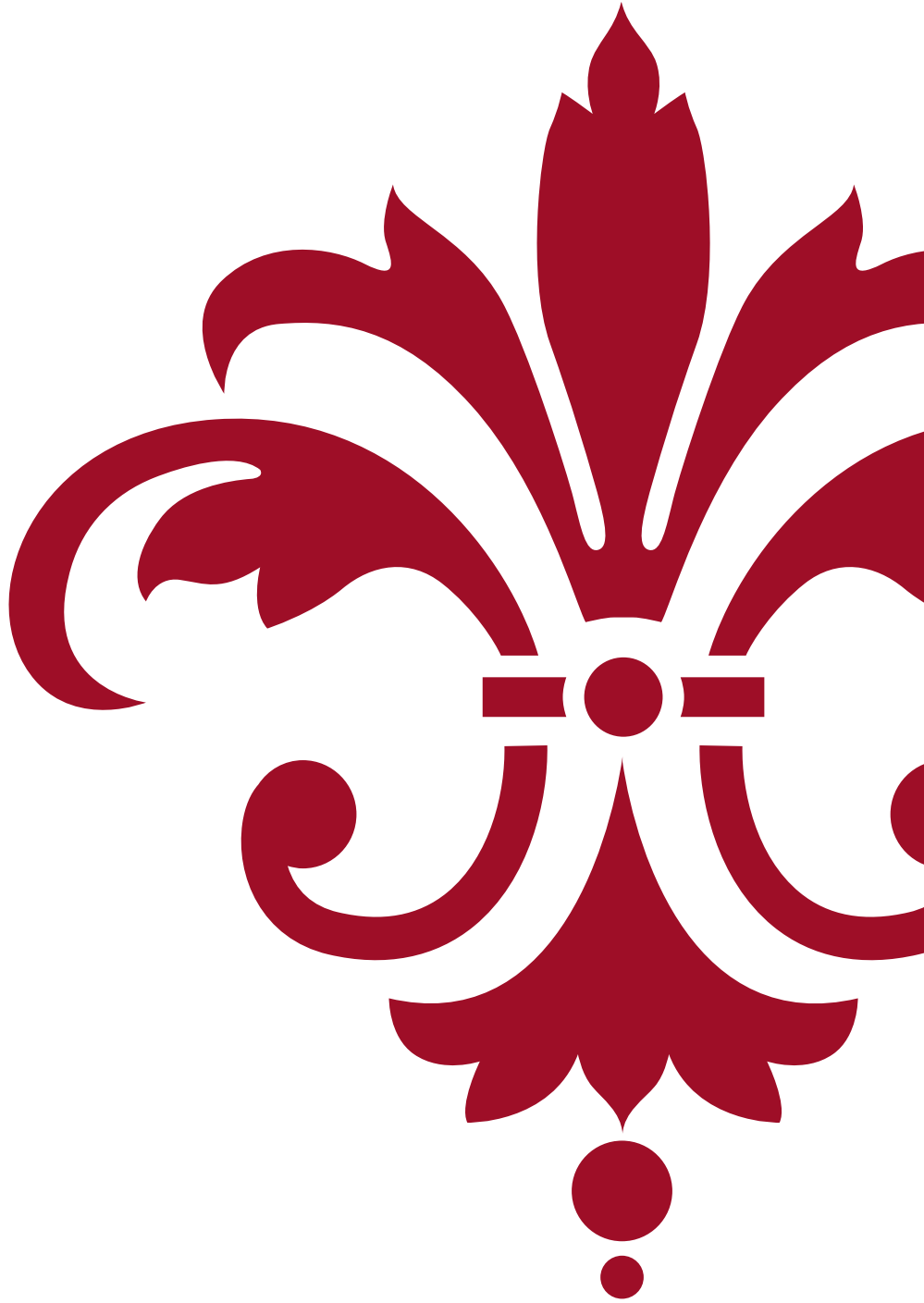




Mattioli Woods plc

WEALTH MANAGEMENT & EMPLOYEE BENEFITS



HIGHLIGHTS

Mattioli Woods is one of the UK's leading providers of wealth management and employee benefit services, with total assets under management, administration and advice of over £5.4 billion

Strategic report

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“
Another year of 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 17.8% to £34.57m (2014: £29.35m)
- Recurring revenues represent 81.4% (2014: 78.1%)
- Adjusted EBITDA¹ up 8.7% to £7.36m (2014: £6.77m)
- Adjusted EPS^{2,3} up 0.8% to 27.54p (2014: 27.32p)
- Proposed total dividend up 15.4% to 10.50p (2014: 9.10p)
- Strong financial position with net cash of £10.57m (2014: £9.51m)

Operational highlights

- Total client assets up 16.8% to £5.41bn (2014: £4.63bn)
- Discretionary AuM up 36.5% to £1.01bn (2014: £0.74bn)
- Core businesses consolidated into one legal entity
- Two acquisitions completed in year:
 - UK Wealth Management pension business in August 2014
 - Torquil Clark pension business in January 2015
- £50.2m of new equity raised for Custodian REIT

Recent developments and outlook

- Placing in June 2015 raised gross proceeds of £18.6m to:
 - Provide flexibility to pursue further acquisition opportunities
 - Increase headroom on regulatory capital requirements
- Two wealth management and employee benefits businesses acquired since year end:
 - Boyd Coughlan in June 2015
 - Taylor Patterson in September 2015
- Agreement to develop a new 60,000 sq ft office for Leicester operations
- Strong pipeline of further acquisition opportunities
- Joanne Lake appointed as Deputy Chairman in June 2015
- Well positioned for future growth

¹ Earnings before interest, taxation, depreciation, amortisation and acquisition-related costs.

² Basic EPS down 9.8% to 19.83p (2014: 21.98p).

³ Before acquisition-related costs, amortisation and impairment of acquired intangibles, and notional finance income and charges.

Revenue

£34.57m

(2014: £29.35m)

Adjusted EBITDA¹

£7.36m

(2014: £6.77m)

Adjusted EPS^{2,3}

27.54p

(2014: 27.32p)

Proposed total dividend

10.50p

(2014: 9.10p)



INTEGRATED FINANCIAL SERVICES

Mattioli Woods has established a reputation for 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, with the objective of growing and preserving their assets. At the same time, we want to grow our business, both organically and by acquisition, to deliver strong, sustainable shareholder returns over the long term.

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

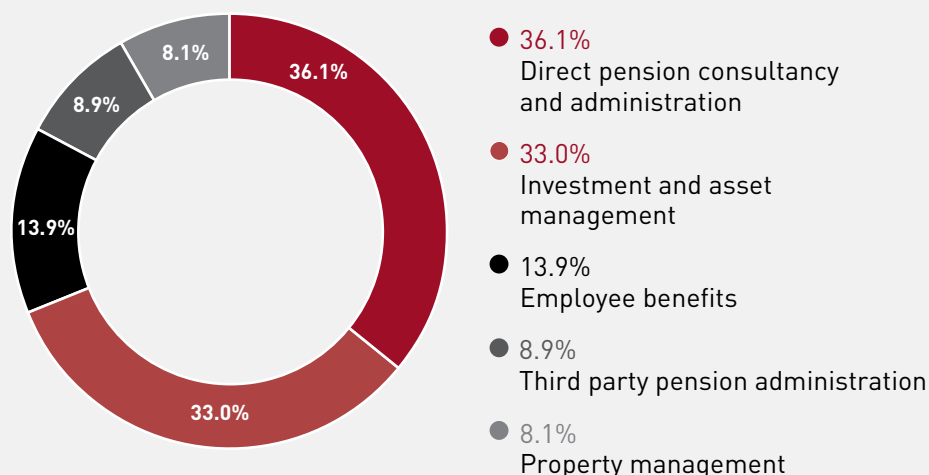
Our key drivers are:

- The development of our market standing through the integrity and expertise of our people;
- Our desire to maintain long-term client relationships;
- Proactively anticipating our clients' needs to deliver on their expectations;
- Investing in our people and technology to service greater business volumes at a lower cost;
- Being proud of our charitable and community spirit, supporting staff and local and national charities;
- Profitably sharing knowledge and ideas between ourselves and others; and
- Extending our range of products and services, seeking to attract new clients both organically and via 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



Wealth management

We provide integrated wealth management services, embracing financial planning, pensions and personal investment, coupled with estate planning.

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 City Trustees business provides bespoke pensions administration coupled with first-rate client service and has been awarded the Defaqto 5-star rating for its SIPP. City Trustees distributes its products via independent financial advisers, wealth managers and other intermediaries.

Investment and asset 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. Recent growth in the quantum of funds under management and advice has enhanced the quality of the Group's earnings through an increase in recurring revenues.

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

Property management

Our property management business, Custodian Capital Limited, 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 offers 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

Mattioli Woods offers solutions to assist its corporate clients around employee engagement, with the aim of improving recruitment, retention and workplace morale. This encompasses consultancy on areas such as defined contribution and defined benefit pension schemes, workplace savings, healthcare, international benefit solutions and risk benefits, in addition to the design, implementation and administration of these schemes.

The Group also offers its clients total reward and flexible benefit systems, assisting its clients to deliver these to their employees, along with advice, guidance and financial education.

NEW PENSION FREEDOMS

Recent changes represent the biggest shake-up of pensions legislations in over 100 years, and reflect the government's vision for a more flexible regime giving people more choice, control and responsibility in the way they access their pension savings.

The changes in place from April 2015 create a need for new thinking on how individuals structure their income in retirement and protect pension assets to be paid tax efficiently on death, and sharpen the focus on the interaction between personal and pension assets.

Mattioli Woods has long advocated the personal ownership of pensions and the ability to hand assets from one generation to the next. The opportunities for pension savers are now significant, but it is clear that sound advice and considered product selection are key.

With further legislative changes on the horizon, it is more important than ever for clients to have ongoing monitoring of their pension and personal investment strategies. Over the past year we have proactively advised clients on interpreting the changes, providing meaningful guidance on the potential impact on their retirement planning. We expect further changes to the UK pensions system to drive sustained demand for advice in our core pensions business.

11 AUGUST 2014

Acquisition of UK Wealth Management business



City Pensions acquired the pension administration business of UK Wealth Management Limited, a wholly owned subsidiary of Ashcourt Rowan plc, which provided trustee and administration services to over 400 SIPP and SSAS schemes, with total funds under trusteeship of over £190m.

1 SEPTEMBER 2014

New directors appointed

The appointment of Alan Fergusson as Employee Benefits Director and Carol Duncumb as Non-Executive Director were announced. Alan leads our employee benefits division, having joined the Group on the acquisition of Kudos Financial Services Limited in 2011. Carol brings wide experience of managing growth, including mergers and acquisitions and e-commerce development.

23 JANUARY 2015

Acquisition of Torquil Clark pension business



Our expertise in self-directed pensions allowed us to acquire the pension administration businesses of Torquil Clark (now a part of Bellpenny, a national team of financial planners). Further consolidation in the SIPP market appears likely, with increased regulatory capital requirements for SIPP operators coming into effect from 1 September 2016.

27 JANUARY 2015

Strong interim results

We were pleased to report another strong set of results as we entered our 25th year, with revenues up 23.4% to £16.6m for the first half.

We paid an increased interim dividend, up 7.7% to 3.34p per share, our blend of wealth management and employee benefits positioning as well to secure further profitable growth.

LONDON STOCK EXCHANGE RECOGNITION

In 2015, Mattioli Woods was recognised by London Stock Exchange as one of the “1,000 Companies to Inspire Britain”.

The report is a celebration of some of the fastest-growing and most dynamic small and medium-sized enterprises in the UK. To be included in the list, companies needed to show consistent revenue growth over a minimum of three years, while significantly outperforming their industry peers.

The Group has also featured in another landmark report, celebrating 20 years of the AIM market. The AIM20 report included case studies on just 20 of AIM’s brightest businesses, including Mattioli Woods, and gave an insight into what the future will hold for the world’s most successful growth market.



3 JUNE 2015

Appointment of Joanne Lake as Deputy Chairman

The appointment of Joanne Lake as Deputy Chairman is an interim step prior to her proposed appointment as Non-Executive Chairman at the Company’s Annual General Meeting in October 2016. Bob Woods will remain on the Board and employed in a full-time executive role as a key ambassador for the Group.

22 JUNE 2015

Placing with institutional investors

A total of 3,795,918 shares were placed with institutional investors at 490p per share, raising gross proceeds of £18.6m (before expenses).

The placing provides the Group with the flexibility to pursue further acquisition opportunities, while increasing headroom on our regulatory capital requirements.

23 JUNE 2015

Acquisition of Boyd Coughlan Limited

The business, based in Buckingham, provides advice to both corporate and personal clients and generates strong margins and recurring revenues, with over £160m of assets under advice. Boyd Coughlan’s experienced management team has been retained following the acquisition, which is expected to be earnings enhancing in the first full year of ownership.



17 AUGUST 2015

Mattioli Woods to build new office

The Group has entered into an agreement to build a new 60,000 sq ft office on the site of the former Leicester City Council headquarters New Walk, Leicester. The office will accommodate in excess of 600 people with construction expected to start late 2015 and occupation due in Spring 2017.



This is a real vote of confidence in the city centre that a firm with the calibre of Mattioli Woods will be setting up its office at this key site.



Peter Soulsby
Leicester City Mayor

FOCUSED ON GROWTH



“
Another year
of growth”

Bob Woods
Chairman

I am pleased to report another year of growth, in line with our expectations. Revenue was up 17.8% to £34.57m (2014: £29.35m) as a result of strong growth in our wealth management business, with the Government's new pension freedoms creating additional demand for advice both during the reporting period and looking ahead. This growth more than offset the anticipated falls in banking income, caused by the implementation of new rules on liquidity cover further reducing the interest margins available from our banking partners, and employee benefit revenues, as the corporate pensions market transitions to a fee-based proposition prior to the abolition of provider commissions in April 2016.

The Group's total client assets under management, administration and advice increased by 16.8% to £5.41bn at the year-end. Growth in fees based on the value of clients' assets under management and advice increased recurring revenues⁴ to 81.4% (2014: 78.1%) of revenue, with the value of discretionary assets under management now in excess of £1.01bn.

Acquisitions continue to be a core part of our growth strategy. We acquired the pension administration businesses of UK Wealth Management (now part of Towry) in August 2014 and Torquil Clark (now part of Bellpenny) in January 2015.

Following the year end, we raised £18.6m (before expenses) by way of a placing with institutional investors ("the Placing") to provide the Group with the flexibility to pursue further acquisition opportunities. At the same time, we announced the acquisition of Boyd Coughlan Limited ("Boyd Coughlan"), a business providing advice on over £250m of assets to both corporate and personal clients, generating strong margins and recurring revenues.

The acquisition of Taylor Patterson Group Limited and its subsidiaries (together "Taylor Patterson"), which we announced today, is another excellent strategic and cultural fit with our existing business. Taylor Patterson's wealth management operations include SSAS and SIPP administration, which together with its employee benefits capabilities strengthen our existing client proposition. The acquisition extends our geographic footprint into the North-West of England and gives us the opportunity to offer discretionary investment management to Taylor Patterson's clients, while realising synergies from the merger of its SSAS and SIPP business onto Mattioli Woods' bespoke pension administration platform.

Further consolidation in the SIPP market appears likely, with increased regulatory capital requirements for SIPP operators coming into effect from 1 September 2016. The Placing provides us with the flexibility to capitalise on further earnings-enhancing acquisition opportunities and we are seeing an increase in the pipeline of potential opportunities.

One of the Group's subsidiaries, Custodian Capital Limited ("Custodian Capital"), is the discretionary investment manager of Custodian REIT plc ("Custodian REIT"), a closed-ended property investment company listed on the Main Market of the London Stock Exchange. Custodian Capital's management fees are based on the net asset value of Custodian REIT, which now has a market capitalisation of over £200m following new share issues raising £50.2m in aggregate during the year.

Mattioli Woods was identified by the London Stock Exchange as one of its "1,000 Companies to Inspire Britain" in its 2015 report celebrating the UK's fastest-growing and most dynamic small and medium sized businesses. We were also delighted to be included as one of the 20 case studies in the "AIM20" report celebrating the AIM market's 20th anniversary earlier this year. The Group has again been shortlisted as "Best SSAS Provider" at the Investment Life & Pensions Moneyfacts Awards 2015 and has also been shortlisted for the "Best Retirement Adviser" award. This continued recognition is a great endorsement of our business.

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

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

Our approach is integrated and all-embracing.

Continuous investment

We invest in our infrastructure and technology to develop our products, services and solutions.

Strategic acquisitions

We continue to develop as a broader wealth management business, providing additional value-added services.

GROWTH

Organic

Our strategy remains focused on the pursuit of organic growth

By acquisition

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

Delivering strong, sustainable shareholder returns

Market overview

These are exciting times for our clients and us, with the Government introducing the most radical changes to pensions in almost a century in April 2015. These changes offer individuals and their families control of their pension funds, both now and into the next generation. The freedom to access pension funds from age 55, and removal of the 55% tax-charge on death, reposition pensions at the centre of financial planning, providing a real sense of ownership and paving the way for the inheritance of pension funds.

However, hot on the heels of implementing these new pensions freedoms, the Chancellor announced yet more changes to pensions in July's Summer Budget, with a restriction of the annual allowance for high earners and the publication of a Green Paper on the possibility of a radical departure from the current tax regime, such as replacing upfront tax relief on pension contributions with tax-free pension payments. The new rules and transitional provisions are complex and the consultation on tax relief reform is expected to lead to heated debate.

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

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. The move away from up-front commissions has reduced our revenues on corporate pensions work, but I anticipate that we will see growing demand for ancillary services such as financial counselling and education from within the Group's corporate clientele. The Government and the Financial Conduct Authority ("FCA") have recently launched a joint review into consumer access to the financial advice market. The review will focus on how less wealthy people access advisers and consider ways to encourage people to seek financial advice, which may lead to further changes in the regulatory and legislative environment.

Assets under management, administration and advice

Total client assets under management, administration and advice increased by 16.8% to £5.41bn at 31 May 2015 (2014: £4.63bn) as follows:

	31 May 2015 £m	31 May 2014 £m
Direct pension	2,336.0	2,060.5
Third party administration	1,040.2	790.8
SIPP and SSAS funds under trusteeship	3,376.2	2,851.3
Employee benefits	1,059.4	926.2
Other personal and pension assets	974.8	848.7
Total assets under management, administration and advice ⁵	5,410.4	4,626.2

The acquisition of the UK Wealth Management and Torquil Clark pension businesses added £189.7m and £83.0m of client assets respectively, with net organic growth of £511.5m during the period split between:

- £252.2m in SIPP and SSAS funds under trusteeship and £126.1m in other personal and pension assets within our wealth management business; and
- £133.2m of corporate pension assets in our employee benefits business.

At 31 May 2015, our discretionary assets under management had increased to £1.01bn (2014: £0.74bn) on the continued expansion of our portfolio management service and the placing of a further £50.2m of new equity by Custodian REIT. Our discretionary portfolio management service allows us to deliver a more efficient wealth management service to our clients and in February 2015 we launched an innovative new product, the Mattioli Woods Personal Pension, streamlining our existing SIPP structure to provide a wrapper that allows smaller pension funds efficient access to our discretionary portfolio management service.

⁵ Certain pension scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event.

CHAIRMAN'S STATEMENT CONTINUED

The Group also operates its own open-ended investment company ("OEIC"), the FP Thoroughbred Core Alpha Fund ("the Thoroughbred OEIC"), which held £61.8m of our clients' assets at 31 May 2015, the majority of which were under discretionary management.

Following the year end, we have added further assets under management, administration and advice of over £250m on the acquisition of Boyd Coughlan and £640m on the acquisition of Taylor Patterson.

Strategy

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 been earnings enhancing and have broadened or deepened the Group's expertise and services. Our objective is to integrate fully the businesses we acquire, believing that one brand and one vision will enable the Group to deliver holistic solutions across our wide and diverse client base. To achieve this, we have harmonised the Group's legal and operational structures, transferring the trade and assets of City Pensions Limited and Atkinson Bolton Consulting Limited ("Atkinson Bolton") into Mattioli Woods in October and December 2014 respectively, followed by the transfer of the trade and assets of Kudos Financial Services Limited into Mattioli Woods in February 2015.

We recognise the increasing consumer requirement for a strong advisory service blended with on-line functionality, visibility and product availability. Developing our technology is a key part of our strategy and we have extended the development of our bespoke pension administration and wealth management platform to include employee benefits, with the aim of enhancing the services we offer to clients and realising operational efficiencies across the Group as a whole. While the first phase of our new platform development has commenced testing, delays experienced by one of our technology partners on other projects have pushed back the launch of the trading side of the platform into the next calendar year. In the meantime, the Group's existing systems remain fit for purpose, with sufficient capacity to support further growth.

Acquisitions

Since our admission to AIM in 2005 we have acquired 15 businesses and client portfolios. We have developed considerable expertise and a strong track record in the execution and subsequent integration of such deals.

The acquisition of UKWM's pension business extended our existing relationship with Towry and its advisers (following the acquisition of Ashcourt Rowan's pension business in 2013), and Mattioli Woods was appointed to Bellpenny's panel of SIPP providers following our acquisition of the Torquil Clark pension business. As financial markets change, we believe there is an opportunity to enter into strategic partnerships with other financial services businesses to deliver better service and long term security for clients, while enhancing profitability.

In June 2015 we acquired Boyd Coughlan, a wealth management and employee benefits business based in Buckingham. The business has grown organically and now employs 30 staff, providing advice to both corporate and personal clients.

Boyd Coughlan's experienced management team has been retained by Mattioli Woods following the acquisition, which is expected to be earnings enhancing in the first full year of ownership.

Today, we are pleased to announce the acquisition of Taylor Patterson, a UK financial advisory firm based in Preston and employing 38 staff. Taylor Patterson provides wealth management, strategic financial planning, employee benefits and pension services to businesses and individuals. The acquisitions of Taylor Patterson and Boyd Coughlan bring new clients into the Group and I expect these clients to recognise the attraction of the broader and more flexible solutions we are able to offer.

We have also signed heads of terms for Mattioli Woods to be appointed to wind up a SIPP scheme administered by another SIPP operator, which will trigger a requirement to transfer members' existing arrangements into a new scheme. This transaction is expected to complete before the end of this calendar year.

With increasing complexity and continuing consolidation in both the SIPP market and other key sectors in which the business operates, I am confident there will be further opportunities to expand Mattioli Woods' operations by acquisition, accelerating the Group's growth.

Staff

We continue our transition from small to big, retaining our core principles as a business built on the integrity and expertise of our people. I would like to thank all our staff for their continued commitment, enthusiasm and professionalism in dealing with our new and existing clients' affairs. Maintaining capacity remains a key priority. Our total headcount at 31 May 2015 had increased to 406 (2014: 378) and we continue to invest in our graduate recruitment programme, with 14 (2014: 16) new graduates and eight (2014: two) apprentices joining the Group during the year.

We enjoy a strong team spirit and facilitate employee equity ownership through the Mattioli Woods plc Share Incentive Plan ("the Plan") and other share schemes. I am delighted the proportion of eligible staff investing via the Plan has increased to 59% (2014: 56%). The value of employee share holdings held via the Plan has now surpassed £2.50m and we will continue to encourage broader participation in the Plan.

To provide our staff with a modern working environment and capacity for further growth, we announced last month that a new subsidiary, Mattioli Woods (New Walk) Limited, had entered into a development agreement to build a new 60,000 square foot office on the site of the former Leicester City Council headquarters at New Walk, Leicester.

We have found, like many other progressive businesses, that as our number of clients and employees grows, being centrally located with all its associated infrastructure is better for both. The expected expenditure for the development is £14.6m including fit out costs, which we will fund through a combination of existing cash resources (excluding funds from recent placing), bank funding and future operating cashflows. This cash commitment will not reduce our existing headroom for future acquisitions. Construction is scheduled to commence in late 2015, with completion expected in spring 2017.

The development enables the Group to maintain its regulatory capital while efficiently using surplus cash not available for distribution to shareholders. While initial development costs are expected to reduce budgeted profit after tax by circa £0.10m

in the current financial year, with further reductions of circa £0.40m and £0.20m in the following two years respectively, from then on we expect to benefit from future rental savings of approximately £0.85m per annum.

Board changes

We were pleased to announce the appointment of Joanne Lake as Deputy Chairman in June 2015. This role is an interim step prior to Joanne's proposed appointment as Non-executive Chairman at the Company's Annual General Meeting in October 2016. The Board is committed to developing the corporate governance and management structures of the Group to ensure they continue to meet the changing needs of the business. I believe this is the optimal timetable for the role of Chairman to be separated from executive responsibilities, which will enhance conformity with conventional corporate governance standards as Mattioli Woods continues to grow.

Joanne brings a broad understanding of financial services and 30 years of corporate finance and City experience to the role. She has been an independent Non-Executive Director and Chairman of the audit committee at Mattioli Woods since July 2012.

I will continue as Executive Chairman through to October 2016 and will remain on the Board in a full-time executive role as Founder Director. My focus will be on acting as an ambassador for Mattioli Woods and on developing our profile as experts in our chosen markets. I will also support the development of the Group's high end corporate and private clients. The period between now and next year's Annual General Meeting provides for a considered handover of responsibilities.

Dividends

The Board is pleased to recommend the payment of an increased final dividend of 7.16 pence per share (2014: 6.00 pence). This makes a proposed total dividend for the year of 10.50 pence (2014: 9.10 pence), a year-on-year increase of 15.4% (2014: 30.0%). The Board remains committed to growing the dividend, while maintaining an appropriate level of dividend cover. If approved, the final dividend will be paid on 26 October 2015 to shareholders on the register at the close of business on 18 September 2015.

Outlook

I am delighted with the performance of our business in what has remained a rapidly-changing market. The Government's pension reforms have repositioned pensions at the forefront of financial planning, which together with the continued development of our consultancy team has driven strong growth in our wealth management business.

Further volatility in financial markets may impact how our investment and asset management 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 acquired businesses of Boyd Coughlan and Taylor Patterson are an excellent strategic fit, offering real synergies with the wider Group. Our recent capital raising has given us the flexibility to pursue both existing and new acquisition opportunities as they arise and I believe our blend of wealth management and employee benefits, combined with the duality of being adviser and provider, positions us to secure further profitable growth over the coming years.

Bob Woods

Chairman
8 September 2015

CASE STUDY: CUSTODIAN REIT PLC

TARGETING INCOME

Our subsidiary, Custodian Capital Limited, is the discretionary investment manager of Custodian REIT plc, one of only a few REITs to launch successfully in 2014.

The key investment objective of Custodian REIT is to provide its shareholders with an attractive level of income by maintaining the high level of dividend, fully covered by earnings, with a conservative level of gearing.

Its portfolio comprises properties predominantly let to institutional grade tenants on long leases throughout the UK and is characterised by small lot sizes, with individual property values of less than £7.5m at acquisition.

Since IPO, the rate of investment has been ahead of expectations and we believe this demonstrates the success of our strategy of focusing on smaller lots in strong, regional markets. We remain confident we can continue to acquire properties that meet the company's investment criteria and improve the portfolio mix. In 2015 we expect continued rental growth and low vacancy rates, and believe it is still possible to identify "value" in the market, despite recent price inflation, by seeking properties where rental growth will underpin long term capital growth and deliver enhanced income cover to the company's target dividend.

We are confident a strategy of targeting income with low gearing in a well-diversified regional portfolio will deliver the stable long term returns demanded by Custodian REIT's shareholders.



CONTINUED EXPANSION



“
A business built on the integrity and expertise of our people
”

Ian Mattioli
Chief Executive

Introduction

Since founding Mattioli Woods with Bob Woods in 1991, we have overseen its development from a specialist pension consultancy into a full service wealth management and employee benefits business. We continue our transition from small to big as a business built on the integrity and expertise of our people, with one of our key aims being to grow our clients' investment assets.

I am pleased to report another successful year, with revenue in the year ended 31 May 2015 up 17.8% to £34.57m (2014: £29.35m). Increased consultancy capacity has driven stronger new business flows and this, coupled with demand for advice following the announcement of changes in pension legislation, increased organic revenue growth to 16.6% (2014: 11.3%), with new client wins in both pension and non-pension areas underpinned by innovative product development and strong technical support.

This organic growth was supplemented by a full year's revenues of £3.23m (2014: £2.66m) from the business of Atkinson Bolton, acquired in July 2013, plus £0.23m of revenues generated by the pension administration businesses of UK Wealth Management and Torquil Clark acquired during the year.

EBITDA⁶ was up 7.1% to £7.09m (2014: £6.62m). As anticipated, we saw a fall in EBITDA margin to 20.5% (2014: 22.6%) with further investment in the infrastructure of our business and a fall in banking revenues, due to new banking rules on liquidity cover and employee benefit revenues, as the corporate pensions market transitions to a fee-based proposition.

Basic EPS fell by 9.8% to 19.83p (2014: 21.98p), with 6.8% growth in operating profits offset by a significant increase in the effective rate of taxation to 24.0% (2014: 16.3%) and the impact of £0.17m of notional finance charges (2014: £0.15m income) on the unwinding of discounts on long term provisions. The effective tax rate in the prior period was distorted by the reversal of deferred tax liabilities on acquired intangibles following cuts in the UK corporation tax rate. Adjusted earnings per share⁷ were up 0.8% on the prior year, with £0.27m (2014: £0.16m) of acquisition-related costs incurred during the period.

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. 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 be proactive in relation to 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 regulatory changes, particularly the abolition of provider commissions on corporate pensions in April 2016 and increased capital requirements for SIPP operators from 1 September 2016, will drive margin compression and industry consolidation.

⁶ Earnings before interest, taxation, depreciation and amortisation.

⁷ Before acquisition-related costs, notional finance costs and amortisation and impairment of intangible assets arising on acquisitions.

In addition, some commentators believe the Government and FCA review into the financial advice market may lead to further regulatory or legislative pressure to reduce the cost to consumers. 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 continue to pursue economies of scale.

Our services

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

In recent years, the Group has developed a broader wealth management proposition, grown from its strong pensions advisory and administration expertise, with the Group's income, now derived from five key service lines:

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

Total pension consultancy and administration revenues were up 22.5% to £15.55m (2014: £12.69m). The number of SIPP and SSAS schemes administered by the Group increased 13.8% to 6,580 (2014: 5,782), with the two acquisitions completed during the financial year adding 566 new SIPP and 49 new SSAS schemes.

Direct pension consultancy and administration

Retirement planning is 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. 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.

Direct pension consultancy⁸ and administration revenues were up 18.2% to £12.48m (2014: £10.56m), representing 36.1% (2014: 36.0%) of Group revenues, of which 89.4% (2014: 95.6%) are recurring, with additional one-off revenues earned during the period on the preparation of new trust deeds to incorporate major changes in pension legislation.

The number of direct schemes administered by Mattioli Woods increased 8.8% to 3,850 (2014: 3,537), with 455 (2014: 316) new schemes gained in the year, representing 12.9% (2014: 9.3%) of schemes at the start of the year. An increase in activity due to legislative changes and the number of new schemes written led to increased fee income of £11.61m (2014: £9.43m). This was partially offset by an anticipated fall in banking revenues to £0.87m (2014: £1.13m) following further cuts in banking margin during the second half.

Our focus remains on the quality of new business, with an average new SIPP value of £0.38m (2014: £0.43m) and average new SSAS value of £0.72m (2014: £0.73m). We also maintained strong client retention, with an improved external loss rate⁹ of 2.8% (2014: 3.2%) and an overall attrition rate¹⁰ of 3.0% (2014: 3.6%). We continue to build capacity in our consultancy and technical teams to take

advantage of new business opportunities, with 81 consultants (2014: 72) at the year end having increased to 96 following the acquisitions of Boyd Coughlan and Taylor Patterson.

Third party pension administration

We have continued integrating our acquired businesses, with City Pensions Limited (trading as "City Trustees") being merged into Mattioli Woods on 31 October 2014. City Trustees generates 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 been awarded the Defaqto 5-star rating for its SIPP and continues to enjoy strong growth. Following the Group's acquisition of the UK Wealth Management and Torquil Clark pension businesses during the year, the number of SSAS and SIPP schemes administered by City Trustees had increased by 21.6% to 2,730 (2014: 2,245) at the year end. Revenues were up 44.1% to £3.07m (2014: £2.13m), representing 8.9% (2014: 7.2%) of total revenues, of which 72.8% (2014: 89.4%) are recurring. Administration fees increased to £2.75m (2014: £1.73m) and associated banking revenues were £0.32m (2014: £0.40m).

Overall, the Group's total banking revenue was £1.19m (2014: £1.53m). The introduction of new banking rules on liquidity cover makes it more onerous for banks to hold our clients' deposits, reducing the interest rates available. Accordingly, we expect to see a further reduction in banking revenue in the new financial year.

Investment and asset management

Investment and asset management revenues generated from advising clients on both pension and personal investments increased 27.3% to £11.43m (2014: £8.98m), representing 33.0% (2014: 30.6%) of total Group revenues. Income from initial and ongoing portfolio management charges increased to £5.45m (2014: £4.12m), as the value of assets held in clients' discretionary portfolios increased 39.0% to £0.82bn (2014: £0.59bn). The Group's total discretionary assets under management, including Custodian REIT and the Thoroughbred OEIC, totalled £1.01bn (2014: £0.74bn) at the year end.

Adviser charges (including legacy investment commissions and revenues from protection business) increased to £5.98m (2014: £4.86m), with adviser charges primarily based on the value of assets under advice during the period. Assets under advice include over £112.3m of clients' assets held in structured products and we expect continued growth in this area. Our structured product initiative has been a great success over the last 10 years, with our clients enjoying an average annual return on matured products of over 7.0%, with a 9.2% return on products maturing during the last year.

The growth of funds under management and advice has enhanced the quality of earnings through an increase in recurring revenues, with the proportion of investment and asset management revenues which are recurring increasing to 78.2% (2014: 76.9%). As with other firms, these income streams are linked to the value of funds under management and advice, and are therefore affected by the performance of financial markets.

⁸ SIPP and SSAS 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.



Ian Mattioli, Peter Soulsby and Roy Coley at the New Walk Centre site

A STRATEGY FOR GROWTH



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



OUR VISION

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

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

OUR OBJECTIVE

We are driven with passion and integrity to deliver profitable and sustainable growth year-on-year

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

OUR STRATEGY

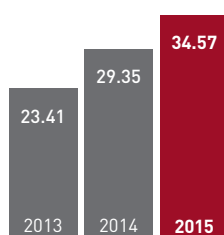
Key goals are to secure strong client retention and attract new clients

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

KEY PERFORMANCE INDICATORS

Revenue (£m)

£34.57m



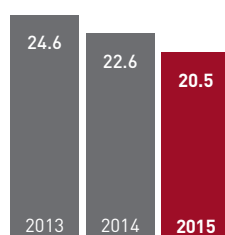
Total income (excluding VAT) from all revenue streams.

Strategy/objective:

Organic growth and growth by acquisition

EBITDA margin (%)

20.5%



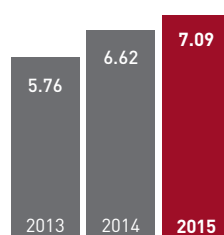
Profit generated from the Group's operating activities before any financing income or costs, taxation, depreciation and amortisation as a proportion of revenue.

Strategy/objective:

Operating efficiency

EBITDA (£m)

£7.09m



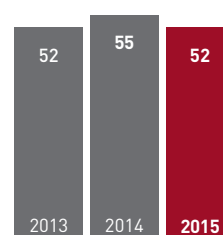
Profit generated from the Group's operating activities before any financing income or costs, taxation, depreciation and amortisation.

Strategy/objective:

Shareholder value and financial performance

Debtors' days

52 days



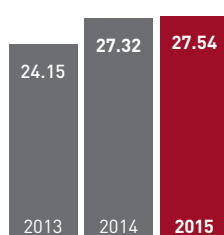
This is the average number of days' sales outstanding in trade receivables at any time.

Strategy/objective:

Financial stability

Adjusted EPS (p)

27.54p



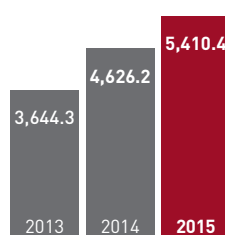
Total comprehensive income for the year, net of taxation, attributable to equity holders of the Company, adjusted to add back acquisition-related costs, notional finance charges on the unwinding of discounts on long term provisions and the amortisation of acquired intangible assets, divided by the number of ordinary shares in issue.

Strategy/objective:

Shareholder value and financial performance

Assets under management, administration and advice (£m)

£5,410.4m



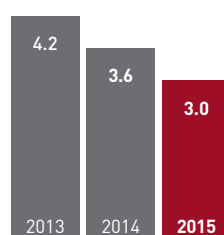
The value of all client assets the business gives advice upon, manages or administers.

Strategy/objective:

Growth of the value of assets under management, administration and advice

Client loss rate (%)

3.0%



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

CHIEF EXECUTIVE'S REVIEW CONTINUED

Employee benefits

The introduction of a charge cap on auto-enrolment pension schemes in April 2015, soon to be followed by the abolition of provider commissions in April 2016, has resulted in a number of changes, challenges and opportunities within the employee benefits market.

As employers move from commission to fee arrangements, in addition to the obvious cost considerations, they are taking the opportunity to review which services are adding true value to their goal of engaging employees. We are seeing a growing awareness of the need to provide some form of financial education and advice at the same time as offering choice and flexibility.

Employee benefits revenues decreased to £4.80m (2014: £5.65m), representing 13.9% of total revenue (2014: 19.3%), as the corporate pensions market transitions to a fee-based proposition prior to the abolition of provider commissions. In addition, revenues in the second half were adversely impacted by the effect of the fall in the oil price on corporate clients in the oil and gas industry and certain corporate pension providers "switching off" initial commission payments earlier than anticipated.

As anticipated, the changes in the corporate pensions market have reduced pension-related revenues in the short term but are leading to higher recurring revenues going forward, with 68.5% (2014: 47.4%) of employee benefits revenues now recurring.

We anticipate growing demand for ancillary services such as financial counselling and education from within the Group's corporate clientele, and expect the acquisitions of Boyd Coughlan and Taylor Patterson to bring new clients who will see the benefit of the broader and more flexible solutions the Group can offer.

Property management

Property management revenues increased to £2.79m (2014: £2.04m) or 8.1% of total revenue (2014: 6.9%), of which 90.3% (2014: 65.8%) represented recurring annual management charges. The majority of our property management revenues now come from the services provided by Custodian Capital as discretionary investment manager of Custodian REIT. Our strong income focus allows Custodian REIT to offer the highest yield¹¹ among its UK property investment company peer group, coupled with the potential for capital growth from a balanced portfolio of real estate assets.

In addition, Custodian Capital continues to facilitate direct property ownership on behalf of pension schemes and private clients and also manages a new initiative, the "Private Investors Club", which offers alternative investment opportunities to suitable clients by way of private investor syndicates. This has been well received by clients, with over £3.8m invested in the four new investments completed during the year.

Financial performance and future developments

Group results

Revenues were up 17.8% to £34.57m (2014: £29.35m), with sustained demand for the Group's services. We are particularly pleased with the continued development of our broader wealth management proposition and integration of recently acquired businesses during the year.

The mix between the Group's key revenue streams changed during the period, summarised as follows:

- 36.1% direct pension consultancy and administration (2014: 36.0%);
- 33.0% investment and asset management (2014: 30.6%);
- 13.9% employee benefits (2014: 19.3%);
- 8.9% third party pension administration (2014: 7.2%); and
- 8.1% property management (2014: 6.9%).

Unadjusted EBITDA increased 7.1% to £7.09m (2014: £6.62m), with an anticipated fall in EBITDA margin to 20.5% (2014: 22.6%) due to reduced employee benefits and banking revenues, costs associated with the completion and integration of recent acquisitions and further restructuring of the Group's legal structure.

To facilitate a like-for-like comparison with prior years, acquisition costs of £0.27m incurred on acquisitions during the year have been added back in calculating adjusted EBITDA and adjusted profit before tax. Adjusted EBITDA¹² increased 8.7% to £7.36m (2014: £6.77m), while adjusted EBITDA margin fell to 21.3% (2014: 23.1%). As highlighted in my Industry Overview, I see both a market expectation and possible regulatory or legislative pressure to reduce product costs. Previously, I have set out our aim to reduce the total expense ratios incurred by clients and hence we will see some continued pressure on margins, which we plan to offset by securing operational efficiencies through the development of our IT platform.

Net finance costs

Net finance costs were £0.13m (2014: revenue of £0.04m) due to the impact of £0.17m (2014: £nil) of notional finance charges on the unwinding of discounts on long term provisions. 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 increased to 24.0% (2014: 16.3%) due to an increase in acquisition-related expenses not deductible for tax and the effective rate in the prior year being distorted by the reversal of deferred tax liabilities on acquired intangibles following cuts in the UK corporation tax rate. The net deferred taxation liability carried forward at 31 May 2015 was £1.92m (2014: £2.10m).

Earnings per share and dividend

Adjusted EPS¹³ was up 0.8% to 27.54p (2014: 27.32p), with basic EPS down 9.8% to 19.83p (2014: 21.98p), due to the impact of strong revenue growth and an increase in underlying operating profits being offset by notional finance charges on the unwinding of discounts on long term provisions and a significant increase in the effective tax rate for the year. Diluted earnings per share fell 9.6% to 19.60p (2014: 21.69p), with 181,407 new shares issued as deferred consideration on the Atkinson Bolton acquisition and the exercise of 91,152 options issued under the Company's share option plans during the period. A proposed increase of 15.4% in the total dividend for the year to 10.50p (2014: 9.10p) demonstrates our desire to deliver value to shareholders and confidence in the outlook for our business.

¹¹ Source: Numis Securities Limited, 13 January 2015.

¹² Adding back £0.27m (2014: £0.15m) of acquisition-related costs.

¹³ Before acquisition-related costs, amortisation and impairment of acquired intangibles, and notional finance income and charges.

Cash flow

Cash generated from operations increased to £7.58m or 107.0% of EBITDA (2014: £5.05m or 76.3%), with the cash conversion ratio improving due to:

- EBITDA for the period being stated after a £0.57m increase in non-cash costs, being a £0.40m increase in share-based payment costs and a £0.17m increase in notional interest costs, representing the unwinding of discounting on long term provisions; and
- A smaller increase in the Group's working capital requirement of £0.25m (2014: £2.02m), with a £1.70m increase in trade and other receivables being offset by a £1.44m increase in trade and other payables and a £0.01m increase in provisions.

New client wins and recent legislative changes led to increased activity and hence an increase in accrued income and trade receivables in our direct pension business (where fees are typically invoiced six months in arrears), with higher discretionary funds under management and later payment terms from our trading platform provider increasing accrued income in investment and asset management.

Trade and other payables increased due to an increase in accrued staff bonuses at the year end and an increase in deferred income following growth in our third party administration business, (where annual fees are typically paid annually in advance).

Net cash at 31 May 2015 was £10.57m (2014: £9.51m), with £2.38m (2014: £1.58m) of deferred consideration paid in cash on historic acquisitions plus £0.24m cash outflow (net of cash acquired) on the acquisition of the UK Wealth Management pension business (2014: £1.05m cash inflow on acquisition of Atkinson Bolton). A nominal cash consideration of £1 was paid on the acquisition of the Torquil Clark pension business, with £0.80m of contingent consideration payable on the acquisition of Atkinson Bolton settled through the issue of new ordinary shares in Mattioli Woods during the period.

Outstanding trade receivables fell to 52 days' sales (2014: 55 days), with a continued focus on credit control, and trade payables fell to 32 days' purchases (2014: 42 days) due to prompt payments being made to suppliers prior to the end of the year.

Capital expenditure in the year was £0.98m (2014: £0.94m), with the most significant costs being the purchase of new company cars following continued expansion of the consultancy team, and investment in new computer hardware and software. The continued development of the Group's technology infrastructure is a key part of our strategy. We have extended the development of our bespoke pension administration and wealth management platform to include employee benefits, with the aim of enhancing the services we offer clients and realising operational efficiencies across the Group as a whole. While the first phase of our new platform development has commenced testing, the expected 'go live' date of the trading side of the platform has been pushed into 2016 due to delays experienced by one of our core technology partners on other projects. As a result, we now expect the trading side of our new platform to go live in 2016. In the meantime, the Group's existing systems remain fit for purpose, with sufficient capacity to support further growth.

Bank facilities

The Group has renewed its borrowing facilities with Lloyds Bank plc ("Lloyds"), which comprise 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 2016. At 31 May 2015, the Group had unused borrowing facilities of £5.0m (2014: £5.0m).

Capital structure

The Group's capital structure is as follows:

	2015 £000	2014 £000
Net funds	(10,570)	(9,514)
Shareholders' equity	39,467	35,544
Capital employed	28,897	26,030

The Group has remained negatively geared, with the gearing ratio increasing from (8.8)% to (6.6)% as a result of an increase in trade and other payables to £7.98m (2014: £6.39m) being partially offset by an increase in net cash balances to £10.57m (2014: £9.51m).

Regulatory capital

The Board considers it prudent for the Group to maintain headroom of at least 25% over the FCA regulatory capital requirement. The Group's regulatory capital requirement has increased in recent years, and in addition its capital is eroded when it makes acquisitions due to the requirement for intangible assets arising on acquisition to be deducted from Tier 1 Capital. To provide the flexibility to take advantage of further acquisition opportunities, the Company raised net proceeds of £17.9m pursuant to the Placing, which has been used as follows:

- £3.8m towards satisfaction of both the initial and deferred cash consideration payable in connection with the acquisition of Boyd Coughlan; and
- £5.8m to satisfy the cash consideration payable in connection with the acquisition of Taylor Patterson.

The balance of the Placing proceeds has given the enlarged Group greater headroom on its increased regulatory capital requirement following these acquisitions, allowing us to pursue further acquisition opportunities.

Acquisitions

The UK Wealth Management and Torquil Clark pension businesses acquired during the year continue to integrate well. We expect to see more acquisition opportunities within the SIPP market, as smaller operators look to exit prior to the introduction of increased regulatory capital requirements for SIPP operators in September 2016.

In June 2015 we acquired Boyd Coughlan, an employee benefits and wealth management business based in Buckingham, providing advice to both high net worth individuals and companies on all aspects of financial planning, for a total consideration of up to £7.0m, including up to £2.5m of deferred consideration payable in cash if certain financial targets are met based on EBITDA generated during the two years following completion.

We have followed this with the acquisition of Taylor Patterson, another financial advisory firm providing wealth management, strategic financial planning, employee benefits and pension services to businesses and individuals. A total consideration of up to £8.3m comprises an initial consideration of £5.0m, with £2.5m paid in cash plus £2.5m settled through the issue of new ordinary shares in Mattioli Woods on completion. Deferred consideration of up to £3.3m will be payable in cash in the three years following completion if certain financial targets are met, based on growth in revenues and EBITDA generated during that period.

CHIEF EXECUTIVE'S REVIEW CONTINUED

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.	<ul style="list-style-type: none"> Majority of clients' funds held within registered pension schemes or ISAs, 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.	<ul style="list-style-type: none"> Consolidating market position develops the Group's pricing power. Control over scalable and flexible bespoke pension 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 SIPP.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Periodic review of Business Continuity Plan, considering best practice methodologies. Disaster recovery plan and a disaster recovery team in place. Business impact analysis has been conducted by department.
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.	<ul style="list-style-type: none"> 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 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.	<ul style="list-style-type: none"> 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 is 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.	<ul style="list-style-type: none"> 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, which are aligned to specific service propositions. Restricted status for our consultants to enable the recommendation of our own products versus others in the market.
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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Experienced management team with successful track record to date. Management has demonstrated a thorough understanding of the market and monitors this through regular meetings with clients.
Underwriting risk	<p>When arranging new 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.</p> <p>If actual client investment is less than the underwritten amount, we would incur the cost of either acquiring the unsold element of the product or unwinding any hedges underlying the unsold element of the product.</p>	<ul style="list-style-type: none"> New products created in line with client demand. Potential costs are carefully considered by the Investment Committee prior to the launch of each product.

FINANCIAL RISKS

Counterparty default	That the counterparty to a financial obligation will default on repayments.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Good relationships with key banking partners. Access to competitive interest rates due to scale of our business.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Acquisitions continued

These recent transactions provide the Group with a wider audience for its products and services and extend our wealth management and employee benefits capabilities and we are delighted the experienced management teams of both companies have remained part of the enlarged Group. Both acquisitions are expected to be earnings enhancing in the first full year of ownership.

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 also 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.

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.

Last year we 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. Lower banking margins due to a continued low interest rate environment have resulted in a decline in these revenues. Although we work hard on developing our banking relationships to ensure we can access competitive interest rates for our clients, there is a risk that a further decline in interest turn or the value of balances held could result in lower earnings.

The Group has an indirect exposure to security price risk on investments held by clients, with discretionary portfolio management fees, adviser charges (including legacy investment commissions) and property management fees 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 table on pages 16 to 17 outlines 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.

Approval

In accordance with Section 414(c) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company has prepared a Strategic Report, which includes information that would have been previously included in the Directors' Report.

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

Ian Mattioli

Chief Executive
8 September 2015

CASE STUDY: SCOTSDALES

HELPING BUSINESSES TO RECRUIT, RETAIN AND ENGAGE

Caroline Owen is Managing Director of Scotsdales, one of the UK's largest independent garden centres. As with many successful family businesses, Caroline's main concern about her wealth management requirements, and the investment needs of the company was simple: time.

Recommended by an existing client, Caroline first approached our Newmarket office five years ago, concerned that the lack of time to consider the financial planning and asset management requirements of her own finances was exacerbated by the need to spend time on the business' needs. Starting with the latter, Caroline quickly appreciated that through active management, corporate assets could be worked differently to deliver much better returns than her bank could offer.

During the planning process, Caroline realised that her own finances could be similarly improved through active wealth management. Constructing portfolios, making maximum use of every day tax reliefs and maintaining regular communication to ensure the wealth plan stays on track, are some of the services Caroline has taken advantage of.

With the Mattioli Woods team working closely with Caroline's Finance Director, income tax and capital gains allowances are also now being taken into account. Despite remaining incredibly busy overseeing the continued growth of her award-winning business, Caroline finds that time spent with the Mattioli Woods team is time well spent. The corporate investments have delivered as anticipated, and now that the business has to meet the new auto-enrolment requirements, it was a natural step to involve Mattioli Woods' employee benefits team to ensure a comprehensive service for both company and individual investors.



“

The team in Newmarket have delivered on their mantra of creating and preserving wealth, both for me and my business. I have the peace of mind that real care and attention is being applied to a subject on which I have little experience and even less time. I welcome the fact they have always kept their promises.

”

Caroline Owen

Managing Director, Scotsdales

CORPORATE SOCIAL RESPONSIBILITY

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.

The Group was delighted to sponsor the Rothley 10k, one of the most celebrated charity road running races in Leicestershire, as it celebrated its 30th anniversary. Over the last three decades, the race has raised more than £250,000 for local charities, including Rainbows, LOROS Hospice, County Air Ambulance Service, Age UK, Eye Camps and the Royal National Lifeboat Institution.

In addition, we sponsor a variety of business and sports related events, including the Leicester Mercury New Business of the Year Award and a variety of local sports clubs across the country. We believe this brings many benefits to the local community and beyond. We also continue to sponsor wheelchair racer Sammi Kinghorn, who represented Scotland in the 2014 Commonwealth Games in Glasgow and hopes to represent Team GB at the Paralympic games in 2016.

One of Cambridgeshire's largest annual charity events, the Chariots of Fire relay race, has been supported by our Newmarket office for the past 12 years. Our colleagues in Aberdeen sponsor and participate in Glack Attack, a 5k 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 have recently chosen to support our first national charity, Breast Cancer Now, and expect to be involved in a number of activities to raise essential funding for this great cause.

In 2014, we 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.

The Academy offers two-year placements to 10 of the brightest students each year, leading to Level 3 qualifications in Business and Finance and a wealth of workplace experience. In addition, Mattioli Woods has also taken on eight apprentices who are working in areas throughout the business, as well as expanding our Financial Services Development Scheme, which was previously aimed at graduates, to now include apprentices and school leavers, with plans to enrol up to 16 new apprentices this year.



A RUNNING SUCCESS

The Mattioli Woods Rothley 10k attracts over 600 runners a year in support of local charitable causes.

In 2015, there were a record number of entries and combined with sponsorship from other local business partners, the race raised £18,000, a fundraising record for the event.

In addition to the main race, a family run, "Joe's Jog", was introduced in 2014 in aid of The Joe Humphries Memorial Trust (JHMT), which was set up after the tragic loss of Joe Humphries, a 14 year old Rothley boy who died while out jogging with his friend. More than 70 runners took part, including JHMT patron and rugby legend Martin Johnson, who ran with his family.



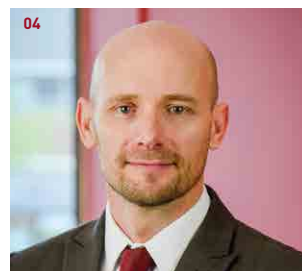
CREATING OPPORTUNITIES FOR YOUNG PEOPLE

In 2014, Mattioli Woods teamed up with Gateway Sixth Form College in Leicester to launch “The Mattioli Woods Academy” to offer two-year placements to students.

The innovative project aims to equip local young people with an academic qualification as well as “real life” workplace training.

BUILDING VALUE FOR SHAREHOLDERS

The Board comprises
six Executive and
three Non-Executive
Directors



01 Bob Woods **Chairman, age 61**

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. Bob will step down as Executive Chairman in October 2016, but will remain on the board as Founder Director, continuing to provide strategic input and acting as a full-time ambassador for the Company.

02 Ian Mattioli **Chief Executive, age 52**

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 46**

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 non-executive director of Mortgage Advice Bureau (Holdings) plc and a trustee of Leicester Grammar School.

04 Murray Smith **Sales and Marketing Director, age 46**

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.



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05 Mark Smith **Operations Director, age 45**

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 44**

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 70**

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 CPR Limited, a human resources consultancy, where he was Managing Director until he retired in 2003. John is also non-executive chairman of Durham Lane, a sales performance company and a member of the Chartered Institute of Personnel and Development.

08 Joanne Lake **Deputy Chairman, age 51**

Joanne was appointed to the Board in July 2012 and is Chairman of the Audit Committee. In June 2015, she was appointed as Deputy Chairman ahead of her intended appointment as Non-Executive Chairman in 2016. Joanne has over 30 years' experience in accountancy and investment banking, including with Panmure Gordon, Evolution Securities, Williams de Broe and Price Waterhouse. She is a Chartered Accountant and 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 Gateley (Holdings) Plc, the first UK law firm to list on AIM, and a trustee of The Hepworth Wakefield. On 28 August 2015, it was announced that Joanne will join the board of Henry Boot plc as a non-executive director on 1 October 2015.

09 Carol Duncumb **Non-Executive Director, age 53**

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. She is currently Interim Chief Executive of pinkboutique.com. 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
1 Lochrin Square
92 Fountainbridge
Edinburgh
EH3 9QA

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

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

DIRECTORS' REPORT

Report and financial statements

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 May 2015. 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 21 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 £4.02m, down by 6.0% on the previous year due to a £0.43m increase in income tax expense, coupled with increases in non-cash expenses including a £0.40m increase in share based payments costs, £0.17m (2014: nil) of notional finance costs (being the unwinding of discount on provisions) and a £0.12m increase in amortisation and depreciation charges. The effective tax rate of 24.0% (2014: 16.3%) is higher than in the prior year, due to the effective rate in the prior year including the impact of the reversal of deferred tax liabilities on acquired intangibles following cuts in the UK corporation tax rate and an increase in acquisition-related expenses not deductible for tax in the current year.

The final dividend in respect of the year ended 31 May 2014 of 6.00p per share was paid in October 2014. An interim dividend in respect of the year ended 31 May 2015 of 3.34p was paid to shareholders in March 2015. The directors recommend a final dividend of 7.16p per share. This has not been included within the Group financial statements as no obligation existed at 31 May 2015. If approved, the final dividend will be paid on 26 October 2015 to ordinary shareholders whose names are on the register on 18 September 2015.

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 2015 is shown in Note 22. 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 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;
- Restrictions on the former shareholders of Boyd Coughlan Limited ("the BCL Sellers") as a result of the BCL 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 235,742 ordinary shares in Mattioli Woods during the two years ending 23 June 2017; and
- Restrictions on the former shareholders of Taylor Patterson ("the Taylor Patterson Sellers") as a result of the Taylor Patterson 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 419,888 ordinary shares in Mattioli Woods during the three years ending 8 September 2018.

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 8 September 2015, 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	13.8%
Bob Woods	3,073,703	12.5%
Liontrust Asset Management	2,084,225	8.5%
Standard Life Investments	1,825,706	7.4%
BlackRock Investment Mgt (UK)	1,697,957	6.9%
Investec Wealth and Investment	1,526,061	6.2%
Unicorn Asset Management	1,171,426	4.8%

In addition to the above shareholdings, 487,286 ordinary 1p shares representing 2.0% 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 to 23. Ian Mattioli, Joanne Lake and John Redpath retire and, being eligible, offer themselves for re-election.

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 28.

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", which has recently been modernised and re-launched.

It has been three years since the Group introduced "MyWay", an online flexible benefits platform. 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. The platform allows individuals to select options to meet their personal needs and since its launch we have seen an increasing take up of flexible benefits each year.

DIRECTORS' REPORT CONTINUED

Employees continued

The Group operates a Group Personal Pension plan available to all employees and contributes to the pension schemes of directors and employees. Following the introduction of auto-enrolment every employer must automatically enrol eligible jobholders into a workplace pension scheme. Employers are then required to make contributions to pension schemes, adding to the savings made by employees. Auto-enrolment is being phased in over six years, with the largest employers having led the way following the first staging date on 1 October 2012, being 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 pension scheme qualifies as an auto-enrolment scheme. Mattioli Woods' first staging date was 1 April 2014, with the Group introducing 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 three 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.

Last year, the Group announced the creation of The Mattioli Woods Business Academy in partnership with Gateway College, Leicester. We are delighted that all the participants in the first intake achieved distinctions in their exams. This continues to be an exciting initiative to create opportunities locally for young people, building upon our strategy to develop our staff and give them the right skills, experience and values to achieve our objectives. We plan to expand the programme over the coming year, increasing the number of new apprenticeships across the Group.

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 technology infrastructure, extending the development of its bespoke pension administration and wealth management platform to include employee benefits, with the aim of enhancing the services offered to clients and realising operational efficiencies across the Group as a whole. 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 28.

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 15 October 2015. 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 9 is the only special business being proposed. Resolution 9 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 to 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 on pages 16 to 17.

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.

DIRECTORS' REPORT CONTINUED

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 2015 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 pages 22 to 23. 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 31.

On behalf of the Board

Nathan Imlach

Finance Director and Company Secretary
8 September 2015

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 2014 ("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 to 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.

CORPORATE GOVERNANCE CONTINUED

Audit Committee continued

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. Following the appointment of Joanne Lake as Deputy Chairman in June 2015, prior to her proposed appointment as Non-Executive Chairman at the Company's AGM in October 2016, the Board is satisfied there is a clear timetable to ensure 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	8	3	3	11	4
Bob Woods	8	—	—	11	—
Ian Mattioli	8	—	—	—	—
Nathan Imlach	8	—	—	—	—
Murray Smith	8	—	—	9	—
Mark Smith	8	—	—	—	—
Alan Fergusson	6	—	—	—	—
John Redpath	7	3	3	—	3
Joanne Lake	8	3	3	—	4
Carol Duncumb	7	2	—	—	2

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 by 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 15 October 2015. 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
8 September 2015

DIRECTORS' REMUNERATION REPORT

Remuneration policy

The policy of the Remuneration Committee is to set basic salaries at a level which is competitive with that of comparable businesses, with a substantial proportion of the overall remuneration package being linked to 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.

The Remuneration Committee continues to benchmark executive remuneration with that in comparable listed companies with a similar level of revenue and market capitalisation.

The FCA has published codes of practice ("the FCA Codes"), setting out the standards and policies that certain firms are required to meet when setting pay and bonus awards for staff. The aims of the FCA Codes are to:

- Ensure greater alignment between risk and individual reward;
- Discourage excessive risk taking and short-termism;
- Encourage more effective risk management; and
- Support positive behaviours and a strong and appropriate conduct culture within firms.

There are four FCA Codes tailored to different types of firm. FCA Remuneration Code SYSC 19A ("SYSC 19A") applies to solo-regulated IFPRU investment firms within scope of the Capital Requirements Directive ("CRD") IV, such as the Company. The FCA has adopted a proportionate approach to implementing the code and disclosure. SYSC 19A allows a firm to comply with the code in a way and to the extent that is appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities. SYSC 19A sets out the standards and policies that solo-regulated IFPRU investment firms, within scope of CRD IV, have to meet when setting pay and bonus awards for their staff.

Work continues to rebalance basic and variable pay to ensure consistency with the aims of the FCA Codes. During the year ended 31 May 2015 the Remuneration Committee granted further awards under the Mattioli Woods 2010 Long-Term Incentive Plan ("the LTIP") in respect of the year ended 31 May 2014. This allows a significant element of deferred variable remuneration to be paid in equity or a cash equivalent award.

Although Mattioli Woods is not required to apply the FCA Codes 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 Codes 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 2015, 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 2016, 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	100%	50%	50%
Bob Woods	80%	50%	50%
Nathan Imlach	80%	50%	50%
Murray Smith	80%	50%	50%
Mark Smith	80%	50%	50%
Alan Fergusson	80%	50%	50%

Long term incentives

It is a priority for the Group to continue to attract and retain appropriately qualified staff and to assist in this, it 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, the Share Option Plan and Consultants' Share Option Plan benefit from the tax advantages under an Enterprise Management Initiative ("EMI") scheme.

Grant of options under the Share Option Plan

At 31 May 2015, 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 0.22% (2014: 0.26%). The options are exercisable at £1.32 per share prior to their expiry on 31 October 2015. Options over 0.26% of the Company's share capital were in issue under the Share Option Plan at 31 May 2015 (2014: 0.41%).

Grant of options under the Consultants' Share Option Plan

At 31 May 2015, the Company had granted options to certain of its senior consultants to acquire (in aggregate) up to 1.83% (2014: 2.17%) of its share capital. The maximum entitlement of any individual was 0.31% (2014: 0.32%). 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 2015, the Company had granted options to certain of its senior managers and consultants to acquire (in aggregate) up to 2.01% (2014: 1.09%) of its share capital. The maximum entitlement of any individual was 0.48% (2014: 0.25%). The options are exercisable at 1p per share.

Grant of cash-settled options under the LTIP

At 31 May 2015, the Company had granted cash settled options to certain Executive Directors to acquire the equivalent of (in aggregate) up to 1.29% (2014: 0.74%) of its share capital. The maximum entitlement of any individual was 0.48% (2014: 0.43%). 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).

The Remuneration Committee intends to grant additional awards under the LTIP following the announcement of the Group's results for the year ended 31 May 2015.

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 REPORT CONTINUED

Directors' remuneration

Directors' remuneration payable in respect of the year ended 31 May 2015 was as follows:

Director	Basic salary and fees £	Performance related short term incentives £	Pension contributions £	Benefits ^{1,2} £	Total emoluments	
					2015 £	2014 £
Ian Mattioli ³	413,228	292,113	—	1,218	706,559	687,036
Bob Woods ³	293,081	162,034	—	51	455,166	422,995
Nathan Imlach ³	259,250	155,919	21,250	7,525	443,944	405,027
Murray Smith	220,000	134,519	22,000	8,980	385,499	342,956
Mark Smith	187,500	114,646	18,750	7,436	328,332	291,074
Alan Fergusson	205,740	78,866	16,064	1,839	302,509	—
John Redpath	41,500	—	—	—	41,500	37,500
Joanne Lake	43,750	—	—	—	43,750	35,000
Carol Duncumb	26,250	—	—	—	26,250	—

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, Bob Woods and Nathan Imlach have received additional basic salary in lieu of pension contributions.

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 2015, 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	2015		2014	
	No.	%	No.	%
Ian Mattioli	3,393,703	16.66	3,393,703	16.98
Bob Woods	3,073,703	15.09	3,073,703	15.38
Murray Smith	223,814	1.10	223,661	1.12
Nathan Imlach	167,911	0.82	166,914	0.83
Alan Fergusson	65,787	0.32	62,514	0.31
John Redpath	13,000	0.06	13,000	0.07
Mark Smith	1,296	0.01	447	0.00
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 2014 No.	Granted during the year No.	Exercised during the year No.	Forfeited during the year No.	At 31 May 2015 No.
Ian Mattioli	(a)	0.01	—	—	—	—	—
	(b)	0.01	85,706	69,380	—	—	155,086
			85,706	69,380	—	—	155,086
Bob Woods	(a)	0.01	—	—	—	—	—
	(b)	0.01	62,443	49,121	—	—	111,564
			62,443	49,121	—	—	111,564
Murray Smith	(a)	0.01	48,975	40,703	—	—	89,678
	(b)	0.01	—	—	—	—	—
			48,975	40,703	—	—	89,678
Mark Smith	(a)	0.01	41,628	34,690	—	—	76,318
	(b)	0.01	—	—	—	—	—
			41,628	34,690	—	—	76,318
Nathan Imlach	(a)	0.01	50,199	47,179	—	—	97,378
	(b)	0.01	—	—	—	—	—
			50,199	47,179	—	—	97,378
Total equity settled			140,802	122,572	—	—	263,374
Total cash settled			148,149	118,501	—	—	266,650

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 2015. All of the share options were granted for nil consideration.

The mid-market closing price of the Company's ordinary shares at 31 May 2015 was 516p and the range during the financial year was 419p to 517p.

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

There was no change in the directors' shareholdings (all of which are beneficial) or their interests in share options between 31 May 2015 and 1 September 2015.

DIRECTORS' REMUNERATION REPORT CONTINUED

Total shareholder return performance graph

The graph below illustrates the total shareholder return for the five years ended 31 May 2015 in terms of the change in value of an initial investment of £100 invested on 1 June 2010 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

8 September 2015

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 Consolidated and parent company financial statements ("the financial statements") which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. 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 2015 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 FCA (Senior Statutory Auditor)

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

8 September 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2015

	Note	2015 £000	2014 £000
Revenue	4	34,565	29,347
Employee benefits expense	11	(20,042)	(16,857)
Other administrative expenses		(6,604)	(5,423)
Share-based payments	19	(790)	(386)
Amortisation and impairment	16	(1,279)	(1,176)
Depreciation	15	(387)	(367)
Loss on disposal of property, plant & equipment		(44)	(64)
Operating profit before financing	10	5,419	5,074
Finance revenue	8	46	43
Finance costs	9	(175)	(2)
Net finance revenue		(129)	41
Profit before tax		5,290	5,115
Income tax expense	12	(1,268)	(834)
Profit for the year		4,022	4,281
Other comprehensive income for the year, net of tax		—	—
Total comprehensive income for the year, net of tax		4,022	4,281
Attributable to:			
Equity holders of the parent		4,022	4,281
Earnings per ordinary share:			
Basic (pence)	13	19.83	21.98
Adjusted (pence)		27.54	27.32
Diluted (pence)	13	19.60	21.69
Proposed total dividend per share (pence)	14	10.50	9.10

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 £2.48m (2014: £3.47m).

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 31 May 2015

Registered number: 3140521

	Note	2015		2014	
		Group £000	Company £000	Group £000	Company £000
Assets					
Property, plant and equipment	15	1,430	1,430	1,326	1,165
Intangible assets	16	28,852	28,818	29,001	10,192
Deferred tax asset	12	422	422	367	298
Investments	17	—	17,617	—	19,623
Total non-current assets		30,704	48,287	30,694	31,278
Trade and other receivables	20	12,355	11,922	10,568	8,835
Investments	17	129	129	39	—
Cash and short-term deposits	21	10,570	8,545	9,514	3,181
Total current assets		23,054	20,596	20,121	12,016
Total assets		53,758	68,883	50,815	43,294
Equity					
Issued capital	22	204	204	200	200
Share premium	22	8,689	8,689	8,001	8,001
Merger reserve	22	4,838	4,838	4,040	4,040
Equity – share-based payments	22	997	976	1,046	1,040
Capital redemption reserve	22	2,000	2,000	2,000	2,000
Retained earnings	22	22,739	20,048	20,257	19,105
Total equity attributable to equity holders of the parent		39,467	36,755	35,544	34,386
Non-current liabilities					
Deferred tax liability	12	2,339	2,332	2,464	284
Financial liabilities and provisions	25	2,393	21,195	1,781	1,334
Total non-current liabilities		4,732	23,527	4,245	1,618
Current liabilities					
Trade and other payables	24	7,979	7,297	6,386	3,802
Income tax payable		624	348	632	—
Financial liabilities and provisions	25	956	956	4,008	3,488
Total current liabilities		9,559	8,601	11,026	7,290
Total liabilities		14,291	32,128	15,271	8,908
Total equities and liabilities		53,758	68,883	50,815	43,294

The financial statements on pages 39 to 81 were approved by the Board of Directors and authorised for issue on 8 September 2015 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 2015

Group	Issued capital (Note 22) €000	Share premium (Note 22) €000	Merger reserve (Note 22) €000	Equity – share-based payments (Note 22) €000	Capital redemption reserve (Note 22) €000	Retained earnings (Note 22) €000	Total equity €000
As at 1 June 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
Profit for the year	—	—	—	—	—	4,022	4,022
Total comprehensive income	—	—	—	—	—	4,022	4,022
Transactions with owners of the Group, recognised directly in equity							
Issue of share capital	4	688	798	—	—	—	1,490
Share-based payments	—	—	—	256	—	—	256
Deferred tax taken to equity	—	—	—	2	—	—	2
Current tax taken to equity	—	—	—	34	—	—	34
Dividends paid	—	—	—	—	—	(1,881)	(1,881)
Reserves transfer	—	—	—	(341)	—	341	—
As at 31 May 2015	204	8,689	4,838	997	2,000	22,739	39,467
Company							
As at 1 June 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
Profit for the year	—	—	—	—	—	2,483	2,483
Total comprehensive income	—	—	—	—	—	2,483	2,483
Transactions with owners of the Company, recognised directly in equity							
Issue of share capital	4	688	798	—	—	—	1,490
Share-based payments	—	—	—	241	—	—	241
Deferred tax taken to equity	—	—	—	2	—	—	2
Current tax taken to equity	—	—	—	34	—	—	34
Dividends paid	—	—	—	—	—	(1,881)	(1,881)
Reserves transfer	—	—	—	(341)	—	341	—
As at 31 May 2015	204	8,689	4,838	976	2,000	20,048	36,755

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 31 May 2015

	Note	2015		2014	
		Group £000	Company £000	Group £000	Company £000
Operating activities					
Profit for the year excluding dividends received					
Adjustments for:		4,022	736	4,281	1,972
Depreciation	15	387	339	367	290
Amortisation and impairment	16,17	1,279	2,775	1,176	405
Gain on bargain purchase	3	(92)	(92)	—	—
Investment income	8	(46)	(23)	(43)	(20)
Interest expense	9	175	411	2	2
Loss on disposal of property, plant and equipment		44	44	64	33
Equity-settled share-based payments	19	478	463	213	208
Cash-settled share-based payments		312	312	172	172
Income tax expense	12	1,268	927	834	485
Cash flows from operating activities before changes in working capital and provisions					
		7,827	5,892	7,066	3,547
Increase in trade and other receivables		(1,699)	(1,010)	(1,560)	(1,687)
Increase/(decrease) in trade and other payables		1,442	1,176	(90)	(28)
Increase/(decrease) in provisions		10	30	(366)	(65)
Cash generated from operations					
		7,580	6,088	5,050	1,767
Interest paid		(1)	(1)	(2)	(2)
Income taxes paid		(1,441)	(1,096)	(1,330)	(781)
Net cash flows from operating activities					
		6,138	4,991	3,718	984
Investing activities					
Proceeds from sale of property, plant and equipment		69	69	37	37
Purchase of property, plant and equipment	15	(603)	(579)	(647)	(597)
Purchase of software	16	(374)	(374)	(294)	(294)
Consideration paid on acquisition of subsidiaries	3	(2,383)	(2,383)	(2,164)	(2,164)
Consideration paid on acquisition of business	3	(363)	—	—	—
Cash transferred on hive up of Group companies		—	3,373	—	—
Cash received on acquisition of subsidiaries	3	32	—	1,628	—
Other investments	17	(90)	(90)	—	—
Loan repayments from property syndicates		—	—	239	235
Interest received	8	46	23	43	19
Dividends received		—	1,750	—	1,500
Net cash flows from investing activities					
		(3,666)	1,789	(1,158)	(1,264)
Financing activities					
Proceeds from the issue of share capital		467	467	475	475
Payment of costs of share issue		—	—	(25)	(25)
Repayment of Directors' loans	24	(2)	(2)	—	—
Dividends paid	14	(1,881)	(1,881)	(1,543)	(1,543)
Net cash flows from financing activities					
		(1,416)	(1,416)	(1,093)	(1,093)
Net increase/(decrease) in cash and cash equivalents					
		1,056	5,364	1,467	(1,373)
Cash and cash equivalents at start year	21	9,514	3,181	8,047	4,554
Cash and cash equivalents at end of year					
	21	10,570	8,545	9,514	3,181

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

Mattioli Woods plc ("the Company") is a public limited company incorporated and domiciled in England and Wales, whose shares are 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 8 September 2015.

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 2014, 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 2018
IFRS 10 (amended)	Consolidated Financial Statements	1 January 2016
IFRS 11 (amended)	Joint Arrangements	1 January 2016
IFRS 12	Disclosures of Interests in Other Entities	1 January 2015
IAS 16 (amended)	Property, Plant and Equipment	1 January 2016
IAS 27 (revised)	Separate Financial Statements	1 January 2016
IAS 28 (amended)	Investments in Associates and Joint Ventures	1 January 2016
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities	1 January 2015
IFRS 15	Revenue from Contracts with Customers	1 January 2018

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.

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 expected future 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.

Group re-organisation

During the year the trade and assets of City Pensions Limited, Thoroughbred Wealth Management Limited, Atkinson Bolton Consulting Limited and Kudos Financial Services Limited were transferred to the Company. The net asset and results for the transferred businesses are reflected in the parent company financial statements at the same values as they would have been reflected in the Group accounts had the transfer not taken place. Each transfer of trade and assets resulted in any goodwill, client portfolios recognised as intangible assets and associated deferred tax balances that arose on consolidation, being recognised in the parent company statement of financial position. The trade and assets were exchanged for loan notes attracting annual interest on the outstanding principal at a rate of 3% above the Bank of England base rate.

NOTES TO THE FINANCIAL STATEMENTS

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 fair 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
UK Wealth Management	8 August 2014	10 Years
Torquil Clark	23 January 2015	10 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.

NOTES TO THE FINANCIAL STATEMENTS

2.2 Significant accounting policies continued

Impairment of non-financial assets 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 the 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, except in relation to goodwill.

The following criteria are also applied in assessing impairment of specific non-financial 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.

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.

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.

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. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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"). The fair value of share options is determined using the Black Scholes Merton pricing model.

NOTES TO THE FINANCIAL STATEMENTS

2.2 Significant accounting policies continued

Share-based payments continued

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.

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 proportion of un invoiced time costs 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 (less provision for clawbacks) 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 statement of comprehensive income. 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.

NOTES TO THE FINANCIAL STATEMENTS

2.3 Key sources of judgements and estimation uncertainty continued

Impairment of client portfolios 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% (2014: 2.5%), which management considers conservative against industry average long-term growth rates.

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

The carrying amount of client portfolios at 31 May 2015 was £16.89m (2014: £17.24m). No impairments have been made during the year (2014: £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 2015 was £10.77m (2014: £10.77m). No impairments have been made during the year (2014: £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 2015 was £0.81m (2014: £0.65m).

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 2015 was £0.42m (2014: £0.37m).

Recoverability of accrued time costs and disbursements

The Group recognises accrued income in respect of time costs and disbursements incurred on clients' affairs during the accounting period, which have not been invoiced at the reporting date. This requires an estimation of the recoverability of the time costs and disbursements incurred but not invoiced to clients. The carrying amount of accrued time costs and disbursements at 31 May 2015 was £4.46m (2014: £3.34m).

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 2015 was £0.24m (2014: £0.45m).

Contingent consideration payable on acquisitions

The Group has entered into certain acquisition agreements that provide for a contingent consideration to be paid. A financial instrument is recognised for all amounts management anticipates will be paid under the relevant acquisition agreement. This requires management to make a fair value 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 2015 was £1.45m (2014: £4.46m).

Acquisitions and business combinations

When an acquisition arises the Group is required under IFRS to calculate the Purchase Price Allocation ("PPA"). The PPA requires companies to report the fair value of assets and liabilities acquired and it establishes useful lives for identified assets. The identification and the valuation of the assets and liabilities acquired involves estimation and judgement when determining whether the recognition criteria are met.

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

Provisions

As detailed in Note 25, the Group recognises provisions for client claims, 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 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").

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.

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

	Fair value recognised on acquisition €000	Fair value adjustments €000	Previous carrying value €000
Client portfolio	562	562	—
Trade and other receivables	48	—	48
Cash at bank	32	—	32
Assets	642	562	80
Accruals and deferred income	(152)	—	(152)
Provisions and other payables	(149)	(86)	(63)
Liabilities	(301)	(86)	(215)
Total identifiable net assets at fair value	341		
Total acquisition cost	341		
Analysed as follows:			
Initial cash consideration	275		
Deferred contingent consideration	80		
Adjustment to initial consideration	(14)		
Total acquisition cost	341		
Cash outflow on acquisition	€000		
Cash paid	275		
Cash acquired	(32)		
Acquisition costs	42		
Net cash outflow	285		

UKWM Pensions provides trustee and administration services to over 400 SIPP and SSAS schemes. The client portfolio will be amortised on a straight-line basis over an estimated useful life based on the Group's historic experience.

NOTES TO THE FINANCIAL STATEMENTS

3. Business combinations continued

Acquisition of UK Wealth Management Limited's pension business continued

The acquisition brought additional SIPP and SSAS clients to the Group and further developed its relationship with Ashcourt Rowan (now Towry) following the Group's acquisition of the pension business of Ashcourt Rowan in April 2013. The Group expects to benefit from the realisation of synergies and other benefits from combining the assets and activities of UKWM Pensions with those of Mattioli Woods.

Deferred consideration of up to £0.08m is payable in cash over two years if certain financial targets, based on revenues, are met during the period. The Group estimates the net present value of the remaining contingent consideration payable at 31 May 2015 to be £0.08m.

From the date of acquisition UKWM Pensions has contributed £0.19m revenue and £0.03m 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 £34.60m and the profit for the period would have been £4.03m.

Transaction costs of £0.04m 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.

Acquisition of Torquil Clark Pensions

On 23 January 2015 the Group acquired the pension administration business of PS Employee Benefits Limited, a subsidiary of Capital Professional Limited ("Bellpenny"), including the entire issued share capital of Torquil Clark Pension Trustees Limited (together "Torquil Clark Pensions") for a total consideration of £1.

Torquil Clark Pensions provides trustee and administration services to 140 SIPP and SSAS schemes. The acquisition has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities of Torquil Clark Pensions as at the date of acquisition were:

	Fair value recognised on acquisition £000	Fair value adjustments £000	Previous carrying value £000
Client portfolio	194	194	—
Trade and other receivables	4	—	4
Assets	198	194	4
Provisions	(106)	(106)	—
Liabilities	(106)	(106)	—
Total identifiable net assets at fair value	92		
Gain on bargain purchase recognised in administrative expenses in the statement of comprehensive income	(92)		
Total acquisition cost	—		
Analysed as follows:			
Initial cash consideration	—		
Total acquisition cost	—		
Cash outflow on acquisition	£000		
Cash paid	—		
Acquisition costs	60		
Net cash outflow	60		

Torquil Clark Pensions was acquired for a consideration of £1, as the seller recognised the Group's ability to deal with the complexities associated with the winding up of the SIPP operated by Torquil Clark Pensions and transfer to alternative pension arrangements of its members, as required by the establisher of the SIPP. This resulted in a gain on bargain purchase of £0.09m arising on the acquisition, which has been recognised in the statement of comprehensive income.

Transaction costs of £0.06m 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.

From the date of acquisition Torquil Clark Pensions has contributed £0.05m to revenue and £0.02m 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 £34.7m and the profit for the period would have been £4.05m.

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 fair 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 £0.14m (2014: £3.19m).

On 11 August 2014 the Group acquired UKWM Pensions for initial cash consideration of £0.28m (excluding cash acquired with the business) plus contingent consideration of £0.08m payable in cash in the two years following completion if certain revenue targets are met. The Group estimates the net present value of the remaining contingent consideration at 31 May 2015 to be £0.08m using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 29 July 2013, Mattioli Woods acquired 100% of the voting equity interests of Thoroughbred Wealth Management Limited and its subsidiary Atkinson Bolton Consulting Limited (together "Atkinson Bolton"). The share purchase agreement ("the Agreement") stated contingent deferred consideration of up to £2.75m was payable in cash in the four years following completion if certain financial targets were met. However, to facilitate the earlier integration of Atkinson Bolton into the Group's wealth management and employee benefits divisions, the parties agreed to vary the Agreement on 26 August 2014 such that:

- £1.60m of contingent consideration was paid in September 2014 as £0.80m in cash and £0.80m through the allotment and issue of new ordinary shares in Mattioli Woods, following the achievement of certain financial targets based on growth in the EBITDA generated by Atkinson Bolton in the year from 1 August 2013 to 31 July 2014; and
- Up to £1.15m of contingent consideration will be 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 fair value of the remaining contingent consideration at 31 May 2015 to be £0.98m 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 2015 to be £0.39m using cash flows approved by the Board covering the contingent consideration period.

On 26 August 2011 the Group acquired TCF Global Independent Financial Services Limited, the parent company of Kudos Financial Services Limited, 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 remaining contingent consideration was paid in full during the year.

4. Revenue

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

	2015 £000	2014 £000
Rendering of services	28,164	21,229
Commission income	6,401	8,118
	34,565	29,347

NOTES TO THE FINANCIAL STATEMENTS

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;
- Investment and asset management – income generated from the management and 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, investment and asset 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).

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the two years ended 31 May 2015 and 2014 respectively.

Year ended 31 May 2015	Direct pension consultancy and administration £000	Third-party pension administration £000	Investment and asset management £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue								
External client	12,475	3,070	11,430	2,790	4,800	34,565	—	34,565
Total revenue	12,475	3,070	11,430	2,790	4,800	34,565	—	34,565

Results

Segment result	2,773	575	2,221	433	637	6,639	(1,349)	5,290
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Year ended 31 May 2014	Direct pension consultancy and administration £000	Third-party pension administration £000	Investment and asset 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
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Segment assets

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

	31 May 2015 €000	31 May 2014 €000
Direct pension consultancy and administration	13,057	12,261
Third-party pension administration	5,014	4,007
Investment and asset management	11,088	9,214
Property management	1,196	697
Employee benefits	9,061	10,777
Total segments	39,416	36,956
Corporate assets	14,342	13,859
Total assets	53,758	50,815

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

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

Corporate costs

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

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

	31 May 2015 €000	31 May 2014 €000
Reconciliation of profit		
Total segments	6,639	6,015
Acquisition costs	(272)	(157)
Depreciation	(387)	(367)
Amortisation and impairment	(139)	(119)
Loss on disposal of assets	(44)	(34)
Unallocated overheads	(355)	(254)
Bank charges	(23)	(10)
Finance income	46	(43)
Finance costs	(175)	(2)
Group profit before tax	5,290	(5,115)

	31 May 2015 €000	31 May 2014 €000
Reconciliation of assets		
Segment operating assets	39,416	36,956
Property, plant and equipment	1,430	1,326
Intangible assets	1,191	977
Investments	129	39
Deferred tax asset	422	367
Prepayments and other receivables	600	1,636
Cash and short-term deposits	10,570	9,514
Total assets	53,758	50,815

NOTES TO THE FINANCIAL STATEMENTS

7. Auditor's remuneration

Remuneration paid by the Group to its auditor 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 2015 €000	Company Associates of Baker Tilly UK Audit LLP 2015 €000	Total 2015 €000	Total 2014 €000
Audit related services				
Audit of the Company	32	—	32	35
Audit of subsidiaries	34	—	34	34
Other assurance – CASS reporting	4	—	4	8
Interim review	14	—	14	15
	84	—	84	92
Non-audit services				
VAT advice	—	—	—	6
Corporate finance	—	45	45	—
	—	45	45	6
Total	84	45	129	98

8. Finance revenue

	2015 €000	2014 €000
Bank interest receivable	46	43

9. Finance costs

	2015 €000	2014 €000
Bank loans and overdrafts	2	2
Unwinding of discount on provisions	173	—
	175	2

10. Operating profit

	2015 €000	2014 €000
Included in operating profit before financing:		
Depreciation (Note 15)	387	367
Amortisation and impairment of intangible assets (Note 16)	1,279	1,176
Minimum lease payments recognised as an operating lease expense (Note 26)	836	701

11. Employee benefits expense

The average monthly number of employees during the year was:	2015 No.	2014 No.
Executive Directors	6	5
Consultants	74	61
Administrators	186	158
Support staff	131	116
	397	340

Staff costs for the above persons were:	2015 €000	2014 €000
Wages and salaries	17,242	14,258
Social security costs	2,014	1,689
Pension costs and life insurance	491	588
Other staff costs	295	322
	20,042	16,857

In addition, the cost of share-based payments disclosed separately in the statement of comprehensive income was €789,823 (2014: €385,643).

Directors' remuneration:	2015 €000	2014 €000
Emoluments	2,628	2,007
Company contributions to personal pension schemes	78	105
	2,706	2,112

The amounts in respect of the highest paid Director are as follows:	2015 €000	2014 €000
Emoluments	707	658
Company contributions to personal pension schemes	—	29
	707	687

Details of the remuneration payable to each Director in respect of the year ended 31 May 2015 is disclosed in the Directors' Remuneration Report on page 34. Six Directors (2014: five) accrued benefits under personal pension schemes, or through an equivalent cash award when they have reached their maximum lifetime allowance. During the year 122,572 share options were issued to Directors (2014: 140,802) and no Directors exercised share options (2014: nil). An equivalent of 118,501 cash settled options were also issued to Directors during the year (2014: 148,149).

12. Income tax

The major components of income tax expense for the years ended 31 May 2015 and 2014 are:

Consolidated income statement	2015 €000	2014 €000
Current tax	1,434	1,382
Under/(over) provision in prior periods	13	(184)
	1,447	1,198
Deferred tax credit	(158)	(190)
Adjustments in respect of change in tax rate	—	(231)
Adjustments in respect of prior periods	(21)	57
Income tax expense reported in the statement of comprehensive income	1,268	834

For the year ended 31 May 2015, current tax recognised directly in equity was €34,118 (2014: €45,448). Deferred tax recognised directly in equity was €1,633 (2014: €129,487).

NOTES TO THE FINANCIAL STATEMENTS

12. Income tax continued

Factors affecting the tax charge for the period

The tax charge assessed for the period is higher (2014: lower) than the standard rate of corporation tax in the UK of 20.83% (2014: 22.67%). The differences are explained below:

	2015 £000	2014 £000
Accounting profit before income tax	5,290	5,115
Multiplied by standard rate of UK corporation tax of 20.83% (2014: 22.67%)	1,102	1,159
Effects of:		
Expenses not deductible for tax	133	82
Deferred tax on share options	29	(23)
Under/(over) provision in prior periods	13	(184)
Deferred tax in respect of prior periods	(21)	57
Effect of changes in the standard rate of tax	—	(230)
Income not taxable	—	(27)
Effects of other tax rates	7	—
Transfer of non-qualifying assets	5	—
Income tax expense for the year	1,268	834
Effective income tax rate	24.0%	16.3%

During the year, the UK Government reduced the rate of corporation tax from 21% to 20% with effect from 1 April 2015. UK deferred tax is therefore recognised at 20%.

Deferred income tax

Deferred income tax at 31 May relates to the following:

Group	2015 £000	2014 £000
Deferred income tax liability		
Temporary differences on acquired intangibles	(2,310)	(2,332)
Temporary differences accelerated capital allowances	(29)	(132)
	(2,339)	(2,464)
Deferred income tax liability		
Temporary differences on provisions	55	76
Temporary differences on accelerated capital allowances in subsidiaries	—	—
Temporary differences on share-based payments	367	291
	422	367
Net deferred tax liability	(1,917)	(2,097)
Reflected in the statement of financial position as follows:		
Deferred tax assets	422	367
Deferred tax liabilities	(2,339)	(2,464)
Net deferred tax liability	(1,917)	(2,097)

Deferred income tax continued		
Company	2015	2014
	£000	£000
Deferred income tax liability		
Temporary differences on acquired intangibles	(2,310)	(147)
Temporary differences on accelerated capital allowances	(22)	(137)
	(2,332)	(284)
Deferred income tax asset		
Temporary differences on provisions	55	7
Temporary differences on share-based payments	367	291
	422	298
Net deferred tax (liability)/asset	(1,910)	14
Reflected in the statement of financial position as follows:		
Deferred tax assets	422	298
Deferred tax liabilities	(2,332)	(284)
Net deferred tax (liability)/asset	(1,910)	14

There are no income tax consequences for the Group attaching to the payment of dividends by Mattioli Woods plc to its shareholders in either 2014 or 2015.

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 2015 are summarised as follows:

Deferred tax in income statement	2015	2014
	£000	£000
Deferred tax on share options	(74)	(67)
Deferred tax on capital allowances	34	16
(Under)/Overprovision for capital allowances in prior period	(6)	31
Deferred tax on provisions	36	30
Overprovision for provisions in prior period	(16)	—
Deferred tax on amortisation of client portfolios	(85)	(132)
Deferred tax on intangible assets	(73)	(10)
Effect of changes in the standard rate of tax	5	(232)
Deferred tax movement	(179)	(364)

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

Deferred tax reconciliation	2015	2014
	£000	£000
Opening net deferred tax liability	(2,097)	(1,834)
Movement recognised in the statement of comprehensive income	158	421
Deferred tax movement recognised in equity	(2)	129
Deferred tax arising on acquisitions	—	(756)
Adjustment in respect of prior period	24	(57)
Closing net deferred tax liability	(1,917)	(2,097)

NOTES TO THE FINANCIAL STATEMENTS

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:

	2015 £000	2014 £000
Net profit and diluted net profit attributable to equity holders of the Company	4,022	4,281
Weighted average number of ordinary shares:		
	000s	000s
Issued ordinary shares at start period	19,990	18,813
Effect of shares issued during the year ended 31 May 2014	—	563
Effect of shares issued during the year ended 31 May 2015	297	101
Basic weighted average number of shares	20,287	19,477
Effect of dilutive options at the statement of financial position date	237	258
Diluted weighted average number of shares	20,524	19,735

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 4.10% 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 2015 the conditions attached to 410,032 options granted under the LTIP were not satisfied (2014: 217,519). If the conditions had been satisfied, diluted earnings per share would have been 19.22p per share (2014: 21.46p).

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

- A firm placing of 2,000,000 new ordinary shares in the Company (see Note 31);
- A conditional placing of 1,795,918 new ordinary shares in the Company (see Note 31);
- The issue of 235,742 shares issued as consideration for the acquisition of Boyd Coughlan Limited (see Note 31);
- The issue of 145,919 ordinary shares to satisfy the exercise of options under the Share Option Plan; and
- The issue of 30,378 ordinary shares under the Mattioli Woods plc Share Incentive Plan.

14. Dividends paid and proposed

	2015 £000	2014 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
– Final dividend for 2014: 6.00p (2013: 4.67p)	1,202	925
– Interim dividend for 2015: 3.34p (2014: 3.10p)	679	618
Dividends paid	1,881	1,543
Proposed for approval by shareholders at the AGM:		
Final dividend for 2015: 7.16p (2014: 6.00p)	1,790	1,202

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 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
Additions	248	90	265	603
Disposals	(29)	(119)	(213)	(361)
At 31 May 2015	1,069	882	865	2,816
Depreciation:				
At 1 June 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
Charged for the year	149	95	143	387
On disposals	(22)	(97)	(130)	(249)
At 31 May 2015	535	508	343	1,386
Carrying amount:				
At 31 May 2015	534	374	522	1,430
At 31 May 2014	442	401	483	1,326
At 31 May 2013	304	384	415	1,103
Company	€000	€000	€000	€000
Gross carrying amount:				
At 1 June 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
Transferred from Group companies	71	67	—	138
Additions	234	81	264	579
Disposals	(29)	(119)	(213)	(361)
At 31 May 2015	946	812	863	2,621
Depreciation:				
At 1 June 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
Charged for the year	123	73	143	339
On disposals	(23)	(93)	(132)	(248)
At 31 May 2015	412	438	341	1,191
Carrying amount:				
At 31 May 2015	534	374	522	1,430
At 31 May 2014	358	325	482	1,165
At 31 May 2013	229	284	415	928

NOTES TO THE FINANCIAL STATEMENTS

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 2013	595	653	17,171	8,734	35	27,188
Arising on acquisitions	—	1	3,785	2,037	—	5,823
Additions	214	80	—	—	—	294
At 31 May 2014	809	734	20,956	10,771	35	33,305
Arising on acquisitions	—	—	756	—	—	756
Additions	242	132	—	—	—	374
Disposals	—	—	—	—	—	—
At 31 May 2015	1,051	866	21,712	10,771	35	34,435
Amortisation and impairment:						
At 1 June 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
Amortisation during the year	88	72	1,106	—	13	1,279
At 31 May 2015	243	483	4,822	—	35	5,583
Carrying amount:						
At 31 May 2015	808	383	16,890	10,771	—	28,852
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
Company						
		Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Total £000
Gross carrying amount:						
At 1 June 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
Transferred from Group companies		—	41	12,340	6,436	18,817
Arising on acquisitions		—	—	194	—	194
Additions		242	132	—	—	374
At 31 May 2015		1,051	766	19,658	10,771	32,246
Amortisation and impairment:						
At 1 June 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
Amortisation during the year		88	53	618	—	759
At 31 May 2015		243	417	2,768	—	3,428
Carrying amount:						
At 31 May 2015		808	349	16,890	10,771	28,818
At 31 May 2014		654	229	4,974	4,335	10,192
At 31 May 2013		511	198	5,259	4,335	10,303

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 customer relationship management, administration and trading platform. The Directors believe this technology will be the principal technology 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 2013	—	13,698
Investment in Thoroughbred Wealth Management Limited	—	5,925
At 31 May 2014	—	19,623
Reduction in value of Thoroughbred Wealth Management Limited	—	(379)
Reduction in value of Kudos Financial Services Limited	—	(1,637)
Transfer of investments from Group companies	—	10
At 31 May 2015	—	17,617

The value of the Company's investments in Thoroughbred Wealth Management Limited ("TWM") and Kudos Financial Services Limited ("Kudos") were reduced as a result of the transfer of their trade and assets to the Company, with the associated expense recognised in the Company's statement of comprehensive income. This expense was partially offset by dividends of £0.3m and £1.0m paid by TWM and Kudos during the year.

Other investments	Group £000	Company £000
At 1 June 2013 and 31 May 2014	39	—
Transfer of other investments from Group companies	—	39
Additions	90	90
At 31 May 2015	129	129

NOTES TO THE FINANCIAL STATEMENTS

17. Investments continued

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
Mattioli Woods Legal Limited (formerly Polaris Pensions Limited)	Ordinary shares	100%	Dormant
Mayflower Trustees Limited	Ordinary shares	100%	Trustee company
Custodian Capital 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	Ordinary and preference shares	100%	Ceased trading
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)	Ordinary shares	100%	Ceased trading
AR Pension Trustees Limited (formerly Ashcourt Rowan Pension Trustees Limited)	Ordinary shares	100%	Trustee company
Robinson Gear (Management Services) Limited	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%	Ceased trading
Simmonds Ford Trustees Limited	Ordinary shares	100%	Trustee company
Acomb Trustees Limited	Ordinary shares	100%	Trustee company
Ropergate Trustees Limited	Ordinary shares	100%	Trustee company
Chapel Trustees Limited (formerly Torquil Clark Pension Trustees Limited)	Ordinary shares	100%	Trustee company

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

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 2015 the Company's investment in Mainsforth Developments Limited was valued at £15 under the cost method. During the year the Company recognised an impairment charge of £75,000 in respect of £75,000 of shareholder loans advanced to Mainsforth Developments Limited.

On 16 March 2015 the Company acquired 9.09% of the shareholding in MW Properties (No.25) Limited ("MWPS No.25") for £90,000. MWPS No.25 owns part of the Development Land.

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.

During the year, the Group reorganised its structure in such a way that the composition of the cash-generating units to which goodwill had been previously allocated was altered. Accordingly, goodwill has been reallocated to cash-generating units based on headcount or revenues at the date of acquisition.

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	Investment and asset management £000	Property management £000	Employee benefits £000	Total £000
At 1 June 2013 and 1 June 2014	2,414	1,096	3,456	188	3,617	10,771
At 31 May 2015	2,414	1,096	3,456	188	3,617	10,771
Company	Direct pension consultancy and admin £000	Third party admin £000	Investment and asset management £000	Property management £000	Employee benefits £000	Total £000
At 1 June 2013 and 1 June 2014	2,414	—	1,411	188	322	4,335
Transferred from Group companies	—	1,096	2,045	—	3,295	6,436
At 31 May 2015	2,414	1,096	3,456	188	3,617	10,771

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 2015 of 516p, giving a market capitalisation of £105.1m. Comparing this to the net asset value of the Group of £39.5m, the Directors believe the value of goodwill is not impaired at 31 May 2015.

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 2015 using a terminal growth rate of 2.5% (2014: 2.5%), which management considers conservative against actual average long-term growth rates, and discounting at a pre-tax discount rate of 7.3%.

The value in use calculated at 31 May 2015 was £107.4m. 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 2015. This accounting treatment resulted in an impairment loss of £nil (2014: £nil).

NOTES TO THE FINANCIAL STATEMENTS

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 October 2015. At 31 May 2015 the total number of options outstanding and exercisable under the Share Option Plan was 52,950 (2014: 82,500).

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 2014 No.	Granted during the year No.	Exercised during the year No.	Lapsed during the year No.	At 31 May 2015 No.
5 September 2006	2.21	151,877	—	(29,530)	—	122,347
4 September 2007	2.79	154,196	—	(12,072)	—	142,124
8 September 2009	2.16	127,842	—	(20,000)	—	107,842
		433,915	—	(61,602)	—	372,313

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 2015 Equity-settled No.	31 May 2015 Cash-settled No.	31 May 2014 Equity-settled No.	31 May 2014 Cash-settled No.
Outstanding as at 1 June	217,519	148,149	—	—
Granted during the year	235,901	118,501	217,519	148,149
Exercised during the year	—	—	—	—
Forfeited during the year	(43,388)	—	—	—
Outstanding at 31 May	410,032	266,650	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 and will vest following publication of the Group's audited results for the year. 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 110,134 (2014: 79,646) new ordinary shares were issued to the 218 employees who participated in the SIP during the year. At 31 May 2015 the SIP held 484,070 shares on their behalf, with a further 2,095 of forfeited shares not allocated to any specific employee.

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 2015 is £567,966 (2014: £253,771), of which £229,764 arises from equity-settled share-based payment transactions and £338,202 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 2015 is £nil (2014: £11,593), 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 22). The expense recognised during the year ended 31 May 2015 is £221,857 (2014: £120,279), 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	2015 No.	2015 WAEP £	2014 No.	Restated 2014 WAEP £
Outstanding as at 1 June	733,934	2.23	709,870	2.17
Granted during the year	235,901	0.01	217,519	0.01
Exercised	(91,152)	1.99	(150,841)	1.97
Forfeited during the year	(43,388)	—	(42,614)	—
Outstanding at 31 May	835,295	1.17	733,934	1.57
Exercisable at 31 May	425,263	2.28	388,573	2.25

The weighted average share price at the date of exercise for share options exercised during the year was £4.45. For the share options outstanding as at 31 May 2015, the weighted average remaining contractual life is 3.4 years (2014: 3.6 years). The WAEP for options outstanding at the end of the year was £1.17 (2014: £1.57), with the option exercise prices ranging from £0.01 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 2015 and movements during the year are set out in the Directors' Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS

20. Trade and other receivables (current)

	Group	Company	Group	Company
	2015	2015	2014	2014
	£000	£000	£000	£000
Trade receivables due from Group companies	—	477	—	905
Other trade receivables	4,940	4,452	4,415	3,077
Other receivables	72	44	228	168
Prepayments and accrued income	7,343	6,949	5,925	4,440
Income tax receivable	—	—	—	245
	12,355	11,922	10,568	8,835

Trade receivables due from related parties are recognised at amortised cost and eliminate on consolidation. Other receivables include Directors' loans of £1,264 (2014: £nil). For terms and conditions relating to related party loans, refer to Note 28. 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 2015, 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	Company	Group	Company
	2015	2015	2014	2014
	£000	£000	£000	£000
As at 1 June	621	375	535	413
Transferred from Group companies	—	246	—	—
Charge/(release) for year	57	57	52	(38)
Acquired on acquisition	—	—	34	—
At 31 May	678	678	621	375

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

	Total	Neither past due	Past due but not impaired			
	£000	nor impaired	< 30 days	30-60 days	60-90 days	> 90 days
	£000	£000	£000	£000	£000	£000
2015	4,940	2,500	1,027	472	289	652
2014	4,415	2,255	913	378	261	608

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

21. Cash and short-term deposits

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

	Group	Company	Group	Company
	2015	2015	2014	2014
	£000	£000	£000	£000
Cash at banks and on hand	10,570	8,545	9,514	3,181
Bank overdrafts	—	—	—	—
Cash and cash equivalents	10,570	8,545	9,514	3,181

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 £10.57m (2014: £9.51m).

At 31 May 2015, the Group had £5.0m (2014: £5.0m) of undrawn committed borrowing facilities available, in respect of which all conditions precedent had been met.

22. Issued capital and reserves

Share capital	Ordinary shares of 1p	Ordinary shares of 1p £
Authorised		
At 1 June 2013, 31 May 2014 and 31 May 2015	30,000,000	300,000
Issued and fully paid		
At 1 June 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
Exercise of employee share options	91,152	912
Shares issued under the SIP	110,134	1,101
Shares issued for consideration	181,407	1,814
At 31 May 2015	20,372,565	203,726

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. However:

- The former shareholders of Thoroughbred Wealth Management Limited ("the TWM Sellers") have entered 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 former shareholders of Boyd Coughlan Limited ("the BCL Sellers") have entered 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 235,742 ordinary shares in Mattioli Woods during the two years ending 23 June 2017; and
- The former shareholders of Taylor Patterson ("the Taylor Patterson Sellers") have entered 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 419,888 ordinary shares in Mattioli Woods during the three years ending 8 September 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS

22. Issued capital and reserves continued

Other reserves

Group	Share premium £000	Merger Reserve £000	Capital redemption account £000	Equity – share-based payments £000	Retained earnings £000
At 1 June 2013	8,616	—	2,000	777	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 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	8,001	4,040	2,000	1,046	20,257
Reserve transfer	—	—	—	(341)	341
Share-based payments	—	—	—	256	—
Shares issued under the SIP	508	—	—	—	—
Shares issued as deferred consideration for TWM	—	798	—	—	—
Shares issued on exercise of options	180	—	—	—	—
Deferred tax recognised in equity	—	—	—	2	—
Profit for the financial year	—	—	—	—	4,022
Dividends paid	—	—	—	—	(1,881)
Current tax charge taken to equity	—	—	—	34	—
At 31 May 2015	8,689	4,838	2,000	997	22,739
Company	Share premium £000	Merger Reserve £000	Capital redemption reserve £000	Equity – share-based payments £000	Retained earnings £000
At 1 June 2013	8,616	—	2,000	777	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 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	8,001	4,040	2,000	1,040	19,105
Reserve transfer	—	—	—	(341)	341
Share-based payments	—	—	—	241	—
Shares issued as deferred consideration for TWM	—	798	—	—	—
Shares issued under the SIP	508	—	—	—	—
Shares issued on exercise of options	180	—	—	—	—
Deferred tax recognised in equity	—	—	—	2	—
Profit for the financial year	—	—	—	—	2,483
Dividends paid	—	—	—	—	(1,881)
Current tax charge taken to equity	—	—	—	34	—
At 31 May 2015	8,689	4,838	2,000	976	20,048

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 was re-allocated from share premium reserve to merger reserve as required by the Companies Act.

The Company has issued options to subscribe for the Company's shares under three employee share schemes (Note 19). The cost of exercised or lapsed share options has been derecognised from equity – share-based payments and re-allocated to retained earnings as required by IFRS 2 Share-based Payments.

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

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

23. 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 2015 £000	Company 2015 £000	Group 2014 £000	Company 2014 £000
Cash flows from operating activities				
Cash receipts from customers	32,865	23,786	27,786	15,290
Cash paid to suppliers and employees	(25,285)	(17,698)	(22,736)	(13,523)
Cash generated from operations	7,580	6,088	5,050	1,767

24. Trade and other payables

	Group 2015 £000	Company 2015 £000	Group 2014 £000	Company 2014 £000
Trade and other payables (current)				
Trade payables due to related parties	—	—	—	9
Other trade payables	682	223	729	278
Other taxation and social security	1,714	1,617	1,343	890
Other payables	161	212	154	128
Accruals and deferred income	5,422	5,245	4,160	2,497
	7,979	7,297	6,386	3,802

Trade payables due to related parties eliminate on consolidation.

Other payables include Directors' loans of £1,706 (2014: £3,338). For terms and conditions relating to related party loans, refer to Note 28. 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 25).

NOTES TO THE FINANCIAL STATEMENTS

25. Financial liabilities and provisions

Group	Contingent consideration £000	Client claims £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 2014	4,464	525	185	294	149	—	172	—	5,789
Arising during the year	—	204	100	—	174	—	312	—	790
Acquisitions (Note 3)	80	35	—	—	—	80	—	140	335
Used during the year	(3,098)	(419)	—	—	(7)	(19)	—	—	(3,543)
Unused amounts reversed	—	—	—	—	—	—	—	(22)	(22)
At 31 May 2015	1,446	345	285	294	316	61	484	118	3,349
Current 2014	3,189	525	—	294	—	—	—	—	4,008
Non-current 2014	1,275	—	185	—	149	—	172	—	1,781
At 31 May 2014	4,464	525	185	294	149	—	172	—	5,789
Current 2015	138	345	—	294	—	61	—	118	956
Non-current 2015	1,308	—	285	—	316	—	484	—	2,393
At 31 May 2015	1,446	345	285	294	316	61	484	118	3,349

Company	Loan notes £000	Contingent consideration £000	Client claims £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 2014	—	4,015	377	100	9	149	—	172	—	4,822
Transferred from										
Group companies	—	615	158	85	285	—	38	—	82	1,263
Acquisitions	—	—	25	—	—	—	23	—	58	106
Arising during the year	18,802	—	204	100	—	174	—	312	—	19,592
Used during the year	—	(3,184)	(419)	—	—	(7)	—	—	(11)	(3,621)
Unused amounts reversed	—	—	—	—	—	—	—	—	(11)	(11)
At 31 May 2015	18,802	1,446	345	285	294	316	61	484	118	22,151
Current 2014	—	3,102	377	—	9	—	—	—	—	3,488
Non-current 2014	—	913	—	100	—	149	—	172	—	1,334
At 31 May 2014	—	4,015	377	100	9	149	—	172	—	4,822
Current 2015	—	138	345	—	294	—	61	—	118	956
Non-current 2015	18,802	1,308	—	285	—	316	—	484	—	21,195
At 31 May 2015	18,802	1,446	345	285	294	316	61	484	118	22,151

Loan notes due to subsidiary undertakings

During the year the trade and assets of City Pensions Limited, Thoroughbred Wealth Management Limited, Atkinson Bolton Consulting Limited and Kudos Financial Services Limited were transferred to the Company in exchange for loan notes.

The loan notes attract annual interest on the outstanding principal at a rate of 3% above the Bank of England base rate.

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 the financial liability payable within the next 12 months is £0.14m (2014: £3.19m).

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.

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

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 acquisitions of Ashcourt Rowan's pension business and UKWM Pensions, employees of the businesses to be acquired had been notified that the businesses were to be restructured, creating a potential liability for certain employee-related costs. Post-acquisition the Group became liable for those employee-related costs relating to each restructuring, which have now been paid in full.

26. 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 commercial leases for its premises at:

- 22 Park Street, London, which expires on 23 January 2016. The annual rental of £40,059 will not be reviewed;
- 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; and
- 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:

Group	Office equipment		Land and buildings	
	2015 £000	2014 £000	2015 £000	2014 £000
Not later than one year	7	28	634	667
After one year but not more than five years	8	51	1,635	1,935
More than five years	—	—	1,390	1,708
	15	79	3,659	4,310

Company	Office equipment		Land and buildings	
	2015 £000	2014 £000	2015 £000	2014 £000
Not later than one year	7	—	634	388
After one year but not more than five years	8	—	1,635	1,216
More than five years	—	—	1,390	1,116
	15	—	3,659	2,720

Group operating lease charges during the year were £820,939 (2014: £653,561) for land and buildings and £14,632 (2014: £47,163) for office equipment.

Capital commitments

At 31 May 2015 the Group had capital commitments amounting to £94,487 (2014: Enil).

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 (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

26. Commitments and contingencies continued

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 2015 the FSCS raised an interim levy of £20m (2014: £nil) from investment intermediaries to pay for the costs of compensating clients in investment failures, to which the Group contributed £44,157 (2014: £nil). In the prior year there was no interim levy, so the Group was not required to contribute. No provision has been made in these financial statements for any FSCS interim levy in the year ending 31 May 2016.

27. 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 £356,112 (2014: £420,346).

28. Related party disclosures

Loan notes due to subsidiary undertakings

During the year the trade and assets of City Pensions Limited, Thoroughbred Wealth Management Limited, Atkinson Bolton Consulting Limited and Kudos Financial Services Limited were transferred to the Company in exchange for loan notes.

The loan notes attract annual interest on the outstanding principal at a rate of 3% above the Bank of England base rate.

Custodian REIT plc

In March 2014 the Company's subsidiary, Custodian Capital, was appointed as the discretionary investment manager of Custodian REIT plc ("Custodian REIT"), a 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 £26,167 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 are included in the annual management charges noted below.

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

During the year the Group received revenues of £1.73m (2014: £0.26m) in respect of annual management charges, Company secretarial and administration fees. Custodian REIT owed the Group £0.41m at 31 May 2015 (2014: £0.30m).

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 eleven (2014: twelve) other executives, received total compensation of £4.52m for the year ended 31 May 2015 (2014: £3.68m). Total remuneration is included in "employee benefits expense" and analysed as follows:

	2015 £000	2014 £000
Short-term employee benefits	4,376	3,512
Post-employment benefits	120	166
Share-based payments	20	—
	4,516	3,678

At 31 May 2015, Ian Mattioli owed £1,264 to the Company (2014: £7,369 was owed by the Company) and Bob Woods was owed £2,972 by the Company (2014: £4,031 was owed to the Company). These Directors' expense accounts carry no coupon and have no fixed repayment date.

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.

FP Thoroughbred Core Alpha Fund

The Company is the investment manager of the FP Thoroughbred Core Alpha Fund, an open ended investment company which aims to achieve long-term growth while managing volatility so that, other than on very short term measures, outperformance comes with a lower beta than the benchmark. As at 31 May 2015 the Group held an investment with a market value of £39,502 (2014: £38,204) in the FP Thoroughbred Core Alpha Fund.

29. 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 2015 the value of financial instruments on the Group's statement of financial position exposed to interest rate risk was £10.57m (2014: £9.51m) 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
2015		
£ Sterling	+100	89
£ Sterling	-100	(89)
2014		
£ Sterling	+100	82
£ Sterling	-100	(82)

(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.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial risk management continued

(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 2015, the fair value of investments recognised on the Group's statement of financial position was £129,521 (2014: £38,227). Any move in the value of these investments would not have a material impact on the Group balance sheet or results.

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's 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.

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 2015 and 2014 based on contractual undiscounted payments:

	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
At 31 May 2015						
Trade and other payables	—	7,979	—	—	—	7,979
Contingent consideration	—	138	—	1,308	—	1,446
	—	8,117	—	1,308	—	9,425
At 31 May 2014						
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

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 2015 was £39.47m (2014: £35.54m). 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 2015 the total regulatory capital requirement across the Group was £5.05m (2014: £4.22m) and the Group had an aggregate surplus of £2.98m (2014: £2.32m) 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.

30. 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:

	Carrying amount as at 31 May 2015 £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
At 31 May 2015				
Financial liabilities				
LTIP cash liability	484	—	—	484
Contingent consideration	1,446	—	—	1,446
Total	1,930	—	—	1,930

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

NOTES TO THE FINANCIAL STATEMENTS

30. Financial instruments continued

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 2015	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	10,570	—	—	—	—	—	10,570
Bank overdrafts	—	—	—	—	—	—	—

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	—	—	—	—	—	—	—

Company 31 May 2015	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	8,545	—	—	—	—	—	8,545
Bank overdrafts	—	—	—	—	—	—	—
Loan notes	18,802	—	—	—	—	—	18,802

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	—	—	—	—	—	—	—

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.

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 2015, 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 fair value of contingent consideration payable on acquisitions to be €1.45m (2014: £4.46m).

31. Events after the reporting date

Placing

On 19 June 2015 the Company announced its intention to raise up to £18.6m (before expenses) by way of a firm placing of 2,000,000 new ordinary shares in the Company and a conditional placing of up to 1,795,918 new ordinary shares in the Company at an issue price of 490 pence per share ("the Placing").

At a general meeting on 7 July 2015 shareholders passed a special resolution to dis-apply statutory pre-emption rights and to authorise the Directors to allot and issue the maximum of 1,795,918 new ordinary shares under the conditional placing on a non-pre-emptive basis.

The firm and conditional placing shares rank pari passu in all respects with existing ordinary shares.

Acquisition of Boyd Coughlan Limited

On 23 June 2015 the Group acquired the entire share capital of Boyd Coughlan Limited ("Boyd Coughlan") from its shareholders for a total consideration of up to £7.0m, to be satisfied partly in cash and partly through the issue of 235,742 new ordinary shares of 1p each in Mattioli Woods. The cash consideration is payable part on completion and in part over the period of two years following completion, subject to earnings targets being met.

Boyd Coughlan is an employee benefits and wealth management business founded in 1994. Based in Buckingham, Boyd Coughlan employs 30 staff, providing advice to both high net worth individuals and companies on all aspects of financial planning.

In the year ended 30 September 2014, Boyd Coughlan generated a profit before taxation of £1.3m on revenues of £2.5m. At 30 September 2014 Boyd Coughlan's net assets were £2.0m.

The total consideration consists of an initial consideration of £4.5m, comprising £3.3m in cash and 235,742 ordinary shares in Mattioli Woods, plus deferred consideration of up to £2.5m payable in cash in the two years following completion if certain financial targets are met based on EBITDA generated during the two years following completion.

The acquisition will be accounted for using the acquisition method. Transaction costs incurred during the year ended 31 May 2015 are included in administrative expenses in the consolidated statement of comprehensive income and operating cash flows in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31. Events after the reporting date continued

Acquisition of Boyd Coughlan Limited continued

The fair values to be attributed to the assets acquired and liabilities assumed will be finalised during the 12 months following acquisition. The provisional fair values of the identifiable assets and liabilities of Boyd Coughlan as the date of acquisition was:

	Illustrative fair value to be recognised on acquisition (unaudited) €000	Previous carrying value (unaudited) €000
Property, plant and equipment	7	33
Client portfolio	4,558	—
Cash	2,656	2,656
Trade receivables	91	91
Other receivables and prepayments	53	53
Deferred tax	1	1
Assets	7,366	2,834
Trade creditors	(31)	(31)
Accruals and deferred income	(57)	(38)
Other payables	(42)	(42)
Social security and other taxes	(40)	(40)
Corporation tax	(121)	(121)
Provisions	(38)	—
Deferred tax liability	(912)	—
Liabilities	(1,241)	(272)
Total identifiable net assets at fair value	6,125	
Goodwill	1,436	
Total acquisition cost	7,561	
Analysed as follows:		
Initial cash consideration	(3,300)	
Adjustment to initial consideration	(561)	
New shares in Mattioli Woods	(1,200)	
Deferred contingent consideration	(2,500)	
Total acquisition cost	(7,561)	
Cash outflow on acquisition	€000	
Cash paid	(3,300)	
Adjustment to initial consideration	(561)	
Acquisition costs	(131)	
Net cash acquired	2,656	
Net cash outflow	(1,336)	

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

Acquisition of Taylor Patterson Group Limited

On 8 September 2015, Mattioli Woods acquired the entire share capital of Taylor Patterson Group Limited and its subsidiaries (together "Taylor Patterson") from its shareholders for a total consideration of up to £8.3m, to be satisfied partly in cash and partly through the issue of 419,888 new ordinary shares of 1p each in Mattioli Woods ("Ordinary Shares"). The cash consideration is payable in part on completion and in part over the period of three years following completion, subject to certain earnings and revenue targets being met.

Taylor Patterson is a financial advisory firm providing wealth management, strategic financial planning, employee benefits and pension services to businesses and individuals. Based in Preston, Taylor Patterson employs 38 staff providing advice to both high net worth individuals and companies on all aspects of financial planning.

In the year ended 31 July 2015, Taylor Patterson generated a profit before taxation of £0.90m on revenues of £3.21m. At 31 July 2015 Taylor Patterson's consolidated net assets were £0.79m.

The total consideration consists of an initial consideration of £5.0m, comprising £2.5m in cash and 419,888 Ordinary Shares in Mattioli Woods, plus deferred consideration of up to £3.3m payable in cash in the three years following completion if certain financial targets are met based on growth in revenues and EBITDA generated during that period.

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:

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

New Walk

On 17 August 2015 a new subsidiary of the Company, Mattioli Woods (New Walk) Limited ("MW New Walk") entered into a development agreement with Ingleby (1245) Limited ("Ingleby"), a company owned and controlled by Sowden Group Limited ("Sowden") to build a new 60,000 square foot office on the site of the former Leicester City Council ("LCC") headquarters at New Walk, Leicester.

The expected expenditure for the development is £14.6m including fit out costs, which will be funded through a combination of existing cash resources (excluding funds raised from the Placing), bank funding and future operating cashflows. Construction is scheduled to commence in late 2015, with completion expected in spring 2017.

Initial development costs are expected to reduce budgeted profit after tax by circa £0.10m in the current financial year, with further reductions of circa £0.40m and £0.20m in the following two years respectively.

Taxation

The UK Government has announced tax changes which will have a significant effect on the Group's future tax position. The rate of corporation tax reduced from 21% to 20% from 1 April 2015 and the summer budget of 8 July 2015 has announced further reductions to 19% in April 2017 and then 18% from April 2020. These rate changes will affect the amount of future cash tax payments to be made by the Group and will also reduce the size of deferred tax assets and liabilities in the Group's statement of financial position.

In addition, the Government announced a significant restriction to the relief available for goodwill and other customer-related intangible assets. Previously, companies have enjoyed tax relief on goodwill or other customer-related intangibles purchased when they acquire the trade and assets of another business ("amortisation relief"). Amortisation relief will no longer be available for acquisitions of such assets on or after 8 July 2015.

32. Ultimate controlling party

The Company has no controlling party.

FIVE YEAR SUMMARY

	2015 €000	2014 €000	2013 €000	2012 €000	2011 €000
Revenue	34,565	29,347	23,405	20,482	15,363
Administrative expenses	(27,757)	(23,085)	(17,885)	(15,468)	(10,472)
Net finance revenue	(129)	41	41	49	59
Adjusted profit before tax	6,679	6,303	5,561	5,063	4,950
Amortisation of acquired intangibles	(1,117)	(1,031)	(748)	(620)	(330)
Acquisition-related costs	(272)	(157)	(175)	(263)	(72)
Profit before tax	5,290	5,115	4,638	4,180	4,548
Income tax expense	(1,268)	(834)	(1,031)	(1,101)	(1,219)
Profit for the year	4,022	4,281	3,607	3,079	3,329
Assets under administration and advice (€m)	5,410.4	4,626.2	3,644.3	3,106.7	2,304.4
Headline debtors' days ratio (days)	52.2	54.9	51.5	66.8	78.4
External client loss rate	2.8%	3.2%	3.6%	5.2%	4.3%
EBITDA margin	20.5%	22.6%	24.6%	25.0%	33.1%
Adjusted EBITDA margin	21.3%	23.1%	25.3%	26.3%	33.6%
Basic EPS (pence)	19.83	21.98	19.23	16.72	18.45
Adjusted EPS (pence)	27.54	27.32	24.15	21.52	20.68
Dividends paid and proposed (pence)	10.50	9.10	7.00	5.55	4.95

FINANCIAL CALENDAR

9 September 2015	Announcement of final results for the year ended 31 May 2015
17 September 2015	Ex-dividend date for ordinary shares
18 September 2015	Record date for final dividend
15 October 2015	Annual General Meeting
26 October 2015	Payment of final dividend on ordinary shares

Mattioli Woods plc

MW House
1 Penman Way
Grove Park
Enderby
Leicester
LE19 1SY

Tel: 0116 240 8700
Fax: 0116 240 8701

info@mattioliwoods.com
www.mattioliwoods.com



Mattioli Woods plc
WEALTH MANAGEMENT & EMPLOYEE BENEFITS