicholas Hamson	115,625	0.88%	115,625	0.57%
Malcolm Streatfield ²	—	—	730,022	3.60%
Paivi Grigg ²	—	—	717,521	3.54%
Peter Tann ¹	5,006,250	38.14%	5,006,250	24.72%
Philip Whitehead ²	—	—	730,021	3.60%

Note:

- (1) David Hickey’s and Peter Tann’s interests, as at the date of this document, comprises 118,750 Ordinary Shares and 6,250 Ordinary Shares respectively owned by them and the 5,000,000 Ordinary Shares owned by the trustee of the LIFAL Employee Scheme which is connected with them as the trustee of a trust on whom powers have been conferred which may be exercised for their benefit as members of a larger class of beneficiaries.
- (2) Malcolm Streatfield’s, Paivi Grigg’s and Philip Whitehead’s interests, as expected on Admission, comprise 20,834 Ordinary Shares, 8,333 Ordinary Shares and 20,833 Ordinary Shares respectively owned by them and the 709,188 Consideration Shares referred to in paragraph (a)(ii).

Options over a total of 15,625 Ordinary Shares were granted to Peter Tann under the Unapproved Plan on 19 October 2000. These options are exercisable between 27 October 2003 and 26 October 2010 at a price of 160p per share.

- (ii) As at the date of this document, each of the Proposed Directors is interested in 550,000 ordinary shares of 1p in the share capital of BWA Holdings owned by the Trustees of the M. Gaze Voluntary Settlement Trust and 550,000 Ordinary Shares of 1p in the share capital of BWA Holdings owned by the trustees of the V. Gaze Voluntary Settlement Trust. Both sets of trustees are connected with the Proposed Directors as the trustees of trusts on whom powers have been conferred which may be exercised for the benefit of the Proposed Directors as members of a larger class of beneficiaries. On completion of the Acquisition, these shares will be substituted by 709,188 Consideration Shares representing 3.50 per cent. of the Enlarged Issued Share Capital.

(b) **Directorships**

The Directors and Proposed Directors currently hold the following directorships and have held the following directorships within the five years prior to the publication of this document:

David Hickey (aged 46)

Current directorships

BikeNet PLC, Bikenet Motorcycles Limited, Dixon Motors PLC, Lighthouse Group Plc

Past directorships

Claims Direct plc, Guinness Mahon & Co Limited, Henderson Crosthwaite Institutional Brokers Limited, Henderson Crosthwaite Corporate Finance Limited, Investec Bank UK Limited

Matthew Goldsmith (aged 34)

Current directorships

Format Financial Limited, LIFAL, Lighthouse Group Plc, Lighthouse Kent & City Practice, Peak Practice Consulting Limited

Past directorships

Forbes & Associates, Goldsmith and Associates, Real Group Limited

Nicholas Hamson (aged 41)

Current directorships

Blue Eyes Consulting Limited, LIFAL, Lighthouse Group Plc, Lighthouse Kent & City Practice, Peak Practice Consulting Limited.

Past directorships

Real Group Limited

Peter Tann (aged 55)

Current directorships

Lighthouse Group Plc, Peter Tann Consultancy Limited

Past directorships

Bankhall Investment Associates Limited, Investment Strategies (UK) Limited

Malcolm Streatfield (aged 45)

Current directorships

BWA (Holdings) Ltd, BWA, BWA Link Limited

Past directorships

None

Päivi Grigg (aged 45)

Current directorships

BWA (Holdings) Ltd, BWA, BWA Link Limited

Past directorships

The Burns-Anderson Independent Network PLC

Philip Whitehead (aged 56)

Current directorships

BWA (Holdings) Ltd, BWA, BWA Link Limited

Past directorships

The Burns-Anderson Independent Network PLC

(c) **Receiverships and liquidations**

Nicholas Hamson was a party to an individual voluntary arrangement in January 1994 (“Arrangement”). The Arrangement was due to expire in January 1999 but Nicholas Hamson repaid the full amount due under the Arrangement within three years. Accordingly, the Arrangement was concluded in February 1997.

(d) **Terms of employment**

(i) Executive directors

Each of the executive directors has entered into a service agreement with the Company and Malcolm Streatfield has entered into a conditional service agreement with the Company, details of which are set out below:

<i>Executive director</i>	<i>Date of agreement</i>	<i>Salary per annum</i>
Matthew Goldsmith	19 October 2000	£100,000
Nicholas Hamson	19 October 2000	£100,000
David Hickey	29 September 2001	£100,000
Malcolm Streatfield	15 March 2002	£100,000
Päivi Grigg	15 March 2002	£75,000

In the case of Malcolm Streatfield and Päivi Grigg, their agreements are conditional upon and will come into effect on completion of the Acquisition.

Each of these agreements is determinable by one year’s notice from the Company or the executive director. Each executive director is entitled to receive a car allowance, a pension contribution from the Company of 10 per cent. of basic salary, insurance benefits (private medical expenses for him/herself and his/her family, life assurance, permanent health insurance, critical health insurance) and sick pay (two months’ full pay, discretionary thereafter). Each executive director will be entitled to receive a bonus dependent upon the Company’s actual results compared to its budgeted results as determined by the remuneration committee of the Board. All the agreements contain restrictive covenants which apply for a period of six months after termination of employment.

(ii) Non-executive Directors

(A) By a letter of appointment dated 6 October 2000 between Peter Tann and the Company, Peter Tann was appointed as a non-executive Director of the Company with an entitlement to receive directors’ fees of £15,000 per annum exclusive of VAT conditional upon and with effect from admission of the Company’s shares to AIM. This contract is terminable on three months’ notice by either side.

(B) By a letter of appointment dated 15 March 2002 between Philip Whitehead and the Company, Philip Whitehead, a Proposed Director, is to be appointed as a non-executive Director of the Company, conditional upon completion of the Acquisition, with an entitlement to receive directors’ fees of £18,000 per annum exclusive of VAT. This contract is terminable on 12 months’ notice by either side.

(e) **Estimate of remuneration**

The aggregate of the remuneration paid and benefits in kind granted to the Directors by the Group, during the financial period ending 31 December 2001 was £317,041 and the aggregate of the remuneration payable and benefits in kind to be granted by the Enlarged Group to the Directors and the Proposed Directors for the period ending 31 December 2002 under the arrangements in force at the date of this document is estimated to be approximately £552,977.

4. Substantial shareholders

The Directors are aware of the following persons who (other than the Directors), as at 13 March 2002 (being the most recent practicable date prior to the publication of this document), were interested, directly or indirectly, in 3 per cent. or more of the Company's capital:

	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Atlas Trust Company (Jersey) Limited as trustee of the LIFAL Employee Scheme	5,000,000	38.10
Atlas Trust Company (Jersey) Limited as trustee of the LIFAL Advisers Scheme	3,125,000	23.81
RBSTB Nominees Ltd	665,000	5.07
Ferlim Nominees Ltd	537,500	4.10
HSBC Global Custody Nominee (UK) Limited	536,843	4.09

5. Memorandum of Association

The principal objects of the Company are set out in full in clause 4.1 of its memorandum of association and provide that the Company may, *inter alia*, carry on business as a general commercial company.

6. Articles of Association

The articles of association of the Company ("Articles") contain provisions, *inter alia*, to the following effect:

(a) *Voting*

- (i) Subject to any special terms or restrictions as to voting upon which any shares may be issued or may for the time being be held, or any suspension or abrogation of voting rights pursuant to the Articles, at a general meeting every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative (not being himself a member) has one vote and in the case of a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.
- (ii) Unless the Board otherwise determines, no member shall be entitled (save as proxy for another member) to be present or vote at a general meeting either personally or by proxy if:
 - (A) any call or other sum as is payable by him to the Company in respect of that share remains unpaid; or
 - (B) he, or any other person who appears to be interested in that share, has been issued, pursuant to section 212 of the Act, with a notice requiring the provision to the Company of information regarding that share and is in default in complying with such notice.

(b) *Dividends*

- (i) Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company but no dividend shall exceed the amount recommended by the Board.
- (ii) Subject to the provisions of the Act, the Board may declare or pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution.
- (iii) Except as otherwise provided by any rights attached to or terms of issue of any shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares in respect of which the dividend is paid. Subject as aforesaid,

all dividends shall be apportioned and paid proportionately to the amount paid up on the shares during any portion or portions of that period in respect of which the dividend is paid.

- (iv) No dividend or other monies payable in respect of any share shall bear interest unless otherwise provided by the rights attached to the share.
- (v) The Board may deduct from any dividend or other monies payable to any person on or in respect of shares all sums as may be due from him to the Company on account of calls or otherwise in relation to the shares.
- (vi) Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable on or in respect of a share will be withheld if:
 - (A) a notice has been issued in respect of that share pursuant to section 212 of the Act;
 - (B) the share or shares which are the subject of that notice represent in aggregate at least 0.25 per cent. of that class of share; and
 - (C) the notice has not been complied with within the period stipulated in the notice.

Furthermore, the holder of such share or shares shall not be entitled to elect to receive shares instead of a cash dividend.

- (vii) All dividends remaining unclaimed for a period of 12 years after having been declared or having become due for payment shall be forfeited and cease to remain owing by the Company.
- (viii) Subject to the provisions of the Articles, the Board may, with the authority of an ordinary resolution of the members, offer the holders of shares the right to elect to receive further shares (whether or not of the same class) credited as fully paid instead of cash in respect of all or part of such dividend or direct that the payment of any dividend declared be satisfied wholly or partly by the distribution of assets in specie.

(c) *Distribution of assets on a winding up*

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may, for that purpose, set such value as he considers fair on any one or more class or classes of property and determine the basis of such valuation and how the assets are to be divided as between members or classes of members. The liquidator may, with the same authority, transfer any part of the assets to trustees on such trust for the benefit of members as he thinks fit. The liquidator shall not, however, (except with the consent of the member concerned) distribute to a member any asset to which there is attached a liability or potential liability for the owner.

(d) *Changes in capital*

- (i) Any shares in the capital of the Company for the time being may be allotted or issued with or have attached to them such rights or restrictions as the Company may by ordinary resolution determine or, if no such determination is made, as the Board may determine.
- (ii) Subject to the provisions of the Act, the Company may from time to time by ordinary resolution increase its capital by the creation of new shares or consolidate and/or divide all or any of its share capital into shares of a larger amount than its existing shares or sub-divide its shares or any of them into shares of a smaller amount than its existing shares or cancel any shares which at the date of the passing of the relevant resolution have not been taken or agreed to be taken and diminish the amount of its share capital by the amount of the shares so cancelled or convert all or any of its paid up share capital into stock or re-convert that stock into paid up shares of any denomination.

- (iii) Subject to the provisions of the Act, the Company may by special resolution reduce its authorised and issued share capital, any capital redemption reserve and any share premium account in any way.
 - (iv) Subject to the provisions of the Act, the Company may from time to time purchase its own shares of any class (including any redeemable shares).
- (e) *Variation in class rights*
- (i) Subject to the provisions of the Act, all or any of the rights or privileges attached to any class of shares may be varied or abrogated in such manner (if any) as may be provided by such rights or (in the absence of any such provisions) with the written consent of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of any extraordinary resolution passed at a separate general meeting of the holders of such shares.
 - (ii) The provisions of the Articles relating to extraordinary general meetings shall apply, *mutatis mutandis*, to every separate general meeting of the holders of a particular class of shares except that:
 - (A) no member (other than a director) shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of that class;
 - (B) the quorum for such meeting other than an adjourned meeting shall be two persons present in person holding or representing by proxy at least one-third in nominal value of the issued shares of the class;
 - (C) the quorum at any adjourned meeting shall be two persons holding shares of the class in question who are present in person or by proxy; and
 - (D) a poll may be demanded by any member present in person or by proxy and entitled to vote at the meeting and, on a poll, each member shall have one vote for every share of the class in question of which he is the holder.
- (f) *Transfer of shares*
- (i) Shares held in uncertificated form may be transferred in accordance with the Uncertificated Securities Regulations 1995.
 - (ii) A transfer of a share held in certificated form must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. Any instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The transferor shall remain the holder of the share concerned until the name of the transferee is entered in the register of members in respect of it.
 - (iii) In respect of any shares held in certificated form, the Board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer or renunciation of a renounceable letter of allotment unless:
 - (A) it is in respect of a share which is fully paid up;
 - (B) it is in respect of only one class of shares;
 - (C) it is in favour of a single transferee or not more than four joint transferees;
 - (D) the transferee is not a child, bankrupt or person of unsound mind;
 - (E) it is duly stamped (if required); and

- (F) it is delivered to the registered office or such other place as the Board may determine together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.
- (iv) The Board may in its absolute discretion and without giving any reason for its decision refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations 1995.
- (v) If the Board refuses to register a transfer of a certificated share, it shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.
- (vi) The register of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.
- (vii) There are no rights of pre-emption relating to the transfer of shares.

7. Share Option Schemes

- (a) The Company has established the Unapproved Plan and the Approved Plan (as defined in paragraph 2(f) of this Part VI) under which employees of the Group can be offered options (“Options”) to acquire Ordinary Shares. The Company has not obtained and does not intend to seek Inland Revenue approval for the Unapproved Plan but has obtained Inland Revenue approval for the Approved Plan. The Unapproved Plan and the Approved Plan will both be administered by the remuneration committee of the Board (the “Committee”).

- (b) The principal features of the Unapproved Plan are as follows:

- (i) *Eligibility*

Any director who is required to devote at least 25 hours per week to the business of the Group and any employee of the Group, regardless of the number of hours served per week, is eligible to participate (“Participant”). Actual participation is at the discretion of the Committee. Options are personal to the Participant and may not be assigned. Options shall be granted by deed for no consideration.

- (ii) *Individual participation limit*

Under the Unapproved Plan the aggregate market value (measured at the date of grant) of all Ordinary Shares under option granted to any one Participant under the Unapproved Plan and under any other option scheme adopted or operated by the Company in any ten year period may not exceed four times his remuneration for the current or preceding fiscal year, whichever is the greater. Options which have lapsed or been surrendered or exercised must still be counted for this purpose.

- (iii) *Grant of Options*

Options may initially be granted under the Unapproved Plan within 42 days after its adoption by the Company and, thereafter, normally within 42 days after the announcement of the Company’s yearly or half-yearly results. Without further shareholder approval, Options may only be granted within ten years of shareholder approval of the Unapproved Plan.

- (iv) *Exercise of Options*

(A) Options may normally be exercised only within the period of three to ten years after the date of grant. Exceptionally, Options may be exercised earlier where employment ceases due to death, injury, disability, redundancy, the Participant’s retirement at normal retirement age, on the Participant’s employing company or business ceasing to be within the Group or, at the discretion of the Committee, on the Participant in question leaving employment for any other reason.

- (B) In each of these situations (other than on death), Options must be exercised, if at all, by the expiry of the period of six months following the cessation of employment. In the case of death, the Participant's personal representatives may exercise his Options within 12 months following the death.
- (C) The Committee may impose objective conditions as to the performance of the Group (which must be set having regard to institutional guidelines) which must normally be satisfied before Options can be exercised. Having granted Options and set a performance target, the Committee can vary the performance target provided that the Committee reasonably considers that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy. All performance targets set will be notified to shareholders through the Company's annual report and accounts.
- (D) The exercise price of Options granted under the Unapproved Plan will be the higher of the nominal value of the Ordinary Shares at the time of grant of the Option and, save in circumstances which the Committee deems exceptional, the market value of an Ordinary Share.
- (E) Options held by a Participant will lapse if the Participant ceases to be employed by a company within the Group save to the extent that the reason for cessation is as outlined in paragraph (b)(iv)(A) above. Options may also be exercised in the event of a takeover or liquidation of the Company. Options may be exercised in these circumstances notwithstanding that any performance target has not been satisfied.

(v) *Scheme limits*

The Unapproved Plan imposes limits on the numbers of Ordinary Shares over which Options may be granted as follows:

- (A) the total number of Ordinary Shares over which Options to subscribe may be granted under all executive option schemes of the Company shall not, in any consecutive ten year period, exceed 5 per cent. of the Ordinary Shares in issue from time to time;
- (B) the total number of Ordinary Shares over which Options to subscribe may be granted under all option schemes of the Company and issued or issuable under all profit sharing schemes of the Company shall not, in any consecutive ten year period, exceed 10 per cent. of the Ordinary Shares in issue from time to time; and
- (C) in each case, lapsed and surrendered Options shall be disregarded.

(vi) *Shares issued on exercise of Options*

Ordinary Shares allotted under the Unapproved Plan shall rank *pari passu* with the Company's existing issued Ordinary Shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the Option).

(vii) *Takeovers*

In the event of the takeover, amalgamation or reconstruction of the Company, Options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

(viii) *Variation of share capital*

In the event of a variation of share capital by way of capitalisation, rights issue, subdivision, consolidation or reduction of share capital, then the number of Ordinary Shares subject to a subsisting Option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the auditors of the Company that the adjustment is in their opinion fair and reasonable.

No adjustment can be made which would cause the aggregate amount payable on the exercise of an Option in full to be increased.

(ix) *Alterations to the Unapproved Plan*

The Committee may alter the Unapproved Plan but certain alterations cannot take effect without shareholder approval (unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation treatment for the Company or Option Holders or potential Participants), being the limits on the number of Ordinary Shares which can be offered under the Unapproved Plan, the category of persons who may participate, the price at which Options may be granted, the number of Ordinary Shares over which an employee may hold an Option, the period during which Options may be offered and exercised, the rights attaching to Ordinary Shares subject to an Option, the provisions for altering share capital and for altering the terms of the plan and the provisions which apply on a winding-up of the Company. No alteration may be made which would materially increase the liability of any Option holder or decrease the value of the rights attached to any Option without the prior written consent of the relevant Option holder.

(c) The Approved Plan has the same features as the Unapproved Plan save that:

(i) *Individual participation limit*

The aggregate market value of all Ordinary Shares under outstanding options granted to any one Participant under the Approved Plan and under any other approved share option scheme adopted or operated by the Company (but excluding options granted under a savings related share option scheme or under an Enterprise Management Incentives Scheme) may not exceed £30,000.

(ii) *Exercise of Options*

The time period for exercising Options on cessation of employment by reason of injury, disability, redundancy, retirement at normal retirement age, on the Participant's employing company or business ceasing to be within the Group or, at the discretion of the Committee, on the Participant in question leaving employment for any other reason (other than death) is different. Options granted under the Approved Plan must be exercised, if at all, in these circumstances by the expiry of the later of 12 months following the cessation of employment, 42 months from the date of grant of the Option and 42 months from the last exercise of an approved Option granted by the Company or any associated company.

(iii) *Inland Revenue approval*

Prior Inland Revenue approval is required for any adjustment of the Options on a variation of share capital and to any amendment to the rules of the Approved Plan.

(d) LIFAL Employee Scheme

(i) LIFAL established the LIFAL Employee Scheme pursuant to a trust deed dated 13 September 2000.

(ii) The LIFAL Employee Scheme is an offshore discretionary settlement, the trustee of which is Atlas Trust Company (Jersey) Limited. The beneficiaries of the LIFAL Employee Scheme are the past, present and future employees of LIFAL and the spouses, widows and widowers of such employees and the children and step-children and remoter issue of such employees and the spouses and former spouses of such children and remoter issue, except that Matthew Goldsmith and Nicholas Hamson and their families are excluded from benefiting under the LIFAL Employee Scheme during the respective lifetimes of the three executive Directors.

(iii) The trust fund presently comprises 5,000,000 Ordinary Shares in the Company.

(iv) The Trustee has as yet made no decisions in relation to providing the beneficiaries with benefits from the trust fund and continues to hold the trust fund on wide discretionary trusts.

(e) LIFAL Advisers Scheme

- (i) LIFAL established the LIFAL Advisers Scheme pursuant to a trust deed dated 9 October 2000.
- (ii) The LIFAL Advisers Scheme is an offshore discretionary settlement, the trustee of which is Atlas Trust Company (Jersey) Limited. The beneficiaries of the LIFAL Advisers Scheme are Lighthouse consultants and advisers whose IFA practices have entered into practice agreements with LIFAL and the spouses, widows and widowers of such Lighthouse consultants and advisers and the children and step-children and remoter issue of such Lighthouse consultants and advisers and the spouses and former spouses of such children and remoter issue, except that Matthew Goldsmith and his family are excluded from benefiting under the LIFAL Advisers Scheme during his lifetime.
- (iii) The trust fund presently comprises 3,125,000 Ordinary Shares in the Company.
- (iv) The Trustee has as yet made no decisions in relation to providing the beneficiaries with benefits from the trust fund and continues to hold the trust fund on wide discretionary trusts.

8. Working Capital

In the opinion of the Directors and Proposed Directors, having made due and careful enquiry and on the basis that the Acquisition and the Placing have been completed, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least 12 months following Admission.

9. Litigation

There are no legal or arbitration proceedings, active, pending or threatened against, or being brought by, any member of the Enlarged Group which are having or may have a significant effect on the financial position of the Enlarged Group.

10. Taxation

The following paragraphs, which are intended as a general guide only, are based on current legislation and UK Inland Revenue practice. They summarise advice received by Lighthouse on the position of Lighthouse Shareholders who hold their Lighthouse Shares as an investment and who are resident or ordinarily resident in the UK for tax purposes (unless the position of non-UK resident persons is expressly referred to).

(a) *Chargeable gains*

Liability to UK taxation of chargeable gains will depend on each shareholder's own circumstances. The Lighthouse Shares will be chargeable assets for the purposes of UK taxation of chargeable gains. A subsequent disposal of Lighthouse Shares may, depending on the shareholder's individual circumstances, give rise to a liability to UK taxation of chargeable gains.

(b) *Dividends*

Under current UK tax legislation, no tax will be withheld at source from dividend payments made by Lighthouse. UK resident individual shareholders should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. For example, on a dividend of £90, the tax credit would be £10 and the individual would be treated as having received income of £100. UK resident individual shareholders who are lower or basic rate taxpayers are subject to tax on dividend income at the rate of 10 per cent. Their liability will be matched by the tax credit and there will be no further tax to pay on that income.

UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) are subject to higher rate tax on dividends at 32.5 per cent. They will have to account for additional tax to the extent that tax on the aggregate of the dividend and the tax credit exceeds the tax credit. For example, on a dividend of £90 such a taxpayer would have to account for

additional tax of £22.50. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

A UK resident corporate shareholder will generally not be liable to UK corporation tax on a dividend received.

UK resident individual shareholders, UK resident corporate shareholders and UK pension funds may not claim refunds of the tax credit from the Inland Revenue. Personal Equity Plans and Individual Savings Accounts will still be able to claim refunds of the tax credit prior to 5 April 2004.

Individual shareholders who are resident for any purposes in countries other than the UK but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands and certain other persons are entitled to a tax credit as if they were resident for tax purposes in the UK which they may set off against their total UK tax liability. Such shareholders will generally not be able to claim repayment of the tax credit from the Inland Revenue.

Other shareholders who are resident for tax purposes in countries other than the UK should consult their own tax advisers concerning their tax liabilities on dividends received. They should note that following the reduction in the rate of UK tax credit to 10 per cent. with effect from 6 April 1999, they are unlikely to be entitled to any repayment from the Inland Revenue.

The summary does not apply to dividends associated with a transaction in securities to which certain anti-avoidance legislation applies.

(c) *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

No UK stamp duty or SDRT will be payable on the issue of the Lighthouse Shares.

An agreement to sell Lighthouse Shares will normally give rise to a liability on the purchaser to SDRT at the rate of 0.5 per cent. of the actual consideration paid. When the stamp duty is paid within six years of the agreement to sell, the SDRT charge will be cancelled and any SDRT already paid may be reclaimed.

The transfer of Lighthouse Shares (a) to, or to a nominee for, a person whose business is or includes issuing depositary receipts within section 93 of the UK Finance Act, 1986 or (b) to a recognised clearance system or a nominee for a recognised clearance system within section 96 of the UK Finance Act, 1986 will be subject to a charge to stamp duty or SDRT at the rate of 1.5 per cent. of the value of the consideration unless an election is made under section 97A of the UK Finance Act, 1986.

(d) *Inheritance Tax*

Inheritance tax (“IHT”) is a tax on the value of transfers of property which occur on death, on lifetime gifts made by individuals during the seven years preceding their death and on certain lifetime transfers of property into trusts. IHT applies in the above circumstances in general to all property situated in the UK, including the Lighthouse Shares, and is charged at 40 per cent. above a tax free threshold, subject to certain exemptions and reliefs.

(e) *Enterprise investment scheme relief*

Individuals investing in a company which qualifies under the Enterprise Investment Scheme (“EIS”) may benefit from certain income tax and capital gains tax reliefs. Provided that various conditions are met, an investor will qualify for:

- income tax relief (at 20 per cent.) on the amount invested (subject to an annual maximum investment of £150,000);

- capital gains tax relief on disposal of the shares, provided they are held for at least three years after issue, or, if later, three years after commencement of the trade for which the money was raised;
- relief in the event that a loss arises on the shares, which loss may be set off against either income or chargeable gains; and
- deferral of capital gains on a chargeable gain from the disposal of any asset where the gain is reinvested in the shares.

The Company has applied for provisional approval from the Inland Revenue that it will to be a qualifying company for the purposes of EIS after completion of the Acquisition and the Placing, and has received provisional confirmation to this effect.

It should be noted that whilst the Directors intend to manage the affairs of the Company so as to maintain its status as a qualifying company for EIS purposes, the Company does not make any representations as to whether the Ordinary Shares will be so treated or whether such status will not subsequently be withdrawn by virtue of the Company's future actions.

(f) *Venture capital trusts*

The Company has applied for provisional approval from the Inland Revenue that Ordinary Shares may be included in a trust company's qualifying holdings for the purposes of the Venture Capital Trust scheme and has received provisional confirmation to this effect.

It should be noted that whilst the Directors intend to manage the affairs of the Company so as to maintain its status as a qualifying company for the purposes of the Venture Capital Trust scheme, the Company does not make any representations as to whether the Ordinary Shares will be so treated or whether such status will not subsequently be withdrawn by virtue of the Company's future actions.

Warning

The above comments are intended as a general guide as to the position under current UK law and practice and may not apply to certain classes of shareholders, such as dealers. Shareholders who are in any doubt as to their tax position should consult an appropriate tax adviser immediately.

11. Placing Agreement

The Company and KBC Peel Hunt have entered into an agreement dated the same date as this document pursuant to which KBC Peel Hunt has agreed to use its reasonable endeavours to procure places for the Placing Shares at the Placing Price and, to the extent that places are not so procured, to subscribe itself for such shares as principal.

Under the Placing Agreement, the Company has agreed to pay, subject to Admission, a commission to KBC Peel Hunt equal to 3 per cent. of the aggregate of the Placing Shares at the Placing Price, an underwriting commission of 0.5 per cent. and a separately agreed fee to KBC Peel Hunt. The Company has also agreed to pay all costs, charges and expenses of or incidental to Admission and any related VAT (if applicable). The Company has given certain warranties and an indemnity to KBC Peel Hunt. The Placing Agreement is conditional, amongst other things, on the Resolution being passed, the Acquisition Agreement becoming unconditional and on Admission. The Placing Agreement can also be terminated by KBC Peel Hunt prior to Admission in certain circumstances including if there has been a material breach of any of the warranties or if the Acquisition Agreement can be or has been rescinded or if, before Admission, there shall have occurred certain force majeure events, which in the reasonable opinion of KBC Peel Hunt is likely to have a material adverse affect on the financial position or trading position or prospects of the Company. The Company has also undertaken to KBC Peel Hunt to take all reasonable steps to secure for the Company the full benefit of the Acquisition Agreement.

12. The Acquisition Agreement

Under the terms of the Acquisition Agreement the Vendors have agreed to sell, or procure the sale to the Company of the entire issued share capital of BWA Holdings for a consideration comprising the Consideration Shares. In addition, on completion of the Acquisition, a debt of £343,500 owed by BWA Holdings to the BWA Founders will be repaid by the Enlarged Group. The Vendors have agreed certain restrictions relating to the future sale of Consideration Shares. Under the terms of the Acquisition Agreement, no Consideration Shares issued to the Vendors may be sold in the first year following completion and 75 per cent. of the Consideration Shares may not be sold before the second anniversary of completion. Any sales must be made through the Company's nominated advisor and are subject to the rights of Lighthouse under the Acquisition Agreement whereby it can sell Consideration Shares to satisfy any agreed or determined warranty/indemnity claim.

The Articles of Association of BWA Holdings contain provisions which entitle the Vendors to require the remaining shareholders of BWA Holdings, which shareholders hold only non-voting shares in the company, to transfer their shares to Lighthouse within 7 to 14 days of the date of service of a written notice on such remaining shareholders by the Vendors. In the Acquisition Agreement, the Vendors agree to procure such transfer as soon as possible after completion of the sale of the company.

The Acquisition Agreement is conditional on the passing of the Resolutions, the Placing Agreement having become unconditional in all respects (other than any condition relating to Admission) and Admission.

13. Contracts of fundamental importance to the Enlarged Group

- (a) Each of the LIFAL Practices which is not directly regulated by the FSA procures compliance and cash collection services from Investment Strategies (UK) Limited ("ISL") under terms negotiated by LIFAL on behalf of the LIFAL Practices. ISL charges for its services a percentage of the LIFAL Practices' turnover derived from regulated business.

Prior to becoming directly regulated by the FSA in November 2001, LIFAL procured compliance and cash collection services from ISL. Subsequent to becoming directly regulated, LIFAL has procured compliance and cash collection services from Bankhall. Bankhall charges for its services a percentage of LIFAL's turnover derived from regulated business.

The above agreements are terminable on short notice. If these agreements were to be terminated, the Company would have to replace the services provided by ISL and Bankhall which could cause temporary disruption to its business and consequent delay in revenue. The Directors and Proposed Directors are confident, however, that, should these agreements come to an end, replacement services could be procured on similar terms from alternative sources.

- (b) 47 out of 73 LIFAL principals have entered into Share Allocation Agreements with the Company. Under the terms of these agreements, LIFAL has agreed to recommend to the trustee of the LIFAL Advisers Scheme that a share allocation be made for the benefit of the principal's family. It is understood by the principals that a further recommendation that legal ownership of such shares should vest in the principal will only be made in the event that the principal remains with the Group for a minimum period of three years from the date of signing of the Share Allocation Agreement.

In each case, the principal has accepted that LIFAL has also requested that the trustee not consider selling any such shares for a period of three years. In addition, certain of these agreements provide that if the principal leaves the Group within three years of the date of the Share Allocation Agreement he or she may be required to pay to LIFAL a cash sum calculated on the basis of the achievement of specified new business targets.

- (c) LIFAL has an agreement in place with each LIFAL Practice to provide its services and, as far as possible, to promote the business of the practice for an initial term of between three and five years.

Each LIFAL Practice undertakes in the agreement to generate a minimum level of fees and commissions in each year that the agreement is in force. Failure to meet this target for three consecutive years will amount to a breach of the practice agreement, allowing LIFAL to terminate

the agreement. All fees and commissions generated by a LIFAL Practice are paid direct to LIFAL which deducts a fee of up to 20 per cent.

Under the terms of the practice agreements, each LIFAL Practice enters into restrictive covenants which apply for a period of six months after termination of the agreement.

14. Other information

- (a) The expenses of the Acquisition, Placing and Admission are estimated at approximately £510,000, including VAT. All of the above expenses are payable by the Company.
- (b) The Ordinary Shares are currently admitted to trading on AIM. They are not admitted to trading on any other recognised investment exchange and no other such applications have been made.
- (c) The financial information set out in Part III of this document relating to Lighthouse for the periods ending 31 December 2001 does not constitute full accounts within the meaning of section 240 of the Act. Full accounts for the Group for the period ended 31 December 2000, on which the auditors of Lighthouse gave an unqualified report within the meaning of section 235 of the Act and did not contain a statement under sections 237(2) or (3) of the Act, have been delivered to the Registrar of Companies in England and Wales. Full accounts for the Group for the year ended 31 December 2001, on which the auditors of Lighthouse gave an unqualified report within the meaning of section 235 of the Act and which did not contain a statement under either sections 237(2) or (3) of the Act are due to be published shortly at which time they will be delivered to the Registrar of Companies in England and Wales.
- (d) The financial information set out in Part IV of this document relating to BWA for the periods ended 30 November 2001 does not constitute full accounts within the meaning of section 240 of the Act. As discussed more fully in Part IV of this document, BWA traded as a partnership during the period and, as such, there was no requirement by the auditors of BWA to give a report within the meaning of section 235 of the Act or a statement under sections 237(2) or (3) of the Act. In addition, there has been no requirement to deliver any accounts to the Registrar of Companies in England and Wales.
- (e) Lighthouse Group plc is a holding company with the following trading subsidiary undertakings, all of which are wholly-owned (directly or indirectly) and incorporated in England and Wales:

<i>Name of company</i>	<i>Registered number</i>	<i>Activity</i>	<i>Shareholder</i>
Lighthouse Independent Financial Advisers Limited	3970262	Provision of services to a national network of IFAs operating in the UK	Lighthouse
Lighthouse Independent Financial Advisers (Kent) Ltd	3873833	IFA	Lighthouse
Lighthouse Independent Financial Advisers (City) Ltd	4083486	IFA	LIFAL

15. Availability of this document

Copies of this document will be available to the public free of charge from the registered office of the Company, at 26 Throgmorton Street, London, EC2N 2AN and from the offices of KBC Peel Hunt, at 6th Floor, 62 Threadneedle Street, London EC2R 8HP, during normal office hours, Saturdays and Sundays excepted, from the date of this document until the date which is one month following Admission.

LIGHTHOUSE GROUP PLC

(Registered in England and Wales – No. 4042743)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Lighthouse Group plc (the “Company”) will be held at the offices of KBC Peel Hunt Ltd, 6th Floor, 62 Threadneedle Street, London EC2R 8HP, on 8 April 2002 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution (the “Resolution”), which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

1. the acquisition by the Company of BWA (Holdings) Limited (the “Acquisition”) on the terms and subject to the conditions set out in the Acquisition Agreement summarised in the circular dated 15 March 2002 containing the notice of this meeting (the “Circular”) be and is hereby approved and the Directors (or a duly authorised committee of the Directors) be and are hereby authorised to take all necessary steps to complete the Acquisition including amending, varying, revising and extending any of the terms and conditions thereof, and to do all such acts and things and execute all such documents as they may in their absolute discretion consider necessary or desirable in order to complete the Acquisition (but without materially altering the terms of the Acquisition).
2. subject to the Placing Agreement (as defined in the Circular) becoming unconditional in all respects (other than admission of the Enlarged Issued Share Capital to trading on AIM):
 - (a) the authorised share capital of the Company be and is hereby increased from £175,000 to £400,000 by the creation of 22,500,000 new ordinary shares in the Company (“ordinary shares”) of 1p each;
 - (b) the directors of the Company (the “Directors”) be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the “Act”) to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £200,000 provided that this authority (unless previously revoked or varied by the Company in general meeting) shall expire on the earlier of (i) fifteen months after the date of the passing of this Resolution and (ii) the conclusion of the annual general meeting of the Company to be held in 2003, save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement notwithstanding that the authority conferred hereby has expired, and this authority shall supersede any authority previously conferred on the Directors pursuant to section 80 of the Act provided such cessation shall not have retrospective effect; and
 - (c) the Directors be and they are hereby generally empowered pursuant to section 95 of the Act for a period expiring at the conclusion of the annual general meeting of the Company to be held in 2002 to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred by paragraph (b) of this resolution as if section 89(1) of the Act did not apply to such allotment, provided this power shall be limited to:
 - (i) the allotment of 3,666,667 ordinary shares pursuant to the terms of the Placing (as defined in the Circular); and
 - (ii) the allotment of equity securities in connection with an offer of such securities (whether by open offer, rights issue or otherwise) to the holders of ordinary shares in proportion (as nearly as may be) to the respective number of ordinary shares held or deemed to be

held by them on the record date for such allotment, subject only to such exclusions or other arrangements as the directors deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange; and

- (iii) the allotment (otherwise than pursuant to sub-paragraph (i) and (ii) above) of equity securities for cash up to an aggregate nominal amount of 20,254.95 (representing 10 per cent. of the issued share capital of the Company following the issue of new ordinary shares pursuant to the Placing and the issue of the consideration shares pursuant to the Acquisition Agreement).

By Order of the Board

Kevin Lawrence
Secretary

Registered office:

26 Throgmorton Street
London
EC2N 2AN

Dated 15 March 2002

Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) A pre-paid form of proxy is enclosed. To be valid, the form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the offices of the Company's Registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0JQ, not later than 10.00 a.m. on 6 April 2002. Completion of the form of proxy will not preclude a member from attending and voting in person.
- (3) The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 10.00 a.m. on 6 April 2002 shall be entitled to attend or vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 10.00 a.m on 6 April 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

