Lighthouse Corporate Services Limited

Reports and financial statements

For the year ended 31 December 2019

Registered in England and Wales Number 04086656

Lighthouse Corporate Services Limited

Company information

Directors	S C Gazard M Dean P Smith
Secretary	Quilter CoSec Services Limited
Auditors	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
Registered office	26 Throgmorton Street London EC2N 2AN

Lighthouse Corporate Services Limited

Reports and financial statements for the year ended 31 December 2019

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Lighthouse Corporate Services Limited

Strategic Report for the year ended 31 December 2019

This report encompasses the audited financial statements of Lighthouse Corporate Services Limited for the year ended 31 December 2019.

Review of the Business and Principal activity

The principal activity of the Company in the year under review was the provision of services to other group companies which provide either financial advisory services across the UK or regulatory authorisation and services to a network of financial advisers operating from locations across the UK.

On 12 June 2019, the entire share capital of the Company's parent company, Lighthouse Group plc, was acquired by Quilter Financial Planning Limited. The Company is therefore now part of the Quilter plc group ('the Group'). Quilter plc's ordinary shares are listed on the London and Johannesburg Stock Exchanges. Quilter plc provides the company with strategic and governance oversight.

Quilter plc Strategy

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

Review of business and results for the year

The Company's income derives from recharging expenditure to other group companies and is therefore dependent on the level of expenditure incurred. The decrease in revenues from £14.91m to £12.58m arose from the lower level of activity recorded across the Lighthouse Group of companies. The Company's key performance indicator is therefore the level of administrative expenses incurred which increased by £0.43m from £11.93m in 2018 to £12.36m in 2019. The increase in administrative expenses was due to an increase in regulatory and technology costs.

After depreciation and amortisation charges of £0.38m (2018: £0.31m) the Company recorded an operating loss of £0.16m (2018: operating profit of £2.67m).

The loss for the year after taxation was £5.57m (2018: profit of £2.54m), after a deferred tax credit of £0.22m (2018: charge of £0.11m). No dividend is recommended (2018: £Nil). The profit and loss account is set out on page 8.

The loss for the year was stated after a £3.5m impairment charge in relation to amounts owed by fellow group companies and the carrying value of the Company's intangible assets and after £2.1m of non-recurring costs relating to the sale of Lighthouse Group plc's shares to Quilter Financial Planning Limited. These costs were borne by the Company in its capacity as service company for the Lighthouse Group.

Future developments

Increased regulation and market uncertainties inevitably mean upward pressure on costs. The Company is well placed to deal with cost pressures as part of the Group headed up by Quilter plc.

At this time, COVID-19 has been recognised by the World Health Organisation as a global pandemic, therefore this will impact global supply chains, global market growth and employee availability over the next few years. The length and severity of the impact from COVID-19 remains a clear risk, although the Company would not expect this to materially change the underlying long-term prospects and going concern basis of the business. Whilst there will be a detrimental impact on profitability and cash flow, Lighthouse Group plc, the immediate parent company, has confirmed to the directors in writing that it will continue to make funds available to the Company for the foreseeable future, being a minimum of twelve months from the date these financial statements were approved, and will not seek repayment of funds provided during that period.

Post balance sheet events

As detailed in the notes to the financial statements, on 15 January 2020, the Company entered into a new three-year lease for the office premises in Stockport. The lease will be accounted for in accordance with IFRS 16 and therefore a new asset and associated lease liability of £160,567 were created on that date.

Going concern

Going concern has been evaluated at group level for all subsidiaries by the directors of Quilter plc and has been re-assessed at the date of signing these accounts. The financial statements have been prepared on the going concern basis 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 immediate parent company, Lighthouse Group plc. The directors have received written confirmation of continued support from Lighthouse Group plc for at least twelve months from the date of approval of these accounts.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are largely financial based.

Financial risks

Credit risks exist where third parties may fail to discharge their financial obligations. The Company manages this risk by regularly reviewing the debtor position.

Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is funded from other group companies, so this risk is deemed to be minimal. The Company also manages its cash flows by regular treasury management at Group level where projected cash flow requirements are monitored and reviewed. In addition, the Group ensures that the Company maintains sufficient working capital to ensure that its requirements are met on a day-to-day basis.

Environment

The Company takes its social and environmental responsibilities seriously. Where possible the Company's offices use high efficiency, low energy equipment, lighting and heating. Paper waste generated from the Company's operations is recycled and/or destroyed securely.

Section 172 (1) Statement

Lighthouse Corporate Services Limited is a wholly owned indirect subsidiary of Quilter plc and therefore complies with the policies and practices that are set by the Quilter plc Board and are described in the Quilter plc Annual Report. The following statement should therefore be read in conjunction with the Quilter plc Annual Report.

The Quilter Group has taken steps to embed a deeper understanding of the responsibilities ascribed to directors under section 172 (1) of the Companies Act 2006 at a Quilter plc level and across its management committees and subsidiaries. Presentations have been made by the Quilter Corporate Secretariat to the business to explain the importance of the considerations referred to in section 172 (1) as part of good decision making, to ensure that proposals coming to the Board contain appropriate information on the potential impact of business decisions on all of Lighthouse Corporate Services‘ stakeholders and other relevant matters. Examples of best practice have been provided and rolled out to the business, with further explanation and guidance on directors' duties to ensure that section 172 (1) considerations remain at the heart of the Group's decision making at all levels.

In overseeing the Lighthouse Corporate Services business during the year, the Board of the Company has paid due regard to its duty to promote the success of the Company for the benefit of Quilter plc, its ultimate sole shareholder, in the long term, by supporting the delivery of the Group's strategic priorities.

The Board of the Company has previously approved a delegation of authority to Quilter Financial Planning Limited, the Company's intermediate parent company, to determine the strategic direction of the business of the Company, undertake day-to-day business decisions and oversee the operational, financial and risk management of the Company's business. Under this delegation of authority, the Board of Quilter Financial Planning Limited has overseen the Company's business.

The Board of Quilter Financial Planning Limited has overseen employee related matters and has regularly considered the impact of the business' plans and other strategic initiatives on the business' people.

By order of the Board

Stephen Gazard
Director
Date: 11 August 2020

Lighthouse Corporate Services Limited

Report of the Directors for the year ended 31 December 2019

Directors

The directors of the Company who held office during the year were as follows:

A B Thompson – appointed 1 October 2019, resigned 30 June 2020
D W J Sharkey – appointed 1 October 2019, resigned 3 July 2020
P J Smith
M J Streatfield – resigned 16 September 2019
K G Paterson – resigned 16 September 2019
M Achilles – resigned 16 September 2019

S C Gazard and M Dean were appointed as directors on 3 July 2020.

Dividends
No interim dividends were proposed or paid in the year (2018: £Nil) and no final dividend is proposed (2018: £Nil).

Donations
The Company made no political or charitable donations in the year (2018:£nil).

Business Relationship Statement
The Company forms part of the Quilter Group, with Quilter plc providing strategic and governance oversight to each of its subsidiaries. During the course of their decision making, the Boards of the Company, Quilter Financial Planning Limited and Quilter plc, have considered, to an appropriate extent, their duties to stakeholders, including the need to foster business relationships.

An explanation of how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers, advisers, and other stakeholders in the Quilter plc annual report, which does not form part of this report.

Directors' Qualifying Third Party Indemnity Provisions
Qualifying third-party indemnities were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2019 for the benefit of the then Directors, and at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties/powers or office.

Employees
The Company's employees were paid by the Company up until 31 October 2019, with all emoluments since that date being paid, by Quilter Financial Planning Limited.

Disclosure of information to the auditors
Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware of; and
- the director has taken all of the reasonable steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Report of the Directors for the year ended 31 December 2019 – continued

Auditor
RSM UK audit LLP has held office in accordance with Section 487 of the Companies Act 2006 for the 2019 financial year. Following a rigorous tender process conducted by Quilter plc, PricewaterhouseCoopers LLP will assume the role of independent auditors for the Quilter Group, of which the company is a member, for the year-end 31 December 2020. Formal appointment as auditors to the company will be completed after the approval of these financial statements.

By order of the Board

Stephen Gazard
Director

Date: 11 August 2020

Statement of directors' responsibilities in respect of the Strategic Report, the Report of the Directors and the financial statements

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

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

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

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

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

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

Opinion

We have audited the financial statements of Lighthouse Corporate Services Limited (the "Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Fenton (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Date 13 August 2020

Lighthouse Corporate Services Limited

Profit and loss account for the year ended 31 December 2019

	Notes	2019	2018
		£	£
Turnover	**2**	**12,583,608**	14,909,836
Administrative expenses		**(12,355,301)**	(11,925,541)
Depreciation and amortisation	**3**	**(383,464)**	(309,724)
Total operating expenses		**(12,738,765)**	(12,235,265)
Operating (loss)/profit	**3**	**(155,157)**	2,674,571
Impairment charge	**6**	**(3,479,038)**	**-**
Non-recurring charges	**7**	**(2,144,157)**	**-**
Finance costs	**8**	**(5,631)**	(28,880)
(Loss)/profit on ordinary activities before taxation		**(5,783,983)**	2,645,691
Tax on (loss)/profit on ordinary activities	**9**	**218,751**	(110,506)
(Loss)/profit for the financial year		**(5,565,232)**	2,535,185

All revenues and costs arise from continuing activities.

The Company had no recognised gains or losses other than the results for the two years ending 31 December 2019 and 2018 respectively.

The notes on pages 13 to 27 form an integral part of the financial statements.

Balance sheet at 31 December 2019

	Notes	2019 £	2018 £
Non-current assets			
Intangible assets	10	**-**	290,808
Tangible assets	11	**468,301**	328,197
Deferred tax asset	9	**616,994**	381,731
		1,085,295	1,000,736
Current assets			
Cash at bank		**-**	-
Debtors (including £310,000 (2018: £310,000) due after 1 year)	12	**2,801,325**	6,192,377
		2,801,325	6,192,377
Creditors: amounts falling due within one year	13	**(17,886,168)**	(15,957,518)
Net current liabilities		**(15,084,843)**	(9,765,141)
Total assets less current liabilities		**(13,999,548)**	(8,764,405)
Provisions	15	**(100,000)**	(4,000)
Creditors: amounts falling due after one year	14	**(43,633)**	-
Deferred tax liability	9	**(16,512)**	-
Net liabilities		**(14,159,693)**	(8,768,405)
Capital and reserves			
Called up share capital	16	**53,718**	53,718
Share premium account		**107,821**	107,821
Share-based payment reserve	18	**-**	2,166,275
Profit and loss account		**(14,321,232)**	(11,096,219)
Deficit on equity shareholders' funds		**(14,159,693)**	(8,768,405)

The notes on pages 13 to 27 form an integral part of the financial statements.

The financial statements on pages 10 to 27 were approved by the Board of Directors on 11 August 2020 and signed on its behalf by:

Mitchell Dean
Director

The registered number of the Company is 04086656

Lighthouse Corporate Services Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital	Share premium account	Share-based payment reserve	Profit and loss Account	Total
	£	£	£	£	£
At 1 January 2019 (reported)	**53,718**	**107,821**	**2,166,275**	**(11,096,219)**	**(8,768,405)**
Adjustment to retained earnings as at 1st January 2019 due to recognition of lease liabilities	-	-	-	(112,063)	**(112,063)**
At 1 January 2019 (adjusted)	**53,718**	**107,821**	**2,166,275**	**(11,208,282)**	**(8,880,468)**
Loss for the financial year		-	-	(5,565,232)	**(5,565,232)**
Reserve arising on the capital contribution from ultimate holding company		-	286,007	-	**286,007**
Transfer between reserves		-	(2,452,282)	2,452,282	-
At 31 December 2019	**53,718**	**107,821**	**-**	**(14,321,232)**	**(14,159,693)**

For the year ended 31 December 2018:

	Share capital	Share premium account	Share-based payment reserve	Profit and loss Account	Total
	£	£	£	£	£
At 1 January 2018	53,718	107,821	1,801,067	(13,631,404)	(11,668,798)
Profit for the financial year		-	-	2,535,185	2,535,185
Reserve arising on the capital contribution from ultimate holding company		-	365,208	-	365,208
At 31 December 2018	53,718	107,821	2,166,275	(11,096,219)	(8,768,405)

The notes on pages 13 to 27 form an integral part of the financial statements.

Lighthouse Corporate Services Limited

1 Accounting policies

Lighthouse Corporate Services Limited is a private limited company incorporated and domiciled in England and Wales. The registered office of the Company is 26 Throgmorton Street, London, EC2N 2AN.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. There were no policies which in the opinion of the directors related to areas of uncertainty or critical judgement.

Basis of preparation

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Quilter Group plc includes the results, assets and liabilities of the Company in its consolidated financial statements. The consolidated financial statements of Quilter plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Quilter Head Office, Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ or at www.Quilter.com.

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

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

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company adopted IFRS 16 Leases for the first time as at 1 January 2019. The Group has applied the cumulative catch up approach and has not restated comparative amounts for the period prior to initial adoption.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess where a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

On transition to IFRS 16, the Company elected to apply the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics;
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- not reassess contracts originally deemed to not be a lease contract under IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

For lessee contracts, the right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability, adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred. Adjustments are also made, where appropriate, for dilapidation requirements and lease incentives received such as rent free periods. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the Group's incremental borrowing rate.
Subsequent to lease commencement, the Company measures the right-of-use asset using a cost model, whereby the asset is held at cost less accumulated depreciation and any accumulated impairment. Depreciation is charged to the income statement on a straight line basis to write down the cost of the right-of-use asset to its residual value over its estimated useful life which is dependent on the length of the lease. In addition, the carrying amount of the right-of-use asset may be adjusted for certain remeasurements of the lease liability and will also be tested annually for impairment in accordance with IAS 36. The lease liability is subsequently measured at amortised cost using the effective interest method and also reflects any lease modifications or reassessments.

The Company presents its right-of-use assets within non-current assets and lease liabilities within creditors in the balance sheet. The Company does not have any right-of-use assets that would meet the definition of investment property.

The Company currently has material lease commitments for the rental of two office buildings. The future lease cash outflows within the Company are not exposed to variable lease payments, low value or short term leases, residual value guarantees, restrictions or covenants imposed by a lease contract or sale and leaseback transactions. The Company has assumed that where extension options are available, the Company will automatically exercise the options at the relevant time. The Company will also reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

In the period prior to the adoption of IFRS 16, leases were accounted for under IAS 17 and classified as operating leases. Payments associated with operating leases were recognised in the income statement on a straight line basis over the term of the lease and not disclosed in the Group's statement of financial position.

Any leases deemed to be under 12 months in length or a low value in accordance with IFRS 16 are accounted for in accordance with the previous operating lease recognition, as per the exemption in the standard. This means that lease payments are recognised as an expense on a straight-line basis over the lease term.

Impacts on transition

On transition, the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings, with no impact to the income statement. The impact on transition is summarised below:

	£
Tangible non-current assets increased by	343,867
Creditors: amounts falling due within one year increased by	(248,413)
Creditors: amounts falling due after one year increased by	(207,517)
Retained earnings reduced by	112,063

When measuring the lease liabilities, the company discounted the lease payments using its asset specific incremental borrowing rate at 1 January 2019 which was 1.62% per annum.

The reconciliation of the above amounts to the values disclosed as operating lease commitments in the financial statements for the year ended 31 December 2018 is as follows:

	£
Operating leases commitments as at 31 December 2018	599,160
Leases now recognised as low value leases	(97,596)
Differences in lease terms due to assessment of term options	(45,634)
Recognised as a lease liability as at 1 January 2019	455,930

Critical estimates and assumptions

The preparation of financial statements in conformity with the standards above requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is as set out below or is included in the following notes:

- Going concern; see below
- Deferred tax; see below

Going concern

Going concern has been evaluated at group level for all subsidiaries by the directors of Quilter plc and has been re-assessed at the date of signing these accounts. The financial statements have been prepared on the going concern basis 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 immediate parent company, Lighthouse Group plc. The directors have received written confirmation of continued support from the immediate parent company, Lighthouse Group plc, for at least twelve months from the date of approval of these accounts.

Turnover

Turnover represents management charges receivable from other group companies, together with rental income and other funds collected centrally on the Group's behalf, and excludes Value Added Tax.

Development costs

Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed.

Amortisation

Amortisation is provided on capitalised development costs on a straight line basis over a period of three years being the minimum contractual period over which the Company is entitled to benefit from that development expenditure.

Depreciation

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
Plant and machinery	20% straight line
Right of use assets	Straight line basis to write down the cost of the right of use asset to its residual value over its estimated useful life

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

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements and arise primarily from the difference between accelerated capital allowances and depreciation. The provision is not discounted.

In assessing the recognition of a deferred tax asset in relation to unused losses, the Company assesses the likelihood of the losses being utilised within the Group for a period of 3 years from the balance sheet date.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the ultimate parent company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management’s best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. Any failure to satisfy conditions other than vesting conditions (which are restricted to service and performance conditions only) are classed as cancellations and dealt with in accordance with the treatment set out above.

The Company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2014. For awards granted before 7 November 2002, the Company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity-settled awards.

Share option awards of the immediate parent company's equity instruments in respect of settling grants to employees of the Company are disclosed as a charge to profit and loss account with an equivalent credit to the share-based payment reserve within shareholders' equity reflecting capital contributions made by the parent company.

Pensions

The Company 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.

Debtors

All of the Company's financial assets are classified as assets at amortised cost under IFRS 9 and therefore impairments are assessed using an 'expected loss' model.

Provisions for liabilities and charges

Provisions are recognised as follows:

- dilapidations are recognised over the period of the lease up to the maximum liability estimated by the directors having regard to the current physical condition of the properties covered and the related contractual obligations, and
- other liabilities are included at their estimated likely outturn for the Group.

2 Turnover and (loss)/profit before taxation

The turnover and (loss)/profit before taxation are attributable to the principal activities of the Company and arose wholly in the United Kingdom.

3 Operating (loss)/profit

	2019	2018
Operating (loss)/profit is stated after charging:	£	£
Amortisation of intangible assets	**12,373**	98,947
Depreciation of right of use assets	**181,249**	-
Depreciation of other tangible fixed assets	**189,842**	210,777
Auditor's remuneration – audit services	**71,000**	82,000
Operating lease rentals under IAS 17:-		
Rent paid on land and buildings	**-**	230,398
Equipment and motor vehicles	**-**	76,402
Low value lease expense	**68,977**	-
Share-based payment charge (pre-crystallisation)	**83,810**	365,208

The Company bears the audit and non-audit fees charged by the auditor of Lighthouse Group plc and its subsidiary companies (the "Lighthouse Group") of £71,000. The Company has taken advantage of the exemption provided by the Companies (Disclosure of Auditor Remuneration) Regulations 2005 not to provide information in respect of fees for other services as this information is required to be given in the Group accounts of the ultimate parent undertaking, which the Company is required to prepare in accordance with the Companies Act 2006. The Company operates as an integral part of the Lighthouse Group and provides, and receives payment for, services to other group companies based upon an apportionment of the operating costs of the Lighthouse Group (including audit and non-audit fees paid to the Lighthouse Group's auditor).

4 Directors' emoluments

The Company's directors were paid by the Company up until 31 October 2019, with all emoluments since that date being paid by Quilter Financial Planning Limited; therefore the 2019 costs shown below therefore relate to the 10 month period ended 31 October 2019.

	2019	2018
	£	£
Base remuneration (including bonus but excluding payments associated with the exercise of share options)	594,282	**938,319**
Emoluments of the highest paid director	228,614	**376,322**

The Company made contributions to pension schemes on behalf of all four directors during the year totalling £20,060 (2018: £17,540). The contributions made by the Company to pension schemes on behalf of the highest paid director during the year were £7,445 (2018: £6,510).

On 10 June 2019 four of the directors exercised 10,840,811 share options with the highest paid director exercising 5,011,869 share options.

5 Staff costs

The staff costs for the year for all Lighthouse Group staff, excluding the cost for directors since 1 November 2019 (as per the above note), were as follows:

	2019	2018
	£	**£**
Wages and salaries	**7,293,568**	7,456,417
Social security costs	**1,146,340**	863,092
Pension costs	**333,879**	267,986
Share-based payments	**286,007**	365,208
	9,059,794	8,952,703

The share-based payment charge represents the remaining IFRS 2 fair value charge following the exercise of all options on 10 June 2019 (see note 18). The cost was split £83,810 in operating expenses (see note 3) and £202,197 in exceptional items (see note 7).

The social security costs include national insurance of £314,823 that was borne by the Company following the exercise of the share options included within exceptional items (see note 7).

Notes to the financial statements at 31 December 2019 (continued)

The average number of employees employed by the Company during the year was:

	2019	2018
	Number	Number
Directors	**3**	4
Other	**120**	123
Advisers	**34**	29
	157	156

6 Impairment charge

	2019	2018
	£	£
Increase in provision for amounts owed by group undertakings	**3,155,389**	-
Impairment of intangible assets	**323,649**	-
	3,479,038	-

The increase in provision for amounts owed by group undertakings represents the difference between the gross amount owed by fellow group entities and the recoverable net assets of those entities.

The charge for impairment of intangible assets is equal to the net book value of the Company's commission processing software and development intangible asset as at 12 June 2019, the date of acquisition of the Lighthouse Group by Quilter Financial Planning Limited. The value in use of this asset was deemed to be £nil by the management of Quilter given the existing assets in use across the wider Quilter Group.

7 Exceptional items

	2019	2018
	£	£
Legal and professional costs associated with the sale of the shares of Lighthouse Group plc, a fellow Group entity, to Quilter Financial Planning Limited.	**1,064,625**	-
Accelerated share-based payment charge following the exercise of all outstanding share options (see note 18)	**202,197**	-
Social security costs associated with the exercise of share options borne by the Company	**314,823**	-
One-off costs to align Company processes with those of Quilter Financial Planning Limited.	**249,700**	-
Cost associated with the departure of key staff following the acquisition	**140,692**	-
Provision charge (see note 15)	**100,000**	-
Other non-recurring costs	**72,120**	-
	2,144,157	-

8 Finance costs

	2019	2018
	£	£
Interest on lease liabilities	**5,631**	-
Other interest	**-**	28,880
	5,631	28,880

9 Taxation

a) Analysis of charge in year

	2019	2018
	£	£
Current tax	**-**	-
Deferred tax credit/(charge)	**218,751**	(110,506)
Tax credit/(charge) on ordinary activities	**218,751**	(110,506)

b) Factors affecting tax charge for year

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£	£
(Loss)/profit on ordinary activities before tax	**(5,783,983)**	2,645,691
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.25%)	**(1,098,957)**	502,681
Effects of:		
Expenses not deductible for tax purposes	**240,590**	3,768
Impairment charge not deductible for tax purposes	**599,524**	-
Capital allowances compared to depreciation charge, including deferred tax liability movement	**20,790**	5,813
Other timing differences not relieved through deferred tax	**1,900**	1,084
Tax relief on exercise of share options in excess of deferred tax asset previously recognised	**(303,497)**	(112,104)
Utilisation of brought forward losses not previously recognised as deferred tax asset	**-**	(259,740)
Group relief supplied/(received) free of charge	**133,095**	(2,475)
Deferred tax asset not recognised	**187,804**	-
Rate difference between corporation and deferred tax on losses carried forward	**-**	(28,521)
Tax (credit)/charge for year	**(218,751)**	110,506

c) Deferred tax asset and liability

The deferred tax balances evaluated at 19.00% (2018: 17.50%) are analysed below. The rate of 19.00% is the most recent enacted rate at the time of signing these financial statements.

	2019		2018	
	Recognised	**Not recognised**	Recognised	Not recognised
	£	**£**	£	£
Share based payments	**-**	**-**	381,731	-
Trading losses carried forward	**616,994**	**187,804**	-	-
Deferred tax asset	**616,994**	**187,804**	381,731	-
Difference between accumulated depreciation and capital allowances (Deferred tax liability)	**(16,512)**	-	-	(36,261)

The Company has recognised an un-discounted deferred tax asset which represents the proportion of unutilised corporation tax losses as at 31 December 2019 that are now considered to be recoverable over the next 3 years. This position will continue to be reviewed annually. The deferred tax asset in relation to share based payments was realised in full when the outstanding share options were exercised on 10 June 2019.

10 Intangible fixed assets

	Commission processing software and development £	**Goodwill £**	**Total £**
Cost			
At 1 January 2019	946,545	49,101	995,646
Additions	45,214	-	45,214
At 31 December 2019	**991,759**	**49,101**	**1,040,860**
Amortisation/impairment			
At 1 January 2019	655,737	49,101	704,838
Amortisation charge for year	12,373	-	12,373
Impairment charge for year	323,649	-	323,649
At 31 December 2019	**991,759**	**49,101**	**1,040,860**
Net book value			
At 31 December 2019	**-**	**-**	**-**
At 31 December 2018	290,808	-	290,808

The goodwill arose after a fellow subsidiary company, Lighthouse Benefits Limited, assumed the role as principal employer to the Corporate Pensions Trust (“CPT”), which operates the Group’s Lighthouse Pension Trust (“LPT”) product. Following the decision by the CPT Trustees to transfer the scheme members and funds to Smart Pension Limited, the Company has fully impaired the intangible asset as at 31 December 2019.

The commission processing software and development intangible asset was fully written off as at 12 June 2019, the date of acquisition of the Lighthouse Group by Quilter Financial Planning Limited. The value in use of this asset was deemed to be £nil by the management of Quilter given the existing assets in use across the wider Quilter Group.

The amortisation charge is included within administrative expenses in the Profit and Loss account,

11 Tangible fixed assets

	Plant & Machinery	Office equipment	Computer equipment	Right of use asset assets	Total
	£	£	£	£	£
Cost					
1 January 2019	44,293	502,369	1,907,120	-	2,453,782
Additions	5,980	3,259	158,089	343,867	511,195
Disposals	(13,692)	(182,121)	(826,428)	-	(1,022,241)
At 31 December 2019	**36,581**	**323,507**	**1,238,781**	**343,867**	**1,942,736**
Depreciation					
1 January 2019	32,401	494,638	1,598,546	-	2,125,585
Charge for the year	6,507	3,587	179,748	181,249	371,091
Disposals	(13,692)	(182,121)	(826,428)	-	(1,022,241)
At 31 December 2019	**25,216**	**316,104**	**951,866**	**181,249**	**1,474,435**
Net book value					
At 31 December 2019	**11,365**	**7,403**	**286,915**	**162,618**	**468,301**
At 31 December 2018	11,892	7,731	308,574	-	328,197

Following the acquisition by Quilter Financial Planning Limited of Lighthouse Group plc, the Company's immediate parent company, on 12 June 2019, the Company wrote off a number of assets that were no longer in use. All of the assets had been fully depreciated in prior years therefore there was no profit or loss on sale recorded.

12 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	**59,350**	49,095
Amounts owed by group undertakings	**855,637**	3,828,200
Other debtors	**660,469**	1,053,042
Prepayments and accrued income	**915,869**	952,040
	2,491,325	5,882,377
Amounts falling due after more than one year:		
Amounts owed by group undertakings	**310,000**	310,000
	2,801,325	6,192,377

13 Creditors: amount falling due within one year

	2019	2018
	£	£
Bank overdraft	-	2,735
Trade creditors	976,062	1,349,365
Amounts owed to other group undertakings	14,182,540	13,132,124
Other taxes and social security	152,416	233,481
Other creditors	79,340	37,056
Lease liabilities	178,178	-
Accrued expenses	2,317,632	1,202,757
	17,886,168	15,957,518

Included in accrued expenses is an amount of £59,085 (2018: £37,446) in respect of unpaid pension contributions.

14 Creditors: amount falling due after one year

	2019	2018
	£	£
Lease liabilities	43,633	-
	43,633	-

15 Provisions for liabilities and charges

	£
At 1 January 2019	4,000
Utilised in year	(4,000)
Charged to profit and loss account during the year	100,000
At 31 December 2019	100,000

Provisions comprise £100,000 (2018: £nil) for estimated dilapidations that might arise at the expiry of the Company’s property leases along with the directors' best estimates at the current date of amounts payable in respect of previous corporate transactions and other potential commercial liabilities of £nil (2018: £4,000).

16 Share capital

Allotted, issued and fully paid	2019 Number	2019 £	2018 Number	2018 £
Ordinary shares of 1p each	**5,371,795**	**53,718**	5,371,795	53,718

17 Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases at 31 December 2018 were as follows:

Operating lease commitments	Land and buildings £	Other operating leases £
Leases expiring		
Within one year	265,275	41,643
Within two to five years	236,289	55,953
	501,564	97,596

Following the adoption of IFRS 16 on 1 January 2019, the lease commitments in relation to land and buildings are now shown on the balance sheet.

18 Share-based payment

(a) There was one equity settled share option scheme operated by the Company during the year, with all options being fully exercised on 10 June 2019. The details of the scheme are as follows:

Long Term Incentive Plan ("LTIP")

On 10 December 2015, the Company's parent company, Lighthouse Group plc established a new Long Term Incentive Plan ("LTIP") for the benefit of its executive directors and senior management employees. The LTIP related to new ordinary shares in Lighthouse Group plc and contained provisions in respect of vesting and exercise of options for variations in the share capital of that company and for a change in control.

Lighthouse Group plc granted two tranches of share options under the LTIP as follows:

LTIP Tranche 1

On 10 December 2015, Lighthouse Group plc granted 7,000,000 share option awards to the directors of the Company over new ordinary shares in Lighthouse Group plc. These options would vest after the expiry of the measurement period, being three years, subject to continued employment and the meeting of objective performance conditions, outlined below. The options were exercisable at a price of 1 pence per new ordinary share.

Half of the options were subject to an earnings per share ("EPS") performance condition. The threshold vesting level (20 per cent. of the total options granted for this part of the award) was a basic EPS, for Lighthouse Group plc, of 0.7 pence per ordinary share in the year ended 31 December 2018 and full vesting would take place should basic EPS for that year be at least 1.4 pence per ordinary share with straight-line vesting in between these points. The EPS figure used at both the start and end of the performance measurement period was to be an adjusted EPS figure, calculated after a normalised tax charge. The adjusted EPS charge Lighthouse Group plc for 2018 was 1.59 pence per ordinary share.

The remaining half of the options were subject to a total shareholder return (share price performance plus dividends added back) performance condition for Lighthouse Group plc. The threshold vesting level (again for 20% of the total options granted for this part of the award) will be at 14p pence per ordinary share at the relevant measurement date, being 10 December 2018, with full vesting at 22 pence per ordinary share and straight-line vesting in between these points.

On 24 January 2019 the Remuneration Committee of Lighthouse Group plc confirmed that the full allocation of share options awarded under LTIP 1 would vest to the relevant individual award holders at the end of the measurement period or earlier as provided under the LTIP Rules.

LTIP Tranche 2

On 2 June 2018, Lighthouse Group plc granted new share option awards to the directors of the Company comprising a total of 3,840,811 new options (out of a total of 5,163,972 new share options awarded in total to directors and senior management) over new ordinary shares in Lighthouse Group plc. These options would vest after the expiry of the measurement period, being three years, subject to continued employment and the meeting of objective performance conditions, outlined below. The options were exercisable at a price of 1 pence per new ordinary share.
The terms and performance conditions were similar to those of Tranche 1 save that the EPS targets for Lighthouse Group plc (for 50 per cent. of the total awards) were set for the year ending 31 December 2019 at a threshold level of 1.5 pence per ordinary share and an upper level for full allocation of that part of the award of 2.2 pence per ordinary share. Similarly, the total shareholder return targets were set as at the end of that year at a threshold level of 23 pence per ordinary share for a 20 per cent. vesting of that part of the award and an upper level for full vesting of that part of the award of 31 pence per ordinary share. Amounts to be vested would again be calculated on a straight-line basis for actual levels achieved between the threshold and upper levels.

The scheme included provisions relating to a change of control and therefore following the announcement of the acquisition of 100% of the share capital of Lighthouse Group plc by Quilter Financial Planning Limited, all of the outstanding share options were exercised on 10 June 2019.

(b) The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2019 Number	**2019 WAEP (pence)**	2018 Number	2018 WAEP (pence)
Outstanding at 1 January	**12,163,972**	**1.00**	12,216,526	1.09
Exercised during the year	**(12,163,972)**	**1.00**	-	-
Expired during the year	**-**	**-**	(52,554)	21.50
Outstanding at 31 December	**-**	**-**	12,163,972	1.00
Exercisable at 31 December	**-**	**-**	7,000,000	1.00

19 Related party transactions

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

20 Ultimate parent company and controlling party

The immediate parent company is Lighthouse Group plc, a company registered in England and Wales.

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

The Company Secretary
Quilter plc
5th Floor, Millennium Bridge House
2 Lambeth Hill
London
EC4V 4AJ

21 Post balance sheet events

On 15 January 2020 the Company entered into a new three lease for its Stockport office. The lease will be accounted for in accordance with IFRS 16 and therefore a new asset and lease liability of £160,567 were created on that date.

In early 2020, the existence of the new coronavirus ("COVID-19") was confirmed which has since spread across a significant number of countries, leading to the disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact.