The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

7 February 2017

Mattioli Woods plc

("Mattioli Woods", "the Company" or "the Group")

Interim results

Mattioli Woods plc (AIM: MTW.L), the specialist wealth management and employee benefits business, today reports its interim results for the six months ended 30 November 2016.

Financial highlights

- Revenue up 22.1% to £24.3m (1H16: £19.9m)
- Recurring revenues represent 84.3% (1H16: 81.6%)
- Adjusted EBITDA[1] up 20.9% to £5.2m (1H16: £4.3m):
  - Adjusted EBITDA margin of 21.4% (1H16: 21.7%)
  - Adjusted EPS[2] up 15.9% to 16.8p (1H16: 14.5p)
- EBITDA up 22.5% to £4.9m (1H16: £4.0m):
  - EBITDA margin of 20.2% (1H16: 20.1%)
  - Basic EPS up 24.5% to 11.7p (1H16: 9.4p)
- Interim dividend up 22.1% to 4.7p (1H16: 3.85p)
- Strong financial position, with net cash of £22.6m (1H16: £22.6m)

Operational highlights and recent developments

- Total client assets up 14.4% to £7.56bn (31 May 2016: £6.61bn):
  - Gross discretionary AuM up 17.1% to £1.37bn (31 May 2016: £1.17bn)
  - £44.6m of new equity raised by Custodian REIT

[1] Earnings before interest, taxation, depreciation, amortisation, impairment and acquisition-related costs.
[2] Before acquisition–related costs, amortisation and impairment of acquired intangibles, and notional finance income and charges.

- Net organic revenue growth[3] of £2.5m (14.2%) (1H16: £1.2m, 7.4%)
- Acquisition of MC Trustees in September 2016
- New Manchester office opened in November 2016
- Appointments of Chief Investment Officer and Head of Risk Management and Compliance
- Over £60m now invested in Mattioli Woods Structured Products Fund
- Purchase of 49% of Amati in February 2017, with option to acquire remaining 51%

Commenting on the interim results, Ian Mattioli MBE, Chief Executive Officer, said:

“We are delighted to report another period of strong growth in the first half of this financial year. We grew revenue by 22.1%, with our clients’ desire for a better understanding of their financial position and the continued development of our wealth management proposition driving strong new business flows. This, combined with acquisitions completed in the current and prior financial years, increased total client assets under management, administration and advice to over £7.5bn at the period end.

“Gross discretionary assets under management increased by 17.1% to £1.37bn, with a net increase of £0.11bn in funds managed by our discretionary portfolio management service. Custodian REIT, the UK real estate investment trust managed by our subsidiary Custodian Capital, raised a further £44.6m of new monies in the period. We also launched the Mattioli Woods Structured Products Fund in November 2016, which has generated significant client interest, raising over £60m of new monies to date.

“We have seen a sustained demand for advice in our pension business as more people look to take advantage of pension freedoms and we were pleased to announce the acquisition of MC Trustees in September last year, which is an excellent fit with our existing pension business and provides trustee and administration services to over 1,500 SIPP and SSAS schemes.

“Acquisitions continue to be a core part of our growth strategy and our purchase of 49% of Amati, announced today, represents an exciting extension to our existing asset management business and is another important step forward for Mattioli Woods, which I believe will significantly enhance the Group’s fund management expertise.

“We are proud of the strong shareholder returns we have delivered and remain committed to growing the dividend, while maintaining an appropriate level of dividend cover. The Group’s strong performance during the first half has allowed the Board to recommend the payment of an increased interim dividend, up 22.1% to 4.7 pence per share.

“Delivering great client outcomes remains at the heart of everything we do. Our focus is on ensuring the Group continues to address our clients’ changing needs and we continue to broaden our proposition through innovative product development and by acquisition. We believe our vertically-integrated models

[3] Excluding acquisitions completed in the current and prior financial years.

for wealth management and employee benefits, blending our capabilities as trusted adviser, administrator, product provider and asset manager, allow us to deliver improved and sustainable client outcomes, which will enable the Group to secure further profitable growth."

For further information please contact:

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Analyst presentation

There will be an analyst presentation to discuss the results at 09:30am today at Canaccord Genuity Limited, 88 Wood Street, London, EC2V 7QR.

Those analysts wishing to attend are asked to contact Ed Gascoigne-Pees at Camarco on +44 (0) 20 3757 4984 or at ed.gascoigne-pees@camarco.co.uk.

Interim business review

We are delighted to report another period of strong growth, with revenue for the six months ended 30 November 2016 up 22.1% to £24.3m (1H16: £19.9m). We continue to focus on delivering great outcomes for our clients, with one of our key aims being to reduce our clients' total expense ratios ("TERs") while maintaining our target profit margin. Sustained demand for advice, driven by our clients' desire for a better understanding of their financial position, and the continued development of our wealth management proposition have driven strong new business flows, which together with acquisitions completed in the current and prior financial years increased total client assets under management, administration and advice by 14.4% to £7.56bn (31 May 2016: £6.61bn) at the period end.

Discretionary management and the provision of bespoke investment advice sit at the heart of our investment proposition. Gross discretionary assets under management increased by 17.1% to £1.37bn (31 May 2016: £1.17bn), with a net increase of £0.11bn in funds managed by our discretionary portfolio management service. We have also seen strong demand for the bespoke investment opportunities the Group has developed, including our Private Investors Club and Custodian REIT plc ("Custodian REIT"), the UK real estate investment trust managed by our subsidiary Custodian Capital Limited ("Custodian Capital"), which raised £44.6m of new monies during the period.

We launched the Mattioli Woods Structured Products Fund in November 2016, which has generated significant client interest and raised over £60m to date. The new fund has been designed around our core objective of delivering sustainable long-term returns to clients while lowering their costs and offers investors the benefits of collateralisation, instant diversification, continuous availability and liquidity.

The Group charges annual fees based on the value of the investment funds it manages, enhancing the Group's recurring revenues[4], which represented 84.3% (1H16: 81.6%) of total revenue for the period.

Acquisitions continue to be a core part of our growth strategy, with the five businesses acquired in the prior year integrating well, increasing earnings and enhancing value. In September 2016 we were delighted to announce the acquisition of Old Station Road Holdings Limited and its subsidiaries (together "MC Trustees"), which is an excellent fit with our existing pension business and provides trustee and administration services to over 1,500 SIPP and SSAS schemes.

The purchase of 49% of Amati Global Investors Limited ("Amati"), which we announced today, is an exciting extension to our existing asset management business. Mattioli Woods has the option to acquire the remaining 51% of Amati in the two years commencing 6 February 2019 for a mixture of cash and Mattioli Woods' ordinary shares. Amati is an award-winning specialist fund management business based in Edinburgh, focusing on UK small and mid-sized companies. Amati manages £120m of funds, including

[4] Annual pension consultancy and administration fees; adviser charges; level and renewal commissions; banking income; property and discretionary portfolio management charges.

an open-ended investment company (the TB Amati UK Smaller Companies Fund); two AIM Venture Capital Trusts (Amati VCT and Amati VCT 2); and an AIM IHT portfolio service.

We believe further consolidation within our core markets remains likely and our strong balance sheet gives us the flexibility to make further value-enhancing acquisitions.

Our achievements have been recognised with a number of industry awards for individual and corporate achievements nationally and locally, including being named Best Wealth Management Adviser at the Money Marketing Awards in June 2016, as well as being highly commended as Best Investment Adviser.

Market

Our aim is to provide the highest levels of personal service to our clients, who include controlling directors, professionals, executives, employees, owner-managed businesses, small to medium-sized enterprises and PLCs. In recent years, we have seen a period of unprecedented change in legislation, regulation and customer needs as the potential market for our services continues to grow, with there now estimated to be a record five million Britons paying higher or additional rate income tax[5].

In November 2016 the Financial Conduct Authority ("FCA") published its proposals to investigate the market for the provision of investment advisory services to institutional investors and employers, with the Government and FCA having published a joint report on the financial advice market for consumers in March 2016. We believe these may lead to further regulatory or legislative pressure to reduce the cost to consumers.

We expect regulatory and market concerns over pricing to further validate our vertically-integrated model, where seeking operational efficiencies in administration and reducing investment management costs are key elements of our drive to reduce our clients' TERs, while maintaining fair and sustainable profit margins for our shareholders. Mattioli Woods' expanding capabilities as adviser, administrator, product provider and asset manager, position us well to secure further profitable growth.

Assets under management, administration and advice

Total client assets under management, administration and advice increased by 14.4% to £7.56bn (31 May 2016: £6.61bn) as follows:

[5] Source: HM Revenue & Customs – UK Income Tax Liabilities Statistics, 2016-17 projections

Assets under management, administration and advice[6]	*SIPP and SSAS[7]* *£m*	*Employee benefits* *£m*	*Personal and other assets* *£m*	*Total* *£m*
At 1 June 2016	3,996.1	1,158.2	1,451.6	6,605.9
Acquisition of MC Trustees[8]	442.2	-	-	442.2
Net inflow, including market movements	347.9	85.0	77.8	510.7
At 30 November 2016	4,786.2	1,243.2	1,529.4	7,558.8

Client assets attributable to MC Trustees were £442.2m at the period end, with net organic growth in total assets under management, administration and advice of £510.7m during the period, analysed as follows:

- A £347.9m increase in SIPP and SSAS funds under trusteeship, with net organic growth of 3.6% in the number of schemes being administered at the period end, comprising a 5.6% increase in the number of direct[9] schemes and 2.3% increase in the number of schemes the Group operates on an administration-only basis (excluding the MC Trustees acquisition). In recent years, we have been appointed to operate or wind-up a number of distressed SIPP portfolios following the failure of the previous operator, with lost schemes including the transfer of members of these distressed portfolios to alternative arrangements;
- A £85.0m increase in the value of assets held in those corporate pension schemes advised by our employee benefits business, although revenues in our employee benefits business are not linked to the value of client assets in the way certain of our wealth management revenue streams are; and
- A £77.8m increase in personal and other assets under management and advice, with 179 new personal clients won during the period.

Trading results

We delivered strong organic revenue growth of 14.2[10]% (1H16: 7.4%), with organic growth in the equivalent period last year adversely impacted by expected cuts in banking margin. This organic growth was supplemented by £0.4m of revenue from MC Trustees, plus a full six months' revenue of £3.4m (1H16: £1.9m) from the five businesses acquired in the previous financial year.

As a result of the strong revenue growth during the period, adjusted EBITDA[11] increased 20.9% to £5.2m (1H16: £4.3m), with adjusted EBITDA margin of 21.4% (1H16: 21.7%). Adjusted EPS[12] increased 15.9%

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[6] Certain pension scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event.

[7] Value of funds under trusteeship in SIPP and SSAS schemes administered by Mattioli Woods and its subsidiaries.

[8] Value at 30 November 2016.

[9] SIPP and SSAS schemes where the Group acts as pension consultant and administrator.

[10] Net organic revenue growth 14.6% (1H16: 12.0%) excluding banking income and acquisitions in the current and prior financial years.

[11] Earnings before interest, taxation, depreciation, amortisation, impairment and acquisition-related costs.

[12] Before acquisition–related costs, amortisation and impairment of acquired intangibles, and notional finance income and charges.

to 16.8p (1H16: 14.5p), while basic EPS was up 24.5% to 11.7p (1H16: 9.4p), with growth in operating profits stated after £0.3m (1H16: £0.3m) of acquisition-related costs and £0.1m (1H16: £0.2m) of notional finance charges on the unwinding of discounts on long term provisions.

The effective rate of taxation was 17.4% (1H16: 18.0%), due to the reversal of deferred tax liabilities on acquired intangibles following further cuts in the UK corporation tax rate.

Investment and asset management

Investment and asset management revenues generated from advising clients on both pension and personal investments increased 30.4% to £10.3m (1H16: £7.9m). Income from both initial and ongoing portfolio management charges increased to £5.1m (1H16: £4.1m), as the value of clients' assets in discretionary portfolios increased 12.5% to £0.99bn (1H16: £0.88bn). The Group's gross discretionary assets under management, including Custodian REIT, the Thoroughbred OEIC and the Mattioli Woods Structured Products Fund totalled £1.37bn (1H16: £1.08bn) at the period end.

Adviser charges based on the value of assets under advice were £5.2m (1H16: £3.8m). The growth in funds under management and advice continues to enhance the quality of earnings through an increase in recurring revenues, with the proportion of investment and asset management revenues which are recurring increasing to 81.3% (1H16: 80.9%). As with other firms, these income streams are linked to the value of funds under management and advice, and are therefore affected by the performance of financial markets.

Pension consultancy and administration

Pension consultancy and administration revenues were up 16.9% to £9.0m (1H16: £7.7m), with an increase in fees driven by the total number of SIPP and SSAS schemes administered by the Group increasing to 9,764 (1H16: 7,444).

Direct[13] pension consultancy and administration fees were up 18.6% to £7.0m (1H16: £5.9m), with sustained demand for advice as more people look to take advantage of pension freedoms. Retirement planning is often central to our clients' wealth management strategies and the number of direct schemes increased to 4,857 (1H16: 4,284), with 347 new schemes gained in the first half (1H16: 295), continuing the momentum of new business wins seen in the prior year. Our focus remains on the quality of new business, with an average new scheme value of £0.4m (1H16: £0.4m). We also maintained strong client retention, with an external loss rate[14] of 1.1% (1H16: 1.1%) and an overall attrition rate[15] of 1.4% (1H16: 2.2%).

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[13] SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator.

[14] Direct schemes lost to an alternative provider as a percentage of average scheme numbers during the period.

[15] Direct schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the period.

The number of SSAS and SIPP schemes the Group operates on an administration-only basis increased to 4,907 (1H16: 3,160) at the period end, with 1,557 administration-only schemes acquired as part of the MC Trustees portfolio. Overall, third party administration fees increased 18.8% to £1.9m (1H16: £1.6m).

The Group's banking revenue fell 50% to £0.1m (1H16: £0.2m), following the further cut in the Bank of England base rate to a historic low of 0.25% in August 2016, eliminating the small banking margin we had retained until then.

Property management

Property management revenues increased 41.2% to £2.4m (1H16: £1.7m), with our subsidiary Custodian Capital managing a portfolio of over £400m of property investments, which had a net asset value of £378.4m (1H16: £322.4m) at the period end. The majority of our property management revenues are derived from the services provided by Custodian Capital to Custodian REIT, which now has a market capitalisation of circa £350m and offers one of the highest yields[16] among its UK property investment company peer group, coupled with the potential for capital growth from a balanced portfolio of real estate assets.

In addition, Custodian Capital continues to facilitate direct property ownership on behalf of pension schemes and private clients and also manages our "Private Investors Club", which offers alternative investment opportunities to suitable clients by way of private investor syndicates. This initiative continues to be well supported, with £13.6m (1H16: £5.6m) invested in the four (1H16: three) new syndicates completed during the period.

Employee benefits

Employee benefits revenues were £2.6m (1H16: £2.6m), with the market still adjusting following the abolition of provider commissions in April 2016. The majority of our corporate clients moved to a fee-based proposition last year, which was well-received and led to an increase in recurring revenues, with 77.6% (1H16: 78.5%) of employee benefits revenues now recurring (1H15: 61.4%).

We continue to seek opportunities to enhance our revenues from pension and non-pension related areas. At a time when the employee benefits market is going through extensive transition, we are growing our consultancy team to capitalise on the extensive opportunities we believe the Government's emphasis on workplace advice presents for us to realise further synergies with our wealth management business.

Cash flow

Cash generated from operations increased to £2.2m or 44.9% of EBITDA (1H16: £1.7m or 41.3%). The cash conversion ratio improved following an increase in the Group's operating profit margin before

[16] Source: Numis Securities Limited, Investment Companies Datasheet dated 3 February 2017.

changes in working capital and provisions to 24.3% (1H16: 23.6%), which was partially offset by a £3.7m (1H16: £3.0m) increase in the Group's working capital requirement as a result of strong organic revenue growth during the period.

The increase in working capital requirement comprised a £2.0m (1H16: £1.3m) decrease in trade and other payables, a £1.6m (1H16: £1.8m) increase in trade and other receivables and a £0.1m decrease (1H16: £0.1m increase) in provisions. The fall in trade and other payables was primarily due to:

- The payment of £3.5m (1H16: £3.0m) of accrued staff bonuses, following a successful year ended 31 May 2016 in which results were ahead of target;
- A £0.4m fall in trade creditors following the payment of invoices outstanding at the end of the previous financial year; and
- The payment of social security and other taxes outstanding at the prior year end.

Trade and other receivables increased as a consequence of the strong growth in our direct pension business (where fees are typically invoiced six months in arrears), with the higher value of clients' assets under management and advice increasing accrued income in our investment and asset management business.

Net cash at 30 November 2016 was £22.6m (1H16: £22.6m), after cash outflows of £3.8m (1H16: £0.5m) on capital expenditure, £2.3m (1H16: £nil) of contingent consideration on historic acquisitions and net initial consideration of £1.2m (1H16: £2.9m) on acquisitions during the period. Capital expenditure was in line with expected spend, with £3.0m of initial stage payments made on the development of the Group's new offices in Leicester, plus £0.5m of further investment in computer hardware and software as we continue to develop our IT platform. The first phase of our new customer relationship management system went live in September 2016 and this is expected to realise operational efficiencies and enable further integration across the Group.

EBITDA increased 22.5% to £4.9m (1H16: £4.0m), with first half EBITDA margin improving slightly to 20.2% (1H16: 20.1%). Profit before tax was up 28.6% to £3.6m (1H16: £2.8m) and we believe we have the strategy to deliver further revenue and profit growth for the full year.

Our people

We continue our transition from small to big, retaining our core principles as a business built on the integrity and expertise of our people. Our total headcount at 30 November 2016 had increased to 571 (1H16: 423) and we continue to invest in our graduate recruitment programme, with eight (1H16: eight) new graduates and 13 (1H16: nine) apprentices joining the Group during the period. We continue to expand our consultancy and technical teams to take advantage of new business opportunities, with the number of consultants having increased to 102 (1H16: 100) at the period end.

With continued growth in our investment and asset management business, and to support our growth ambitions, we have strengthened our senior management team through the appointments of Simon Gibson as the Group's Chief Investment Officer and Gareth Green as Head of Risk Management and Compliance. Simon is a well-respected fund manager with over 30 years' investing experience, while Gareth brings more than 20 years' experience of compliance, internal audit and operations assurance roles within the financial services sector.

We also welcomed 26 employees to the Group as part of the MC Trustees acquisition completed during the period. As an Investors in People company we are committed to developing our people and building the capacity to deliver sustainable growth. Recent expansion has seen us move into larger premises in London and open a new office in Manchester, strengthening Mattioli Woods' position in the North West following the acquisition of Preston-based financial advisory firm, Taylor Paterson, last year.

Construction on our new central Leicester office, which will provide our staff with a modern working environment and capacity for further growth, remains scheduled to complete around the end of this calendar year.

We enjoy a strong team spirit and facilitate employee equity ownership through the Mattioli Woods plc Share Incentive Plan ("the Plan") and other share schemes. At the end of the period 56% of eligible staff invested in the Plan (1H16: 63%) and we will continue to encourage broader staff participation.

We are very proud that Bob Woods and Ian Mattioli were recognised through the award of MBEs in the Queen's New Year's Honours list. Mattioli Woods' achievements over the last 25 years are the result of a fantastic team effort in which all our people have played a part and we would like to thank all our staff for their continued commitment, enthusiasm and professionalism in dealing with our clients' affairs.

Dividend

The Board is pleased to recommend the payment of an increased interim dividend, up 22.1% to 4.7 pence per share (1H16: 3.85 pence). The Board remains committed to growing the dividend, while maintaining an appropriate level of dividend cover. The interim dividend will be paid on 31 March 2017 to shareholders on the register at the close of business on 17 February 2017.

Acquisitions

We have invested £46m since our admission to AIM in 2005 in bringing 20 businesses or client portfolios into the Group, developing considerable expertise and a strong track record in the execution and subsequent integration of such transactions. With increasing complexity and continuing consolidation across the key markets in which we operate, we are confident there will be further opportunities to accelerate our strong organic growth by acquisition.

In September 2016, we were pleased to acquire MC Trustees, bringing additional scale and expertise to our pension administration business. MC Trustees is a great fit culturally and strategically, serving a similar client base to the Group's existing business, while complementing our existing operations in the East Midlands.

The Group's strategic investment in Amati announced today brings a new dimension to our asset management business, which we expect to deliver significant synergies for each business.

Strategy

Vertical integration gives us the ability to reduce clients' TERs while maintaining margin. We remain focused on the pursuit of strong organic growth, supplemented by strategic acquisitions that enhance value and broaden or deepen our expertise and services. Our distribution channels include our consultancy team, a nationwide network of professional introducers and, increasingly, our workplace financial education programmes.

Our ambition is to become an even stronger force in the UK financial services sector and as part of our strategy to promote the Group we announced a three-year deal with rugby giants Leicester Tigers in July 2016, giving national coverage and strengthening our brand awareness.

Outlook

Delivering great client outcomes remains at the heart of everything we do. Our focus is on ensuring the Group continues to address our clients' changing needs and we continue to broaden our proposition through innovative product development and by acquisition. We believe our vertically-integrated models for wealth management and employee benefits, blending our capabilities as trusted adviser, administrator, product provider and asset manager, allow us to deliver improved and sustainable client outcomes, which will enable the Group to secure further profitable growth.

Joanne Lake
Non-Executive Chairman

Ian Mattioli MBE
Chief Executive Officer

6 February 2017

Independent review report to Mattioli Woods plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 November 2016 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and associated notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing and presenting the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 November 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union and the AIM Rules of the London Stock Exchange.

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
6 February 2017

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 November 2016

	Note	***Unaudited Six months ended 30 Nov 2016 £000***	*Unaudited Six months ended 30 Nov 2015 £000*	*Audited Year ended 31 May 2016 £000*
Revenue	6	**24,286**	19,895	42,950
Employee benefits expense		**(13,880)**	(11,736)	(24,552)
Other administrative expenses		**(4,501)**	(3,458)	(7,807)
Share based payments	11	**(932)**	(653)	(1,594)
Amortisation and impairment		**(971)**	(892)	(1,816)
Depreciation		**(270)**	(197)	(497)
Loss on disposal of property, plant and equipment		**(44)**	(18)	(56)
Operating profit before financing		**3,688**	2,941	6,628
Finance revenue		**31**	22	122
Finance costs		**(137)**	(146)	(459)
Net finance (cost)		**(106)**	(124)	(337)
Profit before tax		**3,582**	2,817	6,291
Income tax expense	9	**(625)**	(506)	(1,046)
Profit for the period		**2,957**	2,311	5,245
Other comprehensive income for the period, net of tax		**-**	-	-
Total comprehensive income for the period, net of tax		**2,957**	2,311	5,245
Attributable to:				
Equity holders of the parent		**2,957**	2,311	5,245
Earnings per ordinary share:				
Basic (pence)	7	**11.7**	9.4	21.1
Adjusted (pence)	7	**16.8**	14.5	30.9
Diluted (pence)	7	**11.6**	9.4	21.0
Proposed dividend per share (pence)	8	**4.7**	3.85	12.5

The operating profit before financing for each period arises from the Group's continuing operations.

Interim condensed consolidated statement of financial position
As at 30 November 2016

Registered number: 3140521

	Note	***Unaudited 30 Nov 2016 £000***	*Unaudited 30 Nov 2015 £000*	*Audited 31 May 2016 £000*
Assets				
Property, plant and equipment		**5,907**	1,620	1,997
Intangible assets	5	**45,137**	43,213	43,410
Deferred tax asset	9	**965**	501	737
Total non-current assets		**52,009**	45,334	46,144
Trade and other receivables		**15,756**	15,932	13,495
Investments		**79**	63	79
Cash and short-term deposits		**22,649**	22,639	29,809
Total current assets		**38,484**	38,634	43,383
Total assets		**90,493**	83,968	89,527
Equity				
Issued capital		**253**	250	252
Share premium		**28,114**	27,186	27,765
Merger reserve		**8,781**	8,531	8,531
Equity – share based payments		**2,173**	1,151	1,642
Capital redemption reserve		**2,000**	2,000	2,000
Retained earnings		**26,240**	23,342	25,391
Total equity attributable to equity holders of the parent		**67,561**	62,460	65,581
Non-current liabilities				
Deferred tax liability	9	**3,684**	3,928	3,724
Financial liabilities and provisions	13	**3,475**	6,125	5,738
Total non-current liabilities		**7,159**	10,053	9,462
Current liabilities				
Trade and other payables		**9,565**	7,089	10,047
Income tax payable	9	**1,382**	1,119	1,083
Financial liabilities and provisions	13	**4,826**	3,247	3,354
Total current liabilities		**15,773**	11,455	14,484
Total liabilities		**22,932**	21,508	23,946
Total equities and liabilities		**90,493**	83,968	89,527

Interim condensed consolidated statement of changes in equity
For the six months ended 30 November 2016

	Note	*Issued capital £000*	*Share premium £000*	*Merger reserve £000*	*Equity – share based payments £000*	*Capital redemption reserve £000*	*Retained earnings £000*	*Total equity £000*
As at 1 June 2015- *Audited*		**204**	**8,689**	**4,838**	**997**	**2,000**	**22,739**	**39,467**
Total comprehensive income for period								
Profit for the period		-	-	-	-	-	2,311	2,311
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for period		-	-	-	-	-	2,311	2,311
Transactions with owners of the Company, recognised directly in equity								
Issue of share capital		46	18,497	3,693	-	-	-	22,236
Share-based payment transactions	11	-	-	-	180	-	-	180
Deferred tax asset derecognised in equity		-	-	-	(16)	-	-	(16)
Current tax taken to equity		-	-	-	72	-	-	72
Reserves transfer		-	-	-	(82)	-	82	-
Dividends	8	-	-	-	-	-	(1,790)	(1,790)
As at 30 November 2015 - *Unaudited*		250	27,186	8,531	1,151	2,000	23,342	62,460
Total comprehensive income for period								
Profit for the period		-	-	-	-	-	2,934	2,934
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for period		-	-	-	-	-	2,934	2,934
Transactions with owners of the Company, recognised directly in equity								
Issue of share capital		2	579	-	-	-	-	581
Share-based payment transactions	11	-	-	-	416	-	-	416
Deferred tax asset recognised in equity		-	-	-	77	-	-	77
Current tax taken to equity		-	-	-	77	-	-	77
Dividends	8	-	-	-	-	-	(964)	(964)
Reserves transfer		-	-	-	(79)	-	79	-
As at 31 May 2016 - *Audited*		**252**	**27,765**	**8,531**	**1,642**	**2,000**	**25,391**	**65,581**

Interim condensed consolidated statement of changes in equity (continued)
For the six months ended 30 November 2016

		Issued capital £000	*Share premium £000*	*Merger reserve £000*	*Equity – share based payments £000*	*Capital redemption reserve £000*	*Retained earnings £000*	*Total equity £000*
As at 1 June 2016 - *Audited*		**252**	**27,765**	**8,531**	**1,642**	**2,000**	**25,391**	**65,581**
Total comprehensive income for period								
Profit for the period		-	-	-	-	-	2,957	2,957
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for period		-	-	-	-	-	2,957	2,957
Transactions with owners of the Company, recognised directly in equity								
Issue of share capital		1	349	250	-	-	-	600
Share-based payment transactions	11	-	-	-	436	-	-	436
Deferred tax asset recognised in equity		-	-	-	50	-	-	50
Current tax taken to equity		-	-	-	124	-	-	124
Reserves transfer		-	-	-	(79)	-	79	-
Dividends	8	-	-	-	-	-	(2,187)	(2,187)
As at 30 November 2016 - *Unaudited*		**253**	**28,114**	**8,781**	**2,173**	**2,000**	**26,240**	**67,561**

Interim condensed consolidated statement of cash flows
For the six months ended 30 November 2016

	Note	***Unaudited Six months ended 30 Nov 2016 £000***	*Unaudited Six months ended 30 Nov 2015 £000*	*Audited Year ended 31 May 2016 £000*
Operating activities				
Profit for the period		**2,957**	2,311	5,245
Adjustments for:				
Depreciation		**270**	197	497
Amortisation and impairment		**971**	892	1,816
Gain on bargain purchase		**-**	-	(105)
Investment income		**(31)**	(22)	(122)
Interest expense		**137**	146	459
Loss on disposal of property, plant and equipment		**44**	18	56
Equity-settled share-based payments	11	**539**	293	838
Cash-settled share-based payments	11	**393**	360	756
Income tax expense		**625**	506	1,046
Cash flows from operating activities before changes in working capital and provisions		**5,905**	4,701	10,486
Increase in trade and other receivables		**(1,589)**	(1,817)	(509)
(Decrease)/increase in trade and other payables		**(1,977)**	(1,265)	1,619
(Decrease)/increase in provisions		**(97)**	47	192
Cash generated from operations		**2,242**	1,666	11,788
Interest paid		**(2)**	-	
Income taxes paid		**(805)**	(677)	(1,714)
Net cash flows from operating activities		**1,435**	989	10,074
Investing activities				
Proceeds from sale of property, plant and equipment		**40**	32	75
Purchase of property, plant and equipment		**(3,547)**	(358)	(1,115)
Purchase of software		**(278)**	(167)	(597)
Consideration paid on acquisition of subsidiaries	4	**(3,491)**	(5,965)	(6,911)
Consideration paid on acquisition of business		**-**	(199)	(735)
Cash received on acquisition of subsidiaries	4	**172**	3,217	3,217
Other investments		**-**	-	(16)
Interest received		**31**	22	122
Loans advanced to investment syndicates		**(541)**	(1,163)	(2,188)
Loan repayments from investment syndicates		**75**	-	2,158
Net cash from investing activities		**(7,539)**	(4,581)	(5,990)
Financing activities				
Proceeds from the issue of share capital		**247**	19,116	19,568
Payment of costs of share issue		**-**	(692)	(693)
Repayment of borrowings acquired in business combinations	4	**-**	(965)	(965)
Proceeds of loans receivable acquired in business combinations	4	**884**	-	-
Repayment of Directors' loans		**-**	(8)	(1)
Dividends paid	8	**(2,187)**	(1,790)	(2,754)
Net cash from financing activities		**(1,056)**	15,661	15,155
Net (decrease)/increase in cash and cash equivalents		**(7,160)**	12,069	19,239
Cash and cash equivalents at start of period		**29,809**	10,570	10,570
Cash and cash equivalents at end of period		**22,649**	22,639	29,809

Notes to the interim condensed consolidated financial statements

1 Corporate information

Mattioli Woods plc ("the Company") is a public limited company incorporated and domiciled in England and Wales, whose shares are traded on the AIM market of the London Stock Exchange plc. The interim condensed consolidated financial statements comprise the Company and its subsidiaries ("the Group"). The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 6 February 2017.

The principal activities of the Group are described in Note 6.

2 Basis of preparation and accounting policies

2.1 *Basis of preparation*

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.* The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 May 2016, which were prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS.

The information relating to the six months ended 30 November 2016 and the six months ended 30 November 2015 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 May 2016 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not draw attention to any matters by way of emphasis, or contain a statement under section 498(2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements have been reviewed by the auditor and their report to the Board of Mattioli Woods plc is included within this interim report.

2.2 *Significant accounting policies*

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 May 2016. In August 2015 the Group announced plans to build a new central Leicester office on the site of the former Leicester City Council headquarters at New Walk.

Construction commenced in May 2016, with the first costs of construction capitalised during the current period. The cost of property under construction is based on valuation of progress in the reporting period and includes any costs directly attributable to bringing the property to the condition necessary for it to become available for use.

Depreciation will be provided on all property from the point at which the property is available for use at rates calculated to write each asset down to its estimated residual value over its expected useful life.

Standards affecting the financial statements

In the current period, there have been no new or revised standards and interpretations that have been adopted and have affected the amounts reported in these financial statements.

Standards not affecting the financial statements

The following new and revised standards and interpretations have been adopted in the current period:

Standard or interpretation		*Periods commencing on or after*
Annual Improvements to IFRSs 2012-2014 Cycle		1 January 2016
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 16 (amended)	Property, Plant and Equipment	1 January 2016
IAS 27 (revised)	Equity Method in Separate Financial Statements	1 January 2016
IAS 28 (amended)	Investments in Associates and Joint Ventures	1 January 2016
IAS 38 (amended)	Intangible Assets	1 January 2016
IFRS 10 (amended)	Consolidated Financial Statements	1 January 2016
IFRS 11 (amended)	Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 12 (amended)	Disclosures of Interests in Other Entities	1 January 2016

Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements, or give rise to additional disclosures.

Future new standards and interpretations

A number of new standards and amendments to standards and interpretations will be effective for future annual and interim periods and, therefore, have not been applied in preparing these condensed consolidated interim financial statements. At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Standard or interpretation		Periods commencing on or after
IFRS2 (amended)	Classification and Measurement of Share-based Payments	1 January 2017
IAS7 (amended)	Disclosure Initiative	1 January 2017
IAS12 (amended)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' are expected to have the most significant effect on the condensed consolidated interim financial statements and the consolidated financial statements of the Group.

IFRS 16 'Leases' is not expected to become mandatory for periods commencing before 1 January 2019. The Group does not plan to adopt these standards early and the extent of their impact has not yet been fully determined. These standards have not yet been adopted by the EU. The amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' have not yet been endorsed by the EU.

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' are not expected to become mandatory for periods commencing before 1 January 2018. IFRS 9 'Financial Instruments' could change the classification and measurement of financial assets and the timing and extent of credit provisioning. IFRS 15 'Revenue from Contracts with Customers' could change how and when revenue is recognised from contracts with customers.

IFRS 16 'Leases' eliminates the classification of leases as either operating leases or finance leases. The Group will be required to recognise all leases with a term of more than 12 months as a lease asset in its statement of financial position, together with a financial liability representing its obligation to make future lease payments.

Other than to expand certain disclosures within the financial statements, the Directors do not expect the adoption of the other standards and interpretations listed above will have a material impact on the financial statements of the Group in future periods.

Financial statements for the year ending 31 May 2017

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements will be consistent with those to be followed in the preparation of the Group's annual financial statements for the year ending 31 May 2017, except for the adoption of new standards and interpretations not yet issued.

2.3 *Basis of consolidation*

The interim condensed consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 November each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2.4 *Key sources of judgements and estimation uncertainty*

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arises, or where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

Impairment of client portfolios

The Group reviews whether acquired client portfolios are impaired at least on an annual basis. This comprises an estimation of the fair value less cost to sell and the value in use of the acquired client portfolios. In assessing value in use, the estimated future cash flows expected to arise from each client portfolio are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and expenses during the period covered by the calculations. Changes to revenue and costs are based upon management's expectation. The Group prepares its annual budget and five-year cash flow forecasts derived therefrom, thereafter extrapolating these cash flows using a terminal growth rate of 2.5% (1H16: 2.5%), which management considers conservative against industry average long-term growth rates.

The key assumption used in arriving at a fair value less cost of sale are those around valuations based on earnings multiples and values based on assets under management. These have been determined by looking at valuations of similar businesses and the consideration paid in comparable transactions.

Management has used a range of multiples resulting in an average of 7.5x EBITDA to arrive at a fair value.

The carrying amount of client portfolios at 30 November 2016 was £26.1m (1H16: £25.6m). No impairments have been made during the period (1H16: £nil) based upon the Directors' review.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. In assessing value in use, the estimated future cash flows expected to arise from the cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations, based upon management's expectation. The carrying amount of goodwill at 30 November 2016 was £17.3m (1H16: £16.4m). No impairments have been made during the period (1H16: £nil) based upon the Directors' review.

Internally generated capitalised software

The costs of internal software developments are capitalised where they are judged to have an economic value that will extend into the future and meet the recognition criteria in IAS38 'Intangible Assets'. Internally generated software is then amortised over an estimated useful life, assessed by taking into consideration the useful life of comparable software packages. The carrying amount of internally generated capitalised software at 30 November 2016 was £1.1m (1H16: £0.8m).

Deferred tax assets

Deferred tax assets include temporary differences related to employee benefits settled via the issue of share options. Recognition of the deferred tax assets assumes share options will have a positive value at the date of vesting, which is greater than the exercise price. The carrying amount of deferred tax assets at 30 November 2016 was £1.0m (1H16: £0.5m).

Recoverability of accrued time costs and disbursements

The Group recognises accrued income in respect of time costs and disbursements incurred on clients' affairs during the accounting period, which have not been invoiced at the reporting date. This requires an estimation of the recoverability of the time costs and disbursements incurred but not invoiced to clients. The carrying amount of accrued time costs at 30 November 2016 was £5.0m (1H16: £4.3m).

Accrued income

Accrued income is recognised in respect of adviser charges and commissions due to the Group on investments and bank deposits placed during the accounting period which have not been received at the reporting date. This requires an estimation of the amount of income that will be received subsequent to the reporting date in respect of the accounting period, which is based on the value of historic receipts and investments placed by clients under management and advice. The carrying amount of accrued income at 30 November 2016 was £3.5m (1H16: £3.1m).

Acquisitions and business combinations

When an acquisition arises the Group is required under IFRS to calculate the Purchase Price Allocation ("PPA"). The PPA requires companies to report the fair value of assets and liabilities acquired and it establishes useful lives for identified assets. The identification and valuation of any separately identifiable intangible assets acquired involves estimation and judgement when determining whether the recognition criteria are met. The classification of consideration payable as either purchase consideration or remuneration is an area of judgement and estimate.

Contingent consideration payable on acquisitions

The Group has entered into certain acquisition agreements that provide for a contingent consideration to be paid. A financial instrument is recognised for all amounts management anticipates will be paid under the relevant acquisition agreement. This requires management to make an estimate of the expected future cash flows from the acquired business and determine a suitable discount rate for the calculation of the present value of any contingent consideration payments. The carrying amount of contingent consideration provided for at 30 November 2016 was £4.4m (1H16: £6.8m).

Provisions

As detailed in Note 13, the Group recognises provisions for client claims, contingent consideration payable on acquisitions, commission clawbacks, cash-settled share based payment awards and other obligations which exist at the reporting date. These provisions are estimates and the actual amount and timing of future cash flows are dependent on future events. Management reviews these provisions at each reporting date to ensure they are measured at the current best estimate of the expenditure required to settle the obligation. Any difference between the amounts previously recognised and the current estimate is recognised immediately in the statement of comprehensive income.

3. Seasonality of operations

Historically, revenues in the second half-year have been typically higher than in the first half, primarily due to SSAS scheme year-ends being linked to the sponsoring company's year-end, which is often in December or March, coupled with the end of the fiscal year being 5 April. Despite growth in the number of SIPP schemes under administration and further diversification of the Group's wealth management and employee benefits revenue streams, the Directors believe there is still some seasonality of operations, although a substantial element of the Group's revenues are now geared to the prevailing economic and market conditions.

4. Business combinations

On 7 September 2016, Mattioli Woods plc acquired the entire issued share capital of Old Station Road Holdings Limited and its subsidiaries (together "MC Trustees"), a pension administration business based in Hampton-in-Arden in the West Midlands. The business specialises in the provision of personal service and strong technical advice.

The acquisition has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities of MC Trustees as at the date of acquisition was:

	Fair value recognised on acquisition £000	*Fair value adjustments £000*	*Previous carrying value £000*
Property, plant and equipment	18	-	18
Client portfolio	1,522	1,522	-
Cash at bank	172	-	172
Trade receivables	208	(68)	276
Other receivables	884	-	884
Assets	2,804	1,454	1,350
Trade and other payables	(112)	-	(112)
Accruals and deferred income	(625)	(10)	(615)
Other taxation and social security	(72)	-	(72)
Income tax	(108)	-	(108)
Provisions	(93)	(80)	(13)
Deferred tax liability	(278)	(274)	(4)
Liabilities	(1,288)	(364)	(924)
Total identifiable net assets at fair value	1,516		
Goodwill	869		
Total acquisition cost	2,385		
Analysed as follows:			
Initial cash consideration	1,241		
Adjustment to initial consideration	(14)		
New shares in Mattioli Woods	250		
Contingent consideration	1,000		
Discounting of contingent consideration	(92)		
Total acquisition cost	2,385		

Cash outflow on acquisition	£000
Cash paid	1,241
Cash acquired	(172)
Acquired net assets adjustment	(14)
Acquisition costs	130
Net cash outflow	1,185

MC Trustees is an excellent cultural and strategic fit with Mattioli Woods' existing pension business, providing pension administration and trustee services to over 1,500 SIPP and SSAS clients with over £400m of assets under administration. The acquisition brings additional scale to Mattioli Woods' existing operations and offers the opportunity to transfer MC Trustees' business onto Mattioli Woods' bespoke pension administration platform.

Synergies include the ability to promote additional services to existing and prospective clients of MC Trustees. In addition, the acquisition added further specialist expertise to the Group and its experienced management team has remained with the business. The goodwill recognised above is attributed to the expected benefits from combining the assets and activities of MC Trustees with those of the Group. The primary components of this residual goodwill comprise:

- Revenue synergies expected to be available to Mattioli Woods as a result of the transaction;
- The workforce;
- The knowledge and know-how resident in MC Trustees' modus operandi; and
- New opportunities available to the combined business, as a result of both MC Trustees and the existing business becoming part of a more sizeable listed company.

None of the recognised goodwill is expected to be deductible for income tax purposes. The client portfolio is being amortised on a straight-line basis over an estimated useful life based on the Group's historic experience.

From the date of acquisition MC Trustees has contributed £0.35m to revenue and £0.04m to the Group profit for the period. If the combination had taken place at the beginning of the period, Group revenue from continuing operations would have been £24.8m and the profit for the period would have been £3.1m.

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. These agreements and the basis of calculation of the net present value of the contingent consideration are summarised below. While it is not possible to determine the exact amount of contingent consideration (as this will depend on the performance of the acquired businesses during the period), the Group estimates the fair value of contingent consideration payable within the next 12 months is £2.8m (1H16: £2.4m).

On 7 September 2016 the Group acquired MC Trustees for an initial consideration comprising cash of £1.2m (excluding cash acquired with the business) and 38,081 shares in Mattioli Woods, plus contingent consideration of £1.0m payable in cash in the two years following completion if certain profit targets are met. The Group estimates the fair value of the remaining contingent consideration at 30 November 2016 to be £0.9m using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 8 September 2015 the Group acquired Taylor Patterson for an initial consideration comprising cash of £2.1m (excluding cash acquired with the business) and 419,888 shares in Mattioli Woods, plus contingent consideration of £3.3m payable in cash in the three years following completion if certain revenue targets are met. The Group estimates the fair value of the remaining contingent consideration at 30 November 2016 to be £2.2m (1H16: £3.0m) using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 23 June 2015 the Group acquired Boyd Coughlan for initial consideration comprising cash of £3.9m (excluding cash acquired with the business) and 235,742 shares in Mattioli Woods, plus contingent consideration of £2.0m payable in cash in the three years following completion if certain revenue targets are met. The Group estimates the fair value of the remaining contingent consideration at 30 November 2016 to be £1.2m (1H16: £2.3m) using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 11 August 2014 the Group acquired UKWM Pensions for initial cash consideration of £0.28m (excluding cash acquired with the business) plus contingent consideration of £0.08m payable in cash in the two years following completion if certain revenue targets are met. The Group estimates the fair value of the remaining contingent consideration at 30 November 2016 to be £0.04m (1H16: £0.08m) using cash flows approved by the Board covering the contingent consideration period.

On 23 April 2013, the Group acquired the trade and certain assets of Ashcourt Rowan Administration Limited, 100% of the share capital of Ashcourt Rowan Pension Trustees Limited and 100% of the share capital of Robinson Gear (Management Services) Limited for an initial cash consideration of £0.66m plus contingent consideration of up to £0.625m payable in cash in the five years following completion if certain targets are met based on growth in revenues, client retention and the referral of new business during that period. During the period £0.16m of the remaining consideration payable was released to the Statement of Comprehensive Income as the number new scheme referrals were lower than target. The Group estimates the fair value of the remaining contingent consideration at 30 November 2016 to be £0.10m (1H16: £0.40m) using cash flows approved by the Board covering the contingent consideration period.

5. Intangible assets

Gross carrying amount:	Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Other £000	Total £000
At 1 June 2015	1,051	866	21,712	10,771	35	34,435
Arising on acquisitions	-	-	9,428	5,591	-	15,019
Additions	77	90	-	-	-	167
At 30 Nov 2015	1,128	956	31,140	16,362	35	49,621
Arising on acquisitions	-	-	692	(1)	-	691
Additions	306	124	-	-	-	430
Disposal	-	-	-	-	-	-
At 31 May 2016	1,434	1,080	31,832	16,361	35	50,742
Arising on acquisitions	-	-	1,522	869	-	2,391
Fair value adjustment on acquisition in the prior period	-	-	-	29	-	29
Additions	103	175	-	-	-	278
At 30 November 2016	1,537	1,255	33,354	17,259	35	53,440
Amortisation and impairment:						
At 1 June 2015	243	483	4,822	-	35	5,583
Amortisation	51	38	736	-	-	825
At 30 November 2015	294	521	5,558	-	35	6,408
Amortisation in period	55	36	833	-	-	924
At 31 May 2016	349	557	6,391	-	35	7,332
Amortisation in period	72	40	859	-	-	971
At 30 November 2016	421	597	7,250	-	35	8,303
Carrying amount:						
At 30 November 2016	**1,116**	**658**	**26,104**	**17,259**	**-**	**45,137**
At 30 November 2015	834	435	25,582	16,362	-	43,213
At 31 May 2016	1,085	523	25,441	16,361	-	43,410

In the year ended 31 May 2016 the Group acquired Boyd Coughlan, Taylor Patterson, Lindley Trustees, Maclean Marshall Healthcare and Stadia Trustees.

The fair values of the assets and liabilities acquired have been reconsidered as part of the hindsight period. The only changes made were to Taylor Patterson, where a provision of £29,000 was created to recognise additional contractual liabilities.

6. Segment information

The Group's operating segments comprise the following:

- Pension consultancy and administration – fees earned by Mattioli Woods for setting up and administering pension schemes. Additional fees are generated from consultancy services provided for special one-off activities and the provision of bespoke scheme banking arrangements;
- Investment and asset management – income generated from the placing of investments on behalf of clients;
- Property management – income generated where Custodian Capital manages collective property investment vehicles, facilitates direct commercial property investments on behalf of clients or acts as the external discretionary manager for Custodian REIT plc; and
- Employee benefits – income generated by the Group's employee benefits business operations.

Each segment represents a revenue stream subject to risks and returns that are different to other operating segments, although each operating segment's products and services are offered to the same market. The Group operates exclusively within the United Kingdom.

Operating Segments

The operating segments defined above all utilise the same intangible assets, property, plant and equipment and the segments have been financed as a whole, rather than individually.

The Group's operating segments are managed together as one business. Accordingly, certain costs are not allocated across the individual operating segments, as they are managed on a group basis. Segment profit or loss reflects the measure of segment performance reviewed by the Board of directors (the Chief Operating Decision Maker).

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 November 2016 and 2015, and the year ended 31 May 2016 respectively:

Six months ended 30 Nov 2016	*Pension consultancy and administration £000*	*Investment and asset management £000*	*Property management £000*	*Employee benefits £000*	*Total segments £000*	*Corporate costs £000*	*Consolidated £000*
Revenue							
External client	9,005	10,291	2,379	2,611	24,286	-	24,286
Total revenue	9,005	10,291	2,379	2,611	24,286	-	24,286
Profit before tax							
Segment result	1,732	2,409	590	41	4,772	(1,190)	3,582
Six months ended 30 Nov 2015	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Revenue							
External client	7,605	7,948	1,723	2,619	19,895	-	19,895
Total revenue	7,605	7,948	1,723	2,619	19,895	-	19,895
Profit before tax							
Segment result	1,475	1,718	386	233	3,812	(995)	2,817

Year ended 31 May 2016	Pension consultancy and administration £000	Investment and asset management £000	Property syndicates £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue							
External client	16,563	17,054	4,066	5,267	42,950	-	42,950
Total revenue	16,563	17,054	4,066	5,267	42,950	-	42,950
Profit before tax							
Segment result	3,279	3,498	814	491	8,082	(1,791)	6,291

The following table presents segment assets of the Group's operating segments as at 30 November 2016 and 2015, and at 31 May 2016 (the date of the last annual financial statements):

	Unaudited 30 Nov 2016 £000	*Unaudited 30 Nov 2015 £000*	*Audited 31 May 2016 £000*
Pension consultancy and administration	**24,581**	21,548	21,977
Investment and asset management	**20,210**	20,516	19,683
Property management	**1,089**	1,616	898
Employee benefits	**11,875**	11,729	11,311
Total segments	**57,755**	55,409	53,869
Corporate assets	**32,738**	28,559	35,658
Total assets	**90,493**	83,968	89,527

Segment assets exclude property, plant and equipment, certain items of computer software, investments, current and deferred tax balances, and cash balances, as these assets are considered corporate in nature and are not allocated to a specific operating segment. Acquired intangibles and amortisation thereon relate to a specific transaction and are allocated between individual operating segments based on the headcount or revenue mix of the cash generating units at the time of acquisition. The subsequent delivery of services to acquired clients may be across a number or all operating segments, comprising different operating segments to those the acquired intangibles have been allocated to.

Liabilities have not been allocated between individual operating segments, as they cannot be allocated on anything other than an arbitrary basis.

Corporate costs

Certain administrative expenses including acquisition costs, amortisation of software, depreciation of property, plant and equipment, irrecoverable VAT, legal and professional fees and professional indemnity insurance are not allocated between segments that are managed on a unified basis and utilise the same intangible and tangible assets.

Finance income and expenses, gains and losses on the disposal of assets, taxes, intangible assets and certain other assets and liabilities are not allocated to individual segments as they are managed on a group basis. Capital expenditure consists of additions of property, plant and equipment and intangible assets, including assets from the acquisition of subsidiaries.

Reconciliation of profit	***Unaudited 30 Nov 2016 £000***	*Unaudited 30 Nov 2015 £000*	*Audited 31 May 2016 £000*
Total segments	**4,772**	3,812	8,082
Acquisition-related costs	**(308)**	(285)	(339)
Depreciation	**(270)**	(197)	(497)
Amortisation and impairment	**(112)**	(157)	(247)
Loss on disposal of assets	**(44)**	(18)	(56)
Unallocated overheads	**(339)**	(205)	(298)
Bank charges	**(11)**	(9)	(17)
Finance income	**31**	22	122
Finance costs	**(137)**	(146)	(459)
Group profit before tax	**3,582**	2,817	6,291

Reconciliation of assets	***Unaudited 30 Nov 2016 £000***	*Unaudited 30 Nov 2015 £000*	*Audited 31 May 2016 £000*
Segment operating assets	**57,755**	55,409	53,869
Property, plant and equipment	**5,907**	1,620	1,997
Intangible assets	**1,774**	1,268	1,608
Investments	**79**	63	79
Deferred tax asset	**965**	501	737
Prepayments and other receivables	**1,364**	2,468	1,428
Cash and short-term deposits	**22,649**	22,639	29,809
Total assets	**90,493**	83,968	89,527

7. Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The income and share data used in the basic and diluted earnings per share computations is as follows:

	Unaudited Six months ended 30 Nov 2016 £000	*Unaudited Six months ended 30 Nov 2015 £000*	*Audited Year ended 31 May 2016 £000*
Net profit and diluted net profit attributable to equity holders of the Company	**2,957**	2,311	5,245
Weighted average number of ordinary shares:	***000s***	*000s*	*000s*
Issued ordinary shares at start period	**25,205**	20,373	20,372
Effect of shares issued during the year ended 31 May 2016	**-**	4,049	4,430
Effect of shares issued during the current period	**111**	74	74
Basic weighted average number of shares	**25,316**	24,496	24,876
Effect of dilutive options at the statement of financial position date	**256**	168	90
Diluted weighted average number of shares	**25,572**	24,664	24,966

The Company has granted options under the Mattioli Woods plc Consultants' Share Option Plan ("the Consultants' Option Plan") and the Mattioli Woods 2010 Long Term Incentive Plan ("the LTIP") to certain of its senior managers and directors to acquire (in aggregate) up to 3.53% of its issued share capital. Under IAS 33 'Earnings Per Share', contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted earnings per share if the conditions (the events triggering the vesting of the option) are satisfied. At 30 November 2016 the conditions attaching to 704,701 options granted under the LTIP are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 11.2 pence per share (1H16: 9.2 pence).

Adjusted earnings per share amounts are calculated by adding back acquisition costs expensed under IFRS3 (Revised), amortisation and impairment of intangible assets other than computer software and notional finance income and charges to the net profit attributable to ordinary equity holders of the Company ("Adjusted Net Profit") and dividing Adjusted Net Profit by the weighted average number of ordinary shares outstanding during the period.

The only transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these interim condensed consolidated financial statements has been the issue of 5,894 ordinary shares on 7 December 2016 and 4,994 ordinary shares on 9 January 2017 under the Mattioli Woods plc Share Incentive Plan ("SIP").

8. Dividends paid and proposed

	Unaudited Six months ended 30 Nov 2016 £000	*Unaudited Six months ended 30 Nov 2015 £000*	*Audited Year ended 31 May 2016 £000*
Paid during the period:			
Equity dividends on ordinary shares:			
- Final dividend for 2016: 8.65p (2015: 7.16p)	**2,187**	1,790	1,790
- Interim dividend for 2016: 3.85p (2015: 3.34p)	**-**	-	964
Dividends paid	**2,187**	1,790	2,754
Proposed for approval:			
Equity dividends on ordinary shares:			
- Interim dividend for 2017: 4.7p (2016: 3.85p)	**1,192**	964	-
- Final dividend for 2016: 8.65p (2015: 7.16p)	**-**	-	2,184
Dividends proposed	**1,192**	964	2,184

The interim dividend was approved on 6 February 2017.

9. Income tax

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Any amounts paid in excess of amounts owed would be classified as a current asset.

Deferred income tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the lower corporation tax rate of 17% introduced by the Finance Bill 2016, which received Royal Assent in September 2016. The lower corporation tax rate of 17% is effective from 1 April 2020. The primary component of the entity's recognised deferred tax assets include temporary differences relates to employee benefits, provisions and other items.

The primary components of the entity's deferred tax liabilities include temporary differences related to property, plant and equipment and intangible assets.

The recognition of deferred tax in the consolidated statement of comprehensive income arises from the origination and the reversal of temporary differences and the effects of changes in tax rates. The primary components of the deferred tax credit for the six months ended 30 November 2016 of £0.4m (1H16: £0.1m) are due to changes to the rate of tax expected to be enacted or substantively enacted at the reporting date and temporary differences on the amortisation of client portfolios and share-based payments.

The total deferred tax asset recognised in the consolidated statement of changes in equity for the six months ended 30 November 2016 was £0.05m (1H16: £0.02m derecognised in equity). Deferred tax assets and liabilities have been recognised at the rate of corporation tax enacted or substantively enacted at the reporting date, which was 17.0%.

Reconciliation of effective tax rates

The current tax expense for the six months ended 30 November 2016 was calculated based on the estimated average annual effective income tax rate of 17.4% (1H16: 18.0%), as compared to the standard rate of UK corporation tax at the reporting date of 20.0% (1H16: 20.0%). Differences between the estimated average annual effective income tax rate and statutory rate include, but are not limited to, the effect of changes in the rate used to recognise deferred tax assets and liabilities, non-deductible expenses, tax incentives not recognised in profit or loss and under/(over) provisions in previous periods.

10. Cash flows from operating activities using the direct method

The cash generated from operations may be presented under the direct method as follows:

	Unaudited Six months ended 30 Nov 2016 £000	*Unaudited Six months ended 30 Nov 2015 £000*	*Audited Year ended 31 May 2016 £000*
Cash flows from operating activities			
Cash receipts from customers	**22,697**	18,078	42,441
Cash paid to suppliers and employees	**(20,455)**	(16,412)	(30,653)
Cash generated from operations	**2,242**	1,666	11,788

11. Share-based payments

Consultants' Share Option Plan

The Company operates the Consultants' Share Option Plan by which certain senior executives are able to subscribe for ordinary shares in the Company. Options granted under the Consultants' Share Option Plan are summarised as follows:

Date of grant	*Exercise price*	*At 1 June 2016 No.*	*Granted during the period No.*	*Exercised during the period No.*	*Lapsed during the period No.*	***At 30 Nov 2016 No.***
4 September 2007	£2.79	68,113	-	(14,000)	-	**54,113**
8 September 2009	£2.16	75,812	-	(9,500)	-	**66,312**
		143,925	-	(23,500)	-	**120,425**

The exercise price of the options is equal to the market price of the shares at the close of business on the day immediately preceding the date of grant. All options have vested as a result of the option holders achieving certain individual performance hurdles. The contractual life of each option expires 10 years after the date of grant. At 30 November 2016 the total number of options exercisable under the Consultants' Share Option Plan was 120,425 (1H16: 273,614).

Long Term Incentive Plan

During the period, Mattioli Woods granted awards to the Company's executive directors and certain senior employees under the LTIP. Conditional share awards ("Equity-settled") grant participating employees a conditional right to become entitled to options with an exercise price of 1 pence over ordinary shares in the Company. Conditional cash awards ("Cash-settled") grant participating employees a conditional right to be paid a cash amount based on the proceeds of the sale of a specified number of ordinary shares following the vesting of the award. Movements in the LTIP scheme during the period were as follows:

Number of options	***Unaudited 30 Nov 2016 Equity-settled No.***	***Unaudited 30 Nov 2016 Cash-settled No.***	*Unaudited 30 Nov 2015 Equity-settled No.*	*Unaudited 30 Nov 2015 Cash-settled No.*	*Audited 31 May 2016 Equity-settled No.*	*Audited 31 May 2016 Cash-settled No.*
Outstanding at start of period	**696,574**	**266,650**	410,032	266,650	410,032	266,650
Granted during the period	**290,305**	**-**	297,618	-	292,574	-
Exercised during the period	**(37,756)**	**-**	-	-	-	-
Forfeited during the period	**-**	**-**	(2,949)	-	(6,032)	-
Outstanding at end of period	**949,123**	**266,650**	704,701	266,650	696,574	266,650
Exercisable at 30 Nov 2016	**175,478**	**148,148**	-	-	-	-

The LTIP awards are subject to the achievement of corporate profitability targets measured over a three year performance period and will vest following publication of the Group's audited results for the year. The amounts shown below represent the maximum opportunity for the participants in the LTIP:

Date of grant	*Exercise price*	*At 1 June 2016 No.*	*Granted during the period No.*	*Forfeited during the period No.*	***Exercised during the period No.***	***At 30 Nov 2016 No.***
5 September 2013	£0.01	361,382	-	-	**(37,756)**	**323,626**
16 September 2014	£0.01	309,268	-	-	**-**	**309,268**
15 October 2015	£0.01	292,574	-	-	**-**	**292,574**
6 September 2016	£0.01	-	290,305	-	**-**	**290,305**
		963,224	290,305	-	**(37,756)**	**1,215,773**

Share Incentive Plan

The Company also operates the Mattioli Woods plc Share Incentive Plan ("the SIP"). Participants in the SIP are entitled to purchase up to a prescribed number of new ordinary shares in the Company at the end of each month. A total of 42,832 (1H16: 50,762) new ordinary shares were issued to the 256 employees who participated in the SIP during the year. At 30 November 2016, 533,536 shares were held in the SIP on their behalf. There were no forfeited shares not allocated to any specific employee.

Share-based payment expense

The amounts recognised in the statement of comprehensive income in respect of share-based payments were as follows:

	Unaudited 30 Nov 2016 Equity-settled £000	***Unaudited 30 Nov 2016 Cash-settled £000***	*Unaudited 30 Nov 2015 Equity-settled £000*	*Unaudited 30 Nov 2015 Cash-settled £000*	*Audited 31 May 2016 Equity-settled £000*	*Audited 31 May 2016 Cash-settled £000*
LTIP	**436**	**393**	180	360	596	756
SIP	**103**	**-**	113	-	227	-
Total	**539**	**393**	293	360	823	756

Valuation assumptions

Assumptions used in the Black Scholes model to determine the fair value of options at the date of grant were as follows:

	LTIP (Equity-settled) 2016	LTIP (Equity-settled) 2015	LTIP (Equity-settled) 2014	LTIP (Equity-settled) 2013	CSOP 2009	CSOP 2007
Share price at grant date (£)	6.55	6.13	4.32	3.27	2.13	2.82
Exercise price (£)	0.01	0.01	0.01	0.01	2.16	2.79
Expected volatility (%)	17.5	20.0	20.0	22.5	17.0	30.0
Expected life (years)	4.5	4.5	4.5	4.5	7.0	7.0
Risk free rate (%)	0.81	1.25	2.02	1.54	3.33	4.63
Expected dividend yield (%)	2.21	2.30	2.30	3.00	1.60	1.11

The expected volatility assumption is based on statistical analysis of the historical volatility of the Company's share price. For the LTIP, the mid-market value of the shares under option at the date of grant is based on the average price over the five days immediately preceding (but not including) the day of grant.

Cash-settled awards require the Group to pay the intrinsic value of the share-based payments to the employee at the date of exercise. The fair value of the awards is re-measured at each reporting date, based on the directors' estimate of the number of awards that will vest, and on settlement. Until the award is settled it is presented as a liability, not within equity. The total carrying amount of liabilities to pay cash-settled awards at 30 November 2016 was £1.7m (1H16: £0.9m) (Note 13). As at 30 November 2016 the performance conditions attaching to 148,148 cash-settled awards had been satisfied (1H16: nil).

12. Financial instruments

The table below analyses the Group's financial instruments measured at fair value into a fair value hierarchy based on the valuation technique used to determine the fair value:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
– Level 3: inputs for the asset or liability that are not based on observable market data.

At 30 November 2016	*Level 1 £000*	*Level 2 £000*	*Level 3 £000*	*Total £000*
Financial liabilities				
LTIP cash liability	-	1,672	-	1,672
Contingent consideration	-	-	4,427	4,427
Total	-	1,672	4,427	6,099

The fair value of cash equivalents, accounts receivable and accounts payable approximate their carrying values due to their short-term nature.

13. Provisions

Group	*LTIP cash liability £000*	*Client claims £000*	*Contingent consideration £000*	*Dilapidations £000*	*Clawback £000*	*E'ers' NIC on share options £000*	*Onerous Contracts £000*	*Other £000*	*Total £000*
At 1 June 2015	484	345	1,446	285	294	316	61	118	3,349
Arising during period	377	-	5,345	-	-	189	-	-	5,911
Used during period	-	(78)	-	-	-	-	(66)	-	(144)
Arising on acquisitions	-	87	-	62	14	-	40	-	203
Unwinding of discounting	-	-	53	-	-	-	-	-	53
At 30 Nov 2015	861	354	6,844	347	308	505	35	118	9,372
Unwinding of discounting	23	-	383	-	-	-	-	-	406
Arising during period	379	375	(76)	65	-	119	122	-	984
Arising on acquisitions	-	(12)	-	1	-	-	(5)	18	2
Paid during the year	-	(185)	(1,136)	-	-	-	-	-	(1,321)
Unused amounts reversed	-	-	(215)	-	-	-	-	(136)	(351)
At 31 May 2016	1,263	532	5,800	413	308	624	152	-	9,092
Arising during period	393	158	-	-	150	235	-	2	938
Used during period	-	(240)	(2,250)	-	(150)	(39)	-	-	(2,679)
Arising on acquisitions	-	63	914	30	-	-	-	-	1,007
Unwinding of discounting	16	-	120	-	-	-	-	-	136
Unused provision released	-	(27)	(157)	-	(9)	-	-	-	(193)
At 30 Nov 2016	**1,672**	**486**	**4,427**	**443**	**299**	**820**	**152**	**2**	**8,301**
Current	1,098	486	2,789	-	299	-	152	2	4,826
Non-current	574	-	1,638	443	-	820	-	-	3,475
At 30 Nov 2016	1,672	486	4,427	443	299	820	152	2	8,301

LTIP cash liability

The Group has granted cash settled options to certain Executive Directors. The amounts of any cash entitlement on vesting of an award will be directly linked to the value of a specified number of the Company's shares at the vesting date.

Client claims

A provision is recognised for the estimated potential liability not covered by the Group's professional indemnity insurance when the Group becomes aware of a possible client claim when management believes it is probable the claim will crystallise. No discount rate is applied to the projected cash flows due to their short term nature.

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. Details of these agreements and the basis of calculation of the net present value of the contingent consideration is summarised in Note 4. The Group estimates the fair value of contingent consideration payable within the next 12 months is £2.8m (1H16: £2.4m).

Dilapidations

Under the terms of the leases for the Group's premises, the Group has an obligation to return the properties in a specified condition at the end of each lease term. The Group provides for the estimated fair value of the cost of any dilapidations. The discount rate applied to the cash flow projections is 5.0%.

Clawbacks

The Group receives certain initial commissions on indemnity terms and hence the Group provides for the expected level of clawback, based on past experience. No discount rate is applied to the projected cash flows due to their short term nature.

Onerous contracts

The Group acquired onerous contracts for the provision of certain IT systems on the acquisition of Ashcourt Rowan's pension business, the acquisition of UKWM Pensions and the acquisition of Taylor Patterson. Management has assessed the expected benefits and costs associated with these contracts and concluded that the costs of the obligation exceed the benefits to the extent it is appropriate to provide against these contracts in full.

Other

The Group receives property insurance commission on indemnity terms in respect of a block insurance policy for properties under management. The Group has provided for the anticipated level of commission clawback based on historic levels of property disposal.

14. Related party transactions

Loan notes due to subsidiary undertakings

On 31 August 2016 the trade and assets of the Taylor Patterson Group Limited and its subsidiaries Taylor Patterson Financial Planning Limited and Taylor Patterson Associates Limited (together "the Business") were transferred to the Company. The trade and assets were exchanged for loan notes equal to the book value of the assets and assumed liabilities of the business as at 31 August 2016, attracting annual interest on the outstanding principal of a rate of 3% above the Bank of England base rate.

Custodian REIT plc

In March 2014 the Company's subsidiary, Custodian Capital, was appointed as the discretionary investment manager of Custodian REIT plc ("Custodian REIT"), a closed-ended property investment company listed on the Main Market of the London Stock Exchange.

The Company's Chief Executive, Ian Mattioli, is a non-independent Non-Executive Director of Custodian REIT and the Company's Finance Director and Company Secretary, Nathan Imlach, is Company Secretary of Custodian REIT. Ian Mattioli received £13,500 of director's fees from Custodian REIT during the six months ended 30 November 2016. Fees for Nathan Imlach's services are charged by Custodian Capital directly to Custodian REIT and are included in the annual management charges noted below.

Ian Mattioli, Bob Woods, Nathan Imlach, Alan Fergusson, Richard Shepherd-Cross (the Managing Director of Custodian Capital) and the private pension schemes of Ian Mattioli, Bob Woods, Nathan Imlach, Richard Shepherd-Cross, Murray Smith, Mark Smith, Alan Fergusson, John Redpath, Joanne Lake and Carol Duncumb have a beneficial interest in Custodian REIT.

During the six months ended 30 November 2016 the Group received revenues of £1.6m in respect of annual management charges, company secretarial and administration fees. Custodian REIT owed the Group £0.1m at 30 November 2016.

Gateley (Holdings) plc

The Company's Non-Executive Chairman, Joanne Lake, is a non-executive director of Gateley (Holdings) Plc*,* which is the holding company of Gateley Plc, a provider of commercial legal services. During the period the Group paid Gateley Plc a total of £14,584 in respect of corporate legal services provided to the Group and its subsidiaries.

Key management compensation

Key management personnel receive compensation in the form of short-term employee benefits and equity compensation benefits. Key management personnel, representing the executive directors and 16 (1H16: 15) other executives, received total compensation of £3.5m for the six months ended 30 November 2016 (1H16: £3.3m). Total remuneration is included in “employee benefits expense” and analysed as follows:

	Six months ended 30 Nov 2016 £000	*Six months ended 30 Nov 2015 £000*	*Year Ended 31 May 2016 £000*
Wages and salaries	2,955	2,829	6,009
Social security costs	394	364	801
Pension	53	53	191
Benefits in kind	67	68	117
	3,469	**3,314**	**7,118**

Transactions with other related parties

At 30 November 2016, Ian Mattioli owed £4,630 to the Company (1H16: nil) and Bob Woods owed £1,621 to the Company (1H16: nil). These Directors’ balances carry no coupon and have no fixed repayment date.

During the period the Company paid £2,520 to Bob Woods’ partner, Jane Kedar, for secretarial services.

Following the transfer of Mattioli Woods’ property syndicate business to Custodian Capital, the legal structure of the arrangements offered to investors changed to a limited partnership structure, replacing the previous trust-based structure. Each limited partnership is constituted by its general partner and its limited partners (the investors), with the general partner being a separate limited company owned by Custodian Capital.

The general partner and the initial limited partner enter into a limited partnership agreement, which governs the operation of the partnership and also sets out the rights and obligations of the investors. The general partners have appointed Custodian Capital as the operator of the partnerships pursuant to an operator agreement between the general partner and Custodian Capital.

FP Thoroughbred Core Alpha Fund

The Company is the investment manager of the FP Thoroughbred Core Alpha Fund, an open ended investment company which aims to achieve long-term growth while managing volatility so that, other than on very short term measures, outperformance comes with a lower beta than the benchmark. As at 30 November 2016 the Group held an investment with a market value of £43,727 (1H16: £40,860) in the FP Thoroughbred Core Alpha Fund.

15. Commitments and contingencies

New Walk

At 30 November 2016 the Group had capital commitments amounting to £11.0m. In August 2015 Mattioli Woods (New Walk) Limited ("MW New Walk") entered into a development agreement with Ingleby (1245) Limited ("Ingleby"), a company owned and controlled by Sowden Group Limited ("Sowden") to build a new 50,000 square foot office on the site of the former Leicester City Council ("LCC") headquarters at New Walk, Leicester.

The expected total expenditure for the development is circa £15.0m including fit out costs and irrecoverable VAT, which will be funded through a combination of existing cash resources, bank funding and future operating cashflows. Construction is scheduled to complete in late 2017, ready for occupancy in spring 2018.

Client claims

The Group operates in a legal and regulatory environment that exposes it to certain litigation risks. As a result, the Group occasionally receives claims in respect of products and services provided and which arise in the ordinary course of business. The Group provides for potential losses that may arise from these contingencies where management believes it is probable the claim will crystallise (Note 13).

FSCS levy

The arrangements put in place by the Financial Services Compensation Scheme ("FSCS") to protect depositors and investors from loss in the event of failure of financial institutions has resulted in significant levies on the industry in recent years.

There is uncertainty over the level of future FSCS levies as they depend on the ultimate cost to the FSCS of industry failures. The group contributes to the investment intermediation levy class and accrues levy costs for future levy years when the obligation arises. A provision of £30,000 has been made in these financial statements for FSCS interim levies in the year ending 31 May 2017.

16. Events after the reporting period

Acquisition of Amati Global Investors Limited

On 6 February 2017, Mattioli Woods plc acquired 49% of the issued share capital of Amati Global Investors Limited ("Amati") from Amati Global Partners LLP ("the Seller") for a total consideration of £3.3m.

Mattioli Woods has also entered into an option agreement with the Seller which entitles Mattioli Woods to acquire the remaining 51% of Amati in the two years commencing 6 February 2019 for a mixture of cash and Mattioli Woods' ordinary shares ("the Option"). If Mattioli Woods does not exercise the Option to acquire the remaining stake from the Seller, the Seller has an option to buy Mattioli Woods' shareholding back for the original consideration paid.

Amati was founded in 2010 by Paul Jourdan and Douglas Lawson following the management buyout of Noble Fund Managers Limited. It focuses on small and mid-sized companies, with a universe ranging from fully listed constituents of the FTSE Mid 250 and FTSE Small Cap indices, to stocks quoted on AIM. Amati is a specialist fund management business based in Edinburgh, focusing on UK small and mid-sized companies. It currently manages £120m of funds, including the TB Amati UK Smaller Companies Fund; two AIM Venture Capital Trusts - Amati VCT and Amati VCT 2; and an AIM IHT portfolio service.

In the year ended 31 December 2016, Amati generated a profit before taxation of £0.5m (before dividends paid to the Seller of £0.1m) on revenues of £1.7m. At 31 December 2016 Amati's net assets were £1.0m.

Due to the proximity of the date of acquisition of Amati to the date of the announcement of the Group's final results for the period ended 30 November 2016, the Directors are unable to provide the disclosure requirements of IFRS 3 relating to acquisitions after the end of the reporting period but before the financial statements are authorised for issue. Specifically, the purchase price allocation process is not yet complete, due to:

- Completion accounts setting out the financial position of Amati as at the date of acquisition not yet having been prepared; and
- The impracticality of measuring each identifiable asset and liability acquired at its IFRS acquisition date fair value for disclosure in the financial statements before completion accounts have been agreed.

Taxation

On 15 September 2016 the Finance Bill 2016 received Royal Assent, therefore enacting proposals that were announced in the 2016 budget, Autumn Statement 2015 and Summer Budget 2015. The rate of corporation has been 20% from April 2015. This will reduce to 19% from April 2017 and 17% from April 2020.

These rate changes will affect the amount of future cash tax payments to be made by the Group and will also reduce the size of the Group's deferred tax assets and liabilities in the Group's statement of financial position.

17. Copies of interim report

Copies of the interim report will be posted to shareholders in due course and are available from the Group's head office at: MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY.