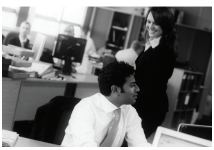
Mattioli Woods
Pension Consultants

Mattioli Woods plc
Interim Report 2010/11

Securing your retirement wealth

Retirement Wealth Management
Pension Consultants
Trustees & Administrators


Mattioli Woods plc

Mattioli Woods plc ("Mattioli Woods", "the Company" or "the Group") provides retirement wealth management services, primarily to owner-managers, senior executives and professionals. The Group's focus is at the higher end of the market where clients typically require bespoke service and specialist advice.

Our objective is to grow our business organically and by acquisition, delivering strong, sustainable shareholder returns over the long-term. We plan to continue developing complementary services around our core market of self-invested personal pensions ("SIPPs") and small self-administered pension schemes ("SSASs"), extending the Group's operations into the wider retirement wealth market and enhancing our reputation for the delivery of high quality services and advice.

Contents

Highlights

+12.7%

Revenue
£7.43 (1H10: £6.59m)

+12.0%

Adjusted profit before tax and amortisation[1] £2.42m (1H10: £2.16m)

+17.4%

Adjusted EPS[1,2]
10.61p (1H10: 9.04p)

+13.8%

Interim dividend
1.65p (1H10: 1.45p)

- Revenue up 12.7% to £7.43m (1H10: £6.59m)
- EBITDA up 8.4% to £2.46m (1H10: £2.27m)
- Adjusted profit before tax and amortisation[1] up 12.0% to £2.42m (1H10: £2.16m)
- Adjusted EPS[1,2] up 17.4% to 10.61p (1H10: 9.04p)
- Interim dividend up 13.8% to 1.65p (1H10: 1.45p)
- Total funds under trusteeship[3] up 27.7% to £2.03bn (1H10: £1.59bn)
- Scheme numbers up 48.2% to 4,348 (1H10: 2,934)
- Acquisition of City Trustees in August 2010
- Net cash at period end of £1.75m (1H10: £4.66m)

[1] Before acquisition costs expensed under IFRS3 (Revised), amortisation and impairment of intangible assets other than computer software
[2] Basic EPS up 6.4% to 8.86p (1H10: 8.33p)
[3] Funds under trusteeship in clients' SSAS and SIPP schemes (excludes £157.0m in group pension schemes and £32.7m of personal investments)

Chairman's statement

I am pleased to report another strong set of results for the six months ended 30 November 2010, with revenues up 12.7% to £7.43m (1H10: £6.59m) and EBITDA up 8.4% to £2.46m (1H10: £2.27m) following the successful integration of the two businesses we acquired in April and August 2010.

The factors noted in my statement for the financial year ended 31 May 2010, namely volatility in financial markets, economic uncertainty and fiscal changes, continue to drive client demand for our services. We enjoyed stronger organic growth in the number of self-invested personal pension ("SIPP") and small self-administered pension schemes ("SSAS") we operate, with 121 direct SIPP and SSAS schemes (1H10: 87) won during the period. The Group now acts for 4,348 SIPP and SSAS clients (1H10: 2,934) with total funds under trusteeship of £2.03bn (1H10: £1.59bn).

Our clients are still facing challenging investment conditions. From the first quarter of 2009 it was apparent there was tremendous value to be found in both equity and bond markets and so our challenge was to counsel clients cautiously, with many still shell-shocked after the near collapse of a number of major banks in 2008. As we entered 2010, much of the obvious value in investment markets vanished as they made strong progress, but there remained real concerns over the pace of recovery in the US and European sovereign debt risk.

Demand for strategic advice, coupled with our recent acquisitions, increased fee-based revenues by 16.7% to £4.26m (1H10: £3.65m). Investment-related revenues increased by 5.0% to £2.53m (1H10: £2.41m), with stronger than anticipated structured product sales in November. Aggregate cash balances in our core clients' SSAS and SIPP schemes were £320.5m (1H10: £291.6m) at the period end and I expect a significant proportion of this cash to be invested in other asset classes as confidence returns, or, as we have already seen to some extent, our clients' attitude to risk changes in response to the need for higher returns than cash can provide. Against this backdrop, I am confident that the discretionary investment management service we plan to launch in the summer will be well received, enhancing our recurring revenue streams.

Market overview

I believe the announcement of new pensions legislation to be incorporated in next year's finance act will put pensions at the centre of the Government's drive to revive a savings culture in the UK.

The first piece of new legislation introduces a contribution limit of £50,000 per annum, with the ability to carry forward unused allowances from the previous three years. Reintroducing full top-rate tax relief for all, including high-earners, is a clear indication that the Government wants to see a substantial increase in UK pension investment.

The second piece of legislation abolishes a particularly onerous aspect of the current tax regime, with potential tax charges of up to 82% on a member's pension fund following the death of the member and their partner after age 75. Furthermore, the legislation introduces a new concept, referred to as 'flexible drawdown', which in essence will allow members to access some or all of their pension fund at any time in retirement.

In addition to introducing very welcome flexibility, I believe these changes will encourage more members of final salary schemes to transfer to member-directed pension schemes, which offer much greater choice as to when they can access their pension wealth. Despite the issue of funding deficits, I expect these changes and the shift away from a culture of corporate pension provision to one of greater individual responsibility will support the further growth of our sector.

I regard these legislative changes as the most positive pension initiatives to be announced for a generation and an attractive opportunity for our business. These changes will run alongside a growing awareness of the National Employment Savings Trust ("NEST"), an initiative to establish compulsory pension provision in the UK. NEST is to be phased in from 2012 and I expect it to drive heightened employer and employee awareness of pension issues over the next few years.

We continue to see evidence of price inflation within the SIPP market, particularly amongst the volume players, as service levels become an increasingly important feature of this market place.

Regulation

It appears that the FSA's Retail Distribution Review ("RDR") will be imposed on the financial services industry from December 2012, despite recent press speculation around the proposed changes. I am confident the RDR will endorse our fee-based approach and reduce competition from the IFA sector.

Related changes to the prudential rules for Personal Investment Firms will increase our expenditure based financial resources requirement from 6 to 13 weeks (from approximately £0.87m to £1.88m) over the next three years. Our balance sheet strength gives us headroom of around £2.30m above this increased requirement. We expect the increased burden this change will impose on many small and medium sized IFA firms could lead them to exit the market, creating new growth opportunities for Mattioli Woods.

Trading results

We achieved revenues of £7.43m in the first half (1H10: £6.59m). Demand for advice and administration revenues from new schemes and our recent acquisitions increased fee-based revenues by 16.7% to £4.26m (1H10: £3.65m).

A desire for protection saw structured product revenues more than double to £0.58m (1H10: £0.26m) with clients subscribing £17.05m (1H10: £8.51m) in new bond issues. Traditional investment commissions fell 15.5% to £1.47m (1H10: £1.74m), as clients remained cautious around challenging investment markets.

Although the Bank of England base rate remains at a historic low, our banking income increased 17.1% to £0.48m (1H10: £0.41m), following the negotiation of enhanced terms for our clients and ourselves with the Group's key banking partners.

I believe there is a broad opportunity to strengthen our service offering through strategic acquisitions and our ambition is to continue expanding Mattioli Woods' operations both organically and by acquisition.

Bob Woods
Executive Chairman

Chairman's statement

Property syndicate revenues increased 18.9% to £0.63m (1H10: £0.53m) with £5.70m of client investment (1H10: £3.68m) in three new syndicates completed during the period (1H10: two). I expect the demand for direct investment into prime commercial property will strengthen during the second half and we are developing a new structure to allow us to offer the property syndicate initiative outside of those clients advised by Mattioli Woods.

We achieved stronger organic growth during the period as a result of increased marketing activity. Net organic growth in the number of direct SIPP schemes we operate was 2.7% (1H10: 1.3%). We continue to enjoy strong client retention, with an overall client attrition rate[4] of 2.6% (1H10: 2.4%).

Since our appointment to assist with the winding up of The Freedom SIPP, we have worked closely with its members to enable them to transfer to alternative providers. To date, almost a third of members have transferred their assets to new arrangements and the majority of members that remain are well on the way to completing their transfers. I am delighted 33 members have confirmed their intention to transfer to a new scheme with ourselves, following the work we have completed on their behalf.

EBITDA increased by 8.4% to £2.46m (1H10: £2.27m). Despite the impact of £0.13m from one-off costs associated with acquisition activity during the period, we recorded a strong EBITDA margin of 33.1% (1H10: 34.4%). Profit before tax was up 3.9% to £2.12m (1H10: £2.04m). Adjusted earnings per share (adding back those acquisition costs now required to be expensed under IFRS3 (Revised), amortisation and impairment of intangible assets other than computer software) increased by 17.4% to 10.61 pence (1H10: 9.04 pence).

Cash generated from operations increased to £1.50m or 61.0% of EBITDA (1H10: £1.32m or 58.2%). Cash at 30 November 2010 was £1.75m (1H10: £4.66m), with £2.45m of short-term loans advanced to new property syndicates and a net cash outflow of £1.76m on the acquisition of City Trustees Limited and its associated company City Pensions Limited (together "City Trustees"). The property syndicate loans have been repaid following the period end. Our strong balance sheet is enhanced by the availability of £3.00m of on demand overdraft facilities.

Strategy and acquisitions

The pensions and employee benefits business of Cooper Parry Wealth Strategies Limited acquired in April 2010 has been fully integrated into our core business and generated revenues of £0.20m during the period. Our subsequent acquisition of City Trustees from Lighthouse Group plc in August 2010 has expanded our range of services to include a separately branded third-party administration proposition. City Trustees broke-even in the first half and our expectation remains that the acquisition will be earnings enhancing in the first full year of ownership.

City Trustees distributes SSASs and SIPPs via 'top end' IFAs, with our focus being on the delivery of a consistently high standard of administration combined with strong technical support. I am particularly pleased that approximately half of City Trustees' SIPP clients have chosen to migrate their scheme banking onto our platform so soon after acquisition, evidencing how our more proactive approach is being welcomed.

Our ambition is to continue expanding Mattioli Woods' operations, both organically and by acquisition. Going forward, I believe there is a broad opportunity to strengthen our service offering through further strategic acquisitions.

The Government's new pensions initiatives herald an exciting new era for the industry. We have accelerated our programme of marketing to professional connections to stimulate further organic growth through a series of newsletters and seminars around the UK. This activity will continue with the presentation of a new seminar series in the second half. We have also appointed a marketing firm to help us develop our sales strategy and brand awareness.

Against the backdrop of an increasingly sophisticated market in which consumers will seek trusted, competent and impartial advisers, I am confident our strategy to develop broader wealth management services, complementary to our core pensions services, will match this changing market demand and deliver strong sustainable growth.

[4]Core SSAS and SIPP schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the period.

Staff

A special thank you goes to all our staff, who have again shown real passion, enthusiasm and professionalism in dealing with our clients' affairs. Our 'small to big' initiative is now well established, creating a platform that can maintain our existing culture and service standards whilst accommodating future growth.

A key aspect of our growth plans is continued investment in graduate recruitment. In the first six months of this financial year we have taken on another seven new graduates (1H10: six) and plan further recruitment in the second half to build additional capacity for growth.

We remain committed to encouraging wider employee equity participation. The Mattioli Woods plc Share Incentive Plan ("the Plan") and the Long Term Incentive Plan ("LTIP") approved at the Annual General Meeting on 14 October 2010 are designed to attract and retain appropriately qualified staff.

To date, 48.8% of eligible staff have elected to invest via the Plan (1H10: 47.8%) and we intend to promote broader participation over the next 12 months.

Dividend

The board is pleased to recommend the payment of an increased interim dividend for the half year ended 30 November 2010, up 13.8% to 1.65 pence (1H10: 1.45 pence) per ordinary share. I have highlighted before our commitment to grow the dividend sensibly, whilst maintaining an appropriate level of dividend cover. The interim dividend, which typically represents one-third of the full-year dividend, will be paid on 4 March 2011 to shareholders on the register at the close of business on 4 February 2011.

Shareholders

Following the period end we have continued to expand our free float and the excellent institutional shareholder base we have enjoyed since joining the AIM market. We are also working to develop broader private client interest in the shares and employee equity participation. We are committed to full communication with all our shareholders and the wider market, building further awareness of Mattioli Woods.

Outlook

As in previous periods, I expect revenues for this financial year will be weighted towards the second half and current trading remains in line with the board's expectations. I am excited about the Group's prospects following the announcement of what I believe to be the most positive changes to pension legislation our generation has seen. I believe that this, coupled with a return to less fragile markets and the launch of a discretionary investment management service, will provide opportunities to enhance our revenue streams and deliver further profitable growth.

Bob Woods
Chairman
24 January 2011

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 2010 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed 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 is made solely to the Group 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. Our review work has been undertaken so that we might state to the Group those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our review work, for this report, or for the conclusions we have formed.

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 of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee 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 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.

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 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and the AIM Rules of the London Stock Exchange.

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

24 January 2011

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 November 2010

	Note	**Unaudited Six months ended 30 Nov 2010 £**	Unaudited Six months ended 30 Nov 2009 £	Audited Year ended 31 May 2010 £
Revenue	5	**7,427,573**	6,591,677	13,678,033
Employee benefits expense	10	**(3,742,975)**	(3,400,894)	(6,908,691)
Other administrative expenses		**(1,162,333)**	(808,252)	(1,865,220)
Share based payments		**(64,681)**	(107,962)	(161,957)
Amortisation and impairment		**(265,036)**	(164,446)	(324,110)
Depreciation		**(97,257)**	(80,059)	(169,397)
Loss on disposal of property, plant and equipment		**(69)**	(8,228)	(22,528)
Operating profit before financing		**2,095,222**	2,021,836	4,226,130
Finance revenue		**24,058**	19,663	43,659
Finance costs		**(14)**	(200)	(116)
Net finance revenue		**24,044**	19,463	43,543
Profit before tax		**2,119,266**	2,041,299	4,269,673
Income tax expense	8	**(580,533)**	(599,154)	(1,265,590)
Profit for the period		**1,538,733**	1,442,145	3,004,083
Other comprehensive income for the period, net of tax		**—**	—	—
Total comprehensive income for the period, net of tax		**1,538,733**	1,442,145	3,004,083
Attributable to:				
Equity holders of the parent		**1,538,733**	1,442,145	3,004,083
Earnings per ordinary share:				
Basic (pence)	6	**8.86**	8.31	17.31
Diluted (pence)	6	**8.43**	8.31	16.48
Proposed total dividend per share (pence)	7	**1.65**	1.45	4.35

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

Interim condensed consolidated statement of financial position

As at 30 November 2010

	Notes	**Unaudited 30 Nov 2010 £**	Unaudited 30 Nov 2009 £	Audited 31 May 2010 £
Assets				
Property, plant and equipment		**865,531**	655,605	733,463
Intangible assets		**13,009,233**	9,956,089	11,050,274
Deferred tax asset	8	**341,781**	174,881	127,069
Investments	11	**15**	15	15
Total non-current assets		**14,216,560**	10,786,590	11,910,821
Trade and other receivables		**6,532,561**	5,185,497	5,662,881
Financial assets		**2,452,019**	366,259	—
Cash and short-term deposits		**1,751,105**	4,656,154	5,790,292
Total current assets		**10,735,685**	10,207,910	11,453,173
Total assets		**24,952,245**	20,994,500	23,363,994
Equity				
Issued capital		**173,832**	173,213	173,473
Share premium		**5,987,758**	5,849,929	5,918,314
Other capital reserves		**2,769,408**	2,559,813	2,552,579
Retained earnings		**11,371,789**	9,026,255	10,336,920
Total equity attributable to equity holders of the parent		**20,302,787**	17,609,210	18,981,286
Non-current liabilities				
Trade and other payables		**120,000**	100,000	120,000
Deferred tax liability	8	**576,831**	256,868	251,181
Provisions		**310,744**	218,018	329,598
Total non-current liabilities		**1,007,575**	574,886	700,779
Current liabilities				
Trade and other payables		**2,544,363**	1,930,317	2,532,508
Income tax payable	8	**629,648**	617,088	689,088
Provisions		**467,872**	262,999	460,333
Total current liabilities		**3,641,883**	2,810,404	3,681,929
Total liabilities		**4,649,458**	3,385,290	4,382,708
Total equities and liabilities		**24,952,245**	20,994,500	23,363,994

Interim condensed consolidated statement of changes in equity

For the six months ended 30 November 2010

	Issued capital	Share premium £	Capital redemption reserve £	Equity-share based payments £	Retained earnings £	Total equity £
As at 1 June 2009 - *Audited*	172,855	5,769,149	2,000,000	456,341	8,060,163	16,458,508
Profit for the period	—	—	—	—	1,442,145	1,442,145
Total comprehensive income	—	—	—	—	1,442,145	1,442,145
Issue of share capital	358	80,780	—	—	—	81,138
Share-based payment transactions	—	—	—	68,642	—	68,642
Deferred tax asset taken to equity	—	—	—	34,830	—	34,830
Dividends	—	—	—	—	(476,053)	(476,053)
As at 30 November 2009 - *Unaudited*	173,213	5,849,929	2,000,000	559,813	9,026,255	17,609,210
Profit for the period	—	—	—	—	1,561,938	1,561,938
Total comprehensive income	—	—	—	—	1,561,938	1,561,938
Issue of share capital	260	68,385	—	—	—	68,645
Share-based payment transactions	—	—	—	20,455	—	20,455
Deferred tax asset taken to equity	—	—	—	(27,689)	—	(27,689)
Dividends	—	—	—	—	(251,273)	(251,273)
As at 31 May 2010 - *Audited*	173,473	5,918,314	2,000,000	552,579	10,336,920	18,981,286
Profit for the period	—	—	—	—	1,538,733	1,538,733
Total comprehensive income	—	—	—	—	1,538,733	1,538,733
Issue of share capital	359	69,444	—	—		69,803
Share-based payment transactions	—	—	—	41,351	—	41,351
Deferred tax asset taken to equity	—	—	—	175,478	—	175,478
Dividends	—	—	—	—	(503,864)	(503,864)
As at 30 November 2010 - *Unaudited*	**173,832**	**5,987,758**	**2,000,000**	**769,408**	**11,371,789**	**20,302,787**

Interim condensed consolidated statement of cash flows

For the six months ended 30 November 2010

	Note	**Unaudited Six months ended 30 Nov 2010 £**	Unaudited Six months ended 30 Nov 2009 £	Audited Year ended 31 May 2010 £
Operating activities				
Profit for the period		**1,538,733**	1,442,145	3,004,083
Adjustments for:				
Depreciation		**97,257**	80,059	169,397
Amortisation and impairment		**265,036**	164,446	324,110
Investment income		**(24,058)**	(19,663)	(43,659)
Interest expense		**14**	200	116
Loss on disposal of property, plant and equipment		**69**	8,228	22,528
Equity-settled share-based payments		**64,681**	107,962	161,957
Income tax expense		**580,533**	599,154	1,265,590
Cash flows from operating activities before changes in working capital and provisions		**2,522,265**	2,382,531	4,904,122
Increase in trade and other receivables		**(749,312)**	(164,417)	(504,411)
Decrease in trade and other payables		**(331,265)**	(880,801)	(543,210)
Increase/(decrease) in provisions		**57,677**	(17,208)	(7,463)
Cash generated from operations		**1,499,365**	1,320,105	3,849,038
Interest paid		**(14)**	(200)	(116)
Income taxes paid		**(689,088)**	(559,229)	(1,139,229)
Net cash flows from operating activities		**810,263**	760,676	2,709,693
Investing activities				
Proceeds from sale of property, plant and equipment		**6,391**	17,000	34,800
Purchase of property, plant and equipment		**(208,225)**	(122,258)	(321,554)
Purchase of software		**(66,739)**	(64,070)	(109,450)
Acquisition of subsidiaries	4	**(2,141,529)**	(80,000)	(105,500)
Cash received on acquisition of subsidiaries	4	**456,766**	—	—
Acquisition of businesses		**(8,481)**	(3,499)	(741,332)
New loans advanced to property syndicates		**(2,452,019)**	(614,755)	(614,784)
Loan repayments from property syndicates		**—**	368,888	735,176
Interest received		**24,058**	19,663	43,659
Net cash from investing activities		**(4,389,778)**	(479,031)	(1,078,985)
Financing activities				
Proceeds from the issue of share capital		**46,473**	41,818	76,923
(Repayment)/proceeds of Directors' loans		**(2,281)**	565	1,808
Dividends paid	7	**(503,864)**	(476,053)	(727,326)
Net cash from financing activities		**(459,672)**	(433,670)	(648,595)
(Decrease)/increase in cash and cash equivalents		**(4,039,187)**	(152,025)	982,113
Cash and cash equivalents at start period		**5,790,292**	4,808,179	4,808,179
Cash and cash equivalents at end period		**1,751,105**	4,656,154	5,790,292

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 for the six months ended 30 November 2010 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 24 January 2011.

The principal activities of the Group are described in Note 5.

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 2010 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 2010.

The information relating to the six months ended 30 November 2010 and the six months ended 30 November 2009 is unaudited and does not constitute statutory accounts. The comparative figures for the year ended 31 May 2010 are not the statutory accounts for that financial year. The statutory accounts for the year ended 31 May 2010 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 498(2) or (3) of the Companies Act 2006. 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 2010 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 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 2011

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 2011, except for the adoption of new Standards and Interpretations not yet issued.

Notes to the interim condensed consolidated financial statements

2. Basis of preparation and accounting policies continued

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 judgements 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.

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.

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.

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.

3. Seasonality of operations

Historically, revenues in the second half-year typically have been higher than in the first half, primarily due to SSAS scheme year-ends being linked to the sponsoring company's year-end, which is often in December or March, coupled with the end of the fiscal year being 5 April. 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 seasonality of operations is becoming less significant.

4. Business combinations

Acquisition of City Trustees

On 9 August 2010 Mattioli Woods plc acquired the entire issued share capital of City Pensions Limited ("CPL") and City Trustees Limited ("CTL") (together "City Trustees") from Lighthouse Group plc ("Lighthouse") for a cash consideration of £1.85 million, net of intercompany balance repayments made by Lighthouse prior to completion. CPL provides pension administration services, primarily to SSAS and SIPP schemes, and CTL acts as trustee to the schemes.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of City Trustees for the four month period from the acquisition date. The provisional fair value of the identifiable assets and liabilities of City Trustees as at the date of acquisition was:

	Fair value recognised on acquisition (unaudited) £	Previous carrying value (unaudited) £
Client portfolio	1,198,324	—
Software	27,200	27,200
Cash	456,766	456,766
Trade receivables	103,458	103,458
Other debtors and prepayment	16,909	16,909
Assets	1,802,657	604,333
Accruals	(65,515)	(65,515)
Other creditors and deferred income	(304,885)	(304,885)
Deferred tax liabilities	(335,531)	—
Liabilities	(705,931)	(370,400)
Total identifiable net assets at fair value	1,096,726	
Goodwill arising on acquisition	1,044,803	
Total acquisition cost	2,141,529	

	Cash outflow on acquisition Unaudited £
Cash paid	(2,141,529)
Acquisition costs	(71,920)
Net cash acquired with the subsidiary (included in cashflows from investing activities)	456,766
Net cash outflow	(1,756,683)

From the date of acquisition, City Trustees has contributed £8,884 to the profit of the Group. If the combination had taken place at the beginning of the period, the profit for the Group would have been £1,481,976 and revenue from continuing operations would have been £7,566,980.

Notes to the interim condensed consolidated financial statements

4. Business combinations continued

The goodwill recognised above is attributed to the expected benefits from combining the assets and activities of City Trustees with those of the Group. None of the recognised goodwill is expected to be deductable for income tax purposes.

Transaction costs of £71,920 incurred on the acquisition have been expensed, and are included in administrative expenses in the income statement and operating cash flows in the statement of cash flows.

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. These agreements and the basis of calculation of the net present value of the contingent consideration are summarised below. Whilst it is not possible to determine the exact amount of contingent consideration (as this will depend on revenues earned and client retention during the period), the Group estimates the net present value of contingent consideration payable within the next 12 months is £280,000 (1H10: £104,094).

On 18 February 2008, the Group acquired the trade and assets of the JB Group and paid initial consideration of £1,245,000 plus deferred consideration of £526,831 to date. The acquisition agreement provides for deferred consideration of £640,000 plus up to £700,000 of contingent consideration to be paid subject to certain revenue and client retention targets being met during the three years following completion. The Group estimates the net present value of the contingent consideration to be £100,000 using cash flow projections approved by the Board covering the remaining contingent consideration period. The discount rate applied to the cash flow projections is 0.5%.

On 30 April 2010, the Group acquired the trade and assets of the pension administration and employee benefits businesses of CP Pensions for an initial consideration of £575,000. The acquisition agreement also provides for £300,000 of deferred consideration plus up to £300,000 of contingent consideration to be paid subject to certain revenue and client retention targets being met during the two years following completion. The Group estimates the net present value of the contingent consideration to be £300,000, using cash flows approved by the Board covering the contingent consideration period. The discount rate applied to the cash flow projections is 0.5%.

5. Segment information

The Group is comprised of the following operating segments:

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

5. Segment information continued

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:

	Pension consultancy and administration			Investment planning			Property syndicates			Total		
	Six months ended 30 Nov 2010 £	Six months ended 30 Nov 2009 £	Year ended 31 May 2010 £	**Six months ended 30 Nov 2010 £**	Six months ended 30 Nov 2009 £	Year ended 31 May 2010 £	**Six months ended 30 Nov 2010 £**	Six months ended 30 Nov 2009 £	Year ended 31 May 2010 £	**Six months ended 30 Nov 2010 £**	Six months ended 30 Nov 2009 £	Year ended 31 May 2010 £
Operating segments												
Total revenue	**4,263,266**	3,647,682	7,347,665	**2,533,518**	2,412,810	5,339,508	**630,789**	531,185	990,860	**7,427,573**	6,591,677	13,678,033
Employee benefits expense (including share based payments)	**(3,062,275)**	(2,542,173)	(5,134,082)	**(392,916)**	(472,269)	(991,604)	**(352,465)**	(494,414)	(944,962)	**(3,807,656)**	(3,508,856)	(7,070,648)
Other administrative expense	**(38,690)**	(36,113)	(95,312)	**(88,202)**	(63,466)	(82,370)	**(25,480)**	(19,013)	(22,906)	**(152,372)**	(118,592)	(200,588)
Segment results	**1,162,301**	1,069,396	2,118,271	**2,052,400**	1,877,075	4,265,534	**252,844**	17,758	22,992	**3,467,545**	2,964,229	6,406,797
Unallocated indirect overheads										**(1,372,323)**	(942,393)	(2,180,667)
Operating profit before financing										**2,095,222**	2,021,836	4,226,130
Net finance income										**24,044**	19,463	43,543
Profit before tax										**2,119,266**	2,041,299	4,269,673
Income tax expense										**(580,533)**	(599,154)	(1,265,590)
Net profit for the period										**1,538,733**	1,442,145	3,004,083

Notes to the interim condensed consolidated financial statements

5. Segment information continued

Total segment assets

The following table compares total segment assets as at 30 November 2010, 30 November 2009 and 31 May 2010 (the date of the last annual financial statements).

	Unaudited 30 Nov 2010 £	Unaudited 30 Nov 2009 £	Audited 31 May 2010 £
Pension consultancy and administration	**5,013,247**	4,160,702	4,548,853
Investment planning	**663,510**	599,860	579,292
Property syndicates	**2,964,426**	664,198	325,888
Total segment assets	**8,641,183**	5,424,760	5,454,033
Property plant and equipment	**865,531**	655,605	733,463
Intangible assets	**13,009,233**	9,956,089	11,050,274
Investments	**15**	15	15
Deferred tax	**341,781**	174,881	127,069
Prepayments and other receivables	**343,397**	126,996	208,848
Cash and cash equivalents	**1,751,105**	4,656,154	5,790,292
Total consolidated assets	**24,952,245**	20,994,500	23,363,994

6. 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. The following income and share data are used in the basic and diluted earnings per share computations:

	Unaudited Six months ended 30 Nov 2010 £	Unaudited Six months ended 30 Nov 2009 £	Audited Year ended 31 May 2010 £
Net profit and diluted net profit attributable to equity holders of the Company	**1,538,733**	1,442,145	3,004,083

Weighted average number of ordinary shares:	**Thousands**	Thousands	Thousands
Issued ordinary shares at start period	**17,347**	17,286	17,286
Effect of shares issued in the current period	**29**	17	17
Effect of shares issued in prior periods	**—**	47	54
Basic and diluted weighted average number of shares	**17,376**	17,350	17,357

6. Earnings per ordinary share continued

The Company has granted options under the Mattioli Woods Pension Consultants Limited Enterprise Management Incentive Share Option Plan ("the EMI Option Plan") and the Mattioli Woods plc Consultants' Share Option Plan ("the Consultants' Option Plan") to certain of its senior managers and directors to acquire (in aggregate) up to 8.96% 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 2010 the conditions attaching to the options granted under the Consultants' Option Plan are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 8.13 pence per share (1H10: 7.67 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 3,792 ordinary shares on 7 December 2010 and 3,600 ordinary shares on 7 January 2011 under the Mattioli Woods plc Share Incentive Plan.

7. Dividends paid and proposed

	Unaudited Six months ended 30 Nov 2010 £	Unaudited Six months ended 30 Nov 2009 £	Audited Year ended 31 May 2010 £
Paid during the period:			
Equity dividends on ordinary shares:			
- Final dividend for 2010: 2.90p (2009: 2.75p)	**503,864**	—	476,053
- Interim dividend for 2010: 1.45p (2009: 1.15p)	**—**	476,053	251,273
Dividends paid	**503,864**	476,053	727,326
Proposed for approval:			
Equity dividends on ordinary shares:			
- Interim dividend for 2011: 1.65p (2010: 1.45p)	**289,806**	251,273	—
- Final dividend for 2010: 2.90p (2009: 2.75p)	**—**	—	503,864
Dividends proposed	**289,806**	251,273	503,864

The proposed dividend was approved on 24 January 2011.

8. 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.

Notes to the interim condensed consolidated financial statements

8. Income tax continued

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.

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 credit for the six months ended 30 November 2010 of £50,519 (1H10: credit of £17,933) is related to temporary differences arising on share-based payments to employees.

The total deferred tax asset recognised in equity for the six months ended 30 November 2010 was £175,478 (1H10: recognised asset of £34,830).

Reconciliation of effective tax rates

The current tax expense for the six months ended 30 November 2010 was calculated based on the estimated average annual effective income tax rate of 27.4% (1H10: 29.4%), as compared to the tax rates expected to be enacted or substantively enacted at the balance sheet date of 27.0% (1H10: 28.0%). 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.

9. Cash flows from operating activities using the direct method

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

	Unaudited Six months ended 30 Nov 2010 £	Unaudited Six months ended 30 Nov 2009 £	Audited Year ended 31 May 2010 £
Cash flows from operating activities			
Cash receipts from customers	**6,678,260**	6,427,260	13,173,622
Cash paid to suppliers and employees	**(5,178,895)**	(5,107,155)	(9,324,584)
Cash generated from operations	**1,499,365**	1,320,105	3,849,038

10. 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 £93,000 during the six months ended 30 November 2010 (1H10: £93,000). At 30 November 2010 the Group had prepaid future rentals of £12,230 (1H10: £12,230).

The Group leases its premises at Gateway House, Grove Park, Enderby from MW Properties (No 60) Limited and paid rentals of £58,512 during the six months ended 30 November 2010 (1H10: £37,800). At 30 November 2010 the Group had prepaid future rentals of £7,695 (1H10: £4,971).

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 six (1H10: five) senior executives, received total compensation of £1,015,929 for the six months ended 30 November 2010 (1H10: £914,988). Total remuneration is included in "employee benefits expense".

11. Events after the reporting period

Exercise of share options

On 2 December 2010 the Company issued 173,419 ordinary shares of 1 pence each ("Ordinary Shares") following the exercise of options over Ordinary Shares by certain members of the Company's senior management team. The options were exercised pursuant to the EMI Option Plan.

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 sale agreements (the "Agreements") to acquire two adjacent areas of freehold land with vacant possession (the "Development Land").

The Agreements lapsed on 1 December 2010 because planning approval had not been granted for the development of the Development Land as a mixed use scheme where residential property comprises at least 50% of the built area and certain conditions which would have extended the termination date of the Agreements to 1 December 2011 had not been fulfilled. Notwithstanding this, Mainsforth has requested an extension of the termination dates of the Agreements to 1 December 2011 and is awaiting a response from the vendors of the Development Land.

If the termination dates of the Agreements are not extended, the value of the Company's investment in Mainsforth and the value of shareholder loans the Company has advanced to Mainsforth totalling £40,000 (1H10: £35,000) will be impaired.

Taxation

In June 2010 the coalition Government's Emergency Budget announced tax changes which, if enacted in the proposed manner, will have a significant effect on the Group's future tax position. These changes are not "substantively enacted" as they remain subject to Parliamentary agreement. However, it is proposed the UK corporation tax rate will reduce from 28% to 27% from 1 April 2011, with further annual reductions of 1% leading to a rate of 24% from 1 April 2014.

These rate changes will affect the future cash tax payments to be made by the Group and will also reduce the size of the Group's balance sheet deferred tax assets and liabilities. Changes to the UK capital allowances regime have also been proposed, to take effect from 1 April 2012.

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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Financial calendar

25 January	Announcement of interim results for the six months ended 30 November 2010
2 February	Ex-interim dividend date for ordinary shares
4 February	Record date for interim dividend
4 March	Payment of interim dividend on ordinary shares

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