

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult your bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising upon investment in shares and other securities without delay.**

This document, which is an admission document (the "Admission Document") relating to Mattioli Woods Plc ("Mattioli Woods") has been prepared in accordance with the AIM Rules of London Stock Exchange plc ("the London Stock Exchange"). This document does not comprise a prospectus under the Prospectus Rules and has not been approved by or filed with the Financial Services Authority. In subscribing for Ordinary Shares in Mattioli Woods you will be treated as subscribing solely on the basis of this Admission Document. **Your attention is drawn to the risk factors set out on page 21 of this document.**

Application has been made to the London Stock Exchange for all of the Ordinary Shares issued and to be issued to be admitted to trading on AIM ("Admission"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Neither the London Stock Exchange nor the UK Listing Authority has itself examined or approved the contents of this document.

The AIM Rules are less demanding than those of the UK Listing Authority. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List of the UK Listing Authority. The Ordinary Shares are not dealt in on any other recognised investment exchange and, apart from the application for Admission, no such applications have been or will be made.

Williams de Broë Plc is acting as nominated adviser and broker to Mattioli Woods in connection with the matters described in this document and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Williams de Broë Plc nor for providing advice in connection with the Ordinary Share Offer. Williams de Broë Plc is authorised and regulated in the United Kingdom by the Financial Services Authority and its responsibilities as nominated adviser and broker are owed solely to the London Stock Exchange.

The Directors of Mattioli Woods, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission.

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# Mattioli Woods plc

*(Incorporated under the Companies Act 1985 in England and Wales and registered with registered number 3140521)*

*ISIN GB00B0MT3Y97*

## Placing of 4,545,455 Ordinary Shares at 132p per share and Admission to trading on AIM

### Williams de Broë Plc Nominated Adviser and Broker

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Ordinary issued share capital following the Placing:

Authorised		Issued and fully paid	
£	Number	£	Number
250,000	25,000,000	170,454.55	17,045,455

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The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all future dividends and other distributions declared, made or paid after the date of Admission.

It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 23 November 2005.

This document should not be distributed in, into or from the United States of America, Canada, Australia, Japan or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities legislation of any state of the United States of America, Australia, Canada or Japan. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, taken up or delivered within the United States of America, Canada, Australia or Japan or to or for the account of benefit of any national, resident or citizen of Australia, Canada or Japan or any person located in the United States. This document does not constitute an offer or the solicitation of an offer to subscribe for any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make an offer or solicitation in such jurisdiction.

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## DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meanings:

<b>“Act”</b>	the Companies Act 1985 (as amended);
<b>“Admission”</b>	the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
<b>“AIM Rules”</b>	the rules for companies governing admission to and trading on AIM, published by the London Stock Exchange;
<b>“AIM”</b>	the Alternative Investment Market of the London Stock Exchange;
<b>“Articles”</b>	the Company’s articles of association;
<b>“the Company” or “Mattioli Woods”</b>	Mattioli Woods plc, a company incorporated in England and Wales with company number 3140521;
<b>“CREST”</b>	the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo;
<b>“CRESTCo”</b>	CRESTCo Limited;
<b>“Directors” or “Board”</b>	the directors of the Company;
<b>“Enlarged Share Capital”</b>	the issued Ordinary Share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the Placing Shares;
<b>“Existing Ordinary Shares”</b>	12,500,000 Ordinary Shares in issue immediately prior to the Placing;
<b>“FSA”</b>	the Financial Services Authority, the single statutory regulator under FSMA;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000;
<b>“the Group”</b>	the Company and its Subsidiaries;
<b>“Listing Rules”</b>	the rules for listing issued by the UK Listing Authority;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Official List”</b>	the official list of the UK Listing Authority;
<b>“Option”</b>	the option to subscribe for up to 170,455 Ordinary Shares on the terms of the Option Agreement;
<b>“Option Agreement”</b>	the option agreement between the Company and Williams de Broë dated 16 November 2005 in respect of the Option, details of which are set out on page 68 of this document;
<b>“Ordinary Shares”</b>	ordinary shares of 1p each in the capital of the Company;
<b>“Partnership”</b>	the business of Mattioli Woods Pension Consultants carried on by Ian Mattioli and Robert Woods as a partnership between 1991 and September 2003;
<b>“Placing Agreement”</b>	the agreement dated 16 November 2005 between the Company, the Directors and Williams de Broë, details of which are set out on page 68 of this document;

<b>“Placing Letter”</b>	the letter from Williams de Broë on behalf of the Company to be signed by each investor wishing to subscribe for Placing Shares pursuant to the Placing and setting out the terms on which they will agree to subscribe;
<b>“Placing Price”</b>	132p per Ordinary Share;
<b>“Placing Shares”</b>	up to 4,545,455 Ordinary Shares;
<b>“Placing”</b>	the placing by Williams de Broë on behalf of the Company of the Placing Shares pursuant to the Placing Agreement;
<b>“Proposals”</b>	the Placing and Admission;
<b>“Prospectus Rules”</b>	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004 and published by the Financial Services Authority pursuant to Section 73 of FSMA;
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“Share Option Plan”</b>	the Mattioli Woods Enterprise Management Incentive (EMI) Share Option Plan adopted by the Company, further details of which are set out in paragraph 5 of Part VI of this document;
<b>“Subsidiaries”</b>	MW Trustees Limited, GB Pension Trustees Limited and Great Marlborough Street Pension Trustees Limited;
<b>“UK Listing Authority”</b>	the FSA acting in its capacity as the competent authority for the purposes of FSMA;
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland; and
<b>“Williams de Broë”</b>	Williams de Broë Plc, the Company’s nominated adviser and broker.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Robert Woods Ian Thomas Mattioli Nathan James McLean Imlach Murray Beveridge Smith John Redpath	<i>Executive Chairman</i> <i>Chief Executive</i> <i>Finance Director</i> <i>Marketing and Sales Director</i> <i>Non-executive Director</i>
<b>Registered Office</b>	whose business address is:  MW House 1 Penman Way Grove Park Enderby Leicester LE19 1SY	
<b>Company Telephone Number</b>	0116 240 8700	
<b>Company Secretary</b>	Nathan James McLean Imlach	
<b>Nominated Adviser and Broker</b>	<b>Williams de Broë Plc</b> Kings House 1 King Street Leeds LS1 2HH	
<b>Solicitors to the Company</b>	<b>Cobbetts LLP</b> Trafalgar House 29 Park Place Leeds LS1 2SP	
<b>Solicitors to the Placing</b>	<b>Eversheds</b> Cloth Hall Court Infirmary Street Leeds LS1 2JB	
<b>Auditors and Reporting Accountants</b>	<b>Baker Tilly</b> 2 Whitehall Quay Leeds LS1 4HG	
<b>Bankers</b>	<b>The Royal Bank of Scotland</b> 98-102 Belgrave Gate Leicester LE1 3GR	
<b>Registrars</b>	<b>Capita Registrars</b> Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	

## DETAILS OF THE PLACING, STATISTICS AND TIMETABLE

### The Placing

The Placing will raise £6.0 million for the Company before expenses, which are estimated to amount to £0.6 million, and the Placing Shares will represent approximately 26.7 per cent. of the Enlarged Share Capital following Admission.

The Directors, holding in aggregate 11,937,500 Ordinary Shares, which will represent 70.0 per cent. of the issued share capital of the Company immediately after Admission have undertaken that they will not, subject to certain limited exceptions, dispose of any Ordinary Shares within the period of two years following Admission.

### Placing statistics

Placing Price per Placing Share	132p
Total number of Placing Shares being placed on behalf of the Company	4,545,455
Aggregate value of the Placing Shares being placed on behalf of the Company at the Placing Price	£6.0 million
Expected net cash proceeds of the Placing receivable by the Company	£5.4 million
Number of Ordinary Shares in issue following the Placing	17,045,455
Market capitalisation of the Company at the Placing Price following the Placing	£22.5 million
Percentage of the Enlarged Share Capital being placed	26.7 per cent.

### Expected timetable of principal events

Admission effective and dealings commence in the Ordinary Shares	23 November 2005
CREST accounts credited	23 November 2005
Share certificates despatched	by 7 December 2005

## KEY INFORMATION

*The following information should be read in conjunction with more detailed information appearing elsewhere in this document, from which it is derived. The financial information contained on page 8 has been extracted from the normalised financial information set out in Part V of this document. See Part II of this document entitled “Risk Factors” for a discussion of certain factors which should be taken into account when considering whether to purchase Ordinary Shares. Investors should read the whole of this document and not just rely on the key information.*

### Introduction

Mattioli Woods provides pensions consultancy and administration services primarily to owner-managers, senior executives and professional persons.

The Group’s key activities include complex pensions consultancy, the provision of self-invested personal pensions (“SIPP”) and small self-administered pension schemes (“SSAS”) and advice on related business affairs. Its focus is at the higher end of the market where clients require bespoke service and specialist advice.

Mattioli Woods operates across the UK from one site in Leicester and employs 76 staff including 12 pensions consultants. In the year ended 31 May 2005, Group turnover was £6.4 million and normalised operating profit was £1.9 million.

### Market

In the UK, successive governments have created piecemeal pensions related legislation. There are currently eight different sets of rules governing pensions, making the existing system complicated and unwieldy.

In addition, the UK’s pension industry has been beset by a number of problems. Under-funding, exacerbated by the stock market crash, continues to be an issue and the situation has been made worse by poor governance and a series of scandals including pensions misselling, the failure of certain high profile insurance companies to provide reliable pension arrangements and, more recently, a lack of resources at the Pensions Ombudsman.

This environment has led to a significant increase in the uptake of SIPPs and SSASs, primarily due to the greater control these products give to individuals over their own pensions arrangements.

The Government has introduced legislation to simplify the tax rules relating to pensions which will take effect in April 2006. In replacing all eight complex current tax regimes, the new legislation will introduce a single simplified tax regime and greater investment freedoms.

The greater investment freedoms, particularly the ability to purchase residential property and the abolition of the compulsion to purchase an annuity, are expected to significantly boost the personal pension market and the opportunity for specialist advisers, particularly those serving high net worth individuals, such as Mattioli Woods.

### Services

Mattioli Woods’ key activities include pensions consultancy, the provision and administration of SIPPs and SSASs and the facilitation and administration of syndicated property schemes.

Mattioli Woods’ client base for SIPP and SSAS services primarily comprises owner-managers, senior executives and professional persons. However, it also provides group scheme consultancy and personal financial planning as complementary services to its core clients.

Mattioli Woods has over 1,000 private individual SIPP clients in over 600 SIPP schemes with an average fund size of around £342,000, compared to the market average of around £208,000 and over 500 corporate SSAS clients with an average fund size of around £730,000, compared to the market average of around £430,000.

### Key strengths

The Group has the following key strengths:

- strong track record of growth
- high proportion of repeat business
- long standing client relationships built up over the last 14 years

- innovation in the SIPP and SSAS industry
- a culture of client service and care
- an experienced and incentivised management team
- a history of staff development and retention
- opportunities for bolt-on acquisitions in a fragmented market.

## Strategy

Mattioli Woods' objective is to continue to grow the organisation to increase its market share and also to enhance its reputation in the pensions consultancy market. The Directors have identified a number of specific opportunities for growth as follows:

**Pensions simplification** Mattioli Woods has, from the outset, identified the potential of serving the SIPP and SSAS markets. The Directors now believe that further opportunities will be created by pensions simplification "A Day" in April 2006, particularly at the bespoke end of the market.

**Expanding the consultancy team** It is intended to continue to expand the consultancy team through the in-house graduate training programme to increase the number of clients that the Company is able to serve, whilst maintaining the strong culture of client service and care.

**Acquisition opportunities** Following on from the successful acquisition of the Geoffrey Bernstein client portfolio, the Directors intend to identify and progress other suitable acquisitions where the client portfolios can be taken over and advised by the Mattioli Woods consultancy team. In the fragmented pensions consultancy market, the Directors believe there are considerable opportunities for consolidation.

**Building the brand name** Mattioli Woods has been building its reputation in the pensions consultancy market over many years. The Directors believe the flotation will help to raise the profile of the Company both with intermediaries and potential clients and will further strengthen awareness of the Mattioli Woods brand name.

**New product development** Innovation has been a feature of many of Mattioli Woods' products and services and the Directors regard this as an important differentiator relative to many other pensions consultancy practices. The Directors intend to build on this by continuing the focus on, and investment in, new product development and believe that this will allow Mattioli Woods to increase the range of services offered to its existing clients and those additional clients gained through the acquisition of third party client portfolios.

## Financial record

The summary financial record of Mattioli Woods set out below has been extracted as disclosed from the normalised financial information in Part V of this document. Investors should read the whole of this document and not just rely on this summarised information.

	Year ended		
	31 May 2003 £'000	31 May 2004 £'000	31 May 2005 £'000
Turnover	3,731	6,139	6,442
Normalised operating profit	561	1,141	1,929

The Group's turnover has grown year on year since the Partnership was established in 1991 and has been profitable and cash generative throughout.

## Current trading and prospects

Trading remains buoyant with strong flows of new business enquiries. The first four months' trading of the current financial year shows the business as a whole to be in line with management's internal forecast.



The Government's new pension simplification "A Day" legislation due to take effect in April 2006 is already providing a significant boost to the SIPP market in particular. The Directors believe this will underpin continuing strong growth for the foreseeable future.

### **The Placing**

The 4,545,455 Ordinary Shares now being placed will raise £6.0 million for the Company before expenses, which are estimated to amount to £0.6 million, and will represent approximately 26.7 per cent. of the Enlarged Share Capital following Admission.

### **Lock-in arrangements**

Following the Placing, the Directors will control, in aggregate, approximately 11,937,500 Ordinary Shares, which will represent 70.0 per cent. of the Enlarged Share Capital, and have agreed to enter into a lock-in agreement as described in paragraph 14.4 of Part VI of this document. In summary, the Directors have undertaken that they will not dispose of any Ordinary Shares without the consent of Williams de Broë within the period of two years following Admission.

### **Reasons for Admission**

It is a priority for the Group to continue to attract and retain appropriately qualified staff. The Directors consider that the enhanced profile resulting from Admission and the introduction of the Share Option Plan will enable the Group to attract new employees of appropriately high calibre and to incentivise and retain key staff.

### **Amount and use of proceeds**

The expected net cash proceeds of the Placing for the Company will be approximately £5.4 million. The funds will be used to repay directors' loans (£3.0 million) and to provide resources for potential further acquisitions and working capital (£2.4 million).

### **Dividend policy**

The Directors intend to pursue a progressive dividend policy in respect of the Ordinary Shares that will both reflect the long term earnings trend of the Group and allow the Group to maintain an appropriate level of dividend cover. It is the Directors' intention that interim dividends will be paid in each financial year following the announcement of the interim results, with a final dividend being paid following the annual general meeting for the relevant year. In the absence of unforeseen circumstances, the first dividend payable is expected to be declared in respect of the year ending 31 May 2006.

### **Placing statistics**

Placing Price per Placing Share	132p
Total number of Placing Shares being placed on behalf of the Company	4,545,455
Aggregate value of the Placing Shares being placed on behalf of the Company at the Placing Price	£6.0 million
Expected net cash proceeds of the Placing receivable by the Company	£5.4 million
Number of Ordinary Shares in issue following the Placing	17,045,455
Market capitalisation of the Company at the Placing Price following the Placing	£22.5 million
Percentage of the Enlarged Share Capital being placed	26.7 per cent.

### **Expected timetable of principal events**

Admission effective and dealings commence in the Ordinary Shares	23 November 2005
CREST accounts credited	23 November 2005
Share certificates despatched	by 7 December 2005

## PART I

### INFORMATION ON THE GROUP

#### Introduction

Mattioli Woods provides pensions consultancy and administration services primarily to owner-managers, senior executives and professional persons.

The Group's key activities include complex pensions consultancy, the provision of self-invested personal pensions ("SIPP") and small self-administered pension schemes ("SSAS") and advice on related business affairs. Its focus is at the higher end of the market where clients require bespoke service and specialist advice.

Mattioli Woods operates across the UK from one site in Leicester and employs 76 staff including 12 pension consultants. In the year ended 31 May 2005, Group turnover was £6.4 million and normalised operating profit was £1.9 million.

#### History

In 1991, Ian Mattioli and Bob Woods formed a partnership to provide pensions consultancy services. With a strong network of contacts with accountants and solicitors throughout the UK, the practice grew rapidly providing consultancy and pensioner trustee services. In 1995, the Partnership developed its first bespoke self-invested personal pension scheme.

As the client base of the Partnership grew, an in-house graduate recruitment and training programme was established to recruit and train consultants and account managers. A team of experienced and qualified pension scheme consultants and account managers was developed providing pensions consultancy to clients across the UK.

In September 2003, the business was incorporated via the acquisition of the business and certain assets of the Partnership by the Company. In June 2005, Mattioli Woods acquired the client portfolio of Geoffrey Bernstein, a small practice providing pensioner trusteeship in London and the Home Counties. On 14 November 2005, the Company was re-registered as Mattioli Woods plc.

#### Strategy

Mattioli Woods' objective is to continue to grow the organisation in order to increase its market share and also to enhance its reputation in the pensions consultancy market. The Directors have identified a number of specific opportunities for growth as follows:

***Pensions simplification*** Mattioli Woods has, from the outset, identified the potential of serving the SIPP and SSAS markets. The Directors now believe that further opportunities will be created by pensions simplification "A Day" in April 2006 (further details of which are set out below), particularly at the bespoke end of the market.

***Expanding the consultancy team*** It is intended to continue to expand the consultancy team through the in-house graduate training programme in order to increase the number of clients that the Company is able to serve, whilst maintaining the strong Mattioli Woods culture.

***Acquisition opportunities*** Following on from the successful acquisition of the Geoffrey Bernstein client portfolio, the Directors intend to identify and progress other suitable acquisitions where the client portfolios can be taken over and advised by the Mattioli Woods consultancy team. In the fragmented pensions consultancy market, the Directors believe that there are considerable opportunities for consolidation.

***Building the brand name*** Mattioli Woods has been building its reputation in the pensions consultancy market over many years. The Directors believe the flotation will help to raise the profile of the Company both with intermediaries and potential clients and will further strengthen awareness of the Mattioli Woods brand name.

***New product development*** Innovation has been a feature of many of Mattioli Woods' products and services and the Directors regard this as an important differentiator relative to many other pensions consultancy practices. The Directors intend to build on this by continuing the focus on, and investment in, new product development and believe this will allow Mattioli Woods to increase the range of services offered to its existing clients and those additional clients gained through the acquisition of third party client portfolios.

## **Market**

In the UK, successive governments have created piecemeal pensions related legislation. There are currently eight different sets of rules in existence governing pensions, making the existing system complicated and unwieldy.

In addition, the UK's pension industry has been beset by a number of problems. Under-funding, exacerbated by the stock market crash, continues to be an issue and the situation has been made worse by poor governance and a series of scandals including pensions misselling, the failure of certain high profile insurance companies to provide reliable pension arrangements and, more recently, a lack of resources at the Pensions Ombudsman.

This environment has led to a significant increase in the uptake of SIPPs and SSASs, primarily due to the greater control these products give to individuals over their own pensions arrangements.

### ***Self-Invested Personal Pension (SIPP)***

A SIPP is a type of personal pension plan which allows an individual to make their own investment decisions or to formulate their investment strategy in conjunction with their pensions adviser. A SIPP allows a wide range of investments, including unit trusts, open ended investment companies and investment trusts, stocks and shares in the UK and overseas and commercial property, and therefore offers far greater flexibility than traditional occupational and personal pensions.

The SIPP market is currently estimated to have £25bn of scheme assets. There are estimated to be 120,000 SIPPs in existence, with an average fund size of around £208,000. This is predicted to rise to 500,000 plans by 2010 (*source: Pensions Management June 2005*). The market is split between insured and independent practitioner arrangements.

### ***Small Self-Administered Scheme (SSAS)***

A SSAS is an occupational pension scheme with up to 11 members and is established by an employer for the benefit of some or all of its key employees. It is suited to most privately owned limited companies where the shares are mainly or wholly owned by directors employed in that business.

A SSAS is established under trust by a company's directors who are both the members and trustees of the pension scheme. It provides a tax-efficient environment in which a company's profits can be invested to provide retirement benefits. A SSAS gives its members the opportunity to maximise their pension funds prior to retirement by giving them control over their investments. Unlike other pension schemes, the members can invest their SSAS' funds in their own company through share purchase, unsecured loans for purchasing plant, machinery and commercial property to lease back to the company. Owner-managers can make their SSASs work for their business whilst building up a substantial pension fund to benefit themselves in retirement. A SSAS is also ring fenced from the company's creditors should the company become insolvent.

Permitted SSAS investments include the commercial property occupied by the company, loans from the pension fund to the company, the borrowing of money to buy an asset if the pension fund does not have the resources and up to 30 per cent. of the shares in an unlisted company (including the company sponsoring the SSAS). Other acceptable investments are quoted shares, deposit accounts, copyrights, financial futures, commodity futures and traded options.

It is currently a requirement that the member trustees must appoint a professional trustee, referred to as a pensioner trustee, to support both the establishment and administration of a SSAS. Pensioner trustee status is afforded to approximately only 290 trustees in the UK by the Audit & Pension Schemes Services of HM Revenue & Customs. The pensioner trustee must be a party to all transactions involving the SSAS and it has a primary responsibility to ensure full compliance in all regards. With effect from April 2006, however, the requirement for a scheme to appoint a pensioner trustee has been abolished. This will be replaced with a requirement for a formally appointed scheme administrator. This role will be very similar to that of pensioner trustee, but without the same level of responsibility and, consequently, risk.

The UK SSAS market is currently estimated to have £9.4bn of scheme assets. There are estimated to be over 21,500 SSASs in existence, with an average fund size of around £430,000.

### ***Pensions simplification***

With effect from April 2006, the Government is introducing legislation to simplify pensions. The key features of the new legislation are as follows:

- The ability to build up a tax-exempt approved pension fund by retirement of a lifetime limit of up to £1.5 million (in today's terms) in a largely tax-exempt environment.
- The ability for members to personally contribute up to 100 per cent. of their earnings with full tax relief and for additional employer contributions to be made up to a total of £215,000 (inclusive of any member's contributions). Neither the upper cap of £1.5 million nor the annual input limit is limited by reference to actual earnings.
- Tax-free cash benefit at retirement to be calculated as 25 per cent. of the fund value, subject to the lifetime limit.
- A 'light-touch' compliance regime which will make pension planning more flexible, particularly in taking away some of the irrevocable aspects of existing schemes.
- Deregulation of permitted investments, including the ability to invest in residential property both at home and abroad.
- The abolition of the compulsion to purchase annuities at age 75. This may pave the way for the inheritance of pension schemes by the next generation.

In replacing all eight complex current tax regimes, the new legislation will introduce a single simplified tax regime and greater investment freedoms.

The greater investment freedoms and, in particular, the abolition of the compulsion to purchase an annuity, are expected to significantly boost the personal pension market and the opportunities for specialist advisers, particularly those serving high net worth individuals, such as Mattioli Woods.

### **Services and customers**

Mattioli Woods' key activities include pensions consultancy, the provision and administration of SIPP and SSASs, investment services and the facilitation and administration of syndicated property schemes.

Mattioli Woods' client base for SIPP and SSAS services primarily comprises owner-managers, senior executives and professional persons. However, it also provides group scheme consultancy and personal financial planning as complementary services to its core clients.

Mattioli Woods has over 1,000 private individual SIPP clients in over 600 SIPP schemes with an average fund size of around £342,000, compared to the market average of around £208,000 and over 500 corporate SSAS clients with an average fund size of around £730,000, compared to the market average of around £430,000.

The Directors believe that the key features of Mattioli Woods' approach to pension consultancy are its development of informed investment strategies based on macro economic analysis, the impartial nature of its investment advice and the focus on providing solutions tailored to each individual client's needs.

A team, led by Bob Woods, carries out a macro economic analysis of the UK economy and also considers possible developments in government legislation to determine suitable investment strategies for its clients. Mattioli Woods has long believed that the compulsory purchase of an annuity would eventually be abolished and accordingly its pension planning has focussed heavily on preserving any residual assets for the client's beneficiaries.

Mattioli Woods reviews a wide range of third party investment products and selects those products that are believed to be most suitable for its clients' needs. The Company's income is deliberately primarily fee based, rather than commission driven, reinforcing Mattioli Woods' ability to remain impartial in its choice and recommendation of investments. The Company also does not directly handle any client monies.

The Company gives a significant amount of thought and attention to detail to each individual client. Consultants take into account the wider context of a client's strategic business planning when considering their pension requirements. The Company develops investment strategies tailored to individual client needs.

A high level of repeat fee income is generated from administration, consultancy and investment services, amounting to an average of £4,000 per annum per client. This core income is augmented by supplementary

services including personal investment insurance and group scheme consultancy which increase the total average income per client to £5,800 per annum.

Mattioli Woods administers SSASs on behalf of the member trustees, provides all the legal documentation required to set up the SSASs and liaises with HM Revenue & Customs in respect of both the initial and ongoing approval of the SSASs. It also advises the member trustees on the regulations affecting their SSAS and the requirements of the relevant legislation. Mattioli Woods' subsidiaries, MW Trustees Limited, GB Pension Trustees Limited and Great Malborough Street Pension Trustees Limited are three of only approximately 290 pensioner trustees in the UK. MW Trustees Limited is a member of the Association of Pensioner Trustees and the SIPP Provider Group which maintain an ongoing dialogue with the Audit & Pensions Schemes Services to help shape and interpret HM Revenue & Customs' practice for these types of pension arrangement.

Mattioli Woods facilitates commercial property ownership for its clients by way of a syndicated property initiative. Potential properties for purchase are introduced to Mattioli Woods by its network of professional property contacts. Mattioli Woods refers properties to an independent property adviser who either recommends or rejects each property for syndication.

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

Up until 31 May 2005, 14 syndicates had been established and the Directors expect that an additional six or seven schemes will be established each year.

### **Sales and marketing**

Mattioli Woods generates new business leads from three main sources; client referrals, its network of professional contacts and its seminar programme.

Mattioli Woods' existing client base is an important source of new business, with a large number of introductions to potential new clients starting as word of mouth referrals.

A significant proportion of new leads are generated from Mattioli Woods' network of professional contacts. Its consultants have actively developed their professional contacts throughout the UK, primarily with smaller to medium-sized accountancy practices and firms of solicitors. These types of firm serve the same target market as Mattioli Woods and fulfil a general practitioner role in referring their clients for specialist advice in areas such as pensions.

The Company also has an ongoing marketing initiative to develop new and maintain existing relationships with professional contacts. This is supported with a bi-monthly newsletter, 'Exploring Pensions' and an extensive seminar programme.

Seminars, directed at potential clients and intermediaries, are also a key source of new business and are conducted throughout the UK. The programme includes general pension seminars, the current focus of which is on promoting awareness of pension simplification. In relation to pension simplification, Mattioli Woods will be conducting approximately 30 to 40 seminars for intermediaries over a twelve month period, with delegate numbers averaging around 20 to 30 per seminar. Joint seminars covering specific topics are also hosted with other professionals, typically lawyers, accountants or property specialists.

### **Compliance**

The Group is regulated by a number of different bodies. Mattioli Woods' business is regulated and authorised by the FSA. The subsidiary companies of Mattioli Woods are authorised (as pensioner trustees) by the Audit & Pension Schemes Services of HM Revenue & Customs. As an administrator of SIPPs, the Company is regulated by HM Revenue & Customs: Savings & Pension Schemes ("SPS"). Mattioli Woods is a member of the SIPP Provider Group and MW Trustees Limited is a member of the Association of Pensioner Trustees.

Mattioli Woods has dedicated compliance teams for the above regulators. In respect of FSA regulation, a team of four is led by Mark Smith, Mattioli Woods' Compliance Officer. A team of three led by Alan Cowan is responsible for SIPP compliance, with particular regard to SPS requirements.

Systems are in place to proactively monitor client investments, consultancy and administration services, investment advice, financial standing of suppliers, pension transfer advice, FSA rule book compliance, Audit & Pension Schemes Services compliance and SPS compliance.

## **Competition**

The market for pensions consultancy services is fragmented, with a wide variation in the size of Mattioli Woods' competitors and in the scope of services they offer.

Competition in volume terms comes from the large insurance companies and independent financial advisers ("IFAs"). However, this type of business tends to be primarily "off the peg" and does not have the level of individual advice offered by Mattioli Woods. A number of Mattioli Woods' existing clients have moved from its competitors in search of a more bespoke service or following a "trouble shooting" exercise carried out by Mattioli Woods.

At the other end of the scale, there are many sole traders and partnerships operating small scale businesses serving a limited number of clients. Few have developed the critical mass already achieved by Mattioli Woods and the Directors believe that it is likely that the burden of regulation, coupled with the necessary changes to systems arising from pensions simplification, will pose these small practices an increasing challenge. Mattioli Woods regards these operations not only as an element of competition but as potential acquisition targets.

## **Key strengths**

The Group has the following key strengths:

### ***Strong track record of growth***

The business has achieved strong growth in both turnover and profits since the Partnership was established, through increasing the number of clients, the range of services offered and the average size of client portfolios. The Company now serves over 1,100 SIPP and SSAS schemes throughout the UK with an average scheme value, across all types of scheme, of around £520,000. Scheme values range from £50,000 to in excess of £10 million.

### ***High proportion of repeat business***

An average direct income per core client of around £4,000 per annum provides a large proportion of repeat income, creating a high quality income stream. Adding in indirect income, such as introduction fees and commissions, income per core client increases to an average of £5,800 per annum per client. Client loss typically runs at less than 3 per cent. per annum, also supporting the quality of the repeat income.

### ***Long standing client relationships***

The business has built up its client base over the last 14 years. Often clients initially come to Mattioli Woods to resolve issues with their existing SIPPs and SSASs. In a number of cases, this trouble-shooting exercise then leads to a long term client relationship. As the practice has grown, the Directors believe that the maintenance of people and partnership values has been a key element in Mattioli Woods' success in retaining its loyal client base.

### ***Innovation***

Mattioli Woods has long been at the forefront of innovation and change in its chosen field. Bob Woods was responsible for the development of the second SIPP product to be launched in the UK in 1990 and Mattioli Woods has since developed five SIPP products, in conjunction with other financial institutions. The integration of its pensions advice with broader business strategy planning is a key strength of the Company. Mattioli Woods has developed effective investment strategies for its pension scheme clients, including a successful syndicated property initiative.

### ***Mattioli Woods' culture of client service and care***

Throughout the organisation, at all levels, there is an emphasis on providing a high level of client service. Individual administrator case loads are kept at manageable levels, allowing the time to pro-actively manage each scheme. Effort is also made to ensure continuity. In some cases, schemes have had the same administrator for in excess of 10 years, helping to build a strong relationship with the client and a thorough knowledge of the scheme, the client's pension background and requirements. Each administrator also looks after all aspects of the administration of a scheme, rather than different areas being departmentalised, enabling the client to benefit from having one point of contact for all administration matters.

### ***Experienced and incentivised management team***

The Group's executive Directors, senior management team and consultancy team have extensive experience in the pensions industry and have developed an in-depth understanding of the pensions needs of their clients and how best to serve them within the regulatory framework. Each member of the senior management team maintains their own scheme case load, ensuring they have on-going contact with clients and a thorough understanding of the Company's systems and procedures.

### ***History of staff development and retention***

Mattioli Woods started to develop its graduate recruitment and training programme in 1992. This has been successful, with a strong retention record. Of the Company's 76 staff, 25 have been recruited from this programme, including ten of Mattioli Woods' 12 consultants and 15 staff in junior and middle-management positions.

### ***Opportunities for bolt-on acquisitions in a fragmented market***

Within the pensions consultancy market, there are a large number of sole traders and partnerships each serving a limited client base. Mattioli Woods recently completed the acquisition of the client portfolios of sole trader, Geoffrey Bernstein. The Directors believe that other opportunities of this type exist and the proceeds of the Placing will, *inter alia*, provide the resources to enable the Directors to identify and pursue these in due course.

## **Directors, senior management and employees**

### **Directors**

The Board comprises four executive and one non-executive directors. It is intended that the Board will appoint an additional non-executive director as soon as practicable following Admission. A short biography of each director is set out below.

#### ***Robert (Bob) Woods – Chairman, age 51***

Bob has worked in the pensions industry since graduating from Reading University in 1975. After initially working for Sun Alliance Insurance Group, in 1980, he joined independent financial services pension consultant Pointon York, an early market leader in SSAS, where, in 1983, he was appointed to the board with responsibility for the promotion of pension related services to professional advisers. In 1986, he was appointed marketing director and director of Pointon York's corporate pensioner trustee. In 1991, Bob founded the Mattioli Woods partnership with Ian Mattioli. For the past 20 years Bob has specialised in controlling-director pension planning and he is now responsible for developing Group strategy and identifying new growth areas and opportunities.

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

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

#### ***Nathan Imlach CA – Finance Director and Company Secretary, age 36***

Nathan joined Mattioli Woods in September 2005 as part of the preparations for the flotation. He qualified as a chartered accountant in 1993 with Ernst & Young. In 1994, he moved into Ernst & Young's corporate finance team, advising on a broad range of transactions for quoted and unquoted corporate clients, latterly as an assistant director. In January 2003, he joined Johnston Carmichael Corporate Finance, becoming a director and subsequently an associate of the firm and specialised in providing mergers and acquisitions advice. He is also a member of the Securities and Investment Institute. Nathan will be responsible for all financial aspects of Mattioli Woods' strategy and operations.

#### ***Murray Smith – Marketing and Sales Director, age 36***

Murray was appointed by Mattioli Woods in 1995 and has worked in the financial services industry since graduating with an MA in accountancy from Aberdeen University. Murray has achieved the full financial planning certificate qualification and is personally authorised by the FSA to give investment advice and as a pension transfer specialist. He has responsibility for the Company's marketing activities, which includes speaking at seminars on a range of consultancy issues, and is responsible for managing Mattioli Woods' team of consultants.

***John Redpath – Non-executive Director, age 60***

John spent 29 years with the North Eastern Electricity Board, which became Northern Electric, the Northern Regional Health Authority and the Northumbrian Water Authority. He was involved in the flotation of Northumbrian Water as human resources director, including responsibility for pensions. In 1992, he led the buyout of the subsidiary CPCR Limited, a human resources consultancy specialising in leadership and partnership development where he was chairman and managing director until his retirement in 2003. John has been actively involved in a number of community projects, including acting as chairman of Newcastle Youth Enterprises Centre between 1982 and 1984 and chairman of the governors at Newcastle College between 1998 and 2000. Currently he is a trustee and vice chairman of the Percy Hedley Foundation for cerebral palsy. John is a chartered member of the Institute of Personnel and Development and a member of the Institute of Administrative Management and the Chartered Management Institute. John became a Director of the Company in September 2005.

**Senior management**

The senior management team comprises the operational management of the business operating under the direction of the Board. Each member of the team manages a portfolio of schemes, most of which are high value schemes and therefore continues to have a significant amount of direct client contact in addition to their management duties.

***Sallyann Bundock – Administration Systems Manager, age 35***

Sallyann has worked for Mattioli Woods for over 12 years and holds a full financial planning certificate qualification. Her responsibilities include maintaining and updating the firm's administration systems to ensure compliance with the FSA and HM Revenue & Customs. Sallyann is also responsible for ensuring that all pension fund documentation is updated, as necessary, in line with HM Revenue & Customs' requirements and all relevant pension legislation.

***Alan Cowan – SIPP and Special Projects Manager, age 32***

Alan joined Mattioli Woods in 1997. He has 14 years' pension industry experience and has completed both financial planning certificate and advanced financial planning certificate examinations. Alan has full responsibility for the implementation and ongoing management of the Company's SIPP products. This includes liaising with HM Revenue & Customs and providing in-house technical support on a general and case by case basis. Additional responsibilities include assisting Nathan Imlach with preparation of monthly management information and with budget preparation for the Company. Alan also manages all aspects of the Company's property syndicate initiatives, including new product development.

***Claire Hughes – Administration Systems and Human Resource Manager, age 37***

Claire has over 18 years' industry experience and was appointed by Mattioli Woods in August 1995, having obtained full financial planning certificate qualifications. Her management responsibilities include maintaining and updating the firm's administration systems to ensure compliance with the FSA and HM Revenue & Customs. In addition, she has responsibility for co-ordinating the firm's training at all levels both externally and in-house and also has human resources responsibilities, covering employment contracts and employment law issues.

***Mark Smith – Compliance and Money Laundering Reporting Officer, age 35***

Mark has worked for Mattioli Woods for over 5 years and has over 17 years' financial services experience in addition to holding the full financial planning certificate qualification. Key responsibilities include direct liaison with the FSA on all regulatory issues including the regulatory impact of new products and the establishment and ongoing monitoring of compliance systems and procedures. As Money Laundering Reporting Officer, Mark is also responsible for ensuring Mattioli Woods' continued compliance with anti-money laundering regulations. Additional responsibilities include the Company's IT systems and recruitment.



## Consultants

Mattioli Woods has a team of 12 pensions consultants, senior members of which are shown below.

### *Alex Brown - Consultant, age 29*

After graduating from Leicester University in 1997 with a degree in History and Politics, Alex joined Mattioli Woods as a pension account manager. This initial role provided Alex with a wealth of experience in all areas of pension planning. In 2001, Alex progressed into full time consultancy. Alex has a substantial portfolio of clients based throughout the UK providing specialist pensions advice on the structure of pension schemes and the ongoing investment advice.

### *Martin Scarrott – Consultant, age 35*

Martin has worked in the financial services industry since he was 23 after graduating with honours from De Montfort University, Leicester. He began his career as a pension account manager and progressed into full time consultancy in 1998. Martin has gained experience in all areas of pensions planning from smaller defined contribution schemes to much larger final salary arrangements. He also has wide experience of self-administered schemes from inception to retirement or drawdown and takes responsibility for Mattioli Woods' portfolio of group scheme clients.

### *Eddy Woore – Consultant, age 42*

Eddy joined the financial services industry in 1984 as a graduate and has since qualified as an Associate of the Pensions Management Institute. Eddy has experience in all types of pension planning and specialised in SIPPs, becoming SIPP manager. As a senior consultant, his areas of specialisation include controlling director pension planning and pension and personal investment planning for individuals.

## Employees

The Group currently employs 76 staff, including Directors, at its Leicester head office.

By function, these are as follows:

Consultants – full time	12
Pensions administration staff – full time	32
Pensions administration staff – part time	2
Support staff – full time	21
Support staff – part time	9
Total	<hr/> <hr/> <u>76</u>

Mattioli Woods has an active graduate recruitment programme. Initial training is within the existing team structure and covers all aspects of SIPP and SSAS account management. More formal training sessions covering SIPP and SSAS technical and legislative issues are held on a weekly basis as part of a graduate trainee's induction. All graduate trainees receive the same initial training but this is subsequently tailored to the individual based on their own career aspirations. All graduate trainees are encouraged to undertake the financial planning certificate as soon as possible in order to obtain a recognised professional qualification.

## Share Option Plan

Mattioli Woods will use the Share Option Plan to incentivise its senior management team, certain directors and consultants. The Share Option Plan has been adopted and options over 7 per cent. of the pre-Admission Share Capital have been granted to senior managers and to certain directors. Following Admission it is intended that options over up to a further 5 per cent. of the Enlarged Share Capital will be granted to certain of the Company's consultants. All of the options will be exercisable subject to meeting performance targets. Further details of the Share Option Plan are set out in paragraph 5 of Part VI of this document.

## Financial record

The summary financial record of Mattioli Woods set out below has been extracted as disclosed from the normalised financial information in Part V of this document. Investors should read the whole of this document and not just rely on this summarised information.

	Year ended		
	31 May 2003 £'000	31 May 2004 £'000	31 May 2005 £'000
Turnover	3,731	6,139	6,442
Normalised operating profit	561	1,141	1,929

The Group's turnover has grown year on year since the partnership was established in 1991 and has been profitable and cash generative throughout.

In the year to 31 May 2005, the Group's turnover comprised 61 per cent. fee income and 39 per cent. commission income. On a product by product basis for the same period, revenues related primarily to SSASs and SIPPs (being 33 per cent. and 25 per cent. respectively), 10 per cent. related to bank fees, 8 per cent. to property syndicates, 7 per cent. to fund based commissions and 5 per cent. to group pension schemes.

## Current trading and prospects

Trading remains buoyant with strong flows of new business enquiries. The first four months' trading of the current financial year shows the business as a whole to be in line with management's internal forecast.

The Government's new pension simplification "A Day" legislation due to take effect in April 2006 is already providing a significant boost to the SIPP market in particular. The Directors believe this will underpin continuing strong growth for the foreseeable future.

## Reasons for the Placing and use of proceeds

The expected net cash proceeds of the Placing for the Company will be approximately £5.4 million. The funds will be used to repay directors' loans (£3 million) and to provide resources for potential further acquisitions and working capital (£2.4 million).

It is a priority for the Group to continue to attract and retain appropriately qualified staff. The Directors consider that the enhanced profile resulting from Admission and the introduction of the Share Option Plan will enable the Group to attract new employees of appropriately high calibre and to incentivise and retain key staff.

## The Placing and interests in shares

Pursuant to the Placing Agreement (which is summarised at paragraph 14 of Part VI of this document), Williams de Broë has conditionally agreed to use its reasonable endeavours to procure subscribers for 4,545,455 Ordinary Shares at the Placing Price.

The Placing is conditional, *inter alia*, on the Placing Agreement becoming unconditional before 8.00 am on 23 November 2005 and on Admission occurring on or before 8.00 am on 23 November 2005, or such later date as Williams de Broë and the Company may agree, being in any event not later than 31 December 2005. The Placing is expected to raise £6.0million for the Company before expenses, which are estimated to amount to £0.6 million.

Following the Placing, the Directors and their connected persons (being their wives, infant children and trusts under which the Directors, their wives or infant children have or may have an interest) will control, in aggregate, approximately 11,937,500 Ordinary Shares, which will represent 70.0 per cent. of the Enlarged Share Capital, and are subject to a lock-in agreement as described in paragraph 14.4 of Part VI of this document. In summary, the Directors have undertaken that they will not dispose of any Ordinary Shares within the period of two years following Admission. Pursuant to the Placing Agreement, the Company has entered into the Option Agreement under which Williams de Broë has been granted an option to subscribe for up to 170,455 Ordinary Shares at the Placing Price at any time during the 5 year period following Admission. The Option Agreement is summarised in paragraph 14.3 of Part VI of this document.

## **Dividends and dividend policy**

The Directors intend to pursue a progressive dividend policy in respect of the Ordinary Shares that will both reflect the long term earnings trend of the Group and allow the Group to maintain an appropriate level of dividend cover. It is likely that interim dividends will be paid in each financial year following the announcement of the interim results, with a final dividend being paid following the annual general meeting for the relevant year. In the absence of unforeseen circumstances, the first dividend payable is expected to be declared in respect of the year ending 31 May 2006.

## **Corporate governance**

The Board recognises the importance of sound corporate governance and endorses, has adopted, and intends to comply with, the main provisions of the principles of good corporate governance and code of best practice prepared by the Committee on Corporate Governance published in June 1998 and updated in November 2003 (the "Combined Code") to the extent which the Directors consider practical and appropriate to a company of the size and nature of Mattioli Woods.

Other aspects of the Combined Code are complied with save that the balance of executive and non-executive directors is not equal and a nomination committee has not been appointed. The Board will handle nomination issues. It is intended that the Board will appoint an additional non-executive Director as soon as practicable following Admission.

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

The Board has recently established Audit and Remuneration committees, each of which has formally delegated duties and responsibilities.

### ***Audit Committee***

The Audit Committee comprises John Redpath who will act as Chairman and Ian Mattioli. The Committee will meet together with the Finance Director, Nathan Imlach, not less than twice a year. It is responsible for ensuring that the financial performance of the Company is properly reported on and monitored. The Audit Committee will consider the appointment of, and fees payable to, the external auditors and discuss with them the scope of the annual audit. The Audit Committee will also review the external auditors' management letter.

As part of its duties, the Audit Committee will review the half-year and annual financial statements for compliance with accounting standards, statutory obligations and the requirements of the AIM Rules and the Combined Code. The Audit Committee will also review the effectiveness of the internal controls of the Company.

### ***Remuneration Committee***

The Remuneration Committee comprises John Redpath, who will act as Chairman and Bob Woods and will meet not less than twice a year. It is responsible for determining and reviewing the Company's policy on executive remuneration. Executive remuneration packages are designed to ensure that the Company's executive directors and senior executives are fairly rewarded for their individual contributions to the Company.

In addition, the Remuneration Committee will administer the operation of the Share Option Plan established by the Company. It is the Remuneration Committee's intention to use this scheme to incentivise and motivate executive directors, senior executives and other employees.

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

The remuneration of the non-executive directors will be determined by the executive directors and confirmed by the full Board, excluding the non-executive director concerned. Non-executive directors have letters of appointment and the principal details of John Redpath's letter of appointment are set out in paragraph 8 of Part VI of this document.

## **CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles provide for the Directors to implement procedures that will permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that they will be so admitted and accordingly enabled for settlement in CREST, as soon as practicable after Admission.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Subscribers for Placing Shares under the Placing may, however, elect to receive their Ordinary Shares in uncertificated form if, but only if, that person is a “system member” as defined in the Uncertificated Securities Regulations 2001 in relation to CREST. Further information is set out in the Placing Letters to be used in connection with the Placing. It is expected that share certificates, for those who wish to receive them, will be posted to Shareholders by 7 December 2005. Temporary documents of title will not be issued.

## **Further Information**

The attention of potential investors is drawn to Parts II to VI of this document which provide further information and, in particular, to the risk factors set out in Part II.

## **PART II**

### **RISK FACTORS**

In addition to the information set out in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. If any of the following risks were to materialise, the Group's business, financial condition, results and/or future operations could be materially and adversely affected. In such case, the market price of the Ordinary Shares could decline and an investor might lose all or part of his investment. The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in the Company. In particular, the Group's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements. Additional risks not presently known to the Directors or which the Directors currently believe to be immaterial may, in the future, adversely affect the Group's business and the market price of the Ordinary Shares.

In any event, before making a final investment decision, if you are in any doubt you should consult with an independent financial adviser authorised under the Financial Services and Markets Act 2000.

#### **Control by principal shareholders/directors**

The principal shareholders in the Company are Bob Woods and Ian Mattioli who will own 67.4 per cent. of the Enlarged Share Capital. This means that together they will control over 50 per cent. of the voting rights attaching to the Ordinary Shares of the Company.

#### **Nature of an AIM investment**

Application will be made for the Ordinary Shares to be admitted to trading on AIM. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. This market is run primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application has been or is being made for the admission of the Ordinary Shares to the Official List of the UK Listing Authority.

#### **Market liquidity**

AIM will provide a market for and a means of valuing the Ordinary Shares that are traded on it. However, the market for shares in smaller public companies, including Mattioli Woods, is less liquid than for larger public companies. Consequently their share prices may be subject to greater fluctuation and, whilst it is the intention to place sufficient Ordinary Shares in public hands to be able to create a market in the Ordinary Shares, shares traded on AIM are generally less marketable than those listed on the Official List of the UK Listing Authority and, therefore, it may be more difficult for investors to realise their investment in Ordinary Shares.

#### **Share price volatility**

The value of Ordinary Shares may go down as well as up. Investors may realise less than the original amount they invested. In addition, there can be no guarantee that the market price of an investment in the Company will fully reflect its underlying value.

#### **Dependence upon key employees**

The future financial performance of the Group will depend heavily on the continued services of the executive Directors and key members of the Company's senior management and consultancy teams. Whilst the Company has entered into employment arrangements with each of its key personnel with the aim of securing their services, their retention cannot be guaranteed and loss of the service of any of the key employees could have a materially adverse effect upon the Group's future.

In the longer term, in order to continue to provide a high quality service to its customers, the Company is dependent upon its ability to identify, attract, motivate and retain both senior management, pension consultants and pension administrators with the requisite experience. If the Company cannot hire and retain appropriate

personnel, its future growth may be restricted and the quality of its services and revenues reduced, with a corresponding adverse impact on its business and profitability.

In addition, Mattioli Woods has put in place “key man” insurance against the loss of the services of Ian Mattioli and Bob Woods. However, any proceeds of such insurance may not be sufficient to compensate the Group for the financial consequences arising from the loss of their expertise.

### **Competition and competing services**

The Group’s competitors and potential competitors include some companies with substantially greater resources than those of the Company. There can be no assurance that such competitors will not succeed in developing and marketing pensions and related products which would attract the Group’s customers and which could have an adverse affect on the ability of the Group to compete effectively in its market place.

### **Development of the market**

Mattioli Woods’ strategy focuses on providing proprietary pension products. If for any reason the pensions market does not develop as anticipated, particularly in relation to pension simplification “A” Day, Mattioli Woods may be unable to achieve its overall business goals and its business may be adversely affected.

### **Potential market size and achievable penetration**

Mattioli Woods provides pension consultancy and administration services in the UK. As the pension market may change in April 2006, there is little reliable data available to demonstrate potential market size and anticipated achievable level of market penetration for Mattioli Woods’ services.

### **Data protection**

The Group must comply with applicable data protection legislation in the jurisdictions in which it operates. The European Union has adopted two data protection directives concerning the protection of the individual’s personal data. Even though the purpose of the directives is to harmonise the various national laws on data protection in the European Union, resulting laws may vary to a substantial extent from country to country.

Increased awareness on the part of the public of privacy issues, the data protection directives and future changes to legislation with which the Group has to comply could impact on its ability to use personal data or make personal data available for use by others, which could affect the Group’s business, financial condition and results of operations.

### **Pension regulations**

Pension regulations are continuing to be reviewed which may not produce an environment that is advantageous to the Group. Market and prospects may deteriorate and any changes in regulation may be retrospective.

### **Regulatory approvals**

Mattioli Woods’ business is authorised and regulated by the FSA. If the FSA ceases to authorise the Company’s business, the Company would not be able to continue to provide those services which require FSA approval. In addition, if the FSA fails to approve or withdraws approval of individuals employed by the Group, then income may be materially affected.

The breach of any relevant regulations by any company within the Group, may result in sanctions being applied by the FSA and may have both reputational consequences and cost consequences which could impact adversely on the Group’s operations and financial condition.

Mattioli Woods must ensure that it meets with the requirements of the FSA’s capital adequacy rules. At the date of this document, the Company meets these requirements, however, if at any time in the future it ceased to comply, the FSA could suspend or withdraw the Company’s approval meaning that Mattioli Woods could not undertake regulated activities.

Mattioli Woods must maintain adequate professional indemnity insurance cover in line with the requirements of the FSA Handbook. If compliant cover cannot be maintained, the FSA may suspend or withdraw the Company’s approval to undertake regulated activities.

The property syndicates have been structured and operated with the benefit of legal advice with a view to giving the beneficiaries day to day control. Mattioli Woods is engaged in discussions with the FSA to seek clarification in relation to the status of these syndicates. If the FSA require these syndicates to be treated as collective investment schemes, this may affect their tax treatment and require authorisation. If authorisation is required, the Directors intend to seek such authorisation, however, if this authorisation were not to be granted, this may have an adverse impact on Mattioli Woods' income in relation to this type of business.

### **FSA consent to change of control**

Under Part XII of FSMA, the FSA must approve certain changes of control in the Company. Therefore, if an investor proposes to take an action, either under the Proposals or following Admission, which would result in him acquiring or increasing control (as defined in FSMA) in the Company, he must notify the FSA in the prescribed format. Failure to do so is an offence. The FSA is permitted three months in which to determine a properly submitted application for approval. A person effecting a change of control within the period of three months without FSA approval, or effecting a change of control contrary to an objection notice from the FSA, is guilty of an offence.

For this purpose, a person would acquire control over the Company by (*inter alia*) holding 10 per cent. or more of the Enlarged Share Capital and would increase his existing control by a movement into the next band of percentage shareholdings (the designated triggers being 20 per cent., 33 per cent. and 50 per cent.).

If you are in any doubt about the provisions of Part XII of FSMA, you are recommended to seek your own independent legal advice.

### **Forward looking statements**

Certain statements within this document, including those in Part I, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, competition and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward looking statements are correct only as at the date of this document.

## **PART III**

### **FINANCIAL INFORMATION ON THE COMPANY**

The historical financial information for the Company is set out in Section B of Part III of this document. This financial information does not comprise statutory accounts within the meaning of section 240 of the Act. The Company commenced trading on 2 September 2003 when it acquired the trade and certain assets of Mattioli Woods Pension Consultants. The results for the year ended 31 May 2004 therefore include approximately 9 months of trading. The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of the Company for that period. In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Company's financial information complies with the requirements of Annex I of the AIM Rules. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section A of Part III of this document sets out a report from Baker Tilly, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.



## PART III

### SECTION A- ACCOUNTANTS' REPORT ON THE COMPANY

The following is the full text of a report on Mattioli Woods plc from Baker Tilly, the Reporting Accountants, to the Directors of Mattioli Woods plc.



**BAKER TILLY**

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Leeds LS1 4HG  
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The Directors  
Mattioli Woods plc  
MW House  
1 Penman Way  
Grove Park  
Enderby  
Leicester  
LE19 1SY

16 November 2005

Dear Sirs

#### **MATTIOLI WOODS PLC (“the Company”)**

We report on the financial information which has been prepared for inclusion in Section B of Part III (pages 27 to 40) of the Company’s admission document dated 16 November 2005 (“Admission Document”) on the basis of the accounting policies set out in note 1 of this financial information. This report is required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

As described in the introduction to Part III, the directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with UK GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and recognised gains and losses and changes in equity for the periods then ended.

**Declaration**

For the purposes of item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

***Baker Tilly***

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## SECTION B - FINANCIAL INFORMATION ON THE COMPANY

### PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 31 May		
		2003 £	2004 £	2005 £
<b>Turnover</b>	2	-	4,655,056	6,442,104
Administration expenses		-	3,054,447	3,704,420
<b>Operating profit</b>		-	1,600,609	2,737,684
Interest receivable and similar income	3	178	12,501	62,567
Interest payable	4	-	-	560
<b>Profit on ordinary activities before taxation</b>	5	178	1,613,110	2,799,691
Tax on profit on ordinary activities	7	-	489,795	840,580
<b>Profit on ordinary activities after taxation</b>		-	1,123,315	1,959,111
Dividends	8	-	-	250,000
<b>Retained profit for the financial year</b>		178	1,123,315	1,709,111
Earnings per ordinary share				
Basic	9	-	22.47	39.18

The operating profit for each of the years arises from the Company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

## BALANCE SHEETS

		As at 31 May		
	Notes	2003 £	2004 £	2005 £
<b>Fixed assets</b>				
Intangible assets	10	-	4,847,130	4,847,130
Tangible assets	11	-	139,157	224,630
		<u>-</u>	<u>4,986,287</u>	<u>5,071,760</u>
<b>Current assets</b>				
Debtors	12	-	1,731,376	2,765,864
Cash at bank and in hand		50,178	1,253,403	1,381,461
		<u>50,178</u>	<u>2,984,779</u>	<u>4,147,325</u>
<b>Creditors: amounts falling due within one year</b>	13	-	1,797,573	4,328,256
		<u>-</u>	<u>1,797,573</u>	<u>4,328,256</u>
<b>Net current assets/(liabilities)</b>		<u>50,178</u>	<u>1,187,206</u>	<u>(180,931)</u>
<b>Total assets less current liabilities</b>		<u>50,178</u>	<u>6,173,493</u>	<u>4,890,829</u>
<b>Creditors: amounts falling due after more than one year</b>	14	-	3,000,000	-
<b>Provisions for liabilities and charges</b>	15	-	-	8,225
		<u>-</u>	<u>-</u>	<u>8,225</u>
<b>Net assets</b>		<u>50,178</u>	<u>3,173,493</u>	<u>4,882,604</u>
<b>Capital and reserves</b>				
Called up share capital	16	50,000	2,050,000	2,050,000
Profit and loss account	17	178	1,123,493	2,832,604
		<u>50,178</u>	<u>3,173,493</u>	<u>4,882,604</u>
<b>Shareholders' funds (including non-equity interests)</b>	18	<u>50,178</u>	<u>3,173,493</u>	<u>4,882,604</u>

## CASH FLOW STATEMENTS

	Notes	Year ended 31 May		
		2003 £	2004 £	2005 £
Net cash flow from operating activities	19a	2	1,308,347	1,750,903
Returns on investments and servicing of finance	19b	178	4,703	57,327
Taxation		-	-	(795,000)
Capital expenditure and financial investment	19b	-	(46,792)	(141,235)
Equity dividends paid		-	-	(250,000)
<b>Cash inflow before financing</b>		180	1,266,258	621,995
Financing	19b	49,998	(296,958)	(353,925)
<b>Increase in cash in the year</b>		50,178	969,300	268,070

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

	Notes	Year ended 31 May		
		2003 £	2004 £	2005 £
Increase in cash in the year		50,178	969,300	268,070
Cash outflow from Directors' loan repayments		-	296,778	305,459
Change in net debt resulting from cash flows		50,178	1,266,078	573,529
New loan from Directors		-	(3,621,535)	-
Movement in net debt in year		50,178	(2,355,457)	573,529
Opening net funds/(debt)		-	50,178	(2,305,279)
Closing net funds/(debt)	19c	50,178	(2,305,279)	(1,731,750)

## **1. Accounting policies**

### **Basis of accounting**

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

### **Comparative figures**

Comparative figures are for the year ended 31 May 2003 and the year ended 31 May 2004. During the year ended 31 May 2004 the Company traded from 2 September 2003 to 31 May 2004.

### **Tangible fixed assets**

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

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

### **Goodwill**

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of business acquired. No amortisation is charged as detailed in note 10 to the accounts. Impairment reviews are carried out to ensure that goodwill is not carried at above its recoverable amount.

### **Deferred taxation**

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

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

### **Leased assets and obligations**

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

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

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

### **Turnover**

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

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

### Pension costs

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

### Commissions received on indemnity terms

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

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

Turnover and profit before taxation were derived from the Company's principal activities, which are wholly undertaken in the UK.

## 3. Interest receivable and similar income

	Year ended 31 May		
	2003	2004	2005
	£	£	£
Interest on deposit accounts	178	12,501	62,567

## 4. Interest payable and similar charges

	Year ended 31 May		
	2003	2004	2005
	£	£	£
Bank interest	-	-	560

## 5. Profit on ordinary activities before taxation

	Year ended 31 May		
	2003	2004	2005
	£	£	£
Profit on ordinary activities before taxation is stated after charging:			
Auditors' remuneration:			
– as auditors	-	11,800	14,000
– other services	-	8,000	20,000
Depreciation of owned assets	-	29,578	42,432
Loss on disposal of fixed assets	-	-	13,330
Operating lease rentals	-	38,142	61,000

## 6. Employees

	Year ended 31 May		
	2003	2004	2005
	£	£	£
The average monthly number of persons (including Directors) employed by the Company during the year was:			
Directors	-	2	2
Consultants and scheme administrators	-	50	56
Support staff	-	9	12
	<hr/>	<hr/>	<hr/>
	-	61	70
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Year ended 31 May		
	2003	2004	2005
	£	£	£
Staff costs for above persons:			
Wages and salaries	-	1,212,854	1,804,572
Social security costs	-	132,990	193,792
Other pension costs	-	218,508	208,443
	<hr/>	<hr/>	<hr/>
	-	1,564,352	2,206,807
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	2003	2004	2005
	£	£	£
<b>Directors' remuneration</b>			
Emoluments	-	6,144	48,511
Company contributions to personal pension schemes	-	65,700	52,800
	<hr/>	<hr/>	<hr/>
	-	71,844	101,311
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year two directors (2004: two; 2003: nil) were accruing benefits under personal pension schemes.



## 7. Taxation

	Year ended 31 May		
	2003	2004	2005
	£	£	£
Corporation tax:			
Current tax	-	555,311	832,355
	<hr/>	<hr/>	<hr/>
Tax on profit on ordinary activities	-	555,311	832,355
Deferred tax:			
Current year	-	(65,516)	9,040
Prior year	-	-	(815)
	<hr/>	<hr/>	<hr/>
Total deferred tax	-	(65,516)	8,225
	<hr/>	<hr/>	<hr/>
Tax on profit on ordinary activities	-	489,795	840,580
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the period:

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

	Year ended 31 May		
	2003	2004	2005
	£	£	£
Profit on ordinary activities before tax	178	1,613,110	2,799,691
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%; 2003: 30%)	-	483,933	839,907
Effects of:			
Expenses not deductible for tax purposes	-	1,402	3,536
Capital allowances in excess of depreciation	-	2,621	(9,249)
Other short term timing differences	-	1,839	(1,839)
Reversal of fair value adjustment	-	65,516	-
	<hr/>	<hr/>	<hr/>
Current tax charge for the period	-	555,311	832,355
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 8. Dividends

	Year ended 31 May		
	2003	2004	2005
	£	£	£
Ordinary			
Final paid - £5 per share (2004: £nil; 2003: £nil)	-	-	250,000
	<u>-</u>	<u>-</u>	<u>250,000</u>
	<u>-</u>	<u>-</u>	<u>250,000</u>

## 9. Earnings per ordinary share

The calculation of earnings per ordinary share as at 31 May 2005 is based on a profit of £1,959,111 (May 2004: £1,123,315; May 2003: £178) and is based on 50,000 (2004: 50,000; 2003: 37,261) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

## 10. Intangible fixed assets

	Goodwill
	£
Cost	
At 1 June 2003	-
Additions	4,847,130
At 31 May 2004 and 31 May 2005	<u>4,847,130</u>
Amortisation	
At 31 May 2003, 31 May 2004 and 31 May 2005	-
Net book value	
At 31 May 2003	-
At 31 May 2004 and 31 May 2005	<u>4,847,130</u>

Goodwill arose on the purchase of an unincorporated business on 2 September 2003.

No amortisation is charged. This policy departs from the Companies Act 1985 legislation for the overriding purpose of giving a true and fair view.

In the opinion of the Directors the lifespan of the business is indefinite due to the necessity of providing for retirement. The stability and durability of the acquired business is recognised and it is believed the goodwill attaching to the acquired business can be continually measured.

## 11. Tangible fixed assets

	Computer and office equipment £	Fixtures fittings £	Motor vehicles £	Total £
<b>Cost</b>				
1 June 2002	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
31 May 2003	-	-	-	-
Additions	68,020	37,964	62,751	168,735
Disposals	-	-	-	-
31 May 2004	68,020	37,964	62,751	168,735
Additions	17,457	18,128	112,550	148,135
Disposals	-	-	(29,763)	(29,763)
31 May 2005	85,477	56,092	145,538	287,107
<b>Depreciation</b>				
1 June 2002	-	-	-	-
Charged in the year	-	-	-	-
Disposals	-	-	-	-
31 May 2003	-	-	-	-
Charged in the year	12,118	5,694	11,766	29,578
Disposals	-	-	-	-
31 May 2004	12,118	5,694	11,766	29,578
Charged in the year	15,404	6,860	20,168	42,432
Disposals	-	-	(9,533)	(9,533)
31 May 2005	27,522	12,554	22,401	62,477
<b>Net book value</b>				
31 May 2005	57,955	43,538	123,137	224,630
31 May 2004	55,902	32,270	50,985	139,157
31 May 2003	-	-	-	-

## 12. Debtors

	As at 31 May		
	2003 £	2004 £	2005 £
Trade debtors	-	557,241	903,379
Other debtors	-	7,798	419,970
Prepayments and accrued income	-	1,166,337	1,442,515
	-	1,731,376	2,765,864

**13. Creditors: amounts falling due within one year**

	As at 31 May		
	2003	2004	2005
	£	£	£
Short term subordinated loan (note 14)	-	-	3,000,000
Bank loans and overdrafts	-	233,925	93,913
Trade creditors	-	283,196	59,261
Corporation tax	-	555,311	592,666
Other taxation and social security	-	83,361	238,347
Other creditors	-	48,466	47,966
Directors' loan accounts	-	324,757	19,298
Accruals and deferred income	-	268,557	276,805
	<u>-</u>	<u>1,797,573</u>	<u>4,328,256</u>

**14. Creditors: amounts falling due in more than one year**

	As at 31 May		
	2003	2004	2005
	£	£	£
Short term subordinated loan	-	3,000,000	-
	<u>-</u>	<u>3,000,000</u>	<u>-</u>

The short term subordinated loan agreement was entered into by the Directors. The loan is redeemable upon request of the Directors and has an earliest redemption date of 2 September 2005. Interest is payable on this loan at 8% per annum after the redemption date.

**15. Provisions for liabilities and charges**

	As at 31 May		
	2003	2004	2005
	£	£	£
Deferred tax			
Opening balance	-	-	-
Arising on acquisition of unincorporated business	-	65,516	-
Transfer from profit and loss account	-	(65,516)	8,225
	<u>-</u>	<u>-</u>	<u>8,225</u>
Closing balance	-	-	8,225
	<u>-</u>	<u>-</u>	<u>8,225</u>
Deferred taxation is provided at 30% as follows:			
Excess of tax allowances over depreciation	-	-	8,225
	<u>-</u>	<u>-</u>	<u>8,225</u>

**16. Share capital**

	As at 31 May		
	2003	2004	2005
	£	£	£
Authorised:			
100,000 ordinary shares of £1 each	100,000	100,000	100,000
2,000,000 redeemable preference shares of £1 each	2,000,000	2,000,000	2,000,000
	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>
Allotted, issued and fully paid:			
50,000 ordinary shares of £1 each	50,000	50,000	50,000
2,000,000 redeemable preference shares of £1 each	-	2,000,000	2,000,000
	<u>50,000</u>	<u>2,050,000</u>	<u>2,050,000</u>

The preference shares have no dividend or voting rights and are non equity interests. They are redeemable upon request of the shareholder at their nominal value, at any time after 18 July 2005.

**17. Profit and loss account**

	As at 31 May		
	2003	2004	2005
	£	£	£
Opening balance	-	178	1,123,493
Profit for the financial year	178	1,123,315	1,709,111
	<u>178</u>	<u>1,123,493</u>	<u>2,832,604</u>

**18. Reconciliation of movement in shareholders' funds**

	As at 31 May		
	2003	2004	2005
	£	£	£
Profit for the financial year	178	1,123,315	1,959,111
Dividends	-	-	(250,000)
New share capital subscribed	49,998	2,000,000	-
	<u>50,176</u>	<u>3,123,315</u>	<u>1,709,111</u>
Net addition to shareholders' funds	50,176	3,123,315	1,709,111
Opening shareholders' funds	2	50,178	3,173,493
	<u>50,178</u>	<u>3,173,493</u>	<u>4,882,604</u>
The total shareholders' funds comprise:			
Non-equity interest	-	2,000,000	2,000,000
Equity interests	50,178	1,173,493	2,882,604
	<u>50,178</u>	<u>3,173,493</u>	<u>4,882,604</u>

## 19. Cash flows

	Year ended 31 May		
	2003	2004	2005
	£	£	£
<b>19a. Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit	-	1,600,609	2,737,684
Depreciation charge	-	29,578	42,432
Loss on disposal of fixed assets	-	-	13,330
Decrease/(increase) in debtors	2	(809,454)	(1,029,808)
Increase/(decrease) in creditors	-	487,614	(12,735)
Net cash inflow from operating activities	2	1,308,347	1,750,903

	Year ended 31 May		
	2003	2004	2005
	£	£	£
<b>19b. Analysis of cash flows for headings netted in the cash flow</b>			
<b>Returns on investments and servicing of finance</b>			
Interest received	178	4,703	57,887
Interest paid	-	-	(560)
Net cash flow from returns on investments and servicing of finance	178	4,703	57,327
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	-	(46,792)	(148,135)
Sale of tangible fixed assets	-	-	6,900
Net cash flow from capital expenditure and financial investment	-	(46,792)	(141,235)
<b>Financing</b>			
New share subscription	49,998	-	-
Movement on Directors' loan accounts	-	(296,958)	(353,925)
Net cash flow from financing	49,998	(296,958)	(353,925)

	Year ended 31 May		
	2003	2004	2005
	£	£	£
<b>19c. Analysis of change of net funds/(debt)</b>			
Cash at bank, in hand and overdrafts	-	50,178	1,019,478
Directors' loan accounts	-	-	(324,757)
Directors' subordinated loans	-	-	(3,000,000)
Opening net funds/(debt)	-	50,178	(2,305,279)
Increase in cash in the year	50,178	969,300	268,070
(Increase)/decrease in Directors' loan accounts	-	(324,757)	305,459
(Increase) in Directors' subordinated loan	-	(3,000,000)	-
Cash at bank, in hand and overdrafts	50,178	1,019,478	1,287,548
Directors' loan accounts	-	(324,757)	(19,298)
Directors' subordinated loans	-	(3,000,000)	(3,000,000)
Closing net funds/(debt)	50,178	(2,305,279)	(1,731,750)

## 19 Cash flows (continued)

### 19d. Major non-cash transactions

On 2 September 2003 the Company acquired the trade and certain assets of Mattioli Woods Pension Consultants from Ian Mattioli and Robert Woods. The assets and liabilities transferred amounted to £5,621,535 which was settled in part by the issue of £2,000,000 redeemable preference shares. The balance of £3,621,535 has been loaned to the Company and includes £3,000,000 as a subordinated loan which has an earliest redemption date of 2 September 2005. Interest is payable on this loan at 8% per annum after the redemption date.

Further details on the acquisition are set out below

<b>Purchase of unincorporated business</b>	<b>£</b>
Net assets acquired	
Fixed assets	121,943
Debtors	865,478
Creditors	(147,500)
Provision for liabilities and charges	(65,516)
	<hr/>
	774,405
Goodwill	4,847,130
	<hr/>
	5,621,535
Satisfied by:	<hr/>
Redeemable preference shares	2,000,000
Directors' loan accounts	3,621,535
	<hr/>
	5,621,535
	<hr/> <hr/>

### 20. Leasing commitments

At 31 May 2005 the Company had annual contributions under non-cancellable operating leases as detailed below:

	<b>As at 31 May</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Land and buildings:			
Expiring after more than five years	-	61,000	61,000
	<hr/>	<hr/>	<hr/>

### 21. Pension costs

The Company makes discretionary payments into the personal pension schemes of employees and contributions are charged in the profit and loss account as they become payable. The charge for the period was £208,443 (2004: £218,508; 2003: £nil).

## **22. Derivatives and other financial instruments**

The Company's principal financial instruments comprise cash and various items such as trade debtors and creditors that arise directly from the Company's operations. The main purpose of these financial instruments is to finance the Company's operations. All are considered to be stated at fair value.

It is and has been throughout the period, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity.

The year end positions disclosed in the balance sheets reasonably reflect the general disposition of borrowings, cash and other working capital assets and liabilities that have existed throughout the year.

### *Borrowings*

The bank overdraft facility is unsecured. The overdraft is repayable on demand and bears interest based on the bank's base rate fluctuating from time to time. The facility is due for renewal in January 2006.

It should be noted that since the 31 May 2005 accounts were completed, the Company has redeemed the £2,000,000 of redeemable preference shares, through a mixture of cash held within the Company and a loan facility of up to £2,250,000 obtained from the Royal Bank of Scotland.

## **23. Related party transactions**

The private pension scheme of Ian Mattioli and Robert Woods owns the premises at Hinckley leased by Mattioli Woods plc. During the year ended 31 May 2005 £61,000 (2004: £61,000; 2003: £nil) of rent was paid. There was no balance outstanding at the year end (2004: £nil; 2003: £nil).

Included within other debtors is an interest bearing loan of £92,000 (2004: £nil; 2003: £nil) to MW Properties (No 16) Limited, a company in which Ian Mattioli and Robert Woods have a beneficial interest through an investment by their pension fund. This loan is due to be repaid between 1 November 2005 and 28 February 2006 and is interest bearing.

On 2 September 2003 the Company acquired the trade and certain assets of Mattioli Woods Pension Consultants from Ian Mattioli and Robert Woods. The assets and liabilities transferred amounted to £5,621,535 which was settled in part by the issue of £2,000,000 redeemable preference shares. The balance of £3,621,535 was loaned to the Company and includes £3,000,000 as a subordinated loan which has an earliest redemption date of 2 September 2005. Interest is payable on this loan at 8% per annum after the redemption date.

## **24. Events after the balance sheet date**

On 20 June 2005 the Company acquired the trade and assets of Geoffrey Bernstein, an unincorporated business, for £380,000 plus a deferred consideration. The deferred consideration is an amount equal to 20% of all the commissions earned during the period 20 June 2005 to 20 June 2010 on certain contracts. The Directors consider £175,000 to be the best estimate of the deferred consideration.

## **25. Ultimate controlling party**

The Company has no controlling party.



## **PART IV**

### **FINANCIAL INFORMATION ON THE PARTNERSHIP**

The historical financial information on the Partnership for the year ended 31 May 2003 and the period ended 2 September 2003 is set out in Section B of Part IV of this document. This financial information has been extracted from the accounts of the Partnership for these periods.

The Partnership ceased trading on 2 September 2003 when it sold its trade and certain assets to Mattioli Woods plc. The financial information included at Section B of Part IV shows the financial results of the Partnership for the 15 months prior to the Company's acquisition of the trade.

The Directors are required to prepare the financial information in accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of the Partnership for that period. In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently; and
- (b) make judgements and estimates that are reasonable and prudent.

Section A of part IV of this document sets out a report from Baker Tilly, the Reporting Accountants, required by schedule two, paragraph (k) of the AIM rules and is given for the purpose of complying with that paragraph and for no other purpose.

## PART IV

### SECTION A – ACCOUNTANTS’ REPORT ON THE PARTNERSHIP

The following is the full text of a report on Mattioli Woods Pension Consultants from Baker Tilly, the Reporting Accountants, to the Directors of Mattioli Woods plc.



**BAKER TILLY**

2 Whitehall Quay  
Leeds LS1 4HG  
[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
Mattioli Woods plc  
MW House  
1 Penman Way  
Grove Park  
Enderby  
Leicester  
LE19 1SY

16 November 2005

Dear Sirs

#### **MATTIOLI WOODS PENSION CONSULTANTS (“the Partnership”)**

We report on the financial information which has been prepared for inclusion in Section B of Part IV (pages 44 to 50) of the AIM admission document dated 16 November 2005 (“Admission Document”) of Mattioli Woods plc on the basis of the accounting policies set out in note 1 of this financial information. This report is required by schedule two, paragraph (k) of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

As described in the introduction to Part IV the directors of Mattioli Woods plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Partnership as at the dates stated and of its profits and recognised gains and losses and changes in capital for the periods then ended.

**Declaration**

For the purposes of item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

***Baker Tilly***

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## SECTION B – FINANCIAL INFORMATION ON THE PARTNERSHIP

### TRADING AND PROFIT AND LOSS ACCOUNTS

		Year ended 31 May 2003 £	Period ended 2 September 2003 £
Fees and commissions		3,731,461	1,484,231
Less: Direct costs			
Rebates-Professional introducers and provider fees		311,047	266,995
Lapsed premiums		85,775	14,724
Actuarial costs		47,030	10,655
Client legal and professional fees		79,326	10,630
		523,178	303,004
		3,208,283	1,181,227
Less: Overheads			
Establishment expenses	2	101,061	25,285
Administration expenses	3	1,650,837	363,188
Selling expenses	4	121,906	39,692
Financial and other expenses	5	16,115	28,432
		1,889,919	456,597
Trading profit for the year / period		1,318,364	724,630
Add: Management charge		13,000	-
Add: Bank deposit interest (net)		25,963	24,135
Add: Loan interest received (net)		5,240	940
Net profit for the year / period		1,362,567	749,705

**BALANCE SHEETS**

		At 31 May 2003 £	At 2 September 2003 £
<b>Fixed assets</b>			
Tangible assets	6	205,341	222,187
Investments	7	156,433	156,587
		<hr/>	<hr/>
		361,774	378,774
<b>Current assets</b>			
Trade debtors		654,405	467,658
Sundry debtors and prepayments	10	1,044,489	801,270
Bank deposit accounts		1,227,532	1,185,116
		<hr/>	<hr/>
		2,926,426	2,454,044
<b>Current liabilities</b>			
Bank overdraft		126,376	-
Trade creditors		160,805	88,497
Other creditors and accruals	11	586,800	92,725
		<hr/>	<hr/>
		873,981	181,222
<b>Net current assets</b>		<hr/>	<hr/>
		2,052,445	2,272,822
<b>Net assets</b>		<hr/>	<hr/>
		2,414,219	2,651,596
<b>Partners' capital accounts</b>	8	800,000	800,000
<b>Partners' current accounts</b>	9	1,614,219	1,851,596
		<hr/>	<hr/>
		2,414,219	2,651,596
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL INFORMATION

### 1. Accounting Policies

The principal accounting policies adopted in the preparation of the financial information are set out below and have been consistently applied.

#### Basis of Preparation of Financial Statements

The financial information has been prepared under the historical cost convention.

#### Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Computer and office equipment	–	20/25% per annum of written down value
Fixtures and fittings	–	20% per annum of written down value
Motor vehicles	–	25% per annum of written down value

#### Pension Costs

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

#### Turnover

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

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

#### Operating Leases

Rentals under operating leases are charged to the profit and loss account in equal amounts over the lease term.

### 2. Establishment expenses

	Year ended 31 May 2003	Period ended 2 September 2003
Rent	45,432	15,806
Rates	17,047	4,445
Light and heat	4,884	814
Property costs	18,857	3,008
Insurance	11,746	1,212
Repairs and renewals	3,095	-
	<u>101,061</u>	<u>25,285</u>

### 3. Administration expenses

	<b>Year ended 31 May 2003</b>	<b>Period ended 2 September 2003</b>
Salaries	1,298,530	271,635
Employer's National Insurance	129,320	30,790
Pension and insured benefits	13,326	1,641
Temporary staff costs	345	-
Recruitment staff costs	-	799
Training	13,438	1,114
Telephone	10,956	3,271
Car phones	6,538	2,942
Postage	19,041	6,543
Printing and stationery	23,097	6,441
Professional indemnity cover	65,733	20,187
Trade magazines	1,364	141
Scheme registrations	4,642	854
Office costs	11,818	5,588
Computer costs	27,296	6,321
Depreciation of: office equipment	4,348	870
computer equipment	12,645	2,371
fixtures and fittings	8,400	1,680
	<hr/>	<hr/>
	<b>1,650,837</b>	<b>363,188</b>
	<hr/> <hr/>	<hr/> <hr/>

### 4. Selling expenses

	<b>Year ended 31 May 2003</b>	<b>Period ended 2 September 2003</b>
Motor expenses	51,666	17,962
Travel expenses	13,952	3,933
Seminar expenses (net)	10,262	4,622
Advertising and marketing	212	-
SIPP marketing	(794)	-
Promotional literature	4,042	1,278
Entertaining	3,262	550
Depreciation of motor vehicles	38,804	9,213
Loss on sale of motor vehicles	500	2,134
	<hr/>	<hr/>
	<b>121,906</b>	<b>39,692</b>
	<hr/> <hr/>	<hr/> <hr/>

## 5. Financial and other expenses

	Year ended 31 May 2003	Period ended 2 September 2003
Accountancy	19,130	9,607
Payroll costs	2,072	555
Legal and professional fees	12,424	12,253
Debt recovery costs	1,986	-
Compliance fees - FSA	4,734	10,282
Loan interest	292	-
Other interest	-	-
Bank charges and interest	1,023	459
Pensioner Trustee costs	45	30
Charitable donations	1,019	275
Provision for bad and doubtful debts	(26,610)	(5,029)
	<u>16,115</u>	<u>28,432</u>

## 6. Tangible fixed assets

	Net book value at 1 June 2002 £	Additions £	Disposals £	Depreciation £	Net book value at 31 May 2003 £
Office equipment	19,025	2,714	-	(4,348)	17,391
Computer equipment	41,255	9,327	-	(12,645)	37,937
Motor vehicles	130,908	37,810	(13,500)	(38,804)	116,414
Fixtures & fittings	41,999	-	-	(8,400)	33,599
	<u>233,187</u>	<u>49,851</u>	<u>(13,500)</u>	<u>(64,197)</u>	<u>205,341</u>

  

	Net book value at 1 June 2003 £	Additions £	Disposals £	Depreciation £	Net book value at 2 September 2003 £
Office equipment	17,391	-	-	(870)	16,521
Computer equipment	37,937	-	-	(2,371)	35,566
Motor vehicles	116,414	37,114	(6,134)	(9,213)	138,181
Fixtures & fittings	33,599	-	-	(1,680)	31,919
	<u>205,341</u>	<u>37,114</u>	<u>(6,134)</u>	<u>(14,134)</u>	<u>222,187</u>



**7. Investments**

	At 31 May 2003	At 2 September 2003
Opening balance	200,970	156,433
Additions less withdrawals	(44,537)	154
Loss on redemptions	-	-
	<hr/>	<hr/>
Closing balance	<u>156,433</u>	<u>156,587</u>

**8. Partners' capital accounts**

	I Mattioli £	R Woods £	Total £
Balance at 1 June 2002, 31 May 2003 and 2 September 2003	<u>400,000</u>	<u>400,000</u>	<u>800,000</u>

**9. Partners' current accounts**

	I Mattioli £	R Woods £	Total £
Balance at 1 June 2002	727,380	743,503	1,470,883
Share of profit	681,283	681,284	1,362,567
Loss on redemption of investments	-	-	-
Drawings	(601,732)	(617,499)	(1,219,231)
	<hr/>	<hr/>	<hr/>
Balance at 31 May 2003	<u>806,931</u>	<u>807,288</u>	<u>1,614,219</u>

	I Mattioli £	R Woods £	Total £
Balance at 1 June 2003	806,931	807,288	1,614,219
Share of profit for period	374,853	374,852	749,705
Drawings	(255,743)	(256,585)	(512,328)
	<hr/>	<hr/>	<hr/>
Balance at 2 September 2003	<u>926,041</u>	<u>925,555</u>	<u>1,851,596</u>

**10. Sundry debtors and prepayments**

	<b>At 31 May 2003</b>	<b>At 2 September 2003</b>
Value Added Tax	-	2,352
Prepayments and accrued income	954,853	797,978
Other debtors	89,636	940
	<u>1,044,489</u>	<u>801,270</u>

**11. Other creditors and accruals**

	<b>At 31 May 2003</b>	<b>At 2 September 2003</b>
Value Added Tax	100,788	-
Accruals	187,126	12,500
Taxation	298,886	-
Other creditors	-	80,225
	<u>586,800</u>	<u>92,725</u>

## PART V

### NORMALISED FINANCIAL INFORMATION

The following adjusted trading profit for the Partnership and Company has been produced to illustrate the impact on the reported results had the business been quoted on AIM throughout the period.

This financial information does not constitute pro forma financial information in accordance with Annex II of the Prospectus Rules and is not reported on as such.

**The unaudited normalised financial information has been prepared for illustrative purposes only, and because of its nature, does not give a true picture of the results of the Partnership or Company.**

**The normalised financial information does not form part of the Accountants' Report and is not reported on as such.**

	Partnership Year ended 31 May 2003 <i>unaudited</i> £'000	Partnership Period ended 2 Sep 2003 <i>unaudited</i> £'000	Company Period ended 31 May 2004 <i>unaudited</i> £'000	Total Year ended 31 May 2004 <i>unaudited</i> £'000	Company Year ended 31 May 2005 <i>unaudited</i> £'000
<b>Turnover</b>	<b>3,731</b>	1,484	4,655	<b>6,139</b>	<b>6,442</b>
Administration expenses	<b>(2,413)</b>	(759)	(3,054)	<b>(3,813)</b>	<b>(3,704)</b>
<b>Operating profit</b>	<b>1,318</b>	725	1,601	<b>2,326</b>	<b>2,738</b>
Adjusting for directors' remuneration:					
Add back directors' remuneration as reported	-	-	72	72	108
Deduct 'deemed' directors' remuneration	<b>(497)</b>	(129)	(388)	<b>(517)</b>	<b>(537)</b>
Deduct AIM director costs	<b>(190)</b>	(48)	(142)	<b>(190)</b>	<b>(190)</b>
Deduct AIM costs	<b>(70)</b>	(18)	(52)	<b>(70)</b>	<b>(70)</b>
Deduct profit on non-recurring commission	-	(120)	(360)	<b>(480)</b>	<b>(120)</b>
<b>Normalised operating profit</b>	<b>561</b>	410	731	<b>1,141</b>	<b>1,929</b>

## PART VI

### ADDITIONAL INFORMATION

#### 1 Responsibility

- 1.1 The Directors, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2 The Company

- 2.1 The Company was incorporated under the Act and registered in England and Wales on 21 December 1995 with registered number 3140521 under the name No. 254 Leicester Limited as a private limited company. On 31 January 1996, the Company changed its name to Stakeholder Pension Schemes Limited and then on 12 June 2002, changed its name to Mattioli Woods Pension Consultants Limited.
- 2.2 On 14 November 2005, the Company re-registered as a public limited company under the name Mattioli Woods plc.
- 2.3 The liability of the members of the Company is limited.
- 2.4 The registered office of the Company is MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY, which is the principal property occupied by the Group.
- 2.5 The principal legislation under which the Company operates is the Act and regulations made under the Act.

#### 3 The Group

- 3.1 The Company currently has 3 wholly owned subsidiaries, the principal details of which are set out below:

Name	Authorised share capital	Country of incorporation	Principal activity	Percentage owned by the Company
GB Pension Trustees Limited	100 ordinary shares of £1.00 each (6 of which are issued)	England	Pension fund trustee company	100%
Great Marlborough Street Pension Trustees Limited	100 ordinary shares of £1.00 each (7 of which are issued)	England	Pension fund trustee company	100%
MW Trustees Limited	100 ordinary shares of £1.00 each (2 of which are issued)	England	Pension fund trustee company	100%

Each subsidiary is a private limited company. The registered office of each subsidiary is MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY.

#### 4 Share capital of the Company

- 4.1 On incorporation, the authorised share capital of the Company was £100 divided into 100 ordinary shares of par value £1.00 each, of which two subscriber shares were in issue, fully paid. On 6 March 1996, the subscriber shares were transferred to Robert Woods (as to one subscriber share) and Ian Mattioli (as to the second subscriber share).

- 4.2 Since incorporation, the authorised and issued share capital of the Company has changed as follows:
- 4.2.1 On 17 January 2003, the authorised share capital of the Company was increased to £2,100,000 by the creation of 2,000,000 redeemable preference shares of par value £1.00 each (“Preference Shares”), redeemable at the request of the holder at any time after two years following issue, and by 99,900 ordinary shares of £1.00 each ranking *pari passu* in all respects with the existing 100 ordinary shares.
- 4.2.2 On 18 July 2003, the Company allotted and issued all 2,000,000 of the Preference Shares, fully paid, to Mr Mattioli and Mr Woods (in equal proportions), in part consideration for the transfer by each of Mr Mattioli and Mr Woods of the trade and certain assets of the Partnership to the Company.
- 4.2.3 On 17 January 2003, 49,998 ordinary shares of £1.00 each were allotted and issued for cash, at par, to Mr Mattioli and Mr Woods (in equal proportions).
- 4.2.4 On 3 October 2005, the 2,000,000 Preference Shares were redeemed by the Company for their par value of £2,000,000. The Company redeemed the Preference Shares through a mixture of cash held within the Company and a loan facility obtained from the Royal Bank of Scotland.
- 4.3 On 10 November 2005, the Company resolved that:
- (a) the share capital of the Company be altered by the conversion and subdivision of each of the issued and unissued ordinary shares in the capital of the Company into 100 Ordinary Shares;
  - (b) the authorised share capital of the Company be increased from £100,000 to £250,000 by the creation of 15,000,000 Ordinary Shares, all such shares having the respective rights set out in the Articles;
  - (c) £75,000 of the amount standing to the credit of the Company’s profit and loss account be capitalised and used by the Directors in paying up and distributing by way of a bonus issue 7,500,000 Ordinary Shares of 1 pence each on the basis of 1½ new Ordinary Shares for each Ordinary Share in issue (“Bonus Shares”);
  - (d) in substitution of all existing authorities, the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Act) provided that the authority hereby granted shall be limited to:
    - (i) the allotment and issue of the Bonus Shares;
    - (ii) the allotment and issue of up to a maximum of 6,000,000 Ordinary Shares pursuant to the Placing;
    - (iii) the allotment and issue of Ordinary Shares pursuant to the Option Agreement;
    - (iv) the allotment and issue of Ordinary Shares pursuant to the options granted under the Share Option Plan;
    - (v) the allotment otherwise than pursuant to sub-paragraphs (i), (ii), (iii) and (iv) above of relevant securities up to an aggregate nominal amount representing 10 per cent. of all of the allotted and fully paid share capital of the Company immediately following Admission,

for a period expiring (unless previously renewed or revoked by the Company in general meeting) on the date which is 15 months following Admission, or at the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution if that shall occur sooner, but so that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of that offer or agreement notwithstanding that the authority conferred hereby has expired; and

(d) that, subject to the passing of the resolution described at (c) above, section 89(1) of the Act shall not apply to the allotment of equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred by sub-paragraph (c)(i) to (c)(v) above so that each element of such disapplication and power shall cease to have effect when the authority to which it relates is revoked or would (if renewed) expire but so that prior thereto the Company may make an offer or agreement which would or might require equity securities to be allotted thereafter and in such case the directors may allot equity securities in pursuance of that offer or agreement notwithstanding that such disapplication and/or power shall have ceased to have effect.

4.5 The table below sets out the authorised and issued share capital (all of which is fully paid up) of the Company as at 15 November 2005, being the latest practicable date before the publication of this document:

<b>Authorised Ordinary Shares</b>		<b>Issued and fully paid Ordinary Shares</b>	
<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
25,000,000	250,000	12,500,000	125,000

4.6 The table below sets out the authorised, issued and fully paid share capital of the Company as it will be immediately following the Proposals.

<b>Authorised Ordinary Shares</b>		<b>Issued and fully paid Ordinary Shares</b>	
<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
25,000,000	250,000	17,045,455	170,454.55

4.7 Save as referred to in this paragraph 4 and paragraphs 5 and 14 below of this Part VI, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

## **5 Share options**

The Company has adopted the Share Option Plan to incentivise certain of its senior managers, directors and consultants. Where possible, and to the limits applied by the legislation, the Share Option Plan will benefit from the tax advantages under an Enterprise Management Incentive (“EMI”) Scheme.

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

The Company has granted options to certain of its senior managers and to Murray Smith and Nathan Imlach (two of the Directors) to acquire (in aggregate) up to 7 per cent. of its pre-Admission share capital. The maximum entitlement of any individual is 1.5 per cent. The options will be exercisable at the Placing Price.

The options will only be exercisable subject to performance conditions. In summary, the options will be exercisable if the Company meets a target based on budgeted profits as agreed by the Board prior to each financial year. The targets must be met for each year up to 31 May 2010 or over two consecutive years up to 31 May 2010.

The options will generally be exercisable after approval of the financial statements for the year ended 31 May 2010, 31 May 2011, or on a change of control (if earlier).

### **5.2 Consultants’ scheme**

The Company also intends, following Admission, to grant share options under the Share Option Plan over up to 5 per cent. of the Enlarged Share Capital. The scheme is discretionary and the Directors will be able to invite selected eligible employees to participate in the scheme.

### **5.3 EMI Scheme**

An EMI Scheme enables options over fully paid up, non-redeemable ordinary shares (either new issues of shares or existing shares) in a company to be granted to selected employees. The scheme must meet stringent conditions set out in Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003. If the conditions are met and the exercise price of the shares is not less than the market value of the shares at

grant, then no income tax will normally arise upon either the grant or exercise of the options. For any capital gains realised on disposal of shares acquired under the EMI scheme, the period of ownership is deemed to commence on grant of the options for taper relief purposes. No payment is required on grant of the options. The options are non-transferable and may only be exercised by the employee or their personal representatives.

#### *Eligibility*

In order to participate, an employee must be an eligible employee. This means that they must devote at least 25 hours per week or 75 per cent. of their total working time to working for the Company or a subsidiary. Employees will not be eligible if they have a material interest (30 per cent.) in the share capital of the Company.

Where an option holder ceases to be an employee, their options will lapse, except in exceptional circumstances where the Directors may exercise their discretion to allow exercise of the option in part or in full.

#### *Limits*

No individual may hold qualifying options under an EMI scheme over shares with a market value at grant exceeding £100,000. To the extent that the value exceeds the limit, the options will not be qualifying and the rules on unapproved share schemes, described below, will apply. This may be relevant to all options issued under the Share Option Plan.

The total value of shares over which a company may grant qualifying options under an EMI Scheme is £3,000,000, calculated by reference to the market value of the ordinary shares at grant.

In order to grant qualifying options, a company must meet various conditions, including a requirement that its gross assets (together with those of its subsidiaries) do not exceed £30 million.

#### *Performance conditions*

The Board may issue options whose exercise is subject to specified performance conditions. Such conditions are to be determined by the Board at the time of grant of the option and will be set out in the option certificate. The performance conditions should be based on objective criteria.

#### *Exercise of options*

Subject to satisfaction of any performance criteria, an option may be exercised on the first of the following events:

- (i) satisfaction of the performance conditions;
- (ii) a takeover of the company;
- (iii) where an employee leaves employment for whatever reason and the Board exercises its discretion to allow exercise within 40 days of the employee leaving employment.

In any event, options issued under the scheme may not be exercised on or after the tenth anniversary of grant.

#### *Issue of shares*

An EMI Scheme requires that a company at all times keeps available sufficient authorised and unissued share capital to satisfy the exercise of all options to subscribe for new ordinary shares.

### **5.4 Unapproved Share Scheme**

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

The Company does not intend to issue separate unapproved options to employees in excess of those which fall to be treated as such under the Share Option Plan.

## 6 Directors

- 6.1 In addition to their directorships of the Company, the Directors hold and have held at some time during the 5 years preceding the date of this document the following Directorships or are or have been at some time in the 5 years preceding the date of this document partners in the following businesses:

### Directorships and Partnerships

	<b>Current</b>	<b>Previous</b>
Ian Mattioli	Partner in the Mattioli Woods Pension Consultants Partnership M.W. Trustees Limited (CRN: 2630203) Professional Independent Pension Trustees Limited (CRN: 2852350) Ombright Investments Limited (CRN: 2792495) Pension Administration Northern Limited (CRN: 2778676) GB Pension Trustees Limited (CRN: 3603470) Great Marlborough Street Pension Trustees Limited (CRN: 1762082)	Stakeholder Limited (CRN: 3140512) Stakeholder Training Initiatives Limited (CRN: 3140523) Outset Management Limited (CRN: 2973875)
Robert Woods	Partner in the Mattioli Woods Pension Consultants Partnership Ombright Investments Limited (CRN: 2792495) M.W. Trustees Limited (CRN: 2630203) Professional Independent Pension Trustees Limited (CRN: 2852350) Pension Administration Northern Limited (CRN: 2778676) Glan Elan Ltd (CRN: 441115094) Great Marlborough Street Pension Trustees Limited (CRN: 1762082) GB Pension Trustees Limited (CRN: 3603470)	Stakeholder Limited (CRN: 3140512) Stakeholder Training Initiatives Limited (CRN: 3140523)
John Redpath	The Percy Hedley Foundation (CRN: 1855026)	Accessace Ltd (CRN: 2309869) CPCR Limited (CRN: 2701409)
Nathan Imlach	None	None
Murray Smith	M.W. Trustees Limited (CRN: 2630203) Great Malborough Street Pension Trustees Limited (CRN: 1762082) GB Pension Trustees Limited (CRN: 3603470)	None



- 6.2 The business address of each of the Directors is MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY.
- 6.3 Save as disclosed in this document, as at the date of this document, none of the Directors has:
- 6.3.1 any unspent convictions in relation to indictable offences; or
  - 6.3.2 been declared bankrupt or made any individual voluntary arrangement; or
  - 6.3.3 been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or
  - 6.3.4 been a partner in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
  - 6.3.5 had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or
  - 6.3.6 been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or
  - 6.3.7 been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 7 Directors' and other interests

- 7.1 The interests of the Directors in the share capital of the Company, all of which (unless stated otherwise) are beneficial, as notified to the Company pursuant to section 324 or 328 of the Act, as they appear or will appear in the register of directors' interests required pursuant to section 325 of the Act, or which are interests of persons connected with the Directors (within the meaning of section 346 of the Act) as at the date of this document and immediately following Admission are and will be as follows:

	<i>As at the date of this document</i>		<i>As at Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Ian Mattioli	5,743,500	45.95%	5,743,500	33.7%
Robert Woods	5,743,500	45.95%	5,743,500	33.7%
Nathan Imlach	62,500	0.5%	62,500	0.4%
Murray Smith	375,000	3.0%	375,000	2.2%
John Redpath	13,000	0.1%	13,000	0.1%

In addition, Murray Smith and Nathan Imlach each hold options granted to them under the Share Option Plan in respect of 1.5 per cent. and 1.0 per cent. of the pre-Admission share capital, respectively.

- 7.2 Save as disclosed above, the Directors are not aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to the Company pursuant to section 324 or section 328 of the Act and would be required to be entered in the register of directors' interests pursuant to section 325 of the Act.
- 7.3 Save as disclosed above, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 7.4 Save as disclosed in this document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which any Director is materially interested and which is significant in relation to the business of the Group.

- 7.5 There are no outstanding loans granted by the Company to any Director, nor are there any guarantees provided by the Company for their benefit.

## **8 Directors' service contracts**

- 8.1 Ian Mattioli became a Director of the Company in January 1996. Ian entered into a service agreement with the Company dated 26 October 2005. This agreement confirms Ian's appointment as Chief Executive. The agreement can be terminated upon 12 months' notice in writing by either party. Ian is entitled to a basic salary of £135,000 per annum, pension contributions to the value of 10 per cent. of basic salary and death in service insurance cover of 4 times basic salary. He is also entitled to permanent health insurance cover and to a contractual bonus capped at 75 per cent. of basic salary which is conditional upon the Company's financial performance meeting certain minimum criteria. The next salary review is due at the end of May 2006. The agreement includes usual covenants (effective for a period of 6 months following termination) prohibiting Ian from competing with the Company or the Group, and from soliciting business, customers, or employees of, or suppliers or introducers of business to, the Company or the Group.
- 8.2 Bob Woods became a Director of the Company in January 1996. Bob entered into a service agreement with the Company dated 26 October 2005. This agreement confirms Bob's appointment as Executive Chairman. The agreement can be terminated upon 12 months' notice in writing by either party. Bob is entitled to a basic salary of £135,000 per annum, pension contributions to the value of 10 per cent. of basic salary and death in service insurance cover of 4 times basic salary. He is also entitled to permanent health insurance cover and to a contractual bonus capped at 75 per cent. of basic salary which is conditional upon the Company's financial performance meeting certain minimum criteria. The next salary review is due at the end of May 2006. The agreement includes usual covenants (effective for a period of 6 months following termination) prohibiting Bob from competing with the Company or the Group, and from soliciting business, customers, or employees of, or suppliers or introducers of business to, the Company or the Group.
- 8.3 Nathan Imlach became a Director of the Company on 12 October 2005. Nathan entered into a service agreement with the Company dated 26 October 2005. This agreement confirms Nathan's appointment as Finance Director. The agreement can be terminated upon 6 months' notice in writing by either party. Nathan is entitled to a basic salary of £100,000 per annum, pension contributions to the value of 10 per cent. of basic salary and death in service insurance cover of 4 times basic salary. He is also entitled to permanent health insurance cover and to a contractual bonus capped at £40,000 which is conditional upon the Company's financial performance meeting certain minimum criteria (subject to a guaranteed minimum bonus of £20,000 for the Company's financial year ending 31 May 2006). The next salary review is due at the end of May 2006. The agreement includes usual covenants (effective for a period of 6 months following termination) prohibiting Nathan from competing with the Company or the Group, and from soliciting business, customers, or employees of, or suppliers or introducers of business to, the Company or the Group.
- 8.4 Murray Smith became a Director of the Company on 12 October 2005. Murray entered into a service agreement with the Company dated 26 October 2005. This agreement confirms Murray's appointment as Sales Director. The agreement can be terminated upon 6 months' notice in writing by either party. Murray is entitled to a basic salary of £54,000 per annum, the provision of a company car for business and reasonable private use, pension contributions to the value of 10 per cent. of basic salary and death in service insurance cover of 4 times basic salary. He is also entitled to permanent health insurance cover and to a contractual bonus capped at £149,000, which is calculated on a commission basis on income gained by him for the Company. Two-thirds of the potential bonus payment is subject to conditions regarding the profitability of the business streams from which the income derives. The next salary review is due at the end of May 2006. The agreement includes usual covenants (effective for a period of 6 months following termination) prohibiting Murray from competing with the Company or the Group, and from soliciting business, customers, or employees of, or suppliers or introducers of business to, the Company or the Group.
- 8.5 Letter of Appointment for John Redpath
- The Company appointed John Redpath as a Non-Executive Director on 9 August 2005. John must carry out those duties as are consistent with his position and shall be required to devote a minimum of 12 working days per annum as a Non-Executive Director. In particular, John shall be required to attend meetings of the board (to be held at least monthly), any committees of which he is a member from time to time and all shareholders' meetings.

John shall (unless otherwise agreed with the Company), receive £12,000 per annum in consideration of his duties (payable by equal monthly instalments in arrears) and shall be reimbursed for any expenses which he may reasonably and necessarily incur in the performance of his duties.

The letter provides for an initial term of 12 months. John may terminate the appointment at any time by serving upon the Company one month's written notice of termination. After the expiry of the initial 12 month period, the Company may also serve upon John one month's written notice of termination. In addition, the appointment shall terminate automatically (without John becoming entitled to receive compensation) on the occurrence of an event of default, including where he is not re-elected as a Director in accordance with the Company's articles of association.

- 8.6 Save as set out in this document, there are no contracts between the Company or any member of the Group and any members of the Group's administrative, management or supervisory bodies which provide for benefits upon termination of employment.
- 8.7 The aggregate remuneration payable and benefits in kind (including employer pension contributions) granted to the Directors in the last financial period ending 31 May 2005 was £101,311 and the aggregate remuneration payable and benefits in kind (including employer pension contributions) to be granted to the Directors in the current financial period ending 31 May 2006 under the arrangements in force at the date of this document is estimated to be in the range of £530,000 to £885,000 (where the Directors achieve maximum bonus).

## 9 Significant shareholders

- 9.1 Save in respect of the Directors and their immediate families, the Company is not aware of any person who, as at the date of this document and immediately following Admission will, directly or indirectly, be interested in 3 per cent. or more of the share capital of the Company or who, directly or indirectly, jointly or severally exercise or could exercise control over the Company.
- 9.2 All shares in issue following completion of the Proposals will be Ordinary Shares and will rank *pari passu* with each other. There are no shareholders in the Company who will, as at completion of the Proposals enjoy any enhanced voting rights in the Company as a result of holding shares in the Company.
- 9.3 Save as set out in this document and resulting from the Proposals there are no arrangements known to the Directors, the operation of which may result in a change in control of the Company.

## 10 Accounting

- 10.1 The Company's accounting reference date is 31 May each year. The Company's next accounting reference period will end on 31 May 2006.

## 11 Taxation

**The comments in this section are intended as a general guide for the benefit of holders of shares as to their tax position under United Kingdom law and HM Revenue & Customs' practice as at the date of this document. The comments apply to shareholders who are resident and ordinarily resident for tax purposes in the UK, (except in so far as express reference is made to the treatments of non-UK residents), who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them. The tax position of certain shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered. Any shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.**

### *Taxation of Chargeable Gains*

The following paragraphs apply to non-employee shareholders. Employee shareholders may be subject to an alternative tax regime and should consult their own professional adviser.

- 11.1 For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares will be regarded as an acquisition of a new holding in the share capital of the Company.
- 11.2 To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment.

- 11.3 The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding. The amount paid for the Ordinary Shares subscribed for will be eligible for taper relief allowance for an individual.
- 11.4 If shareholders dispose of all or some of their Ordinary Shares, a liability to tax on chargeable gains may, depending on the circumstances, arise.
- 11.5 A disposal of all or any of the Ordinary Shares may, depending on the individual circumstances of the relevant shareholder give rise to a liability to UK taxation of chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are neither resident nor ordinarily resident in the UK. Taper relief will reduce the amount of chargeable gain on a disposal by an individual shareholder. The extent to which it applies will depend on the length of time the Ordinary Shares have been held since 6th April 1998 and on whether the Ordinary Shares held are business or non-business assets.

*Taxation of dividends*

- 11.6 Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company. Shareholders (other than a company) receiving a dividend from the Company also receive a tax credit in respect of the dividend of an amount equal to one ninth of the amount of the dividend which is 10 per cent. of the sum of the dividend and the tax credit. Generally, the liability to United Kingdom income tax is calculated on the sum of the dividend and the tax credit ("the dividend income"). Individual shareholders whose income is within the starting rate or basic rate tax bands will be subject to income tax at the rate of 10 per cent. on their dividend income, so that such shareholders will have no further liability to income tax on that dividend income. The higher rate of income tax is 32.5 per cent. in respect of dividend income. A higher rate tax payer may set the tax credit against his liability to income tax on the dividend income and will have further tax to pay of 22.5 per cent. of the dividend income. Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or part of it) from HM Revenue & Customs.
- 11.7 United Kingdom resident corporate shareholders are not normally liable to United Kingdom taxation on any dividend received. United Kingdom resident shareholders (including authorised unit trusts and open-ended investment companies) and pension funds are not entitled to payment in cash of the tax credit.
- 11.8 Whether shareholders who are resident for tax purposes in countries other than the United Kingdom are entitled to a payment from HM Revenue & Customs of a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom. In addition, individual shareholders who are resident in countries other than the United Kingdom but who are Commonwealth citizens, nationals of member states of the European Economic Area or fall within certain other categories of person within Section 278 of the Income and Corporation Taxes Act 1988 are entitled to the entire tax credit which they may set against their total United Kingdom income tax liability or, in appropriate cases, reclaim in cash. Non-United Kingdom resident shareholders should consult their own tax advisers on the possible application of such provisions and the procedure for claiming any relief or credit in respect of such tax credit in their own jurisdictions. However, in general, no cash payment will be recoverable from HM Revenue & Customs in respect of the tax credit.

*Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

- 11.9 No stamp duty or SDRT will be payable on the issue of Ordinary Shares save that special rules apply to persons operating clearance services or depository receipt services.
- 11.10 A transfer or sale of shares will generally be subject to ad valorem stamp duty at the rate of 0.5 per cent. rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such Ordinary Shares is not completed by a duly stamped transfer to the transferee by the seventh day of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent. of the amount or value of consideration paid. Liability to SDRT is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the SDRT.
- 11.11 When Ordinary Shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or SDRT will generally be payable.

- 11.12 When Ordinary Shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee), no stamp duty or SDRT will generally be payable.
- 11.13 Where a change in beneficial ownership of Ordinary Shares held in uncertificated form occurs and such change is for consideration in money or money's worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

**The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.**

## **12 Memorandum of Association**

- 12.1 The Memorandum of Association of the Company provides that the Company may act as a general commercial company. The objects of the Company are set out in full in clause 3 of the Company's Memorandum of Association.

## **13 Articles of Association**

- 13.1 The Articles of the Company contain, *inter alia*, provisions to the following effect:

### *13.1.1 Voting rights*

Subject to the provisions of the Act and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each Ordinary Share of which he is the holder.

### *13.1.2 Transfer of shares*

Title to and interest in shares may be transferred without a written instrument in accordance with statutory regulations from time to time made under the Act.

Transfer of shares held in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. A share held in uncertificated form may be transferred by means of a relevant system. In each case, the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register of members as its holder.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares held in certificated form unless:-

- 13.1.2.1 the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid in respect of a share which is fully paid up;
- 13.1.2.2 it is in respect of a share on which the Company has no lien;
- 13.1.2.3 it is in respect of only one class of share;
- 13.1.2.4 it is in favour of a single transferee or not more than four joint transferees;
- 13.1.2.5 it is duly stamped (if required); and
- 13.1.2.6 the instrument of transfer duly stamped is deposited at the office or such other place as the directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, provided that, in the case of a transfer by a nominee of a recognised clearing house or of a recognised investment exchange, the lodgment of a share certificate will only be necessary if a certificate has been issued in respect of the share in question.

The Directors shall not refuse to register any transfer or renunciation of partly paid shares which are admitted to the Alternative Investment Market of the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferor and the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

The Ordinary Shares now in issue are, and the new Ordinary Shares to be issued pursuant to the Placing, will be in registered form. Title to the Ordinary Shares in issue or to be issued may be transferred by means of a relevant system such as CREST.

There are no other restrictions on the transfer of shares and no pre-emption rights in respect of them.

#### 13.1.3 *Failure to disclose interests in shares*

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares (“the restricted shares”) to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

13.1.3.1 the member shall not be entitled in respect of the restricted shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

13.1.3.2 where the default shares represent at least 0.25 per cent. in nominal value of their class the defaulting member shall not be entitled to:

13.1.3.2.1 receive dividends any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and

13.1.3.2.2 to transfer or agree to transfer any of such shares, or any rights therein.

The above restrictions shall continue until either the default is remedied or the shares are registered in the name of the purchaser or offeror (or that of his nominee) pursuant to an arm’s length transfer. Any dividends withheld pursuant to the above provisions shall be paid to the member as soon as practicable after the above restrictions lapse.

#### 13.1.4 *Dividends*

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up but (for the purpose of this article) no amount paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest as against the Company.

The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of ordinary shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of all or part of any dividend.

The Board may deduct from any dividend or other moneys payable on or in respect of a share to any member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to shares of the Company.

All unclaimed dividends may be retained by the Company or invested or made use of by the Company as the Board may think fit until they are claimed and the Company shall not be obliged to account for any interest or other income derived from them nor shall it be constituted a trustee or be responsible for any loss thereby arising.

Any dividend unclaimed after a period of twelve years from its due date of payment shall be forfeited and cease to remain owing by the Company.

#### 13.1.5 *Distribution of assets on liquidation*

On a winding up of the Company, the liquidator may, with the authority of an extraordinary resolution and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such divisions shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares in respect of which there is a liability.

#### 13.1.6 *Changes in share capital*

The Company may alter its share capital as follows:

- (i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller nominal amounts;
- (ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
- (iii) subject to the provisions of the Act and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

#### 13.1.7 *Variation of rights*

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the relevant class.

#### 13.1.8 *Directors' interests in contracts*

- (i) A Director who is in any way, whether directly or indirectly, interested or deemed by the Act to be interested in a contract, transaction or arrangement or a proposed contract, transaction or arrangement with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 317 of the Act.

- (ii) Save as provided below, a Director (including an alternate director) shall not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or rights of the Company. However a Director shall be entitled to vote in respect of any contract or arrangement or any other proposal in which he has any interest which is not material. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. A Director of the Company shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:-
- (A) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company;
  - (B) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part, under a guarantee or indemnity or by the giving of security;
  - (C) any proposal concerning an offer for subscription or purchase of shares or debentures or other securities or rights of or by the Company or any of its subsidiaries or of any Company which the Company may promote or in which it may be interested in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
  - (D) any proposal concerning any other Company in which he is interested directly or indirectly and whether in any one or more of the capacities of officer, creditor, employee or holder of shares, debentures, securities or rights of that other Company, but where he is not the holder (otherwise than as a nominee for the Company or any of its subsidiaries) of or beneficially interested in one per cent. or more of the issued shares of any class of such Company or of any third Company through which his interest is derived or of the voting rights available to members of the relevant Company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);
  - (E) any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefits scheme, share option scheme or share incentive scheme under which he may benefit; or
  - (F) any arrangement concerning the purchase and/or maintenance of any insurance under which he may benefit.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such case each of the directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Company may by ordinary resolution suspend or relax the provisions relating to Directors' interests either generally or in respect of any particular matter or ratify any transaction not duly authorised by reason of the contravention thereof.

#### 13.1.9 *Directors*

Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two nor more than ten.

*Executive Directors:* The Board may appoint one or more of its body to the office of managing director or chief executive or to any other executive office (except that of auditor) of the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or any subsidiary, or for the provision by him of any services



outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms as the Board determines and it may remunerate any such Director for his services as it thinks fit.

The Board may delegate or entrust to and confer upon any executive Director any of the powers, authorities and discretions exercisable by it (with power to sub-delegate) upon such terms and conditions and with such restrictions as it thinks fit and either collaterally with or to the exclusion of its own powers and may from time to time revoke, withdraw or vary all or any part of such powers.

*Ceasing to be an Executive Director:* Any appointment of a Director to the office of managing director or chief executive shall terminate if he ceases to be a Director but without prejudice to any claim for damages for breach of contract of service between the Director and the Company. Such Director shall not (unless any agreement between him and the Company shall otherwise provide) cease to hold his office as Director by reason only of his ceasing to be managing director or chief executive.

The emoluments and benefits of any executive Director for his services as such shall be determined by the Board and may be of any description.

*Directors:* The ordinary remuneration of the Directors (other than any executive Directors) shall be such amount as the Directors shall from time to time determine provided that, unless otherwise approved by the Company in general meeting, the aggregate of the ordinary remuneration of such Directors shall not exceed £150,000 per year.

The ordinary remuneration shall be divided among such Directors in such manner as the Directors may determine. A Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration.

Any Director who serves on any committee of the Board or, by request of the Board, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

*Appointment and Retirement of Directors:*

Subject to the provisions of the Articles, the Company may by ordinary resolution appoint a person who is willing to act as a Director either to fill a vacancy or as an additional Director but the total number of directors shall not exceed the maximum number fixed in accordance with these Articles as the maximum number of Directors.

Without prejudice to the ability of the Company to appoint any person to be a Director pursuant to the Articles, the Board may appoint a person who is willing to act as a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed the number fixed by the Articles as the maximum number of Directors. A Director so appointed shall hold office only until the next following annual general meeting when he shall retire from office and be eligible for reappointment. If not reappointed at such annual general meeting, he shall vacate office at its conclusion.

*Age Limit:* No Director shall vacate or be required to vacate his office as a Director on or by reason of his attaining or having attained the age of 70 or any other age, and any Director retiring or liable to retire under the provisions of these Articles and any person proposed to be appointed a Director shall be capable of being appointed or reappointed notwithstanding that he has attained the age of 70 or any other age and no special notice need be given of any resolution for the appointment or reappointment as a Director of a person who shall have attained the age of 70 or any other age.

*Retirement by Rotation:* At every annual general meeting of the Company one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office; but, if there is only one Director who is subject to retirement by rotation, he shall retire.

Subject to the provisions of the Act and of the Articles, the Directors to retire in every year shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last appointment or reappointment. Subject as aforesaid, a retiring Director shall be eligible for reappointment.

If the Company, at the meeting at which a Director so retires, does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.

A Director retiring at a meeting who is not reappointed shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting or of any adjournment thereof.

*Nomination of Director for Election:* No person other than a Director retiring at the meeting shall be appointed or reappointed a Director at any general meeting unless he is recommended by the Board, or not less than seven nor more than 21 clear days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the Company of his intention to propose that person for appointment or reappointment stating the particulars which would, if he were so appointed or reappointed, be required to be included in the Company's register of directors together with notice executed by that person confirming his willingness to be appointed or reappointed.

*Vacation of Office:* The office of a Director shall be vacated if:

- (i) he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (ii) he becomes incapable by reason of physical incapacity or mental disorder of discharging his duties as a Director and the Board resolves that his office be vacated;
- (iii) he is absent from meetings of the Board during a continuous period of six months without permission of the Board and his alternate Director (if any) shall not during such period have attended in his stead, and the Board resolves that his office be vacated;
- (iv) he ceases to be a Director by virtue of any provision of the Act, is removed from office or becomes prohibited by law from being a Director;
- (v) he resigns his office by notice to the Company; or
- (vi) he is removed from office by notice in writing signed by all the other Directors.

*Meetings and Proceedings of Directors:* Subject to the provisions of the Act, the Company's Memorandum of Association and the Articles and to any directions given by special resolution, the business of the Company shall be managed by the Board who may exercise all the powers of the Company and make such arrangements as the Board thinks fit for the management and transaction of the Company's affairs.

Any Director may call a meeting of the Board. Notice of a board meeting may be given to a Director personally, by word of mouth, or by being sent to him at such address as he may specify for this purpose (including by electronic communication). Unless otherwise specifically requested, it shall not be necessary to give notice of a board meeting to any Director who is for the time being absent from the United Kingdom. A Director may waive notice of any meeting either prospectively or retrospectively.

Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

Subject as hereinafter provided the directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### 13.1.10 *Borrowing powers*

The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company (after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 4 times the aggregate of:

- (i) the nominal amount of the share capital of the Company issued and paid up (or credited as paid up) as shown in the audited balance sheet of the Company last laid before the Company in general meeting; and
- (ii) the amounts shown as standing to the credit of capital and revenue reserves, including share premium account, capital redemption reserve and profit and loss account (but deducting there from the amount, if any, standing to the debit of profit and loss account) in either a consolidation of the audited balance sheets of all the companies in the Group last laid before the members thereof respectively in general meeting or (at the directors' discretion) in the audited consolidated balance sheet of the Group last laid before the Company in general meeting; but
  - (A) adjusted in respect of any variations in the issued and paid up share capital, share premium account or capital redemption reserve effected or any distributions made (otherwise than within the Group) since the date of such balance sheets except insofar as provided therein; and
  - (B) excluding therefrom any amounts set aside for taxation and, to the extent included, any amounts attributable to outside shareholdings in subsidiaries.

#### 13.1.11 *General meetings*

The Board shall convene and the Company shall hold general meetings in accordance with the requirements of the Act at such time and place as the Board may determine.

Any general meeting of the Company other than an annual general meeting shall be called an extraordinary general meeting.

Meetings at which special resolutions are proposed shall be called by no fewer than 21 days' notice in writing and any other extraordinary general meeting shall be held on not fewer than 14 days' notice in writing. In the case of an equality of votes, the chairman of the meeting shall have a casting vote.

## **14 Material contracts**

The Directors consider that the contracts described below (together with those disclosed above in paragraph 8 of this Part VI) to which the Company or its Subsidiaries (as the case requires) is a party, are those which an investor would reasonably regard as material and which they and their professional advisers would reasonably require to make an informed assessment of the Proposals or the operations of the business of the Group. To fully understand all rights and obligations of a material contract it would be necessary to review each contract in full and these summaries should be read in that light.

### 14.1 Provision of corporate finance, nominated adviser services and broker services

Under an engagement letter dated 30 March 2005, as amended by a letter dated 15 July 2005, between the Company and Williams de Broë, the Company appointed Williams de Broë to act as both its nominated adviser and broker for the purposes of the AIM Rules, and generally to provide the Company with corporate finance advisory services.

The Company has agreed to pay Williams de Broë (contingent on Admission) a corporate finance advisory fee of £150,000, a marketing fee of 3.5% of the gross monies raised in the Placing together with all legal expenses (up to a maximum of £25,000) and other out-of-pocket expenses (plus VAT). The Company also granted the Option, for further details of which see paragraph 14.3 below.

Following Admission, the Company has agreed to pay a fee of £30,000 plus VAT (and expenses) per annum for Williams de Broë to act as its nominated adviser and its broker. This fee is subject to annual review by Williams de Broë.

The engagement will continue until terminated by either party giving the other party 3 months' written notice, save where the Company breaches the AIM Rules (or there is a significant risk of its doing so) in which case, Williams de Broë shall be entitled to terminate the engagement forthwith.

The Company has agreed to provide certain indemnities to Williams de Broë.

#### 14.2 Placing Agreement

By a Placing Agreement dated 16 November 2005 made between the Company (1), the Directors (2), and Williams de Broë (3), Williams de Broë has agreed to use its reasonable endeavours to procure subscribers on behalf of the Company for the Placing Shares at the Placing Price. Williams de Broë is under no obligation to subscribe for any Placing Shares for which it is unable to procure subscribers. The Company and the Directors have given certain warranties and the Company has given indemnities to Williams de Broë as to the accuracy of information contained in this document and other matters in relation to the Group and its business. The Placing Agreement is conditional *inter alia* upon certain documents specified in the Placing Agreement being delivered to Williams de Broë and Admission taking place not later than 8.00 a.m. on 23 November 2005 or such later date as is agreed in writing. The Placing Agreement is terminable in certain circumstances by Williams de Broë before Admission.

#### 14.3 Option Agreement

The Option Agreement dated 16 November 2005 between the Company and Williams de Broë whereby the Company grants to Williams de Broë an option to subscribe at the Placing Price for such number of Ordinary Shares as is equal to 1 per cent. of the issued share capital of the Company immediately following the Placing. The Option shall be exercisable in whole or in part at any time during the period commencing on Admission until the fifth anniversary of the date of Admission.

#### 14.4 Lock-in and orderly market agreement

A lock-in agreement dated 16 November 2005 made between the Company (1) the Directors (2) and Williams de Broë (3) whereby the Directors have each undertaken, save in specified circumstances, to Williams de Broë:

14.4.1 not to sell, transfer or otherwise dispose of, or agree to sell, transfer or otherwise dispose of, any of their interests in the Ordinary Shares held by them for the 24 month period commencing on the date of Admission (the "End Date"); and

14.4.2 that they will, for a period of 12 months following the End Date provide 5 business days notice in writing to Williams de Broë of any sale, transfer or other disposal or agreement to sell, transfer or otherwise dispose of any shares in the Company, and only make such sale, transfer or other disposal through Williams de Broë.

#### 14.5 Acquisition of Geoffrey Bernstein Business

On 20 June 2005, the Company acquired certain business and assets of Mr Geoffrey Bernstein for the sum of £380,000 together with additional deferred consideration. GB Pension Trustees Limited and Great Marlborough Street Pension Trustees Limited, two of the Subsidiaries, were also acquired by the Company from Mr Bernstein pursuant to this transaction.

The acquisition agreement provides for deferred consideration to be paid by the Company to Geoffrey Bernstein at 12 monthly intervals following completion of the transaction. The annual earn-out payment is based on an amount equal to 20 per cent. of all commissions paid to the Company from contracts entered into by the Company during the earn-out period (being five years from 20 June 2005) on behalf of any person who was an existing client of Mr Bernstein as at 20 June 2005. Deferred consideration is payable on each such contract for a period of five years from the date on which that contract is entered into by the Company.

The first deferred payment is due after the first anniversary of completion of the acquisition, subject to agreement or determination of the relevant amount for that period. Whilst it is not possible to determine the exact amount of the deferred consideration (as this will depend on commission earned on contracts), the Company estimates that the aggregate cost of the earn-out for the next three years (to June 2008) will be £174,968.

#### 14.6 Facility agreement with The Royal Bank of Scotland

Pursuant to a facility agreement dated on or about 12 September 2005 between The Royal Bank of Scotland plc (“RBS”) (1) and the Company (2), RBS agreed to make available to the Company a loan of up to £2,250,000, to assist with the repayment of the Preference Shares. On 3 October 2005, the Company drew £1,200,000 to enable the Preference Shares to be repaid. Interest, at a rate of 1.75 per cent. above the interest rate for the time being of RBS, is payable quarterly on the principal amount of the loan owing to RBS at any time. The Company’s liabilities and undertakings under the loan facility are secured by fixed and floating charges over all the assets and undertaking of the Company. The Company must repay the loan in instalments, the first instalment to be repaid in December 2005, with subsequent instalments being repaid quarterly thereafter until the loan is repaid in full (together with accrued interest). There is no penalty for early repayment of the loan.

#### 15 Litigation

Neither the Company nor any of the Subsidiaries is or has been, during the 12 months immediately preceding the date of this document, engaged in any governmental, legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or any of the Subsidiaries in each case which are having, may have or have had in the recent past, a significant effect on the Company and/or the Group’s financial position or profitability.

#### 16 Working capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and its Group will, from the time the Enlarged Share Capital is admitted to trading on AIM, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

#### 17 General information

- 17.1 The total proceeds of the Placing are expected to be £6.0 million. The estimated amount of the expenses of the Placing and Admission which are all payable by the Company, is approximately £0.6 million (including VAT). The net proceeds of the Placing will be approximately £5.4 million.
- 17.2 Williams de Broë Plc, whose registered office is at PO Box 515, 6 Broadgate, London EC2M 2RP, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 17.3 Save as disclosed in this document there has been no significant change in the financial or trading position of the Company since 31 May 2005.
- 17.4 Save as described in this document, the Company has had no investments during any financial year for the period covered by the historical financial information contained in this document, has no investments in progress and no commitments for future investments.
- 17.5 The financial information contained in Part III and Part IV of this document does not constitute full statutory accounts for the purposes of section 240 of the Act. For each of the years ended 31 May 2005 and 31 May 2004 accounts have been filed with the Registrar of Companies.
- 17.6 The auditors of the Company for the period up to 31 May 2004 covered by the historic financial information contained in Part III of this document, and separately of the Partnership, for the periods covered by the historic financial information contained in Parts III and IV respectively, were Stephenson Smart & Co, Stephenson House, 15 Church Walk, Peterborough PE1 2TP who are members of the Institute of Chartered Accountants in England and Wales.
- 17.7 The auditors of the Company for the financial year to 31 May 2005 covered by the historic financial information contained in Part III of this document, were Baker Tilly, Chartered Accountants. Baker Tilly is registered to carry on audit work by the Institute of Chartered Accountants of Scotland.
- 17.8 Baker Tilly, Chartered Accountants have given and have not withdrawn their written consent to the issue of this document with the inclusion of their letters and reports set out in Parts III and IV of this document (for which they take responsibility accordingly) and to the references to their name in the form and context in which they respectively appear.

- 17.9 Save as disclosed in this document, no person (other than a professional adviser or trade suppliers dealing with members of the Group) has (i) received, directly or indirectly, from any member of the Group, within the 12 months preceding the application for Admission to AIM, or (ii) entered into contractual arrangements to receive, directly or indirectly, from any member of the Group on or after admission any of the following:
- (i) fees totalling £10,000 or more;
  - (ii) securities in the Company having a value of £10,000 or more calculated by reference to the Placing Price; or
  - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.10 There are no circumstances relating to any undertakings in which the Company holds a proportion of the capital which is likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.
- 17.11 There are, in relation to the Ordinary Shares, no mandatory takeover bids and/or squeeze-out or sellout rules.
- 17.12 Since incorporation of the Company, there has been no public takeover bid by any third party in respect of the Company's equity.
- 17.13 Where information has been sourced from a third party, the Directors confirm that the relevant party has been named and that the information has been accurately reproduced and that as far as the Directors are aware, and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 17.14 No Director or member of a Director's family has any related financial product referenced to Ordinary Shares.

## **18 Availability of Admission Document**

Copies of this Admission Document will be available to the public during normal business hours on any business day at the offices of Cobbetts LLP, Trafalgar House, 29 Park Place, Leeds LS1 2SP from the date of this document until at least one month from the Admission Date in accordance with Rule 3 of the AIM Rules.

Date: 16 November 2005



