Mattioli Woods plc

Interim Report 2019/20

Interim

reporting is a key part of providing effective communication to our stakeholders. We are proud to present our latest results in this

Report

Welcome
to Mattioli Woods

Mattioli Woods plc ("Mattioli Woods", "the Company" or "the Group") is one of the UK's leading providers of wealth management and employee benefits services, with total assets under management, administration and advice of £9.4 billion.

Highlights

Revenue +3.8%

£30.3m

1H19: £29.2m

Recurring revenues[1]

91.5%

1H19: 89.9% of total revenue

Profit before tax +7.1%

£6.0m

1H19: £5.6m

Adjusted profit before tax[2] +9.2%

£7.1m

1H19: £6.5m

Operating profit before financing +7.4%

£5.8m

1H19: £5.4m

Adjusted EBITDA[3] +11.7%

£8.6m

1H19: £7.7m
Adjusted EBITDA margin[4] of 28.4% (1H19: 26.4%)

Basic EPS +6.5%

18.0p

1H19: 16.9p

Adjusted EPS[5] +8.1%

21.4p

1H19: 19.8p

Interim dividend +15.3%

7.3p

1H19: 6.33p

Strong financial position, with cash of

£20.1m

1H19: £16.8m

1 Annual pension consultancy and administration fees; ongoing adviser charges; level and renewal commissions; banking income; property, discretionary portfolio and other annual management charges.
2 Definition amended to no longer add-back non-cash interest on provisions, following adoption of IFRS 16 during the period. Now calculated as profit before tax, adding back amortisation and impairment of acquired intangibles, changes in valuation of derivative financial instruments and acquisition-related costs.
3 Earnings before interest, taxation, depreciation, amortisation, impairment, changes in valuation of derivative financial instruments and acquisition-related costs, including share of profit from associates (net of tax).
4 Adjusted EBITDA divided by revenue.
5 Adjusted profit after tax used to derive adjusted EPS is calculated as adjusted profit before tax less income tax at the standard rate of 18.7% (1H19: 19.0%).
6 Includes £450.9m (31 May 2019: £409.0m) of funds under management by the Group's associate, Amati Global Investors Limited, excluding £46.6m (31 May 2019: £31.9m) of Mattioli Woods' client investment and £12.7m (31 May 2019: £11.9m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.
7 Includes £510.2m (31 May 2019: £452.8m) of funds under management by Amati Global Investors Limited, including Mattioli Woods' client investment and cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.

Michael Wright, Group Managing Director (centre) with members of his senior team

Our core proposition integrates asset management and financial planning to serve the higher end of the market including controlling directors and owner-managed businesses, professionals, executives and affluent retirees. Our comprehensive range of employee benefit services is particularly suitable for medium-sized to larger corporates.

We put our clients at the core of everything we do, with the objective of growing and preserving their assets while giving them control and understanding of their overall financial position. At the same time, we aim to grow our business, both organically and by acquisition, to deliver strong, sustainable shareholder returns over the long term.

Our focus is on holistic planning and providing high levels of personal service, maintaining close relationships with our clients.

We plan to continue developing complementary services around our core specialisms, blending advice, investment and asset management with product provision to progress as a modern financial services business aligned to our clients' needs, producing great client outcomes and lowering clients' costs.

Operational highlights and recent developments

» Revenue mix remains primarily fee based

» Improved margins following operational restructure

» Total client assets of the Group and its associate[6] of £9.4bn (31 May 2019: £9.4bn)

» Gross discretionary AuM[7] up 3.8% to £2.7bn (31 May 2019: £2.6bn)

» Recent acquisitions performing and integrating well

» Acquisition of The Turris Partnership Limited in December 2019

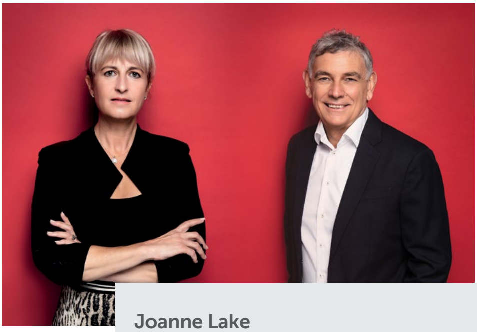
» Continued investment in technology, compliance and training

» Profit outlook for the current year in line with management's expectations

Contents

For more information, visit our website: www.mattioliwoods.com

Responsibly **integrated**



Joanne Lake
Non-Executive Chairman

Ian Mattioli MBE
Chief Executive Officer

We are pleased to report a period of revenue and profit growth.

Introduction

We are pleased to report revenue increased by 3.8% to £30.3m (1H19: £29.2m) for the six months ended 30 November 2019, with improved organic growth of 1.8% (1H19: 1.3%) primarily driven by increases in discretionary portfolio management, direct SSAS and SIPP and property management fees. This organic growth was supplemented by a full six-month contribution from Broughtons Financial Planning Limited ("Broughtons") and SSAS Solutions (UK) Limited ("SSAS Solutions"), which were acquired in the prior financial year and are performing and integrating well.

Profit before tax was up 7.1% to £6.0m (1H19: £5.6m), with adjusted profit before tax up 9.2% to £7.1m (1H19: £6.5m) and adjusted EBITDA up 11.7% to £8.6m (1H19: £7.7m).

We are dedicated to maintaining our culture of putting clients first, developing our service offering and building a business that is sustainable over the long-term. Adjusted EBITDA margin increased to 28.4% (1H19: 26.4%), with additional efficiencies and cost savings realised following the planned restructuring of our client facing operations and the migration of acquired pension portfolios onto our proprietary MWeb administration platform. These changes have enhanced client service and experience, receiving positive feedback both internally and from clients.

In addition, the adoption of IFRS 16 on 1 June 2019 decreased other administrative expenses by £0.4m and increased depreciation and interest on lease liabilities by £0.4m and £0.05m respectively, driving £0.4m of the increase in adjusted EBITDA and 1.3% of the increase in adjusted EBITDA margin.

As in prior years, we anticipate certain operating costs will be weighted towards the second half, including those associated with planned recruitment activity, marketing, and increased regulatory and compliance costs.

We continue to deliver strong investment performance across both portfolios and funds, with the team at the Group's associate company, Amati Global Investors Limited ("Amati"), gaining further recognition through the Amati AIM VCT being named Best VCT at Investment Week's Investment Company of the Year Awards in November 2019.

We believe the benefits of operating a responsibly integrated business allows us to secure great client outcomes including controlling clients' costs whilst delivering strong, sustainable shareholder returns over the long term. In meeting our clients' investment needs we generally use third parties' funds, but where we have a particular expertise and a more appropriate investment product, we look to meet those needs in-house. This has led to the innovative development of our Private Investors Club, Custodian REIT plc ("Custodian REIT") and the Mattioli Woods Structured Products Fund, in addition to the funds managed by Amati.

Despite continued market and political uncertainty we achieved net inflows into the Group's bespoke investment services, albeit this uncertainty resulted in lower flows than in the equivalent period last year, with aggregate net inflows (before market movements) of £73.0m (1H19: £140.5m). Gross discretionary assets under management increased to £2.7bn (31 May 2019: £2.6bn) at the period end, with the value of assets held within our Discretionary Portfolio Management service increasing by 5.8% to £1.47bn (31 May 2019: £1.39bn), of which £157.7m or 10.7% (31 May 2019: £132.3m or 9.5%) is invested within funds managed by the Group and its associates.

Although the flow of new business generated by our consultancy team continued to be impacted by the ongoing market and political uncertainties, a total of 277 (1H19: 390) new SIPP, SSAS and personal clients with assets totalling £88m (1H19: £139m) chose to use Mattioli Woods during the period.

Total client assets under management, administration and advice by the Group and its associate were £9.4bn at the period end (31 May 2019: £9.4bn), with our clients drawing down pension commencement lump sums and pension payments of £67m (1H19: £60m) during the period.

We continue to seek ways to reduce clients' costs across the value chain and believe the benefits of operating a responsibly integrated model, including the opportunity to secure economies of scale such as lower fund manager and platform charges, will allow us to improve client outcomes and further reduce clients' total expense ratios ("TERs").

In December 2019, we were pleased to follow the Broughtons and SSAS Solutions transactions with the acquisition of The Turris Partnership Limited, which provides chartered financial planning and wealth management advice and has over £65m of client assets under advice.

Market overview

The UK retail savings and investment market has demonstrated considerable growth in recent years. It remains dominated by pension schemes but is evolving as a result of societal, economic, regulatory and technological changes. More than a decade of low interest rates and evolving client preferences, including environmental, social and governance ("ESG") considerations, have created challenges for people seeking to generate income, while preserving and growing their capital.

There has been some negative publicity for the pension market over the last few years, with restrictions on annual contributions and annual allowances, and certain SIPP and SSAS operators in the spotlight due to issues with esoteric and non-standard investments, while the general economic environment has reduced some consumers' focus on pension savings. The Government is reported to be considering raising the point at which the tapered annual allowance for tax-free pension savings kicks in, which would benefit higher-earning private and public sector workers.

While continual change, and talk of change, to the UK pensions system may work against the Government's aim to ensure all individuals save for their retirement, we expect any changes to drive demand for advice, benefiting our core pensions business.

At the same time, there is a growing awareness of the gap between the level of current UK savings and that which is necessary to provide a reasonable standard of living in retirement. Employers continue to withdraw from defined benefit pension schemes, requiring individuals to be more self-reliant in planning for their own long-term needs. Individuals who have generated substantial personal and family wealth are increasingly seeking solutions that help them fulfil their personal ambitions, and we believe events such as the recent suspensions of the Woodford Equity Income Fund and the M&G Property Portfolio are also likely to drive an increased demand for the holistic planning and expert advice we provide.

The global economic and political outlooks are also important. While we anticipate greater client activity and increasing inflows into our bespoke investment services following the UK General Election result in December 2019, there remains some uncertainty around the exact shape of Brexit. We remain conscious that the political situation could impact markets and consumer confidence, raising unexpected challenges, including any broader impact that Brexit might have on the UK economy or on the operation of European funds, such as the Mattioli Woods Structured Products Fund. However, we are confident we have the right structures in place to ensure the continued operation of our business in the event of a no-deal Brexit.

As the demand for high-quality, personalised advice and the potential market for our products and services continue to grow, so do the costs of regulation. Previously, we reported increases in the Financial Services Compensation Scheme ("FSCS") levy for 2019/20 had resulted in the Group's regulatory fees and levies for the 12 months ending 31 March 2020 almost doubling to £0.7m.

Last month, the FSCS imposed a supplementary interim levy of £50m on advisers and providers for the 2019/20 year, increasing the Group's regulatory fees and levies by a further £0.1m, and confirmed that the FSCS levy for 2020/21 will increase by £87m to £635m due to rising SIPP and pension advice claims.

As regulators focus on protecting consumers, legislation is becoming increasingly stringent and the level of public scrutiny on conduct and cost is increasing, with clients able to more easily view the cost of the services they receive following the introduction of the Markets in Financial Instruments Directive II ("MiFID II") last year.

The need to comply with changing regulation, including the extension of the Senior Managers and Certification Regime ("SMCR") to investment firms such as Mattioli Woods in December 2019, means we continue to invest in our people, technology and infrastructure as we look to build upon our success to date.

Clients need long-term advice and strategies more than ever before. We will continue to provide quality solutions, maintaining our focus on client service and continuing to adapt our business model to the changing market, integrating asset management and financial planning to build upon our established reputation for delivering sound advice and consistent investment performance, while looking to reduce clients' costs.

Assets under management, administration and advice

Unlike many wealth managers, the majority of the Group's revenues are fee-based, rather than being linked to the value of assets under management, administration or advice[8], giving our business a revenue profile that is less sensitive to market performance. Total client assets were £9.4bn (31 May 2019: £9.4bn) as follows:

8 Revenue for the six months ended 30 November 2019 was split 55% (1H19: 53%) fixed, initial or time-based fees and 45% (1H19: 47%) ad valorem fees based on the value of assets under management, advice and administration.

Assets under management, administration and advice[9]	SIPP and SSAS[10] £m	Employee benefits £m	Personal wealth and other assets £m	Sub-total £m	Amati[11] £m	Total £m
At 1 June 2019	6,051.6	1,196.7	1,725.2	8,973.5	409.0	9,382.5
Net inflows/(outflows), including market movements	89.2	(176.3)	50.2	(36.9)	41.9	5.0
At 30 November 2019	**6,140.8**	**1,020.4**	**1,775.4**	**8,936.6**	**450.9**	**9,387.5**

The £5.0m increase in total client assets during the period is analysed as:

» An £89.2m (1H19: £62.8m) increase in SIPP and SSAS funds under trusteeship, with a 0.5% (1H19: 0.3%) fall in the number of schemes being administered at the period end, comprising a 0.5% (1H19: 1.3%) increase in the number of direct[12] schemes to 6,434 (31 May 2019: 6,405) and a 1.9% decrease (1H19: 2.4% decrease) in the number of schemes the Group operates on an administration-only basis to 4,626 (31 May 2019: 4,714). In recent years we have been appointed to operate or wind-up several SIPP portfolios following the failure of their previous operators, with the lower number of schemes due in part to the transfer of certain members of these distressed portfolios to alternative arrangements;

» A £176.3m (1H19: £33.7m) decrease in the value of assets held in corporate pension schemes advised by our employee benefits business, following the loss of two large corporate clients in the period. However, revenues in our employee benefits business are not linked to the value of client assets in the way that certain of our wealth management revenue streams are and our corporate client portfolio remains well diversified;

» A £50.2m (1H19: £12.4m) increase in personal wealth and other assets under management and advice, with the addition of 89 (1H19: 137) new personal clients won during the period partially offsetting some natural client attrition, resulting in a 1.2% decrease (1H19: 2.0% increase, excluding the acquisition of Broughtons) in the total number of personal clients[13] to 5,977 (1H19: 6,052); and

» A £41.9m (1H19: £22.7m) increase in Amati's funds under management (excluding Mattioli Woods' client investment), primarily through the growth of the TB Amati UK Smaller Companies Fund to £350.2m (31 May 2019: £291.1m) at 30 November 2019.

Amati continues to perform strongly since Mattioli Woods' investment, seeing gross funds under management[14] increase from circa £120m to £510.2m (31 May 2019: £452.8m) at the period end. As a result of Amati's strong performance, the Group's share of its profits for the period increased to £0.3m (1H19: £0.2m).

Trading results

The Group has developed a broader wealth management proposition in recent years, grown from its strong pensions advisory and administration expertise, serving the higher end of the market including controlling directors and owner-managers, professionals, executives and retirees.

In recent years the economies of scale associated with the Group's investment operations, together with a continuing focus on improving operational efficiency within the consultancy and administration teams, has driven a steady improvement in EBITDA and operating margin.

9 Certain pension scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event.
10 Value of funds under trusteeship in SIPP and SSAS schemes administered by Mattioli Woods and its subsidiaries.
11 Excluding £46.6m (31 May 2019: £31.9m) of Mattioli Woods' client investment and £12.7m (31 May 2019: £11.9m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.
12 SIPP and SSAS schemes where the Group acts as pension consultant and administrator.
13 Includes personal wealth clients with SIPP and SSAS schemes operated by third parties.
14 Includes Mattioli Woods' client investment and £12.7m (31 May 2019: £11.9m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.

Revenue

Group revenue was up 3.8% to £30.3m (1H19: £29.2m), with organic revenue growth of 1.8% (1H19: 1.3%) supplemented by a full six months' revenue of £1.0m (1H19: £0.4m) from the Broughtons and SSAS Solutions businesses acquired in the last financial year.

Employee benefits expense

As in prior periods, the major component of the Group's operating costs is our employee benefits expense of £15.7m (1H19: £15.5m) representing 51.7% of revenue (1H19: 53.1%). Securing economies of scale and operational efficiencies, particularly through the integration of acquired businesses and clients, are key elements of our aim to reduce clients' TERs and we are pleased to have increased average consultant and client relationship manager caseloads during the period, partly through the migration of acquired pension portfolios onto our bespoke MWeb administration platform.

Although the acquisition of SSAS Solutions added 12 new staff in the second half of the last financial year, the planned restructuring of our client relationship managers, consultancy team and support staff into new business units during the period resulted in the Group's total headcount only increasing to 606 (1H19: 604) at 30 November 2019.

The number of consultants increased to 127 (1H19: 120) at the period end, following the launch of a new consultancy development programme in December 2018. We continue to invest in our IT systems, compliance and training across all parts of the Group, with the aim of delivering further operational efficiencies and benefiting from further economies of scale.

Other administrative expenses

Other administrative expenses increased to £5.9m (1H19: £5.4m) with additional professional, regulatory and compliance costs incurred following the appointment of RSM Risk Assurance Services LLP to provide internal audit services in December 2018, increased regulatory fees and levies and the introduction of SMCR during the period.

The Group adopted the new accounting standard IFRS 16 'Leases' with effect from 1 June 2019, where lessees now recognise an asset representing the right to use the leased item and a loan obligation for future lease payables. In addition, one lease where the Group is lessor that was previously classified as an operating lease under IAS 17 has been reclassified as a finance lease under IFRS 16, giving rise to the recognition of a finance lease receivable and the partial de-recognition of the right of use asset representing the head lease for the property.

These changes had the following impact on the Group's financial statements:

» A £0.4m decrease in other administrative expenses for the period, with the lease expense under IAS 17 for operating leases replaced with £0.4m of depreciation of the right-of-use assets and £0.05m interest on the lease liabilities; and

» Recognition in the Statement of Financial Position at 30 November 2019 of £2.8m of right-of-use assets, lease liabilities of £3.1m and a finance lease receivable of £0.4m.

Other administrative expenses in the equivalent period last year were lower due to the £0.5m reversal of unused provision for onerous contracts due to the actual costs incurred on the Group's exit from its previous premises at Grove Park being significantly lower than anticipated.

Share based payments

Share based payments costs fell to £0.4m (1H19: £0.7m) due to the vesting period for new awards made under the Mattioli Woods 2010 Long Term Incentive Plan ("the LTIP") being extended from three to five years and the reversal of £0.1m of costs recognised in prior years in respect of LTIP options forfeited during the period.

Gain on revaluation of derivative financial instrument

Given the success of our investment in Amati, which contributed an increased share of profits of £0.3m (1H19: £0.2m) during the period, we believe the Group retaining a 49% minority interest is the optimal structure for all stakeholders and in June 2019 cancelled our option to acquire the other 51% of Amati, in return for a £0.75m payment from the Amati management team.

Accordingly, there was no gain or loss (1H19: £0.1m gain) in the value of the Group's option that was cancelled during the period.

Net finance costs

The Group has maintained a positive net cash position throughout the period, with increased net finance costs of £0.08m (1H19: £0.02m) reflecting increased notional finance charges of £0.08m (1H19: £0.04m) on the unwinding of discounts on long term provisions and £0.05m of interest on the lease liabilities recognised on adoption of IFRS 16.

Taxation

The effective rate of taxation on profit on ordinary activities was 19.7% (1H19: 20.4%), above the standard rate of tax of 18.7% (1H19: 19.0%), primarily due to certain expenses associated with sponsorship and other business development activities not being deductible for tax purposes.

The net deferred taxation liability carried forward at 30 November 2019 was £3.5m (1H19: £3.0m).

Alternative performance measures

The Group has identified certain measures that it believes will assist in the understanding of the performance of the business. Recurring revenues, adjusted EBITDA, adjusted EBITDA margin, adjusted profit before tax ("adjusted PBT"), adjusted profit after tax ("adjusted PAT") and adjusted EPS are non-GAAP alternative performance measures, considered by the Board to provide additional insight into business performance compared with reporting the Group's results on a statutory basis only.

These alternative performance measures may not be directly comparable with other companies' adjusted measures and are not intended to be a substitute for, or superior to, any IFRS measures of performance. However, the Board considers them to be important measures for assessing performance, used widely within the business and by research analysts covering the Company.

Supporting calculations for alternative performance measures and reconciliations between alternative performance measures and their IFRS equivalents are set out in Note 19.

Profitability and earnings per share

Profit before tax was up 7.1% to £6.0m (1H19: £5.6m), with adjusted profit before tax up 9.2% to £7.1m (1H19: £6.5m), driven by increased revenues together with additional efficiencies and cost savings realised following the restructuring of our client facing operations. These changes, coupled with the impact of adopting IFRS 16 during the period, translated into growth in operating profit before financing of 7.4% to £5.8m (1H19: £5.4m) and adjusted EBITDA up 11.7% to £8.6m (1H19: £7.7m), with adjusted EBITDA margin of 28.4% (1H19: 26.4%). We expect margin in the second half to be lower, with additional expenditure on planned recruitment activity, marketing, and increased regulatory and compliance costs.

The Board considers adjusted EBITDA to be a relevant measure for investors who want to understand the underlying profitability of the Group, adjusting for items that are non-cash or affect comparability between periods as follows:

	1H20 £m	1H19 £m
Statutory operating profit before financing	**5.8**	5.4
Amortisation of acquired intangibles	**1.0**	0.9
Amortisation of software	**0.2**	0.7
Depreciation	**1.3**	0.5
EBITDA[15]	**8.3**	7.6
Share of associate profits (net of tax)	**0.3**	0.2
Acquisition-related costs	**0.0**	0.1
Gain on revaluation of Amati option	**—**	(0.1)
Adjusted EBITDA[16]	**8.6**	7.7

Adjusted PBT, adjusted PAT and adjusted EPS are additional measures the Board considers to be relevant for investors who want to understand the underlying earnings of the Group, excluding items that are non-cash or affect comparability between periods as follows:

	Profit 1H20 £m	**EPS 1H20 pps**	Profit 1H19 £m	EPS 1H19 pps
Statutory profit before tax	**6.0**		5.6	
Income tax expense	**(1.2)**		(1.2)	
Statutory profit after tax/Basic EPS	**4.8**	**18.0**	4.5	16.9
Statutory profit before tax	**6.0**		5.6	
Amortisation of acquired intangibles	**1.0**		0.9	
Gain on revaluation of Amati option	**—**		(0.1)	
Acquisition-related costs	**0.0**		0.1	
Adjusted PBT	**7.1**		6.5	
Income tax expense at standard rate	**1.3**		(1.2)	
Adjusted PAT/Adjusted EPS[17]	**5.8**	**21.4**	5.3	19.8

15 Earnings before interest, taxation, depreciation, amortisation and impairment.
16 Figures in table may not add due to rounding.
17 Figures in table may not add due to rounding.

Client portfolios acquired through business combinations are recognised as intangible assets. The amortisation charge for the period of £1.0m (1H19: £0.9m) associated with these intangible assets has been excluded from adjusted PAT and adjusted EPS because the Board reviews the performance of the business before these charges, which are non-cash and do not apply evenly to all business units.

Adjusted EPS increased 8.1% to 21.4p (1H19: 19.8p), while basic EPS was up 6.5% to 18.0p (1H19: 16.9p), driven by increased revenues and improved margins. EPS was also positively impacted by a lower tax rate of 19.7% (1H19: 20.4%), partially offset by the issue of 103,543 (1H19: 132,785) shares under the Company's share plans. There were no shares (1H19: 77,171) issued as consideration for acquisitions during the period. Diluted EPS was 17.8p (1H19: 16.7p).

Dividends

The Board is pleased to recommend the payment of an increased interim dividend, up 15.3% to 7.3p per share (1H19: 6.33p), demonstrating our desire to deliver value to shareholders and confidence in the outlook for our business. The Board remains committed to growing the dividend, while maintaining an appropriate level of dividend cover. The interim dividend will be paid on 27 March 2020 to shareholders on the register at the close of business on 14 February 2020.

The Company offers shareholders the option to invest their dividends in a Dividend Reinvestment Plan ("DRIP"). The DRIP is administered by the Company's registrar, Link Asset Services ("Link"), which uses cash dividend payments to which participants in the DRIP are entitled to purchase shares in the market, which means the Company does not need to issue new shares and avoids diluting existing shareholdings.

For the DRIP to apply to the interim dividend for the six months ended 30 November 2019, shareholders' instructions must be received by Link by 2 March 2020.

Cash flow

Cash balances at 30 November 2019 totalled £20.1m (1H19: £16.8m). Opening cash balances of £23.2m (1H19: £23.7m) at the start of the period included £0.08m (1H19: £3.5m) of VAT reclaimed on behalf of clients, with £0.04m (1H19: £2.7m) repaid during the period. Cash generated from operations was £3.0m or 36.1% of EBITDA (1H19: £0.4m or 5.3%), with operating profit margin before changes in working capital and provisions improving to 29.0% (1H19: 28.4%), with an increase in the Group's working capital requirement[18] of £6.0m (1H19: £6.9m) comprising:

- » £4.3m (1H19: £7.4m) decrease in trade and other payables, excluding VAT reclaims repaid to clients, primarily due to:
  - » £3.3m (1H19: £3.4m) decrease in accruals following the payment of £4.3m (1H19: £4.7m) of staff bonuses for the year ended 31 May 2019, which was another successful year for the Group;
  - » £0.7m (1H19: £1.5m) decrease in trade payables, primarily due to £0.4m of monthly instalments paid in respect of the Group's block insurance policies renewed in May 2019; and
  - » £0.3m decrease (1H19: £0.1m increase) in social security and other taxes outstanding at the period end; plus
- » £1.7m increase (1H19: £0.5m decrease) in trade and other receivables, primarily due to a £0.7m increase in prepayments following renewal of the Group's insurances, recognition of £0.5m receivable under indemnities provided to the Group and a £0.2m increase in trade receivables with increased client activity driving an increase in direct SIPP and SSAS fees during the period.

Provisions increased by £0.2m (1H19: £1.0m decrease) during the period, with £0.6m (1H19: £0.8m) of contingent consideration paid on the Broughtons acquisition being more than offset by other amounts provided during the period.

18 Working capital defined as trade and other receivables less trade and other payables.

A new accelerated corporation tax payment regime became effective for accounting periods beginning on or after 1 April 2019, increasing income taxes paid in the period to £1.9m (1H19: £0.9m), with quarterly tax payments now all due within the relevant accounting period, rather than two instalments being paid after the end of it as previously. This resulted in the Group paying four quarterly instalments (1H19: two) in the first half of this financial year.

Capital expenditure of £0.6m (1H19: £1.4m) comprised £0.3m on the purchase of new company cars, £0.2m investment in new computer hardware and office equipment and £0.1m on software development. In the first half of the prior financial year we reviewed our capitalised investment in IT, resulting in the accelerated amortisation of some IT systems that have since been taken out of service. We intend to continue investing in technology to develop our client relationship platforms and improve our client service propositions.

Regulatory capital

The Group's regulatory capital requirement has increased in recent years. In addition, the Group's capital resources are reduced when it makes acquisitions due to the requirement for intangible assets arising on acquisition to be deducted from Tier 1 Capital.

However, the Group continues to enjoy significant headroom on its increased regulatory capital requirement allowing us to pursue further acquisition opportunities.

Segmental review

The mix of income derived from the Group's four key revenue streams changed slightly during the period, summarised as follows:

- 45.5% investment and asset management (1H19: 45.2%);
- 36.0% pension consultancy and administration (1H19: 36.0%);
- 9.9% property management (1H19: 9.6%); and
- 8.6% employee benefits (1H19: 9.2%).

We aim to operate a seamless structure, allowing us to cover all aspects of wealth management and employee benefits.

Investment and asset management

Investment and asset management revenues generated from advising clients on both pension and personal investments increased 4.5% to £13.8m (1H19: £13.2m).

The Group's gross discretionary assets under management ("AuM"), including the multi asset funds which now sit at the heart of our discretionary portfolio management service ("DPM"), Custodian REIT, the Mattioli Woods Structured Products Fund ("MW SPF") and the funds managed by our associate company, Amati, increased by 3.8% to £2.7bn (31 May 2019: £2.6bn) as follows:

Assets under management	DPM £m	Custodian REIT £m	MW SPF £m	Amati £m	Gross AuM £m	Cross-holdings in DPM[19] £m	Cross-holdings in Amati funds[20] £m	Net AuM £m
At 1 June 2019	1,394.0	483.3	242.5	452.8	2,572.6	(132.3)	(11.9)	2,428.4
Inflows	80.4	6.8	10.9	43.2	141.3	(25.4)	(0.8)	115.1
Outflows	(51.6)	—	(8.5)	(8.2)	(68.3)	—	—	(68.3)
Market movements	47.8	(18.8)	17.3	22.4	68.7	—	—	68.7
At 30 November 2019	**1,470.6**	**471.3**	**262.2**	**510.2**	**2,714.3**	**(157.7)**	**(12.7)**	**2,543.9**

19 Comprises £31.9m (31 May 2019: £29.7m) invested in Custodian REIT, £85.8m (31 May 2019: £76.6m) in MW SPF and £40.0m (31 May 2019: £26.0m) in Amati funds.

20 Cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.

Income from both initial and ongoing portfolio management charges increased to £8.3m (1H19: £7.5m) with £80.4m (1H19: £100.5m) of inflows into our discretionary portfolio management service during the period.

Fees for services provided by Custodian Capital to Custodian REIT are included in the 'Property management' segment, with annual management charges on the MW SPF increasing to £0.8m (1H19: £0.6m) following further growth in the fund's AuM.

Adviser charges based on gross assets under advice of £2.1bn (1H19: £2.1bn) fell to £4.7m (1H19: £5.1m), with the lower revenue margin illustrating how we continue to reduce clients' charges and TERs, particularly on those assets invested in Custodian REIT, the MW SPF and Amati funds.

Growth in total assets under management and advice continues to enhance the quality of earnings through an increase in recurring revenues, with the proportion of the Group's total revenues which are recurring increasing to 91.5% (1H19: 89.9%) across all segments. Notwithstanding our fee-based advisory model, 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 increased 3.8% to £10.9m (1H19: £10.5m), with the total number of SIPP and SSAS schemes administered by the Group increasing 5.4% to 11,060 (1H19: 10,498), including 355 schemes administered by SSAS Solutions.

Direct[21] pension consultancy and administration fees increased 8.7% to £8.7m (1H19: £8.0m). Retirement planning remains central to many of our clients' wealth management strategies and the number of direct schemes increased to 6,434 (1H19: 5,912), with 164 new schemes gained in the first half (1H19: 233). Our focus remains on the quality of new business, with the value of a new scheme averaging £0.3m (1H19: £0.3m). We also enjoy strong client retention, with an external loss rate[22] of 0.8% (1H19: 1.7%) and an overall attrition rate[23] of 1.3% (1H19: 2.0%).

The number of active SSAS and SIPP schemes the Group operates on an administration-only basis increased to 4,626 (1H19: 4,586) at the period end. In prior years the Group has been appointed to administer a number of SIPPs following the previous operators' failure. Work continues in connection with schemes previously administered by Stadia Trustees Limited, HD Administrators, Pilgrim Trustees Services Limited and The Freedom SIPP Limited, but due to a lower level of transactional activity and the payment of compensation from the FSCS direct to individuals, rather than their pension schemes, third party administration fees fell 13.6% to £1.9m (1H19: £2.2m).

The Group's banking revenue was £0.3m (1H19: £0.3m), with no change in the Bank of England base rate of 0.75% since August 2018 and the value of clients' cash balances remaining in line with prior periods.

Segment margin improved during the period to 24.5% (1H19: 18.6%) with operational efficiencies and cost savings realised following the planned restructuring of our client facing operations. In addition, the operations of MC Trustees, which was based in Hampton-in-Arden until 30 November 2018, have been absorbed into our Leicester administration team, with margin improved through a much smaller team now administering this portfolio using our bespoke MWeb administration platform and cost savings associated with no longer occupying the Hampton-in-Arden premises.

21 SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator.
22 Direct schemes lost to an alternative provider as a percentage of average scheme numbers during the period.
23 Direct schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the period.

We anticipate continued regulatory scrutiny of the pension market, with certain other SIPP and SSAS operators in the spotlight due to issues arising with esoteric and non-standard investments. However, the market opportunity remains strong, with SIPP and SSAS arrangements still benefitting from the introduction of the pension freedoms and being favoured as a way of allowing individuals to have greater access, control, flexibility and responsibility over their pension savings. SIPPs are increasingly the pension vehicle of choice for the mass affluent and having been appointed to administer SIPPs previously operated by a number of failed operators in recent years we anticipate there may be similar opportunities over the next few years.

We like to see our clients withdrawing funds to enjoy in their retirement. Following the introduction of pension freedoms and a broader market shift away from accumulation and steady savings, we anticipate there will be some natural outflows from our clients' SIPP and SSAS schemes, particularly as the "baby boomer" generation reaches retirement. We expect any such decumulation to have a positive impact on the Group's results, linking-in with the provision of advice around the cascading of wealth through the generations, inheritance tax and other planning.

Property management

Property management revenues increased 7.1% to £3.0m (1H19: £2.8m), with our subsidiary Custodian Capital having assets under management and administration of £584.8m (1H19: £550.5m) at the period end. The majority of our property management revenues are derived from the services provided by Custodian Capital to Custodian REIT, which currently offers a fully-covered dividend yield of 5.8%[24], 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 £16.6m (1H19: £15.4m) invested and six (1H19: two) new syndicates completed during the period.

Employee benefits

Employee benefits revenues fell 3.7% to £2.6m (1H19: £2.7m) with new client wins partially offsetting the loss of two large corporate pension clients during the period, ensuring our portfolio of corporate clients remains well diversified.

Employers are increasingly encouraging staff wellbeing and retirement savings, which we expect to drive a period of steady growth in the UK employee benefits market, and we believe the Government's emphasis on workplace advice represents an opportunity for us to realise synergies between our employee benefits and wealth management businesses.

Acquisitions

We have invested over £56m since our admission to AIM in 2005 bringing 23 businesses or client portfolios into the Group, developing considerable expertise and a strong track record in the execution and subsequent integration of such transactions.

The two businesses acquired during the prior year are integrating well and have contributed positively to the Group's trading results since acquisition, increasing earnings and enhancing value, and we expect our recent acquisition of The Turris Partnership Limited to increase earnings and enhance value in the first full year of ownership.

Consolidation within both wealth management and SIPP administration is expected to continue, and we will seek to build on our track record of successful acquisitions by continuing to assess opportunities that meet our strict criteria.

24 Source: Numis Securities Limited, Investment Companies Datasheet dated 31 January 2020.

Resources

The Group aims to safeguard the assets that give it competitive advantage, including its reputation for quality and proactive advice, its technical competency and its people.

Our core values provide a framework for integrity, leading to responsible and ethical business practices. Structures for accountability from our administration and consultancy teams through to senior management and the Group's Board are clearly defined. The proper operation of the supporting processes and controls are regularly reviewed by the Audit Committee and the Risk and Compliance Committee and take into account ethical considerations, including procedures for 'whistle-blowing'.

Our people

We thank all our staff for their continued commitment, enthusiasm and professionalism in how they have dealt with our clients' affairs during the restructuring of our client-facing operations and the integration of recent acquisitions, including the migration of acquired pension portfolios onto our bespoke MWeb administration platform. Our culture is based on professionalism, putting clients first and adopting a collegiate approach. Retaining the integrity, expertise and passion of our people remains a priority of the Board and at the heart of our success. We are committed to developing our people and maintaining the capacity to deliver sustainable growth.

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 59% of eligible staff had invested in the Plan (1H19: 61%) and we continue to encourage broader staff participation.

In May 2019 the Mattioli Woods Employee Benefit Trust ("the Trust") commenced making market purchases of the Company's shares. The Trust holds shares for the benefit of the Group's employees and, in particular, to satisfy the vesting of awards made under the Company's various share schemes. The acquisition of shares by the Trust helps to avoid dilution of shareholders by reducing the need for the Company to issue new shares.

Shareholders

During the period we have engaged with shareholders through various channels, including company-hosted events, group meetings and one-to-one meetings. We are fortunate to have a number of supportive institutional shareholders with a significant investment in the Group and welcome opportunities to talk to all our shareholders, large and small. We will continue to maintain a regular and constructive dialogue with them, while seeking to broaden our shareholder base.

Outlook

We plan to build on the progress achieved in the first half of this financial year, advancing our strategic initiatives, such as the development of new products and services and our own IT solutions where possible. Our profit outlook for the year remains in line with management's expectations and we believe the Group is well-positioned to grow, both organically and by acquisition, to continue delivering sustainable shareholder returns.

Joanne Lake
Non-Executive Chairman

Ian Mattioli MBE
Chief Executive Officer
3 February 2020

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 2019 which comprises the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and associated Notes 1 to 19. 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 Financial Reporting Council. 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 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 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 2019 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.

Deloitte LLP
Statutory Auditor
Birmingham, UK
3 February 2020

Interim condensed consolidated statement of comprehensive income

	Note	**Unaudited Six months ended 30 Nov 2019 £000**	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
Revenue	4	**30,339**	29,165	58,464
Employee benefits expense		**(15,677)**	(15,483)	(31,239)
Other administrative expenses		**(5,904)**	(5,395)	(12,099)
Share based payments	13	**(401)**	(713)	(1,060)
Amortisation and impairment		**(1,236)**	(1,647)	(2,962)
Depreciation		**(1,276)**	(498)	(1,288)
Loss on disposal of property, plant and equipment		**(17)**	(106)	(125)
Gain on revaluation of derivative financial instrument		**—**	100	100
Operating profit before financing		**5,828**	5,423	9,791
Finance revenue		**54**	20	60
Finance costs		**(135)**	(37)	(86)
Net finance (cost)		**(81)**	(17)	(26)
Share of profit from associate, net of tax	11	**280**	223	480
Profit before tax		**6,027**	5,629	10,245
Income tax expense	7	**(1,190)**	(1,151)	(2,048)
Profit for the period		**4,837**	4,478	8,197
Other comprehensive income for the period, net of tax		**1**	—	6
Total comprehensive income for the period, net of tax		**4,838**	4,478	8,203
Attributable to:				
Equity holders of the parent		**4,838**	4,478	8,203
Earnings per ordinary share:				
Basic (pence)	5	**18.0**	16.9	30.8
Adjusted (pence)	5	**21.4**	19.8	37.0
Diluted (pence)	5	**17.8**	16.7	30.7
Proposed dividend per share (pence)	6	**7.3**	6.33	20.0

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

Interim condensed consolidated statement of financial position

	Note	Unaudited 30 Nov 2019 £000	Unaudited 30 Nov 2018 £000	Audited 31 May 2019 £000
Assets				
Property, plant and equipment	8	**16,246**	17,041	16,665
Right of use assets	9	**2,834**	—	—
Intangible assets	10	**47,558**	45,501	48,734
Deferred tax asset	7	**482**	610	512
Investment in associate	11	**3,895**	3,943	4,211
Derivative financial asset	12	**—**	750	750
Total non-current assets		**71,015**	67,845	70,872
Trade and other receivables		**18,418**	16,368	16,384
Finance lease receivable		**352**	—	—
Investments		**80**	81	80
Cash and short-term deposits		**20,073**	16,778	23,248
Total current assets		**38,923**	33,227	39,712
Total assets		**109,938**	101,072	110,584
Equity				
Issued capital		**269**	264	268
Share premium		**32,568**	31,753	32,137
Merger reserve		**10,639**	9,380	10,639
Equity – share-based payments		**2,425**	3,096	2,356
Capital redemption reserve		**2,000**	2,000	2,000
Own shares		**(398)**	—	(99)
Retained earnings		**39,642**	35,081	38,292
Total equity attributable to equity holders of the parent		**87,145**	81,574	85,593
Non-current liabilities				
Deferred tax liability	7	**3,984**	3,640	4,345
Lease liability		**2,280**	—	—
Financial liabilities and provisions	15	**1,265**	1,124	1,976
Total non-current liabilities		**7,529**	4,764	6,321
Current liabilities				
Trade and other payables		**10,188**	10,736	14,527
Income tax payable	7	**161**	1,311	536
Lease liability		**862**	—	—
Financial liabilities and provisions	15	**4,053**	2,687	3,607
Total current liabilities		**15,264**	14,734	18,670
Total liabilities		**22,793**	19,498	24,991
Total equities and liabilities		**109,938**	101,072	110,584

Registered number: 03140521

Interim condensed consolidated statement of changes in equity

	Note	Issued capital £000	Share premium £000	Merger reserve £000	Equity – share-based payments £000	Capital redemption reserve £000	Own shares £000	Retained earnings £000	Total equity £000
As at 31 May 2018 – Audited		**261**	**31,283**	**8,781**	**3,010**	**2,000**	**—**	**33,615**	**78,950**
Adjustment on initial application of IFRS 9 (net of tax)		—	—	—	—	—	—	(256)	(256)
Adjustment on initial application of IFRS 15 (net of tax)		—	—	—	—	—	—	—	—
Adjusted balance at 1 June 2018 – Unaudited		**261**	**31,283**	**8,781**	**3,010**	**2,000**	**—**	**33,359**	**78,694**
Total comprehensive income for period									
Profit for the period		—	—	—	—	—	—	4,478	4,478
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for period		—	—	—	—	—	—	4,478	4,478
Transactions with owners of the Company, recognised directly in equity									
Share of other comprehensive income from associated companies	11	—	—	—	—	—	—	(5)	(5)
Issue of share capital		3	470	599	—	—	—	—	1,072
Share-based payment transactions	13	—	—	—	511	—	—	—	511
Deferred tax asset recognised in equity		—	—	—	(126)	—	—	—	(126)
Current tax taken to equity		—	—	—	(26)	—	—	—	(26)
Reserves transfer		—	—	—	(273)	—	—	273	—
Dividends	6	—	—	—	—	—	—	(3,024)	(3,024)
As at 30 November 2018 – Unaudited		**264**	**31,753**	**9,380**	**3,096**	**2,000**	**—**	**35,081**	**81,574**
Adjustment on initial application of IFRS 9 (net of tax)		—	—	—	—	—	—	6	6
Adjusted balance at 30 November 2018 – Unaudited		**264**	**31,753**	**9,380**	**3,096**	**2,000**	**—**	**35,087**	**81,580**
Total comprehensive income for period									
Profit for the period		—	—	—	—	—	—	3,719	3,719
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for period		—	—	—	—	—	—	3,719	3,719

Interim condensed consolidated statement of changes in equity continued

	Note	Issued capital £000	Share premium £000	Merger reserve £000	Equity – share-based payments £000	Capital redemption reserve £000	Own shares £000	Retained earnings £000	Total equity £000
Transactions with owners of the Company, recognised directly in equity									
Share of other comprehensive income from associated companies	11	—	—	—	—	—	—	11	11
Issue of share capital		4	384	1,259	—	—	—	—	1,647
Share-based payment transactions	13	—	—	—	288	—	—	—	288
Deferred tax taken to equity		—	—	—	(34)	—	—	—	(34)
Current tax taken to equity		—	—	—	160	—	—	—	160
Reserves transfer		—	—	—	(1,154)	—	—	1,154	—
Own shares		—	—	—	—	—	(99)	—	(99)
Dividends	6	—	—	—	—	—	—	(1,679)	(1,679)
As at 31 May 2019 – Audited		**268**	**32,137**	**10,639**	**2,356**	**2,000**	**(99)**	**38,292**	**85,593**
Total comprehensive income for period									
Profit for the period		—	—	—	—	—	—	4,837	4,837
Other comprehensive income	11	—	—	—	—	—	—	1	1
Total comprehensive income for period		—	—	—	—	—	—	4,838	4,838
Transactions with owners of the Company, recognised directly in equity									
Issue of share capital		1	431	—	—	—	—	—	432
Share-based payment transactions	13	—	—	—	255	—	—	—	255
Deferred tax asset derecognised in equity		—	—	—	44	—	—	—	44
Current tax taken to equity		—	—	—	(58)	—	—	—	(58)
Reserves transfer		—	—	—	(172)	—	—	172	—
Own shares		—	—	—	—	—	(299)	—	(299)
Dividends	6	—	—	—	—	—	—	(3,660)	(3,660)
As at 30 November 2019 – Unaudited		**269**	**32,568**	**10,639**	**2,425**	**2,000**	**(398)**	**39,642**	**87,145**

Interim condensed consolidated statement of cash flows

	Note	**Unaudited Six months ended 30 Nov 2019 £000**	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
Operating activities				
Profit for the period		**4,837**	4,478	8,197
Adjustments for:				
Depreciation	8,9	**1,276**	498	1,288
Amortisation and impairment	10	**1,236**	1,647	2,962
Investment income		**(54)**	(20)	(60)
Interest expense		**135**	37	86
Share of profit from associate		**(280)**	(223)	(480)
Gain on revaluation of derivative financial asset	12	**—**	(100)	(100)
Loss on disposal of property, plant and equipment		**17**	106	125
Equity-settled share-based payments	13	**401**	713	1,060
Income tax expense		**1,190**	1,151	2,048
Cash flows from operating activities before changes in working capital and provisions		**8,758**	8,287	15,126
(Increase)/decrease in trade and other receivables		**(1,742)**	498	656
(Decrease)/increase in trade and other payables		**(4,283)**	(7,374)	(4,231)
Increase/(decrease) in provisions		**248**	(1,025)	(537)
Cash generated from operations		**2,981**	386	11,014
Interest paid		**—**	—	(1)
Income taxes paid		**(1,910)**	(922)	(2,221)
Net cash inflows/(outflows) from operating activities		**1,071**	(536)	8,792
Investing activities				
Proceeds from sale of property, plant and equipment		**65**	53	117
Purchase of property, plant and equipment	8	**(533)**	(1,205)	(1,680)
Purchase of software	10	**(60)**	(160)	(297)
Consideration paid on acquisition of subsidiaries		**(600)**	(3,249)	(763)
Cash received on acquisition of subsidiaries		**—**	757	1,845
Dividends received from associate	11	**588**	—	—
Proceeds from disposal of derivative financial asset	12	**375**	—	—
Interest received		**46**	13	54
Loans advanced to investment syndicates		**(15)**	(167)	(211)
Loan repayments from investment syndicates		**44**	360	467
Net cash from investing activities		**(90)**	(3,598)	(5,005)
Financing activities				
Proceeds from the issue of share capital		**266**	268	595
Cost of own shares acquired		**(299)**	—	(99)
Dividends paid	6	**(3,660)**	(3,024)	(4,703)
Payment of lease liabilities		**(463)**	—	—
Net cash from financing activities		**(4,156)**	(2,756)	(4,207)
Net (decrease)/increase in cash and cash equivalents		**(3,175)**	(6,890)	(420)
Cash and cash equivalents at start of period		**23,248**	23,668	23,668
Cash and cash equivalents at end of period		**20,073**	16,778	23,248

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 3 February 2020.

The principal activities of the Group are described in Note 4.

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 2019, 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 2019 and the six months ended 30 November 2019 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 2019 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 2019, other than for the adoption of IFRS 16.

Standards and interpretations adopted during the current reporting period
This is the first set of the Group's financial statements where IFRS 16 has been applied. This new standard was adopted from 1 June 2019. Under the transition methods chosen, comparative information is not restated. Changes to significant accounting policies are described in Note 2.

IFRS 16 Leases

IFRS 16 has primarily changed lease accounting for lessees. Lease agreements now give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payments. Lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability. Lessee accounting under IFRS 16 is similar in many respects to existing IAS 17 accounting for finance leases, but is substantially different to previous accounting for operating leases where rental charges were recognised on a straight-line basis and no lease asset or lease loan obligation was recognised.

Lessor accounting under IFRS 16 is similar in many respects to IAS 17 accounting, but is different in the classification of leases for sublets of lease assets, which are now made by reference to the term of the head lease, rather than the life of the leased asset itself.

Transition

On transition to IFRS 16, the Group has applied the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to the opening balance sheet. There is no restatement of the comparative information, which continues to be reported under IAS 17.

On adoption, lease agreements under which the Group is lessee have given rise to both a right of use asset and a lease liability. For leases previously classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 June 2019. Right of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment on the Group statement of financial position at the date of transition.

Lease liabilities are subsequently measured by adjusting the carrying amount to reflect the interest charge, the lease payments made and any reassessment or lease modifications. Right of use assets are subsequently depreciated on a straight-line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability.

On adoption, the classification of lease agreements under which the Group is lessor have been reviewed and one lease previously classified as an operating lease under IAS 17 has been classified as a finance lease under IFRS 16. This has given rise to both a finance lease receivable, reported within trade and other receivables, and the partial de-recognition of the right of use asset in respect of the head lease for the property. De-recognition of right of use assets were measured at an amount equal to the lease receivable, adjusted by the amount of any prepaid or accrued lease payment on the Group statement of financial position at the date of transition.

The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- 'Grandfathering' the assessment of which contracts are leases and applied IFRS 16 only to those that were previously identified as leases. Contracts not identified as leases under IAS 17 were not reassessed as to whether there is a lease. The identification of a lease under IFRS 16 was therefore only applied to contracts entered into (or modified) on or after 1 June 2019; and
- Applying the exemption not to recognise right of use assets and liabilities for leases with a term of less 12 months and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Basis of preparation and accounting policies continued
2.2 Significant accounting policies continued
IFRS 16 Leases continued
Transition continued

The impact on the consolidated statement of financial position as at 1 June 2019 is as follows:

	As reported 31 May 2019 £000	Adjustments £000	**As restated 1 June 2019 £000**
Assets			
Right of use assets	—	3,190	**3,190**
Finance lease receivable	—	356	**356**
Trade and other receivables	16,384	(76)	**16,308**
Total assets	110,584	3,470	**114,054**
Liabilities			
Trade and other payables	14,527	(37)	**14,490**
Lease liabilities	—	3,507	**3,507**
Total liabilities	24,991	3,470	**28,461**
Equity			
Retained earnings	38,292	—	**38,292**
Total equity	85,593	—	**85,593**
Total equity and liabilities	110,584	3,470	**114,054**

The adjustments to the consolidated balance sheet reflect the initial application of IFRS 16.

Impact on the financial statements for the six months ended 30 November 2019

In the six months ended 30 November 2019, the Group recognised an interest charge arising on lease liabilities of £63,000, a depreciation charge on the right of use assets of £408,000 and interest income arising on finance lease receivables from sub-leased assets of £8,000. In the six months ended 30 November 2018, the Group recognised rental costs of £599,000 and sublet rental income of £14,000 in accordance with IAS 17.

Disclosure of the change in value of the right of use assets during the period is included in Note 9.

When measuring lease liabilities, the Group discounted its lease payments using incremental borrowing rates at 1 June 2019 of between 3.08% and 4.47%, depending on the remaining term of the lease.

The Group is required to identify the difference between the present value of its operating lease commitments disclosed at 31 May 2019 under IAS 17, discounted using the Group's incremental borrowing rate, and its lease liabilities recognised at the date of initial application to IFRS 16. This reconciliation is presented as follows:

	£000
Operating lease commitment at 31 May 2019	3,975
Amendments to lease commitment workings	(85)
Impact of discounting at the incremental borrowing rate	(383)
Lease liabilities at 1 June 2019	**3,507**

Standards not affecting the financial statements

In addition to IFRS 16 the following new and revised standards and interpretations have been adopted in the current period:

Standard or interpretation		Periods commencing on or after
IFRIC 23	Accounting for uncertain tax treatments	1 January 2019
IAS 28 (amended)	Long Term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle		1 January 2019
IAS 19 (amendments)	Plan amendment, curtailment or settlement	1 January 2019
IFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019

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
Amendments to References to the Conceptual Framework in IFRS standards		1 January 2020
IFRS 3 (amendments)	Business Combinations	1 January 2020
IAS 1 and IAS 8 (amendments)	Definition of Material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

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

Financial statements for the year ending 31 May 2020

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 2020, except for the adoption of new standards and interpretations not yet issued.

2. Basis of preparation and accounting policies continued

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 Critical accounting judgements and sources of 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.

Critical accounting judgements

Disclosure is required of judgements made by the Board in applying the accounting policies that have a significant effect on the financial statements. In the opinion of the Board, no new critical accounting judgements were made during the period.

Sources of significant estimation uncertainty

Impairment of acquired client portfolios and goodwill

For the purposes of impairment testing, acquired client portfolios and goodwill are allocated to the group of cash-generating units ("CGUs") that are expected to benefit from the business combination.

The Group reviews whether acquired client portfolios are impaired on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This comprises an estimation of the fair value less cost to sell and the value in use of the acquired client portfolios.

The key assumptions 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.

Value in use calculations are utilised to calculate recoverable amounts of a CGU. Value in use is calculated as the net present value of the projected pre-tax cash flows of the CGU in which the client portfolio is contained. The net present value of cash flows is calculated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset, based on the Group's pre-tax Weighted Average Cost of Capital ("WACC"). The Group has applied a WACC of 11.6% (1H19: 10.4%) to each of its operating segments.

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% (1H19: 2.5%), which management considers conservative against industry average long-term growth rates.

The carrying amount of client portfolios at 30 November 2019 was £25.7m (1H19: £24.9m). No impairment has been made during the period (1H19: £nil) based upon the Directors' review.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. In assessing value in use, the estimated future cash flows expected to arise from the CGU are discounted to their present value using a pre-tax discount rate of 11.6% (1H19: 10.4%), reflecting current market assessments of the time value of money and the risks specific to that asset, based on the Group's WACC.

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 2019 was £20.2m (1H19: £18.7m), with the value in use of the operating segments to which goodwill and client portfolio assets have been allocated calculated as £193.1m at 30 November 2019. Comparing this to the net asset value of the operating segments of £87.1m, the directors believe the value of goodwill is not impaired at 30 November 2019. This accounting treatment resulted in an impairment loss of £nil (1H19: £nil).

The value in use calculations at 30 November 2019 indicate there is limited headroom on the value of acquired client portfolios and goodwill allocated to the Employee Benefits operating segment. If the pre-tax discount rate used to calculate the value in use of each segment increased by 1.0%, with all other variables held constant, this would result in a £0.5m reduction in the value in use of the Employee Benefits operating segment, but would not impair its carrying value. There is no material impact on the Group's equity.

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 2019 was £5.8m (1H19: £5.3m).

The sensitivity of a 3.5% change in the estimated recoverability of time costs and disbursements incurred but not invoiced to clients, with all other variables held constant, is £0.3m of the Group's profit before tax. There is no material impact on the Group's equity.

2. Basis of preparation and accounting policies continued

2.4 Critical accounting judgements and sources of estimation uncertainty continued

Sources of significant estimation uncertainty continued

Provisions

The Group recognises a provision for client claims, among other matters, and the quantum of the provision at the reporting date is set out in Note 15. The client claims provision is an estimate and the actual amount and timing of future cash flows are dependent on future events. Management reviews 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 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. 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 2019 and 2018, and the year ended 31 May 2019 respectively:

Unaudited Six months ended 30 Nov 2019	Investment and asset management £000	Pension consultancy and administration £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue							
External customers	**13,803**	**10,907**	**2,975**	**2,654**	**30,339**	**—**	**30,339**
Profit before tax							
Segment result	**4,762**	**2,667**	**744**	**219**	**8,392**	**(2,365)**	**6,027**

Unaudited Six months ended 30 Nov 2018	Investment and asset management £000	Pension consultancy and administration £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue							
External customers	13,164	10,547	2,756	2,698	29,165	—	29,165
Profit before tax							
Segment result	4,519	1,957	365	241	7,082	(1,453)	5,629

Audited Year ended 31 May 2019	Investment and asset management £000	Pension consultancy and administration £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue							
External customers	25,997	20,405	6,443	5,619	58,464	—	58,464
Profit before tax							
Segment result	7,085	4,355	1,463	677	13,580	(3,335)	10,245

4. Segment information continued

Operating segments continued

The following table presents segment assets of the Group's operating segments as at 30 November 2019 and 2018, and at 31 May 2019 (the date of the last annual financial statements):

	Unaudited 30 Nov 2019 £000	Unaudited 30 Nov 2018 £000	Audited 31 May 2019 £000
Pension consultancy and administration	**27,557**	23,590	26,825
Investment and asset management	**26,664**	26,763	28,092
Property management	**1,544**	1,286	1,559
Employee benefits	**9,445**	10,959	9,626
Total segments	**65,210**	62,598	66,102
Corporate assets	**44,728**	38,474	44,482
Total assets	**109,938**	101,072	110,584

Segment assets exclude property, plant and equipment, right of use assets, 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, computer software 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.

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
Reconciliation of profit			
Total segments	**8,392**	7,082	13,580
Amortisation and impairment	**(210)**	(731)	(1,054)
Depreciation	**(1,276)**	(498)	(1,288)
Irrecoverable VAT	**(448)**	(425)	(868)
Professional indemnity insurance	**(292)**	(245)	(513)
Loss on disposal of assets	**(17)**	(106)	(125)
Acquisition-related costs	**(33)**	(63)	(123)
Finance costs	**(134)**	(37)	(321)
Bank charges	**(9)**	(11)	(18)
Finance income	**54**	20	292
Gain on revaluation of derivative financial asset	**—**	100	100
Decrease/(increase) in provisions	**—**	543	583
Group profit before tax	**6,027**	5,629	10,245

	Unaudited 30 Nov 2019 £000	Unaudited 30 Nov 2018 £000	Audited 31 May 2019 £000
Reconciliation of assets			
Segment operating assets	**65,210**	62,598	66,102
Property, plant and equipment	**16,246**	17,041	16,665
Right of use assets	**2,834**	—	—
Intangible assets	**1,616**	1,904	1,766
Investments	**80**	81	80
Deferred tax asset	**482**	610	512
Prepayments and other receivables	**3,397**	1,310	1,461
Derivative financial asset	**—**	750	750
Cash and short-term deposits	**20,073**	16,778	23,248
Total assets	**109,938**	101,072	110,584

5. 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 2019 £000	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
Net profit and diluted net profit attributable to equity holders of the Company	**4,837**	4,478	8,197
Weighted average number of ordinary shares:	**000s**	000s	000s
Issued ordinary shares at start of period	**26,770**	26,150	26,150
Effect of shares issued during the year ended 31 May 2019	**—**	317	440
Effect of shares issued during the current period	**87**	74	74
Basic weighted average number of shares	**26,857**	26,541	26,664
Effect of dilutive options at the statement of financial position date	**280**	240	50
Diluted weighted average number of shares	**27,137**	26,781	26,714

The Company has granted options under the Mattioli Woods 2010 Long Term Incentive Plan ("the LTIP") to certain of its senior managers and directors to acquire (in aggregate) up to 3.41% 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 2019 the conditions attaching to 635,640 options granted under the LTIP are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 17.4 pence per share (1H19: 16.3 pence).

Adjusted earnings per share amounts are calculated by adding back amortisation and impairment of acquired intangibles, changes in the fair value of derivative financial assets and acquisition-related costs to the profit before tax of the Group ("adjusted profit before tax") less income tax at the standard rate of corporation tax for the period ("adjusted profit after tax") and dividing adjusted profit after tax by the weighted average number of ordinary shares outstanding during the period.

Since the reporting date and the date of completion of these financial statements the following transactions have taken place involving ordinary shares or potential ordinary shares:

- The issue of 6,286 ordinary shares to satisfy the exercise of options under the LTIP; and
- The issue of 11,127 ordinary shares under the Mattioli Woods plc Share Incentive Plan.

6. Dividends paid and proposed

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
Paid during the period:			
Equity dividends on ordinary shares:			
– Final dividend for 2019: 13.67p (2018: 11.5p)	**3,660**	3,024	3,024
– Interim dividend for 2019: 6.33p (2018: 5.5p)	**—**	—	1,679
Dividends paid	**3,660**	3,024	4,703
Proposed for approval:			
Equity dividends on ordinary shares:			
– Interim dividend for 2020: 7.3p (2019: 6.33p)	**1,963**	1,679	—
– Final dividend for 2019: 13.67p (2018: 11.5p)	**—**	—	3,660
Dividends proposed	**1,963**	1,679	3,660

The interim dividend was approved on 3 February 2020.

7. 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, with deferred tax assets and liabilities recognised at the rate of corporation tax enacted or substantively enacted at the reporting date.

The primary components of the Group's recognised deferred tax assets include temporary differences related to share-based payments, provisions and other items.

The primary components of the Group'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 2019 of £0.3m (1H19: £0.2m) are due to temporary differences on the amortisation of client portfolios and share-based payments at the reporting date.

7. Income tax continued

Deferred income tax continued

The total deferred tax asset derecognised in the consolidated statement of changes in equity for the six months ended 30 November 2019 was £0.06m (1H19: £0.12m recognised in equity).

Deferred tax assets and liabilities at 30 November 2019 have been recognised using the corporation tax rate of 17% (1H19: 17%) to be effective from 1 April 2020 as introduced by the Finance Bill 2016, which received Royal Assent in September 2016.

Reconciliation of effective tax rates

The current tax expense for the six months ended 30 November 2019 was calculated based on the estimated average annual effective income tax rate of 19.7% (1H19: 20.4%), as compared to the standard rate of UK corporation tax at the reporting date of 18.7% (1H19: 19.0%). Differences between the estimated average annual effective income tax rate and statutory rate include, but are not limited to, non-deductible expenses, tax incentives not recognised in profit or loss and under/(over) provisions in previous periods.

Impact of future tax changes

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

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

8. Property, plant and equipment

	Computer and office equipment £000	Fixtures and fittings £000	Motor vehicles £000	Land and buildings £000	Total £000
Gross carrying amount:					
At 1 June 2019	2,348	5,522	1,566	10,780	20,216
Additions	120	73	338	—	531
Disposals	(1)	—	(168)	—	(169)
At 30 November 2019	**2,467**	**5,595**	**1,736**	**10,780**	**20,578**
Depreciation:					
At 1 June 2019	1,483	1,365	535	168	3,551
Charged for the period	188	416	138	126	868
On disposals	—	—	(87)	—	(87)
At 30 November 2019	**1,671**	**1,781**	**586**	**294**	**4,332**
Carrying amount:					
At 30 November 2019	**796**	**3,814**	**1,150**	**10,486**	**16,246**
At 30 November 2018	854	4,511	967	10,709	17,041
At 31 May 2019	865	4,157	1,031	10,612	16,665

9. Right of use assets

	Properties £000	Computer and office equipment £000	Total £000
Gross carrying amount:			
At 1 June 2019 (unaudited)	2,512	678	3,190
Additions	52	—	52
At 30 November 2019	**2,564**	**678**	**3,242**
Depreciation:			
At 1 June 2019 (unaudited)	—	—	—
Charged for the period	313	95	408
At 30 November 2019	**313**	**95**	**408**
Carrying amount:			
At 30 November 2019	**2,251**	**583**	**2,834**
At 30 November 2018	—	—	—
At 1 June 2019 (unaudited)	2,512	678	3,190

10. Intangible assets

	Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Other £000	Total £000
Gross carrying amount:						
At 1 June 2019	1,573	1,927	38,544	20,215	35	62,294
Additions	60	—	—	—	—	60
Disposals	—	—	—	—	(35)	(35)
At 30 November 2019	**1,633**	**1,927**	**38,544**	**20,215**	**—**	**62,319**
Amortisation and impairment:						
At 1 June 2019	709	1,025	11,791	—	35	13,560
Amortisation for the period	91	118	1,027	—	—	1,236
Disposals	—	—	—	—	(35)	(35)
At 30 November 2019	**800**	**1,143**	**12,818**	**—**	**—**	**14,761**
Carrying amount:						
At 30 November 2019	**833**	**784**	**25,726**	**20,215**	**—**	**47,558**
At 30 November 2018	911	994	24,850	18,746	—	45,501
At 31 May 2019	864	902	26,753	20,215	—	48,734

11. Investment in associate

The movement in the Group's investment in associate is as follows:

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
Investment in associate			
At 1 June	**4,211**	3,725	3,725
Share of profit for the period	**305**	257	548
Amortisation of fair value intangibles	**(34)**	(34)	(68)
Elimination of transactions with associate	**9**	—	—
Share of profit from associates in statement of comprehensive income	**280**	223	480
Share of other comprehensive income	**1**	(5)	6
Elimination of transactions with associate	**(9)**	—	—
Dividends received	**(588)**	—	—
At end of period	**3,895**	3,943	4,211

Other comprehensive income represents a movement in Amati's revaluation reserve recognised directly in equity. The results of Amati from the beginning of the period and its aggregated assets and liabilities as at 30 November 2019 are as follows:

Name	Country of incorporation	Assets £000	Liabilities £000	Revenue £000	Profit £000	Interest held
Amati Global Investors Limited	Scotland	4,360	(1,794)	2,541	625	49%
Group's share of profit					305	

The net assets of Amati as at 1 June 2019 were £3,140,000. At 30 November 2019 the net assets of Amati were £2,566,000 following payment of a dividend of £1,200,000, and other increases in net assets of £626,000, increasing the Group's interest in the associate by £272,000 during the period, comprising Mattioli Woods' share of Amati's profit after tax, recognised in the statement of comprehensive income and Mattioli Woods' share of the movement in Amati's revaluation reserve recognised directly in equity.

12. Derivative financial asset

The only derivative financial instrument held by the Group was an option contract over shares in the Group's associate. The option contract was carried at fair value.

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
Derivative financial asset			
At 1 June	**750**	650	650
Extinguished in the period	**(750)**	—	—
Movement in fair value	**—**	100	100
At end of period	**—**	750	750

On 19 June 2019 the Group signed an agreement to cancel its option to acquire the remaining 51% of Amati in return for a payment of £750,000, of which £375,000 was received in the period, with the remaining £375,000 falling due on 31 March 2020.

13. 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.

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 2019 the total number of options exercisable under the Consultants' Share Option Plan was nil (1H19: 42,106).

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. Movements in the LTIP scheme during the period were as follows:

	Unaudited 30 Nov 2019 Equity-settled No.	Unaudited 30 Nov 2018 Equity-settled No.	Audited 31 May 2019 Equity-settled No.
Number of options			
Outstanding at start of period	**757,463**	806,489	806,489
Granted during the period	**248,800**	241,756	241,756
Exercised during the period	**(45,641)**	(68,666)	(233,718)
Forfeited during the period	**(45,369)**	(54,964)	(57,064)
Outstanding at end of period	**915,253**	924,615	757,463
Exercisable at end of period	**279,613**	239,775	77,023

The LTIP awards are subject to the achievement of corporate profitability targets measured over a three or five 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:

	Exercise price	At 1 June 2019 No.	Granted during the period No.	Forfeited during the period No.	Exercised during the period No.	**At 30 Nov 2019 No.**
Date of grant						
5 September 2013	£0.01	1,388	—	(842)	—	**546**
16 September 2014	£0.01	6,661	—	(3,435)	—	**3,226**
15 October 2015	£0.01	68,974	—	(14,130)	—	**54,844**
6 September 2016	£0.01	253,309	—	(26,962)	(5,350)	**220,997**
5 September 2017	£0.01	201,596	—	—	(15,644)	**185,952**
6 September 2018	£0.01	225,535	—	—	(24,647)	**200,888**
4 September 2019	£0.01	—	248,800	—	—	**248,800**
		757,463	248,800	(45,369)	(45,641)	**915,253**

Share Incentive Plan

The Company also operates the Mattioli Woods plc Share Incentive Plan ("the SIP"). Participants in the SIP are entitled to purchase, at market value, up to a prescribed number of new 1p ordinary shares in the Company each year for which they will receive a like for like conditional 'matching share', subject to their continued employment for the three years following award of the matching share. The expense for share based payments in respect of matching shares issued under the SIP is recognised over the expected vesting period of the shares granted to the participating employee.

A total of 58,174 (1H19: 59,364) new ordinary shares were issued to the 324 employees who participated in the SIP during the period. At 30 November 2019, 616,510 shares were held in the SIP on their behalf. There were 2,629 forfeited shares not allocated to any specific employee.

13. Share-based payments continued

Share-based payment expense

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

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
LTIP	**272**	510	825
SIP	**129**	203	235
Total	**401**	713	1,060

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) 2019	LTIP (Equity-settled) 2018	LTIP (Equity-settled) 2017	LTIP (Equity-settled) 2016	LTIP (Equity-settled) 2015	CSOP 2009
Share price at grant date (£)	7.33	8.55	8.61	6.57	6.13	2.13
Exercise price (£)	0.01	0.01	0.01	0.01	0.01	2.16
Expected volatility (%)	30.0	17.5	17.0	17.5	20.0	17.0
Expected life (years)	6.5	4.5	4.5	4.5	4.5	7.0
Risk free rate (%)	0.58	0.76	0.50	0.81	1.25	3.33
Expected dividend yield (%)	3.00	2.04	1.84	2.21	2.30	1.60

The expected volatility assumption is based on statistical analysis of the historical volatility of the Company's share price.

14. 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:

	Carrying amount as at 30 Nov 2019 £000	Quoted prices in active markets for identical instruments Level 1 £000	Significant other observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000
Financial assets				
Derivative financial instruments	–	–	–	–
At 30 November 2019	**–**	**–**	**–**	**–**
Financial liabilities				
Contingent consideration	2,118	–	–	2,118
At 30 November 2019	**2,118**	**–**	**–**	**2,118**

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

15. Provisions

	Contingent consideration £000	Client claims £000	Dilapidations £000	Clawbacks £000	Employers' NIC on share options £000	Onerous contracts £000	FSCS levy £000	Total £000
At 1 June 2018	886	982	631	124	627	988	100	4,338
Arising during period	65	558	102	105	(17)	—	—	813
Used during period	(763)	(121)	(359)	(106)	(70)	(369)	—	(1,788)
Acquisitions	1,199	—	25	—	—	—	—	1,224
Unwinding of discount	32	—	5	—	—	—	—	37
Unused amounts reversed	—	(2)	(44)	—	(23)	(544)	—	(613)
Reclassification	(200)	—	—	—	—	—	—	(200)
At 30 November 2018	1,219	1,417	360	123	517	75	100	3,811
Arising during period	—	170	—	36	295	145	50	696
Used during period	—	(109)	(17)	(36)	(193)	—	—	(355)
Acquisitions	1,393	43	—	—	—	—	—	1,436
Unwinding of discount	43	—	5	—	—	—	—	48
Unused amounts reversed	—	(243)	—	—	(17)	—	—	(260)
Reclassification	—	207	—	—	—	—		207
At 31 May 2019	2,655	1,485	348	123	602	220	150	5,583
Arising during period	—	642	15	19	53	—	—	729
Used during period	(600)	(182)	—	(24)	(45)	(83)	—	(934)
Unwinding of discount	63	—	9	—	—	—	—	72
Unused amounts reversed	—	(8)	—	(44)	(30)	(50)	—	(132)
At 30 November 2019	**2,118**	**1,937**	**372**	**74**	**580**	**87**	**150**	**5,318**
Current	1,368	1,937	—	74	437	87	150	4,053
Non-current	750	—	372	—	143	—	—	1,265
At 30 November 2019	**2,118**	**1,937**	**372**	**74**	**580**	**87**	**150**	**5,318**

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 net present value of the financial liability payable within the next 12 months is £1.4m (1H19: £0.6m) and the Group expects to settle the non-current balance of £0.8m (1H19: £0.6m) within the next two years.

15. Provisions continued

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.

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 acquisitions of Taylor Patterson and UKWM Pensions. 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 that it is appropriate to provide against these contracts in full.

The provision for onerous contracts at 1 June 2018 included onerous lease provisions on property leases. Provisions for onerous leases were recognised when a leased property was expected to become vacant and no longer used in the Group's operations and amounts recognised in the year ended 31 May 2018 represented the Group's best estimate of the unavoidable costs committed to under three commercial leases for its previous premises at Grove Park, Leicester, based on the expected void period between the premises being vacated and subsequently sub-let after the Group took occupation of its new office at New Walk. Provisions for onerous leases at 30 November 2019 were £nil (1H19: £nil).

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 have 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 £0.15m (1H19: £0.1m) has been made in these financial statements for FSCS interim levies expected in the year ending 31 May 2020.

16. Related party transactions

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 Chief Financial Officer, Nathan Imlach, is Company Secretary of Custodian REIT. Ian Mattioli received £17,250 of Directors' fees from Custodian REIT during the six months ended 30 November 2019 (1H19: £16,750). 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, Nathan Imlach, Richard Shepherd-Cross (the Managing Director of Custodian Capital), Ed Moore (the Finance Director of Custodian Capital) and the private pension schemes of Ian Mattioli, Nathan Imlach, Richard Shepherd-Cross, Murray Smith, Joanne Lake and Carol Duncumb have a beneficial interest in Custodian REIT.

During the six months ended 30 November 2019 the Group received revenues of £2.1m (1H19: £2.0m) in respect of annual management charges, administration and marketing fees from Custodian REIT. Custodian REIT owed the Group £1,488 (1H19: £nil) at 30 November 2019.

During the six months ended 30 November 2019 the Group paid rent of £nil (1H19: £246,515) and dilapidations, service charges and other property related costs of £nil (1H19: £178,347) in respect of its former office premises at MW House and Gateway House at Grove Park, Enderby where Custodian REIT was lessor.

On 26 November 2018, the Company assigned the MW House lease to a third party sub-tenant for the remainder of the lease term. Under the terms of the assignment, no further rent should be paid to Custodian REIT plc, but in the event of default by the assignee, the Group retains the liability for rents due over the remaining lease term.

Amati Global Investors Limited

On 6 February 2017 the Company purchased 49% of the issued share capital of Amati.

Three of the Company's senior management team were appointed to the board of Amati on the date of investment. Ian Mattioli is Deputy Chairman, the Group's Chief Investment Officer, Simon Gibson, is a Non-Executive Director and former Chief Operating Officer, Mark Smith was a Non-Executive Director until he resigned on 22 November 2018. During the six months ended 30 November 2019 each of the continuing Directors were paid £2,652 (1H19: £2,575) of Directors' fees by Amati.

On 14 August 2018 the Group entered into an agreement to sublet space in its Edinburgh office to Amati for a term of five years, including an initial rent-free period of five months. During the six months ended 30 November 2019 the Group received rent of £24,000 (1H19: £14,435) from Amati as lessee, £9,627 (1H19: £527) from the recharge of other property-related costs and consultancy fees of £18,667 (1H19: £nil) in the period.

16. Related party transactions continued

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 £nil (1H19: £1,638) in respect of corporate legal services provided to the Group and its subsidiaries. In addition, the Group received revenues of £8,761 (1H19: £14,175) in respect of the employee benefits services provided to Gateley Plc in the period.

Vista Insurance Brokers Limited

Vista Insurance Brokers Limited, a broker of insurance products, is party to a dormant joint venture agreement with the Company. The Group received revenues of £nil (1H19: £1,148) in respect of employee benefits services provided to Vista Insurance Brokers Limited during the period. In addition, the Group paid Vista Insurance Brokers Limited £16,127 (1H19: £nil) under a referral agreement.

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 (1H19: 17) other executives, received total compensation of £2.8m for the six months ended 30 November 2019 (1H19: £3.3m). Total remuneration is included in "employee benefits expense" and analysed as follows:

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000	Audited Year ended 31 May 2019 £000
Wages and salaries	**2,283**	2,771	4,907
Social security costs	**395**	355	830
Pension	**58**	36	86
Benefits in kind	**60**	88	96
	2,796	3,250	5,919

In addition, the cost of share-based payments disclosed separately in the statement of comprehensive income was £0.2m (1H19: £0.4m).

Transactions with other related parties

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 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 Mattioli Woods Balanced Fund

The Company is the investment manager of the FP Mattioli Woods Balanced 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 2019 the Group held an investment with a market value of £43,364 (1H19: £40,020) in the FP Mattioli Woods Balanced Fund.

MW Properties No 25 Limited

The Company holds a 9.40% interest in MW Properties No 25 Limited, a nominee for a property syndicate. As at 30 November 2019 the Group held an investment with a market value of £27,334 (1H19: £26,282) in the syndicate.

MW Properties (Huntingdon Non-Geared) Limited

The Company holds a 2.04% interest in MW Properties (Huntingdon Non-Geared) Limited, a nominee for a property syndicate. As at 30 November 2019 the Group held an investment with a market value of £10,953 (1H19: £14,201) in the syndicate.

17. Commitments and contingencies

Sponsorship agreement

As part of the Group's strategy to strengthen its brand awareness the Group has a sponsorship agreement with rugby giants Leicester Tigers. The agreement includes shirt sponsorship on the Tigers' home and away shirts, a dedicated Mattioli Woods stand at the 26,000 capacity Welford Road stadium, corporate hospitality rights and the provision of exclusive content to Tigers fans. In November 2018 the Group entered into a new three-year sponsorship agreement with Leicester Tigers, which commenced on 1 July 2019 at a total cost of £1,230,000 over the three years of the agreement.

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 out of these contingencies (Note 15).

In-specie pension contributions

As has been widely reported in the media, HMRC has challenged all SIPP providers on whether pension contributions could be made in-specie. As a result there are a number of tax relief claims made on behalf of our clients that have been challenged and we have received or are awaiting assessment notices which are expected to amount to £0.9m. These assessments have been appealed, with proceedings stayed pending the outcome of HMRC's appeal against the First-Tier Tribunal's ruling in favour of another SIPP operator in a similar case.

Irrespective of the result of HMRC's appeal, the impact on the financial position of the Group is expected to be neutral with any liability expected to be recovered from the affected clients whose tax liability it is.

Transfers from defined benefit schemes

The FCA has been conducting an industry wide review of the advice being provided on transfers from defined benefit to defined contribution schemes since October 2015 ("the Review").

As previously reported, following consideration of the increasing costs of professional indemnity insurance, additional regulatory controls and the resources we would have to dedicate to this small part of our business, we have stopped giving pension transfer advice to individuals with safeguarded or defined benefits. The impact of this decision and the Review on the Group's financial performance is not expected to be material.

18. Events after the reporting period

Acquisition of The Turris Partnership Limited

On 19 December 2019, Mattioli Woods acquired the entire issued share capital of The Turris Partnership Limited ("Turris"). Turris specialises in the provision of chartered financial planning and wealth management advice to its clients, and has over £65m of assets under advice.

Turris is based in Glasgow and is an excellent cultural and strategic fit with Mattioli Woods' existing business. The acquisition brings additional scale to the Group's existing operations and offers the opportunity to expand our activity in Scotland and promote additional services to existing and prospective clients of Turris.

In addition, the acquisition adds further specialist expertise to the Group and Turris' experienced team of five staff have been retained by Mattioli Woods following the acquisition. The provisional fair values of the identifiable assets and liabilities of Turris as at the date of acquisition are set out in the table below:

	Provisional fair value recognised on acquisition £000	Provisional fair value adjustments £000	Previous carrying value £000
Property, plant and equipment	2	—	2
Right of use assets	88	—	88
Client portfolio	726	726	—
Deferred tax asset	2	—	2
Other receivables	4	(129)	133
Prepayments and accrued income	38	—	38
Cash at bank	111	—	111
Assets	971	597	374
Trade and other payables	(16)	—	(16)
Income tax payable	(36)	—	(36)
Lease liability	(88)	—	(88)
Provisions	(12)	—	(12)
Deferred tax liability	(123)	(123)	—
Liabilities	(275)	(123)	(152)
Total identifiable net assets at fair value	696		
Goodwill	909		
Total acquisition cost	1,605		

Analysed as follows:	
Initial cash consideration	800
Acquired net assets adjustment to initial consideration	64
Contingent consideration	800
Discounting of contingent consideration	(59)
Total acquisition cost	1,605

	£000
Cash outflow on acquisition	
Cash paid	800
Cash acquired	(111)
Acquired net assets adjustment to initial consideration	64
Acquisition costs	73
Net cash outflow	826

The goodwill recognised above is attributed to the expected benefits from combining the assets and activities of Turris 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 Turris' modus operandi; and

» New opportunities available to the combined business, as a result of both Turris 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 will be amortised on a straight-line basis over an estimated useful life of 15 years based on the Group's historic experience.

19. Alternative performance measure workings

Recurring revenue

A measure of sustainable revenue, calculated as revenue earned from ongoing services as a percentage of total revenue.

Timing of revenue recognition	**Unaudited Six months ended 30 Nov 2019 £000**	Unaudited Six months ended 30 Nov 2018 £000
At a point in time:		
Investment and asset management	**1,123**	1,591
Pension consultancy and administration	**528**	647
Property management	**444**	336
Employee benefits	**472**	374
Non recurring revenue	**2,567**	2,948
Over time:		
Investment and asset management	**12,680**	11,573
Pension consultancy and administration	**10,379**	9,900
Property management	**2,531**	2,420
Employee benefits	**2,182**	2,324
Recurring revenue	**27,772**	26,217
Total revenue	**30,339**	29,165
Recurring revenue	**91.5%**	89.9%

19. Alternative performance measure workings continued

Adjusted EBITDA

A measure of the underlying profitability, excluding items that are non-cash or affect comparability between periods, calculated as statutory operating profit before financing income or costs, tax, depreciation, amortisation, impairment, changes in valuation of derivative financial instruments and acquisition related costs, including share of profit from associates (net of tax).

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000
Statutory operating profit before financing	**5,828**	5,423
Amortisation of acquired intangibles	**1,027**	916
Amortisation of software	**209**	731
Depreciation	**1,276**	498
EBITDA	**8,340**	7,568
Share of profit from associates, net of tax	**280**	223
Acquisition related costs	**25**	55
Gain on revaluation of derivative financial instrument	**—**	100
Adjusted EBITDA	**8,645**	7,946

Adjusted PBT

A measure of profitability before taxation, excluding items that are non-cash or affect comparability between periods, calculated as statutory profit before tax excluding amortisation of acquired intangibles, acquisition related costs, non-cash interest charges on provisions and changes in valuation of derivative financial instruments.

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000
Statutory profit before tax	**6,027**	5,629
Amortisation of acquired intangibles	**1,027**	916
Acquisition related costs	**25**	55
Gain on revaluation of derivative financial instrument	**—**	(100)
Adjusted PBT	**7,079**	6,500

Adjusted PAT

A measure of profitability, net of taxation, excluding items that are non-cash or affect comparability between periods, calculated as statutory profit before tax excluding amortisation of acquired intangibles, acquisition related costs, changes in valuation of derivative financial instruments and deducting tax at the standard rate of corporation tax.

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000
Adjusted PBT	**7,079**	6,500
Income tax expense at standard rate of 18.7% (1H19: 19.0%)	**(1,324)**	(1,235)
Adjusted PAT	**5,755**	5,265

Adjusted EPS

A measure of total comprehensive income for the year, net of taxation, attributable to equity holders of the Company, adjusted to add back acquisition related costs, changes in valuation of derivative financial instruments, non-cash interest charges on provisions and the amortisation of acquired intangible assets, divided by the weighted average number of ordinary shares in issue.

	Unaudited Six months ended 30 Nov 2019 £000	Unaudited Six months ended 30 Nov 2018 £000
Adjusted PAT	**5,755**	5,265
Basic weighted average number of shares (see Note 5)	**26,857**	26,541
Adjusted EPS	**21.4p**	19.8p

Company information

Directors

Joanne Lake	–	Non-Executive Chairman
Ian Mattioli MBE	–	Chief Executive Officer
Nathan Imlach	–	Chief Financial Officer
Anne Gunther	–	Non-Executive Director
Carol Duncumb	–	Non-Executive Director

Company secretary

Petershill Securities Limited

Registered office

1 New Walk Place
Leicester
LE1 6RU

Registered number

03140521

Nominated adviser and broker

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Joint broker

N+1 Singer
1 Bartholomew Lane
London
EC2N 2AX

Auditor

Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Solicitors

Walker Morris LLP
33 Wellington Street
Leeds
LS1 4DL

DWF LLP
2 Lochrin Square
96 Fountainbridge
Edinburgh
EH3 9QA

Principal bankers

Lloyds Bank plc
1 Lochrin Square
92 Fountainbridge
Edinburgh
EH3 9QA

Bank of Scotland plc
1 Lochrin Square
92 Fountainbridge
Edinburgh
EH3 9QA

Registrars

Link Market Services Limited
Link Asset Services
40 Dukes Place
London
EC3A 7NH

Financial calendar

4 February 2020	Announcement of interim results for the six months ended 30 November 2019
13 February 2020	Ex-date for interim dividend on ordinary shares
14 February 2020	Record date for interim dividend on ordinary shares
27 March 2020	Payment of interim dividend on ordinary shares

Design and Production
www.carrkamasa.co.uk

ckd

MIX
Paper from responsible sources
FSC® C016486
FSC
www.fsc.org

Mattioli Woods plc

1 New Walk Place
Leicester
LE1 6RU

Tel: 0116 240 8700
Fax: 0116 240 8701
info@mattioliwoods.com

www.mattioliwoods.com