

**Mattioli Woods plc**  
**Annual Report 2006**



## Securing your pension

Pension Trustees & Administrators  
Pension Investment Services  
Pension Consultants

# Corporate statement

Mattioli Woods plc (“Mattioli Woods” or “the Company”) was established by Ian Mattioli and Bob Woods in 1991. Mattioli Woods and its subsidiaries (“the Group”) provide pensions consultancy and administration services, primarily to owner-managers, senior executives and professionals. The Group’s focus is at the higher end of the market where clients require bespoke service and specialist advice.

Headquartered in Leicester and employing 86 staff, including 13 pension consultants, Mattioli Woods has a strong network of intermediary contacts throughout the UK. The practice has grown dynamically year on year since inception and became a public company on joining the AIM market of the London Stock Exchange plc in November 2005.

Our objective is to continue to grow Mattioli Woods’ business to increase its market share and enhance its reputation in the pension consultancy market. Mattioli Woods’ core values provide our staff and our clients with an open, passionate and caring organisation of integrity.

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## Highlights

# “A year in which full advantage has been taken of the new pension simplification legislation and favourable investment market”

- Turnover increased by 17.6% to £7.6 million (2005: £6.4 million)
- Profit before interest and tax of £2.2 million in line with expectations (2005: £2.7 million)
- Normalised\* profit before interest and tax increased by 20.9% to £2.2 million
- Earnings per share of 10.1 pence (2005: 15.1 pence)
- Final proposed dividend to shareholders of 1.4 pence per share
- Client portfolios acquired from Geoffrey Bernstein and Suffolk Life performing well
- Joined AIM in November 2005 and moved to new office premises
- Management team strengthened with appointment of three new Directors
- Successful transition to the Government’s Pension Simplification legislation (“A-Day”)
- Leading adviser on over 1,400 SIPP and SSAS schemes — a 40% increase during year
- New SIPP launched in conjunction with Bank of Scotland
- Currently advising on over £728 million of funds under trusteeship
- Facilitated creation of 10 new property syndicates during the year

\* Normalised profit before interest and tax has been calculated after making adjustments to reflect the annualised remuneration cost of directors, while deducting items that are one-off or non-recurring in nature. These normalisation adjustments are summarised in the footnote on page 6.



## Chairman's statement



I am delighted to report that the historic growth trend of the business has been maintained, with turnover up 17.6% in the year ended 31 May 2006. During the period the business made two acquisitions, moved to new premises, was admitted to the AIM market of London Stock Exchange plc and successfully dealt with the transition to the Government's Pension Simplification legislation ("A-Day"). Taking into account anticipated costs relating to our new office premises and the flotation, the Group's reported profits are in line with market expectations.

We act for over 1,400 small self-administered pension scheme ("SSAS") and self invested personal pension ("SIPP") clients throughout the UK, a 40% increase during the year, with funds under trusteeship now totalling over £728 million.

The positive financial impact of revenues from the client portfolios acquired from Geoffrey Bernstein in June 2005 and Suffolk Life in January 2006 is increasing over time. We are very pleased with the response from these clients to date and the retention levels achieved.

We continue to strengthen our investment services and the successful launch of our first 'structured product' in June 2006, linking the performance in major emerging market economies over a five-year period with a 100% capital guarantee, gives us the confidence to develop more products of this nature.

While less well known for our group scheme consultancy, this is a developing revenue stream for us, which is set against the background of

fundamental changes in the final salary scheme marketplace. We expect to see a winding down of final salary schemes by employers across the UK and consequently a major shift in the distribution of assets in the pensions arena.

### Trading results

In the year ended 31 May 2006, increased turnover of £7.6 million (2005: £6.4 million) was achieved despite the additional responsibilities management and staff experienced over and above the day-to-day running of our business, with an immense amount of work required to cope with the new A-Day legislation. As anticipated, the trading results were affected by additional costs incurred in connection with the new office premises, increased compliance costs and the appointment of three new directors.

Operating profit was £2.2 million (2005: £2.7 million), with EBITDA of £2.3 million (2005: £2.8 million). Earnings per share were 10.1 pence.

In January 2006 the Group obtained HM Revenue & Customs approval for a new Mattioli Woods SIPP scheme, established in conjunction with Bank of Scotland (part of the HBoS Group). This is the fifth SIPP we have developed together with other leading financial institutions. A strong banking connection such as Bank of Scotland, which has developed a specialist on-line pension fund banking facility, further strengthens Mattioli Woods' existing SIPP initiatives. The Bank of Scotland's technology is built upon a streamlined and efficient administrative platform for clients, underpinned by the ability to download scheme transactions on a daily basis.

**“Strong track record of growth has been maintained”**

## Chairman's statement

continued

# "Experienced management team"

### Dividends

The Board is pleased to recommend the payment of a final dividend for the year ended 31 May 2006 of 1.4 pence per Ordinary Share. It is our intention to grow the dividend distributions sensibly going forward. If approved, the final dividend will be paid on 20 October 2006 to shareholders on the Register at the close of business on 29 September 2006.

### Staff

The last year has been an exceptionally busy period for Mattioli Woods and it is only through the hard work and dedication of our employees that I am able to report on the positive progress we have achieved, for which I am very grateful.

Mattioli Woods has always enjoyed a strong camaraderie and wonderful commitment from all its staff, and our admission to AIM has strengthened that culture by facilitating wider equity participation within the organisation.

Murray Smith joined the Board as Sales and Marketing Director in October 2005 and in preparation for the flotation on AIM, the Group appointed Nathan Imlach as Finance Director and John Redpath as Non-Executive Director. All have made invaluable contributions to the business.

### Shareholders

I am delighted that our placing and admission to AIM on 23 November 2005 has provided us with a broad institutional shareholder base. We are also pleased to be developing a wider private client shareholder base. It is your Board's intention to communicate fully with all our shareholders, current and future, and in so doing continually build awareness of Mattioli Woods over the coming years.

It is our aim to create a growing earnings stream and to work with our brokers to increase the liquidity of shares in Mattioli Woods.

### Outlook

Our flotation on AIM has been well received by both our clients and our professional connections. Whilst it is still early days, this shows every indication of supporting all elements of our growth strategy, not least of which is our graduate recruitment drive.

The diligence and commitment of our Pension Simplification team has enabled us to make a strong start in this new era in pension planning. We are very confident the legislation will strongly encourage pension planning in our core target market over the short, medium and long term.

We also believe that there will be new and exciting opportunities in the final salary arena, which will be synergistic with our SIPP services.

We have always believed that A-Day would not only boost the current rate of growth in the SIPP market, but also lead to rationalisation within the sector. This is becoming apparent, with signs that certain small practitioners are taking the view that they do not have the appetite or resources to deal with such massive change. We continue to believe this may provide Mattioli Woods with further opportunities for strategic acquisitions. The Group looks forward to 2007 with confidence and enthusiasm.

### Bob Woods

Chairman  
4 September 2006



## Chief executive's review



### Introduction

Having established the business with Bob Woods as a partnership in 1991, I am delighted our track record of expansion and growth has continued to progress with the Group's admission to AIM and move to new office premises. These achievements have given the entire organisation a fresh impetus to continue driving the development of the Group while staying true to our core values of excellent client service and strong business ethics.

We have expanded our administration and investment broking capacity during the year and invested in new systems, all of which enables us to advise our clients more efficiently and effectively.

The organisation has embraced fundamental changes to the pensions market with real enthusiasm. Many of our employees were involved in ensuring that, as of 5 April 2006, we were fully A-Day compliant. This has enabled us to access additional opportunities for our existing clients and to attract new clients who have benefited from changes under the new regime.

### Nature, objectives and strategies

Mattioli Woods plc is a public limited company incorporated in England and Wales, and its shares are quoted on the AIM market of London Stock Exchange plc. The Group's turnover is derived from three key revenue streams: time-based fees, investment planning and property syndicates.

### *Time-based fees*

Mattioli Woods' core business is pension consultancy, the provision and administration of SIPPs and SSASs. Our client base for SIPP and SSAS services primarily comprises owner-managers, senior executives and professional persons. However, we also provide group scheme consultancy and personal financial planning as complementary services to our core business.

Our main source of income is time-based fees earned for setting up and administering SIPP and SSAS schemes. Additional fees are generated from consultancy services provided for special one-off activities.

The changes in government legislation have led to an increase in consultancy fees during the second half of the year. This work has delivered real value to our clients by improving their understanding of the pensions environment and increasing their benefits both before and after A-Day. For example, we completed over 30 separate property transactions on our clients' behalf in the month leading up to 5 April 2006.

### *Investment planning*

A key feature of our approach to pension consultancy is the impartial nature of our investment advice and a focus on providing solutions tailored to each individual client's needs.

We develop informed investment strategies based on macro economic analysis and review a wide range of third party investment products, selecting those products we believe to be most suitable for our clients' needs. The Group's income is deliberately primarily fee-based, rather than commission driven, reinforcing our ability to remain impartial in our advice and recommendation of investments.

Our investment strategies are designed to cover all asset classes, including property, equities and fixed interest. In periods of volatility in one asset class, we can continue to derive income from investments in other assets classes whilst ensuring our clients' investment strategies are appropriately aligned to the prevailing market conditions. Investment commissions grew by 19.9% in 2006.

Whilst our revenue streams are not directly dependent on the performance of financial markets or the value of funds under trusteeship, movements in these can influence the appetite of our clients to make investments to secure their pension, which may have a positive or negative impact on future investment revenues.

## Chief executive's review continued

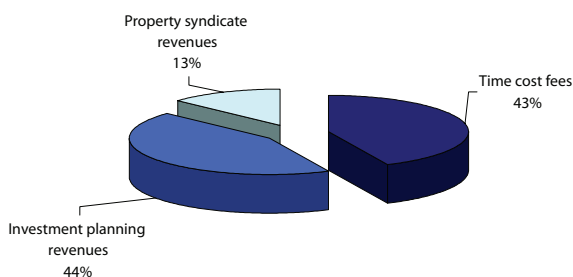
### Property syndicates

Mattioli Woods facilitates commercial property ownership for its clients by way of a syndicated property initiative. Properties introduced to the Group by our professional property contacts are referred to an independent property adviser, who either recommends or rejects the property for syndication.

Full details of recommended properties are supplied to clients who have previously confirmed an interest in commercial property ownership. Clients form a syndicate; a newly formed company acquires the property, control of which lies with the clients. Mattioli Woods is engaged to provide administration services to the property syndicates on an ongoing basis.

During the year we helped to facilitate the purchase of ten properties and the sale of an existing syndicate investment, leaving 23 property syndicates using our administrative services at the year end (2005: 14).

Our property syndicate initiative has provided clients with a low volatility, high income asset-backed investment opportunity. We expect to see continued demand for commercial property ownership as it provides a subtle balance between risk, income and capital growth. Administration services provided to property syndicates represent an increasing source of income. During the year, this income stream increased by 83.6% to £244,495 (2005: £133,175).



### New product developments

The core rationale for any new product is to enhance our clients' existing position. New products we intend to roll-out during the next 12 months include capital-guaranteed investment bonds, with capital growth linked to investment in more volatile and speculative indices. We also plan to develop a secondary market for existing property syndicate investors, as well as new residential property syndicates.

## "Innovative products and services"

### Market

The markets in which the Group operates are fragmented but remain competitive. Most of our chosen markets are serviced by a range of suppliers offering services directly to individual and corporate clients.

We have been active in commenting on government proposals in the pensions arena over the last 12 months and regard this as an important part of our role and service to clients. Recent developments include the impending publication of new regulations which are expected to mean that any operator of a SIPP will need to be authorised by the Financial Services Authority ("FSA"). We see this as a positive development in one of our key markets and look forward to embracing this change.

Prior to A-Day, many commentators appeared to believe the SSAS market was in decline. However, legislative changes have given SSASs a new lease of life and we believe the benefits of SSASs, such as the ability to lend funds to the sponsoring employer, may have been overlooked by the market.

It also appears the mass market may have problems reconciling high volume administration with acceptable service levels, leading to poor financial performance. We believe bespoke service providers like ourselves can maintain service levels and profits.

### Environmental matters

The Board believes that good environmental practices will support its strategy by enhancing the reputation of the Group. However, due to the nature of the business generally, it does not have a significant environmental impact.

### Regulatory environment

The Group is regulated by a number of different bodies. Mattioli Woods' business is authorised and regulated by the FSA, and is a member of the Association of Member-directed Pension Schemes.

## Chief executive's review

continued

Mattioli Woods has dedicated compliance teams in place, with systems to proactively monitor client investments, consultancy and administration services, investment advice, financial standing of suppliers, pension transfer advice, FSA rule book compliance and Audit & Pension Schemes Services compliance.

### *Business objectives and strategies*

Our objective is to grow the organisation to increase market share and enhance Mattioli Woods' reputation in the pensions consultancy market. Meeting these objectives is key to achieving the financial and non-financial measures that increase shareholder value.

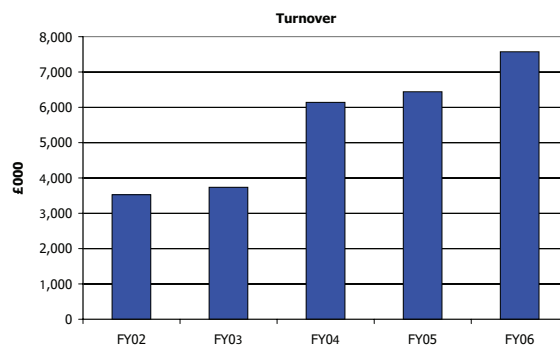
### **Current and future developments and performance**

#### *Group results*

We have made significant progress towards our goals of delivering quality personal service that adds real value to clients, whilst maintaining high ethical standards and enhancing shareholder value.

Sales revenues were £7.6 million (2005: £6.4 million), up 17.6% overall and 11.3% excluding acquisitions. Organic growth continues to be the main driver of increased turnover. In line with expectations, operating profits decreased by 18.4% to £2.2 million (2005: £2.7 million), due to an anticipated increase in costs related to the new office premises and the change in status to being a listed company, including increased compliance costs and expenses associated with the appointment of three new directors.

Cash generated from operations fell to £0.6 million (2005: £1.8 million) due to the increase in working capital required in the short-term to fund the expansion in our syndicated property investment business. An operating margin of 28.7% (2005: 41.3%) was ahead of our expectation for the year, and normalised operating margin\* was maintained at 29.6% (2005: 29.5%). We believe there is room for



margin improvement and aim to achieve operational efficiencies on the back of A-Day legislation, coupled with investment in new infrastructure. Planned improvements in information systems and technology also provide scope for increased margins and even better client service.

Since the acquisitions of the Geoffrey Bernstein client portfolio and Suffolk Life's SSAS business occurred during the year, this set of results does not fully reflect the impact of these excellent additions to our business.

We have had many trading highlights in what has been an extremely active and satisfying year, but we believe the aspects of our business which have contributed most to our strong performance include:

- Our readiness to deliver pre and post A-Day planning to existing and new clients;
- Our clients' positive response to the provision of a secure, low volatility investment portfolio;
- Growth in our administration of syndicated property investments;
- The resurgence of SSAS planning post A-Day; and
- The successful integration of both recent acquisitions into our business.

\* Normalised turnover for 2005 has been calculated by deducting £161,000 of one-off commission income from reported turnover. Normalised operating profit has been calculated in line with Part V of the Company's AIM Admission Document, as follows:

	2006	2005 as restated
	£000	£000
Reported operating profit	2,171	2,662
Deduct 'deemed' directors remuneration	-	(429)
Deduct additional cost of new directors	(63)	(190)
Deduct ongoing AIM costs	-	(70)
One-off commission income	-	(120)
One-off costs related to admission to AIM	109	-
Share option costs	23	-
Normalised operating profit	2,240	1,853



## Chief executive's review

continued



### Acquisitions

I am pleased to advise that after a period of 'bedding in', both acquisitions are fully integrated within our core business and are performing in line with our aspirations. We are very pleased with the strong retention of new clients acquired during the year and are encouraged by their enthusiastic response to the wider service offering Mattioli Woods can offer them. These acquisitions contributed towards time-based fees in the second half of the year of £1.9 million, substantially ahead of the first half (£1.4 million). We are delighted to have the opportunity to offer our full range of services to these and the other new clients we have welcomed over the last 12 months.

Excellent consultancy opportunities in the post A-Day pension arena mean that organic growth is likely to maintain our momentum. However, we continue to review opportunities to make acquisitions that can progress our strategic objectives and may enable us to improve or broaden our services.

### Resources, risks and relationships

#### 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 responsible, innovative and ethical yet commercial business practices. Structures for accountability from our administration teams through to the operational board and then the Group board are clearly defined. The proper operation of the supporting processes and controls are regularly reviewed by the Audit Committee and take into account ethical considerations, including procedures for "whistle-blowing".

#### Employees

We are committed to continually developing the people in our business and the last year has seen all our employees perform magnificently during a period of substantial change. We have added a number of key people to the business which will give us the capacity to continue building the Group and we continue to invest significant resources in our graduate recruitment campaign, with six new graduates joining in 2006 (2005: seven). Another three graduates have joined us since the year end.

The quality, knowledge and commitment of our people are key to providing our clients with a consistently high level of personal service and attention to detail. We now employ 86 people at our Leicester base and we would like to thank everyone for their support, energy and commitment over the past year. Our progress would not have been possible without a high level of belief and teamwork throughout the business.

#### Principal risks and uncertainties

We believe the most significant risk we face is damage to our reputation as a result of poor client service. We mitigate this through ongoing quality control testing and the provision of regular training of all our staff.



## Chief executive's review

continued

Of course, pension regulations will continue to be reviewed and future changes may not produce an environment that is advantageous to the Group. Markets and prospects may deteriorate and any changes in regulation may be retrospective. To address this risk, we are committed to ensuring that our views are expressed during consultation exercises, and that we respond positively and rapidly to new regulations.

We also recognise that a significant skills shortage would represent a risk to growth. We are mitigating this risk through investment in our graduate recruitment programme and a focus on providing incentives to motivate and retain our existing employees.

### Relationships

In addition to our shareholders, the Group's performance and value are influenced by other stakeholders, principally our clients, suppliers and employees; Government; and our strategic partners. Our approach with all these parties is founded on the principles of open and honest dialogue based on a mutual understanding of needs and objectives.

Relationships are managed on an individual basis through our account managers and consultants for clients and performance development reviews for employees. Employee forums also provide a communication route between employees and management. Mattioli Woods participates in trade associations and industry groups where these give us genuine access to client and supplier groups and decision makers in Government and other regulatory bodies.

## “High proportion of repeat business”

### Financial position

#### *Financial costs*

Net interest charges payable during the year were £94,010 (2005: £560) reflecting interest payable on borrowings, including directors' subordinated loans of £3.0 million and a £1.2 million bank loan drawn down to facilitate the redemption of preference shares prior to the Group's admission to AIM. These loans were subsequently repaid out of the float proceeds.

#### *Taxation*

The effective rate of taxation in the year on profit on ordinary activities is 30.9% (2005: 30.9%). The deferred taxation asset carried forward at 31 May 2006 was £2,676 (2005: liability of £8,225).

#### *Earnings per share and dividend*

The FRS 3 basic earnings per share in the year as per note 9 was 10.1 pence (2005: 15.1 pence). The diluted earnings per share was 10.1 pence (2005: 15.1 pence).

The proposed dividend of 1.4 pence per share is in line with our expectations set out at the time of our admission to AIM.

#### *Cash flow*

The net cash inflow from operating activities fell to £646,827 (2005: £1,750,903) due to our increased working capital requirements, despite strong earnings before interest, taxation, depreciation and amortisation (“EBITDA”) of £2.3 million (2005: £2.8 million). The Group converted 27.6% of EBITDA into operating cash flow, as a number of short-term loans were made on commercial terms to new property syndicates just prior to the year-end. As at 31 May 2006 the Group was owed £1.9 million by property syndicates, of which £1.8 million has been repaid following the year-end.

The cash out flow from working capital was £1.7 million. Trade debtor days were 65 days (2005: 51 days) and trade creditors were eight days (2005: 28 days). Trade debtor days were higher at 31 May 2006 primarily due to significant balances owed in respect of initial administration fees on new property syndicates.

Capital expenditure in the year was £267,423, significantly ahead of last year's levels (2005: £148,135), but in line with our expectations following the move to new office premises in August 2005. We plan to continue investing in the Group's infrastructure during the next year.

## Chief executive's review

### continued

Net proceeds from new equity raised in the year were £5.4 million of which £1.1 million was spent on acquisitions with the balance funding loan repayments and working capital.

#### Bank facilities

The Group has bank overdraft facilities totalling £600,000. These facilities consist of an overdraft facility of £500,000 provided by the Royal Bank of Scotland at 1.5% over the bank's base rate (currently 4.75%) and an overdraft facility of £100,000 provided by Lloyds TSB at 1.5% over the bank's base rate (currently 4.75%). These facilities are renewable on 30 and 31 January 2007 respectively. During the year the Group drew down and repaid borrowings of £1.2 million to the Royal Bank of Scotland.

At 31 May 2006 the Group had unused borrowing facilities of £600,000 (2005: £100,000).

#### Capital structure

The Group's capital structure is as follows:

	2006 £000	2005 £000
Net (funds)/debt (note 20)	(86)	1,732
Non-equity shareholders' funds (liability element)	-	2,000
	(86)	3,732
Shareholders' equity	9,684	2,731
Capital employed	9,598	6,463

On 15 November 2005, the Company placed 4,545,455 ordinary shares of 1p at £1.32, raising £6,000,001 to repay directors' subordinated loans, and to provide resources for potential further acquisitions and working capital. The costs of the share issue were £633,396 (which includes £57,011 of share option costs).

Gearing has fallen from 187.2% to 3.7%, as a result of the repayment of loans during the year.

The acquisitions during the year were funded out of existing cash resources.

#### Treasury policies

The objectives of the Finance Director are to manage the Group's financial risk; secure cost-effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The Group has financed its activities with a combination of bank loans, redeemable preference shares, finance leases and hire purchase contracts, cash and short-term deposits, as disclosed in note 21. Overdrafts are used to satisfy short-term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities. The Group does not enter into derivative transactions and does not trade in financial instruments.

The main risks associated with the Group's financial assets and liabilities are set out below, as are the policies agreed by the Board for their management.

#### Interest rate risk

The Group's policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise.

**“Exciting new market opportunities”**

## Chief executive's review

continued

### *Credit risk*

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Group provides goods and services on deferred terms, deposits surplus cash, or advances short-term unsecured loans to new property syndicates.

Group policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with clients to ensure that the Group's exposure to bad debts is not significant.

In agreeing annual budgets, the Board sets limits for debtors' days and doubtful debts expense against which performance is monitored.

Loans are only advanced to new property syndicates to facilitate the purchase of commercial property. In the event that a syndicate fails to raise sufficient funds to complete the property purchase, the Group may either take up ownership of part of the property or lose some or all of the loan. However, to mitigate this risk, loans are only approved by the Board under strict criteria, which include independent professional advice confirming the market value of the underlying property.

### *Liquidity risk*

The Group aims to mitigate liquidity risk by managing cash generation by its operations. Investments are carefully controlled, with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate fund raising.

In its funding strategy, the Group's objective is to maintain a balance between continuity of funds and flexibility through the use of overdrafts, bank loans, finance leases and hire purchase contracts.

Excess cash used in managing liquidity is only invested in financial instruments exposed to insignificant risk of changes in market value, being placed on interest-bearing deposit with maturities fixed at no more than six months. Short term flexibility is achieved by overdraft facilities.

### **Liquidity**

The business is inherently a net generator of cash at the operating level. Despite some capital investment being scheduled for next year, it is not anticipated there will be any significant Group borrowing requirements during the next 12 months, unless a new commercial opportunity is identified that requires substantial capital investment.

### **Conclusion**

The past year has been full of excitement and our achievements during the period give us a great platform to continue implementing our business plan well into the future. I am very satisfied that the business has met the financial and business targets we set before our admission to AIM.

**Ian Mattioli**  
Chief Executive  
4 September 2006

**“Long standing  
client relationships”**

## Board of directors

The Board comprises four executive and one non-executive director. A short biography of each director is set out below.



### **Robert (Bob) Woods - Chairman, age 52**

Bob has worked in the pensions industry since graduating from Reading University in 1975. After initially working for Sun Alliance Insurance Group, in 1980, he joined independent financial services pension consultant Pointon York, an early market leader in SSAS, where, in 1983, he was appointed to the board with responsibility for the promotion of pension related services to professional advisers. In 1986, he was appointed marketing director and director of Pointon York's corporate pensioner trustee. In 1991, Bob founded the Mattioli Woods partnership with Ian Mattioli. For the past 25 years Bob has specialised in controlling-director pension planning and is responsible for developing Group strategy and identifying new growth areas and opportunities.



### **Ian Mattioli - Chief Executive, age 43**

Ian has worked in the pensions industry since the age of 18. His early experience was gained as a specialist pensions administrator with Phoenix Assurance. In 1983, he moved to Pointon York specialising in small self-administered pension schemes. From 1983 to 1991, Ian progressed from senior administrator to consultant and then director advising on all aspects of establishing and running pension schemes for owner-managed business and small to medium sized public companies. In 1991, together with Bob Woods, he founded the Mattioli Woods partnership. Ian is responsible for the operational management of the Group.



### **Nathan Imlach - Finance Director and Company Secretary, age 37**

Nathan qualified as a chartered accountant in 1993 with Ernst & Young, moving into corporate finance and advising on a broad range of transactions for quoted and unquoted corporate clients. He joined Johnston Carmichael Corporate Finance in January 2003, becoming a director and subsequently an associate of the firm, and specialised in providing mergers and acquisitions advice. He is also a member of the Securities and Investment Institute. Nathan is responsible for all financial aspects of Mattioli Woods' strategy and operations, and together with Ian Mattioli led the Group's acquisition of SLT Trustees Limited and the associated SSAS administration business from Suffolk Life.



### **Murray Smith - Marketing and Sales Director, age 37**

Murray was appointed by Mattioli Woods in 1995 and has worked in the financial services industry since graduating with an MA in accountancy from Aberdeen University. Progressing from account manager to consultant and ultimately to his appointment to the Board, Murray has specialised in advising on all aspects of pension planning with a particular focus on SSAS and SIPP, together with related consultancy. He is responsible for the Group's marketing initiatives and activities which include speaking at seminars on a range of consultancy issues and is responsible for managing and developing Mattioli Woods' team of consultants.



### **John Redpath - Non-Executive Director, age 61**

John spent 29 years with the North Eastern Electricity Board, which became Northern Electric, the Northern Regional Health Authority and the Northumbrian Water Authority. He was involved in the flotation of Northumbrian Water as human resources director, including responsibility for pensions. In 1992, he led the buyout of the subsidiary CPCR Limited, a human resources consultancy specialising in leadership and partnership development where he was chairman and managing director until his retirement in 2003. John has been actively involved in a number of community projects, including acting as chairman of Newcastle Youth Enterprises Centre between 1982 and 1984 and chairman of the governors at Newcastle College between 1998 and 2000. Currently he is a trustee and vice chairman of the Percy Hedley Foundation for cerebral palsy. John is a member of the Chartered Institute of Personnel and Development.

## Company information

<b>Directors:</b>	Robert Woods – Executive Chairman Ian Mattioli – Chief Executive Nathan Imlach – Finance Director Murray Smith – Marketing and Sales Director John Redpath – Non-Executive Director
<b>Company secretary:</b>	Nathan Imlach
<b>Registered office:</b>	MW House 1 Penman Way Grove Park Enderby Leicester LE19 1SY
<b>Registered number:</b>	3140521
<b>Nominated adviser and broker:</b>	<b>Evolution Securities Limited</b> Kings House 1 King Street Leeds LS1 2HH
<b>Auditors:</b>	<b>Baker Tilly</b> 2 Whitehall Quay Leeds LS1 4HG
<b>Solicitors:</b>	<b>Cobbetts LLP</b> Trafalgar House 29 Park Place Leeds LS1 2SP
<b>Principal bankers:</b>	<b>Royal Bank of Scotland</b> 98-102 Belgrave Gate Leicester LE1 3GR
<b>Registrars:</b>	<b>Capita Registrars</b> Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

## Directors' report

### Report and financial statements

The Directors present their report together with the consolidated financial statements for the year ended 31 May 2006. For the purposes of this report, the expression 'Company' means Mattioli Woods plc and the expression 'Group' means the Company and its subsidiaries.

### Principal activities

The Group's principal activities during the year continued to be pension consulting, investment and administration of, in the main, small self-administered pension schemes and self-invested personal pensions.

### Business review and future developments

A review of the business and the future developments of the Group is presented in the Chairman's Statement on pages 2 and 3 and in the Chief Executive's Review on pages 4 to 10.

### Key performance indicators

The Directors consider the key performance indicators used to monitor the Group's business to be turnover, operating profit, cash generated from operations, headcount, scheme numbers and the value of funds under trusteeship. A review of the Group's performance in these areas is presented in the Chairman's statement on page 2 and in the Chief Executive's review on pages 4 to 8.

### Results and dividends

The Group profit for the year, after taxation, amounted to £1,505,968, a decrease of 20.0% from the previous year, primarily due to the impact of costs associated with the new office premises, increased compliance costs and increased directors' remuneration following the appointment of three new directors prior to the Group's admission to AIM.

The Directors recommend a final ordinary dividend of 1.4 pence per share, amounting to £238,636. Because of the implementation of FRS 21 - Events after the balance sheet date, dividends are now recognised in the accounts in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders.

The final ordinary dividend, if approved, will be paid on 20 October 2006 to ordinary shareholders whose names were on the register on 27 September 2006.

### Financial instruments

The Group's financial risk management objectives and policies are discussed in the Treasury Policies section of the Chief Executive's Review on pages 9 and 10.

### Political donations

Mattioli Woods has no affiliation to any party or group, and makes no political donations. As part of the Group's commitment to the community in which it operates, contributions totalling £3,995 were made during the year to local charities and community projects.

### Events since the balance sheet date

Following completion of the acquisition of Williams de Broë plc ("WdB") by Evolution Securities Limited ("Evolution"), Evolution has been the Company's nominated adviser and broker since 1 August 2006.

### Directors and their interests

The Directors at 31 May 2006 and their interests in the share capital of the Company (all beneficially held), other than with respect to options to acquire ordinary shares (which are detailed in the analysis of options included in the report on directors' remuneration), are as follows:

	At 31 May 2006 Ordinary shares	At 1 June 2005 or subsequent date of appointment Ordinary shares*
Ian Mattioli	5,743,500	8,522,727
Bob Woods	5,743,500	8,522,727
Murray Smith	375,000	375,000
Nathan Imlach	62,500	62,500
John Redpath	13,000	13,000

\* Shareholdings at 1 June 2005 or subsequent date of appointment have been adjusted to reflect the impact of the share split and bonus issue during the year.

At the start of the year, Ian Mattioli and Bob Woods each held 1,000,000 redeemable preference shares of £1 each, which were redeemed on 3 October 2006.

Certain of the Executive Directors, along with other employees, have been granted options to subscribe for shares in the Company. Details of these interests are disclosed in the report on Directors' Remuneration.

Bob Woods retires by rotation and, being eligible, offers himself for re-election. Murray Smith,

## Directors' report

continued

Nathan Imlach and John Redpath retire having been appointed since the last Annual General Meeting and offer themselves for re-election.

### Supplier payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 May 2006, the Group had an average of eight days purchases owed to trade creditors (2005: 28 days).

### Substantial shareholdings

On 1 September 2006 the Company had been notified of the following interests representing 3% or more of its issued share capital:

	Number of ordinary shares	Percentage holding
Bob Woods	5,743,500	33.70%
Ian Mattioli	5,743,500	33.70%

In addition to the above shareholdings, a total of 669,984 ordinary 1p shares representing 3.9% of the issued share capital are held by other employees of the Group. The Group intends to actively encourage wider share ownership by its employees.

### Transition to International Financial Reporting Standards ("IFRS")

The Group is preparing to convert to IFRS. This process will continue as new standards and amendments to existing standards evolve. Mattioli Woods plc is required to adopt IFRS for the year ending 31 May 2008.

The principal difference between IFRS and current UK standards which affects the Group arises in the treatment of goodwill. The anticipated impact on the financial statements had the Group adopted IFRS for the year ended 31 May 2006 is summarised in the notes to the financial statements on pages 28 to 45.

### Employment policies

The Group is committed to the principle of equal opportunity in employment, regardless of a person's race, creed, colour, nationality, gender, age, marital status, sexual orientation, religion or disability.

Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the business.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee information and consultation

The Group continues to involve its staff in the future development of the business. Information is provided to employees through briefing sessions, the Group's web site and its intranet, 'MWeb'.

The Group operates a stakeholder pension plan available to all employees. The Group contributes to the pension schemes of certain Directors and employees. The Group operates an Enterprise Management Incentive scheme, details of which are given in the Directors' Remuneration Report and the financial statements.

### Annual general meeting

The Annual General Meeting of the Company will be held on 19 October 2006. The Notice of Meeting is set out at the end of this document and contains further information with regard to the ordinary and special business to be proposed at the meeting. Resolution 10 is the only special resolution, which disapplies pre-emption rights, and in conjunction with Resolution 7, grants authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues and (b) other issues up to an aggregate nominal value of £25,500 (equal to approximately 15% of the nominal value of the issued ordinary share capital of the Company as at 4 September 2006).

### CREST

Mattioli Woods plc share dealings are settled on CREST. CREST is the computerised system for the settlement of share dealings on the London Stock Exchange. CREST reduces the amount of documentation required and also makes the trading of shares faster and more secure. CREST enables shares



## Directors' report

continued

to be held in an electronic form instead of the traditional share certificates. CREST is voluntary and shareholders can keep their share certificates if they wish. This may be preferable for shareholders who do not trade in shares on a frequent basis.

### Going concern

After making enquiries the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

### Auditors

A resolution to reappoint Baker Tilly as auditor of the Company will be proposed at the forthcoming Annual General Meeting to be held on 19 October 2006.

### Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 11. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

### On behalf of the Board

#### Nathan Imlach

Finance Director and Company Secretary  
4 September 2006



## Corporate governance

### Introduction

The Board of Mattioli Woods plc is committed to achieving high standards of corporate governance, integrity and business ethics. Under the rules of AIM, the Group is not required to comply with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ("the Combined Code"). However, the Group has taken steps to comply with the Combined Code in so far as it can be applied practically, given the size of the Group and the nature of its operations, except where explicitly set out below.

### The Board and its committees

#### *Board composition and independence*

The Board of Directors, comprising four Executive Directors and one independent Non-Executive Director meets regularly throughout the year. Their biographies on page 11 demonstrate a range of experience which is vital to the success of the Group. This forum provides the principal format for directing the business of the Group.

The roles of Executive Chairman and Chief Executive are distinct, as set out in writing and agreed by the Board. The Executive Chairman is responsible for the effectiveness of the Board, directing strategy and ensuring communication with shareholders, and the Chief Executive is responsible for the day to day management of the Group.

It is the opinion of the Board that the Non-Executive Director is independent of management and free from any business or other relationships which could materially interfere with the exercise of his independent judgement. The Board does not consider the Non-Executive Director's shareholding to impinge on his independence. The Non-Executive Director provides a strong independent element to the Board and brings experience at a senior level of business operations and strategy.

The balance of executive and non-executive directors is not equal and a nominations committee has not been appointed. Hence paragraph A.3.2 of the Combined Code (which states a smaller company should have at least two independent non-executive directors) and paragraph A.4.1 (which states there should be a nomination committee to lead the process for board appointments) are not complied with.

The Board handles nomination issues, and plans to appoint an additional non-executive director when an appropriately qualified candidate has been identified.

The Board considers that given the size and nature of the Group's activities, such non-compliance with the Combined Code is not unreasonable and does not compromise the overall principles of corporate governance which the Board strongly supports.

All Directors have access to the Company Secretary, who is responsible for ensuring the Board procedures and applicable rules and regulations are observed. Any Director, on appointment and throughout their service, is entitled to receive any training they consider necessary to fulfil their responsibilities effectively.

### Operation of the Board

The Board is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities in respect of the financial statements is set out on pages 18 and 19 and a statement on going concern is given on page 15.

The Board has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements. Other matters are delegated to management, supported by policies for reporting to the Board. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with and for advising the Board, through the Chairman, on the governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company maintains appropriate insurance cover in respect of legal action against the Company's Directors, but no cover exists in the event that the Director is found to have acted fraudulently or dishonestly.

The Board met nine times during the year, including a two-day strategy and business planning event. The agenda and relevant briefing papers are distributed by the Company Secretary on a timely basis, usually a week in advance of each Board meeting.

The Board has delegated authority to two Committees. The Chairman of each Committee provides a report of any meeting of that Committee at the next Board meeting. The Chairman of each Committee is present at the Annual General Meeting to answer questions from shareholders.

## Corporate governance

continued

### *Audit committee*

The Audit Committee met once during the year, is chaired by John Redpath and also comprises Ian Mattioli. The Committee will meet together with the Finance Director, Nathan Imlach, not less than twice a year. It is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. The Audit Committee considers the appointment of, and fees payable to, the external auditors and discusses with them the scope of the annual audit. The Audit Committee also reviews the external auditors' management letter, and detailed presentations are made to the Committee by the Group's auditors.

As part of its duties, the Audit Committee reviews the half-year and annual financial statements for compliance with accounting standards, statutory obligations and the requirements of the AIM Rules and the Combined Code. The Audit Committee also reviews the effectiveness of the internal controls of the Group. The presence of other senior executives from the Group may be requested.

### *Remuneration committee*

The Remuneration Committee met twice during the year, is chaired by John Redpath and also comprises Bob Woods. The Committee meets not less than twice a year. It is responsible for determining and reviewing the Group's policy on executive remuneration and other benefits and terms of employment, including performance related bonuses and share options.

The Remuneration Committee administers the operation of the share option scheme established by the Company.

The members of the Remuneration Committee can have no personal interest in the outcome of their decisions and seek to serve the interests of shareholders to ensure the continuing success of the Company. Bob Woods abstains from his role on this committee in relation to his own remuneration.

The remuneration of the Non-Executive Director is determined by the Executive Directors and confirmed by the full Board, excluding the Non-Executive Director concerned.

### *Meetings and attendance*

All Directors are encouraged to attend all Board meetings and meetings of committees of which they are members.

### **Induction, training and performance evaluation**

New Directors receive an induction on their appointment to the Board covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its committees and the latest financial information about the Group.

The Chairman ensures that Directors update their skills, knowledge and familiarity with the Group required to fulfil their roles on the Board and on Board committees. Ongoing training is provided as necessary and includes updates from the Company Secretary on changes to the AIM Rules, requirements under the Companies Act and other regulatory matters. All Directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chairman or two other directors, one of whom is a non-executive.

### **Evaluation of the Board's performance**

The evaluation of individual Directors' performance is carried out by the Remuneration Committee. Executive Directors' performance is evaluated using an approach which combines business and personal performance objectives with financial and non-financial measures of achievement against those objectives. The annual review cycle starts with objective setting in July, interim reviews in December and performance evaluation in June. The results of

	<b>Board meetings</b>	<b>Remuneration committee</b>	<b>Audit committee</b>
Number of meetings in year	8	2	1
Bob Woods	8	2	-
Ian Mattioli	8	-	1
Nathan Imlach	7	-	-
Murray Smith	8	-	-
John Redpath	7	2	1

## Corporate governance

### continued

interim and annual evaluations are communicated to the Remuneration Committee.

The evaluation of the Non-Executive Director's performance uses self-appraisal and interview with the Chairman to consider aspects of performance including attendance and participation at board meetings, quality of involvement in committees, commitment and effectiveness of their contribution to board activities (including the AGM and shareholder communications), the adequacy of training and director independence.

The performance of the Chairman is reviewed annually by the Non-Executive Director. This review takes into account the views of Executive Directors who were interviewed by the Non-Executive Director.

#### Retirement and re-election

All Directors are subject to election by shareholders after their appointment and to re-election thereafter at intervals of no more than three years.

Non-Executive Directors are appointed for specified terms, initially 12 months with the opportunity for renewal by the Company thereafter. The terms and conditions of appointment of the Non-Executive Director are available for inspection at MW House during normal business hours and prior to the AGM.

#### Communications with shareholders

The Board is committed to ongoing dialogue with the Company's shareholders. The principal methods of communication with private investors remain the Annual Report and Accounts, the interim statement, the Annual General Meeting and the Group's web site ([www.mattioli-woods.com](http://www.mattioli-woods.com)).

#### Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can therefore only provide reasonable not absolute assurance against material misstatement or loss.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the annual report and financial statements.

The Board routinely reviews the effectiveness of the system of internal control and risk management to ensure controls react to changes in the Group's overall profile.

The Group maintains appropriate insurance cover and reviews the adequacy of the cover regularly.

There are clearly defined procedures for reviewing and approving all bids, acquisitions and capital expenditure within the Group.

#### Directors' responsibilities for the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. Hence, they are responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that the annual report includes information required by the AIM rules.

## Corporate governance

continued

The maintenance and integrity of the corporate and financial information included on the Group's web site is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual report may differ from legislation in other jurisdictions.

### **On behalf of the Board**

**Nathan Imlach**  
Finance Director and Company Secretary  
4 September 2006

## Directors' remuneration report

### Remuneration policy

The policy of the Remuneration Committee is to set basic salaries at a level which is competitive with that of comparable businesses, with a substantial proportion of the overall remuneration package being linked to individual and corporate performance through participation in short term and long term incentive schemes. The overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhance shareholder value.

### Salaries, fees and benefits

Salaries for Executive Directors are determined by the Remuneration Committee and are reviewed annually by it, taking into account individual performance over the previous 12 months, external benchmark salary data and pay and employment conditions elsewhere in the Group.

Fees for the Non-Executive Director are determined by the Board, having regard to fees paid to non-executive directors in other UK quoted companies, the time commitment and responsibilities of the role. No options are held by the Non-Executive Director. Individuals cannot vote on their own remuneration.

Benefits relate to the provision of cars for certain directors, pension contributions and life assurance.

### Short term incentive arrangements

Ian Mattioli and Bob Woods are entitled to a contractual annual bonus capped at 75% of basic salary, which is conditional upon the Group's financial performance meeting certain criteria, summarised as follows:

- (a) A bonus in respect of actual profit achieved up to target profit; and
- (b) A bonus in respect of actual profit achieved in excess of target profit.

Nathan Imlach is entitled to a contractual annual bonus capped at £40,000, which is conditional upon the Group's financial performance meeting certain minimum criteria [subject to a guaranteed minimum bonus of £20,000 for the financial year ended 31 May 2006].

Murray Smith is entitled to a contractual bonus capped at £149,000, which is calculated on a commission basis on income gained by him for the Group. Two thirds of the potential bonus payment is

subject to conditions regarding the profitability of the business streams from which the income derives.

### Share option plan

The Group has adopted the Mattioli Woods Enterprise Management Initiative Share Option Plan ("the Share Option Plan") to incentivise certain of its senior managers and Directors. Where possible, and to the limits applied by the legislation, these schemes will benefit from the tax advantages under an Enterprise Management Initiative ("EMI") scheme.

#### *Grant of options under the Share Option Plan*

The Company has granted options to Murray Smith, Nathan Imlach and certain of its senior managers to acquire (in aggregate) up to 5.13% of its share capital. The maximum entitlement of any individual is 1.10%. The options will be exercisable at £1.32 per share.

The options will only be exercisable subject to performance conditions. In summary, the options will be exercisable if the Company meets target profits as agreed by the Board prior to each financial year. The targets must be met for each year up to 31 May 2010 or over two consecutive years up to 31 May 2011. The options will generally be exercisable after approval of the financial statements for the year ended 31 May 2010, 31 May 2011, or on a change of control (if earlier).

#### *Unapproved share scheme*

Options issued under the Share Option Plan are intended to be qualifying options for EMI purposes. If they are not qualifying options (for example because they exceed the statutory limit of £100,000) then they will take effect as unapproved options which cannot benefit from the preferential tax treatments afforded to options granted pursuant to an EMI scheme. The rules for these options will be identical to those for the Share Option Plan.

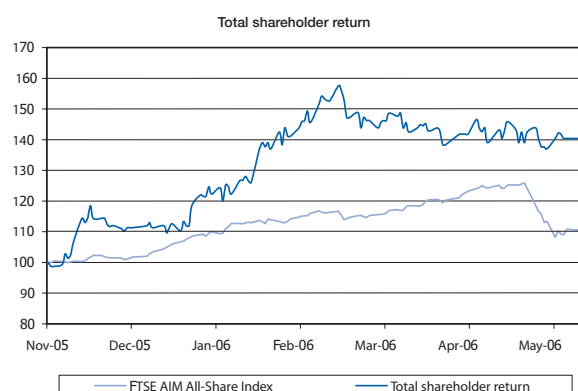
## Directors' remuneration report

continued

### Total shareholder return performance

The Company is a member of the FTSE AIM All-Share Index and accordingly this is considered to be the most appropriate broad equity market index for the purpose of measuring the Company's relative performance.

The graph below illustrates the total shareholder return for the period ending 31 May 2006 in terms of the change in value of an initial investment of £100 invested on 23 November 2005 in a holding of the Company's shares against the corresponding total shareholder returns in hypothetical holdings of shares in the FTSE AIM All-Share Index.



### Service contracts

It is the Group's policy for all executive Directors to have contracts of employment that contain a termination notice period not exceeding 12 months. Ian Mattioli and Bob Woods entered into new service agreements with the Company on 26 October 2005. Their appointment continues until terminated by either party on giving not less than 12 months' notice to the other party.

Nathan Imlach and Murray Smith entered into new service agreements with the Group on 26 October 2005. Their appointment continues until termination by either party on giving not less than six months' notice to the other party.

John Redpath does not have a service contract. A letter of appointment provides for an initial period of 12 months, subject to review. The remuneration of non-executive directors takes the form solely of fees, which are set by the Board having taken advice on appropriate levels.

### Retirement benefits

The Group will pay contributions into a personal pension plan nominated by each Executive Director at a rate of 10% of their basic salary, provided that the Director pays contributions of not less than 5% of such salary in to the same personal pension plan.

### Directors' remuneration

Directors' remuneration paid in the year ended 31 May 2006 was as follows:

Director	Basic salary and fees £	Performance related bonuses £	Benefits <sup>1</sup> £	Total emoluments excluding pensions	
				2006 £	2005 £
Bob Woods	135,000	–	–	135,000	24,672
Ian Mattioli	135,000	–	–	135,000	23,839
Nathan Imlach	65,864	15,000	–	80,864	–
Murray Smith	54,000	95,000	15,247 <sup>2</sup>	164,247	–
John Redpath	11,500	–	–	11,500	–

#### Notes

1. The benefit package of each Executive Director includes the provision of life assurance under a Group scheme.
2. The benefit package of Murray Smith includes the provision of a company car and fuel.

## Directors' remuneration report

continued

### Directors' shareholdings

As at 31 May 2006, the interest of the Directors in the issued shares of the Company, as shown in its register maintained under section 325 of the Companies Act 1985 were:

	2006 No.	%	2005 No.	%
Bob Woods	5,743,500	33.70	25,000	50.00
Ian Mattioli	5,743,500	33.70	25,000	50.00
Murray Smith	375,000	2.20	–	–
Nathan Imlach	62,500	0.37	–	–
John Redpath	13,000	0.08	–	–

### Interest in options

The Group operates the Share Option Plan by which certain of the Executive Directors and other senior executives are able to subscribe for ordinary shares in the Company. The interests of the directors were as follows:

		Exercise price £	At 1 June 2005 No.	Granted during the year No.	Exercised during the year No.	Lapsed during the year No.	At 31 May 2006 No.
Nathan Imlach	(a)	1.32	–	95,250	–	–	95,250
	(b)	1.32	–	29,750	–	–	29,750
			–	125,000	–	–	125,000
Murray Smith	(a)	1.32	–	95,250	–	–	95,250
	(b)	1.32	–	92,250	–	–	92,250
			–	187,500	–	–	187,500

Notes:

(a) Approved options

(b) Unapproved options

The options are exercisable subject to performance conditions between 1 June 2010 and 31 May 2015. Note 23 to the financial statements contains a detailed schedule of all options granted to Directors and employees as at 31 May 2006. All of the share options were granted for nil consideration.

The mid-market closing price of the Company's ordinary shares at 31 May 2006 was 205 pence and the range during the financial year was 144 pence to 230 pence.

None of the Directors had an interest in any contract of significance in relation to the business of the Company or its subsidiaries at any time during the financial year, other than those disclosed in note 28 to the financial statements.

There has been no change in the Directors' shareholdings (all of which are beneficial) and their share options between 31 May 2006 and 4 September 2006.

### On behalf of the Board

**John Redpath**

Chairman of the Remuneration Committee  
4 September 2006



# Independent auditors' report to the members of Mattioli Woods plc

We have audited the financial statements on pages 24 to 45.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Review, Corporate Governance and Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 May 2006 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.

## Baker Tilly

Registered Auditors  
Chartered Accountants  
2 Whitehall Quay  
Leeds  
LS1 4HG

4 September 2006

## Consolidated profit and loss account

For the year ended 31 May 2006

	Notes	2006 £	2005 as restated £
<b>Turnover</b>	2		
From continuing operations		7,170,911	6,442,104
From acquisitions		401,934	–
		<b>7,572,845</b>	6,442,104
<b>Administration expenses</b>			
From continuing operations		5,346,392	3,780,375
From acquisitions		55,621	–
<b>Operating profit</b>			
From continuing operations		1,824,519	2,661,729
From acquisitions		346,313	–
		<b>2,170,832</b>	2,661,729
Interest receivable and similar income	3	103,731	62,567
Interest payable	4	94,010	560
<b>Profit on ordinary activities before taxation</b>		<b>2,180,553</b>	2,723,736
Tax on profit on ordinary activities	8	674,585	840,580
<b>Retained profit for the financial period</b>		<b>1,505,968</b>	1,883,156
Basic earnings per share	9	10.1p	15.1p
Diluted earnings per share	9	10.1p	15.1p
Dividend per share		1.4p	2.0p

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The profit for the financial year of the Company after taxation was £1,505,968 (2005: £1,883,156).

## Balance sheets

As at 31 May 2006

	Notes	2006		2005 as restated	
		Group	Company	Group	Company
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11	5,816,630	5,816,630	4,695,220	4,695,220
Tangible assets	15	398,566	398,566	224,630	224,630
Investments	13	–	1,164	–	–
		<b>6,215,196</b>	<b>6,216,360</b>	4,919,850	4,919,850
<b>Current assets</b>					
Debtors	16	5,092,503	5,092,488	2,765,864	2,765,864
Cash at bank and in hand		441,160	440,011	1,381,461	1,381,461
		<b>5,533,663</b>	<b>5,532,499</b>	4,147,325	4,147,325
<b>Creditors:</b> amounts falling due within one year	17	1,915,008	1,915,008	6,280,290	6,280,290
<b>Net current assets/(liabilities)</b>		<b>3,618,655</b>	<b>3,617,491</b>	(2,132,965)	(2,132,965)
<b>Total assets less current liabilities</b>		<b>9,833,851</b>	<b>9,833,851</b>	2,786,885	2,786,885
<b>Creditors:</b> amounts falling due after more than one year		–	–	–	–
<b>Provisions for liabilities and charges</b>	18	150,166	150,166	56,191	56,191
<b>Net assets</b>		<b>9,683,685</b>	<b>9,683,685</b>	2,730,694	2,730,694
<b>Capital and reserves</b>					
Called up share capital	22	170,455	170,455	50,000	50,000
Equity - share based payments	23	80,417	80,417	–	–
Share premium account	24	5,321,151	5,321,151	–	–
Capital redemption reserve	24	2,000,000	2,000,000	–	–
Profit and loss account	24	2,111,662	2,111,662	2,680,694	2,680,694
<b>Shareholders' funds</b>		<b>9,683,685</b>	<b>9,683,685</b>	2,730,694	2,730,694

The financial statements on pages 24 to 45 were approved by the board of directors and authorised for issue on 4 September 2006 and are signed on its behalf by:

**Ian Mattioli**  
Chief Executive

**Nathan Imlach**  
Finance Director

## Consolidated cash flow statement

For the year ended 31 May 2006

	Notes	2006 £	2005 £
<b>Net cash in flow from operating activities</b>	19	<b>646,827</b>	1,750,903
<b>Returns on investment and servicing of finance</b>			
Interest received		103,731	57,887
Interest paid		(94,010)	(560)
<b>Net cash flow from investments and servicing of finance</b>		<b>9,721</b>	57,327
<b>Taxation</b>			
Corporation tax		(904,045)	(795,000)
<b>Capital expenditure</b>			
Purchase of fixed assets		(267,423)	(148,135)
Sale of fixed assets		-	6,900
<b>Acquisitions</b>			
Purchase of subsidiary undertakings	14	(1,164)	-
Purchase of businesses	14	(1,090,152)	-
<b>Net cash flow from capital expenditure and financial investment</b>		<b>(1,358,739)</b>	(141,235)
<b>Equity dividends paid</b>		<b>-</b>	(250,000)
<b>Cash flow before financing</b>		<b>(1,606,236)</b>	621,995
<b>Financing</b>			
Gross proceeds of share issue		6,000,001	-
Costs of share issue		(576,385)	-
Movement on Directors' loan accounts		(3,011,473)	(353,925)
New borrowings		1,200,000	-
Repayment of borrowings		(1,200,000)	-
Redemption of preference shares		(2,000,000)	-
<b>Net cash flow from financing</b>		<b>412,143</b>	(353,925)
<b>(Decrease)/Increase in cash</b>		<b>(1,194,093)</b>	268,070

## Consolidated statement of total recognised gains and losses

For the year ended 31 May 2006

	Notes	2006 £	2005 as restated £
Profit for the financial year		1,505,968	1,883,156
Total recognised gains and losses relating to the year		1,505,968	1,883,156
Prior year adjustment	7	(151,910)	
Total gains and losses recognised since last annual report		1,354,058	

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## Notes to the financial statements

### 1. Accounting policies

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and applicable standards. The financial statements have been prepared on a going concern basis.

The financial statements have been prepared on the basis of the accounting policies set out in the Group's 31 May 2005 statutory financial statements, except for the treatment of redeemable preference shares, which are disclosed in accordance with FRS25 and the treatment of goodwill, which is now amortised as explained in note 7.

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its own profit and loss account and related notes.

Where it is believed the Group will be required to apply different accounting policies after its transition to IFRSs on 1 June 2006, the impact of such a change in accounting policy on these financial statements is explained in the relevant note.

The financial statements are presented in sterling and all values are rounded to the nearest pound (£) except where otherwise indicated.

#### *Basis of consolidation*

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 May each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

#### *Comparative figures*

Comparative figures are for the year 1 June 2004 to 31 May 2005.

#### *Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets of the business acquired. After initial recognition, goodwill is stated at cost less any accumulated amortisation, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the profit and loss account.

#### *Tangible fixed assets*

Fixed assets are stated at historical costs less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

Computer and office equipment	-	20/25% per annum on written down values
Fixtures and fittings	-	20% per annum on written down values
Motor vehicles	-	25% per annum on written down values

## Notes to the financial statements

continued

### *Investments*

Investments are included at cost and are assessed annually for permanent impairment. If permanent impairment occurs, the relevant investments would be written down to their net realisable value.

### *Leased assets and obligations*

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lesser.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

### *Trade debtors*

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, debtors are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

### *Cash at bank and in hand*

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash consists of cash at bank and in hand as defined above, net of outstanding bank overdrafts.

### *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

### *Taxation*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## Notes to the financial statements

### continued

#### *Share based payments*

##### Equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black Scholes Merton pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

##### Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

#### *Turnover*

Turnover represents commissions and fees receivable for services provided in the normal course of business. Commission is earned at the point when an investment of funds has been made by the client and submitted to the product provider.

Income is also recognised to the extent that the Company has obtained the right to consideration through its performance.

#### *Commissions received on indemnity terms*

Some initial commission is paid on indemnity terms and as a result commission may subsequently be clawed back by companies upon cancellation of a policyholder. Provision is made in the financial statements for the expected level of clawback based on the Company's past experience.

#### *Pension costs*

The Company makes discretionary payments into the personal pension schemes of employees. Contributions are charged to the profit and loss account as they are payable.



## Notes to the financial statements

continued

### *New financial reporting standards*

During the year, a number of new Financial Reporting Standards ("FRS") became applicable:

- FRS 20 - Share based payments
- FRS 21 - Events after the balance sheet date
- FRS 22 - Earnings per share
- FRS 25 - Financial Instruments: disclosure and presentation
- FRS 28 - Corresponding Amounts

The impact on the financial statements as a result of adopting these new FRS is summarised as follows:

- FRS 20 requires the effective cost of share options to be recognised in the profit and loss account in the year where the options are relevant. Consequently, the Group is required to formally value the share options to allow the relevant accounting entries to be made;
- FRS 21 sets out the requirements for recognition and disclosure of adjusting and non-adjusting events after the balance sheet date. The definition of an adjusting event is stricter than in SSAP17 and is not extended to include statutory or conventional requirements previously reflected in financial statements. This impacts the treatment of dividends as it means that a dividend payable is not recognised until it becomes a liability of the Group;
- FRS 22 requires that basic and diluted earnings per share should be disclosed on the face of the profit and loss account both for net profit for the period and also for profit from continuing operations. The standard differs in a number of ways from FRS14 in terms of how earnings per share should be calculated, including different rules for the treatment of preference shares and for contracts that may be settled in ordinary shares or cash;
- FRS 25 requires the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments. This impacts the treatment of redeemable preference shares, which are now disclosed as a financial liability; and
- FRS 28 requires appropriate disclosure of corresponding amounts shown in the Group's primary financial statements and the notes to the financial statements.

## Notes to the financial statements

continued

### 2. Turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation were derived from the Group's principal activities, which are wholly undertaken in the United Kingdom.

	2006	2005
	£	as restated £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of owned assets	93,487	42,432
Loss on disposal of fixed assets	–	13,330
Amortisation of intangible assets	75,697	75,955
Operating lease rentals	209,147	61,000

### 3. Interest receivable

	2006	2005
	£	£
Bank interest receivable	103,731	62,567

### 4. Interest payable and similar charges

	2006	2005
	£	£
Bank loans and overdrafts	29,572	560
Other loans	64,438	–
	94,010	560

### 5. Auditors' remuneration

New requirements for the disclosure of remuneration paid by the Group to its auditors were introduced in the Companies (Audit, Investigations and Community Enterprise) Act 2004 and regulations specifying these requirements were issued in 2005, and are mandatory for accounting periods beginning on or after 1 October 2005.

Notwithstanding this, the Group has elected to give disclosures that comply with these requirements, in particular regarding fees other than for the audit of the financial statements, as well as disclosing the total of non-audit fees for the Group, in accordance with the extant legislation.

	2006	2005
	£	£
Audit of the financial statements	21,000	19,000
Other fees to auditors:		
– taxation services	3,000	2,000
– corporate finance services	80,000	–
– interim financial statements	5,000	–
– other services	24,000	–
	112,000	2,000

## Notes to the financial statements

continued

### 6. Employees

	2006 No.	2005 No.
The average monthly number persons (including directors) employed by the Group during the year was:		
Directors	4	2
Service providers	57	56
Administration	13	12
	<b>74</b>	<b>70</b>

	2006 £	2005 £
Staff costs for the above persons were:		
Wages and salaries	2,807,332	1,804,572
Social security costs	317,609	193,792
Other pension costs	102,275	208,443
	<b>3,227,216</b>	<b>2,206,807</b>

Directors' remuneration:		
Emoluments	526,611	48,511
Company contributions to personal pension schemes	24,733	52,800
	<b>551,344</b>	<b>101,311</b>

The amounts in respect of the highest paid director are as follows:

Emoluments	164,247	24,672
Company contributions to personal pension schemes	3,150	31,680
	<b>167,397</b>	<b>56,352</b>

During the year four directors (2005: two) were accruing benefits under personal pension schemes.

## Notes to the financial statements

continued

### 7. Prior year adjustment

In previous years the Group adopted a policy of not charging amortisation on goodwill. This policy departed from the Companies Act 1985 legislation for the overriding purposes of giving a true and fair view.

The Directors now consider that a policy of amortising the element of goodwill that relates to client portfolios acquired from other entities, on the basis of clients lost from the portfolio during the period, would more accurately reflect the value of goodwill.

The comparative figures in the financial statements and notes are restated to reflect the new policy.

The effect of this change is as follows:

	2005 £
<b>Profit and loss account</b>	
Increase in administrative expenses	75,955
<b>Balance sheet</b>	
Decrease in value of goodwill	(151,910)
Decrease in net assets	(151,910)

The effect of the policy change for the current year is to increase administrative expenses and decrease profits by £75,697.

### 8. Taxation

	2006 £	2005 £
<b>Corporation tax:</b>		
Current tax	686,107	832,355
Adjustment in respect of earlier years	(621)	-
Total current tax	685,486	832,355
<b>Deferred taxation:</b>		
Current year	(10,901)	9,040
Prior year	-	(815)
Total deferred tax	(10,901)	8,225
Tax on profit on ordinary activities	674,585	840,580

## Notes to the financial statements

continued

### 8. Taxation (continued)

Factors affecting the tax charge for the period:

The tax charge assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	2,180,553	2,723,736
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	654,166	817,121
Effects of:		
Expenses not deductible for tax purposes	21,040	26,322
Capital allowances in excess of depreciation	(9,039)	(9,249)
Other short term timing differences	19,940	(1,839)
Adjustment in respect of earlier years	(621)	–
Current tax charge for the period	685,486	832,355

### 9. Earnings per ordinary share

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

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 year 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 following reflects the income and share data used in the basic and diluted earnings per share computations:

	2006 £	2005 as restated £
Net profit and diluted net profit attributable to equity holders of the Company	1,505,968	1,883,156

	2006 Thousands	2005 Thousands
Basic weighted average number of shares	14,866	12,500
Dilutive potential ordinary shares:		
– non-employee share options	28	–
Diluted weighted average number of shares	14,894	12,500

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## Notes to the financial statements

continued

### 10. Dividends paid and proposed

	2006 £	2005 £
<b>Declared and paid during the year:</b>		
Equity dividends on ordinary shares:		
– final dividend for 2006: nil (2005: 2.00p)	–	250,000
– interim for 2006: nil (2005: nil)	–	–
Dividends paid	–	250,000
<b>Proposed for approval by shareholders at the AGM:</b>		
Final dividend for 2006: 1.40p (2005: nil)	<b>238,636</b>	–

### 11. Intangible fixed assets

	Goodwill £
<b>Cost:</b>	
At 1 June 2004	4,847,130
Additions	–
At 31 May 2005	4,847,130
Acquisition of Geoffrey Bernstein SSAS portfolio	448,087
Acquisition of Suffolk Life SSAS portfolio	749,020
<b>At 31 May 2006</b>	<b>6,044,237</b>
<b>Amortisation:</b>	
At 1 June 2004 - as restated	75,955
Amortisation during the year	75,955
At 31 May 2005 - as restated	151,910
Amortisation during the year	75,697
At 31 May 2006	227,607
<b>Net book value at 31 May 2006</b>	<b>5,816,630</b>
Net book value at 31 May 2005 - as restated	4,695,220
Net book value at 1 June 2004 - as restated	4,771,175

Goodwill arose on the purchase of the unincorporated business Mattioli Woods Pension Consultants (“the Partnership”) on 2 September 2003. Amortisation is charged on £2,500,000 of goodwill relating to the client portfolio acquired, on the basis of clients lost from the portfolio during the period. No amortisation is charged on that element of goodwill that relates to other intangible assets acquired from the Partnership. This policy departs from the Companies Act 1985 legislation for the overriding purpose of giving a true and fair view.

In the opinion of the directors the lifespan of the other intangible assets acquired is indefinite due to the necessity of providing for retirement. It is believed the goodwill attaching to the other intangible assets acquired can be continually measured.

During the year, goodwill arose on the purchase of the client portfolio of Geoffrey Bernstein on 20 June 2005, and the purchase of Suffolk Life’s portfolio of small self-administered pension scheme clients on 27 January 2006.

Amortisation of £19,273 represents the write-down of goodwill arising on the acquisition of the Geoffrey Bernstein portfolio in respect of clients acquired as part of the portfolio, which have subsequently transferred away from the Group.

As from 1 June 2006, the date of transition to IFRS, goodwill arising on business combinations will be subject to annual impairment testing (see note 12).

## Notes to the financial statements

continued

### 12. Impairment of goodwill and intangibles with indefinite lives

The Group amortises goodwill allocated to individual client portfolios acquired through business combinations. Goodwill that relates to other intangible assets acquired through business combinations is not amortised as it is the opinion of the directors that the goodwill attaching to these other intangibles can be continually measured.

Following the Group's transition to IFRS, goodwill acquired through other business combinations will no longer be amortised, but will be allocated for impairment testing purposes to three cash-generating units as follows:

- Individual clients acquired as part of the Partnership portfolio;
- Individual clients acquired as part of the Geoffrey Bernstein portfolio; and
- Individual clients acquired as part of the Suffolk Life portfolio.

The anticipated impact of this change in accounting treatment on the financial statements is illustrated as follows:

#### Partnership

Goodwill arising on the acquisition of the Partnership that relates to the client portfolio will be allocated for impairment testing purposes to the individual clients acquired, while other intangible assets believed to have an indefinite useful life will be carried at cost. The recoverable amount of the goodwill allocated to individual clients will be based on a fair value less costs to sell calculation, using a bid price estimated from the transaction as there have been no significant changes in economic circumstances in the intervening period. This accounting treatment would have resulted in an impairment loss of £56,424, which is equal to the amortisation charge recognised in the financial statements for 2006.

#### Geoffrey Bernstein portfolio

The recoverable amount of the Geoffrey Bernstein portfolio will be determined based on a fair value less costs to sell basis. The calculation will use a bid price estimated from the transaction, as there have been no significant changes in economic circumstances in the intervening period. This accounting treatment would have resulted in an impairment loss of £19,273, which is equal to the amortisation charge recognised in the financial statements for 2006.

#### Suffolk Life portfolio

The recoverable amount of the Suffolk Life portfolio will also be determined based on a fair value less costs to sell basis. The calculation will use a bid price estimated from the transaction, as there have been no significant changes in economic circumstances in the intervening period. This accounting treatment would not have resulted in any impairment loss being recognised in the financial statements for 2006.

#### Carrying amount of goodwill allocated to cash-generating units

	Carrying amount of goodwill		Carrying amount of intangible assets with indefinite useful life	
	2006 £	2005 £	2006 £	2005 £
Partnership	4,638,796	4,695,220	2,347,130	2,347,130
Geoffrey Bernstein portfolio	428,814	–	–	–
Suffolk Life portfolio	749,020	–	–	–
<b>Total</b>	<b>5,816,630</b>	<b>4,695,220</b>	<b>2,347,130</b>	<b>2,347,130</b>

#### Key assumption used in fair value less costs to sell calculations

The calculation of fair value less costs to sell for the Partnership, the Geoffrey Bernstein and Suffolk Life portfolios is most sensitive to the assumption that the net realisable value of the remaining clients in each portfolio is equivalent to the prices paid to acquire the portfolios.

#### Sensitivity to changes in assumptions

With regard to the assessment of value in use of the Partnership, the Geoffrey Bernstein and Suffolk Life portfolios, management believes that no reasonably possible change in the key assumption above would cause the carrying value of the units to exceed their recoverable amount.

## Notes to the financial statements

continued

### 13. Investments

#### Company - Investments in subsidiaries

	£
Cost:	
At 1 June 2004 and 31 May 2005	–
Additions	1,164
<b>At 31 May 2006</b>	<b>1,164</b>

Details of the investments in which the Group and the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of business
GB Pension Trustees Limited	Ordinary shares	100%	Trustee company
Great Marlborough Street Pension Trustees Limited	Ordinary shares	100%	Trustee company
MW Trustees Limited	Ordinary shares	100%	Trustee company
SLT Trustees Limited (formerly Suffolk Life Trustee Company Limited)	Ordinary shares	100%	Trustee company

The Company accounts for its investments in subsidiaries using the cost model.

### 14. Acquisitions

	2006 £	2005 £
<b>Purchase of subsidiaries</b>		
Net assets acquired:		
Cash	1,149	–
Other debtors	15	–
	<b>1,164</b>	–
<b>Purchase of businesses</b>		
Goodwill	1,197,107	–
	<b>1,198,271</b>	–

On 20 June 2005, the Group acquired the entire issued share capital of GB Pension Trustees Limited for a cash consideration of £6 and the entire issued share capital of Great Marlborough Street Pension Trustees Limited for a cash consideration of £7. Also on 20 June 2005, the Group acquired the client portfolio of Geoffrey Bernstein, a small practice providing pensioner trusteeship in London and the Home Counties. The total cost of the purchase of the business was a cash consideration of £379,987 paid on completion, plus legal fees of £3,804.

In addition, the acquisition agreement provides for deferred consideration to be paid by an earn-out based on an amount equal to 20% of all investment commissions paid to the Group from contracts entered into by the Group during the five years from 20 June 2005. The earn-out is payable at 12-monthly intervals following completion of the acquisition. Whilst it is not possible to determine the exact amount of the deferred consideration (as this will depend on commission earned on contracts), the Group estimates the net present value of the earn-out to be £64,294, using cash flow projections approved by the Board covering the earn-out period. The discount rate applied to the cash flow projections is 4.4%.



## Notes to the financial statements

continued

### 14. Acquisitions (continued)

On 16 September 2005, the Group acquired the entire issued share capital of MW Trustees Limited for a cash consideration of £2.

On 27 January 2006, the Group acquired the entire issued share capital of Suffolk Life Trustee Company Limited ("SLT"), together with the Suffolk Life Group plc's ("Suffolk Life") portfolio of small self-administered pension scheme clients for an initial cash consideration of £701,149. The acquisition agreement also provides for deferred consideration to be paid to Suffolk Life by way of an earn-out based on investment commissions earned by the Group during the three years from 27 January 2006. Whilst it is not possible to determine the exact amount of deferred consideration (as this will depend on commission earned on contracts), the Group estimates the net present value of the earn-out to be £95,519, using cash flow projections approved by the board covering the earn-out period. The discount rate applied to the cash flow projections is 4.4%.

### 15. Tangible fixed assets

	Computer and office equipment £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Group and Company</b>				
Cost:				
As at 1 June 2005	85,477	56,092	145,538	287,107
Additions	79,310	146,618	41,495	267,423
Disposals	–	–	–	–
<b>As at 31 May 2006</b>	<b>164,787</b>	<b>202,710</b>	<b>187,033</b>	<b>554,530</b>
Depreciation:				
As at 1 June 2005	27,522	12,554	22,401	62,477
Charged for the year	27,599	31,906	33,982	93,487
Disposals	–	–	–	–
<b>As at 31 May 2006</b>	<b>55,121</b>	<b>44,460</b>	<b>56,383</b>	<b>155,964</b>
Net book value				
<b>At 31 May 2006</b>	<b>109,666</b>	<b>158,250</b>	<b>130,650</b>	<b>398,566</b>
At 31 May 2005	57,955	43,538	123,137	224,630

### 16. Debtors

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Due within one year:				
Trade debtors	1,338,825	903,379	1,338,825	903,379
Other debtors	2,060,585	419,970	2,060,570	419,970
Prepayments and accrued income	1,693,093	1,442,515	1,693,093	1,442,515
	<b>5,092,503</b>	<b>2,765,864</b>	<b>5,092,488</b>	<b>2,765,864</b>

Included within other debtors for the Group and Company is £1,915,994 (2005: £142,500) in respect of unsecured short-term loans made by the Company to certain property syndicates to facilitate their purchase of commercial property. These loans accrue interest at a rate of 3% above the Bank of England's base rate.

## Notes to the financial statements

continued

### 17. Creditors

Group and Company	2006 £	2005 £
<b>Amounts falling due within one year</b>		
Short term subordinated loan	–	3,000,000
Redeemable preference shares	–	2,000,000
Bank loans and overdrafts	<b>347,705</b>	93,913
Trade creditors	<b>28,294</b>	59,261
Corporation tax	<b>374,107</b>	592,666
Other taxation and social security	<b>196,290</b>	238,347
Other creditors	<b>7,825</b>	19,298
Accruals and deferred income	<b>960,787</b>	276,805
	<b>1,915,008</b>	6,280,290

### 18. Provision for liabilities and charges

Group and Company	Provision for client claims £	Deferred consideration £	Deferred taxation £	Total £
At 1 June 2004	10,966	–	–	10,966
Transfer from profit and loss account	37,000	–	8,225	45,225
At 31 May 2005	47,966	–	8,225	56,191
Arising on the acquisition of businesses	–	104,876	–	104,876
Transfer to profit and loss account	–	–	(10,901)	(10,901)
<b>At 31 May 2006</b>	<b>47,966</b>	<b>104,876</b>	<b>(2,676)</b>	<b>150,166</b>

#### *Provision for client claims*

A provision is recognised when the Group is notified of a claim that falls below the excess on the Group's professional indemnity insurance.

#### *Deferred consideration*

The Group has entered into certain acquisition agreements that provide for deferred consideration to be paid via an earn-out. Details of these agreements and the basis of calculation of the net present value of the earn-outs is included at note 14. The Group estimates the net present value of deferred consideration payable within the next 12 months is £9,744 (2005: nil).

#### *Deferred taxation*

	2006 £	2005 £
Deferred taxation provided in the financial statements at 30% is as follows:		
Excess of tax allowances over depreciation	<b>17,264</b>	8,225
Other short term difference	<b>(19,940)</b>	–
Deferred taxation (asset) / liability	<b>(2,676)</b>	8,225

## Notes to the financial statements

continued

### 19. Reconciliation of operating profit to operating cash flows

<b>Group and Company</b>	<b>2006</b> £	2005 £
Profit on ordinary activities before interest	2,170,832	2,661,729
Amortisation of intangible assets	75,697	75,955
Depreciation of fixed assets	93,487	42,432
Share based payments	23,406	–
Loss on disposal of fixed assets	–	13,330
(Increase) in debtors	(2,326,639)	(1,029,808)
Increase/(decrease) in creditors	610,044	(12,735)
<b>Net cash inflow from operating activities</b>	<b>646,827</b>	1,750,903

### 20. Analysis of changes in net debt

<b>Group and Company</b>	As at 1 June 2005 £	Cash flow £	Non-cash changes £	As at 31 May 2006 £
Cash at bank and in hand	1,381,461	(940,301)	–	441,160
Overdraft	(93,913)	(253,792)	–	(347,705)
	1,287,548	(1,194,093)	–	93,455
Debt due within one year	(5,019,298)	5,011,473	–	(7,825)
<b>Total</b>	<b>(3,731,750)</b>	<b>3,817,380</b>	<b>–</b>	<b>85,630</b>

### 21. Reconciliation of net cash flow to movement in net debt

<b>Group and Company</b>	<b>2006</b> £	2005 £
Movement in cash in the period	(1,194,093)	268,070
Movement on Directors' loans	11,473	305,459
Repayment of subordinated loan	3,000,000	–
New bank borrowings	1,200,000	–
Repayment of bank borrowings	(1,200,000)	–
Cash out flow from redemption of preference shares	2,000,000	–
<b>Movement in net debt in period</b>	<b>3,817,380</b>	573,529
Opening net debt	(3,731,750)	(4,305,279)
<b>Closing net funds/(debt)</b>	<b>85,630</b>	(3,731,750)

## Notes to the financial statements

continued

### 22. Called up share capital

	2006 £	2005 £
<b>Authorised</b>		
100,000 Ordinary Shares of £1 each	–	100,000
25,000,000 Ordinary Shares of 1p each	<b>250,000</b>	–
	<b>250,000</b>	100,000
<b>Allotted, called up and fully paid</b>		
50,000 Ordinary Shares of £1 each	–	50,000
17,045,455 Ordinary Shares of 1p each	<b>170,455</b>	–
	<b>170,455</b>	50,000

On 10 November 2005, the share capital of the Company was altered by the conversion and subdivision of each of the issued and unissued Ordinary Shares of £1 in the capital of the Company into 100 Ordinary Shares of 1p. On the same date, the authorised share capital of the Company was increased from £100,000 to £250,000 by the creation of 15,000,000 Ordinary Shares of 1p, and £75,000 of the amount standing to the credit of the Company's profit and loss account was capitalised and used by the Directors in paying up and distributing by way of a bonus issue 7,500,000 Ordinary Shares of 1p each on the basis of 1/2 new Ordinary Shares of 1p for each Ordinary Share in issue.

On 15 November 2005, 4,545,455 Ordinary Shares of 1p were issued at £1.32 per share pursuant to a placing.

### 23. Share based payments

#### *Share Option Plan*

The Company operates the Share Option Plan by which certain of the executive directors and other senior executives are able to subscribe for 875,000 ordinary shares in the Company. The exercise price of the options is £1.32, equal to the placing price of the shares issued on 15 November 2005. The options vest if and when profit-based performance conditions between 1 June 2005 and 31 May 2011 are fulfilled. A failure to meet these performance conditions causes the options to lapse. The contractual life of each option once granted expires on 31 May 2015.

The expense for share-based payments in respect of employee services is recognised over the expected vesting period. The expense recognised during the year to 31 May 2006 is £23,406 (2005: nil), which entirely arises from equity-settled share-based payment transactions.

#### *Williams de Broë option*

On 16 November 2005 the Company granted Williams de Broë plc ('WdB') an option to subscribe for 170,454 ordinary shares in the Company. The exercise price of the options is £1.32, equal to the placing price of the shares issued on 15 November 2005. The contractual life of the options is the five years ending on 23 November 2010 and there are no cash settlement alternatives.

The cost recognised for share-based payments in respect of non-employee services received during the year to 31 May 2006 is £57,011 (2005: nil), which entirely arises from equity-settled share-based payment transactions. In line with the treatment of those other expenses related to the issue of new shares on 15 November 2005, the cost recognised for the share-based payment made to Williams de Broë has been set off against the share premium amount.

## Notes to the financial statements

continued

### 23. Share based payments (continued)

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

	2006 No.	2006 WAEP £	2005 No.	2005 WAEP £
Outstanding as at 1 June	-	-	-	-
Granted during the year	1,045,455	1.32	-	-
Forfeited during the year	-	-	-	-
Exercised	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 May	1,045,455	1.32	-	-
Exercisable at 31 May	170,455	1.32	-	-

For the share options outstanding as at 31 May 2006, the weighted average remaining contractual life is 8.6 years (2005: nil). The weighted average fair value of options granted during the year was £0.23 (2005: nil). The exercise price for options outstanding at the end of the year was £1.32 (2005: nil).

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 May 2006:

	WdB option 2006	Share option plan 2006
Share price at date of grant	1.32	1.05
Option exercise price	1.32	1.32
Expected life of option (years)	5.0	6.0
Expected share price volatility (%)	25.0	25.0
Dividend yield (%)	1.0	1.0
Risk-free interest rate (%)	4.67	4.57

The share price at date of grant for the WdB option is based on the placing price of the shares issued on 15 November 2005. The share price at date of grant for options issued under the Share Option Plan is based on the market value of the shares on that date as agreed by HM Revenue & Customs. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grant were incorporated into the measurement of fair value.

## Notes to the financial statements

continued

### 24. Reserves

Group and Company	Share premium premium account £	Capital redemption reserve £	Profit and loss account £
At 1 June 2004 - <i>as previously reported</i>	-	-	1,123,493
Prior year adjustment	-	-	(75,955)
At 1 June 2004 - <i>as restated</i>			1,047,538
Profit for the financial year - <i>as restated</i>	-	-	1,883,156
Dividends	-	-	(250,000)
At 31 May 2005 - <i>as restated</i>	-	-	2,680,694
Capitalised on bonus issue	-	-	(75,000)
Capitalised on redemption of preference shares	-	2,000,000	(2,000,000)
Arising on share issue	5,954,547	-	-
Costs of share issue	(633,396)	-	-
Profit for the financial year	-	-	1,505,968
<b>At 31 May 2006</b>	<b>5,321,151</b>	<b>2,000,000</b>	<b>2,111,662</b>

### 25. Reconciliation of movements in shareholders' funds

	2006 £	2005 as restated £
Profit for the financial year	1,505,968	1,883,156
Dividends paid	-	(250,000)
Net proceeds of share issue	5,366,606	-
Share based payments	80,417	-
Net addition to shareholders' funds	6,952,991	1,633,156
Opening shareholders' funds	2,730,694	1,097,538
Closing shareholders' funds	9,683,685	2,730,694

### 26. Obligations under leases and hire purchase contracts

#### *Operating lease agreements where the group is lessee*

The Group has entered into a commercial lease on its premises at Grove Park, Enderby. This lease has a duration of 20 years, from 10 June 2005. The amount of annual rent is to be reviewed at three-yearly intervals, commencing 10 June 2008. There are no restrictions placed upon the lessee by entering into this lease.

At 31 May 2006 the Group had annual contributions under non-cancellable operating leases as follows:

Group and Company	Land and buildings	
	2006 £	2005 £
<b>Operating leases which expire:</b>		
After more than five years	168,000	61,000

## Notes to the financial statements

continued

### 27. Pension costs

The Group makes discretionary payments into the personal pension schemes of employees and contributions are charged in the profit and loss account as they become payable. The charge for the period was £102,275 (2005: £208,443).

### 28. Related party disclosures

The private pension scheme of Ian Mattioli and Robert Woods owns premises at Hinckley that were leased by the Group until 24 March 2006. During the year £45,750 of rentals and £31,970 of dilapidations payments were paid. There was no balance outstanding at the year end.

The private pension schemes of Ian Mattioli, Robert Woods, Nathan Imlach and Murray Smith, together with the private pension schemes of certain other employees of the Group, have a beneficial interest in MW Properties (No 16) Limited. The Group leases its premises at Grove Park, Enderby from MW Properties (No 16) Limited, and paid rentals of £173,984 during the year. At the year end the Group had prepaid future rentals of £10,586.

### 29. Events after the balance sheet date

Following completion of the acquisition of Williams de Broë plc ("WdB") by Evolution Securities Limited ("Evolution"), Evolution has been the Company's nominated adviser and broker since 1 August 2006.

### 30. Ultimate controlling party

The Company has no controlling party.

## Notice of annual general meeting

**Mattioli Woods plc**  
**(the "Company")**  
**Company Number: 03140521**

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the offices of Mattioli Woods plc, MW House, 1 Penman Way, Grove Park, Enderby, Leicester, LE19 1SY on 19 October 2006 at 10 am in order to consider and, if thought fit, pass resolutions 1 to 9 as Ordinary Resolutions and resolution 10 as a Special Resolution:-

### *Ordinary Resolutions*

- 1 To re-appoint as a director Nathan James McLean Imlach who was appointed as a director of the Company on 12 October 2005 and is retiring and standing for re-election in accordance with article 94 of the Company's articles of association.
- 2 To re-appoint as a director Murray Beveridge Smith who was appointed as a director of the Company on 12 October 2005 and is retiring and standing for re-election in accordance with article 94 of the Company's articles of association.
- 3 To re-appoint as a director John Redpath who was appointed as a director of the Company on 15 September 2005 and is retiring and standing for re-election in accordance with article 94 of the Company's articles of association.
- 4 To re-elect as a director Robert Woods who is retiring in accordance with article 89 of the Company's articles of association and who being eligible is offering himself for re-election.
- 5 To receive, consider and adopt the directors' report and accounts of the Company for the period ended 31 May 2006.
- 6 To re-appoint Baker Tilly of 2, Whitehall Quay, Leeds, LS1 4HG as auditors and to authorise the directors to determine their remuneration.
- 7 To generally and unconditionally authorise the directors for the purposes of section 80 of the Companies Act 1985 (the "**Act**") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £25,500 provided that the authority hereby granted shall expire on the conclusion of the Company's next annual general meeting after the passing of this resolution but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.
- 8 To declare a final dividend recommended by the directors of 1.4 pence per ordinary share for the year ended 31 May 2006.
- 9 To increase the authorised share capital of the Company from £250,000 to £300,000 by the creation of 5,000,000 ordinary shares of 1 pence each ranking *pari passu* in all respects with the existing ordinary shares of 1 pence each in the capital of the Company.

### *Special Resolution*

- 10 To empower the directors, subject to the passing of resolution 7 above, pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the Act) wholly for cash pursuant to the authority conferred by resolution 7 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - 10.1 in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and



## Notice of annual general meeting

continued

10.2 otherwise than pursuant to sub-paragraph 10.1 above, pursuant to the authority conferred by resolution 7 above,

for a period expiring on the conclusion of the Company's next annual general meeting after the passing of this resolution, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

**By order of the Board**

**Nathan Imlach**  
Secretary

Registered Office: MW House, 1 Penman way, Grove Park, Enderby, Leicester, LE10 1SY

Dated 15 September 2006

*Notes:*

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll instead of him. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
- 2 Completion and return of the form of proxy will not preclude ordinary shareholders from attending or voting at the meeting, if they so wish.
- 3 To be effective, this proxy form must be lodged at the Registered Office, MW House, 1 Penman Way, Grove Park, Enderby, Leicester, LE19 1SY not later than 48 hours before the time of the meeting or any adjournment thereof, together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or, where the proxy form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.
- 4 In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the register of members will be counted. Any alternations made to this proxy should be initialled.
- 5 In the case of a corporation this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised.
- 6 A copy of the balance sheet and every document required by law to be annexed to it, which are to be laid before the above mentioned meeting, are enclosed. The register of interests of the directors in the share capital of the company and copies of contracts of service of directors with the Company will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM.

# Notes

## Financial calendar

5 September	Preliminary announcement of results for the year ended 31 May 2006
27 September	Ex-dividend date for ordinary shares
29 September	Record date for final dividend
19 October	Annual General Meeting
20 October	Payment of final dividend on ordinary shares



**Mattioli Woods plc**

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