Mattioli Woods plc

WEALTH MANAGEMENT & EMPLOYEE BENEFITS

| Annual Report 2014

Mattioli Woods plc is one of the UK's leading and fastest growing providers of wealth management and employee benefits, with over £4.6 billion of clients' assets under management, administration and advice

Strategic report

Governance

Financial statements

"I am pleased to report another year of profitable growth"

Bob Woods
Executive Chairman

See **page 06** for the Chairman's statement

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

Financial highlights

- Revenue up 25.4% to £29.35m (2013: £23.41m)
- Recurring revenues represent 78.1% (2013: 70.7%)
- Adjusted EPS[1,2] up 16.9% to 28.23p (2013: 24.15p)
- Adjusted EBITDA[3] up 14.2% to £6.77m (2013: £5.93m)
- Proposed total dividend up 30.0% to 9.10p (2013: 7.00p)
- Strong financial position with net cash of £9.51m (2013: £8.05m)

Operational highlights

- Total client assets up 27.2% to £4.63bn (2013: £3.64bn)
- Discretionary AuM of £0.75bn (2013: £0.19bn)
- Appointed manager of Custodian REIT in March 2014
- Acquisition of Atkinson Bolton in July 2013

Recent developments

- Appointment of Alan Fergusson as Employee Benefits Director
- Appointment of Carol Duncumb as Non-Executive Director
- Acquisition of UK Wealth Management's pension business in August 2014
- Bringing our three core businesses together under one brand
- Planned further investment in technology
- Well positioned for growth

1 Basic EPS up 14.9% to 22.09p (2013: 19.23p).
2 Before acquisition-related costs, amortisation and impairment of intangible assets other than computer software.
3 Earnings before interest, taxation, depreciation, amortisation and acquisition-related costs.

Revenue

£29.35m

(2013: £23.41m) +25.4%

Adjusted profit before tax[2]

£6.30m

(2013: £5.56m) +13.3%

Adjusted EPS[1,2]

28.23p

(2013: 24.15p) +16.9%

Proposed total dividend

9.10p

(2013: 7.00p) +30.0%

WE PROVIDE FULLY INTEGRATED FINANCIAL SERVICES

Mattioli Woods has an established reputation for both professionalism and bespoke personal service

Our business model

Imagine a world in which financial advice is trusted, thoughtful and enriching – that is our vision. Our ambition is to put our clients at the core of everything we do. Our objective is to grow and preserve our clients' assets and at the same time grow our business, both organically and by acquisition, to deliver strong, sustainable shareholder returns over the long term.

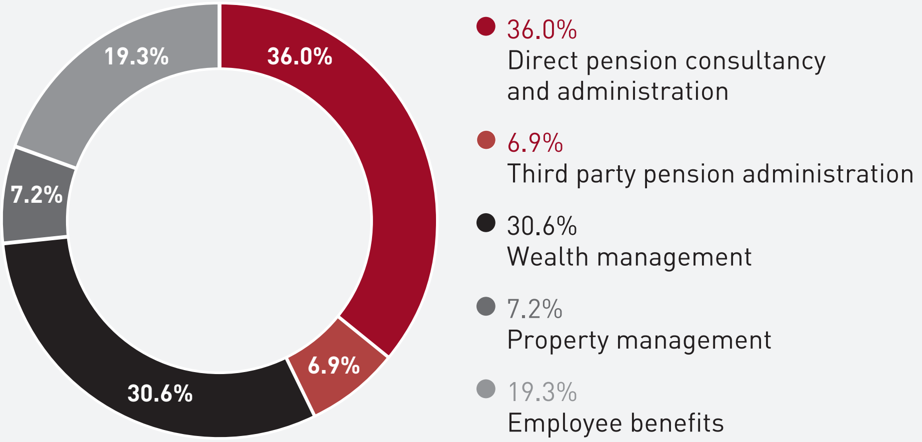
Our focus is on holistic planning and providing the highest levels of personal service, maintaining very close relationships with all our clients. Our key drivers are:

- The integrity and expertise of our people;
- Maintaining long-term client relationships;
- Delivering on our clients' expectations;
- Investing in our people and technology to service greater business volumes at a lower cost; and
- Extending our range of products and services, including strategic acquisitions.

We plan to continue developing complementary services around our core specialisms, embracing the duality of our adviser and provider status to progress as a 21st century financial services business aligned to our clients' needs.

See **page 07** for our business model structure

SEGMENT REVENUES



Direct pension consultancy and administration

Mattioli Woods is a leader in the provision of Self Invested Personal Pension ("SIPP") and Small Self-Administered Pension Scheme ("SSAS") arrangements, which are often central to our clients' pension strategies.

We have established a reputation for technical excellence, widely acknowledged within our industry. We maintain our technical edge through our in-depth understanding of UK pension legislation, which translates into the delivery of meaningful advice to clients by our consultancy team.

The provision of personalised and proactive administration further differentiates us from our competitors.

Third party pension administration

Our subsidiary, City Trustees, provides bespoke pension administration coupled with first-rate client service, and has recently been awarded the Defaqto 5-star rating for its SIPP.

City Trustees distributes its products exclusively via independent financial advisers, wealth managers and other intermediaries.

Wealth management

Discretionary management and the provision of bespoke investment advice sit at the heart of our investment proposition, embracing both pension investment and personal assets.

Our services are delivered by a dedicated team, with many years' experience in finance and investment.

Property management

Our property investment and management business, Custodian Capital, is the discretionary fund manager of Custodian REIT plc, a UK Real Estate Investment Trust listed on the Main Market of the London Stock Exchange.

In addition, Custodian Capital facilitates direct property ownership on behalf of pension schemes and private clients. Our property team offer years of experience in commercial property investment. We believe good quality properties with strong leases and good quality tenants typically provide stable returns over the long term.

Employee benefits

We offer our clients specialist consultancy on group pension arrangements, from the complexities of final salary schemes through to defined contribution schemes and wider employee benefits.

We work with employers to review existing or implement new reward and benefit packages, providing ongoing advice to ensure these packages remain competitive and up-to-date with changes in legislation. We arrange, recommend, operate and administer schemes on a global basis, including advice on life cover, medical insurance, salary protection, rewards and other lifestyle-related benefits.

1991
Mattioli Woods Pension Consultants formed

1992
Initiated graduate recruitment model

1995
Launched the Mattioli Woods sponsored self-invested personal pension scheme (SIPP)

1998
First graduate recruit qualified as a consultant

2002
Launched syndicated property investment initiative

2003
Mattioli Woods Pension Consultants Limited incorporated

2005
First acquisition; the Geoffrey Bernstein portfolio

2006
Acquired Suffolk Life SSAS portfolio

CELEBRATING OVER 20 YEARS OF SUCCESS

2007

Acquired Pension Consulting Limited

Ian Mattioli and Bob Woods jointly won AIM Entrepreneur of the year

2008

Acquired the JB Group

2010

Winners of the Leicester Business Awards 2010: Success Through People

SSAS/SIPP portfolio exceeded 3,000 schemes

Acquired CP Pensions

Acquired City Trustees and London office

2011

20th anniversary

Acquired Kudos Financial Services Limited

2012

Turnover exceeded £20m and portfolio management service launched

2013

Recognised as one of Leicestershire's top 200 companies

Acquired Ashcourt Rowan plc's pension administration business

Acquired Atkinson Bolton Consulting Limited

Assets under advice and administration exceed £4bn

2014

Kudos Financial Services and Atkinson Bolton Consulting change name to Mattioli Woods

Launch of £130m REIT on the Main Market of the London Stock Exchange

One brand, one vision

In June 2014, we integrated Kudos Financial Services and Atkinson Bolton Consulting under the Mattioli Woods brand name to help us continue to grow as a leading player in wealth management and employee benefits.

Our targeted rebrand campaign received positive press across the UK, including national and local publications in both print and online.

FOCUSED ON GROWTH

> I am pleased to report another year of profitable growth

Bob Woods
Chairman

I am pleased to report another year of profitable growth, with the Group's total client assets under management, administration and advice having increased by 27.2% to £4.63bn at the year-end. Legislation and regulation continue to drive unprecedented changes in our key markets, creating exciting opportunities we are working hard to capitalise upon.

The latest thematic review of the self-invested personal pension ("SIPP") sector by the Financial Conduct Authority ("FCA") identified widespread failings within certain operators and this, coupled with recently announced increases in the regulatory capital requirement for SIPP operators, is expected to drive further consolidation in one of our core markets. Against this backdrop, we were delighted to announce our acquisition of the pension administration business of UK Wealth Management Limited ("UKWM") from Ashcourt Rowan plc last month.

Growing our business both organically and by acquisition is a key part of our strategy. The recent "Mattioli Woods" rebrand of Kudos Financial Services Limited ("Kudos") and Atkinson Bolton Consulting Limited ("Atkinson Bolton") further integrates these previous acquisitions and is a major step forward in the continued development of our brand.

In March 2014 Custodian REIT plc ("Custodian REIT"), a new closed-ended property investment company, listed on the Main Market of the London Stock Exchange. It raised £55.0m of new money on admission and acquired £95.2m of UK commercial property sourced from an existing portfolio of 48 properties held by clients of Mattioli Woods. Our subsidiary, Custodian Capital Limited ("Custodian Capital") was appointed as the discretionary investment manager. As manager, Custodian Capital receives accounting and administration fees plus an annual management charge based on the net asset value of Custodian REIT, enhancing the Group's recurring revenues.

Mattioli Woods has been shortlisted again as 'Best SSAS Provider' at the Investment Life & Pensions Moneyfacts Awards 2014, having been 'Highly Commended' in this category in the 2013 awards. This continued industry recognition is very pleasing.

Market overview

The Government's intention to provide full access to pension funds from retirement has brought clarity to the issue of "ownership" and accordingly pensions have been made much more attractive. I expect the proposed changes to be good for the Group and the industry in general, with new opportunities for pension planning already being welcomed by our clients.

Changes in employee benefits as a result of auto-enrolment, the introduction of a charge cap on auto-enrolment pension schemes in April 2015 and the abolition of provider commissions in April 2016 are obliging many employers to review their benefit and reward strategies. We have developed the products, services and advice that modern employers need to recruit and retain staff. We expect an improving UK economy to offer us new opportunities to engage with a broader number of employers, to whom we can deliver a full range of employee benefits services, including auto-enrolment, healthcare, executive financial counselling, international benefit consulting and 'Create' – our flexible benefits solution.

Assets under management, administration and advice

£4,626.2m

(2013: £3,644.3m) **+27.2%**

BUSINESS MODEL

Our business is built on the integrity and expertise of our people

Long-term client relationships

We provide trusted advice, high service standards and personalised delivery.

Delivering effective services

We provide our clients with an all-embracing and integrated approach.

Continuous investment

We invest in the Group's infrastructure and technology to develop our products, services and solutions.

Strategic acquisitions

We continue to develop as a broader wealth management business, which enables us to provide additional value-added services.

GROWTH

Organic
Our strategy remains focused on the pursuit of strong organic growth

By acquisition
The acquisition of quality businesses provides clients with long term security, while enhancing profitability

Delivering strong, sustainable shareholder returns

As a result of these changes, we expect employee benefits revenues to move away from up-front commissions, reducing revenues in the short term, but leading to higher fee-based recurring revenues going forward.

Assets under management, administration and advice

In addition to net organic growth of £532.4m in total client assets, we added £442.4m of client assets on the acquisition of Atkinson Bolton. We added a further £7.1m of assets under administration on our appointment to The HD SIPP in June 2013, having worked closely with The Insolvency Service, the FCA and HM Revenue & Customs to secure the position of members following the failure of the previous operator.

Our discretionary portfolio management service allows us to deliver a more efficient wealth management service to our clients. At 31 May 2014, our discretionary assets under management had increased to £0.75bn (2013: £0.19bn) with £238.3m added on the acquisition of Atkinson Bolton and a further £142.2m of funds under management being added on Custodian Capital's appointment as manager of Custodian REIT.

The Group also operates our own open-ended investment company ("OEIC"), the FP Thoroughbred Core Alpha Fund ("the Thoroughbred OEIC"), which held £54.7m of our clients' assets at 31 May 2014, the majority of which were under discretionary management.

Following the year end, we added a further £190.0m of funds under trusteeship on the acquisition of UKWM's pension business.

> "Legislation and regulation continue to drive unprecedented changes in our key markets, creating exciting opportunities"

Assets under management, administration and advice

Total client assets under management, administration and advice increased by 27.2% to £4.63bn at 31 May 2014 (2013: £3.64bn) as follows:

	31 May 2014 £m	31 May 2013 £m
SSAS	**1,390.8**	1,362.5
SIPP	**1,546.7**	1,264.8
Funds Under Trusteeship	**2,937.5**	2,627.3
Employee benefits	**926.2**	640.3
Personal assets	**762.5**	376.7
Assets under management, administration and advice[4]	**4,626.2**	3,644.3

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

Strategy and acquisitions
Our business is structured to deliver comprehensive wealth management to affluent clients across the UK, centred on their retirement planning needs. Our services include pension consultancy and administration, financial planning, discretionary and advisory investment management and employee benefits advice.

Our strategy remains focused on the pursuit of strong organic growth, supplemented by strategic acquisitions. All acquisitions completed to date have not just been earnings enhancing but have also broadened and deepened our expertise and services. The acquisition of Atkinson Bolton in July 2013 is a good example, providing an excellent cultural and strategic fit, adding funds under management and bringing to the Group our first in-house investment fund, the Thoroughbred OEIC.

The acquisition of UKWM's pension business extends our existing relationship with Ashcourt Rowan and its advisers. As financial markets change, there is real benefit in organisations such as Ashcourt Rowan and Mattioli Woods entering into strategic partnerships to deliver better service and long term security for clients, while enhancing profitability.

With increasing complexity and continuing consolidation in both the SIPP and other key sectors in which we operate, we are confident there will be further opportunities to expand Mattioli Woods' operations by acquisition, further accelerating our organic growth.

Staff
I would again like to thank all our staff for their enormous enthusiasm and commitment in responding to the challenges created by the financial markets. Maintaining capacity to take advantage of growing demand remains a key priority. We continue to invest in our graduate recruitment programme, with a total of 16 new graduates joining the Group (2013: 13). Our total headcount at the end of the period was 378 (2013: 283).

We enjoy a strong team spirit and continue to build upon this by facilitating employee equity participation through the Mattioli Woods plc Share Incentive Plan ("the Plan"). The proportion of eligible staff investing via the Plan has increased to 56% (2013: 55%). I am delighted that the value of employee share holdings held via the Plan has surpassed £1.80m and we will continue to encourage broader participation in the Plan.

We plan further recruitment over the coming year and were delighted to announce the creation of The Mattioli Woods Business Academy ("the Academy") in partnership with Gateway College, Leicester. The Academy has been developed to create opportunities locally for young people and assist the Group in recruiting and developing staff with the right skills, experience and values.

Beginning this month, the Academy will offer two-year placements for up to 24 students each year, leading to Level 3 qualifications in Business and Finance (equivalent to 3 'A' Levels) and a wealth of workplace experience.

Board changes
We are delighted to announce the appointment of Alan Fergusson to the Board. Alan leads our employee benefits division, having joined the Group as Employee Benefits Director of Kudos on its acquisition in 2011. Alan brings a wealth of experience in all aspects of employee benefits, including work place savings and ancillary schemes. Alan also sits on the board of Worldwide Broker Network ("WBN"), the world's largest network of independent insurance brokers and employee benefits consultants. As our employee benefits business grows, our international strategy is part of that development and being able to contribute to the WBN on a strategic level will benefit both ourselves and our clients.

We are also delighted to announce the appointment of Carol Duncumb as a Non-Executive Director. Carol brings considerable commercial experience at board level in both executive and non-executive roles, with a particular interest in e-commerce.

Dividends
The Board is pleased to recommend the payment of a final dividend for the year of 6.00p (2013: 4.67p) per ordinary share. If approved, the final dividend will be paid on 21 October 2014 to shareholders on the register at the close of business on 12 September 2014. This makes a proposed total dividend for the year of 9.10p per share (2013: 7.00p), a year-on-year increase of 30.0% (2013: 26.1%). The Board remains committed to growing the dividend, while maintaining an appropriate level of dividend cover.

Outlook
Trading in the current period is in line with the Board's expectations. A key part of our strategy is the delivery of an integrated and scaleable technology platform to be used throughout the Group. Over the next 12 months, we plan a further £1.0m of capital investment in our bespoke pension administration and wealth management platform, with the aim of enhancing the services we offer clients and realising operational efficiencies across our business as a whole. It is our ambition to give clients a consolidated view of all their assets, building upon our existing client service proposition.

I believe our ability to deliver proactive advice with a growing suite of our own products and services is a powerful combination, which will keep the Group well positioned to secure further profitable growth over the coming years.

Bob Woods
Chairman
1 September 2014

Dividend
9.10p
(2013: 7.00p) **+30.0%**

CASE STUDY: CUSTODIAN REIT PLC

DRIVING DYNAMIC GROWTH IN OUR PROPERTY BUSINESS

After ten years of managing a nationwide property portfolio with an aggregate value over £140m with more than 1,250 individual investors, Mattioli Woods created a new property investment company to provide clients with a less restrictive way of investing in the UK commercial property market, while affording a greater level of liquidity.

Custodian REIT plc (a UK Real Estate Investment Trust), floated on the Main Market of the London Stock Exchange in March 2014 with a £95m diverse portfolio of 48 UK commercial properties. Our subsidiary, Custodian Capital, was appointed as the discretionary investment manager of Custodian REIT.

Unlike most property funds, Custodian REIT's policy is to invest in properties between £2m and £5m. By targeting smaller lot sizes, the company intends to provide investors with a differentiated source of long term income at a level representing an attractive dividend yield relative to that currently available from existing closed and open ended funds investing in UK commercial real estate.

The successful launch of Custodian REIT has been a great endorsement of both the investment proposition and investors' confidence in the expertise and strong track record of Mattioli Woods' property investment team.

CONTINUED EXPANSION

> I am pleased to report another successful year in the development of a broader 21st century financial services business

Ian Mattioli
Chief Executive

Introduction

We continue our transition from small to big as a business built on the integrity and expertise of our people, who continue to help and advise our clients with real passion. As we position the Group for the future, one of our key aims is to grow our clients' investment assets.

I am pleased to report another successful year in the development of a broader 21st century financial services business. Revenue in the year ended 31 May 2014 was up 25.4% to £29.35m (2013: £23.41m), with £2.66m of revenue generated by Atkinson Bolton and £0.65m representing the additional impact of a full year's contribution from the pension business we acquired from Ashcourt Rowan plc in April 2013. Recurring revenues[5] represented 78.1% (2013: 70.7%) of total Group revenues.

EBITDA[6] was up 14.9% to £6.62m (2013: £5.76m). As anticipated, we saw a fall in EBITDA margin to 22.6% (2013: 24.6%) with further investment in the infrastructure of our business and a fall in banking revenues as a result of further cuts in bank interest rates. Adjusted earnings per share[7] increased by 16.9% on the prior year.

Our success is based upon the delivery of quality advice, services and products, growing our clients' assets and enhancing their financial outcomes. The foundation of our success is the development of our people.

Organic revenue growth of 11.3% or £2.63m was driven by our largely home-grown consultancy team, while the acquisition of quality businesses has helped us extend the range of services we can offer clients. I am delighted we have created a business our clients are proud to be a part of, our people feel proud to work for and is one that recognises and rewards talent and hard work.

Our focus is on ensuring we continue to address our clients' changing needs and our ambition is to see our brand become an even stronger force in the UK financial services sector.

Industry overview

Mattioli Woods operates within the UK's financial services industry, which is subject to the effects of volatile markets and economic conditions. In recent years, we have seen a period of unprecedented change in legislation, regulation and customer needs. We continue to take advantage of the opportunities this creates, with our specialists dedicated to keeping up with the pace of change. Our entrepreneurial model allows us to adapt and advise our clients accordingly.

Our markets are serviced by a wide range of suppliers offering diverse services to individual and corporate clients. These markets are fragmented and remain highly competitive, although many commentators suggest that recent changes, particularly the RDR and increased regulatory capital requirements, will drive margin compression and industry consolidation.

We expect margin pressure to lead other organisations in our sector to develop increasingly integrated business models, as they seek to access more value through the supply chain and offer a broader range of services. At the same time, we expect to see further consolidation as firms pursue economies of scale.

Recurring revenues

78.1%

(2013: 70.7%) **+7.4%**

5 Annual pension consultancy and administration fees; level, renewal and trail commissions; banking income and annual property management charges.
6 Earnings before interest, taxation, depreciation and amortisation.
7 Basic EPS up 14.9% to 22.09p (2013: 19.23p).

Our services

Our core wealth management and pension offering serves the higher end of the market, including controlling directors and owner-managed businesses, professionals, executives and affluent retirees. Our comprehensive range of employee benefit services is particularly suitable for medium-sized to larger corporates.

The Group's income is derived from five key service lines:

- Direct pension consultancy and administration;
- Wealth management;
- Employee benefits;
- Third party pension administration; and
- Property management.

Direct pension consultancy and administration

We are a leading provider of SIPP and SSAS pension schemes, which are often central to our clients' wealth management strategies. We maintain our technical edge through our widely acknowledged understanding of UK pension legislation, which allows our consultancy team to deliver meaningful guidance to our clients.

Revenues from the provision and administration of SIPPs and SSASs were £10.56m (2013: £9.05m), representing 36.0% (2013: 38.7%) of Group revenues, of which 95.6% (2013: 95.4%) are recurring. Our client base primarily comprises owner-managers, senior executives and members of the professions. Additional fees are generated from the provision of specialist ad hoc consultancy services.

An increase in client activity and the number of new schemes written led to increased fee income of £9.43m (2013: £7.51m). This was partially offset by a decrease in banking revenues to £1.13m (2013: £1.54m). Continued low interest rates, exacerbated by the government's "Funding for Lending" scheme, are expected to maintain pressure on banking revenues in this new financial year, although this may be partially offset by demand for advice on investment into other asset classes.

We gained 316 (2013: 282) direct[8] SSAS and SIPP schemes in the year, representing 9.3% (2013: 8.5%) of schemes at the start of the year. We remain focused on maintaining the quality of new business, with an average SIPP scheme transfer value of £0.43m (2013: £0.42m) and SSAS scheme transfer value of £0.73m (2013: £0.44m). We continue to achieve strong client retention with a 8.3% (2013: 3.2%) overall increase in the number of direct schemes administered at the year-end. Our external loss rate[9] improved to 3.2% (2013: 3.6%) and the overall attrition rate[10] fell to 3.6% (2013: 4.2%), partly as a result of previous acquisitions now having fully bedded-in.

Wealth management

Discretionary portfolio management and the provision of bespoke investment advice sit at the heart of our long term investment propositions, embracing both family assets and pension assets. Revenues increased 39.4% to £8.98m (2013: £6.44m), with £1.47m of this increase from the acquisition of Atkinson Bolton. Wealth management represented 30.6% (2013: 27.5%) of total Group revenues, with the proportion of recurring revenues increasing to 76.9% (2013: 54.2%) due to the growth in discretionary funds under management and the introduction of adviser charging following the implementation of the RDR on 1 January 2013. Our investment advisory revenues increased to £3.78m (2013: £1.56m), with our adviser charges based on the value of assets under advice during the period.

At the year end our discretionary assets under management had increased to £0.75bn (2013: £0.19bn), generating initial placement fees and ongoing management charges of £4.12m (2013: £1.92m). The increase in adviser and discretionary management charges more than offset the anticipated fall in investment commissions to £1.83m (2013: £2.97m).

The growth of funds under management and advice enhances the quality of our earnings through an increase in recurring revenues. As with other firms, these income streams are directly linked to the value of funds under management and advice, and are therefore affected by the performance of financial markets.

Employee benefits

Employee benefits are a focus for businesses seeking to attract and retain quality employees. The market is moving towards 'total reward' and we are at the forefront of the advice, services and products needed by employers to achieve this. We offer specialist consultancy on group pension arrangements, from the complexities of final salary schemes, through to defined contribution schemes and a wider range of ancillary employee benefits such as flexible benefits, medical insurance, executive financial planning and educational services. We work with employers to review existing or implement new reward and benefit packages and provide ongoing advice to ensure these packages remain competitive and up-to-date with changes in legislation.

We recommend, operate and administer schemes on a global basis, providing advice on life cover, medical insurance, salary protection, rewards and lifestyle-related benefits.

Employee benefits revenues increased to £5.65m (2013: £4.37m), aided by £1.19m from Atkinson Bolton and some significant new client wins. Employee benefits revenues now represent 19.3% of total revenue (2013: 18.7%), of which 47.4% (2013: 38.5%) are recurring. The acquisition of Atkinson Bolton extended our employee benefits proposition and we expect new opportunities will arise from the drive towards a focus on total reward and flexible benefits in the corporate market. However, new rules governing workplace pensions are to be introduced in April 2015 and April 2016, which are expected to reduce our corporate pension revenues in the short term, but lead to higher fee-based recurring revenues going forward.

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

DEVELOPING A STRATEGY FOR GROWTH

> Our ambition is to become a strong force in the UK financial services sector

OUR VISION

A world in which financial advice is trusted, thoughtful and enriching

We aim to deliver comprehensive wealth management to clients requiring bespoke service and specialist advice, centered on their retirement planning needs.

OUR OBJECTIVE

We are driven by our passion and integrity to become a leading provider of wealth management services and deliver profitable and sustainable growth year-on-year

Our objective is to grow our business both organically and by acquisition, and to deliver strong, sustainable shareholder returns over the long term.

OUR STRATEGY

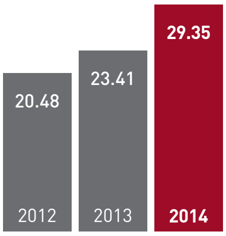
Key goals are to secure strong client retention and attract new clients

- Expanding our consultancy team
- New SSAS/SIPP, wealth management and corporate clients
- Develop our fund management business
- Further new product development

KEY PERFORMANCE INDICATORS

Revenue (£m)

£29.35m

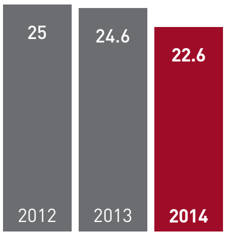


Total income (excluding VAT) from all revenue streams.

Strategy/objective:
Organic growth and growth by acquisition

EBITDA margin (%)

22.6%

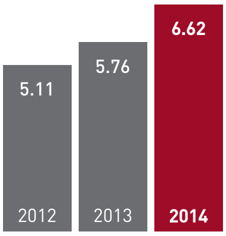


Profit generated from the Group's operating activities before any financing income or costs, taxation, depreciation and amortisation as a proportion of revenue.

Strategy/objective:
Operating efficiency

EBITDA (£m)

£6.62m

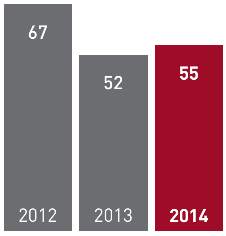


Profit generated from the Group's operating activities before any financing income or costs, taxation, depreciation and amortisation as a proportion of revenue.

Strategy/objective:
Shareholder value and financial performance

Debtors' days

55 days

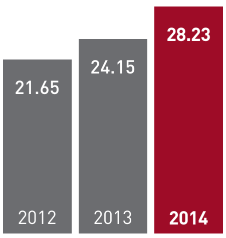


This is the average number of days' sales outstanding in trade receivables at any time.

Strategy/objective:
Financial stability

Adjusted EPS (p)

28.23p

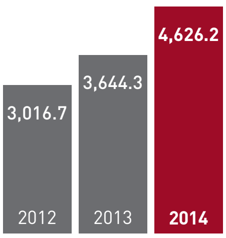


Total comprehensive income for the year, net of taxation, attributable to equity holders of the Company, adjusted to add back acquisition costs expensed under IFRS3 (Revised) and the amortisation of intangible assets other than computer software, divided by the number of ordinary shares in issue.

Strategy/objective:
Shareholder value and financial performance

Assets under management, administration and advice (£m)

£4,626.2m

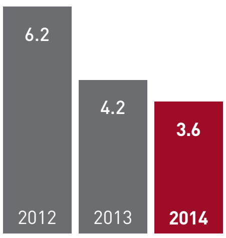


The value of all client assets the business gives advice upon, manages or administers.

Strategy/objective:
Growth of the value of assets under management, administration and advice

Client loss rate (%)

3.6%



The number of direct SSAS and SIPP schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the period.

Strategy/objective:
Excellent client service and retention

Third party pension administration

Our third party administration offering was established in August 2010 following the acquisition of City Pensions Limited (trading under the "City Trustees" brand). City Trustees generate income from the setting up and administration of pension schemes under an administration-only model, with its products being distributed via independent financial advisers, wealth managers and other intermediaries.

City Trustees has developed an excellent reputation for providing bespoke pensions administration coupled with first-rate client service and has been awarded the Defaqto 5-star rating for its SIPP.

Third party administration revenues increased by 34.8% to £2.13m (2013: £1.58m), representing 7.2%(2013: 6.7%) of total revenues, of which 89.4% (2013: 94.8%) are recurring. This strong revenue growth was driven primarily by the acquisition of Ashcourt Rowan plc's pension administration business in April 2013. Administration fees increased to £1.73m (2013: £1.14m) and associated banking revenues were £0.40m (2013: £0.44m).

Property management

Mattioli Woods' subsidiary Custodian Capital Limited ("Custodian Capital") has facilitated direct commercial property ownership for clients via limited partnership or private limited company ("syndicated") arrangements, aiming to invest in good quality commercial or residential property with conservative levels of gearing, to deliver a long-term income stream and the possibility of capital growth.

Custodian Capital initiated £2.3m (2013: £11.0m) of investment into one (2013: six) new partnership during the period, with direct property ownership continuing to appeal to clients attracted by the opportunity to develop a well-diversified portfolio of prime commercial property. However, in June 2013 the FCA issued a policy statement entitled "Restrictions on the retail distribution of Unregulated Collective Investment Schemes and close substitutes".

Historically, we have been permitted to promote these products to clients who were advised by an appropriately authorised financial advisor. The impact of the policy statement was to reduce our ability to use the limited partnership structure, meaning we can only facilitate direct property investment on behalf of clients satisfying certain specific criteria.

The Board therefore considered that the establishment of a new UK Real Estate Investment Trust ("REIT") listed on the London Stock Exchange would provide an attractive alternative structure for investment in commercial property, both for existing and new investors.

Custodian REIT plc ("Custodian REIT") launched on 26 March 2014, acquiring £95.2m of UK commercial property from an existing portfolio of 48 properties held by clients of Mattioli Woods in syndicated structures. Custodian Capital was appointed as discretionary investment manager of Custodian REIT, which is a significant milestone for Mattioli Woods, marking the next phase in the development of our business. We were delighted with the positive response to the launch of Custodian REIT from our existing clients and the strong demand from new investors, with gross proceeds of £55.0m being raised through an initial public offering. The new funds raised have allowed Custodian REIT to take advantage of a pipeline of opportunities to grow its diverse portfolio of property. As manager, we are focused on Custodian REIT delivering an attractive level of income together with the potential for capital growth from a balanced portfolio of real estate assets.

Property management revenues increased to £2.04m (2013: £1.96m) or 6.9% of total revenue (2013: 8.4%), of which 65.8% (2013: 63.4%) represented recurring annual management charges. We plan to grow and develop the REIT with further new capital raisings. At 31 July 2014, the value of investment properties held by Custodian REIT had increased £132.0m with a further 18 properties having been acquired since the launch date.

Financial performance and future developments

Group results

Revenues were up 25.4% to £29.35m (2013: £23.41m), with sustained demand for the Group's services. We are particularly pleased with the continued development of our broader wealth management proposition, strong post-acquisition performance of Atkinson Bolton and growth in City Trustees during the year.

The Group's revenue mix changed during the period, with further diversification of our key revenue streams as follows:

- 36.0% direct pension consultancy and administration (2013: 38.7%);
- 30.6% wealth management (2013: 27.5%);
- 19.3% employee benefits (2013: 18.7%);
- 7.2% property management (2013: 8.4%); and
- 6.9% third party pension administration (2013: 6.7%).

Average transfer value of a new SIPP

£0.43m

Unadjusted EBITDA increased 14.9% to £6.62m (2013: £5.76m), with an anticipated fall in EBITDA margin to 22.6% (2013: 24.6%) as a result of continued investment in our people and systems and further cuts in bank interest rates.

To facilitate a like-for-like comparison with prior years, acquisition costs of £0.15m incurred on the Atkinson Bolton acquisition completed during the year have been added back in calculating adjusted EBITDA and adjusted profit before tax. Adjusted EBITDA[11] increased 14.2% to £6.77m (2013: £5.93m), while adjusted EBITDA margin fell to 23.1% (2013: 25.3%). As highlighted in my Industry overview, I anticipate we will see some continued pressure on margins, with the impact of low interest rates and weak economic growth on investment returns putting stress on the total expense ratios incurred by clients.

Net finance revenue

Net finance revenues of £0.04m (2013: £0.04m) remain in line with low interest rates. The Group has maintained a positive net cash position, with average balances broadly in line with the prior year.

Taxation

The effective rate of taxation on profit on ordinary activities fell to 16.3% (2013: 22.2%) due to further cuts in the UK corporation tax rate and a reversal of deferred tax liabilities on acquired intangibles to reflect the rate change. The net deferred taxation liability carried forward at 31 May 2014 was £2.10m (2013: £1.83m).

Earnings per share and dividend

Adjusted EPS[12] increased 16.9% to 28.23p (2013: 24.15p). Basic EPS was up 14.9% to 22.09p (2013: 19.23p), primarily due to revenue growth increasing operating profits, coupled with lower corporate tax rates. Diluted earnings per share increased 15.8% to 21.80p (2013: 18.84p), with 297,437 options issued under the Company's share option plans being exercised during the period. A proposed increase of 30.0% in the total dividend for the year to 9.10p (2013: 7.00p) demonstrates our desire to deliver value to shareholders and confidence in the outlook for our business.

Cash flow

Net cash generated from operations was £5.05m (2013: £6.41m) with EBITDA of £6.62m (2013: £5.76m). The Group conversion of EBITDA into operating cash flow was 76.3% (2013: 111.3%), with a £1.07m increase in trade receivables to 55 days' sales (2013: 52 days) as a result of:

- Strong growth in direct pension fees, which are invoiced six months in arrears; and
- The shift away from investment commissions paid direct from the product provider to adviser charges invoiced in arrears based on the value of assets under advice.

This, coupled with a £0.49m increase in accrued time costs (2013: decrease of £0.38m), a £0.37m decrease in provisions (2013: increase of £0.14m) and a £0.09m decrease in trade and other payables (2013: increase of £0.96m), created a cash outflow from working capital of £2.02m (2013: inflow £0.53m).

Outstanding trade payables fell slightly to 42 days' purchases (2013: 44 days).

Capital expenditure in the year was £0.89m (2013: £0.69m), with the most significant costs being investment in new computer hardware, software and the purchase of new company cars following expansion of the consultancy team. Further investment in the Group's management information systems and technology is planned over the coming year, to enhance reporting and our clients' ability to review their affairs on-line.

Bank facilities

The Group has renewed its borrowing facilities with Lloyds Bank plc ("Lloyds"), which consist of a £5.0m overdraft facility with interest payable at the bank's base rate plus 1.1875% on the first £0.50m and plus 1.375% on borrowings in excess of £0.50m. The Lloyds facility is repayable upon demand and renewable on 31 January 2015. At 31 May 2014, the Group had unused borrowing facilities of £5.0m (2013: £5.0m).

Capital structure

The Group's capital structure is as follows:

	2014 £000	2013 £000
Net funds	**(9,511)**	(8,047)
Shareholders' equity	**35,544**	29,100
Capital employed	**26,033**	21,053

The Group has remained negatively geared, with the gearing ratio falling from (7.5)% to (8.8)% as a result of the increase in Group trade and other payables to £6.39m (2013: £5.87m) being offset by the increase in net cash balances of £9.51m (2013: £8.05m).

Acquisitions

The acquisition of Atkinson Bolton in July 2013 enables us to provide a broader range of services to both existing Mattioli Woods clients and former Atkinson Bolton clients. It is another exciting step forward in the development of Mattioli Woods as a broader wealth management business.

We were also pleased to acquire the pension administration business of UKWM in August 2014. We expect to see more acquisition opportunities as other small SIPP operators look to exit the market.

Average transfer value of a new SSAS

£0.73m

11 Adding back £0.15m (2013: £0.17m) of acquisition costs expensed under IFRS3 (Revised).

12 Before acquisition – related costs, amortisation and impairment of intangible assets other than computer software.

PRINCIPAL RISKS

INDUSTRY RISKS

Risk type	Risk	Mitigation
Changes in investment markets and poor investment performance	Volatility may adversely affect trading and/or the value of the Group's funds under administration and advice, from which we derive revenues.	• Majority of clients' funds held within registered pension schemes, where less likely to withdraw funds and lose tax benefits. • Client banking arrangements enable clients to shelter from market volatility through diversification, while continuing to generate revenues for the Group. • Market volatility is closely monitored by the Investment Committee.
Changing markets and increased competition	The Group operates in a highly competitive environment with evolving characteristics and trends.	• Consolidating market position develops the Group's pricing power. • Full control over scalable and flexible MWeb administration platform. • Experienced management team with a strong track record. • Loyal customer base and strong client retention. • Broad service offering gives diversified revenue streams.
Evolving technology	The Group's technology could become obsolete if we are unable to develop our systems to accommodate changing client needs, new products and the emergence of new industry standards.	• Track record of successful development. • High awareness of the importance of technology at Board level. • Expanded systems development with objective to create one Group-wide platform.
Regulatory risk	The Group may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.	• Strong compliance culture. • External professional advisers are engaged to review and advise upon control environment. • Business model and culture embraces FCA principles, including treating clients fairly. • Financial strength provides comfort should capital resource requirements be increased.
Changes in tax law	Changes in tax legislation could reduce the attractiveness of long-term savings via pension schemes, particularly SSASs and SIPPs.	• The Government has a desire to encourage long-term savings to plan for an ageing population, which is currently under-provided for. • Changes in pension legislation create the need for clients to seek advice. • The development of the Groups' wealth management services reduces dependency on pension planning.

OPERATIONAL RISKS

Damage to the Group's reputation	There is a risk of reputational damage as a result of employee misconduct, failure to manage inside information or conflicts of interest, fraud, improper practice, poor client service or advice.	• Strong compliance culture with a focus on positive customer outcomes. • High level of internal controls including checks on new staff. • Well trained staff who ensure the interests of clients are met in the services provided.
Errors, breakdown or security breaches in respect of the Group's software or information technology systems	Serious or prolonged breaches, errors or breakdowns in the Group's software or information technology systems could negatively impact customer confidence. It could also breach contracts with customers and data protection laws, rendering us liable to disciplinary action by governmental and regulatory authorities, as well as to claims by our clients.	• Ongoing review of data security. • IT performance, scalability and security are deemed top priorities by the Board. • Experienced in-house team of IT professionals and established name suppliers.
Business continuity	In addition to the failure of IT systems, there is a risk of disruption to the business as a result of power failure, fire, flood, acts of terrorism, re-location problems and the like.	• Periodic review of Business Continuity Plan, considering best practice methodologies. • Disaster recovery leads and a disaster recovery team in place. Business impact analysis has been conducted per department for further planning.
Key personnel risk	The loss of, or inability to recruit, key personnel could have a material adverse effect on the Group's business, results of operations or financial condition.	• Succession planning is a key consideration throughout the Group. • Success of the Group should attract high calibre candidates. • Share-based schemes in operation to incentivise staff and encourage retention. • Recruitment programmes in place to attract appropriate new staff. • Continued development of a cross functional acquisition team brought into acquisition projects at an early stage. • Keyman reliance cover for company founders.

OPERATIONAL RISKS

Risk type	Risk	Mitigation
Fraud risk	There is a risk an employee defrauds either the Group or a client.	• City Trustees Limited has permission to hold and control client money and the Group ensures the control environment mitigates against the misappropriation of client assets. • Strong corporate controls require dual signatures for all payments and board approval for all expenditure greater than £10,000. • Assessment of fraud risk reviewed every six months in conjunction with the external auditors. • Clients have view-only access to information and hence risk of fraud due to external attack on the Company's IT systems is assessed as low.
Litigation or claims made against the Group	Risk of liability related to litigation from clients or third parties and assurance that a claim or claims will not be covered by insurance or, if covered, will exceed the limits of available insurance coverage, or that any insurer will become insolvent and will not meet its obligations to provide the Group with cover.	• Appropriate levels of Professional Indemnity insurance cover regularly reviewed with the Group's advisers. • Comprehensive internal review procedures, including compliance sign-off, for advice and marketing materials. • Maintenance of three charging models; time cost, fixed and asset based aligned to specific service propositions. • Restricted status for our consultants to enable the recommendation of our own products versus others in the market place.
Reliance on third parties	Any regulatory breach or service failure on the part of an outsourced service provider could expose the Group to the risk of regulatory sanctions and reputational damage.	• Due diligence is part of the selection process for key suppliers. • Ongoing review of relationships and concentration of risk with key business partners.
Strategic risk	Risk that management will pursue inappropriate strategies or implement the Group's strategy ineffectively.	• Experienced management team with successful track record to date. • Management have demonstrated a thorough understanding of the market and monitor this through regular meetings with clients.
Underwriting risk (structured products)	When arranging new structured products for promotion to the Group's clients, the Group may need to guarantee a minimum aggregate investment to secure appropriate terms for the product. If actual client investment is less than the underwritten amount, we would incur the cost of unwinding the hedges underlying the unsold element of the product.	• New products created in line with client demand. • Potential unwind costs are carefully considered by the Investment Committee prior to the launch of each structured product.

FINANCIAL RISKS

Counterparty default	That the counterparty to a financial obligation will default on repayments.	• The Group trades only with recognised, creditworthy third parties. • All customers who wish to trade on credit terms are subject to credit verification procedures. • All receivables are reviewed on an ongoing basis for risk of non-collection and any doubtful balances are provided against.
Bank default	The risk that a bank could fail.	• We only use banks with strong credit ratings. • Client deposits spread across multiple banks. • Regular review and challenge of treasury policy by management.
Concentration risk	A component of credit risk, arising from a lack of diversity in business activities or geographical risk.	• The client base is broad, without significant exposure to any individual client or group of clients. • Broad service offering gives diversified revenue streams.
Liquidity risk	The risk the Group is unable to meet liabilities as they become due because of an inability to liquidate assets or obtain adequate funding.	• Cash generative business. • Group maintains a surplus above regulatory and working capital requirements. • Treasury management provides for the availability of liquid funds at short notice.
Interest rate risk	Risk of decline in earnings due to a decline in interest turn. Low interest rates make it harder to structure compelling capital-protected products for clients.	• Good relationships with key banking partners. • Access to competitive interest rates due to scale of our business.

Relationships

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

Relationships with our clients are managed on an individual basis through our account managers and consultants. Employees have performance development reviews and employee forums provide a communication route between employees and management. Mattioli Woods also participates in trade associations and industry groups, which give us access to client and supplier groups and decision-makers in Government and other regulatory bodies. Mattioli Woods is a member of the Association of Member-directed Pension Schemes and the Quoted Companies Alliance.

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 and ethical business practices. Structures for accountability from our administration teams through to the operational management team and the Group's Board are clearly defined. The proper operation of the supporting processes and controls are regularly reviewed by the Audit Committee and take into account ethical considerations, including procedures for 'whistle-blowing'.

Forward looking statements

The strategic report is prepared for the members of Mattioli Woods and should not be relied upon by any other party for any other purpose. Where the report contains forward-looking statements these are made by the directors in good faith based on the information available to them at the time of their approval of this report. Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risks underlying such forward looking statements and information. The Group undertakes no obligation to update these forward looking statements.

Principal risks and uncertainties

There are a number of potential risks which could hinder the implementation of our strategy and have a material impact on our long term performance. These arise from internal or external events, acts or omissions which could pose a threat to the Group.

As part of our ongoing commitment to developing our services to best meet our clients' requirements, during the year we commissioned a leading research specialist to carry out our first ever in-depth client satisfaction survey.

The survey covered many areas, including the client experience, perceptions of the organisation's positioning, breadth of services, strengths and weaknesses. It included questions on communication, relationships, attitudes, fees and billing. The interviews were conducted in line with the Market Research Society's Code of Conduct.

We are proud of our consistently high client retention rate, but continue seeking ways to strengthen this. We believe the most significant risk we face is potential damage to our reputation as a result of poor client service and we are determined not to let standards slip. We address this through ongoing quality control procedures and the provision of regular training for all our staff. We recently strengthened our team through the appointment of a Customer Relations Officer, who has extensive customer management experience gained both within and outside of our sector.

Pension regulations will continue to be reviewed. Future changes may not produce an environment that is advantageous to the Group 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 by providing incentives to motivate and retain our existing employees.

One source of revenue is based on the value of cash balances held in clients' schemes. These balances are not included in the Consolidated or Company statements of financial position. A continued low interest rate environment creates a risk of a decline in earnings due to a decline in balances or interest turn. To mitigate this risk, we work hard on developing our banking relationships to ensure we can access competitive interest rates for our clients.

The Group has an indirect exposure to security price risk on investments held by clients, with trailing (or funds based) investment commissions, property management fees, discretionary portfolio management fees and adviser charges being based on the value of clients' assets under management, administration or advice. Periods of volatility in a particular asset class may see changes in how our investment revenues are derived. However, a great strength of our business is that we can continue to derive income from investments in all asset classes, while ensuring our clients' investment strategies are appropriately aligned to the prevailing market conditions and suitable for their financial needs.

The tables on pages 16-17 outline the current risk factors for the business identified by the Group. The risk factors mentioned do not purport to be exhaustive as there may be additional risks that materialise over time that the Group has not yet identified or deemed to have a potentially material adverse effect on the business.

The strategic report in its entirety has been approved by the Board of Directors and signed on its behalf by:

Ian Mattioli
Chief Executive
1 September 2014

CASE STUDY: XAAR PLC

HELPING BUSINESSES TO RECRUIT, RETAIN AND ENGAGE

Xaar is a world leader in the development and production of industrial inkjet technology

It has recently invested millions installing state-of-the-art manufacturing facilities and high-tech cleanrooms at its plant in Huntingdon and is rapidly expanding the R&D capabilities at its headquarters in Cambridge.

To meet its growth ambitions, Xaar is continually looking for bright and capable people who share a passion for its technology to join and actively contribute to Xaar's success.

Our Newmarket office started working with Xaar in March 2004 when it employed 79 people. We reviewed its fixed benefits package and took time to fully understand the company and employee's needs. We created the platform for each employee to select from a wider range of benefits or to 'buy back' previous benefits.

One of our priorities was to create a package that would grow with the business – a key driver considering the company has now grown to over 670 employees. Feedback from Xaar employees is reviewed annually to determine changes and improvements. The flexible benefits scheme has been updated to manage auto-enrolment and the look, feel and capability of the system has also been refreshed.

With our help, Xaar has implemented a leading flexible benefits package which includes:

- Private medical insurance
- Income protection
- Pension
- Life assurance
- Share Save scheme
- Childcare vouchers
- Buying or selling holiday
- Dental cover
- Financial advice
- Critical illness cover

Number of employees at Xaar since our collaboration with them

670	2014
79	2004

Mattioli Woods has a long-standing commitment to ensure our staff can engage with their local communities and charities

This social awareness is present throughout the business, from our employees to our clients, our professional connections and the suppliers we use.

We have developed innovative partnerships with community organisations and charities including Rainbows, LOROS Hospice, County Air Ambulance Service, Age UK, Eye Camps and the Royal National Lifeboat Institution. The most recent Mattioli Woods Charity Dinner was hosted by Theo Paphitis and raised over £25,000 for a number of organisations and charities.

We continue to sponsor wheelchair racer Sammi Kinghorn, who is a member of the Scottish Commonwealth Squad and hopes to represent Team GB at the next Paralympic games.

In addition, we sponsor a variety of sports related events, which we believe bring many benefits to the local community. We are headline sponsors at the Leicester Sports Awards and the Mattioli Woods Rothley 10k is one of the most celebrated charity road running races in Leicestershire. One of Cambridgeshire's largest annual charity events, the Chariots of Fire relay race, has been supported by our Newmarket office for the past 11 years. Our colleagues in Aberdeen sponsor Glack Attack, a 5km obstacle mud run held on Glack Hill, Aberdeenshire. By sharing the success stories from events like these we hope to encourage other aspiring individuals and teams in the future.

We also have our own charitable trust, which this year donated over £5,000 to support children and young people in East Anglia.

OUR ACHIEVEMENTS

Being recognised by our peers is a great testament to the hard work we have invested in ensuring a high level of service and personalised delivery to both our clients and professional contacts.

- Excellence in retirement advice
  – Retirement Planner Forum & Awards 2014
- Best Tax and Long Term Savings Adviser
  – Money Marketing Awards 2014
- Newly Qualified Adviser Award (Paul Cliffe)
  – Financial Adviser Life & Pensions Awards 2014

These achievements demonstrate that we are developing, diversifying and, most importantly, excelling as a business.

> It was a surprise to win the newly qualified adviser award. The judging session was intense and it really is an honour to receive recognition so early in my career

Paul Cliffe
Consultant

Consultant, Yasin Patel, travelled to Gambia to help in a remote village

Yasin took part in a project to help rebuild a mosque and community centre which were in desperate need of repair. The remote village now has better amenities, including running water, toilets and washrooms. As well as working on the project, Yasin and his family gave out Mattioli Woods t-shirts. "Gambia is a beautiful country, but a third of its population live under the international poverty line. The villagers really appreciated our work as well as the t-shirts, which brought a smile to their faces."

WE NURTURE INSPIRING YOUNG GRADUATES

Our graduate scheme is committed to training individuals to reach an exceptionally high standard of service

The Mattioli Woods graduate scheme offers a structured program and from the outset we actively encourage our graduates to begin studying for professional qualifications, assisted by a dedicated training manager. Career progression opportunities include client account management, pension consultancy, investment management, employee benefits consultancy, wealth management and property management.

We are doubling our graduate intake in 2014, increasing from 12 to 24. Graduates have been core to the success of the business, and for potential employees the company provides an excellent route into financial services. We are always looking for talented and ambitious candidates and have a number of team members who started in graduate positions and now find themselves at either management or board level.

Read about our graduate scheme here:
http://www.mattioliwoods.com/careers/graduates.php

BUILDING VALUE FOR SHAREHOLDERS

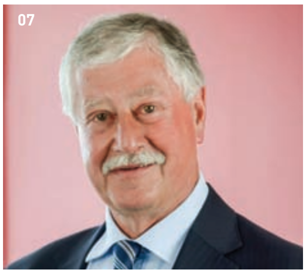
The Board comprises six Executive and three Non-Executive Directors

01 Bob Woods
Chairman, age 60
Bob has over 30 years' experience in investment planning and chairs the Group's Investment Committee. Bob has been key to the development of Mattioli Woods' investment ethos, believing that sound strategies need to avoid the 'noise' of the immediate and instead be based on an in-depth understanding of the long-term economic outlook. Bob founded Mattioli Woods in partnership with Ian Mattioli in 1991. He is responsible for developing Group strategy and identifying new growth areas. His personal achievements include winning the London Stock Exchange AIM entrepreneur of the year award jointly with Ian Mattioli.

02 Ian Mattioli
Chief Executive, age 51
Ian has over 30 years' experience in the financial services industry and, together with Bob Woods, founded Mattioli Woods. Ian is responsible for the vision and operational management of the Group. He instigated the development of the investment proposition, including the structured products initiative, and was instrumental in the development of Custodian REIT plc, a UK real estate investment trust listed on the London Stock Exchange. Ian is a director of both Custodian REIT plc and Custodian Capital Limited. His personal achievements include winning the London Stock Exchange AIM Entrepreneur of the Year award.

03 Nathan Imlach
Finance Director and Company Secretary, age 45
Nathan is responsible for all financial aspects of Mattioli Woods' operations and leads the Group's acquisition activity. He qualified as a Chartered Accountant in 1993 with Ernst & Young, specialising in providing mergers and acquisitions advice to a broad range of quoted and unquoted clients in the UK and abroad. Nathan is a director of Custodian Capital Limited and Company Secretary to Custodian REIT plc. He is a Fellow of the Chartered Institute for Securities & Investment and holds the Corporate Finance qualification from the Institute of Chartered Accountants in England and Wales ("ICAEW"). Nathan is also a trustee of Leicester Grammar School.

04 Murray Smith
Sales and Marketing Director, age 45
Murray graduated with an MA in Accountancy and has worked in the financial services industry since 1995. Murray specialises in advising on all aspects of retirement and wealth planning and progressed from being a consultant at Mattioli Woods to his appointment to the Board. Murray's responsibilities include managing the Group's consultancy team, marketing and public relations activities. He is also a director of Custodian Capital Limited.



05 Mark Smith
Operations Director, age 44

Mark joined Mattioli Woods in 2000, after gaining 12 years' experience in the financial services industry with a large insurance company, a small IFA firm and specialist SSAS and SIPP consultancies. As the Group's Compliance Officer, he is responsible for liaison with the FCA on all regulatory issues. He is also a director of Custodian Capital Limited. Mark has responsibility for all the support functions of the Group including systems, compliance, recruitment and service delivery to our clients.

06 Alan Fergusson
Employee Benefits Director, age 43

Alan is responsible for the strategic development of employee benefits within the Mattioli Woods Group, continuing the role he started within Kudos Financial Services Limited, prior to its acquisition in 2011. Alan has worked in the financial services industry since 1989 and has spent the last 15 years advising corporate clients on their employee benefits design, structure, implementation and ongoing administration. He also sits on the board of the World Broker Network, representing both the UK and employee benefits on the global network.

07 John Redpath
Non-Executive Director, age 69

John is Chairman of both the Remuneration Committee and Nominations Committee, and is the Company's Senior Independent Director. His early career was with the North Eastern Electricity Board (later Northern Electric), before moving to the Northern Regional Health Authority to carry out large scale efficiency studies. He then joined Northumbrian Water, becoming Human Resources Director and being heavily involved in its flotation. In 1992 he led the buyout of its subsidiary CPCR Limited, a human resources consultancy, where he was Managing Director until he retired in 2003. John is also a non-executive chairman of Durham Lane, a sales performance company and a member of the Chartered Institute of Personnel and Development.

08 Joanne Lake
Non-Executive Director, age 50

Joanne was appointed to the Board in July 2012 and is Chairman of the Audit Committee. She has over 20 years' experience in investment banking, supporting clients through a broad range of transactions, including flotations, acquisitions and takeovers. Joanne is head of Panmure Gordon's Leeds office and was previously with Evolution Securities, Williams de Broe and Henry Cooke Corporate Finance. She qualified as Chartered Accountant with Price Waterhouse, is a Fellow of the Chartered Institute for Securities & Investment and of the ICAEW, and is a member of the ICAEW's Corporate Finance Faculty. Joanne is also a non-executive director of CIT Bank Limited and a trustee of The Hepworth Wakefield.

09 Carol Duncumb
Non-Executive Director, age 52

Carol has 30 years' experience working in consumer-related companies and over the last five years has focused on online transactional companies to gain greater experience of changing consumer behaviours. Previously, Carol was the Chief Executive of Intimas plc and Managing Director of Wolsey Limited and has a strong understanding of managing businesses. More recently, her activities have included business angel investing into online consumer businesses. She manages a portfolio of investments, while mentoring management teams.

Company Secretary:
Nathan Imlach

Registered office:
MW House
1 Penman Way
Grove Park
Enderby
Leicester
LE19 1SY

Registered number:
3140521

Nominated adviser and broker:
Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Auditor:
Baker Tilly UK Audit LLP
2 Whitehall Quay
Leeds
LS1 4HG

Solicitors:
DWF LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DY

Principal bankers:
Lloyds Bank plc
Charnwood House
Harcourt Way
Meridian Business Park
Leicester
LE19 1WF

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

Registrars:
Capita Registrars
Capita Asset Services
40 Dukes Place
London
EC3A 7NH

Report and financial statements

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 May 2014. For the purposes of this report, the expression 'Company' means Mattioli Woods plc and the expression 'Group' means the Company and its subsidiaries.

Business review

The Group's principal activities continue to be the provision of pension consulting and administration, wealth management, syndicated property investment and employee benefits consultancy. The Strategic Report on pages 1 to 23 includes further information about the Group's principal activities, financial performance during the year and indications of likely future developments.

The directors believe they have adequately discharged their responsibilities under section 414C of the Companies Act 2006 to provide a balanced and comprehensive review of the development and performance of the business.

Results and dividends

Group profit for the year after taxation amounted to £4.28m, up 18.7% on the previous year, primarily due to increased revenues following the acquisition of Atkinson Bolton and the trade and certain assets of Ashcourt Rowan. Income tax expense for the year was also lower than the previous year due to further cuts in the UK corporation tax rate and the reversal of deferred tax liabilities on acquired intangibles.

The final dividend in respect of the year ended 31 May 2013 of 4.67p per share was paid in October 2013. An interim dividend in respect of the year ended 31 May 2014 of 3.10p was paid to shareholders in March 2014. The directors recommend a final dividend of 6.00p per share. This has not been included within the Group financial statements as no obligation existed at 31 May 2014. If approved, the final dividend will be paid on 21 October 2014 to ordinary shareholders whose names are on the register on 12 September 2014.

Share capital

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 Company's authorised and issued share capital during the year and as at 31 May 2014 is shown in Note 23. The ordinary shares rank pari passu in all respects. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by section 561 of the Companies Act 2006.

There are no restrictions on the transfer of ordinary shares in the Company, other than:

- Certain restrictions that may be imposed from time to time by laws and regulations and pursuant to the Listing Rules of the FCA, whereby certain directors, officers and employees of the Group require the approval of the Group to deal in ordinary shares of the Company;
- Restrictions on the former shareholders of Kudos ("the Kudos Sellers") as a result of the Kudos Sellers entering into a lock-in deed with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 462,572 ordinary shares in Mattioli Woods during the three years ended 26 August 2014; and
- Restrictions on the former shareholders of Thoroughbred Wealth Management Limited ("the TWM Sellers") as a result of the TWM Sellers entering into a lock-in deed with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 946,256 ordinary shares in Mattioli Woods during the four years ending 29 July 2017.

The Group is not aware of any other agreements between holders of securities that may result in restrictions on the transfer of ordinary shares.

CREST

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

Substantial shareholdings

At 1 September 2014, the Company had been notified of the following interests representing 3% or more of its issued share capital:

Shareholder	Number of ordinary shares	Percentage holding
Ian Mattioli	3,393,703	16.95%
Bob Woods	3,073,703	15.35%
Liontrust Asset Management	1,858,244	9.28%
IS Partners AG	1,200,000	5.99%
Investec Wealth and Investment	1,142,280	5.70%
Unicorn Asset Management	1,007,861	5.03%
BlackRock Investment Mgt (UK)	958,685	4.79%
Standard Life Investments	674,312	3.37%
Octopus Investments	620,423	3.10%

In addition to the above shareholdings, 423,619 ordinary 1p shares representing 2.1% of the issued share capital are held by employees via the Mattioli Woods plc Share Incentive Plan ("the SIP"). The Group intends to actively encourage wider share ownership by its employees through the SIP and other share-based incentive schemes.

Directors

A list of current serving directors and their biographies is given on pages 22 and 23. Nathan Imlach and John Redpath retire by rotation and, being eligible, offer themselves for re-election.

Helen Keays stepped down from the Board on 31 October 2013. Alan Fergusson and Carol Duncumb were appointed on 1 September 2014.

Directors' interests

Directors' emoluments, beneficial interests in the shares of the Company and their options to acquire shares are disclosed in the Directors' Remuneration Report. During the period covered by this report, no director had a material interest in a contract to which the Company or any of its subsidiaries was a party (other than their own service contract), requiring disclosure under the Companies Act 2006 other than in respect of Custodian REIT plc and the rental of the office premises at MW House and Gateway House as disclosed in Note 29.

Conflicts of interest

There are procedures in place to deal with any directors' conflicts of interest arising under section 175 of the Companies Act 2006 and such procedures have operated effectively since the Company adopted new Articles of Association on 22 October 2009.

Directors' indemnity

All directors and officers of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association. The provision, which is a qualifying third party indemnity provision, was in force throughout the last two financial years and is currently still in force. The Group also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its directors and officers, although no cover exists in the event directors or officers are found to have acted fraudulently or dishonestly.

Employees

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 website and its intranet, 'MWeb'.

The Group has taken advantage of its employee benefits expertise to introduce 'MyWay', an online flexible benefits platform, throughout the business. Employees can change elements of their benefits choice annually or if they have any lifestyle events. MyWay offers a variety of benefits covering health and wellbeing, finance and lifestyle choices, in addition to a 'core' benefits package, and employees are able to purchase these benefits at group rates. MyWay shows employees the value of their salary and all other benefits as part of a total reward statement.

Employees continued

The Group operates two Group Personal Pension plans available to all employees and contributes to the pension schemes of certain directors and employees. The Government has introduced new legislation ("auto-enrolment") to help people save for their retirement. This means every employer will have to automatically enrol eligible jobholders into a workplace pension scheme. Employers will then be required to make contributions to pensions schemes, adding to the savings made by employees. Auto-enrolment is being phased in over six years, with the largest employers leading the way with a first staging date on 1 October 2012, to be followed by medium-sized employers and lastly small and micro employers. Eligible employees may choose to opt out after they have been automatically enrolled. Employers cannot avoid their obligation to automatically enrol eligible employees into a qualifying scheme.

The Group's existing pension schemes qualify as schemes suitable for the pension reforms. Mattioli Woods' first staging date was 1 April 2014. The Group will introduce the following minimum contribution rates:

Date	Minimum employer contribution	Minimum employee contribution
From staging date (1 April 2014) to 30 September 2017	1%	1%
1 October 2017 to 30 September 2018	2%	3%
1 October 2018 onwards	3%	5%

The Group operates an Enterprise Management Incentive scheme, Share Incentive Plan and Long Term Incentive Plan, details of which are given in the Directors' Remuneration Report and the financial statements.

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. Group policy is that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

We continue to run a successful graduate training programme and two years ago, we launched a new apprenticeship scheme, giving opportunities to school leavers and people who have taken an alternative route through education or work. Apprenticeships offer work-based training programmes to develop new and existing staff across a range of business areas, fulfilling the Group's commitment to creating opportunities that offer a clear progression path both in the short and long term.

Building on the success of the apprenticeship programme, the Group is delighted to announce the creation of The Mattioli Woods Business Academy in partnership with Gateway College, Leicester. This is an exciting initiative developed to create opportunities locally for young people. It will also build on the Group's current recruitment strategy to train and develop staff to give them the right skills, experience and values to achieve our objectives.

Research and development

In response to the need for an increasingly sophisticated software solution to manage the broader range of products and services offered by Mattioli Woods, the Group has continued to develop its own in-house bespoke software system, 'MWeb'. The costs of this development are capitalised where they are recognised as having an economic value that will extend into the future.

Related party transactions

Details of related party transactions are given in Note 29.

Environmental

The Board believes good environmental practices, such as the recycling of paper waste and purchase of fuel efficient motor vehicles, will support its strategy by enhancing the reputation of the Group. However, due to the nature of its business generally, the Group does not have a significant environmental impact.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held on 16 October 2014. The Notice of Meeting is included with this document and contains further information on the ordinary and special business to be proposed at the meeting. Resolution 10 is the only special business being proposed. Resolution 10 disapplies pre-emption rights and 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 10% of the nominal value of the issued ordinary share capital of the Company.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This is to reflect the Shareholders' Rights Regulations which have amended the Companies Act 2006.

On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. None of the ordinary shares carry any special voting rights with regard to control of the Company. The Notice of AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM.

Principal risks and uncertainties

The directors' view of the principal risks and uncertainties facing the business is summarised on pages 16 and 17 of the Chief Executive's Review.

Financial risk management

The Company and certain of its subsidiaries are supervised in the UK by the Financial Conduct Authority ("FCA"). The Group must comply with the regulatory capital requirements set by the FCA and manages its regulatory capital through continuous review of the capital requirements of the Company and its regulated subsidiaries, which are monitored by the Group's management and reported monthly to the Board.

The Group's financial risk management is based upon sound economic objectives and good corporate practice. The Board has overall responsibility for risk management and internal control. Our process for identifying and managing risks is set out in more detail on page 31 of the review of Corporate Governance. The key risks and mitigating factors are set out below.

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet the identifiable needs of the Group and to invest cash assets safely and profitably. Short term flexibility is achieved through the use of bank overdraft facilities. The Group does not undertake any trading activity in financial instruments. All activities are transacted in Sterling. The Group does not engage in any hedging activities.

The Group reviews the credit quality of customers and limits credit exposures accordingly. All trade receivables are subject to credit risk exposure. However, there is no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

In agreeing 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 prime 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.

Corporate governance
A full review of Corporate Governance appears on pages 29 to 31.

Auditor
Baker Tilly UK Audit LLP, who have been the Group's auditor since 2005, have confirmed their willingness to continue in office as auditor in accordance with Section 489 of the Companies Act 2006. The Group is satisfied that Baker Tilly UK Audit LLP are independent and there are adequate safeguards in place to safeguard their objectivity. A resolution to re-appoint Baker Tilly UK Audit LLP as the Company's auditor will be proposed at the 2014 AGM.

Directors' statement as to disclosure of information to the auditor
The directors who were members of the Board at the time of approving the Directors' Report are listed on page 30. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- Each director has taken all the steps they might reasonably be expected to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern
The directors believe the Group is well placed to manage its business risks successfully. The Group's forecasts and projections show that the Group should continue to be cash generative and able to operate within the level of its current financing arrangements. Accordingly, the directors continue to adopt the going concern basis for the preparation of the financial statements.

Events after the balance sheet date
Details of significant events occurring after the end of the reporting period are given in Note 32.

On behalf of the Board

Nathan Imlach
Finance Director and Company Secretary
1 September 2014

Introduction
The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Group is not required to comply with the provisions of the new edition of UK Corporate Governance Code (formerly the Combined Code) issued by the Financial Reporting Council in September 2012 ("the Code"). The Code has not been applied in full, however, the Board has taken into consideration the Guidance for Smaller Quoted Companies on the Code produced by the Quoted Companies Alliance, and taken steps to apply the principles of the Code in so far as it can be applied practically, given the size of the Group and the nature of its operations.

The Board and its committees

Board composition and independence
The Board of Directors comprises six Executive Directors and three independent Non-Executive Directors. Their biographies on pages 22 and 23 demonstrate a range of experience which is vital to the success 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. The Chief Executive is responsible for overseeing the delivery of this strategy and the day-to-day management of the Group by the management team.

The Non-Executive Directors are considered by the Board to be independent of management and free from any relationship which might materially interfere with the exercise of independent judgement. The Board does not consider the Non-Executive Directors' shareholdings to impinge on their independence. The Non-Executive Directors provide a strong independent element to the Board and bring experience at a senior level of business operations and strategy. John Redpath is the Senior Independent Director.

All directors have access to the Company Secretary, who is responsible for ensuring that 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.

The Board meets regularly throughout the year as well as on an ad hoc basis, as required by time critical business needs, and is the principal forum for directing the business of the Group.

Operation of the Board
The Board is responsible to shareholders for the proper management of the Group and 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 maintains appropriate insurance cover in respect of legal action against the Company's directors, but no cover exists in the event that a director is found to have acted fraudulently or dishonestly.

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.

Board committees
The Board has delegated authority to four 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.

Audit Committee
The Audit Committee comprises Joanne Lake (Chairman), John Redpath and Carol Duncumb. Joanne Lake is a chartered accountant and the Board believes the Committee is independent, with all members being Non-Executive Directors.

The Committee meets together with the Finance Director, Nathan Imlach, not less than twice a year. It is responsible for ensuring the financial performance of the Group is properly reported on and monitored. The Committee considers the appointment of, and fees payable to, the external auditor and discusses with them the scope of the annual audit. The Committee also reviews the external auditor's management letter and detailed presentations are made to the Committee by the Company's auditor at least once a year. An analysis of fees payable to the external audit firm in respect of audit and non-audit services during the year is set out in Note 7 to the financial statements. The Company is satisfied the external auditor remains independent in the discharge of their audit responsibilities.

The Committee reviews the Interim Report and annual financial statements for compliance with accounting standards, statutory obligations and the requirements of the AIM Rules. The 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 comprises John Redpath (Chairman), Joanne Lake and Carol Duncumb. 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 Committee also administers the operation of the share option and share incentive schemes established by the Company.

The members of the Remuneration Committee 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.

The remuneration of the Non-Executive Directors is determined by the Board itself. No director is permitted to participate in decisions concerning their own remuneration.

Nominations Committee

The Nominations Committee comprises John Redpath (Chairman), Joanne Lake and Carol Duncumb. The Committee is responsible for reviewing the size, structure and composition of the Board, establishing appropriate succession plans for the Executive Directors and other senior executives in the Group and for the nomination of candidates to fill Board vacancies where required. The Committee works in close consultation with the Executive Directors, with its main priorities being Board structure and management succession.

The Board is committed to developing the corporate governance and management structure of the Group to ensure they continue to meet the changing needs of the business and the requirements of its shareholders. The Committee will continue to review the optimal timetable for the appointment of a Non-Executive Chairman, which would bring better conformity with conventional corporate governance standards.

Investment Committee

The Investment Committee comprises Bob Woods (Chairman), Murray Smith, Ben Wattam (Investment Manager), Simon Gibson (Investment Manager), David Thurlow (Investment Manager), Richard Smith (Investment Manager) and Scott Wylie (Investment Manager). The Committee's principal terms of reference are to oversee the Group's investment management approach, set the "house view" on economics, investment markets and asset allocation; and consider how the Group should best apply these views.

Meetings and attendance

All directors are encouraged to attend all Board meetings and meetings of Committees they are members of. Directors' attendance at Board and Committee meetings during the year (including the AGM) was as follows:

	Board	Remuneration Committee	Nominations Committee	Investment Committee	Audit Committee
Meetings in year	9	4	3	11	4
Bob Woods	8	2	—	11	—
Ian Mattioli	9	2	—	—	1
Nathan Imlach	9	4	—	—	4
Murray Smith	8	—	—	9	—
Mark Smith	9	—	—	—	1
John Redpath	8	4	3	—	3
Joanne Lake	8	4	3	—	4
Helen Keays[1]	—	1	—	—	—

Notes:
1. Helen Keays resigned on 31 October 2013.
2. Alan Fergusson and Carol Duncumb were appointed on 1 September 2014.

Induction, training and performance evaluation
New directors receive an induction on their appointment covering the activities of the Group, its key business and financial risks, the terms of reference of the Board and its Committees and the latest financial information.

The Chairman ensures directors update their skills, knowledge and familiarity with the Group as required to fulfil their roles on the Board and its Committees. Ongoing training is provided as necessary and includes updates from the Company Secretary on changes to the AIM Rules, requirements under the Companies Acts 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
Individual appraisal of each director's performance is undertaken either by the Chief Executive or Executive Chairman each year and involves meetings with each director on a one-to-one basis. The Non-Executive Directors, led by the Senior Independent Director, carry out an appraisal of the performance of the Executive Chairman and Chief Executive.

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' appointments are initially for 12 months, and continue thereafter until terminated be either party giving three months' prior written notice to expire at any time on or after the initial 12 month period. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at MW House during normal business hours and prior to the AGM.

Communications with shareholders
The Board is committed to maintaining an ongoing dialogue with the Company's shareholders. The principal methods of communication with private investors remain the Annual Report and financial statements, the Interim Report, the AGM and the Group's website (www.mattioliwoods.com).

It is intended that all directors will attend each AGM and shareholders will be given the opportunity to ask questions at the AGM on 16 October 2014. In addition, the Executive Chairman, Chief Executive and Finance Director welcome dialogue with individual institutional shareholders to understand their views and feed these back to the Board. General presentations are also given to analysts and investors covering the annual and interim results.

Internal control and risk management
The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can only provide reasonable not absolute assurance against material misstatement or loss.

In accordance with the guidance of the Turnbull Committee on internal control, an ongoing process 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 nature of the Group's operations.

The Group maintains appropriate insurance cover and reviews the adequacy of the cover regularly, in conjunction with the Group's insurance brokers.

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

On behalf of the Board

Nathan Imlach
Finance Director and Company Secretary
1 September 2014

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 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.

During the prior year the Remuneration Committee undertook a full review of executive remuneration, in conjunction with external remuneration consultants, who benchmarked the Executive Directors' remuneration against a peer group of comparable listed companies with a similar level of revenue and market capitalisation. This review has been updated this year in conjunction with the same external consultants.

In December 2010, the Financial Services Authority (now the FCA) published a revised code of practice on remuneration policies ("the FCA Code") to take into account changes required by the Capital Requirements Directive. The FCA Code requires firms to apply remuneration policies, practices and procedures that are consistent with and promote effective risk management. The FCA amended some of the provisions of the FCA Code in January 2014. The FCA Code applies directly to all banks, building societies and Capital Adequacy Directive ("CAD") investment firms, such as the Company.

The most significant change was to rebalance basic salaries and reduce the maximum potential variable pay awards. In addition, the rules of the Mattioli Woods 2010 Long-Term Incentive Plan ("the LTIP") were amended to consider legislative changes since the plan was first adopted. During the year ended 31 May 2014 the Remuneration Committee granted LTIP awards in respect of the year ended 31 May 2013. This introduced a significant element of deferred variable remuneration to be paid in equity or a cash equivalent award.

Following careful consideration the Remuneration Committee has amended the Executive Directors' short-term payments for the year ended 31 May 2014, to address that a significant element of deferred variable remuneration is expected to be settled by share-based payments following the introduction of the LTIP, but these LTIP awards will not vest until after the results for the year ending 31 May 2016 are announced. The full review in the prior year suggested that, at each level, the Executive Directors of Mattioli Woods were paid below the median in terms of short term remuneration when compared to the peer group and the Remuneration Committee believes this revised structure is consistent with effective risk management, reducing any incentive for risk taking beyond the tolerable risk of the firm.

Although Mattioli Woods is not required to apply the FCA Code principles because it is a Tier 4 firm, the Remuneration Committee believes these changes are very much in accordance with the spirit of the FCA Code and represent the most appropriate remuneration structure for the Group's most senior executives.

Salaries, fees and benefits

Salaries for Executive Directors are determined by the Remuneration Committee and reviewed annually, 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 Directors 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 Directors. 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

For the year ended 31 May 2014, the short term incentive arrangements for the Executive Directors' comprised:

- A corporate award based on actual profit achieved compared to target profit; and
- A personal award based on the achievement of personal objectives assessed on a discretionary basis, considering each executive's performance against their key objectives.

The payment of corporate award at its maximum level is dependent on outperformance of the Board's approved internal forecast for the period. For the year ending 31 May 2015, the short-term incentive arrangements for each Executive Director are as follows:

Director	Maximum award as a proportion of salary	Linked to corporate objectives	Linked to personal objectives
Ian Mattioli	93%	70%	30%
Bob Woods	73%	70%	30%
Nathan Imlach	73%	70%	30%
Murray Smith	73%	70%	30%
Mark Smith	73%	70%	30%
Alan Fergusson	73%	70%	30%

Long term incentives

It is a priority for the Group to continue to attract and retain appropriately qualified staff. At the 2010 AGM, shareholders approved the introduction of the Mattioli Woods 2010 Long-Term Incentive Plan ("the LTIP").

In the year ended 31 May 2013 the LTIP rules were amended as follows:

- Allowing for the grant of share options. If new shares are to be used to satisfy the options, the option price per share, payable by participants, must be not less than the nominal value of 1p per share. If instead existing shares are bought on the market by the trustee of the Employee Benefit Trust ("EBT"), nil-cost options can be granted. As for other types of award, the share options will vest not less than three years after their grant date and only to the extent that the performance conditions are met. To give some flexibility to participants, they will be able to exercise their options during a three-year period following the vesting date.
- To maintain flexibility, the ability to grant Conditional Share Awards and Conditional Cash Awards has been retained, but the terms of these awards have been changed to come within exemptions to the disguised remuneration "earmarking" charge. The main change is that participants will become entitled to shares or cash immediately when awards vest and the income tax charge will therefore arise at the time of vesting.
- The amount of any cash entitlement on vesting of an award will be directly linked to the value of a specified number of the Company's shares at the vesting date. An equivalent number of shares will be sold by the EBT as soon as practicable after the vesting date and the participant will be entitled to the net sale proceeds (subject to normal income tax and national insurance deductions).
- Under the revised rules, awards will only be granted by the Company, and not the trustee of the EBT. Award certificates will be executed as a deed, which will ensure that the awards are legally enforceable by participants. It is still anticipated that any awards which will be satisfied by existing shares (as opposed to new shares or treasury shares) will be delivered to participants using the EBT.
- Under a new rule, the Remuneration Committee may reduce the number of shares subject to an award if it is discovered that the award has been granted or vested on the basis of incorrect information, including a misstatement of any published results of the Group, or in the event of misconduct of the participant. If the award has already vested – and, in the case of an option, been exercised – the participant may be required to repay some or all of the shares or cash received.

The Remuneration Committee intends to grant additional awards under the revised rules of the 2010 LTIP following the announcement of the Group's results for the year ended 31 May 2014.

Share option plans

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

Grant of options under the Share Option Plan

At 31 May 2014 the Company had granted options to certain of its senior managers to acquire ordinary shares in the Company. The maximum entitlement of any individual was 0.26% (2013: 0.41%). The options are exercisable at £1.32 per share prior to their expiry on 31 May 2015. Options over 0.41% of the Company's share capital were in issue under the Share Option Plan at 31 May 2014 (2013: 0.72%).

Grant of options under the Consultants' Share Option Plan

At 31 May 2014 the Company had granted options to certain of its senior consultants to acquire (in aggregate) up to 2.17% (2013: 3.06%) of its share capital. The maximum entitlement of any individual was 0.32% (2013: 0.45%). The options are exercisable at various prices, depending upon the date the options were granted.

Grant of equity share options under the LTIP

At 31 May 2014 the Company had granted options to certain of its senior managers and consultants to acquire (in aggregate) up to 1.09% (2013: nil%) of its share capital. The maximum entitlement of any individual was 0.25% (2013: nil%). The options are exercisable at 1p per share.

Grant of cash-settled options under the LTIP

At 31 May 2014 the Company had granted cash settled options to certain Executive Directors to acquire the equivalent of (in aggregate) up to 0.74% (2013: nil%) of its share capital. The maximum entitlement of any individual was 0.43% (2013: nil%). The options are exercisable at 1p per share. The amount of any cash entitlement on vesting of an award will be directly linked to the value of a specified number of the Company's shares at the vesting date.

The options are only exercisable subject to performance conditions. If the performance conditions are not met over the three financial years commencing on 1 June before the date of grant, the options lapse. The options will generally be exercisable after approval of the financial statements for the financial year two years after the year of grant, or on a change of control (if earlier).

Unapproved share scheme

Options issued under the Share Option Plan and Consultants' 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 at the date of grant) 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 or Consultants' Share Option Plan, as appropriate.

Share incentive plan

The Mattioli Woods plc Share Incentive Plan ("the SIP") enables employees to buy shares in the Company at an effective discount to the Stock Exchange price by having an amount deducted from pre-tax salary each month. In addition, the Company can grant participating employees matching and/or free shares.

Directors' remuneration

Directors' remuneration payable in respect of the year ended 31 May 2014 was as follows:

Director	Basic salary and fees £	Performance related short term incentives £	Pension contributions £	Benefits[1, 2] £	Total emoluments 2014 £	Total emoluments 2013 £
Ian Mattioli[3,4]	356,939	300,879	29,167	51	687,036	552,382
Bob Woods[3]	262,469	143,475	17,000	51	422,995	421,154
Nathan Imlach[4]	211,667	165,343	21,167	6,850	405,027	367,579
Murray Smith	201,667	112,530	20,167	8,592	342,956	323,626
Mark Smith	171,667	95,650	17,167	6,590	291,074	262,982
John Redpath	37,500	—	—	—	37,500	35,000
Helen Keays[5]	12,500	—	—	—	12,500	30,000
Joanne Lake	35,000	—	—	—	35,000	30,000

Notes:
1. The benefit package of each Executive Director includes the provision of life assurance under a group scheme.
2. The benefit packages of Nathan Imlach, Murray Smith and Mark Smith include the provision of a company car.
3. Ian Mattioli and Bob Woods have received additional basic salary in lieu of pension contributions, having reached their maximum lifetime allowances during the year.
4. Performance related short term incentives include a £50,000 award paid on the admission of Custodian REIT plc to the Main Market of the London Stock Exchange.
5. Helen Keays resigned on 31 October 2013.

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's and Bob Woods' appointments continue until terminated by either party on giving not less than 12 months' notice to the other party. The other Executive Directors' appointments continue until termination by either party on giving not less than six months' notice to the other party.

John Redpath, Joanne Lake and Carol Duncumb do not have service contracts. A letter of appointment provides for an initial period of 12 months and continues until terminated by either party giving three months' prior written notice to expire at any time on or after the initial 12 month period. 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

Where an Executive Director has not reached their maximum life time allowance, the Group will pay minimum contributions into a personal pension plan nominated by each Executive Director at a rate of 10% of their basic salary, provided the Director pays contributions of not less than 5% of such salary in to the same personal pension plan. If the maximum life time allowance has been reached the Director will receive the equivalent in basic salary.

The Remuneration Committee may, on an exceptional basis, award additional corporate pension contributions to an Executive Director as part of its ongoing review of executive remuneration arrangements.

Directors' shareholdings

As at 31 May 2014, the interest of the Directors in the issued shares of the Company, as shown in its register maintained under section 809 (2) and (3) of the Companies Act 2006 were:

Director	2014 No.	%	2013 No.	%
Ian Mattioli	3,393,703	16.98	3,423,703	18.20
Bob Woods	3,073,703	15.38	3,423,703	18.20
Murray Smith	223,661	1.12	258,526	1.37
Nathan Imlach	166,914	0.83	190,884	1.01
Alan Fergusson	62,514	0.31	62,514	0.33
John Redpath	13,000	0.07	13,000	0.07
Mark Smith	447	0.00	69,662	0.37
Joanne Lake	—	—	—	—
Carol Duncumb	—	—	—	—

Note: Directors' shareholdings include any shareholdings of trusts or family members deemed to be connected persons.

Interest in options

The Group operates the LTIP 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:

Director		Exercise price £	At 31 May 2013 No.	Granted during the year No.	Exercised during the year No.	Forfeited during the year No.	At 31 May 2014 No.
Ian Mattioli	(a)	0.01	—	—	—	—	—
	(b)	0.01	—	85,706	—	—	85,706
			—	85,706	—	—	85,706
Bob Woods	(a)	0.01	—	—	—	—	—
	(b)	0.01	—	62,443	—	—	62,443
			—	62,443	—	—	62,443
Murray Smith	(a)	0.01	—	48,975	—	—	48,975
	(b)	0.01	—	—	—	—	—
			—	48,975	—	—	48,975
Mark Smith	(a)	0.01	—	41,628	—	—	41,628
	(b)	0.01	—	—	—	—	—
			—	41,628	—	—	41,628
Nathan Imlach	(a)	0.01	—	50,199	—	—	50,199
	(b)	0.01	—	—	—	—	—
			—	50,199	—	—	50,199
Total equity settled			—	140,802	—	—	140,802
Total cash settled			—	148,149	—	—	148,149

Notes:
(a) Equity settled awards.
(b) Cash settled awards.

Note 19 to the financial statements contains a detailed schedule of all options granted to directors and employees as at 31 May 2014. All of the share options were granted for nil consideration.

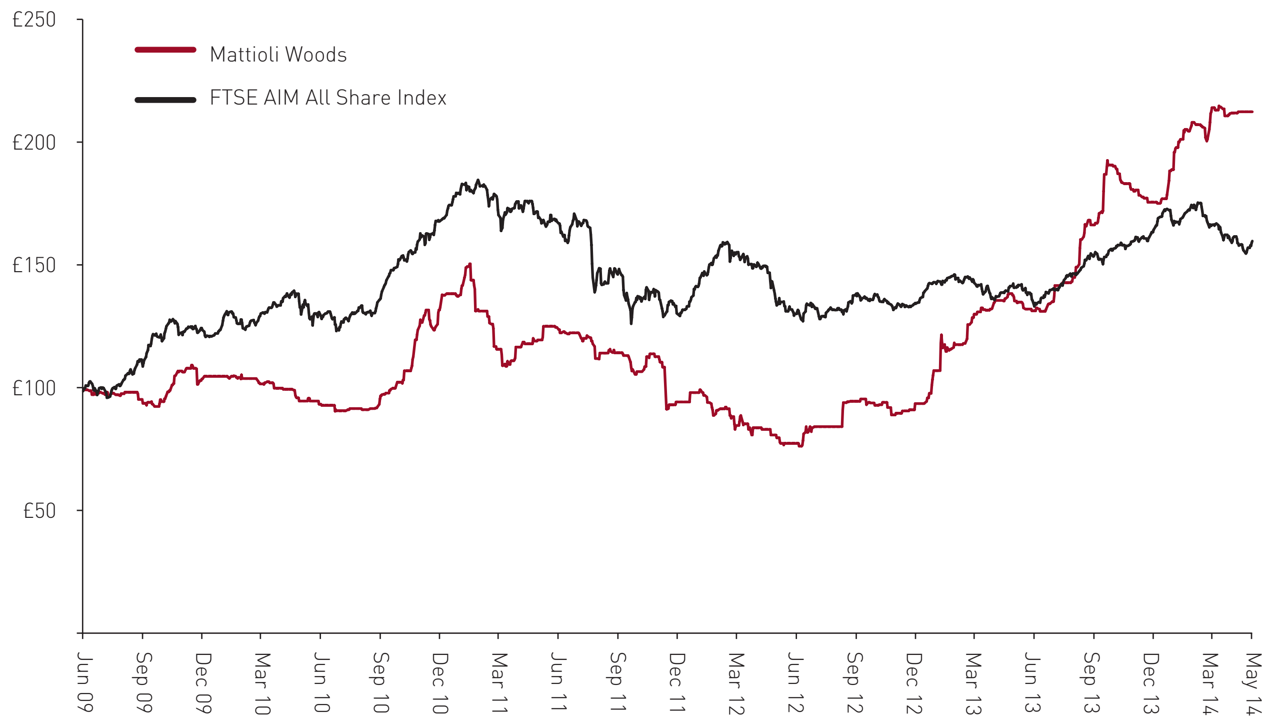
The mid-market closing price of the Company's ordinary shares at 31 May 2014 was 445.0p and the range during the financial year was 280.5p to 450.0p.

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 29 to the financial statements.

There was no change in the directors' shareholdings (all of which are beneficial) or their interests in share options between 31 May 2014 and 1 September 2014.

Total shareholder return performance graph

The graph below illustrates the total shareholder return for the five years ended 31 May 2014 in terms of the change in value of an initial investment of £100 invested on 1 June 2009 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.



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.

On behalf of the Board

John Redpath
Chairman of the Remuneration Committee
1 September 2014

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

UK company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company 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 they have been prepared in accordance with IFRSs adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Mattioli Woods plc website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATTIOLI WOODS PLC

We have audited the Group and parent company financial statements ("the financial statements") on pages 39 to 79. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor
As more fully explained in the Directors' Responsibilities Statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- The financial statements give a true and fair view of the state of the Group's and the parent's affairs as at 31 May 2014 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andrew Allchin (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

1 September 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 May 2014

	Note	2014 £000	2013 £000
Revenue	4	**29,347**	23,405
Employee benefits expense	11	**(16,857)**	(12,832)
Other administrative expenses		**(5,423)**	(4,693)
Share based payments	19	**(386)**	(102)
Amortisation and impairment	16,17	**(1,176)**	(854)
Depreciation	15	**(367)**	(304)
Loss on disposal of property, plant & equipment		**(64)**	(23)
Operating profit before financing		**5,074**	4,597
Finance revenue	8	**43**	53
Finance costs	9	**(2)**	(12)
Net finance revenue		**41**	41
Profit before tax		**5,115**	4,638
Income tax expense	12	**(834)**	(1,031)
Profit for the year		**4,281**	3,607
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year, net of tax		**4,281**	3,607
Attributable to:			
Equity holders of the parent		**4,281**	3,607
Earnings per ordinary share:			
Basic (pence)	13	**22.09**	19.23
Adjusted (pence)		**28.23**	24.15
Diluted (pence)	13	**21.80**	18.84
Proposed total dividend per share (pence)	14	**9.10**	7.00

The operating profit for each period arises from the Group's continuing operations. The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The profit of the Company for the financial year, after taxation, was £3.47m (2013: £3.05m).

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
As at 31 May 2014
Registered number: 3140521

		2014		2013	
	Note	**Group £000**	**Company £000**	Group £000	Company £000
Assets					
Property, plant and equipment	15	**1,326**	**1,165**	1,103	928
Intangible assets	16	**29,001**	**10,192**	24,060	10,303
Deferred tax asset	12	**367**	**298**	225	153
Investments	17	**—**	**19,623**	—	13,698
Total non-current assets		**30,694**	**31,278**	25,388	25,082
Trade and other receivables	20	**10,568**	**8,835**	8,769	6,810
Financial assets	21	**—**	**—**	239	235
Investments	17	**39**	**—**	—	—
Cash and short-term deposits	22	**9,514**	**3,181**	8,047	4,554
Total current assets		**20,121**	**12,016**	17,055	11,599
Total assets		**50,815**	**43,294**	42,443	36,681
Equity					
Issued capital	23	**200**	**200**	188	188
Share premium	23	**8,001**	**8,001**	8,616	8,616
Merger reserve	23	**4,040**	**4,040**	—	—
Capital redemption reserve	23	**2,000**	**2,000**	2,000	2,000
Equity – share based payments	23	**1,046**	**1,040**	777	777
Retained earnings	23	**20,257**	**19,105**	17,519	17,176
Total equity attributable to equity holders of the parent		**35,544**	**34,386**	29,100	28,757
Non-current liabilities					
Deferred tax liability	12	**2,464**	**284**	2,059	273
Provisions	26	**1,781**	**1,334**	2,193	1,699
Total non-current liabilities		**4,245**	**1,618**	4,252	1,972
Current liabilities					
Trade and other payables	25	**6,386**	**3,802**	5,874	3,831
Income tax payable		**632**	**—**	502	—
Provisions	26	**4,008**	**3,488**	2,715	2,121
Total current liabilities		**11,026**	**7,290**	9,091	5,952
Total liabilities		**15,271**	**8,908**	13,343	7,924
Total equities and liabilities		**50,815**	**43,294**	42,443	36,681

The financial statements on pages 39 to 79 were approved by the Board of directors and authorised for issue on 1 September 2014 and are signed on its behalf by:

Bob Woods
Executive Chairman

Nathan Imlach
Finance Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 May 2014

Group	Issued capital (Note 23) £000	Share premium (Note 23) £000	Merger reserve (Note 23) £000	Equity – share based payments (Note 23) £000	Capital redemption reserve (Note 23) £000	Retained earnings (Note 23) £000	Total equity £000
As at 1 June 2012	181	7,641	—	626	2,000	15,021	25,469
Profit for the year	—	—	—	—	—	3,607	3,607
Total comprehensive income	—	—	—	—	—	3,607	3,607
Transactions with owners of the Group, recognised directly in equity							
Issue of share capital	7	975	—	—	—	—	982
Share-based payments	—	—	—	1	—	—	1
Deferred tax taken to equity	—	—	—	31	—	—	31
Current tax taken to equity	—	—	—	119	—	—	119
Dividends paid	—	—	—	—	—	(1,109)	(1,109)
As at 31 May 2013	188	8,616	—	777	2,000	17,519	29,100
Profit for the year	—	—	—	—	—	4,281	4,281
Total comprehensive income	—	—	—	—	—	4,281	4,281
Transactions with owners of the Group, recognised directly in equity							
Issue of share capital	12	568	2,857	—	—	—	3,437
Share-based payments	—	—	—	94	—	—	94
Deferred tax taken to equity	—	—	—	129	—	—	129
Current tax taken to equity	—	—	—	46	—	—	46
Dividends paid	—	—	—	—	—	(1,543)	(1,543)
Reserves transfer	—	(1,183)	1,183	—	—	—	—
As at 31 May 2014	**200**	**8,001**	**4,040**	**1,046**	**2,000**	**20,257**	**35,544**

Company							
As at 1 June 2012	181	7,641	—	626	2,000	15,232	25,680
Profit for the year	—	—	—	—	—	3,053	3,053
Total comprehensive income	—	—	—	—	—	3,053	3,053
Transactions with owners of the Company, recognised directly in equity							
Issue of share capital	7	975	—	—	—	—	982
Share-based payments	—	—	—	1	—	—	1
Deferred tax taken to equity	—	—	—	31	—	—	31
Current tax taken to equity	—	—	—	119	—	—	119
Dividends paid	—	—	—	—	—	(1,109)	(1,109)
As at 31 May 2013	188	8,616	—	777	2,000	17,176	28,757
Profit for the year	—	—	—	—	—	3,472	3,472
Total comprehensive income	—	—	—	—	—	3,472	3,472
Transactions with owners of the Company, recognised directly in equity							
Issue of share capital	12	568	2,857	—	—	—	3,437
Share-based payments	—	—	—	88	—	—	88
Deferred tax taken to equity	—	—	—	129	—	—	129
Current tax taken to equity	—	—	—	46	—	—	46
Dividends paid	—	—	—	—	—	(1,543)	(1,543)
Reserves transfer	—	(1,183)	1,183	—	—	—	—
As at 31 May 2014	**200**	**8,001**	**4,040**	**1,040**	**2,000**	**19,105**	**34,386**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 31 May 2014

	Note	2014 Group £000	2014 Company £000	2013 Group £000	2013 Company £000
Operating activities					
Profit for the year excluding dividends received					
Adjustments for:		**4,281**	**1,972**	3,607	2,053
Depreciation	15	**367**	**290**	304	239
Amortisation and impairment	16,17	**1,176**	**405**	854	376
Investment income	8	**(43)**	**(20)**	(53)	(43)
Interest expense	9	**2**	**2**	12	12
Loss on disposal of property, plant and equipment		**64**	**33**	23	24
Equity-settled share-based payments	19	**213**	**208**	102	102
Cash-settled share-based payments		**172**	**172**	—	—
Income tax expense	12	**834**	**485**	1,031	585
Cash flows from operating activities before changes in working capital and provisions		**7,066**	**3,547**	5,880	3,348
(Increase)/decrease in trade and other receivables		**(1,560)**	**(1,687)**	(576)	145
(Decrease)/increase in trade and other payables		**(90)**	**(28)**	964	551
(Decrease)/increase in provisions		**(366)**	**(65)**	140	281
Cash generated from operations		**5,050**	**1,767**	6,408	4,325
Interest paid		**(2)**	**(2)**	(12)	(12)
Income taxes paid		**(1,330)**	**(781)**	(1,257)	(557)
Net cash flows from operating activities		**3,718**	**984**	5,139	3,756
Investing activities					
Proceeds from sale of property, plant and equipment		**37**	**37**	23	22
Purchase of property, plant and equipment	15	**(647)**	**(597)**	(434)	(399)
Purchase of software	16	**(294)**	**(294)**	(260)	(190)
Consideration paid on acquisition of subsidiaries	3	**(2,164)**	**(2,164)**	(1,583)	(1,583)
Cash received on acquisition of subsidiaries	3	**1,628**	**—**	—	—
Acquisition of businesses	3	**—**	**—**	(656)	—
Investment in subsidiaries	17	**—**	**—**	—	(750)
New loans advanced to property syndicates	21	**—**	**—**	(2,450)	(2,446)
Loan repayments from property syndicates	21	**239**	**235**	3,288	3,288
Interest received	8	**43**	**19**	53	43
Dividends received		**—**	**1,500**	—	1,000
Net cash flows from investing activities		**(1,158)**	**(1,264)**	(2,019)	(1,015)
Financing activities					
Proceeds from the issue of share capital		**475**	**475**	881	881
Payment of costs of share issue		**(25)**	**(25)**	—	—
Proceeds from directors' loans	25	**—**	**—**	13	13
Dividends paid	14	**(1,543)**	**(1,543)**	(1,109)	(1,109)
Net cash flows from financing activities		**(1,093)**	**(1,093)**	(215)	(215)
Net increase/(decrease) in cash and cash equivalents		**1,467**	**(1,373)**	2,905	2,526
Cash and cash equivalents at start year	22	**8,047**	**4,554**	5,142	2,028
Cash and cash equivalents at end of year	22	**9,514**	**3,181**	8,047	4,554

1. Corporate information

Mattioli Woods plc ("the Company") is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the AIM market of the London Stock Exchange plc. The financial statements have been prepared on a historical cost basis and are presented in pounds, with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated. The financial statements were authorised for issue in accordance with a resolution of the Directors on 1 September 2014.

The financial statements comprise the financial statements of Mattioli Woods plc and its subsidiaries ("the Group") as at 31 May each year. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Review.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as adopted by the European Union ("EU"), and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS.

The financial statements have been prepared on a consistent basis with the year ended 31 May 2013, with no changes to the accounting framework adopted or accounting policies applied. At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Standard or interpretation		Periods commencing on or after
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	1 January 2014
IFRS 13	Fair Value Measurement	1 January 2014
IAS 27 (revised)	Separate Financial Statements	1 January 2014
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities	1 January 2014

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

The principal accounting policies adopted are set out below and have been applied consistently throughout the current and previous financial year.

2.2 Significant accounting policies

Basis of consolidation

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

On publishing the consolidated financial statements, the parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements.

Business combinations

Business combinations are accounted for using the purchase accounting method. This involves assessing whether any assets acquired meet the criteria for recognition as separately identifiable intangible assets. Intangible assets are measured on initial recognition at their fair value at the date of acquisition. Client portfolios are valued by discounting their future expected cash flows over their expected useful lives, based on the Group's historic experience. Expected future cash flows are estimated based on the historic revenues and costs associated with the operation of that client portfolio. The discount rates used estimate the cost of capital, adjusted for risk.

2.2 Significant accounting policies continued

Property, plant and equipment

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is provided on all property, plant and equipment 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; and
• Motor vehicles	25% per annum on written down values.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Investments

The Group accounts for its investments in subsidiaries, associates and other investments using the cost model.

Short term investments

Short term investments include units in an open ended investment company and bank bond units. Both are valued at market value.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 Operating Segments.

If a cash-generating unit was to be sold, the difference between the selling price and the net assets and amortised goodwill would be recognised in the statement of comprehensive income. Where the Group reorganises its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets assessed as having finite lives are amortised over their useful economic life as follows:

• Purchased software	25% per annum on written down values; and
• Internally generated software	Straight line over 10 years.

Intangible assets assessed as having finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

The Group amortises individual client portfolios acquired through business combinations on a straight-line basis over an estimated useful life based on the Group's historic experience. Client portfolios acquired through business combinations are as follows:

Client portfolio	Date of acquisition	Estimated useful life
Mattioli Woods Pension Consultants ('the Partnership Portfolio')	2 September 2003	25 Years
Geoffrey Bernstein	20 June 2005	25 Years
Suffolk Life	27 January 2006	25 Years
PCL	10 July 2007	25 Years
JBFS	18 February 2008	25 Years
CP Pensions	30 April 2010	25 Years
City Pensions	9 August 2010	20 Years
Kudos	26 August 2011	20 Years
Ashcourt Rowan	23 April 2013	10 Years
Atkinson Bolton	29 July 2013	20 Years

A summary of the policies applied to the Group's goodwill and intangible assets is as follows:

	Goodwill	Client portfolios	Software	Other intangibles
Useful life	Indefinite	Finite	Finite	Finite
Measurement method used	Annual impairment review	Amortised over a useful economic life of between 10 and 25 years on a straight-line basis	Amortised over a useful economic life of four years on a reducing balance basis or 10 years on a straight-line basis if internally generated	Amortised over a useful economic life of three years
Internally generated or acquired	Acquired	Acquired	Both	Both

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's fair value less cost to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or group of assets.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive income.

2.2 Significant accounting policies continued

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 May.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees and transaction costs. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Trade and other receivables

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account.

Impaired debts are derecognised when they are assessed as not being collectible.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as a difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Trade and other payables

Trade and other payables are recognised at cost, due to their short term nature. Accruals and deferred income are normally settled monthly throughout the financial year, with the exemption of bonus accruals which are typically paid annually.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease, only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b). The Group has no finance lease arrangements.

Group as a lessee
Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Cash and short-term deposits
Cash and short-term deposits in the statement of financial position 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 statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received 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 are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Contingent consideration
Where the Group has entered into an acquisition agreement under which contingent consideration may be payable, management reviews the agreement and monitors the financial and other targets to be met to estimate the fair value of any amounts payable.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate which reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passing of time is recognised as a finance cost.

Provisions include financial liabilities. Where the Group has entered into certain acquisition agreements that provide for contingent consideration to be paid the Board estimates the net present value of contingent consideration payable.

Share based payments
The Group engages in share-based payment transactions in respect of services received from certain employees. In relation to equity settled share based payments, the fair value of services received is measured by reference to the fair value of the shares or share options granted on the date of grant and is recognised, together with a corresponding increase in equity, as an expense over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). Fair value is determined using the Black Scholes Merton pricing model.

The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

2.2 Significant accounting policies continued

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.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

For cash-settled share-based payments, a liability is recognised for the services received, measured initially at the fair value of the liability. At the date on which the liability is settled, and at the date of each statement of financial position between grant date and settlement, the fair value of the liability is remeasured with any changes in fair value recognised in the statement of comprehensive income for the year.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in Note 13).

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Rendering of services

Mattioli Woods generally invoices its pension clients six months in arrears for time costs incurred in advising on and administering their affairs. Revenue is recognised as time is spent/incurred on the provision of services, with an estimate being made of what will be recoverable. Recoverability is measured as a percentage of the total time costs incurred on clients' affairs compared to the proportion of these time costs actually invoiced during the year. No revenue is recognised if there are significant uncertainties regarding recovery of the time incurred.

Commission income

Commission is recognised as being earned at the point when an investment of funds has been made by the client and submitted to the product provider.

Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or repaid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax balances are recognised for all taxable temporary differences, except where the deferred income tax balance arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Deferred income tax assets related to temporary differences arising on share-based payments to employees are based on the market value of the Company's shares at the year end.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

Pension costs

The Group makes discretionary payments into the personal pension schemes of certain employees. Contributions are charged to the statement of comprehensive income as they are payable.

2.3 Key sources of judgements and estimation uncertainty

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

Impairment of client portfolios

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

The key assumption used in arriving at a fair value less cost of sale are those around valuations based on earnings multiples and values based on assets under management. These have been determined by looking at valuations of similar businesses and the consideration paid in comparable transactions. Management has used a range of multiples resulting in an average of 7.5x EBITDA to arrive at a fair value.

2.3 Key sources of judgements and estimation uncertainty continued

The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations. Changes to revenue and costs are based upon management's expectation. The Group prepares its annual budget and five-year cash flow forecasts derived therefrom, thereafter extrapolating these cash flows using a terminal growth rate of 2.5% (2013: 2.5%), which management considers conservative against industry average long-term growth rates.

The carrying amount of client portfolios at 31 May 2014 was £17.24m (2013: £14.48m). No impairments have been made during the year (2013: £nil) based upon the Directors' review.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. In assessing value in use, the estimated future cash flows expected to arise from the cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Details of the cash-generating units are contained in Note 18.

The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations, based upon management's expectation. The carrying amount of goodwill at 31 May 2014 was £10.77m (2013: £8.73m). No impairments have been made during the year (2013: £nil) based upon the Directors' review.

Capitalised software

The costs of internal software developments are capitalised where they are judged to have an economic value that will extend into the future and meet the recognition criteria in IAS38. Internally generated software is then amortised over an estimated useful life, assessed by taking into consideration the useful life of comparable software packages. The carrying amount of capitalised software at 31 May 2014 was £0.65m (2013: £0.51m).

Deferred tax assets

Deferred tax assets include temporary differences related to employee benefits settled via the issue of share options. Recognition of the deferred tax assets assumes share options will have a positive value at the date of vesting, which is greater than the exercise price. The carrying amount of deferred tax assets at 31 May 2014 was £0.37m (2013: £0.22m).

Recoverability of accrued time costs

The Group recognises accrued income in respect of time costs incurred on clients' affairs during the accounting period, which have not been invoiced at the reporting date. This requires an estimation of the recoverability of the time costs incurred but not invoiced to clients. The carrying amount of accrued time costs at 31 May 2014 was £3.34m (2013: £2.85m).

Accrued commission income

Accrued commission income is recognised in respect of commissions due to the Group on investments and bank deposits placed during the accounting period which have not been received at the reporting date. This requires an estimation of the amount of commission income that will be received subsequent to the reporting date in respect of the accounting period, which is based on the value of historic commission receipts and investments placed by clients under advice. The carrying amount of accrued commission income at 31 May 2014 was £0.45m (2013: £0.43m).

Contingent consideration

The Group has entered into certain acquisition agreements that provide for a contingent consideration to be paid. A provision is recognised for all amounts management anticipates will be paid under the relevant acquisition agreement. This requires management to make an estimate of the expected future cash flows from the acquired client portfolio and determine a suitable discount rate for the calculation of the present value of those cash flows. The carrying amount of contingent consideration provided for at 31 May 2014 was £4.46m (2013: £3.79m).

Acquisitions and business combinations

When an acquisition arises the Group is required under IFRS to calculate the Purchase Price Allocation ("PPA"). The PPA requires companies to report the fair value of assets and liabilities acquired and it establishes useful lives for identified assets.

Subjectivity is involved in PPA with the estimation of the future value of brands, technology, customer relationships and goodwill.

Provisions

As detailed in Note 26, the Group recognises provisions for client claims, contingent consideration payable on acquisitions, commission clawbacks and other obligations which exist at the reporting date. These provisions are estimates and the actual amount and timing of future cash flows are dependent on future events. Management reviews these provisions at each reporting date to ensure they are measured at the current best estimate of the expenditure required to settle the obligation. Any difference between the amounts previously recognised and the current estimate is recognised immediately in the statement of comprehensive income.

3. Business combinations

Acquisition of Atkinson Bolton

On 29 July 2013, Mattioli Woods acquired 100% of the voting equity interests of Thoroughbred Wealth Management Limited ("TWM") and its subsidiary Atkinson Bolton Consulting Limited ("ABC") (together "Atkinson Bolton"). TWM is the holding company of ABC, an employee benefits and wealth management business based in Newmarket. ABC offers a full discretionary management service and operates its own Open Ended Investment Company ("OEIC"), the FP Thoroughbred Core Alpha Fund.

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

	Fair value recognised on acquisition £000	Previous carrying value £000
Property, plant and equipment	44	44
Software	1	1
Client portfolio	3,785	—
Cash and short-term deposits	1,628	1,628
Trade receivables	152	152
Provision for impairment of receivables	(34)	(34)
Investments	37	37
Prepayments and accrued income	122	122
Deferred tax asset	1	1
Total assets	5,736	1,951
Trade payables	(135)	(135)
Accruals	(98)	(98)
Deferred income and other payables	(369)	(369)
Income tax payable	(308)	(308)
Deferred tax liabilities	(757)	—
Provisions	(181)	(153)
Total liabilities	(1,848)	(1,063)
Total identifiable net assets at fair value	3,888	
Goodwill arising on acquisition	2,037	
Total acquisition cost	5,925	
Analysed as follows:		
Deferred contingent consideration	2,750	
Discounting of deferred consideration	(273)	
Fair value of deferred contingent consideration	2,477	
New shares in Mattioli Woods	2,867	
Cash paid	581	
Total acquisition cost	5,925	
Cash paid	(581)	
Acquisition costs	(175)	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	1,628	
Net cash inflow	872	

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3. Business combinations continued

From the date of acquisition Atkinson Bolton has contributed £2.66m to revenue and £0.39m to the Group profit for the period. If the combination had taken place at the beginning of the period, Group revenue from continuing operations would have been £29.92m and the profit for the period would have been £4.28m .

Atkinson Bolton is an excellent cultural and strategic fit with Mattioli Woods, offering real synergies for both organisations. These synergies include the ability to promote additional services to existing and prospective clients of each business. In addition, the acquisition adds further specialist wealth management expertise to the Group and extends its existing operations by adding fund management to our range of services. The goodwill recognised above is attributed to the expected benefits from combining the assets and activities of Atkinson Bolton with those of the Group. The primary components of this residual goodwill comprise:

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

None of the recognised goodwill is expected to be deductible for income tax purposes. The client portfolio will be amortised on a straight-line basis over an estimated useful life of 20 years, based on the Group's historic experience.

Transaction costs of £0.175m incurred during the course of the acquisition have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income and consolidated statement of cash flows in the period in which they were incurred.

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. These agreements and the basis of calculation of the net present value of the contingent consideration are summarised below. While it is not possible to determine the exact amount of contingent consideration (as this will depend on the performance of the acquired businesses during the period), the Group estimates the net present value of contingent consideration payable within the next 12 months is £3.19m (2013: £1.73m).

During the period, the Group acquired Atkinson Bolton for an initial consideration of £3.45m (excluding cash acquired with the business) comprising £0.58m in cash and 946,256 ordinary shares in Mattioli Woods (which were valued at £2.87m based on the closing price of a Mattioli Woods share on 29 July 2013), plus contingent consideration of up to £2.75m. The share purchase agreement dated 29 July 2013 ("the Agreement") states contingent consideration is payable in cash in the four years following completion if certain financial targets are met based on growth in the EBITDA generated by Atkinson Bolton during the period.

However, the Group plans to integrate the operations of Atkinson Bolton into its wealth management and employee benefits divisions, with the legal entities comprising Atkinson Bolton becoming dormant following this transfer. Consequently, on 26 August 2014 the parties agreed to vary the Agreement such that up to £2.75m of contingent consideration is payable as follows:

- Up to £1.60m payable as up to £0.80m in cash and up to £0.80m to be satisfied by the allotment and issue of new ordinary shares in Mattioli Woods (with the number of shares to be issued calculated based on the closing price of a Mattioli Woods share on 2 September 2014), if the EBITDA generated by Atkinson Bolton for the 12 months following completion meets certain financial targets; and
- Up to £1.15m payable in cash if certain financial targets are met based on compound annual growth in the EBITDA generated by Mattioli Woods in the three years from 1 August 2014 to 31 July 2017.

The Group estimates the net present value of the remaining contingent consideration at 31 May 2014 to be £2.48m using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 23 April 2013, the Group acquired the trade and certain assets of Ashcourt Rowan Administration Limited, 100% of the share capital of Ashcourt Rowan Pension Trustees Limited and 100% of the share capital of Robinson Gear (Management Services) Limited for an initial cash consideration of £0.66m plus contingent consideration of up to £0.625m payable in cash in the five years following completion if certain targets are met based on growth in revenues and client retention during that period. The Group estimates the net present value of the remaining contingent consideration at 31 May 2014 to be £0.45m using cash flows approved by the Board covering the contingent consideration period.

On 26 August 2011 the Group acquired Kudos for a total initial consideration of £5.52m (excluding cash acquired with the business) comprising £4.33m in cash and 462,572 ordinary shares in Mattioli Woods (which were valued at £1.19m based on the closing price of a Mattioli Woods share on 26 August 2011), plus contingent consideration of up to £4.75m payable in cash in the three years following completion if certain financial targets are met based on growth in recurring revenues and EBITDA generated during the period. The Group estimates the net present value of the remaining contingent consideration at 31 May 2014 to be £1.54m using cash flows approved by the Board covering the contingent consideration period.

4. Revenue

Revenue disclosed in the statement of comprehensive income is analysed as follows:

	2014 £000	2013 £000
Rendering of services	**21,229**	14,879
Commission income	**8,118**	8,526
	29,347	23,405

5. Seasonality of operations

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

6. Segment information

The Group's operating segments remain unchanged and comprise the following:

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

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

The pension consultancy, administration and wealth management operations of Mattioli Woods utilise the same intangible and tangible assets, and the segments have been financed as a whole, rather than individually. The Group's operating segments are managed together as one business. Accordingly, certain costs are not allocated across the individual operating segments, as they are managed on a group basis. Segment profit or loss reflects the measure of segment performance reviewed by the Board of Directors (the Chief Operating Decision Maker).

6. Segment information continued

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the two years ended 31 May 2014 and 2013 respectively.

Year ended 31 May 2014	Direct pension consultancy and administration £000	Third-party pension administration £000	Wealth management £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue								
External client	10,559	2,126	8,979	2,035	5,648	29,347	—	29,347
Total revenue	10,559	2,126	8,979	2,035	5,648	29,347	—	29,347
Results								
Segment result	2,023	460	2,195	209	1,128	6,015	(900)	5,115

Year ended 31 May 2013	Direct pension consultancy and administration £000	Third-party pension administration £000	Wealth management £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue								
External client	9,049	1,582	6,444	1,958	4,372	23,405	—	23,405
Total revenue	9,049	1,582	6,444	1,958	4,372	23,405	—	23,405
Results								
Segment result	2,275	285	1,855	435	771	5,621	(983)	4,638

Segment assets

The following table presents segment assets of the Group's operating segments:

	31 May 2014 £000	31 May 2013 £000
Direct pension consultancy and administration	**12,261**	11,296
Third-party pension administration	**4,007**	4,395
Wealth management	**9,214**	6,098
Property management	**697**	1,453
Employee benefits	**10,777**	8,179
Total segments	**36,956**	31,421
Corporate assets	**13,859**	11,022
Total assets	**50,815**	42,443

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

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

Adjustments and eliminations

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

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

Reconciliation of profit	**31 May 2014 £000**	31 May 2013 £000
Total segments	**6,015**	5,621
Acquisition costs	**(157)**	(175)
Depreciation	**(367)**	(304)
Amortisation and impairment	**(119)**	(91)
Loss on disposal of assets	**(34)**	(23)
Unallocated overheads	**(254)**	(414)
Bank charges	**(10)**	(17)
Finance income	**43**	53
Finance costs	**(2)**	(12)
Group profit before tax	**5,115**	4,638

Reconciliation of assets	**31 May 2014 £000**	31 May 2013 £000
Segment operating assets	**36,956**	31,421
Property, plant and equipment	**1,326**	1,103
Intangible assets	**977**	823
Investments	**39**	—
Deferred tax asset	**367**	224
Prepayments and other receivables	**1,636**	825
Cash and short-term deposits	**9,514**	8,047
Total assets	**50,815**	42,443

7. Auditor's remuneration

Remuneration paid by the Group to its auditors for the audit of the financial statements, fees other than for the audit of the financial statements and the total of non-audit fees for the Group were as follows:

	Company Baker Tilly UK Audit LLP 2014 £000	Company Associates of Baker Tilly UK Audit LLP 2014 £000	Subsidiaries Associates of Baker Tilly UK Audit LLP 2014 £000	**Total 2014 £000**	Total 2013 £000
Audit related services					
Audit of the Company	35	—	—	**35**	32
Audit of subsidiaries	34	—	—	**34**	23
Other assurance – CASS reporting	8	—	—	**8**	5
Interim review	15	—	—	**15**	11
	92	—	—	**92**	71
Non-audit services					
Corporation tax compliance	—	—	—	**—**	14
VAT advice	—	6	—	**6**	3
	—	6	—	**6**	17
Total	92	6	—	**98**	88

8. Finance revenue

	2014 £000	2013 £000
Bank interest receivable	**43**	53

9. Finance costs

	2014 £000	2013 £000
Bank loans and overdrafts	**2**	12

10. Operating profit

Included in operating profit before financing:	2014 £000	2013 £000
Depreciation (Note 15)	**367**	304
Amortisation and impairment of intangible assets (Notes 16 and 17)	**1,176**	854
Minimum lease payments recognised as an operating lease expense (Note 27)	**701**	552

11. Employee benefits expense

The average monthly number of employees during the year was:	2014 No.	2013 No.
Executive directors	**5**	5
Consultants	**61**	51
Administrators	**158**	119
Support staff	**116**	95
	340	270

Staff costs for the above persons were:	2014 £000	2013 £000
Wages and salaries	**14,258**	10,798
Social security costs	**1,689**	1,253
Pension costs and life insurance	**588**	483
Other staff costs	**322**	298
	16,857	12,832

In addition, the cost of share based payments disclosed separately in the statement of comprehensive income was £385,643 (2013: £101,485).

Directors' remuneration:	2014 £000	2013 £000
Emoluments	**2,007**	1,920
Company contributions to personal pension schemes	**105**	83
Gains made on exercise of share options	**—**	535
	2,112	2,538

The amounts in respect of the highest paid director are as follows:	2014 £000	2013 £000
Emoluments	**608**	529
Company contributions to personal pension schemes	**29**	23
Gains made on exercise of share options	**—**	—
	637	552

Details of the remuneration payable to each director in respect of the year ended 31 May 2014 is disclosed in the Directors' Remuneration Report. Five directors (2013: five) accrued benefits under personal pension schemes. During the year 140,802 share options were issued to directors (2013: nil) and no directors exercised share options (2013: three). An equivalent of 148,149 cash settled options were also issued to directors during the year (2013: nil).

12. Income tax

The major components of income tax expense for the years ended 31 May 2014 and 2013 are:

Consolidated income statement	2014 £000	2013 £000
Current tax	**1,382**	1,268
Under/(over) provision in prior periods	**(184)**	17
	1,198	1,285
Deferred tax credit	**(190)**	(254)
Adjustments in respect of change in tax rate	**57**	—
Adjustments in respect of prior periods	**(231)**	—
Income tax expense reported in the statement of comprehensive income	**834**	1,031

For the year ended 31 May 2014, current tax recognised directly in equity was £45,448 (2013: £119,407).

Factors affecting the tax charge for the period

The tax charge assessed for the period is lower (2013: lower) than the standard rate of corporation tax in the UK of 22.67% (2013: 23.83%). The differences are explained below:

	2014 £000	2013 £000
Accounting profit before income tax	**5,115**	4,638
Multiplied by standard rate of UK corporation tax of 22.67% (2013: 23.83%)	**1,159**	1,105
Effects of:		
Expenses not deductible for tax	**82**	100
Deferred tax on share options	**(23)**	(46)
(Over)/under provision in prior periods	**(184)**	17
Deferred tax in respect of prior periods	**57**	(59)
Effect of changes in the standard rate of tax	**(230)**	(86)
Income not taxable	**(27)**	—
Income tax expense for the year	**834**	1,031
Effective income tax rate	**16.3%**	22.2%

During the year, the UK Government reduced the rate of corporation tax from 23% to 21% with effect from 1 April 2014. The rate of UK corporation tax will reduce from 21% to 20% from 1 April 2015 (see Note 32). UK deferred tax is therefore recognised at the reduced rate of 20%.

Deferred income tax

Deferred income tax at 31 May relates to the following:

Group	2014 £000	2013 £000
Deferred income tax liability		
Temporary differences on acquired intangibles	**(2,332)**	(1,955)
Temporary differences accelerated capital allowances	**(132)**	(104)
	(2,464)	(2,059)
Temporary differences on provisions	**76**	107
Temporary differences on accelerated capital allowances in subsidiaries	**—**	7
Temporary differences on share based payments	**291**	111
Temporary differences on tax losses in subsidiary	**—**	—
	367	225
Net deferred tax liabilities	**(2,097)**	(1,834)

12. Income tax continued

Deferred income tax continued

Group	2014 £000	2013 £000
Reflected in the statement of financial position as follows:		
Deferred tax assets	**367**	225
Deferred tax liabilities	**(2,464)**	(2,059)
Net deferred tax liabilities	**(2,097)**	(1,834)

Company	2014 £000	2013 £000
Deferred income tax liability		
Temporary differences on acquired intangibles	**(147)**	(179)
Temporary differences on accelerated capital allowances	**(137)**	(94)
	(284)	(273)
Deferred income tax asset		
Temporary differences on provisions	**7**	42
Temporary differences on share based payments	**291**	111
	298	153
Net deferred tax liabilities	**14**	(120)
Reflected in the statement of financial position as follows:		
Deferred tax assets	**298**	153
Deferred tax liabilities	**(284)**	(273)
Net deferred tax liabilities	**14**	(120)

There are no income tax consequences for the Group attaching to the payment of dividends by Mattioli Woods plc to its shareholders in either 2013 or 2014.

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

The recognition of deferred tax in the statement of comprehensive income arises from the origination and the reversal of temporary differences and the effects of changes in tax rates. The components of the deferred tax credit for the year ended 31 May 2014 are summarised as follows:

Deferred tax in income statement	2014 £000	2013 £000
Deferred tax on share options	**(67)**	(16)
Deferred tax on capital allowances	**16**	(26)
Overprovision for capital allowances in prior period	**31**	—
Deferred tax on provisions	**30**	(30)
Deferred tax on losses utilised	**—**	15
Deferred tax on amortisation of client portfolios	**(142)**	(110)
Effect of changes in the standard rate of tax	**(232)**	(87)
Deferred tax movement	**(364)**	(254)

The total deferred tax movement in the statement of financial position is summarised as follows:

Deferred tax reconciliation	2014 £000	2013 £000
Opening net deferred tax liability	**(1,834)**	(2,119)
Movement recognised in the statement of comprehensive income	**421**	254
Deferred tax movement recognised in equity	**129**	31
Deferred tax arising on acquisitions	**(756)**	—
Adjustment in respect of prior period	**(57)**	—
Closing net deferred tax liability	**(2,097)**	(1,834)

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

	2014 £000	2013 £000
Net profit and diluted net profit attributable to equity holders of the Company	**4,281**	3,607

Weighted average number of ordinary shares:	000s	000s
Issued ordinary shares at start period	**18,813**	18,137
Effect of shares issued during the year ended 31 May 2013	**—**	517
Effect of shares issued during the year ended 31 May 2014	**563**	107
Basic weighted average number of shares	**19,376**	18,761
Effect of dilutive options at the statement of financial position date	**258**	390
Diluted weighted average number of shares	**19,634**	19,151

The Company has granted options under the Share Option Plan, the Consultants' Share Option Plan and the LTIP to certain of its senior managers and directors to acquire (in aggregate) up to 6.56% of its issued share capital (see Note 19). Under IAS 33 Earnings Per Share, contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted earnings per share if the conditions (the events triggering the vesting of the option) are satisfied. At 31 May 2014 the conditions attached to 217,519 options granted under the LTIP were not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 21.57p per share (2013: 18.79p).

The only transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements have been the issue of 20,210 ordinary shares under the Mattioli Woods plc Share Incentive Plan and the issue of 14,750 ordinary shares to satisfy the exercise of options under the Share Option Plan.

14. Dividends paid and proposed

	2014 £000	2013 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
– Final dividend for 2013: 4.67p (2012: 3.70p)	**925**	673
– Interim dividend for 2014: 3.10p (2013: 2.33p)	**618**	436
Dividends paid	**1,543**	1,109
Proposed for approval by shareholders at the AGM:		
Final dividend for 2014: 6.00p (2013: 4.67p)	**1,201**	925

15. Property, plant and equipment

Group	Computer and office equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Gross carrying amount:				
At 1 June 2012	497	797	554	1,848
Additions	123	97	214	434
Disposals	(25)	(2)	(98)	(125)
At 31 May 2013	595	892	670	2,157
Arising on acquisitions	37	7	—	44
Additions	263	130	254	647
Disposals	(45)	(118)	(111)	(274)
At 31 May 2014	850	911	813	2,574
Depreciation:				
At 1 June 2012	208	427	194	829
Charged for the year	102	82	120	304
On disposals	(19)	(1)	(59)	(79)
At 31 May 2013	291	508	255	1,054
Charged for the year	146	83	138	367
On disposals	(29)	(81)	(63)	(173)
At 31 May 2014	408	510	330	1,248
Carrying amount:				
At 31 May 2014	**442**	**401**	**483**	**1,326**
At 31 May 2013	304	384	415	1,103
At 31 May 2012	289	370	360	1,019

Company	£000	£000	£000	£000
Gross carrying amount:				
At 1 June 2012	400	654	555	1,609
Additions	96	89	214	399
Disposals	(25)	(2)	(98)	(125)
At 31 May 2013	471	741	671	1,883
Additions	227	118	252	597
Disposals	(28)	(76)	(111)	(215)
At 31 May 2014	670	783	812	2,265
Depreciation:				
At 1 June 2012	200	400	195	795
Charged for the year	61	58	120	239
On disposals	(19)	(1)	(59)	(79)
At 31 May 2013	242	457	256	955
Charged for the year	89	64	137	290
On disposals	(19)	(63)	(63)	(145)
At 31 May 2014	312	458	330	1,100
Carrying amount:				
At 31 May 2014	**358**	**325**	**482**	**1,165**
At 31 May 2013	229	284	415	928
At 31 May 2012	200	254	360	814

16. Intangible assets

Group	Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Other £000	Total £000
Gross carrying amount:						
At 1 June 2012	412	577	15,654	8,734	35	25,412
Arising on acquisitions	—	—	1,517	—	—	1,517
Additions	183	77	—	—	—	260
Disposals	—	(1)	—	—	—	(1)
At 31 May 2013	595	653	17,171	8,734	35	27,188
Arising on acquisitions	—	1	3,785	2,037	—	5,823
Additions	214	80	—	—	—	294
Disposals	—	—	—	—	—	—
At 31 May 2014	809	734	20,956	10,771	35	33,305
Amortisation and impairment:						
At 1 June 2012	33	283	1,959	—	—	2,275
Amortisation during the year	51	55	737	—	11	854
On disposals	—	(1)	—	—	—	(1)
At 31 May 2013	84	337	2,696	—	11	3,128
Amortisation during the year	71	74	1,020	—	11	1,176
At 31 May 2014	155	411	3,716	—	22	4,304
Carrying amount:						
At 31 May 2014	**654**	**323**	**17,240**	**10,771**	**13**	**29,001**
At 31 May 2013	511	316	14,475	8,734	24	24,060
At 31 May 2012	379	294	13,695	8,734	35	23,137

Company	Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Total £000
Gross carrying amount:					
At 1 June 2012	412	506	7,124	4,335	12,377
Additions	183	7	—	—	190
At 31 May 2013	595	513	7,124	4,335	12,567
Additions	214	80	—	—	294
At 31 May 2014	809	593	7,124	4,335	12,861
Amortisation and impairment:					
At 1 June 2012	33	275	1,580	—	1,888
Amortisation during the year	51	40	285	—	376
At 31 May 2013	84	315	1,865	—	2,264
Amortisation during the year	71	49	285	—	405
At 31 May 2014	155	364	2,150	—	2,669
Carrying amount:					
At 31 May 2014	**654**	**229**	**4,974**	**4,335**	**10,192**
At 31 May 2013	511	198	5,259	4,335	10,303
At 31 May 2012	379	231	5,544	4,335	10,489

16. Intangible assets continued

Software

Software is amortised over its useful economic life of four years on a reducing balance basis. Internally generated software represents the development costs of the Group's bespoke pension administration platform, "MWeb". The directors believe MWeb will be the principal pension administration platform used throughout the Group for the foreseeable future. Internally generated software is amortised on a straight-line basis over an estimated useful life of 10 years.

Client portfolios

Client portfolios represent individual client portfolios acquired through business combinations. Client portfolios are amortised on a straight-line basis over an estimated useful life of between 10 and 25 years, based on the Group's historic experience.

Goodwill

Goodwill arises where the price paid for an acquisition is greater than the fair value of the net assets acquired. Goodwill arising on business combinations is subject to annual impairment testing (see Note 18).

Other intangibles

Other intangibles represent external costs incurred in obtaining a licence. Other intangibles are amortised on a straight-line basis over a useful economic life of three years.

17. Investments

Investments in subsidiaries	Group £000	Company £000
At 1 June 2012	—	12,948
Investment in City Pensions Limited	—	750
At 31 May 2013	—	13,698
Investment in Thoroughbred Wealth Management Limited	—	5,925
At 31 May 2014	**—**	**19,623**

Other investments	Group £000	Company £000
At 1 June 2012 and 31 May 2013	—	—
Arising on acquisitions	39	—
At 31 May 2014	**39**	**—**

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	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	Ordinary shares	100%	Trustee company
Professional Independent Pension Trustees Limited	Ordinary shares	100%	Trustee company
Pension Consulting Limited ("PCL")	Ordinary shares	100%	Holding company
PC Trustees Limited (held by PCL)	Ordinary shares	100%	Trustee company
Bank Street Trustees Limited	Ordinary shares	100%	Trustee company
JB Trustees Limited	Ordinary shares	100%	Trustee company
John Bradley Financial Services Limited	Ordinary shares	100%	Dormant
Polaris Pensions Limited	Ordinary shares	100%	Dormant
Mayflower Trustees Limited (formerly Polaris Financial Services Limited)	Ordinary shares	100%	Trustee company
Custodian Capital Limited (formerly North Star Pensions Limited)	Ordinary shares	100%	Property management
CP SSAS Trustees Limited	Ordinary shares	100%	Trustee company
CP SIPP Trustees Limited	Ordinary shares	100%	Trustee company
City Pensions Limited ("CPL")	Ordinary and preference shares	100%	Pension administration
City Trustees Limited	Ordinary shares	100%	Trustee company
TCF Global Independent Financial Services Limited ("TCF")	Ordinary shares	100%	Holding company
Kudos Financial Services Limited (held by TCF and formerly Kudos Independent Financial Services Limited)	Ordinary shares	100%	Employee benefits and wealth management
Ashcourt Rowan Pension Trustees Limited (held by CPL)	Ordinary shares	100%	Trustee company
Robinson Gear (Management Services) Limited (held by CPL)	Ordinary shares	100%	Trustee company
Thoroughbred Wealth Management Limited ("TWM")	Ordinary shares	100%	Holding company
Atkinson Bolton Consulting Limited (held by TWM)	Ordinary shares	100%	Employee benefits and wealth management

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

Other Investments

Mattioli Woods owns 15% of the issued share capital of Mainsforth Developments Limited ("Mainsforth"), a company incorporated in England and Wales with its principal activity being the development and selling of real estate. On 29 September 2011, Mainsforth entered into two conditional sale agreements ("the Agreements") to acquire freehold land with vacant possession (the "Development Land").

The Agreements lapse on 1 December 2018 if planning approval has not been granted for the development of the Development Land and certain conditions which would have extended the termination date of the Agreements to 1 December 2019 have not been fulfilled. On 25 May 2012 the local authority granted outline planning permission for residential development and associated access at the Development Land, subject to certain conditions.

At 31 May 2014 the Company's investment in Mainsforth Developments Limited was valued at £15 under the cost method and the Company had advanced Mainsforth Developments Limited £75,000 of shareholder loans.

18. Impairment of goodwill and intangibles with indefinite lives

Goodwill arising on acquisitions is allocated to the cash-generating units comprising the acquired businesses. Where the Group reorganises its operating and reporting structures in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected.

The directors believe the cash-generating units now comprise the same groups of assets as the five operating segments, which represent the smallest individual groups of assets generating cash flows. Goodwill has been allocated between the Group's five operating segments for impairment testing, as follows:

Group	Direct pension consultancy and admin £000	Third party admin £000	Wealth management £000	Property management £000	Employee benefits £000	Total £000
At 1 June 2012 and 1 June 2013	2,414	1,096	2,336	188	2,700	8,734
Arising on acquisitions	—	—	1,120	—	917	2,037
At 31 May 2014	**2,414**	**1,096**	**3,456**	**188**	**3,617**	**10,771**

Company	Direct pension consultancy and admin £000	Third party admin £000	Wealth management £000	Property management £000	Employee benefits £000	Total £000
At 31 May 2012, 2013 and 2014	**2,414**	**—**	**1,411**	**188**	**322**	**4,335**

The determination of whether goodwill is impaired requires an assessment of the fair value less cost to sell and estimation of the value in use of the operating segments to which the goodwill has been allocated. The recoverable amount of goodwill on a fair value less costs to sell calculation is based on the closing share price of the Group on 31 May 2014 of 445p, giving a market capitalisation of £89.0m. Comparing this to the net asset value of the Group of £35.5m, the directors believe the value of goodwill is not impaired at 31 May 2014.

In assessing value in use, the estimated future cash flows of each operating segment are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimated cash flows are derived by extrapolating the actual cash flows for the year ended 31 May 2014 using a terminal growth rate of 2.5% (2013: 2.5%), which management considers conservative against actual average long-term growth rates, and discounting at a rate of 6.9%.

The value in use calculated at 31 May 2014 was £68.2m. Comparing this to the net asset value of the operating segments identified above, the directors believe the value of goodwill is not impaired at 31 May 2014. This accounting treatment resulted in an impairment loss of £nil (2013: £nil).

19. 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 ordinary shares in the Company at an exercise price of £1.32 per share, equal to the placing price of the shares issued on 15 November 2005. The options vested when profit-based performance conditions were fulfilled. The contractual life of each option expires on 31 May 2015. At 31 May 2014 the total number of options outstanding and exercisable under the Share Option Plan was 82,500 (2013: 134,581).

Consultants' Share Option Plan

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

Date of grant	Exercise price £	At 1 June 2013 No.	Granted during the year No.	Exercised during the year No.	Lapsed during the year No.	**At 31 May 2014 No.**
5 September 2006	2.21	234,377	—	(82,500)	—	**151,877**
4 September 2007	2.79	170,456	—	(16,260)	—	**154,196**
8 September 2009	2.16	170,456	—	—	(42,614)	**127,842**
		575,289	—	(98,760)	(42,614)	**433,915**

The exercise price of the options is equal to the market price of the shares at the close of business on the day immediately preceding the date of grant. The options vest when the option holders achieve certain individual performance hurdles. No options vested during the year as a result of the associated performance conditions being fulfilled. If the performance hurdles, which are linked to individual sales revenues, are not met over the five financial years commencing on 1 June before the date of grant, the options lapse.

Long Term Incentive Plan

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

LTIP options	**31 May 2014 Equity- settled No.**	**31 May 2014 Cash-settled No.**	31 May 2013 Equity-settled No.	31 May 2013 Cash-settled No.
Outstanding as at 1 June	**—**	**—**	—	—
Granted during the year	**217,519**	**148,149**	—	—
Exercised during the year	**—**	**—**	—	—
Forfeited during the year	**—**	**—**	—	—
Outstanding at 31 May	**217,519**	**148,149**	—	—
Exercisable at 31 May	**—**	**—**	—	—

The LTIP awards are subject to the achievement of corporate profitability targets measured over a three year performance period ending on 31 May 2016 and will vest following publication of the Group's audited results for the year ending 31 May 2016. The amounts shown above represent the maximum opportunity for the participants in the LTIP.

Share Incentive Plan

The Company introduced the Mattioli Woods plc Share Incentive Plan ("the SIP") in July 2008. Participants in the SIP are entitled to purchase, at market value, up to a prescribed number of new 1p ordinary shares in the Company at the end of each month for which they will receive a like for like matching share. These ordinary shares rank pari passu with existing issued ordinary shares of the Company.

A total of 79,646 (2013: 109,328) new ordinary shares were issued to the 189 employees who participated in the SIP during the year. At 31 May 2014 the SIP held 407,040 shares on their behalf, with a further 2,699 of forfeited shares not allocated to any specific employee.

19. Share based payments continued

Share based payments expense

The expense for share based payments made in respect of employee services under the LTIP is recognised over the expected vesting period of the awards. The expense recognised during the year ended 31 May 2014 is £253,771 (2013: £nil), of which £81,655 arises from equity-settled share based payment transactions and £172,116 arises from cash-settled share based payment transactions.

The expense for share based payments made in respect of employee services under the Share Option Plan and the Consultants' Share Option Plan is recognised over the expected vesting period of the awards. The expense recognised during the year ended 31 May 2014 is £11,593 (2013: £831), which arises entirely from equity-settled share based payment transactions.

The expense for share based payments in respect of "Matching shares" issued under the SIP is recognised in the period the shares are granted to the participating employee (see Note 23). The expense recognised during the year ended 31 May 2014 is £120,279 (2013: £100,654), which arises entirely from equity-settled share based payment transactions.

Summary of share options

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

Share options	2014 No.	2014 WAEP £	2013 No.	2013 WAEP £
Outstanding as at 1 June	**709,870**	**2.17**	1,276,870	1.79
Granted during the year	**217,519**	**0.01**	—	—
Exercised	**(150,841)**	**1.97**	(567,000)	1.32
Forfeited during the year	**(42,614)**	**—**	—	—
Outstanding at 31 May	**733,934**	**2.23**	709,870	2.17
Exercisable at 31 May	**388,573**	**2.25**	539,414	2.17

The weighted average share price at the date of exercise for share options exercised during the year was £3.74. For the share options outstanding as at 31 May 2014, the weighted average remaining contractual life is 3.6 years (2013: 3.8 years). The WAEP for options outstanding at the end of the year was £2.23 (2013: £2.17), with the option exercise prices ranging from £1.32 to £2.79.

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 share price at 31 May 2014 and movements during the year are set out in the Directors' Remuneration Report.

20. Trade and other receivables (current)

	Group 2014 £000	Company 2014 £000	Group 2013 £000	Company 2013 £000
Trade receivables due from related parties	—	905	—	527
Other trade receivables	4,415	3,077	3,302	2,063
Other receivables	228	168	589	208
Prepayments and accrued income	5,925	4,440	4,878	3,918
Income tax receivable	—	245	—	94
	10,568	8,835	8,769	6,810

Trade receivables due from related parties are recognised at amortised cost and eliminate on consolidation. Other receivables include Directors' loans of £nil (2013: £262). For terms and conditions relating to related party loans, refer to Note 29. None of the related party receivables were overdue at the reporting date.

Non-related party trade receivables are non-interest bearing and are generally on 30-90 days' terms. As at 31 May 2014, the nominal value of non-related party trade receivables impaired and fully provided for, and movements in the provision for impairment of receivables were as follows:

	Group 2014 £000	Company 2014 £000	Group 2013 £000	Company 2013 £000
As at 1 June	535	413	566	499
Charge/(release) for year	52	(38)	(31)	(86)
Acquired on acquisition	34	—	—	—
At 31 May	621	375	535	413

At 31 May, the analysis of non-related party trade receivables that were past due but not impaired is as follows:

			Past due but not impaired			
	Total £000	Neither past due nor impaired £000	Less than 30 days £000	30-60 days £000	60-90 days £000	More than 90 days £000
2014	4,757	2,257	913	647	281	659
2013	3,302	1,619	836	265	139	443

For all receivables above, including neither past due nor impaired, the carrying amount is deemed to reflect the fair value.

21. Financial assets (current)

Financial assets (current) for the Group were £nil (2013: £0.24m) and for the Company were £nil (2013: £0.23m). In the prior year these assets represented unsecured short-term loans made by the Company to certain property syndicates to facilitate their purchase of commercial property. These loans generally accrued interest at rates 3% above the Bank of England's base rate (see Note 30) and were recognised as financial assets at amortised cost.

22. Cash and short-term deposits

For the purpose of the statement of cashflows, cash and cash equivalents comprise the following at 31 May:

	Group 2014 £000	Company 2014 £000	Group 2013 £000	Company 2013 £000
Cash at banks and on hand	**9,514**	**3,181**	8,047	4,554
Short-term deposits	**—**	**—**	—	—
	9,514	**3,181**	8,047	4,554
Bank overdrafts	**—**	**—**	—	—
Cash and cash equivalents	**9,514**	**3,181**	8,047	4,554

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is £9.51m (2013: £8.05m).

At 31 May 2014, the Group had £5.0m (2013: £5.0m) of undrawn committed borrowing facilities available, in respect of which all conditions precedent had been met.

23. Issued capital and reserves

Share capital	Ordinary shares of 1p	Ordinary shares of 1p £
Authorised		
At 1 June 2012, 31 May 2013 and 31 May 2014	**30,000,000**	**300,000**
Issued and fully paid		
At 1 June 2012	18,136,801	181,368
Exercise of employee share options	567,000	5,670
Shares issued under the SIP	109,328	1,093
At 31 May 2013	18,813,129	188,131
Exercise of employee share options	150,841	1,508
Shares issued under the SIP	79,646	797
Shares issued for consideration	946,256	9,463
At 31 May 2014	**19,989,872**	**199,899**

Rights, preferences and restrictions on shares

All ordinary shares carry equal rights and no privileges are attached to any shares in the Company. All the shares are freely transferable, except as otherwise provided by law. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Share schemes and share incentive plan

The Company has three share schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (Note 19).

The Company also operates a share incentive plan. Participants in the SIP are entitled to purchase up to a prescribed number of new ordinary shares in the Company in any year. At the Directors' discretion, the Company may also award additional shares to participants in the SIP. Ordinary shares issued under the SIP rank pari passu with existing issued ordinary shares of the Company. Dividends paid on shares held within the SIP are used to buy new ordinary shares in the Company of 1p each.

Other reserves

Group	Equity – share based payments £000	Merger Reserve £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000
At 1 June 2012	626	—	7,641	2,000	15,021
Share based payments	1	—	—	—	—
Shares issued under the SIP	—	—	232	—	—
Shares issued on exercise of options	—	—	743	—	—
Deferred tax asset recognised in equity	31	—	—	—	—
Profit for the financial year	—	—	—	—	3,607
Dividends paid	—	—	—	—	(1,109)
Current tax charge taken to equity	119	—	—	—	—
At 31 May 2013	777	—	8,616	2,000	17,519
Reserve transfer	—	1,183	(1,183)	—	—
Share based payments	94	—	—	—	—
Shares issued under the SIP	—	—	298	—	—
Shares issued on acquisition of TWM	—	2,857	—	—	—
Costs of issuing new shares	—	—	(25)	—	—
Shares issued on exercise of options	—	—	295	—	—
Deferred tax asset recognised in equity	129	—	—	—	—
Profit for the financial year	—	—	—	—	4,281
Dividends paid	—	—	—	—	(1,543)
Current tax charge taken to equity	46	—	—	—	—
At 31 May 2014	**1,046**	**4,040**	**8,001**	**2,000**	**20,257**

Company	Equity – share based payments £000	Merger Reserve £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000
At 1 June 2012	626	—	7,641	2,000	15,232
Share based payments	1	—	—	—	—
Shares issued under the SIP	—	—	232	—	—
Shares issued on exercise of options	—	—	743	—	—
Deferred tax asset recognised in equity	31	—	—	—	—
Profit for the financial year	—	—	—	—	3,053
Dividends paid	—	—	—	—	(1,109)
Current tax charge taken to equity	119	—	—	—	—
At 31 May 2013	777	—	8,616	2,000	17,176
Reserve transfer	—	1,183	(1,183)	—	—
Share based payments	88	—	—	—	—
Shares issued as consideration	—	2,857	—	—	—
Costs of issuing new shares	—	—	(25)	—	—
Shares issued under the SIP	—	—	298	—	—
Shares issued on exercise of options	—	—	295	—	—
Deferred tax asset recognised in equity	129	—	—	—	—
Profit for the financial year	—	—	—	—	3,472
Dividends paid	—	—	—	—	(1,543)
Current tax charge taken to equity	46	—	—	—	—
At 31 May 2014	**1,040**	**4.040**	**8,001**	**2,000**	**19,105**

In the year ended 31 May 2012 the Company issued new ordinary shares as consideration for the shares acquired in TCF Global Independent Financial Services Limited. The excess of the fair value of the shares acquired over the nominal value of the shares issued has been re-allocated from share premium reserve to merger reserve as required by the Companies Act.

23. Issued capital and reserves continued

The following table describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Equity – share based payments	The fair value of equity instruments granted by the Company in respect of share based payment transactions.
Share premium	Amounts subscribed for share capital in excess of nominal value less any associated issue costs that have been capitalised.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Merger reserve	Where shares are issued as consideration for shares in another company, the excess of the fair value of the shares acquired over the nominal value of the shares issued is recognised in the merger reserve.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

24. Cash flows from operating activities using the direct method

IAS 7 Cash Flow Statements permits entities to present the cash flow from operating activities under the indirect method by showing the revenues and expenses disclosed on the statement of comprehensive income and the changes during the period in operating receivables and payables. Alternatively, the cash generated from operations may be presented under the direct method as follows:

	Group	Company	Restated Group	Restated Company
Cash flows from operating activities	**2014 £000**	**2014 £000**	2013 £000	2013 £000
Cash receipts from customers	**27,786**	**15,290**	22,829	14,991
Cash paid to suppliers and employees	**(22,736)**	**(13,523)**	(16,421)	(10,666)
Cash generated from operations	**5,050**	**1,767**	6,408	4,325

25. Trade and other payables

	Group	Company	Group	Company
Trade and other payables (current)	**2014 £000**	**2014 £000**	2013 £000	2013 £000
Trade payables due to related parties	**—**	**9**	—	17
Other trade payables	**729**	**278**	705	278
Other taxation and social security	**1,343**	**890**	1,069	711
Other payables	**154**	**128**	103	108
Accruals and deferred income	**4,160**	**2,497**	3,997	2,717
	6,386	**3,802**	5,874	3,831

Trade payables due to related parties eliminate on consolidation.

Other payables include Directors' loans of £3,338 (2013: £nil). For terms and conditions relating to related party loans, refer to Note 29. Terms and conditions of the other financial liabilities set out above are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-day terms;
- Other taxation and social security becomes interest bearing if paid late and are settled on terms of one or three months;
- Accruals and deferred income are non-interest bearing and are normally settled monthly throughout the financial year; and
- Deferred consideration is settled as set out in the terms of the acquisition agreement (see Notes 3 and 26).

26. Provisions

Group	Client claims £000	Contingent consideration £000	Dilapidations £000	Clawbacks £000	Employers' NIC on share options £000	Onerous contracts £000	LTIP cash liability £000	Other £000	Total £000
At 1 June 2013	556	3,792	140	341	29	42	—	8	4,908
Arising during the year	292	2,355	—	3	139	—	172	—	2,961
Acquisitions (Note 3)	65	—	65	51	—	—	—	—	181
Used during the year	(388)	(1,583)	(20)	(101)	(19)	(42)	—	(8)	(2,161)
Unused amounts reversed	—	(100)	—	—	—	—	—	—	(100)
At 31 May 2014	**525**	**4,464**	**185**	**294**	**149**	**—**	**172**	**—**	**5,789**
Current 2013	556	1,733	35	341	—	42	—	8	2,715
Non-current 2013	—	2,059	105	—	29	—	—	—	2,193
At 31 May 2013	556	3,792	140	341	29	42	—	8	4,908
Current 2014	**525**	**3,189**	**—**	**294**	**—**	**—**	**—**	**—**	**4,008**
Non-current 2014	**—**	**1,275**	**185**	**—**	**149**	**—**	**172**	**—**	**1,781**
At 31 May 2014	**525**	**4,464**	**185**	**294**	**149**	**—**	**172**	**—**	**5,789**

Company	Client claims £000	Contingent consideration £000	Dilapidations £000	Clawbacks £000	Employers' NIC on share options £000	LTIP cash liability £000	Total £000
At 1 June 2013	494	3,167	121	9	29	—	3,820
Acquisitions	—	2,431	—	—	—	—	2,431
Arising during the year	128	—	—	—	139	172	439
Used during the year	(245)	(1,583)	—	—	(19)	—	(1,847)
Unused amounts reversed	—	—	(21)	—	—	—	(21)
At 31 May 2014	**377**	**4,015**	**100**	**9**	**149**	**172**	**4,822**
Current 2013	494	1,583	35	9	—	—	2,121
Non-current 2013	—	1,584	86	—	29	—	1,699
At 31 May 2013	494	3,167	121	9	29	—	3,820
Current 2014	**377**	**3,102**	**—**	**9**	**—**	**—**	**3,488**
Non-current 2014	**—**	**913**	**100**	**—**	**149**	**172**	**1,334**
At 31 May 2014	**377**	**4,015**	**100**	**9**	**149**	**172**	**4,822**

Client claims
A provision is recognised for the estimated potential liability when the Group becomes aware of a possible client claim. No discount rate is applied to the projected cash flows due to their short term nature.

Contingent consideration
The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. Details of these agreements and the basis of calculation of the net present value of the contingent consideration is summarised in Note 3. The Group estimates the net present value of contingent consideration payable within the next 12 months is £3.19m (2013: £1.73m).

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

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

Onerous contracts
The Group acquired an onerous contract for the provision of an IT system as part of the acquisition of Ashcourt Rowan's pension business ("the Pension Business"). Management assessed the expected benefit and costs associated with this contract and concluded that whilst the costs of the obligation exceeded the benefit it was appropriate to provide against the contract in full.

26. Provisions continued

LTIP cash liability

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

Other

Prior to the Group's acquisition of the Pension Business, its employees had been notified the business was to be restructured, creating a potential liability for certain employee-related costs related to the restructuring. Following acquisition, the Group relocated the Pension Business from Birmingham to Leicester and became liable for those employee-related costs relating to the restructuring. The provision could be quantified and it was regarded as more likely than not that an outflow of resources will be required to settle the obligation. The liability has been settled during the year.

27. Commitments and contingencies

Operating lease agreements – Group as lessee

Mattioli Woods plc has entered into three commercial leases for its premises at Grove Park, Enderby. The lease for the Head Office, MW House, has a duration of 20 years, from 10 June 2005. The amount of annual rental is to be reviewed at three-yearly intervals. The first lease for part of the ground floor of Gateway House (an office building adjacent to MW House) has a duration of ten years from 1 February 2008. A second lease for part of the ground floor of Gateway House has a duration of ten years from 1 December 2009. For both leases, the amount of annual rental is to be reviewed at the end of the fifth year.

Mattioli Woods plc has also entered into a commercial lease for its premises at 22 Park Street, London, which expires on 23 January 2016. The annual rental of £40,059 will not be reviewed.

Kudos Financial Services Limited (formerly Kudos Independent Financial Services Limited) has entered into a lease for its premises at 8 Queens Terrace, Aberdeen, which has a duration of ten years from 1 June 2008. Following a review on 1 June 2013 the annual rental is £110,000.

Atkinson Bolton Consulting Limited has entered into a lease for its premises at Cheveley House, Fordham Road, Newmarket, which expires on 24 March 2016. The annual rental is £115,500.

As part of certain acquisitions, the Group acquired operating lease obligations for office equipment. No restrictions were placed upon the Group by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 31 May are as follows:

	Office equipment		Land and buildings	
Group	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Not later than one year	**28**	44	**667**	533
After one year but not more than five years	**51**	6	**1,935**	1,990
More than five years	**—**	—	**1,708**	2,042
	79	50	**4,310**	4,565

	Office equipment		Land and buildings	
Company	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Not later than one year	**—**	—	**388**	374
After one year but not more than five years	**—**	—	**1,216**	1,352
More than five years	**—**	—	**1,116**	1,302
	—	—	**2,720**	3,028

Group operating lease charges during the year were £653,561 (2013: £524,456) for land and buildings and £47,163 (2013: £27,442) for office equipment.

Capital commitments

At 31 May 2014 the Group had no capital commitments (2013: £116,255).

Client claims

The Group operates in a legal and regulatory environment that exposes it to certain litigation risks. As a result, the Group occasionally receives claims in respect of products and services provided and which arise in the ordinary course of business. The Group provides for potential losses that may arise out of contingencies where the estimated potential liability is not covered by the Group's professional indemnity insurance (Note 26).

A number of claims were notified to the Group's professional indemnity insurers ("the insurers") in respect of the period from 18 February 2010 to 17 August 2011. The insurers have declined to indemnify the Group in respect of certain of these claims. The Group is of the opinion that the insurers' position is without any merit and is challenging their view. The estimated compensation payable should the clients' claims be successful, with no indemnity provided by the insurers, is £300,000. To the extent the Group believes it is possible but not probable that a claim will succeed and result in an economic outflow, no additional provision is made in these financial statements.

Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the Group's final liabilities may ultimately be different. The Group's total potential liability recorded in respect of litigation, arbitration and regulatory proceedings is determined on a case-by-case basis and represents, where appropriate, an estimate of the probable economic outflow after considering, among other factors, the progress of each case, the Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel.

FSCS levy

From time to time the Financial Services Compensation Scheme ("FSCS") has raised interim levies on the Investment Intermediation sub-class arising from revisions to the FSCS' earlier estimates of the compensation it expected to pay out following the failure of firms in the Investment Intermediation and General Insurance Intermediation sub-classes.

In the year ended 31 May 2014 the FSCS did not raise an interim levy from investment intermediaries to pay for the costs of compensating clients in investment failures. This meant the Group was not required to contribute. In the prior year the interim levy was £20m, which resulted in the Group contributing £29,601. Consequently, no provision has been made in these financial statements for an FSCS interim levy for the year ending 31 May 2015.

28. Pension costs

The Group makes discretionary and contractual payments into the personal pension schemes of employees and contributions are charged in the statement of comprehensive income as they become payable. The charge for the year was £454,302 (2013: £367,408).

29. Related party disclosures

Transactions with key management personnel

Ian Mattioli, Bob Woods and the private pension schemes of Ian Mattioli, Bob Woods, Nathan Imlach, Murray Smith and Mark Smith together with the private pension schemes of certain other employees of the Group, had a beneficial interest in MW Properties (No 16) Limited and MW Properties (No 60) Limited up until March 2014.

The Group leased its premises at MW House, Grove Park, Enderby from MW Properties (No 16) Limited and paid rentals of £155,000 during the year.

The Group leased its premises at Gateway House, Grove Park, Enderby from MW Properties (No 60) Limited and paid rentals of £97,521 during the year.

Custodian REIT plc

In March 2014 the Company's subsidiary, Custodian Capital, was appointed as the discretionary investment manager of Custodian REIT plc ("Custodian REIT"), a new closed-ended property investment company listed on the Main Market of the London Stock Exchange. Custodian REIT acquired the premises owned by MW Properties (No 16) Limited and MW Properties (No 60) Limited in March 2014.

The Company's Chief Executive, Ian Mattioli, is a non-independent Non-Executive Director of Custodian REIT and the Company's Finance Director and Company Secretary, Nathan Imlach, is Company Secretary of Custodian REIT. Ian Mattioli received £4,333 of director's fees from Custodian REIT during the year. Fees for Nathan Imlach's services are charged by Custodian Capital directly to Custodian REIT and totalled £12,500 during the year.

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

29. Related party disclosures continued

During the year the Group recharged Custodian REIT costs of £0.70m associated with its initial placing and admission to the Official List that had been incurred by the Company on its behalf, and received revenues of £0.26m in respect of annual management charges, company secretarial and administration fees. Custodian REIT owed the Group £0.30m at 31 May 2014.

Key management compensation

Key management personnel receive compensation in the form of short-term employee benefits and equity compensation benefits (see Note 11). Key management personnel, representing the executive directors and twelve (2013: nine) other executives, received total compensation of £3.68m for the year ended 31 May 2014 (2013: £3.08m). Total remuneration is included in "employee benefits expense" and analysed as follows:

	2014 £000	2013 £000
Short-term employee benefits	**3,512**	2,979
Post-employment benefits	**166**	102
Share-based payments	**—**	—
	3,678	3,081

At 31 May 2014, Ian Mattioli was owed £7,369 (2013: £3,939) by the Company and Bob Woods owed £4,031 (2013: £4,201) to the Company. These Directors' expense accounts carry no coupon and have no fixed repayment date. In addition, at 31 May 2014 Nathan Imlach and Mark Smith each owed the Company £3,829 in respect of their personal pension schemes acquiring an interest in a private property syndicate. These amounts have been subsequently settled in full.

Transactions with other related parties

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

The general partner and the initial limited partner enter into a limited partnership agreement, which governs the operation of the partnership and also sets out the rights and obligations of the investors. The general partners have appointed Custodian Capital as the operator of the partnerships pursuant to an operator agreement between the general partner and Custodian Capital. At 31 May 2014 the Company had advanced £nil (2013: £239,400) of unsecured short-term loans to new property syndicate partnerships. The loans repaid during the year were repayable on demand and accrued interest daily at a rate of 3% above the Bank of England base rate.

FP Thoroughbred Core Alpha Fund

The Group's subsidiary Atkinson Bolton is the investment manager of the FP Thoroughbred Core Alpha Fund, an open ended investment company which aims to achieve long-term growth while managing volatility so that, other than on very short term measures, outperformance comes with a lower beta than the benchmark. As at 31 May 2014 the Group held an investment with a market value of £38,204 in the FP Thoroughbred Core Alpha Fund.

30. Financial risk management

Financial assets principally comprise trade and other receivables, cash and short-term deposits, which arise directly from its operations. Financial liabilities comprise certain provisions and trade and other payables. The main risks arising from financial instruments are market risk (including interest rate risk, foreign exchange risk and price risk), credit risk, and liquidity risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis, with its financial risk management based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented.

Market risk

(a) Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 31 May 2014 the value of financial instruments on the Group's statement of financial position exposed to interest rate risk was £9.51m (2013: £8.29m) comprising cash, cash equivalents and financial assets. This exposure is monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. Other than short term overdrafts, the Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are also made for varying periods of between one day and 12 months depending on the immediate cash requirements of the Group and earn interest at the respective fixed term deposit rates.

A source of revenue is based on the value of client cash under administration. The Group has an indirect exposure to interest rate risk on these cash balances held for clients. These balances are not on the Company or Group statements of financial position.

The following table demonstrates the sensitivity to a 100bps (1%) change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate deposits). There is no impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before tax £000
2014		
£ Sterling	+100	82
£ Sterling	–100	(82)
2013		
£ Sterling	+100	83
£ Sterling	–100	(83)

(b) Foreign exchange translation and transaction risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. With all of the Group's business located within the UK, the Group is not exposed to foreign exchange translation or transaction risk and does not hedge any foreign current assets or liabilities.

(c) Price risk

Price risk is the risk that a decline in the value of assets adversely impacts the profitability of the Group as a result of an asset not meeting its expected value. The Group is exposed to price risk on corporate investments held on the Group's statement of financial position. At 31 May 2014, the fair value of investments recognised on the Group's statement of financial position was £38,227 (2013: £23). Any move in the value of these investments would not have a material impact on the Group balance sheet or results.

Trailing (or funds based) commission revenues, property administration fees, discretionary management charges and adviser charges for intermediation are based on the value of client assets under administration and hence the Group has an indirect exposure to security price risk on investments held by clients. These assets are not on the Group' statement of financial position. The risk of lower revenues is partially mitigated by asset class diversification. The Group does not hedge its revenue exposure to movements in the value of client assets arising from these risks and so the interests of the Group are aligned to those of its clients.

Credit risk

The Group trades only with third parties it recognises as being creditworthy. In addition, receivable balances are monitored on an ongoing basis.

Credit risk from the other financial assets of the Group, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

30. Financial risk management continued

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and leases. The table below summarises the maturity profile of the Group's financial liabilities at 31 May 2014 and 2013 based on contractual undiscounted payments:

At 31 May 2014	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000	Total £000
Trade and other payables	—	6,318	68	—	—	6,386
Contingent consideration	—	87	3,102	1,275	—	4,464
	—	6,405	3,170	1,275	—	10,850

At 31 May 2013	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000	Total £000
Trade and other payables	—	5,874	—	—	—	5,874
Contingent consideration	—	—	1,733	2,059	—	3,792
	—	5,874	1,733	2,059	—	9,666

Capital management

The Company and certain of its subsidiaries are supervised in the UK by the Financial Conduct Authority ("FCA"). The Group manages its capital through continuous review of the capital requirements of the Company and its regulated subsidiaries, which are monitored by the Group's management and reported monthly to the Board. The Group's objectives when managing capital are:

- To comply with the regulatory capital requirements set by the FCA;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 May 2014 was £35.54m (2013: £29.10m). The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive ("the CRD") prescribed in the UK by the FCA, and the Group's regulatory capital comprises Tier 1 capital, which is the total of issued share capital, retained earnings and reserves created by appropriations of externally verified retained earnings, net of the book value of goodwill and other intangible assets. The Group does not hold any Tier 2 or Tier 3 capital.

From 30 April 2012, all regulated entities within the Group have been required to meet the Pillar 1 Capital Resources Requirements set out in the CRD. The Group is also required to comply with the CRD's requirements under Pillar 2 (Operational Risk) and Pillar 3 (Disclosure). The CRD requires continual assessment of the Group's risks to ensure that the higher of Pillar 1 and 2 requirements is met. Under the Pillar 3 requirements, the Group must disclose regulatory capital information and has done so by making the disclosures available on the Group's website at www.mattioliwoods.com.

The latest version of the CRD legislation ("CRD IV") came into effect on 1 January 2014. The aim of CRD IV is to minimise the negative effects of firms failing by ensuring that firms hold enough financial resources to cover the risk associated with their business. CRD IV is the fourth amendment of the CRD legislation. Each amendment strengthens the prudential framework for individual institutions and responds to financial stability concerns that arose during the banking crisis.

The Company and regulated subsidiary companies submit quarterly returns to the FCA relating to their capital resources. At 31 May 2014 the total regulatory capital requirement across the Group was £4.06m and the Group had an aggregate surplus of £2.48m across all regulated entities. All the regulated firms within the Group maintained surplus regulated capital throughout the year. The regulated subsidiaries are limited in the distributions that can be paid up to the Company by each of their individual capital resource requirements.

31. Financial instruments

Fair values

The directors consider that the carrying value of financial instruments in the Company's and the Group's financial statements is equivalent to fair value. The following table summarises the fair value measurements recognised in the statement of financial position by class of asset or liability and categorised by level according to the significance of the inputs used in making the measurements.

At 31 May 2014	Total carrying amount £000	Quoted prices in active markets for identical instruments **Level 1** £000	Significant other observable inputs **Level 2** £000	Significant unobservable inputs **Level 3** £000
Financial liabilities				
LTIP cash liability	172	—	—	172
Contingent consideration	4,464	—	—	4,464
Total	4,636	—	—	4,636

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

Interest rate risk

The following table sets out the carrying amount after taking into account provisions for impairment, by maturity, of the Company's and the Group's financial instruments that are exposed to interest rate risk:

Group 31 May 2014	Less than 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Floating rate							
Financial assets (current)	—	—	—	—	—	—	—
Cash assets	9,514	—	—	—	—	—	9,514
Bank overdrafts	—	—	—	—	—	—	—

Group 31 May 2013	Less than 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Floating rate							
Financial assets (current)	239	—	—	—	—	—	239
Cash assets	8,047	—	—	—	—	—	8,047
Bank overdrafts	—	—	—	—	—	—	—

Company 31 May 2014	Less than 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Floating rate							
Financial assets (current)	—	—	—	—	—	—	—
Cash assets	3,181	—	—	—	—	—	3,181
Bank overdrafts	—	—	—	—	—	—	—

Company 31 May 2013	Less than 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Floating rate							
Financial assets (current)	235	—	—	—	—	—	235
Cash assets	4,554	—	—	—	—	—	4,554
Bank overdrafts	—	—	—	—	—	—	—

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Other financial instruments of the Company and Group that are not included in the above table are non-interest bearing and therefore not subject to interest rate risk.

31. Financial instruments continued

Credit risk

The Group's principal financial assets are cash and short term deposits and trade and other receivables. The only significant concentrations of credit risk relate to the Group's bank deposits and exposure to credit risk arising from default of the counterparty. The maximum exposure is equal to the carrying amount of these deposits. At 31 May 2014, the Group's bank deposits were held with Royal Bank of Scotland plc, Lloyds Bank plc, Bank of Scotland plc and Clydesdale Bank plc.

Given the nature of the Group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. An allowance for impairment for trade receivables is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Details of trade receivables and the associated provision for impairment are disclosed in Note 20.

Contingent consideration

As set out in Note 3, the Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. While the exact amounts payable cannot be determined (as these depend on the future performance of the acquired businesses) the Group estimates the net present value of contingent consideration payable on acquisitions to be £4.46m (2013: £3.79m).

32. Events after the reporting date

Acquisition of UK Wealth Management Limited's pension business

On 11 August 2014 the Company's subsidiary City Pensions Limited ("City Pensions") acquired the pension administration business of UK Wealth Management Limited ("UKWM"), a wholly owned subsidiary of Ashcourt Rowan plc ("Ashcourt Rowan" or "the Seller"), for a total cash consideration of up to £0.355m, comprising an initial consideration of £0.275m (subject to adjustment for the value of working capital acquired) plus contingent deferred consideration of up to £0.08m subject to certain revenue and client retention targets being met during the two years following completion.

The acquisition comprised the trade and certain assets of Pension Administration Limited ("PAL"), 100% of the share capital of Ropergate Trustees Limited from PAL Group Holdings Limited ("PALGH"), 100% of the share capital of Simmonds Ford Trustees Limited and 100% of the share capital of Acomb Trustees Limited from ATL Group Limited ("ATL") (together "UKWM Pensions"). PAL, PALGH and ATL were wholly owned indirectly by UKWM and ultimately owned by Ashcourt Rowan. Ashcourt Rowan completed the acquisition of UKWM in April 2014.

UKWM Pensions provides trustee and administration services to over 400 SIPP and SSAS schemes, with total funds under trusteeship of over £190.0m. In the year ended 31 December 2013, the portfolio generated annual revenues of £0.34m. The acquisition is expected to be earnings enhancing in the first full year of ownership, following the realisation of synergies and other benefits from combining the assets and activities of UKWM Pensions with those of Mattioli Woods.

Due to the acquisition occurring after the end of the reporting period and the proximity of the date of acquisition to the date of issue of these consolidated financial statements, the Directors are unable to provide the full disclosures required to meet the requirements of IFRS3 relating to acquisitions after the end of the reporting period but before the financial statements are authorised for issue. Specifically, the purchase price allocation process is not yet complete, due to:

- The Seller not being required to deliver and not having delivered completion accounts setting out the financial position of the UKWM Pensions as at the date of acquisition; and
- The impracticality of measuring each identifiable asset and liability acquired at its IFRS acquisition date fair value for inclusion in these consolidated financial statements before completion accounts have been agreed.

The acquisition will be accounted for using the acquisition method and it is not anticipated there will be any goodwill to recognise as a result of the transaction. Transaction costs incurred during in the year ended 31 May 2014 are included in administrative expenses in the consolidated statement of comprehensive income and operating cash flows in the statement of cash flows.

The fair values to be attributed to the assets acquired and liabilities assumed will be finalised during the 12 months following acquisition. A fair value table will be presented in Mattioli Woods' interim report for the six months ending 30 November 2014 and its consolidated financial statements for the year ending 31 May 2015. The directors' estimate of the fair values of the identifiable assets and liabilities of UKWM if the acquisition had been completed on 31 July 2014 are presented for illustrative purposes only as follows:

	Illustrative fair value to be recognised on acquisition (unaudited) £000	Previous carrying value (unaudited) £000
Client portfolio	467	467
Trade and other receivables	95	95
Assets	562	562
Deferred income and other payables	(207)	(207)
Liabilities	(207)	(207)
Total identifiable net assets at fair value	355	
Total acquisition cost	355	
Analysed as follows:		
Initial cash consideration	275	
Deferred contingent consideration	80	
Total acquisition cost	355	

Cash outflow on acquisition	£000
Cash paid	275
Acquisition costs	50
Net cash outflow	325

The client portfolio will be amortised on a straight-line basis over an estimated useful life based on the Group's historic experience.

Deed of variation of share purchase agreement

On 29 July 2013, Mattioli Woods acquired 100% of the voting equity interests of TWM and its subsidiary ABC (together "Atkinson Bolton") (see Note 3). The share purchase agreement ("the Agreement") states contingent deferred consideration of up to £2.75m is payable in cash in the four years following completion if certain financial targets are met based on growth in the EBITDA generated by Atkinson Bolton during the period.

On 26 August 2014 the parties agreed to vary the Agreement such that the contingent consideration is payable as follows:

- Up to £1.60m payable as up to £0.80m in cash and up to £0.80m to be satisfied by the allotment and issue of new ordinary shares in Mattioli Woods, if the EBITDA generated by Atkinson Bolton in the 12 months following completion meets certain financial targets; and
- Up to £1.15m payable in cash if certain financial targets are met based on compound annual growth in the EBITDA generated by Mattioli Woods in the three years from 1 August 2014 to 31 July 2017.

Taxation

The UK Government has enacted tax changes which will have a significant effect on the Group's future tax position. The rate of corporation tax reduced from 23% to 21% from 1 April 2014, with a further 1% reduction to a rate of 20% from 1 April 2015.

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

33. Ultimate controlling party

The Company has no controlling party.

FIVE YEAR SUMMARY

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Revenue	**29,347**	23,405	20,482	15,363	13,678
Administrative expenses	**(23,085)**	(17,885)	(15,468)	(10,472)	(9,207)
Net finance revenue	**41**	41	49	59	44
Adjusted profit before tax	**6,303**	5,561	5,063	4,950	4,515
Amortisation of acquired intangibles	**(1,031)**	(748)	(620)	(330)	(245)
Acquisition-related costs	**(157)**	(175)	(263)	(72)	—
Profit before tax	**5,115**	4,638	4,180	4,548	4,270
Income tax expense	**(834)**	(1,031)	(1,101)	(1,219)	(1,266)
Profit for the year	**4,281**	3,607	3,079	3,329	3,004
Assets under administration and advice (£m)	**4,626.2**	3,644.3	3,106.7	2,304.4	1,886.1
Headline debtors' days ratio (days)	**54.9**	51.5	66.8	78.4	71.2
External client loss rate	**3.2%**	3.6%	5.2%	4.3%	3.1%
EBITDA margin	**22.6%**	24.6%	25.0%	33.1%	34.5%
Adjusted EBITDA margin	**23.1%**	25.3%	26.3%	33.6%	34.5%
Basic EPS (pence)	**22.09**	19.23	16.72	18.45	16.76
Adjusted EPS (pence)	**28.23**	24.15	21.52	20.68	18.12
Dividends paid and proposed (pence)	**9.10**	7.00	5.55	4.95	4.35

FINANCIAL CALENDAR

2 September 2014	Announcement of final results for the year ended 31 May 2014
10 September 2014	Ex-dividend date for ordinary shares
12 September 2014	Record date for final dividend
16 October 2014	Annual General Meeting
21 October 2014	Payment of final dividend on ordinary shares

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