Mattioli Woods plc
PENSIONS & WEALTH MANAGEMENT

29 January 2013

Mattioli Woods plc

("Mattioli Woods" or "the Group")

Interim results

Mattioli Woods plc (AIM: MTW.L), the specialist pensions consultancy and wealth management business, today reports its interim results for the six months ended 30 November 2012.

Financial highlights

- Revenue up 29.4% to £11.26m (1H12: £8.70m)
- Recurring revenues represent 64.4% of revenue (1H12: 67.8%)
- Adjusted profit before tax[1] up 26.0% to £2.52m (1H12: £2.00m)
- Adjusted EPS[1,2] up 34.3% to 11.47p (1H12: 8.54p)
- Interim dividend up 25.9% to 2.33p (1H12: 1.85p)
- Strong financial position, with net cash of £3.94m (1H12: £3.36m)

Operational highlights and recent developments

- Total client assets up 13.3% to £3.24bn (1H12: £2.86bn)
- Integration of Kudos acquisition
- Consultant numbers up 19.6% to 55 (1H12: 46)
- DPM launched in August, with £51.2m of AuM at period end
- Investing to deliver ongoing growth

[1] Before acquisition costs expensed under IFRS3 (Revised), amortisation and impairment of intangible assets other than computer software.

[2] Basic EPS up 69.8% to 9.49p (1H12: 5.59p).

Commenting on the interim results, Bob Woods, Executive Chairman, said:

“We are delighted to report that the Group has made further strong progress towards our long term strategic goals. Strong results from recent acquisitions and our expanding wealth management services delivered further profitable growth. Revenues in the six months ended 30 November 2012 were up 29.4% to £11.26m (1H12: £8.70m), with a full six months’ contribution from Kudos Independent Financial Services Limited (“Kudos”) and the launch of our discretionary portfolio management (“DPM”) service in August, which is at the centre of our broader wealth management proposition.

“Against this backdrop, the board is pleased to recommend the payment of an increased interim dividend, up 25.9% to 2.33 pence (1H12: 1.85 pence) per ordinary share. We are committed to growing the dividend sensibly, while maintaining an appropriate level of dividend cover.

“The RDR brings major structural changes to our sector, creating enormous opportunity for forward-thinking organisations. Against this backdrop, our rebranding last autumn was particularly well timed. The duality inherent in being both product provider and adviser is a strong model, which will continue to offer benefits to clients and create value for shareholders.

“We believe the Group is better positioned than ever to compete as a new style 21st century financial services business in the post-RDR world and deliver another year of growth in line with our expectations.”

For further information please contact:

Mattioli Woods plc

Bob Woods, Executive Chairman — Tel: +44 (0) 116 240 8700

bob.woods@mattioli-woods.com — www.mattioli-woods.com

Ian Mattioli, Chief Executive

ian.mattioli@mattioli-woods.com

Nathan Imlach, Finance Director

nathan.imlach@mattioli-woods.com

Canaccord Genuity Limited

Martin Green/Bruce Garrow, Corporate Finance — Tel: +44 (0) 20 7523 8350

www.canaccordgenuity.com

Media enquiries:
FTI Consulting
Jack Hickey Tel: +44 (0) 20 7269 7196
jack.hickey@fticonsulting.com www.fticonsulting.com

Analyst presentation

There will be an analyst presentation to discuss the results at 9.30am today at FTI Consulting, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB.

Those analysts wishing to attend are asked to contact Jack Hickey at FTI Consulting on +44 20 7269 7196 or at jack.hickey@fticonsulting.com.

Business review

We are delighted to report that the Group has made further strong progress towards our long term strategic goals. Revenues in the six months ended 30 November 2012 were up 29.4% to £11.26m (1H12: £8.70m), with a full six months' contribution from Kudos Independent Financial Services Limited ("Kudos") and the launch of our discretionary portfolio management ("DPM") service in August, which is at the centre of our broader wealth management proposition.

Our proactive investment and technical advice has enabled clients to manage their portfolios effectively through the prevailing economic conditions. Increased investment activity compared to the equivalent period last year led to adjusted earnings per share[3] being up 34.3% to 11.47p (1H12: 8.54p).

In addition to the rollout of DPM, the first half of this financial year saw our final preparations for the implementation of the Financial Services Authority's ("FSA") retail distribution review ("RDR"). We are confident our proposition will strengthen the goodwill we already enjoy from our clients. Recurring revenues[4] represented 64.4% (1H12: 67.0%) of total first half revenues and we expect the quality of our future earnings to be enhanced by growth in recurring revenues associated with both the introduction of annual adviser fees and discretionary management charges.

Market overview

The introduction of the RDR on 1 January 2013 is predicted to result in a reduction of the number of financial advisers operating in the UK and inevitably, there is some uncertainty around the impact of changing adviser remuneration from a commission-based model to a fee-based model. We expect the move away from a commission-based model to test most advisers' client relationships, creating an opportunity for the Group to engage with a wider audience. We are fully RDR compliant and have enjoyed positive feedback from our clients, with product provider commissions on new sales being replaced by more transparent annual adviser charges.

Against a backdrop of enduring economic weakness and low investment returns, we expect investors to focus increasingly on total expense ratios ("TERs"). We are confident the duality inherent in being both product provider and adviser can bring clients the twin benefits of lower costs and enhanced service.

It is quite clear that retirement planning is entering a new phase, hallmarked by less reliance on tax incentives. As ever, legislative changes create the need for additional advice. We expect the reductions in contribution potential introduced in George Osborne's Autumn Statement will have little or no impact on the majority of our existing and prospective clients, who already have established pension wealth.

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[3] Before acquisition costs expensed under IFRS3 (Revised), amortisation and impairment of intangible assets other than computer software.

[4] Annual pension consultancy and administration fees; level, renewal and trail commissions; banking income; property syndicate and DPM annual management charges.

However, by degree, these changes will alter the way individuals invest in later life. As a result, it is more important than ever for clients to have ongoing monitoring of their pension fund and personal investment strategies. Mattioli Woods' model provides clarity, combined with integrity of advice, around all our clients' financial needs.

Assets under management, administration and advice

Total client assets under management, administration and advice were increased by 13.3% to £3.24bn at the period end (1H12: £2.86bn), summarised as follows:

	30 Nov 2012 *£m*	*30 Nov 2011* *£m*	*31 May 2012* *£m*
SSAS	1,208.7	1,196.8	1,193.2
SIPP	1,065.3	912.6	919.4
Funds Under Trusteeship	2,274.0	2,109.4	2,112.6
Employee benefits	609.4	482.9	575.4
Personal assets	360.5	266.6	328.7
Total assets under management, administration and advice[5]	3,243.9	2,858.9	3,016.7

The Group generates revenues from managing, administering and advising upon our clients' assets. While the majority of these assets comprise pension wealth, we anticipate further growth in personal investment planning following our rebrand to incorporate wealth management and the launch of our DPM service.

The total number of self-invested personal pension ("SIPP") and small self-administered pension schemes ("SSAS") serviced by the Group were increased by 14.6% to 5,186 (1H12: 4,525), with 756 schemes gained on our appointment to the Pilgrim SIPP ("Pilgrim") and 143 direct[6] schemes won in the period (1H12: 146). We continue to have a strong enquiry pipeline and our focus remains on the quality of new business, with the average new direct scheme size being in excess of £0.47m. We have also enjoyed improved client retention, with an external loss rate[7] of 1.6% (1H12: 2.7%) and an overall attrition rate[8] of 2.0% (1H12: 3.4%), partly as a result of recent SSAS and SIPP acquisitions having fully bedded-in.

[5] Certain pension scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event.
[6] SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator.
[7] Direct schemes lost to an alternative provider as a percentage of average scheme numbers during the period.
[8] Direct schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the period.

Discretionary portfolio management

Our discretionary proposition had attracted over £51.2m of assets under management at 30 November 2012, delivering better service to our clients and increasing recurring revenues. We continue to develop our wealth management platform and have expanded our team with the recruitment of two new investment consultants.

Trading results

Strong results from recent acquisitions and our wealth management services delivered further profitable growth. We have highlighted previously how our revenue mix is linked to changes in economic conditions.

Direct pension consultancy and administration

Mattioli Woods' direct pension consultancy and administration revenues were £4.20m (1H12: £4.34m). A slowdown in client activity over the summer months led to reduced fee income of £3.44m (1H12: £3.90m), which was partially offset by an increase in banking revenues to £0.76m (1H12: £0.44m).

Wealth management

Wealth management revenues increased 35.2% to £2.92m (1H12: £2.16m):

- Investment fees and commissions (excluding DPM revenues) were up 18.3% to £2.00m (1H12: £1.69m). Clients elected to move £51.2m of advisory assets to our discretionary platform during the period, with an anticipated fall in product provider commissions generated by Mattioli Woods to £1.29m (1H12: £1.46m). This fall was offset by a full period's contribution from Kudos' wealth management team.
- Our new DPM service generated initial set-up and ongoing management fees of £0.49m (1H12: £nil).
- Structured product revenues were £0.43m (1H12: £0.47m) with clients subscribing £15.4m (1H12: £12.5m) in new capital protected bond issues. Ahead of the RDR, we launched our first plans without adviser commission built-in.

From 1 January 2013, our investment advisory revenues comprise adviser charges based on the value of assets under advice at the start of each quarterly billing period, replacing all upfront and ongoing commission payments.

Employee benefits

Employee benefits revenues more than doubled to £2.31m (1H12: £1.04m), with a full period contribution from Kudos and some significant new client wins in the first half. We expect further new business opportunities to arise from auto-enrolment and a drive towards total reward and flexible benefits in the employee benefits market. We have also seen strong interest from the corporate market for executive financial counselling, which dovetails well with our core pension and wealth management services.

Third party administration

City Trustees has enjoyed strong profit growth following its relocation to Leicester, enhanced by its appointment to operate Pilgrim in June 2012. We have worked hard to enhance our administration-only proposition and were delighted to receive further recognition of this when Defaqto awarded City Trustees its highest 5-star rating in September 2012. Defaqto provides an independent quality assessment of SIPPs, based on product features and service to advisers. Key features of the City Trustees SIPP are a transparent fee structure and bespoke service, with each client having their own dedicated account manager. City Trustees offers clients full control of their pension planning and allows diversification through a wide range of investments.

Third party administration revenues increased by 46.0% to £0.73m (1H12: £0.49m), with administration fees of £0.50m (1H11: £0.43m) and associated banking revenues of £0.23m (1H12: £0.06m).

The Group's total banking revenues increased to £0.99m (1H12: £0.50m) following the negotiation of enhanced terms for clients and ourselves with our key banking partners. However, central bank actions have driven significant falls in the LIBOR rate over the last 12 months and we anticipate banking revenues in the second half will fall by approximately 12.5%.

Property syndicates

Our appointment to operate Pilgrim also benefitted our property business, Custodian Capital Limited ("Custodian Capital"), which now administers 11 property syndicates on behalf of Pilgrim members. Custodian Capital also initiated £11.0 million of investment into six new partnerships during the period, with property syndicate revenues increasing by 64.2% to £1.10m (1H12: £0.67m). Direct property ownership continues to appeal to clients attracted by the opportunity to develop a well-diversified portfolio of prime commercial property with conservative levels of gearing. Our objective is to deliver a long-term income stream with the potential for capital growth.

Cash flow

Cash generated from operations was £1.90m or 70.9% of EBITDA (1H12: £1.52m or 80.4%), with a £0.72m decrease in trade and other payables, primarily due to the payment of staff bonuses in respect of the previous financial year. Net cash at 30 November 2012 was £3.94m (1H12: £3.36m), with £1.58m deferred consideration paid on the Kudos acquisition. Our strong financial position is enhanced by the availability of £5.00m of on demand overdraft facilities.

EBITDA increased 41.8% to £2.68m (1H12: £1.89m), with an improvement in first half EBITDA margin to 23.8% (1H12: 21.7%) driven by a stronger trading performance across all business segments. Profit before tax was up 45.3% to £2.15m (1H12: £1.48m) and we believe we have the strategy to deliver further revenue and profit growth for the full year.

Regulatory environment

The FSA has recently published proposals to increase the regulatory capital requirements for SIPP operators. These proposed changes relate to operators who are subject to the Interim Prudential Sourcebook for Investment Businesses. They do not apply to operators who are subject to other prudential regimes, including the Prudential Sourcebook for Banks, Building Societies and Investment Firms.

Consequently, the proposals do not apply to Mattioli Woods' core business, but we estimate the proposed changes would increase the capital requirement of our third party administration business, City Pensions Limited (which operates as "City Trustees"), by approximately £0.75 million. This increase would be met from the Group's existing financial resources. However, we believe the significant increases some SIPP operators would see in their regulatory capital requirement under the FSA's proposals would drive further consolidation in the market, presenting us with new opportunities for organic and acquired growth.

Board changes

We were delighted to announce the appointment of Joanne Lake as a Non-Executive Director on 31 July 2012. Joanne's many years' experience as a corporate finance adviser to listed companies will be a great asset to the Group as we continue to grow and develop our business.

Staff

We continue to grow our consultancy team, with the introduction of nine new consultants over the last 12 months. I am particularly pleased our training programmes have supported the attainment of those qualifications required post-RDR and our objective remains the creation of exciting career opportunities for all our people.

We would like to thank all our staff for their continued commitment, enthusiasm and professionalism in dealing with our clients' affairs. We enjoy a strong team spirit and continue to build upon this by facilitating employee equity ownership through the Mattioli Woods plc Share Incentive Plan ("the Plan"). We are delighted the number of eligible staff currently investing via the Plan has increased to 58% (1H12: 48%).

Dividend

The board is pleased to recommend the payment of an increased interim dividend, up 25.9% to 2.33 pence (1H12: 1.85 pence) per ordinary share. We are committed to growing the dividend sensibly, while maintaining an appropriate level of dividend cover. The interim dividend will be paid on 1 March 2013 to shareholders on the register at the close of business on 8 February 2013.

Strategy and acquisitions

We are positioning Mattioli Woods as a 21st century financial services business, built on the foundations of impartial strategic advice, technical excellence and the provision of an increasing number of our own bespoke products and services to both corporates and individuals. We have reported previously how well the integration of Kudos has progressed and we plan to continue expanding Mattioli Woods' operations, both organically and by acquisition.

Outlook

The RDR brings major structural changes to our sector, creating enormous opportunity for forward-thinking organisations. Against this backdrop, our rebranding last autumn was particularly well timed. The duality inherent in being both product provider and adviser is a strong model, which will offer benefits to clients and create value for shareholders.

We believe the Group is better positioned than ever to compete as a new style 21st century financial services business in the post-RDR world and deliver another year of growth in line with our expectations.

Bob Woods
Chairman

Ian Mattioli
Chief Executive

28 January 2013

Independent review report to Mattioli Woods plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 November 2012 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 Company 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 Company 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 Company, 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 Company 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 2012 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

28 January 2013

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 November 2012

	Note	***Unaudited Six months ended 30 Nov 2012 £000***	*Unaudited Six months ended 30 Nov 2011 £000*	*Audited Year ended 31 May 2012 £000*
Revenue	6	**11,264**	8,695	20,482
Employee benefits expense		**(6,279)**	(4,812)	(11,194)
Other administrative expenses		**(2,231)**	(1,923)	(4,010)
Share based payments		**(62)**	(65)	(141)
Amortisation and impairment		**(412)**	(306)	(707)
Depreciation		**(152)**	(132)	(275)
Loss on disposal of property, plant and equipment		**(11)**	(7)	(24)
Operating profit before financing		**2,117**	1,450	4,131
Finance revenue		**45**	27	56
Finance costs		**(7)**	(1)	(7)
Net finance revenue		**38**	26	49
Profit before tax		**2,155**	1,476	4,180
Income tax expense	9	**(428)**	(475)	(1,101)
Profit for the period		**1,727**	1,001	3,079
Other comprehensive income, net of tax		**-**	-	-
Total comprehensive income for the period, net of tax		**1,727**	1,001	3,079
Attributable to:				
Equity holders of the parent		**1,727**	1,001	3,079
Earnings per ordinary share:				
Basic (pence)	7	**9.49**	5.59	17.07
Adjusted (pence)	7	**11.47**	8.54	21.97
Diluted (pence)	7	**9.37**	5.52	16.93
Proposed dividend per share (pence)	8	**2.33**	1.85	5.55

The revenue and operating profit for each period arises from the Group’s continuing operations.

Interim condensed consolidated statement of financial position
As at 30 November 2012

Registered number: 3140521

	Note	***Unaudited 30 Nov 2012 £000***	*Unaudited 30 Nov 2011 £000*	*Audited 31 May 2012 £000*
Assets				
Property, plant and equipment		**1,082**	1,021	1,019
Intangible assets	5	**22,859**	23,466	23,137
Deferred tax asset	9	**194**	129	156
Total non-current assets		**24,135**	24,616	24,312
Trade and other receivables		**8,329**	7,823	8,133
Financial assets		**1,125**	165	1,077
Cash and short-term deposits		**3,946**	3,358	5,796
Total current assets		**13,400**	11,346	15,006
Total assets		**37,535**	35,962	39,318
Equity				
Issued capital		**182**	181	181
Share premium		**7,791**	7,535	7,641
Capital redemption reserve		**2,000**	2,000	2,000
Equity – share based payments		**665**	646	626
Retained earnings		**16,075**	13,277	15,021
Total equity attributable to equity holders of the parent		**26,713**	23,639	25,469
Non-current liabilities				
Deferred tax liability	9	**2,132**	2,540	2,275
Provisions	11	**1,736**	3,322	3,310
Total non-current liabilities		**3,868**	5,862	5,585
Current liabilities				
Bank overdraft		**10**	-	654
Trade and other payables		**3,961**	3,435	4,689
Income tax payable	9	**599**	654	595
Provisions	11	**2,384**	2,372	2,326
Total current liabilities		**6,954**	6,461	8,264
Total liabilities		**10,822**	12,323	13,849
Total equities and liabilities		**37,535**	35,962	39,318

Interim condensed consolidated statement of changes in equity
For the six months ended 30 November 2012

	Note	*Issued capital £000*	*Share premium £000*	*Capital redemption reserve £000*	*Equity – share based payments £000*	*Retained earnings £000*	*Total equity £000*
As at 1 June 2011 - *Audited*		**176**	**6,290**	**2,000**	**764**	**12,872**	**22,102**
Total comprehensive income for period							
Profit for the period		-	-	-	-	1,001	1,001
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for period		-	-	-	-	1,001	1,001
Transactions with owners of the Company, recognised directly in equity							
Issue of share capital	4	5	1,245	-	-	-	1,250
Share-based payment transactions		-	-	-	24	-	24
Deferred tax asset taken to equity		-	-	-	(142)	-	(142)
Dividends		-	-	-	-	(596)	(596)
As at 30 November 2011 - *Unaudited*		**181**	**7,535**	**2,000**	**646**	**13,277**	**23,639**
Total comprehensive income for period							
Profit for the period		-	-	-	-	2,078	2,078
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for period		-	-	-	-	2,078	2,078
Transactions with owners of the Company, recognised directly in equity							
Issue of share capital		-	106	-	-	-	106
Share-based payment transactions		-	-	-	24	-	24
Deferred tax asset taken to equity		-	-	-	(44)	-	(44)
Dividends		-	-	-	-	(334)	(334)
As at 31 May 2012 - *Audited*		**181**	**7,641**	**2,000**	**626**	**15,021**	**25,469**

Interim condensed consolidated statement of changes in equity (continued)
For the six months ended 30 November 2012

	Issued capital £000	*Share premium £000*	*Capital redemption reserve £000*	*Equity – share based payments £000*	*Retained earnings £000*	*Total equity £000*
As at 1 June 2012 - *Audited*	**181**	**7,641**	**2,000**	**626**	**15,021**	**25,469**
Total comprehensive income for period						
Profit for the period	-	-	-	-	1,727	1,727
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for period	-	-	-	-	1,727	1,727
Transactions with owners of the Company, recognised directly in equity						
Issue of share capital	1	150	-	-	-	151
Share-based payment transactions	-	-	-	-	-	-
Deferred tax asset taken to equity	-	-	-	39	-	39
Dividends	-	-	-	-	(673)	(673)
As at 30 November 2012 - *Unaudited*	**182**	**7,791**	**2,000**	**665**	**16,075**	**26,713**

Interim condensed consolidated statement of cash flows
For the six months ended 30 November 2012

	Note	***Unaudited Six months ended 30 Nov 2012 £000***	*Unaudited Six months ended 30 Nov 2011 £000*	*Audited Year ended 31 May 2012 £000*
Operating activities				
Profit for the period		**1,727**	1,001	3,079
Adjustments for:				
Depreciation		**152**	132	275
Amortisation and impairment		**412**	306	707
Investment income		**(45)**	(27)	(56)
Interest expense		**7**	1	7
Loss on disposal of property, plant and equipment		**11**	7	24
Equity-settled share-based payments		**62**	65	141
Income tax expense		**428**	475	1,101
Cash flows from operating activities before changes in working capital and provisions		**2,754**	1,960	5,278
(Increase)/decrease in trade and other receivables		**(196)**	356	12
(Decrease)/increase in trade and other payables		**(723)**	(649)	730
Increase/(decrease) in provisions		**67**	(152)	(208)
Cash generated from operations		**1,902**	1,515	5,812
Interest paid		**(7)**	(1)	(7)
Income taxes paid		**(567)**	(585)	(1,550)
Net cash flows from operating activities		**1,328**	929	4,255
Investing activities				
Proceeds from sale of property, plant and equipment		**12**	3	17
Purchase of property, plant and equipment		**(239)**	(106)	(278)
Purchase of software		**(134)**	(100)	(234)
Acquisition of subsidiaries	4	**(1,583)**	(4,329)	(4,329)
Cash received on acquisition of subsidiaries	4	**-**	2,182	2,182
Acquisition of businesses		**-**	-	(92)
New loans advanced to property syndicates		**(1,125)**	(165)	(5,237)
Loan repayments from property syndicates		**1,077**	874	5,033
Interest received		**45**	27	56
Net cash from investing activities		**(1,947)**	(1,614)	(2,882)
Financing activities				
Proceeds from the issue of share capital		**90**	22	108
Payment of costs of share issue		**-**	-	(30)
(Repayments)/proceeds of Directors' loans		**(4)**	4	9
Dividends paid	8	**(673)**	(596)	(931)
Net cash from financing activities		**(587)**	(570)	(844)
Net (decrease)/increase in cash and cash equivalents		**(1,206)**	(1,255)	529
Cash and cash equivalents at start period		**5,142**	4,613	4,613
Cash and cash equivalents at end period		**3,936**	3,358	5,142

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 2012 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 28 January 2013.

The principal activities of the Group are described in Note 6.

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 2012 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 for the year ended 31 May 2012, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

The information relating to the six months ended 30 November 2012 and the six months ended 30 November 2011 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 May 2012 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not draw attention to any matters by way of emphasis, or contain a statement under section 498(2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements have been reviewed by the auditor 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 2012.

Standards affecting the financial statements

In the current period there have been no new or revised standards and interpretations that have been adopted and have affected the amounts reported in these financial statements.

Standards not affecting the financial statements

The following new and revised standards and interpretations have been adopted in the current year:

International Accounting Standards	*Effective date*
Amendments to IFRS 7 *Disclosures—Transfers of Financial Assets*	1 July 2011
Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time adopters*	1 July 2011
Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities*	1 January 2012

Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements, or give rise to additional disclosures.

New 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. None of these is expected to have a material impact on the condensed consolidated interim financial statements and the consolidated financial statements of the Group.

Financial statements for the year ending 31 May 2013

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 2013, 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 judgements estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

Valuation of intangibles on acquisition

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

Impairment of client portfolios

The Group determines whether acquired client portfolios are impaired at least on an annual basis. This requires an estimation of the fair value less cost to sell and the value in use of the cash-generating units to which the client portfolios have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that reflects an assessment of the time value of money and the risks specific to the asset to calculate the present value.

The key assumption used in arriving at a fair value less cost of sale are those around valuations based on earnings multiples and values based on assets under management. These have been determined by looking at valuations of similar businesses and the consideration paid in comparable transactions.

The key assumptions used in value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations. Changes to revenue and costs are based upon management's expectations, assuming client attrition rates in line with the Group's historic experience. The Group prepares its annual budget and five-year cash flow forecasts derived therefrom, thereafter extrapolating these cash flows using a terminal growth rate.

Management estimates discount rates using the Group's pre-tax weighted average cost of capital, which reflects its estimate of the time value of money and risks specific to the cash-generating units.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects an assessment of the time value of money and the risks specific to the asset. The key assumptions used in value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations. Changes to revenue and costs are based upon management's expectation. The Group prepares its annual budget and five-year cash flow forecasts derived therefrom, thereafter extrapolating these cash flows using a terminal growth rate.

Management estimates discount rates using the Group's pre-tax weighted average cost of capital, which reflects its estimate of the time value of money and risks specific to the cash-generating units.

Capitalised software

The costs of internal software developments are capitalised where they are judged to have an economic value that will extend into the future and meet the recognition criteria in IAS38. Internally generated software is then amortised over an estimated useful life, assessed by taking into consideration the useful life of comparable software packages.

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 consolidated statement of comprehensive income.

Recoverability of accrued time costs

The Group recognises accrued income in respect of time costs incurred on clients' affairs during the accounting period, which have not been invoiced at the reporting date. This requires an estimation of the recoverability of the time costs incurred but not invoiced to clients.

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 reporting date in respect of the accounting period, which is based on the value of historic commission receipts and investments placed by clients under advice.

Commissions received on indemnity terms

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

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 estimate will be paid under the relevant acquisition agreement. This requires management to make an estimate of the expected future cash flows from the acquired client portfolio and determine a suitable discount rate for the calculation of the present value of those cash flows.

3. Seasonality of operations

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

4. Business combinations

On 26 August 2011 the Group acquired Kudos for a total initial consideration of £5,515,000 (excluding cash acquired with the business) comprising £4,328,503 in cash and 462,572 ordinary shares in Mattioli Woods ("the Consideration Shares", which were valued at £1,186,497 based on the closing price of a Mattioli Woods share on 26 August 2011), plus contingent consideration of up to £4,750,000 payable in cash in the three years following completion if certain financial targets are met based on growth in recurring revenues and earnings before interest, tax, depreciation and amortisation ("EBITDA") generated during that period.

Whilst it is not possible to determine the exact amount of contingent consideration (as this will depend on revenues and EBITDA during the period), the Group estimates the net present value of contingent consideration payable within the next 12 months is £1,583,333 (1H12: £1,633,333).

The Group estimates the net present value of the contingent consideration using cash flows approved by the board covering the contingent consideration period. The effect of discounting the cash flow projections at a rate equivalent to the benchmark yield on a three-year UK government bond is not material.

5. Intangible assets

Gross carrying amount:	*Internally generated software £000*	*Software £000*	*Client portfolios £000*	*Goodwill £000*	*Other £000*	*Total £000*
At 1 June 2011	251	504	8,322	5,431	-	14,508
Additions	76	24	7,332	-	-	7,432
Arising on acquisitions	-	-	-	3,400	-	3,400
At 30 Nov 2011	327	528	15,654	8,831	-	25,340
Additions	85	49	-	-	35	169
Adjustment to consideration	-	-	-	(97)	-	(97)
At 31 May 2012	412	577	15,654	8,734	35	25,412
Additions	84	50	-	-	-	134
At 30 November 2012	496	627	15,654	8,734	35	25,546
Amortisation and impairment:						
At 1 June 2011	-	228	1,340	-	-	1,568
Amortisation	15	27	264	-	-	306
At 30 November 2011	15	255	1,604	-	-	1,874
Amortisation in period	18	28	355	-	-	401
At 31 May 2012	33	283	1,959	-	-	2,275
Amortisation in period	23	27	356	-	6	412
At 30 November 2012	56	310	2,315	-	6	2,687
Carrying amount:						
At 30 November 2012	**440**	**317**	**13,339**	**8,734**	**29**	**22,859**
At 30 November 2011	312	273	14,050	8,831	-	23,466
At 31 May 2012	379	294	13,695	8,734	35	23,137

6. Segment information

The Group's operating segments remain unchanged but the allocation method has been amended during the period. Following a review of the Group's operating segments, banking revenues generated from the operation of pension scheme accounts is now included within 'direct pension consultancy and administration' or 'third party administration', as appropriate. In prior years, banking revenue was disclosed as part of 'wealth management'. Comparative figures for the six months ended 30 November 2011 and year ended 31 May 2012 have been restated using the amended allocation basis.

The Group is comprised of the following operating segments:

- Direct pension consultancy and administration – fees earned by Mattioli Woods for setting up and administering pension schemes under an advice-led model. Additional fees are generated from consultancy services provided for special one-off activities and the provision of bespoke scheme banking arrangements;
- Third party administration – fees earned by City Pensions for setting up and administering pension schemes under an administration-only model. Additional fees are generated from provision of bespoke scheme banking arrangements;
- Wealth management – income generated from the placing of investments on behalf of clients of Mattioli Woods and Kudos;
- Property syndicates – income generated where Custodian Capital facilitates direct commercial property investment on behalf of clients; and
- Employee benefits – this segment represents income generated by the Group's employee benefits business operated by Kudos and Mattioli Woods.

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.

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

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 November 2012 and 2011, and the year ended 31 May 2012 respectively:

Six months ended 30 Nov 2012	*Direct pension consultancy and administration £000*	*Third-party administration £000*	*Wealth management £000*	*Property syndicates £000*	*Employee benefits £000*	*Total segments £000*	*Corporate costs £000*	*Consolidated £000*
Revenue								
External client	4,204	728	2,917	1,106	2,309	11,264	-	11,264
Inter-segment	-	-	-	-	-	-	-	-
Total revenue	4,204	728	2,917	1,106	2,309	11,264	-	11,264
Profit before tax								
Segment result	832	91	792	403	405	2,523	(368)	2,155

Six months ended 30 Nov 2011 (restated)	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Revenue								
External client	4,336	496	2,159	669	1,035	8,695	-	8,695
Inter-segment	-	-	-	-	-	-	-	-
Total revenue	4,336	496	2,159	669	1,035	8,695	-	8,695
Profit before tax								
Segment result	988	(50)	561	375	68	1,942	(466)	1,476

Year ended 31 May 2012 (restated)	*Direct pension consultancy and administration £000*	*Third-party administration £000*	*Wealth management £000*	*Property syndicates £000*	*Employee benefits £000*	*Total segments £000*	*Corporate costs £000*	*Consolidated £000*
Revenue								
External client	9,217	938	5,414	1,386	3,527	20,482	-	20,482
Inter-segment	-	-	-	-	-	-	-	-
Total revenue	9,217	938	5,414	1,386	3,527	20,482	-	20,482
Profit before tax								
Segment result	1,657	66	1,718	877	846	5,164	(984)	4,180

The following table presents segment assets of the Group's operating segments as at 30 November 2012 and 2011, and at 31 May 2012 (the date of the last annual financial statements):

	Unaudited 30 Nov 2012 £000	*Unaudited Restated 30 Nov 2011 £000*	*Audited Restated 31 May 2012 £000*
Direct pension consultancy and administration	**12,897**	12,223	12,093
Third-party administration	**2,543**	2,504	2,572
Wealth management	**6,680**	6,154	5,743
Property syndicates	**970**	716	989
Employee benefits	**8,101**	8,571	8,843
Total segments	**31,191**	30,168	30,240
Corporate assets	**6,344**	5,794	9,078
Total assets	**37,535**	35,962	39,318

Segment assets exclude property, plant and equipment, certain items of computer software, investments, current and deferred tax balances, and cash balances, as these assets are considered corporate in nature and are not allocated to a specific operating segment. Acquired client portfolios and purchased goodwill relate to a specific transaction and are allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination at the date of acquisition. The subsequent delivery of services to those acquired clients may be across a number or all operating segments, comprising cash generating units different to those of the acquired intangibles. Acquired intangibles and the amortisation thereon are allocated between individual operating segments based on the revenue mix of the cash generating units at the time of acquisition. Comparative figures as at 30 November 2011 and 31 May 2012 have been restated using the amended allocation basis set out above.

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

Adjustments and eliminations

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

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

Reconciliation of profit	***Unaudited 30 Nov 2012 £000***	*Unaudited 30 Nov 2011 £000*	*Audited 31 May 2012 £*
Total segments	**2,523**	1,942	5,164
Acquisition costs	**-**	-	(263)
Depreciation	**(152)**	(131)	(275)
Amortisation and impairment	**(44)**	(41)	(83)
Loss on disposal of assets	**(11)**	(7)	(23)
Unallocated overheads	**(193)**	(308)	(372)
Bank charges	**(5)**	(5)	(17)
Finance income	**45**	27	56
Finance costs	**(8)**	(1)	(7)
Group profit before tax	**2,155**	1,476	4,180

Reconciliation of assets	***Unaudited 30 Nov 2012 £000***	*Unaudited 30 Nov 2011 £000*	*Audited 31 May 2012 £000*
Segment operating assets	**31,191**	30,168	30,240
Property, plant and equipment	**1,082**	1,021	1,019
Intangible assets	**700**	584	610
Deferred tax asset	**179**	130	141
Prepayments and other receivables	**437**	701	1,512
Cash and short-term deposits	**3,946**	3,358	5,796
Total assets	**37,535**	35,962	39,318

7. 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 reflects the income and share data used in the basic and diluted earnings per share computations:

	Unaudited Six months ended 30 Nov 2012 £000	*Unaudited Six months ended 30 Nov 2011 £000*	*Audited Year ended 31 May 2012 £000*
Net profit and diluted net profit attributable to equity holders of the Company	**1,727**	1,001	3,079
Weighted average number of ordinary shares:	***000s***	*000s*	*000s*
Issued ordinary shares at start period	**18,137**	17,584	17,584
Effect of shares issued during year ended 31 May 2012	**-**	283	411
Effect of shares issued in the current period	**72**	40	40
Basic weighted average number of shares	**18,209**	17,907	18,035
Effect of options exercisable at the balance sheet date	**224**	241	157
Diluted weighted average number of shares	**18,433**	18,148	18,192

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 6.94% 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 2012 the conditions attaching to 170,456 options granted under the Consultants' Option Plan are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 9.37 pence per share (1H12: 5.52 pence).

Adjusted earnings per share amounts are calculated by adding back acquisition costs expensed under IFRS3 (Revised), amortisation and impairment of intangible assets other than computer software to the net profit attributable to ordinary equity holders of the Company ("Adjusted Net Profit") and dividing Adjusted Net Profit by the weighted average number of ordinary shares outstanding during the period.

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 3,406 ordinary shares on 7 December 2012 and 9,356 ordinary shares on 7 January 2013 under the Mattioli Woods plc Share Incentive Plan.

8. Dividends paid and proposed

	Unaudited Six months ended 30 Nov 2012 £000	*Unaudited Six months ended 30 Nov 2011 £000*	*Audited Year ended 31 May 2012 £000*
Paid during the period:			
Equity dividends on ordinary shares:			
- Final dividend for 2012: 3.70p (2011: 3.30p)	**673**	596	596
- Interim dividend for 2012: 1.85p (2011: 1.65p)	**-**	-	335
Dividends paid	**673**	596	931
Proposed for approval:			
Equity dividends on ordinary shares:			
- Interim dividend for 2013: 2.33p (2012: 1.85p)	**425**	335	-
- Final dividend for 2012: 3.70p (2011: 3.30p)	**-**	-	673
Dividends proposed	**425**	335	673

The proposed interim dividend was approved on 28 January 2013.

9. 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 component of the entity's recognised deferred taxed assets include temporary differences relates to share-based payments to employees.

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 consolidated statement of comprehensive income 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 2012 of £143,386 (1H12: debit of £39,099) is related to permanent differences arising on changes to the rate of tax expected to be enacted or substantively enacted at the reporting date and timing differences on the amortisation of client portfolios.

The total deferred tax asset released to equity for the six months ended 30 November 2012 was £38,482 (1H12: expensed £142,543). Deferred tax assets and liabilities have been recognised assuming the rate of tax enacted or substantively enacted at the reporting date was 23.0%.

Reconciliation of effective tax rates

The current tax expense for the six months ended 30 November 2012 was calculated based on the estimated average annual effective income tax rate of 19.9% (1H12: 32.2%), as compared to the tax rates expected to be enacted or substantively enacted at the balance sheet date of 24.0% (1H12: 26.0%). 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.

10. 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 condensed consolidated statement of comprehensive income and the changes during the period in operating receivables and payables. Alternatively, the cash generated from operations may be presented under the direct method as follows:

	Unaudited Six months ended 30 Nov 2012 £000	*Unaudited Six months ended 30 Nov 2011 £000*	*Audited Year ended 31 May 2012 £000*
Cash flows from operating activities			
Cash receipts from customers	**11,068**	9,117	20,494
Cash paid to suppliers and employees	**(9,166)**	(7,602)	(14,682)
Cash generated from operations	**1,902**	1,515	5,812

11. Provisions

Group	*Client claims £000*	*Contingent consideration £000*	*Dilapidations £000*	*Clawback £000*	*E'ees' NIC on share options £000*	*Total £000*
At 1 June 2011	201	196	110	32	66	605
Arising during period	37	-	-	-	-	37
Acquisitions	139	4,750	20	331	-	5,240
Used during period	-	(46)	-	(2)	-	(48)
Unused amounts reversed	-	(100)	-	-	(40)	(140)
At 30 Nov 2011	377	4,800	130	361	26	5,694
Arising during period	9	-	-	-	-	9
Used during period	-	-	-	(4)	-	(4)
Unused amounts reversed	-	(50)	-	-	(13)	(63)
At 31 May 2012	386	4,750	130	357	13	5,636
Arising during period	65	-	-	(7)	9	67
Used during period	-	(1,583)	-	-	-	(1,583)
Unused amounts reversed	-	-	-	-	-	-
At 30 Nov 2012	**451**	**3,167**	**130**	**350**	**22**	**4,120**
Current	451	1,583	-	350	-	2,384
Non-current	-	1,584	130	-	22	1,736
At 30 Nov 2012	451	3,167	130	350	22	4,120

Client claims

A provision is recognised for the estimated potential liability not covered by the Group's professional indemnity insurance when the Group becomes aware of a possible client claim. No discount rate is applied to the projected cash flows due to their short term nature.

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. Details of these agreements and the basis of calculation of the net present value of the contingent consideration is summarised in Note 4. The Group estimates the net present value of contingent consideration payable within the next 12 months is £1,583,333 (1H12: £1,633,333).

Dilapidations

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

Clawbacks

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

12. 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 2012 (1H12: £93,000). At 30 November 2012 the Group had prepaid future rentals of £12,827 (1H12: £12,230).

The Group leases its premises at Gateway House, Grove Park, Enderby from MW Properties (No 60) Limited and paid rentals of £71,550 during the six months ended 30 November 2012 (1H12: £71,550). At 30 November 2012 the Group had prepaid future rentals of £9,869 (1H12: £9,409).

Both leases have been negotiated on arms' length terms, with rent payable at the market rate.

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 nine (1H12: six) other executives, received total compensation of £1,524,112 for the six months ended 30 November 2012 (1H12: £1,001,536). Total remuneration is included in "employee benefits expense".

Transactions with other related parties

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

The general partner and the initial limited partner enter into a limited partnership agreement, which governs the operation of the partnership and also sets out the rights and obligations of the investors. The general partner will appoint Custodian Capital as the operator of the partnership pursuant to an operator agreement between the general partner and Custodian Capital. At 30 November 2012 the Group had advanced £1,124,878 (1H12: £165,095) of short-term loans to new property syndicate partnerships.

13. Contingencies

Client claims

The Group operates in a legal and regulatory environment that exposes it to certain litigation risks. As a result, the Group occasionally receives claims in respect of products and services provided and which arise in the ordinary course of business. The Group provides for potential losses that may arise out of contingencies where the estimated potential liability is not covered by the Group's professional indemnity insurance (Note 11).

A number of claims were notified to the Group's professional indemnity insurers ("the insurers") in respect of the period from 18 February 2010 to 17 August 2011. The insurers have declined to indemnify the Group in respect of certain of these claims. The Group is of the opinion that the insurers' position is without any merit and is challenging their view. The estimated compensation payable should the clients' claims be successful, with no indemnity provided by the insurers, is £400,000. To the extent the Group believes it is possible but not probable that a claim will succeed and result in an economic outflow, no provision is made in these financial statements.

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

FSCS levy

Following the failure of MF Global and CF Arch Cru, coupled with The Financial Services Compensation Scheme ("FSCS") paying more compensation than predicted in relation to the failures of Keydata, Wills & Co and other stockbroking firms, the FSCS has raised an interim levy on the investment intermediation sector in each of the last two years.

In the year ended 31 May 2012 the FSCS raised an interim levy of £60 million (2011: £326 million) from investment intermediaries to pay for the costs of compensating clients in investment failures, to which the Group contributed £58,759 (2011: £115,507).

The FSCS has predicted a £25 million interim levy on the investment intermediation sub class in 2013, with an additional cost of £3 million as a result of a redistribution levy because of a £36 million shortfall in FSCS funds. The expected increase in compensation payments is due to claims against Pritchard Stockbrokers and Worldspreads, with the FSCS also expecting to pay out more for MF Global, CF Arch Cru funds and Rockingham Independent. A provision of £20,000 (1H12: £nil) has been made in these financial statements for any FSCS interim levy that may be raised in the year ending 31 May 2013.

14. Events after the reporting period

Bank facility

At 30 November 2012, the Group had a £5 million overdraft facility with interest payable at the bank's base rate plus 1.1875% on the first £0.5 million and plus 1.375% on borrowings in excess of £0.5 million. The Lloyds TSB Bank plc facility is repayable upon demand and renewable on 31 January 2013.

The Group has renewed its borrowing facilities with Lloyds TSB Bank plc on the existing terms, with the new facility repayable upon demand and renewable on 31 January 2014.

Taxation

The UK government has enacted tax changes which will have a significant effect on the Group's future tax position. The rate of UK corporation tax will reduce from 24% to 23% from 1 April 2013, with further reduction of 2% leading to a rate of 21% 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 deferred tax assets and liabilities.

15. Copies of interim report

Copies of the interim report will be posted to shareholders in due course and are available from the Group head office at: MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY.