Mattioli Woods
Pension Consultants

Mattioli Woods plc
Interim Report 2008

Securing your pension

Pension Consultants
Retirement Wealth Management
Trustees and Administrators

Corporate Statement

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

Headquartered in Leicester and employing 160 staff, including 20 pension consultants, Mattioli Woods has a strong network of intermediary contacts throughout the UK. The practice has grown dynamically year on year since inception and became a public company on joining the AIM market of the London Stock Exchange in November 2005.

Our objective is to continue to provide Mattioli Woods' clients with a bespoke, personalised service, enhancing our reputation in the pension consultancy market and achieving profitable growth year-on-year. Mattioli Woods' core values provide our staff and our clients with an open, passionate and caring organisation of integrity.

Index

Highlights

£6.85m
Revenue up 29.2%
(1H08: £5.30m)

£2.16m
PBTA[1] up 11.9%
(1H08: £1.93m)

8.93p
Adjusted EPS[2] up 12.9%
(1H08: 7.91p)

1.15p
Interim dividend up 15.0%
(1H08: 1.00p)

£1.4bn
Core funds under trusteeship up 27.3% (1H08: £1.1bn)

2,517
Core schemes up 23.9%
(1H08: 2,032)

£0.61m
Average scheme value
(1H08: £0.53m)

£1.50m
Cash at period end
(1H08: £2.24m)

[1] Profit before tax and amortisation.

[2] Before amortisation of intangible assets. Basic EPS up 10.1% to 8.06p (1H08: 7.32p).

Financial calendar

27 January	Announcement of interim results for the six months ended 30 November 2008
4 February	Ex-interim dividend date for ordinary shares
6 February	Record date for interim dividend
6 March	Payment of interim dividend on ordinary shares

Chairman's statement

I am pleased to report we have continued to deliver strong growth over the six months ended 30 November 2008, with revenue up 29.2% and profit before tax and amortisation up 11.9% compared to the same period last year.

We now advise over 2,517 self-invested personal pension ("SIPP") and small self-administered pension scheme ("SSAS") clients (1H08: 2,032) throughout the UK, with core funds under trusteeship at 30 November 2008 totalling £1.4bn (1H08: £1.1bn). Our average scheme value of over £0.6m is well in excess of the industry average of £0.1m.

Core funds under trusteeship had increased 27.3% to £1.4bn (1H08: £1.1bn) at the period end, primarily as a result of our acquisition of the JB Group in February 2008. In addition, certain scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event. As a result, there can be a delay in falling commercial property valuations being reflected in certain scheme valuations.

Market overview

Despite the extreme economic and investment conditions, demand for self-directed pension schemes continues to grow as a result of the control, flexibility and cost-effectiveness these products offer. Our clients are reassured by having control of their investments and benefit from our proactive investment advice.

The volatility in global markets has made life more challenging for investment advisors generally and left many people in the UK fearful of the impact on their retirement wealth. However, their heightened concern confirms our historic experience that demand for bespoke, high-quality pension advice increases during periods of uncertainty.

Our fee-based services are supported by robust administration systems. I believe the provision of excellent, personalised administration differentiates Mattioli Woods from our competitors. The rapid growth in the SIPP market has led some operators to suspend sales of new schemes and focus on improving systems to cope with existing workloads. Some commentators have noted the irrelevance of apparent headline cost savings if a SIPP malfunctions administratively. SIPPs are not packaged products, but a bespoke service designed to facilitate clients' retirement objectives. I believe operators need to fully engage with their clients, rather than offer administration-only services.

We plan to take advantage of high net worth individuals' and smaller companies' desire for quality advice on their pension affairs via a programme of seminars we are running this quarter.

I have indicated before that all SIPPs are not the same, with the market ranging from the extremely flexible product offered by Mattioli Woods, through "hybrid" or "deferred" SIPPs primarily promoted by the large insurance companies, to low-cost SIPP "wrappers" available on-line. As we anticipated, concern over mis-selling by some IFAs has led to the Financial Services Authority ("FSA") initiating an industry wide review of such activity. I anticipate this will bring increased regulation to the SIPP market, enabling us to highlight clearly the advantages of the proactive "added value" services we offer our clients.

Prior to 1 October 2008, money built up from national insurance rebates when people contract-out of the state second pension ("protected rights monies") could only be held in a restricted range of insured funds, bank deposits and mutual funds. However, SIPPs are now permitted to hold protected rights monies and this is proving to be the catalyst for further growth, with our staff having already administered £1.65m of protected rights transfers in October and November.

Trading results

The first half results demonstrate the resilience of our time-costed approach to retirement planning. The Group benefits from having developed multiple revenue streams, a high proportion of which are recurring. In the six months ended 30 November 2008 we achieved increased revenue of £6.85m (1H08: £5.30m).

EBITDA increased by 17.2% to £2.18m (1H08: £1.86m), with profit before tax up 9.8% to £2.01m (1H08: £1.83m). As expected, a lower EBITDA margin of 31.8% was achieved (1H08: 35.2%) as we integrated the JB Group acquisition and made further investment in the development of our people and systems. This investment will provide a strong platform to accommodate the future growth we anticipate. Adjusted earnings per share (adding back amortisation on intangible assets) increased by 12.9% to 8.93 pence (1H08: 7.91 pence).

Following the consultancy team's focus on existing clients' affairs during the unprecedented downturn in financial markets, I am delighted with organic growth of 110 new schemes (1H08: 125) at an increased average value of £0.45m (1H08: £0.43m). We have also enjoyed stronger client retention, with our overall client loss rate falling to 1.6% (1H08: 2.7%).

A great strength of our business is that irrespective of asset allocation, our clients' funds remain within their pension schemes, and hence under our trusteeship. The mix of investment-related revenues adjusts as we develop our dynamic pension investment strategies to take account of changes in economic conditions and the underlying needs of our clients. We have delivered proactive advice over the last 24 months, with most clients benefitting from a strategy of low equity exposure and high levels of cash. As the banking crisis developed, we encouraged diversification of cash deposits and a move into fixed interest investments.

We completed six capital protected bond issues during the period, with clients' subscribing a total of £14.4m (1H08: £5.8m) generating £0.43m of revenue (1H08: £0.17m).

Chairman's statement (continued)

Notwithstanding the outlook for commercial property over the short to medium term, demand remains within our client base for prime property with the benefit of long leases and strong tenant covenants. We successfully facilitated £6.5m of new syndicated property investments (1H08: £15.9m) on our clients' behalf. Although current market conditions are limiting supply of appropriate opportunities, the effect on revenue of completing fewer new syndicates during the period was offset by clients investing monies into other asset classes, such as structured products.

Property syndicate revenues represented 9.8% (1H08: 18.3%) of total revenue, with recurring annual administration fees from existing syndicates increasing to £0.39m (1H08: £0.32m). The capital value of commercial properties held by the syndicates we administer has fallen, with an average fall of 7.14% in the 12 months to the latest valuation date of 5 October 2008. Pension funds invest in property primarily to create long term income streams. We continue to monitor our clients' appetite for property purchases and will continue to facilitate suitable opportunities when they are available.

I expect volatility in financial markets and the interest rate environment will continue to shape our revenue mix in the second half, with any fall in banking revenues and income from property syndicates being offset by continued demand for pension advice and alternative investment strategies and products.

Cash generated from operations increased to £1.16m or 53.4% of EBITDA (1H08: £0.86m or 46.1%). Cash at 30 November 2008 was £1.50m (1H08: £2.24m), following a £1.10m increase in property syndicate loans outstanding at the period end. Our strong balance sheet is enhanced by us having £3.0m of undrawn overdraft facilities available.

Dividends

The Board is pleased to recommend the payment of an interim dividend for the half year ended 30 November 2008 of 1.15 pence (1H08: 1.00 pence) per ordinary share, and I reiterate our intention to grow dividend distributions sensibly going forward. The interim dividend will be paid on 6 March 2009 to shareholders on the register at the close of business on 6 February 2009.

Capacity

Our people continue to demonstrate an enormous amount of enthusiasm and commitment in responding to the challenges created by the recent turmoil in financial markets. Maintaining capacity is crucial in an environment of growing demand and our graduate recruitment programme remains on target. Our increased business profile as a listed company continues to enhance our ability to recruit new and experienced staff.

Staff

Since the Group's admission to AIM, we have been committed to expanding the skills and range of experience represented on our Board of Directors. We were delighted to announce the appointment of Mark Smith as Operations Director on 3 June 2008. As the Group's Compliance Officer, he is responsible for direct liaison with the FSA on all regulatory issues and his unrivalled knowledge of Mattioli Woods' operations will be an asset as we continue to grow the business.

I have highlighted previously the strong team spirit and commitment we enjoy from all our staff. We built upon this culture through the introduction of the Mattioli Woods plc Share Incentive Plan in June 2008, which facilitates wider equity participation throughout the organisation. There has been an enthusiastic response with over 52% of eligible staff electing to invest.

Shareholders

We are pleased to have expanded the excellent institutional shareholder base we have enjoyed since joining the AIM market. We are also continuing to develop broader private client interest and employee share participation. It is your Board's intention to continue to communicate fully with all our shareholders and the wider market, and in so doing build further awareness of Mattioli Woods over the coming years.

Regulation

As might be expected in the current economic environment, the FSA has been increasingly active. In November 2008, the FSA published its consultation paper "Review of the Prudential Rules for Personal Investment Firms". If enacted, the FSA's latest proposals are likely to increase the capital adequacy burden on many small and medium sized IFA firms, who may respond by exiting the market, creating new opportunities for Mattioli Woods.

In December 2008, the FSA published feedback on the discussion paper "A Review of Retail Distribution". This remains a paradoxical initiative: on the one hand IFAs will be required to adopt a much stricter remuneration agreement at the outset of a new client relationship, divorced from a specific product sale, together with higher professional standards; whilst on the other large institutions will be allowed to "dumb down" the delivery of financial products in the high street. Whilst not in full agreement with this approach, I believe it will nonetheless result in a further diminution of the IFA sector and highlight the need for genuinely impartial advice.

The implementation of the retail distribution review will not be completed until 2012, although firms are likely to adopt some of the new requirements in the interim. Mattioli Woods already has a fee-based business model and provides clients with service and fee agreements at the outset, hence I do not expect the proposed changes to significantly change the way we deal with our clients. The majority of our consultancy team joined us as graduate trainees and already hold high level examinations obtained during their training with us.

Chairman's statement (continued)

Also in December 2008, the FSA published a report summarising its thematic review "Quality of advice on pension switching", which assessed the quality of advice since A-Day in relation to transfers of personal pensions or SIPPs. As a result of the review highlighting significant failings at several firms, the FSA is writing to over 450 firms asking them to consider past and future sales in light of the reviews findings. This will be followed up with a series of visits and desk-based file reviews this year to assess whether firms have taken sufficient action in response to the FSA's request.

Mattioli Woods was visited as part of this review in April 2007 and I am pleased to report the FSA has not asked for any further work to be undertaken as a result of its visit. It is clear the FSA believes some operators have mis-sold personal pensions and SIPPs, which I believe may lead to negative press comment about the IFA sector in relation to SIPPs when the wider review is underway.

Strong compliance has always been at the heart of our business. We consider carefully all legislative changes and the findings of all FSA reviews. Where appropriate, we take action to ensure our systems and processes continue to represent best practice. We continue to invest in maintaining our staff's technical excellence and developing our administration systems.

Outlook

We anticipate a more difficult investment climate, which will lead to an even greater need for retirement wealth management, particularly in the high net worth segment of the market. I believe Mattioli Woods' proactive services are well-placed to capture the increasing demand for innovative retirement wealth management strategies.

Trading in the current period continues in line with expectations and I believe we are well-positioned to further differentiate ourselves from our competition in managing the challenges that lie ahead. I remain confident of our ability to take advantage of the opportunities being created to deliver additional value to shareholders.

Bob Woods
Chairman
26 January 2009

Independent review report to Mattioli Woods plc

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the interim financial report for the six months ended 30 November 2008 which comprises the income statement, balance sheet, statement of recognised income and expense, consolidated statement of cash flows and associated notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report, including the conclusion, has been prepared for and only for the Group for the purpose of meeting the requirements of the AIM Rules for Companies and for no other purpose. We do not, therefore, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' Responsibilities

The interim financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the interim financial report in accordance with the AIM Rules for Companies.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent review report to Mattioli Woods plc (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 November 2008 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, and the AIM Rules for Companies.

Baker Tilly UK Audit LLP
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

26 January 2009

Interim condensed consolidated income statement

for the six months ended 30 November 2008

	Notes	Unaudited Six months ended 30 Nov 2008 £	Unaudited Six months ended 30 Nov 2007 £	Audited Year ended 31 May 2008 £
Revenue	4	**6,849,191**	5,295,879	10,828,151
Employee benefits expense		**(3,514,581)**	(2,613,793)	(5,499,147)
Other administrative expenses		**(1,052,583)**	(762,612)	(1,537,507)
Share based payments		**(101,399)**	(52,329)	(104,659)
Amortisation		**(149,617)**	(100,967)	(224,313)
Depreciation		**(93,149)**	(62,764)	(142,636)
Loss on disposal of property, plant and equipment		**(3,085)**	(5,392)	(14,304)
Operating profit before financing	4	**1,934,777**	1,698,022	3,305,585
Financial income		**75,994**	144,793	219,033
Financial cost		**(3,839)**	(13,139)	(15,434)
Net financing income		**72,155**	131,654	203,599
Profit before tax		**2,006,932**	1,829,676	3,509,184
Income tax expense	7	**(617,655)**	(567,426)	(1,043,945)
Profit for the period		**1,389,277**	1,262,250	2,465,239
Attributable to:				
Equity holders of the parent		**1,389,277**	1,262,250	2,465,239
Earnings per ordinary share:				
Basic (pence)	5	**8.06**	7.32	14.31
Diluted (pence)	5	**8.06**	7.32	14.31
Dividend per share (pence)	6	**1.15**	1.00	3.00

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

Interim condensed consolidated statement of recognised income and expense

for the six months ended 30 November 2008

	Notes	**Unaudited Six months ended 30 Nov 2008 £**	Unaudited Six months ended 30 Nov 2007 £	Audited Year ended 31 May 2008 £
Deferred tax on share-based payments	7	**(66,588)**	31,862	65,114
Income and expense recognised directly in equity		**(66,588)**	31,862	65,114
Profit for the period		**1,389,277**	1,262,250	2,465,239
Total recognised income and expense for the period		**1,322,689**	1,294,112	2,530,353

Interim condensed consolidated balance sheet

as at 30 November 2008

	Notes	Unaudited 30 Nov 2008 £	Unaudited 30 Nov 2007 £	Audited 31 May 2008 £
Non-current assets				
Property, plant and equipment		**716,398**	465,910	733,101
Intangible assets		**10,040,010**	7,695,576	10,065,182
Deferred tax asset	7	**78,841**	191,081	166,328
Investments	8	**15**	15	15
Total non-current assets		**10,835,264**	8,352,582	10,964,626
Current assets				
Trade and other receivables		**5,360,817**	4,396,144	4,689,938
Financial assets		**1,629,060**	964,378	529,242
Cash and short-term deposits		**1,504,283**	2,357,758	2,537,894
Total current assets		**8,494,160**	7,718,280	7,757,074
Total assets		**19,329,424**	16,070,862	18,721,700
Equity				
Issued capital		**172,499**	172,159	172,159
Share premium	10	**5,687,721**	5,601,458	5,601,458
Other reserves	10	**2,363,688**	2,286,660	2,372,242
Retained earnings	10	**6,925,692**	4,850,394	5,881,203
Total equity attributable to equity holders of the parent		**15,149,600**	12,910,671	14,027,062
Non-current liabilities				
Trade and other payables		**340,000**	127,537	365,500
Interest-bearing loans and borrowings		**5,044**	–	10,030
Deferred tax liability	7	**268,242**	304,666	273,929
Provisions		**299,727**	188,630	353,326
Total non-current liabilities		**913,013**	620,833	1,002,785
Current liabilities				
Trade and other payables		**2,305,826**	1,601,610	2,856,231
Interest-bearing loans and borrowings		**13,597**	–	18,212
Income tax payable	7	**602,443**	558,546	513,932
Bank overdraft		**–**	115,565	–
Provisions		**344,945**	263,637	303,478
Total current liabilities		**3,266,811**	2,539,358	3,691,853
Total liabilities		**4,179,824**	3,160,191	4,694,638
Total equities and liabilities		**19,329,424**	16,070,862	18,721,700

Interim condensed consolidated statement of cash flows

for the six months ended 30 November 2008

	Notes	Unaudited Six months ended 30 Nov 2008 £	Unaudited Six months ended 30 Nov 2007 £	Audited Year ended 31 May 2008 £
Cash flows from operating activities				
Cash receipts from customers		6,178,312	4,331,327	9,717,005
Cash paid to suppliers and employees		(5,014,847)	(3,473,143)	(6,639,453)
Cash generated from operations		1,163,465	858,184	3,077,552
Interest paid		(3,839)	(13,139)	(15,434)
Income taxes paid	7	(513,932)	(594,727)	(1,056,729)
Net cash from operating activities		645,694	250,318	2,005,389
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		546	4,000	12,400
Purchase of property, plant and equipment		(80,077)	(89,581)	(420,956)
Purchase of software		(140,445)	(35,646)	(104,457)
Acquisition of subsidiaries		(125,500)	(1,627,485)	(1,712,985)
Cash received on acquisition of subsidiaries		–	183,805	183,805
Acquisition of businesses		–	–	(1,311,327)
Acquisition of other investments		–	(15)	(15)
New loans advanced to property syndicates		(1,629,060)	(964,378)	(529,242)
Loan repayments from property syndicates		529,242	1,954,315	1,954,315
Interest received		75,994	144,793	219,033
Net cash from investing activities		(1,369,300)	(430,192)	(1,709,429)
Cash flows from financing activities				
Proceeds from the issue of share capital		43,238	–	–
Repayment of borrowings		(9,600)	–	–
Proceeds/(repayment) of Directors' loans		1,145	(12,014)	(19,967)
Dividends paid	6	(344,788)	(292,670)	(464,850)
Net cash from financing activities		(310,005)	(304,684)	(484,817)
Decrease in cash and cash equivalents		(1,033,611)	(484,558)	(188,857)
Cash and cash equivalents at start period		2,537,894	2,726,751	2,726,751
Cash and cash equivalents at end period		1,504,283	2,242,193	2,537,894

Notes to the interim condensed consolidated financial statements

1. Corporate information

Mattioli Woods plc ("the Company") is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange plc. The interim condensed consolidated financial statements of the Company for the six months ended 30 November 2008 comprise the Company and its subsidiaries (together referred to as the "Group"). The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 26 January 2009.

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

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 November 2008 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 May 2008.

The information relating to the six months ended 30 November 2008 and the six months ended 30 November 2007 is unaudited and does not constitute statutory accounts. The comparative figures for the year ended 31 May 2008 are not the statutory accounts for that financial year. The statutory accounts for the year ended 31 May 2008 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union, and have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The interim financial statements are unaudited but have been reviewed by the auditors and their report to the Board of Mattioli Woods plc is included within these financial statements.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 May 2008 except for the adoption of new Standards and Interpretations, which did not have any effect on the financial position or performance of the Group.

Standards and Interpretations issued but not yet effective

The IASB and International Financial Reporting Interpretation Committee ("IFRIC") have issued Standards and Interpretations with an effective date for periods starting on or after the date on which these financial

Notes to the interim condensed consolidated financial statements (continued)

2. Basis of preparation and accounting policies (continued)

statements start. The Directors anticipate the adoption of these Standards and Interpretations, wherever relevant to Mattioli Woods, will not have a material impact on the Company's or the Group's financial statements in the period of initial application.

Financial statements for the year ending 31 May 2009

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements will be consistent with those to be followed in the preparation of the Group's annual financial statements for the year ending 31 May 2009, except for the adoption of new Standards and Interpretations not yet issued.

2.3 Basis of consolidation

The interim condensed consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 November each year.

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

2.4 Significant accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost to sell of the cash-generating unit to which the goodwill is allocated. Estimating a fair value less cost to sell amount requires management to make an estimate of the realisable value of the cash generating unit. The carrying amount of goodwill at 30 November 2008 was £4,572,868 (1H08: £3,327,937).

Deferred tax assets

Deferred tax assets include temporary differences related to employee benefits settled via the issue of share options. Recognition of the deferred tax assets assumes share options will have a positive value at the date of vesting, which is greater than the share option cost recognised in the income statement.

Recoverability of accrued time costs

The Group recognises accrued income in respect of time costs incurred on clients' affairs during the accounting period, which have not been invoiced at the balance sheet date. This requires an estimation of the recoverability of the time costs incurred but not invoiced to clients. The carrying amount of accrued time costs at 30 November 2008 was £1,663,942 (1H08: £1,496,452).

Accrued commission income

Accrued commission income is recognised in respect of commissions due to the Group on investments and bank deposits placed during the accounting period which have not been received at the balance sheet date. This requires an estimation of the amount of commission income that will be received subsequent to the balance sheet date in respect of the accounting period. The carrying amount of accrued commission income at 30 November 2008 was £916,020 (1H08: £603,849).

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. A provision is recognised for all amounts management anticipates will be paid under the relevant acquisition agreement. This requires management to make an estimate of the expected future cash flows from the acquired client portfolio and also to choose a suitable discount rate for the calculation of the present value of those cash flows. The contingent consideration provision at 30 November 2008 was £343,356 (1H08: £138,630).

3. Seasonality of operations

The Group's operations are not subject to any recurrent seasonal fluctuations as a result of external factors. Historically, revenues in the second half-year typically have been higher than in the first half, primarily due to SSAS scheme year-ends being linked to the sponsoring company's year-end, which is often in December or March. However, with the growth in the number of SIPP schemes under administration and further diversification of the Group's revenue streams in recent periods, the Board of Directors believes the seasonal impact of SSAS scheme year-ends is no longer material.

4. Segment information

The Group is comprised of the following operating segments:

- Pension consultancy and administration – time-based fees earned for setting up and administering pension schemes. Additional fees are generated from consultancy services provided for special one-off activities;

Notes to the interim condensed consolidated financial statements (continued)

4. Segment information (continued)

- Investment planning – income generated from the placing of investments on clients' behalf with banks and other financial institutions; and
- Property syndicates – income generated where the Group facilitates commercial property transactions on behalf of its clients.

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

There are no transfers between operating segments and hence there are no differences between total segment revenue and consolidated revenue.

Each operating segment utilises the same intangible and tangible assets, and the segments have been financed as a whole, rather than individually. The reportable operating segments are managed together, as one business operating from one location. Accordingly, only employee benefit expenses and other direct costs have been allocated across the reportable operating segments.

Segment profit or loss reflects the measure of segment performance reviewed by the Board of Directors (the Chief Operating Decision Maker). This measure differs from the numbers used in the financial statements prepared in accordance with IFRS as follows:

- *Finance revenue* – Interest revenue from loans receivable and cash at bank is not included in the measure of segment profit or loss as it is not considered part of the core operations of any segment.
- *Finance costs* – Finance costs are not included in the measure of segment profit or loss.
- *Indirect overheads* – Indirect overheads including property costs, amortisation and impairment of intangible assets, depreciation of property, plant and equipment, sales and marketing costs, legal and professional fees and insurance are not included in the measure of segment profit or loss as it is not possible to allocate these overheads to individual segments without making arbitrary allocations.

Segment assets exclude property, plant and equipment, intangible assets, investments, current and deferred tax balances, cash and cash equivalents, as these assets are considered corporate in nature and are not allocated to a specific operating segment.

Operating segments

The following table presents revenue and profit information regarding the Group's operating segments:

4. Segment information (continued)

Operating segments	Pension consultancy and administration Six months ended 30 Nov 2008 £	Six months ended 30 Nov 2007 £	Year ended 31 May 2008 £	Investment planning Six months ended 30 Nov 2008 £	Six months ended 30 Nov 2007 £	Year ended 31 May 2008 £	Property syndicates Six months ended 30 Nov 2008 £	Six months ended 30 Nov 2007 £	Year ended 31 May 2008 £	Total Six months ended 30 Nov 2008 £	Six months ended 30 Nov 2007 £	Year ended 31 May 2008 £
Total revenue	**3,317,000**	2,228,321	4,792,681	**2,857,707**	2,095,818	4,373,500	**674,484**	971,740	1,661,970	**6,849,191**	5,295,879	10,828,151
Employee benefits expense (including share based payments)	**(2,507,459)**	(1,945,562)	(3,645,438)	**(597,554)**	(363,044)	(852,733)	**(510,967)**	(357,516)	(1,105,635)	**(3,615,980)**	(2,666,122)	(5,603,806)
Other administrative expense	**(26,951)**	(72,278)	(215,426)	**(199,449)**	(93,352)	(90,153)	**(18,951)**	(9,195)	–	**(245,351)**	(174,825)	(305,579)
Segment results	**782,590**	210,481	931,817	**2,060,704**	1,639,422	3,430,614	**144,566**	605,029	556,335	**2,987,860**	2,454,932	4,918,766
Unallocated indirect overheads										**(1,053,083)**	(756,910)	(1,613,181)
Operating profit before financing										**1,934,777**	1,698,022	3,305,585
Net finance income										**72,155**	131,654	203,599
Profit before tax										**2,006,932**	1,829,676	3,509,184
Income tax expense										**(617,655)**	(567,426)	(1,043,945)
Net profit for the period										**1,389,277**	1,262,250	2,465,239

Notes to the interim condensed consolidated financial statements (continued)

4. Segment information (continued)

Total segment assets

The following table compares total segment assets as at 30 November 2008, 30 November 2007 and 31 May 2008 (the date of the last annual financial statements).

	Unaudited 30 Nov 2008 £	Unaudited 30 Nov 2007 £	Audited 31 May 2008 £
Pension consultancy and administration	**3,674,752**	2,796,969	3,621,963
Investment planning	**916,021**	603,849	642,655
Property syndicates	**2,138,370**	1,760,904	839,325
Total segment assets	**6,729,143**	5,161,722	5,103,943
Property plant and equipment	**716,398**	465,910	733,101
Intangible assets	**10,040,010**	7,695,576	10,065,182
Deferred tax	**78,841**	191,081	166,328
Investments	**15**	15	15
Prepayments and other receivables	**260,734**	198,800	115,237
Cash and cash equivalents	**1,504,283**	2,357,758	2,537,894
Total consolidated assets	**19,329,424**	16,070,862	18,721,700

5. Earnings per ordinary share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

5. Earnings per ordinary share (continued)

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

	Unaudited Six months ended 30 Nov 2008 £	Unaudited Six months ended 30 Nov 2007 £	Audited Year ended 31 May 2008 £
Net profit and diluted net profit attributable to equity holders of the Company	**1,389,277**	1,262,250	2,465,239

Weighted average number of ordinary shares:	Thousands	Thousands	Thousands
Issued ordinary shares at start period	**17,216**	17,216	17,216
Effect of shares issued in July 2008	**10**	7	7
Effect of shares issued in August 2008	**4**	3	3
Effect of shares issued in September 2008	**2**	2	2
Effect of shares issued in October 2008	**2**	3	3
Effect of shares issued in November 2008	**1**	2	2
Basic and diluted weighted average number of shares	**17,235**	17,233	17,233

The Company has granted options under the Share Option Plan and Consultants' Share Option Plan to certain of its senior managers and directors to acquire (in aggregate) up to 8.04% of its issued share capital. Under IAS 33 Earnings Per Share, contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted earnings per share if the conditions (the events triggering the vesting of the option) are satisfied. At 30 November 2008 the conditions are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 7.46 pence per share (1H08: 6.83 pence).

The only transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements has been the issue of 5,226 ordinary shares on 8 December 2008 and 6,554 ordinary shares on 7 January 2009 under the Mattioli Woods plc Share Incentive Plan.

Notes to the interim condensed consolidated financial statements (continued)

6. Dividends paid and proposed

	Unaudited Six months ended 30 Nov 2008 £	Unaudited Six months ended 30 Nov 2007 £	Audited Year ended 31 May 2008 £
Paid during the period:			
Equity dividends on ordinary shares:			
– Final dividend for 2008: 2.00p (2007: 1.70p)	**344,788**	292,670	292,670
– Interim dividend for 2008: 1.00p (2007: 0.85p)	**–**	–	172,180
Dividends paid	**344,788**	292,670	464,850
Proposed for approval:			
Equity dividends on ordinary shares:			
– Interim dividend for 2009: 1.15p (2008: 1.00p)	**198,509**	172,180	–
– Final dividend for 2008: 2.00p (2007: 1.70p)	**–**	–	344,788
Dividends proposed	**198,509**	172,180	344,788

The proposed dividend was approved on 9 January 2009.

7. Income tax

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Any amounts paid in excess of amounts owed would be classified as a current asset.

Deferred income tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the estimated average annual effective income tax rate for the interim periods presented. The primary components of the entity's recognised deferred taxed assets include temporary differences related to employee benefits, provisions and other items.

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

7. Income tax (continued)

The recognition of deferred tax in the income statement arises from the origination and the reversal of temporary differences and the effects of changes in tax rates. The primary component of the deferred tax debit for the six months ended 30 November 2008 of £15,212 (1H08: credit of £15,283) is related to temporary differences arising on share-based payments to employees.

The total deferred tax asset derecognised directly in equity was £66,588 for the six months ended 30 November 2008 (1H08: asset recognised of £31,862).

Reconciliation of effective tax rates

The current tax expense for the six months ended 30 November 2008 was calculated based on the estimated average annual effective income tax rate of 30.8% (1H08: 31.0%), as compared to the tax rates expected to be enacted or substantively enacted at the balance sheet date of 28.0% (1H08: 30.0%). Differences between the estimated average annual effective income tax rate and statutory rate include, but are not limited to the effect of non-deductible expenses, tax incentives not recognised in profit or loss and under/(over) provisions in previous periods.

8. Investments

On 1 October 2007, Mattioli Woods subscribed £15 for 15% of the issued share capital of Mainsforth Developments Limited ("Mainsforth"), a company incorporated in England and Wales with its principal activity being the development and selling of real estate. On the same date, Mainsforth entered into two conditional sales agreements ("CSAs") to acquire freehold land.

The first CSA gives Mainsforth the right to acquire certain freehold land ("Land A") with vacant possession for a purchase consideration of £1.0m.

The second CSA gives Mainsforth the right to acquire other freehold land adjacent to Land A ("Land B") with vacant possession for a purchase consideration of £2.8m, subject to an upwards and downwards adjustment if the consideration (the "Development Consideration") payable to Mainsforth on the sale of Land A and Land B (together "the Development Land") is greater or less than £10.0m, subject to the condition that the consideration payable for Land B shall not be reduced below £2.2m.

The effective date of the agreements will be the date on which planning approval is granted for the development of the Development Land as a mixed use scheme where residential property comprises at least 50% of the built area. Any consideration payable by Mainsforth under the CSAs only becomes payable on completion of its sale of the Development Land. If planning approval has not been obtained by 1 December 2010 the agreements will lapse, although the termination dates may be extended to 1 December 2011 if certain conditions are fulfilled.

Notes to the interim condensed consolidated financial statements (continued)

9. Reconciliation of profit for the period to operating cash flows

IAS 7 *Cash Flow Statements* encourages entities to report cash flows from operating activities using the direct method. Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses disclosed on the income statement and the changes during the period in operating receivables and payables as follows:

	Unaudited Six months ended 30 Nov 2008 £	Unaudited Six months ended 30 Nov 2007 £	Audited Year ended 31 May 2008 £
Cash flows from operating activities			
Profit for the period	**1,389,277**	1,262,250	2,465,239
Adjustments for:			
Amortisation	**149,617**	100,967	224,313
Depreciation	**93,149**	62,764	142,636
Financial income	**(75,994)**	(144,793)	(219,033)
Financial expenses	**3,839**	13,139	15,434
Loss on disposal of property, plant and equipment	**3,085**	5,392	14,304
Equity-settled share-based payments	**101,399**	52,329	104,659
Income tax expense	**617,655**	567,426	1,043,945
Operating profit before changes in working capital and provisions	**2,282,027**	1,919,474	3,791,497
Increase in trade and other receivables	**(670,879)**	(964,553)	(1,111,148)
(Decrease)/increase in trade and other payables	**(501,550)**	(96,737)	327,203
Increase in provisions	**53,867**	–	70,000
Cash generated from operations	**1,163,465**	858,184	3,077,552
Interest paid	**(3,839)**	(13,139)	(15,434)
Income taxes paid	**(513,932)**	(594,727)	(1,056,729)
Net cash from operating activities	**645,694**	250,318	2,005,389

10. Reserves

	Equity – share-based payments £	Share premium account £	Capital redemption reserve £	Retained earnings £
At 31 May 2007 – *audited*	202,469	5,601,458	2,000,000	3,880,814
Share-based payments	52,329	–	–	–
Deferred tax asset recognised in equity	31,862	–	–	–
Profit for the financial period	–	–	–	1,262,250
Dividends	–	–	–	(292,670)
At 30 November 2007 – *unaudited*	286,660	5,601,458	2,000,000	4,850,394
Share-based payments	52,330	–	–	–
Deferred tax asset recognised in equity	33,252	–	–	–
Profit for the financial period	–	–	–	1,202,989
Dividends	–	–	–	(172,180)
At 31 May 2008 – *audited*	372,242	5,601,458	2,000,000	5,881,203
Arising on share issues	–	86,263	–	–
Share-based payments	58,034	–	–	–
Deferred tax asset derecognised in equity	(66,588)	–	–	–
Profit for the financial period	–	–	–	1,389,277
Dividends	–	–	–	(344,788)
At 30 November 2008 – *unaudited*	363,688	5,687,721	2,000,000	6,925,692

11. Related party transactions

Transactions with key management personnel

The private pension schemes of Ian Mattioli, Robert Woods, Nathan Imlach, Murray Smith and Mark Smith, together with the private pension schemes of other employees of the Group, have beneficial interests in MW Properties (No 16) Limited and MW Properties (No 60) Limited. The Group leases its premises at MW House, Grove Park, Enderby from MW Properties (No 16) Limited and paid rentals of £93,690 during the six months ended 30 November 2008 (1H08: £84,000). At 30 November 2008 the Group had prepaid future rentals of £12,227 (1H08: £11,047).

Notes to the interim condensed consolidated financial statements (continued)

11. Related party transactions (continued)

The Group leases its premises at Gateway House, Grove Park, Enderby from MW Properties (No 60) Limited and paid rentals of £37,800 during the six months ended 30 November 2008 (1H08: Nil). At 30 November 2008 the Group had prepaid future rentals of £4,971 (1H08: Nil).

Key management personnel receive compensation in the form of short-term employee benefits and equity compensation benefits. Key management personnel, representing the executive directors and five (1H08: four) senior executives, received total compensation of £1,003,050 for the six months ended 30 November 2008 (1H08: £789,776). Total remuneration is included in "employee benefits expense".

12. Events after the balance sheet date

New bank facilities

At 30 November 2008, the Group had £5.25m of undrawn borrowing facilities with Royal Bank of Scotland plc ("RBS") and Lloyds TSB Bank plc ("Lloyds TSB"). The RBS facilities consisted of an overdraft facility of £5.0m with interest payable at the bank's base rate (currently 1.5%) plus 1.0% on the first £1.5m, plus 1.25% on the next £1.5m and plus 1.375% on borrowings in excess of £3.0m. The RBS facility is repayable upon demand and expires on 31 January 2009.

The Lloyds TSB facilities consisted of an overdraft facility of £0.25m, with interest payable at 1.0% over the bank's base rate (currently 1.5%).

In January 2009, the Group renegotiated its borrowing facilities with Lloyds TSB. The existing arrangement has been replaced by a £3.0m overdraft facility with interest payable at the bank's base rate plus 1.0% on the first £0.25m and plus 1.375% on borrowings in excess of £0.25m. The Lloyds TSB facility is repayable upon demand and renewable on 31 January 2010.

Company information

Directors:	Robert Woods	–	Executive Chairman
	Ian Mattioli	–	Chief Executive
	Nathan Imlach	–	Finance Director
	Murray Smith	–	Marketing and Sales Director
	Mark Smith	–	Operations Director
	John Redpath	–	Non-Executive Director
	Michael Kershaw	–	Non-Executive Director

Company secretary: Nathan Imlach

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Solicitors:
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