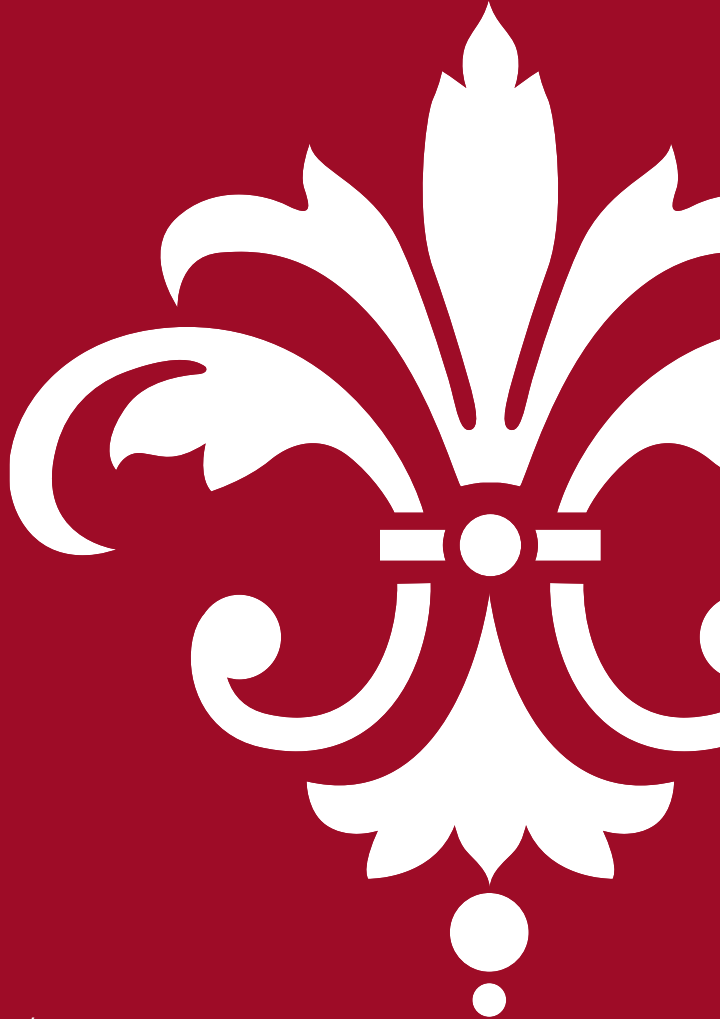




# Mattioli Woods plc

WEALTH MANAGEMENT & EMPLOYEE BENEFITS



| Interim Report 2014/15

Mattioli Woods plc (“Mattioli Woods” or “the Group”) is one of the UK’s leading and fastest growing providers of specialist pension, wealth management and employee benefits.

Our clients include controlling directors, professionals, executives, employees, owner-managed businesses, small to medium-sized enterprises and PLCs. Our clients entrust us with over £5.0 billion of assets under management, administration and advice.

Our culture is one of personalised and proactive financial planning, delivered by highly-qualified consultants and administrators. Our objective is to grow and preserve our clients’ assets and at the same time continue to grow our business, both organically and by acquisition, to deliver strong, sustainable shareholder returns over the long term.

We plan to continue developing complementary services around our core specialisms, embracing the duality of provider and adviser status to progress as a 21st century financial services business aligned to our clients’ needs.

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We plan to continue developing complementary services around our core specialisms.



**Bob Woods**  
Executive Chairman



For more information, visit our website:  
[www.mattioliwoods.com](http://www.mattioliwoods.com)



## Financial highlights

- Revenue up 23.4% to £16.59m (1H14: £13.44m)
- Recurring revenues represent 82.1% (1H14: 79.6%)
- Adjusted EBITDA<sup>1</sup> up 18.5% to £3.65m (1H14: £3.08m)
- Basic EPS<sup>2</sup> up 5.9% to 10.27p (1H14: 9.70p)
- Interim dividend up 7.7% to 3.34p (1H14: 3.10p)
- Strong financial position, with net cash of £7.70m (1H14: £7.99m)

## Operational highlights and recent developments

- Organic revenue growth of 19.8% (1H14: 7.0%)
- Total client assets up 16.0% to £5.01bn (1H14: £4.32bn)
- Discretionary AuM of £0.87bn (1H14: £0.51bn)
- 183 new core SIPP and SSAS schemes, with £106.7m of assets
- £80.0m raised for Custodian REIT since March 2014
- Acquired UK Wealth Management pension business in August 2014
- Acquisition of Torquil Clark pension business in January 2015 adds £83.0m of client assets
- Further integration of acquired businesses
- Transformational changes to pension legislation

### Revenue

£16.59m

(1H14: £13.44m)

+23.4%

### Adjusted EBITDA<sup>1</sup>

£3.65m

(1H14: £3.08m)

+18.5%

### Basic EPS<sup>2</sup>

10.27p

(1H14: 9.70p)

+5.9%

### Interim dividend

3.34p

(1H14: 3.10p)

+7.7%

<sup>1</sup> Earnings before interest, taxation, depreciation, amortisation, impairment and acquisition-related costs.

<sup>2</sup> Adjusted EPS (before acquisition-related costs, amortisation and impairment of intangible assets other than computer software) up 1.2% to 13.21p (1H14: 13.05p).



### We are delighted to report further profitable growth for the six months ended 30 November 2014.

#### Business review

Revenues were up 23.4% to £16.59m (1H14: £13.44m), as we benefitted from the momentum of strong organic and acquired growth, set against the backdrop of an attractive market place for our core services. Growth in annual fees based on the value of clients' assets under advice and management increased recurring revenues<sup>3</sup> to 82.1% (1H14: 79.6%) of total revenue.

The continued development of our consultancy team has driven stronger new business flows, increasing total client assets to £5.01bn at the period end.

These are exciting times for our clients and ourselves, with the Government introducing the most radical changes to pensions in almost a century from April 2015. These changes offer individuals and their families control of their pension funds, both now and into the next generation. The freedom to access pension funds from age 55 and removal of the 55% tax-charge on death reposition pensions at the centre of financial planning, providing a real sense of ownership and paving the way for the inheritance of pension funds. We believe these changes will trigger a fundamental rethink of the role of pension planning in clients' affairs, which we expect to benefit our core pensions business.

With almost 25 years' experience of operating self-directed pension schemes, we believe we have an unrivalled understanding of this complex market, supporting our view that the blend of adviser and product provider can offer the client the very best of outcomes.

Our self-invested personal pension ("SIPP") and small self-administered pension schemes ("SSAS") have always provided our clients with control and as much flexibility as possible over their assets. The Financial Conduct Authority ("FCA") has announced new rules that will increase the regulatory capital requirement for SIPP operators with effect from 1 September 2016. This is expected to drive further consolidation in the SIPP market and we are pleased to have acquired the pension administration businesses of UK Wealth Management Limited ("UKWM") in August 2014 and Torquil Clark, (now a part of Bellpenny, a national team of financial planners) on 23 January 2015. Our highly-regarded technical ability and recognised expertise in self-directed pensions have been key to these acquisitions.

Earlier this month we announced the launch of a new proposition, the Mattioli Woods Personal Pension. This innovative product utilises our existing SIPP structure, streamlined to provide a wrapper that will allow smaller pension funds efficient access to our discretionary portfolio management ("DPM") service. We are delighted with the continued success of DPM, which delivered gross cash inflows of £108.0m during the period.

Our subsidiary company, Custodian Capital Limited ("Custodian Capital"), is the discretionary investment manager of Custodian REIT plc ("Custodian REIT"), a specialist property investment company. A further placing during the period brought the total of new money raised since the company's listing in March 2014 to £80.0m. This, coupled with growth in our DPM service, saw the Group's discretionary assets under management at the period end increase to £0.87bn (1H14: £0.51bn).

3 Annual pension consultancy and administration fees; adviser charges; level, renewal and trail commissions; banking income; property syndicate and discretionary portfolio management charges.

## Trading results

With increased consultancy capacity, we have driven stronger new business flows and this, coupled with demand for advice following the announcement of changes in pension legislation, increased organic revenue growth to 19.8% (1H14: 7.0%). This organic growth combined with the positive contribution of recent acquisitions delivered an 18.5% increase in adjusted EBITDA<sup>4</sup> to £3.65m (1H14: £3.08m).

Basic EPS was up 5.9% to 10.27p (1H14: 9.70p). Growth in operating profits was partially offset by an increase in the effective rate of taxation to 22.8% (1H14: 12.9%), with the effective rate in the prior period distorted by the reversal of deferred tax liabilities on acquired intangibles following cuts in the UK corporation tax rate. Basic EPS was also impacted by £0.13m (1H14: £nil) of notional finance charges on the unwinding of discounts on long term provisions.

Adjusted EPS<sup>5</sup> increased 1.2% to 13.21p (1H14: 13.05p), with £0.04m (1H14: £0.16m) of acquisition-related costs incurred during the period.

## Pension consultancy and administration

Total pension consultancy and administration revenues were up 23.1% to £7.52m (1H14: £6.11m), with the number of SIPP and SSAS schemes administered by the Group increasing 9.1% to 6,322 (1H14: 5,794).

Direct<sup>6</sup> pension consultancy and administration revenues were up 21.1% to £6.13m (1H14: £5.06m). The number of direct schemes administered by Mattioli Woods increased 4.9% to 3,637 (1H14: 3,466), with 183 new schemes gained in the first half (1H14: 153) continuing the momentum of new business wins seen in the second half of the prior year. Our focus remains on the quality of new business, with an average new scheme value of £0.58m (1H14: £0.32m). We also maintained strong client retention, with an external loss rate<sup>7</sup> of just 1.2% (1H14: 1.3%) and an overall attrition rate<sup>8</sup> of 2.3% (1H14: 1.6%).

We continue to build capacity in our consultancy and technical teams to take advantage of new business opportunities, with the number of consultants having increased to 82 (1H14: 65) at the period end. Fee income increased to £5.50m (1H14: £4.48m) and banking revenues were £0.63m (1H14: £0.58m), with the impact of a previously anticipated fall in banking margin offset by higher average balances and increased client activity across a greater number of accounts.

The integration of acquired businesses continues apace. Our third party administration business, City Pensions Limited (trading as “City Trustees”) was merged into Mattioli Woods on 31 October 2014. City Trustees continues to enjoy strong growth and following the acquisition of the pension business of UKWM the number of SSAS and SIPP schemes it administers grew 15.3% to 2,685 (1H14: 2,328) at the period end. Revenues were up 32.4% to £1.39m (1H14: £1.05m), comprising administration fees of £1.18m (1H14: £0.85m) and banking revenues of £0.21m (1H14: £0.20m).

Overall, the Group’s total banking revenue was £0.84m (1H14: £0.78m). The introduction of new banking rules on liquidity cover makes it more onerous for banks to hold our clients’ deposits, reducing the interest rates available on these deposits. Accordingly, we will see a further reduction in banking margin and hence revenue in the second half of this year.

## Investment and asset management

Investment and asset management revenues generated from advising clients on both pension and personal investments increased 31.9% to £5.38m (1H14: £4.08m). Income from both initial and ongoing portfolio management charges increased to £2.77m (1H14: £1.85m), as the value of clients’ assets in discretionary portfolios increased 37.3% to £0.70bn (1H14: £0.51bn). Adviser charges (including legacy investment commissions) based on the value of assets under advice were £2.61m (1H14: £2.23m).

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

5 Before acquisition-related costs, amortisation and impairment of intangible assets other than computer software.

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.

Assets under advice include over £110.0m of clients' assets held in structured products and we are reviewing how best to take advantage of the opportunities we see for continued growth in this area. This initiative has been a great success over the last 10 years, with our clients enjoying an average annual return of 7.8% on the structured products we have brought to market for them.

### Employee benefits

Employee benefits revenues increased to £2.61m (1H14: £2.45m) with a full period's contribution from the business of Atkinson Bolton Consulting Limited ("Atkinson Bolton"), which we acquired in July 2013, offsetting an expected fall in underlying revenues as a result of the forthcoming charge cap on auto-enrolment pension schemes to be introduced in April 2015 and the abolition of provider commissions in April 2016.

We predict further changes in the mix of employee benefits revenues in the second half as corporate pension providers "switch off" commission payments and clients move over to a fee basis, reducing pension-related revenues in the short term but leading to higher recurring revenues going forward.

The government-backed 'Pension Wise' guidance service launches in April this year. However, the difference between guidance and advice is stark. While an adviser can assess an individual's needs and implement solutions to achieve his or her goals, Pension Wise will be an information service that simply sets out generic options. Some commentators believe the guidance services will point consumers to other organisations for the answers to more complex questions, encouraging individuals to take full advice. As a result, we expect our blend of employee benefits and wealth management to enable us to win new clients attracted to the broader and more flexible solutions we can offer employers and their employees.

### Property management

Property management revenues increased to £1.08m (1H14: £0.80m). The majority of our property management revenues now come from the services provided by Custodian Capital to Custodian REIT. In addition to being manager of Custodian REIT, Custodian Capital

also continues to facilitate direct property ownership on behalf of pension schemes and private clients.

In prior periods, our property management revenues came from the services provided to our clients' property syndicates. Following the FCA's restriction of the distribution of Unregulated Collective Investment Schemes and close substitutes in June 2013, we held off launching any new syndicates while considering the most appropriate alternative structure for clients to invest in commercial property. This led to a temporary fall in property management revenues prior to the launch of Custodian REIT in March 2014.

Our strong income focus allows Custodian REIT to offer the highest yield<sup>9</sup> among its UK property investment company peer group, with the potential for capital growth from a balanced portfolio of real estate assets.

### Cash flow

Cash generated from operations increased to £2.94m or 81.4% of EBITDA (1H14: £2.11m or 72.0%), with the cash conversion ratio improving due to EBITDA for the period being stated after a £0.35m increase in non-cash costs, being a £0.22m increase in share-based payment costs and a £0.13m increase in notional interest costs, representing the unwinding of discounting on long term provisions. Net cash at 30 November 2014 was £7.70m (1H14: £7.99m), with a net cash outflow of £0.24m on the acquisition of the UKWM pension business (1H14: £1.05m inflow on acquisition of Atkinson Bolton) and deferred consideration of £2.25m (1H14: £1.58m) paid on historic acquisitions. Our strong financial position is enhanced by the availability of £5.00m of on demand overdraft facilities.

EBITDA increased 23.2% to £3.61m (1H14: £2.93m), with first half EBITDA margin maintained at 21.8% (1H14: 21.8%). We expect some margin erosion in the second half due to reduced employee benefits and banking revenues, costs associated with the completion and integration of recent acquisitions and further restructuring of the Group's legal structure. Profit before tax was up 21.3% to £2.68m (1H14: £2.21m) and we believe we have the strategy to deliver further revenue and profit growth for the full year.

<sup>9</sup> Source: Numis Securities Limited, 13 January 2015.

## Assets under management, administration and advice

Total client assets under management, administration and advice increased by 16.0% to £5.01bn at the period end (1H14: £4.32bn), as follows:

|   | 30 Nov<br>2014<br>£m | 30 Nov<br>2013<br>£m | 31 May<br>2014<br>£m |
|---|----------------------|----------------------|----------------------|
| Direct pension  | <b>2,209.8</b>       | 1,953.6              | 2,060.5              |
| Third party administration  | <b>942.5</b>         | 705.3                | 790.8                |
| SIPP and SSAS funds<br>under trusteeship                                  | <b>3,152.3</b>       | 2,658.9              | 2,851.3              |
| Employee benefits   | <b>960.4</b>         | 887.0                | 926.2                |
| Other personal and<br>pension assets                                      | <b>898.4</b>         | 772.8                | 848.7                |
| Total assets under management,<br>administration and advice <sup>10</sup> | <b>5,011.1</b>       | 4,318.7              | 4,626.2              |

The acquisition of the UKWM's pension business added £189.7m to client assets, with net organic growth during the period of:

- £111.3m in SIPP and SSAS funds under trusteeship and £49.7m in other personal and pension assets within our wealth management business; and
- £34.2m of corporate pension assets in our employee benefits business.

At 30 November 2014, the Group's discretionary assets under management had increased to £0.87bn (1H14: £0.51bn) on the continued expansion of our portfolio management service and the placing of a further £25.0m of new equity by Custodian REIT. The market capitalisation of Custodian REIT now stands at £169.9m.

<sup>10</sup> Note certain pension scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event.

## Staff

We continue our transition from small to big, retaining our same principles as a business built on the integrity and expertise of 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 facilitate employee equity ownership through the Mattioli Woods plc Share Incentive Plan ("the Plan") and other share schemes. We are delighted with the increase in the proportion of eligible staff currently investing via the Plan to 57% (1H14: 53%) and will continue to encourage broader participation in the Plan.

## Dividend

The Board is pleased to recommend the payment of an increased interim dividend, up 7.7% to 3.34 pence per share (1H14: 3.10 pence). The Board remains committed to growing the dividend, while maintaining an appropriate level of dividend cover. The interim dividend will be paid on 6 March 2015 to shareholders on the register at the close of business on 6 February 2015.

## Strategy

We remain focused on the pursuit of strong organic growth, supplemented by strategic acquisitions that are earnings enhancing and broaden or deepen our expertise and services. Developing our technology is a key part of this strategy and we continue to invest in our bespoke pension administration and wealth management platform with the aim of realising operational efficiencies across the Group. In addition, we recognise the increasing consumer requirement for a strong advisory service blended with on-line functionality, visibility and product availability.

The rebrand of Kudos Financial Services Limited and Atkinson Bolton as "Mattioli Woods" on 1 June 2014 further integrated these businesses, with one brand and one vision enabling the Group to deliver holistic solutions across our wide and diverse client base. We are also harmonising the Group's legal and operational structures, with the transfer of the trade and assets of City Trustees and Atkinson Bolton into Mattioli Woods completed in October and December 2014 respectively.

### Acquisitions

Since our admission to AIM in 2005, we have acquired 12 businesses and client portfolios. We have developed considerable expertise and a strong track record in the execution and subsequent integration of such deals.

The acquisition of UKWM's pension business extends our existing relationship with Ashcourt Rowan and its advisers. As financial markets change, we believe there is real benefit in organisations such as Ashcourt Rowan and Mattioli Woods entering into strategic partnerships to deliver better service and long term security for clients.

On 23 January 2015, we were pleased to complete the acquisition of the pension administration business of PS Employee Benefits Limited, a subsidiary of Capital Professional Limited ("Bellpenny"), including the entire issued share capital of Torquil Clark Pension Trustees Limited (together "the Torquil Clark pension business") for a total consideration of £1. The Torquil Clark pension business comprises a portfolio of 140 SIPP and SSAS schemes with total funds under trusteeship of £83.0m. We have been appointed to Bellpenny's panel of SIPP providers and look forward to developing this relationship further.

Our most recent acquisitions are bedding-in well. With increasing complexity and continuing consolidation in both the SIPP and other key sectors in which we operate, we are confident there will be further opportunities to expand our operations by acquisition, accelerating our already strong growth.

### Outlook

We are delighted with the performance of our business in what remains a fast-changing market. We believe our blend of wealth management and employee benefits, combined with the duality of being adviser and provider, positions us to secure further growth as a leading 21st century financial services group.

### Bob Woods

Chairman

### Ian Mattioli

Chief Executive

26 January 2015



## 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 2014 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 2014 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

26 January 2015

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 November 2014

|  | Note | Unaudited<br>Six months ended<br>30 Nov 2014<br>€000 | Unaudited<br>Six months ended<br>30 Nov 2013<br>€000 | Audited<br>Year ended<br>31 May 2014<br>€000 |
|--|------|--|--|--|
| <b>Revenue</b>   | 6    | <b>16,590</b>  | 13,445   | 29,347                                       |
| Employee benefits expense                                    |      | <b>(9,677)</b>                                       | (7,736)  | (16,857)                                     |
| Other administrative expenses                                |      | <b>(2,933)</b>                                       | (2,601)  | (5,423)                                      |
| Share based payments   | 11   | <b>(353)</b>   | (132)  | (386)  |
| Amortisation and impairment                                  |      | <b>(628)</b>   | (569)  | (1,176)                                      |
| Depreciation   |      | <b>(200)</b>   | (177)  | (367)  |
| Loss on disposal of property, plant and equipment            |      | <b>(15)</b>  | (49)   | (64)   |
| <b>Operating profit before financing</b>                     |      | <b>2,784</b>   | 2,181  | 5,074  |
| Finance revenue  |      | <b>25</b>  | 26   | 43   |
| Finance costs  |      | <b>(128)</b>   | (1)  | (2)  |
| Net finance (cost)/revenue                                   |      | <b>(103)</b>   | 25   | 41   |
| <b>Profit before tax</b>                                     |      | <b>2,681</b>   | 2,206  | 5,115  |
| Income tax expense   | 9    | <b>(612)</b>   | (299)  | (834)  |
| <b>Profit for the period</b>                                 |      | <b>2,069</b>   | 1,907  | 4,281  |
| Other comprehensive income for the period, net of tax        |      | —  | —  | —  |
| <b>Total comprehensive income for the period, net of tax</b> |      | <b>2,069</b>   | 1,907  | 4,281  |
| <b>Attributable to:</b>                                      |      |  |  |  |
| Equity holders of the parent                                 |      | <b>2,069</b>   | 1,907  | 4,281  |
| <b>Earnings per ordinary share:</b>                          |      |  |  |  |
| Basic (pence)  | 7    | <b>10.27</b>   | 9.70   | 22.03  |
| Adjusted (pence)   | 7    | <b>13.21</b>   | 13.05  | 28.15  |
| Diluted (pence)  | 7    | <b>10.16</b>   | 9.61   | 21.74  |
| Proposed dividend per share (pence)                          | 8    | <b>3.34</b>  | 3.10   | 9.10   |

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2014

|  | Note | Unaudited<br>30 Nov 2014<br>£000 | Unaudited<br>30 Nov 2013<br>£000 | Audited<br>31 May 2014<br>£000 |
|--|------|----------------------------------|----------------------------------|--------------------------------|
| <b>Assets</b>  |      |                                  |                                  |                                |
| Property, plant and equipment                                    |      | 1,318                            | 1,241                            | 1,326                          |
| Intangible assets  | 5    | 29,169                           | 29,750                           | 29,001                         |
| Deferred tax asset   | 9    | 340                              | 298                              | 367                            |
| <b>Total non-current assets</b>                                  |      | <b>30,827</b>                    | 31,289                           | 30,694                         |
| Trade and other receivables                                      |      | 11,134                           | 8,914                            | 10,568                         |
| Financial assets   |      | —                                | 9                                | —                              |
| Investments  |      | 40                               | 37                               | 39                             |
| Cash and short-term deposits                                     |      | 7,700                            | 8,009                            | 9,514                          |
| <b>Total current assets</b>                                      |      | <b>18,874</b>                    | 16,969                           | 20,121                         |
| <b>Total assets</b>  |      | <b>49,701</b>                    | 48,258                           | 50,815                         |
| <b>Equity</b>  |      |                                  |                                  |                                |
| Issued capital   |      | 203                              | 199                              | 200                            |
| Share premium  |      | 8,369                            | 11,752                           | 8,001                          |
| Merger reserve   |      | 4,838                            | —                                | 4,040                          |
| Equity – share based payments                                    |      | 1,099                            | 876                              | 1,046                          |
| Capital redemption reserve                                       |      | 2,000                            | 2,000                            | 2,000                          |
| Retained earnings  |      | 21,124                           | 18,500                           | 20,257                         |
| <b>Total equity attributable to equity holders of the parent</b> |      | <b>37,633</b>                    | 33,327                           | 35,544                         |
| <b>Non-current liabilities</b>                                   |      |                                  |                                  |                                |
| Deferred tax liability   | 9    | 2,401                            | 2,529                            | 2,464                          |
| Provisions   | 12   | 1,918                            | 3,032                            | 1,781                          |
| <b>Total non-current liabilities</b>                             |      | <b>4,319</b>                     | 5,561                            | 4,245                          |
| <b>Current liabilities</b>                                       |      |                                  |                                  |                                |
| Bank overdraft   |      | —                                | 19                               | —                              |
| Trade and other payables   |      | 6,373                            | 5,339                            | 6,386                          |
| Income tax payable   | 9    | 425                              | 713                              | 632                            |
| Provisions   | 12   | 951                              | 3,299                            | 4,008                          |
| <b>Total current liabilities</b>                                 |      | <b>7,749</b>                     | 9,370                            | 11,026                         |
| <b>Total liabilities</b>   |      | <b>12,068</b>                    | 14,931                           | 15,271                         |
| <b>Total equities and liabilities</b>                            |      | <b>49,701</b>                    | 48,258                           | 50,815                         |

Registered number 3140521

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2014

| Note  | Issued capital<br>£000 | Share premium<br>£000 | Merger reserve<br>£000 | Equity-share based payments<br>£000 | Capital redemption reserve<br>£000 | Retained earnings<br>£000 | Total equity<br>£000 |
|---|------------------------|-----------------------|------------------------|-------------------------------------|------------------------------------|---------------------------|----------------------|
| <b>As at 1 June 2013 - Audited</b>  | <b>188</b>             | <b>8,616</b>          | <b>—</b>               | <b>777</b>                          | <b>2,000</b>                       | <b>17,519</b>             | <b>29,100</b>        |
| <b>Total comprehensive income for period</b>                                  |                        |                       |                        |                                     |                                    |                           |                      |
| Profit for the period   | —                      | —                     | —                      | —                                   | —                                  | 1,907                     | 1,907                |
| Other comprehensive income  | —                      | —                     | —                      | —                                   | —                                  | —                         | —                    |
| Total comprehensive income for period   | —                      | —                     | —                      | —                                   | —                                  | 1,907                     | 1,907                |
| <b>Transactions with owners of the Company, recognised directly in equity</b> |                        |                       |                        |                                     |                                    |                           |                      |
| Issue of share capital  | 11                     | 3,161                 | —                      | —                                   | —                                  | —                         | 3,172                |
| Costs of share issue  | —                      | (25)                  | —                      | —                                   | —                                  | —                         | (25)                 |
| Share-based payment transactions 11   | —                      | —                     | —                      | 34                                  | —                                  | —                         | 34                   |
| Deferred tax asset recognised in equity                                       | —                      | —                     | —                      | 65                                  | —                                  | —                         | 65                   |
| Dividends   | —                      | —                     | —                      | —                                   | —                                  | (926)                     | (926)                |
| <b>As at 30 November 2013 - Unaudited</b>                                     | <b>199</b>             | <b>11,752</b>         | <b>—</b>               | <b>876</b>                          | <b>2,000</b>                       | <b>18,500</b>             | <b>33,327</b>        |
| <b>Total comprehensive income for period</b>                                  |                        |                       |                        |                                     |                                    |                           |                      |
| Profit for the period   | —                      | —                     | —                      | —                                   | —                                  | 2,374                     | 2,374                |
| Other comprehensive income  | —                      | —                     | —                      | —                                   | —                                  | —                         | —                    |
| Total comprehensive income for period   | —                      | —                     | —                      | —                                   | —                                  | 2,374                     | 2,374                |
| <b>Transactions with owners of the Company, recognised directly in equity</b> |                        |                       |                        |                                     |                                    |                           |                      |
| Issue of share capital  | 1                      | 289                   | —                      | —                                   | —                                  | —                         | 290                  |
| Share-based payment transactions 11   | —                      | —                     | —                      | 60                                  | —                                  | —                         | 60                   |
| Deferred tax asset recognised in equity                                       | —                      | —                     | —                      | 64                                  | —                                  | —                         | 64                   |
| Current tax taken to equity   | —                      | —                     | —                      | 46                                  | —                                  | —                         | 46                   |
| Dividends   | —                      | —                     | —                      | —                                   | —                                  | (617)                     | (617)                |
| Reserves transfer   | —                      | (4,040)               | 4,040                  | —                                   | —                                  | —                         | —                    |
| <b>As at 31 May 2014 - Audited</b>  | <b>200</b>             | <b>8,001</b>          | <b>4,040</b>           | <b>1,046</b>                        | <b>2,000</b>                       | <b>20,257</b>             | <b>35,544</b>        |

|   | Note | Issued capital<br>£000 | Share premium<br>£000 | Merger reserve<br>£000 | Equity-share based payments<br>£000 | Capital redemption reserve<br>£000 | Retained earnings<br>£000 | Total equity<br>£000 |
|---|------|------------------------|-----------------------|------------------------|-------------------------------------|------------------------------------|---------------------------|----------------------|
| <b>As at 1 June 2014 - Audited</b>  |      | <b>200</b>             | <b>8,001</b>          | <b>4,040</b>           | <b>1,046</b>                        | <b>2,000</b>                       | <b>20,257</b>             | <b>35,544</b>        |
| <b>Total comprehensive income for period</b>                                  |      |                        |                       |                        |                                     |                                    |                           |                      |
| Profit for the period   |      | —                      | —                     | —                      | —                                   | —                                  | 2,069                     | 2,069                |
| Other comprehensive income  |      | —                      | —                     | —                      | —                                   | —                                  | —                         | —                    |
| Total comprehensive income for period   |      | —                      | —                     | —                      | —                                   | —                                  | 2,069                     | 2,069                |
| <b>Transactions with owners of the Company, recognised directly in equity</b> |      |                        |                       |                        |                                     |                                    |                           |                      |
| Issue of share capital  |      | 3                      | 368                   | 798                    | —                                   | —                                  | —                         | 1,169                |
| Share-based payment transactions  | 11   | —                      | —                     | —                      | 113                                 | —                                  | —                         | 113                  |
| Deferred tax asset derecognised in equity                                     |      | —                      | —                     | —                      | (60)                                | —                                  | —                         | (60)                 |
| Dividends   |      | —                      | —                     | —                      | —                                   | —                                  | (1,202)                   | (1,202)              |
| <b>As at 30 November 2014 - Unaudited</b>                                     |      | <b>203</b>             | <b>8,369</b>          | <b>4,838</b>           | <b>1,099</b>                        | <b>2,000</b>                       | <b>21,124</b>             | <b>37,633</b>        |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2014

|  | Note | Unaudited<br>Six months ended<br>30 Nov 2014<br>€000 | Unaudited<br>Six months ended<br>30 Nov 2013<br>€000 | Audited<br>Year ended<br>31 May 2014<br>€000 |
|--|------|--|--|--|
| <b>Operating activities</b>  |      |  |  |  |
| Profit for the period  |      | 2,069  | 1,907  | 4,281  |
| Adjustments for:   |      |  |  |  |
| Depreciation   |      | 200  | 177  | 367  |
| Amortisation and impairment  |      | 628  | 569  | 1,176  |
| Investment income  |      | (25)   | (26)   | (43)   |
| Interest expense   |      | 128  | 1  | 2  |
| Loss on disposal of property, plant and equipment  |      | 15   | 49   | 64   |
| Equity-settled share-based payments  | 11   | 213  | 132  | 213  |
| Cash-settled share-based payments  |      | 140  | —  | 172  |
| Income tax expense   |      | 612  | 299  | 834  |
| <b>Cash flows from operating activities before changes in working capital and provisions</b> |      |  |  |  |
|  |      | 3,980  | 3,108  | 7,066  |
| (Increase)/decrease in trade and other receivables   |      | (505)  | 96   | (1,560)                                      |
| Decrease in trade and other payables   |      | (406)  | (1,135)  | (90)   |
| (Increase)/decrease in provisions  |      | (126)  | 37   | (366)  |
| <b>Cash generated from operations</b>  |      |  |  |  |
|  |      | 2,943  | 2,106  | 5,050  |
| Interest paid  |      | —  | (1)  | (2)  |
| Income taxes paid  |      | (916)  | (690)  | (1,330)                                      |
| <b>Net cash flows from operating activities</b>  |      |  |  |  |
|  |      | 2,027  | 1,415  | 3,718  |
| <b>Investing activities</b>  |      |  |  |  |
| Proceeds from sale of property, plant and equipment  |      | 36   | 15   | 37   |
| Purchase of property, plant and equipment  |      | (242)  | (335)  | (647)  |
| Purchase of software   |      | (234)  | (163)  | (294)  |
| Deferred consideration on previous acquisitions  | 4    | (2,249)  | (1,583)  | (1,583)                                      |
| Cash acquired in business combinations   | 4    | 32   | 1,628  | 1,628  |
| Acquisitions during the period   | 4    | (275)  | (581)  | (581)  |
| New loans advanced to property syndicates  |      | —  | (9)  | (9)  |
| Loan repayments from property syndicates   |      | —  | 239  | 248  |
| Interest received  |      | 25   | 26   | 43   |
| <b>Net cash from investing activities</b>  |      |  |  |  |
|  |      | (2,907)  | (763)  | (1,158)                                      |
| <b>Financing activities</b>  |      |  |  |  |
| Proceeds from the issue of share capital   |      | 268  | 245  | 475  |
| Payment of costs of share issue  |      | —  | (25)   | (25)   |
| Net (repayment of)/proceeds from Directors' loans  |      | —  | (4)  | —  |
| Dividends paid   | 8    | (1,202)  | (925)  | (1,543)                                      |
| <b>Net cash from financing activities</b>  |      |  |  |  |
|  |      | (934)  | (709)  | (1,093)                                      |
| Net (decrease)/increase in cash and cash equivalents   |      | (1,814)  | (57)   | 1,467  |
| Cash and cash equivalents at start period  |      | 9,514  | 8,047  | 8,047  |
| <b>Cash and cash equivalents at end period</b>   |      |  |  |  |
|  |      | 7,700  | 7,990  | 9,514  |

# 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, whose shares are traded on the AIM market of the London Stock Exchange plc. The interim condensed consolidated financial statements comprise the Company and its subsidiaries ("the Group"). The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 26 January 2015.

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 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 financial statements for the year ended 31 May 2014, which were prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS.

The information relating to the six months ended 30 November 2014 and the six months ended 30 November 2013 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 2014 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 this interim report.

### 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 2014.

### 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 2. Basis of preparation and accounting policies continued

#### 2.2 Significant accounting policies continued

##### Standards not affecting the financial statements

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

| Standard or interpretation |  | Periods commencing<br>on or after |
|----------------------------|--|-----------------------------------|
| IFRS 10 (amended)          | Consolidated Financial Statements          | 1 January 2014                    |
| IFRS 12 (amended)          | Disclosures of Interests in Other Entities | 1 January 2014                    |
| IAS 27 (amended)           | Separate Financial Statements              | 1 January 2014                    |
| IAS 32 (amended)           | Financial Instruments: Presentation        | 1 January 2014                    |
| IAS 34 (amended)           | Interim Financial Reporting                | 1 January 2013                    |
| IAS 36 (amended)           | Impairment of Assets                       | 1 January 2014                    |

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 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 2015

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 2015, 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. Basis of preparation and accounting policies continued**

### **2.4 Key sources of judgements and estimation uncertainty**

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arises, or where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

#### **Impairment of client portfolios**

The Group reviews whether acquired client portfolios are impaired at least on an annual basis. This comprises an estimation of the fair value less cost to sell and the value in use of the acquired client portfolios. In assessing value in use, the estimated future cash flows expected to arise from the individual client portfolios is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

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

The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations. Changes to revenue and costs are based upon management's expectation. The Group prepares its annual budget and five-year cash flow forecasts derived therefrom, thereafter extrapolating these cash flows using a terminal growth rate of 2.5%, which management considers conservative against industry average long-term growth rates.

The carrying amount of client portfolios at 30 November 2014 was £17.26m (1H14: £17.77m). No impairments have been made during the period (1H14: £nil) based upon the directors' review.

#### **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. In assessing value in use, the estimated future cash flows expected to arise from the cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations, based upon management's expectation. The carrying amount of goodwill at 30 November 2014 was £10.77m (1H14: £11.04m). No impairments have been made during the period (1H14: £nil) based upon the directors' review.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 2. Basis of preparation and accounting policies continued

#### 2.4 Key sources of judgements and estimation uncertainty continued

##### Internally generated 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 IAS 38. Internally generated software also includes purchased software that is being customised internally and is amortised over an estimated useful life, assessed by taking into consideration the useful life of comparable software packages. The carrying amount of internally generated software at 30 November 2014 was £0.68m (1H14: £0.58m).

##### Deferred tax assets

Deferred tax assets include temporary differences related to employee benefits settled via the issue of share options. Recognition of the deferred tax assets assumes share options will have a positive value at the date of vesting, which is greater than the exercise price. The carrying amount of deferred tax assets at 30 November 2014 was £0.34m (1H14: £0.30m).

##### 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. The carrying amount of accrued time costs at 30 November 2014 was £3.97m (1H14: £2.95m).

##### Accrued income

Accrued income is recognised in respect of fees, adviser charges and commissions due to the Group on investments and bank deposits placed during the accounting period which have not been received at the reporting date. This requires an estimation of the amount of income that will be received subsequent to the reporting date in respect of the accounting period, which is based on the value of historic receipts and investments placed by clients under management and advice. The carrying amount of accrued income at 30 November 2014 was £1.00m (1H14: £1.33m).

##### Contingent consideration

The Group has entered into certain acquisition agreements that provide for a 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 determine a suitable discount rate for the calculation of the present value of those cash flows. The carrying amount of contingent consideration provided for at 30 November 2014 was £1.40m (1H14: £4.96m).

##### Provisions

As detailed in Note 12, the Group recognises provisions for client claims, contingent consideration payable on acquisitions, commission clawbacks and other obligations which exist at the reporting date. These provisions are estimates and the actual amount and timing of future cash flows are dependent on future events. Management reviews these provisions at each reporting date to ensure they are measured at the current best estimate of the expenditure required to settle the obligation. Any difference between the amounts previously recognised and the current estimate is recognised immediately in the statement of comprehensive income.

### **3. 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**

#### **Acquisition of UK Wealth Management Limited's pension business**

On 11 August 2014 the Company's subsidiary City Pensions Limited ("City Pensions") acquired the pension administration business of UK Wealth Management Limited ("UKWM"), a wholly owned subsidiary of Ashcourt Rowan plc ("Ashcourt Rowan" or "the Seller"). The acquisition comprised the trade and certain assets of Pension Administration Limited ("PAL"), 100% of the share capital of Ropergate Trustees Limited from PAL Group Holdings Limited ("PALGH"), 100% of the share capital of Simmonds Ford Trustees Limited and 100% of the share capital of Acomb Trustees Limited from ATL Group Limited ("ATL") (together "UKWM Pensions"). PAL, PALGH and ATL were wholly owned indirectly by UKWM and ultimately owned by Ashcourt Rowan.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 4. Business combinations continued

#### Acquisition of UK Wealth Management Limited's pension business continued

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

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

#### **4. Business combinations continued**

##### **Acquisition of UK Wealth Management Limited's pension business continued**

UKWM Pensions provides trustee and administration services to over 400 SIPP and SSAS schemes. The client portfolio will be amortised on a straight-line basis over an estimated useful life of 10 years, based on the Group's historic experience.

Transaction costs of £0.04m incurred on the acquisition have been expensed and are included in administrative expenses in the condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows.

The interim condensed consolidated financial statements include the results of UKWM for the four months from the date of acquisition, during which time it has contributed £0.05m to revenue and £nil to the Group profit for the period. If the combination had taken place at the beginning of the period, revenue from continuing operations would have been £16.68m and the Group profit for the period would have been £2.07m.

##### **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. While it is not possible to determine the exact amount of contingent consideration (as this will depend on the performance of the acquired businesses during the period), the Group estimates the net present value of contingent consideration payable within the next 12 months is £1.40m (1H14: £2.23m).

During the period, the Group acquired UKWM for initial cash consideration of £0.28m (excluding cash acquired with the business) plus contingent consideration of £0.08m payable in cash in the two years following completion if certain revenue targets are met. The Group estimates the net present value of the remaining contingent consideration at 30 November 2014 to be £0.08m using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 29 July 2013, Mattioli Woods acquired 100% of the voting equity interests of TWM and its subsidiary ABC (together "Atkinson Bolton"). The share purchase agreement ("the Agreement") states contingent deferred consideration of up to £2.75m is payable in cash in the four years following completion if certain financial targets are met based on growth in the EBITDA generated by Atkinson Bolton during the period.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 4. Business combinations continued

#### Contingent consideration continued

On 26 August 2014 the parties agreed to vary the Agreement. This variation has not affected the original recognition and measurement of the contingent consideration, which is payable as follows:

- Up to £1.60m payable as up to £0.80m in cash and up to £0.80m to be satisfied by the allotment and issue of new ordinary shares in Mattioli Woods, if the EBITDA generated by Atkinson Bolton in the 12 months following completion meets certain financial targets; and
- Up to £1.15m payable in cash if certain financial targets are met based on compound annual growth in the EBITDA generated by Mattioli Woods in the three years from 1 August 2014 to 31 July 2017.

The Group estimates the net present value of the remaining contingent consideration at 30 November 2014 to be £0.95m using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 23 April 2013, the Group acquired the trade and certain assets of Ashcourt Rowan Administration Limited, 100% of the share capital of Ashcourt Rowan Pension Trustees Limited and 100% of the share capital of Robinson Gear (Management Services) Limited for an initial cash consideration of £0.66m plus contingent consideration of up to £0.625m payable in cash in the five years following completion if certain targets are met based on growth in revenues and client retention during that period. The Group estimates the net present value of the remaining contingent consideration at 30 November 2014 to be £0.37m (1H14: £0.63m) using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

## 5. Intangible assets

|                                     | Internally<br>generated<br>software<br>£000 | Software<br>£000 | Client<br>portfolios<br>£000 | Goodwill<br>£000 | Other<br>£000 | Total<br>£000 |
|-------------------------------------|---|------------------|------------------------------|------------------|---------------|---------------|
| <b>Gross carrying amount:</b>       |   |                  |                              |                  |               |               |
| At 1 June 2013                      | 595   | 653              | 17,171                       | 8,734            | 35            | 27,188        |
| Arising on acquisitions             | —   | 1                | 3,785                        | 2,310            | —             | 6,096         |
| Additions                           | 100   | 63               | —                            | —                | —             | 163           |
| At 30 Nov 2013                      | 695   | 717              | 20,956                       | 11,044           | 35            | 33,447        |
| Arising on acquisitions             | —   | 1                | —                            | (273)            | —             | (272)         |
| Additions                           | 114   | 17               | —                            | —                | —             | 131           |
| Disposals                           | —   | (1)              | —                            | —                | —             | (1)           |
| At 31 May 2014                      | 809   | 734              | 20,956                       | 10,771           | 35            | 33,305        |
| Arising on acquisitions             | —   | —                | 562                          | —                | —             | 562           |
| Additions                           | 68  | 166              | —                            | —                | —             | 234           |
| At 30 November 2014                 | 877   | 900              | 21,518                       | 10,771           | 35            | 34,101        |
| <b>Amortisation and impairment:</b> |   |                  |                              |                  |               |               |
| At 1 June 2013                      | 84  | 337              | 2,696                        | —                | 11            | 3,128         |
| Amortisation                        | 33  | 35               | 494                          | —                | 7             | 569           |
| At 30 November 2013                 | 117   | 372              | 3,190                        | —                | 18            | 3,697         |
| Amortisation in period              | 38  | 39               | 526                          | —                | 4             | 607           |
| At 31 May 2014                      | 155   | 411              | 3,716                        | —                | 22            | 4,304         |
| Amortisation in period              | 40  | 37               | 545                          | —                | 6             | 628           |
| At 30 November 2014                 | 195   | 448              | 4,261                        | —                | 28            | 4,932         |
| <b>Carrying amount:</b>             |   |                  |                              |                  |               |               |
| <b>At 30 November 2014</b>          | <b>682</b>                                  | <b>452</b>       | <b>17,257</b>                | <b>10,771</b>    | <b>7</b>      | <b>29,169</b> |
| At 30 November 2013                 | 578   | 345              | 17,766                       | 11,044           | 17            | 29,750        |
| At 31 May 2014                      | 654   | 323              | 17,240                       | 10,771           | 13            | 29,001        |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 6. Segment information

The Group's operating segments remain unchanged and comprise the following:

- Direct pension consultancy and administration – fees earned by Mattioli Woods for setting up and administering pension schemes under an advice-led model. Additional fees are generated from consultancy services provided for special one-off activities and the provision of bespoke scheme banking arrangements;
- Third party administration – fees earned by City Trustees for setting up and administering pension schemes under an administration-only model. Additional fees are generated from the provision of bespoke scheme banking arrangements;
- Investment and asset management – income generated from the placing of investments on behalf of clients;
- Property management – income generated where Custodian Capital manages collective property investment vehicles, facilitates direct commercial property investments on behalf of clients or acts as the external discretionary manager for Custodian REIT plc; and
- Employee benefits – income generated by the Group's employee benefits business operations.

Each segment represents a revenue stream subject to risks and returns that are different to other operating segments, although each operating segment's products and services are offered to 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 assets, property, plant and equipment 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 2014 and 2013, and the year ended 31 May 2014 respectively:

|                          | Six months ended 30 Nov 2014                          |                                    |   |                             |                           |                        |                         |                      |
|--------------------------|---|------------------------------------|---|-----------------------------|---------------------------|------------------------|-------------------------|----------------------|
|                          | Direct pension consultancy and administration<br>£000 | Third-party administration<br>£000 | Investment and asset management<br>£000 | Property management<br>£000 | Employee benefits<br>£000 | Total segments<br>£000 | Corporate costs<br>£000 | Consolidated<br>£000 |
| <b>Revenue</b>           |   |                                    |   |                             |                           |                        |                         |                      |
| External client          | 6,129   | 1,391                              | 5,381                                   | 1,077                       | 2,612                     | 16,590                 | —                       | 16,590               |
| Total revenue            | 6,129   | 1,391                              | 5,381                                   | 1,077                       | 2,612                     | 16,590                 | —                       | 16,590               |
| <b>Profit before tax</b> |   |                                    |   |                             |                           |                        |                         |                      |
| Segment result           | 1,560   | 278                                | 1,057                                   | 110                         | 403                       | 3,408                  | (727)                   | 2,681                |

|                          | Six months ended 30 Nov 2013                          |                                    |   |                             |                           |                        |                         |                      |
|--------------------------|---|------------------------------------|---|-----------------------------|---------------------------|------------------------|-------------------------|----------------------|
|                          | Direct pension consultancy and administration<br>£000 | Third-party administration<br>£000 | Investment and asset management<br>£000 | Property management<br>£000 | Employee benefits<br>£000 | Total segments<br>£000 | Corporate costs<br>£000 | Consolidated<br>£000 |
| <b>Revenue</b>           |   |                                    |   |                             |                           |                        |                         |                      |
| External client          | 5,065   | 1,046                              | 4,085                                   | 803                         | 2,446                     | 13,445                 | —                       | 13,445               |
| Total revenue            | 5,065   | 1,046                              | 4,085                                   | 803                         | 2,446                     | 13,445                 | —                       | 13,445               |
| <b>Profit before tax</b> |   |                                    |   |                             |                           |                        |                         |                      |
| Segment result           | 1,099   | 156                                | 1,119                                   | 75                          | 300                       | 2,749                  | (543)                   | 2,206                |



## 6. Segment information continued

### Operating segments continued

|                          | Year ended 31 May 2014                                |                                    |   |                             |                           |                        |                         |                      |
|--------------------------|---|------------------------------------|---|-----------------------------|---------------------------|------------------------|-------------------------|----------------------|
|                          | Direct pension consultancy and administration<br>£000 | Third-party administration<br>£000 | Investment and asset management<br>£000 | Property management<br>£000 | Employee benefits<br>£000 | Total segments<br>£000 | Corporate costs<br>£000 | Consolidated<br>£000 |
| <b>Revenue</b>           |   |                                    |   |                             |                           |                        |                         |                      |
| External client          | 10,559  | 2,126                              | 8,979                                   | 2,035                       | 5,648                     | 29,347                 | —                       | 29,347               |
| Total revenue            | 10,559  | 2,126                              | 8,979                                   | 2,035                       | 5,648                     | 29,347                 | —                       | 29,347               |
| <b>Profit before tax</b> |   |                                    |   |                             |                           |                        |                         |                      |
| Segment result           | 2,023   | 460                                | 2,195                                   | 209                         | 1,128                     | 6,015                  | (900)                   | 5,115                |

The following table presents segment assets of the Group's operating segments as at 30 November 2014 and 2013, and at 31 May 2014 (the date of the last annual financial statements):

|   | <b>Unaudited<br/>30 Nov 2014<br/>£000</b> | Unaudited<br>30 Nov 2013<br>£000 | Audited<br>31 May 2014<br>£000 |
|---|---|----------------------------------|--------------------------------|
| Direct pension consultancy and administration | <b>12,754</b>                             | 11,843                           | 12,261                         |
| Third-party administration                    | <b>4,835</b>                              | 4,339                            | 4,007                          |
| Investment and asset management               | <b>9,050</b>                              | 9,111                            | 9,214                          |
| Property management                           | <b>1,083</b>                              | 783                              | 697                            |
| Employee benefits                             | <b>10,368</b>                             | 10,999                           | 10,777                         |
| Total segments                                | <b>38,090</b>                             | 37,075                           | 36,956                         |
| Corporate assets                              | <b>11,611</b>                             | 11,183                           | 13,859                         |
| Total assets                                  | <b>49,701</b>                             | 48,258                           | 50,815                         |

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 6. Segment information continued

#### Adjustments and eliminations

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

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.

|                                 | Unaudited<br>30 Nov 2014<br>£000 | Unaudited<br>30 Nov 2013<br>£000 | Audited<br>31 May 2014<br>£000 |
|---------------------------------|----------------------------------|----------------------------------|--------------------------------|
| <b>Reconciliation of profit</b> |                                  |                                  |                                |
| Total segments                  | <b>3,408</b>                     | 2,749                            | 6,015                          |
| Acquisition-related costs       | <b>(101)</b>                     | (157)                            | (157)                          |
| Depreciation                    | <b>(200)</b>                     | (177)                            | (367)                          |
| Amortisation and impairment     | <b>(66)</b>                      | (56)                             | (119)                          |
| Loss on disposal of assets      | <b>(15)</b>                      | (18)                             | (34)                           |
| Unallocated overheads           | <b>(236)</b>                     | (155)                            | (254)                          |
| Bank charges                    | <b>(6)</b>                       | (5)                              | (10)                           |
| Finance income                  | <b>25</b>                        | 26                               | 43                             |
| Finance costs                   | <b>(128)</b>                     | (1)                              | (2)                            |
| Group profit before tax         | <b>2,681</b>                     | 2,206                            | 5,115                          |

|                                   | Unaudited<br>30 Nov 2014<br>£000 | Unaudited<br>30 Nov 2013<br>£000 | Audited<br>31 May 2014<br>£000 |
|-----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| <b>Reconciliation of assets</b>   |                                  |                                  |                                |
| Segment operating assets          | <b>38,090</b>                    | 37,075                           | 36,956                         |
| Property plant and equipment      | <b>1,318</b>                     | 1,241                            | 1,326                          |
| Intangible assets                 | <b>1,134</b>                     | 922                              | 977                            |
| Investments                       | <b>40</b>                        | 37                               | 39                             |
| Deferred tax asset                | <b>340</b>                       | 298                              | 367                            |
| Prepayments and other receivables | <b>1,079</b>                     | 676                              | 1,636                          |
| Cash and short-term deposits      | <b>7,700</b>                     | 8,009                            | 9,514                          |
| Total assets                      | <b>49,701</b>                    | 48,258                           | 50,815                         |

## 7. Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing net profit for the period 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:

|   | <b>Unaudited<br/>Six months ended<br/>30 Nov 2014<br/>£000</b> | Unaudited<br>Six months ended<br>30 Nov 2013<br>£000 | Audited<br>Year ended<br>31 May 2014<br>£000 |
|---|--|--|--|
| Net profit and diluted net profit attributable to equity holders of the Company | <b>2,069</b>   | 1,907  | 4,281  |
| Weighted average number of ordinary shares:                                     | <b>000s</b>  | 000s   | 000s   |
| Issued ordinary shares at start period  | <b>19,990</b>  | 18,813   | 18,813                                       |
| Effect of shares issued during year ended 31 May 2014                           | <b>—</b>   | 784  | 563  |
| Effect of shares issued in the current period                                   | <b>158</b>   | 61   | 61   |
| Basic weighted average number of shares   | <b>20,148</b>  | 19,658   | 19,437                                       |
| Effect of options exercisable at the reporting date                             | <b>216</b>   | 180  | 258  |
| Diluted weighted average number of shares                                       | <b>20,364</b>  | 19,838   | 19,695                                       |

The Company has granted options under the Mattioli Woods Pension Consultants Limited Enterprise Management Incentive Share Option Plan ("the Share Option Plan"), the Mattioli Woods plc Consultants' Share Option Plan ("the Consultants' Option Plan") and the Mattioli Woods 2010 Long Term Incentive Plan ("the LTIP") to certain of its senior managers and directors to acquire (in aggregate) up to 4.94% 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 2014 the conditions attaching to 720,070 options granted under the LTIP are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 9.94 pence per share (1H14: 9.41 pence).

Adjusted earnings per share amounts are calculated by adding back acquisition costs expensed under IFRS 3 (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 interim condensed consolidated financial statements has been the issue of 7,908 ordinary shares on 8 December 2014 and 8,526 ordinary shares on 7 January 2015 under the Mattioli Woods plc Share Incentive Plan ("SIP").

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 8. Dividends paid and proposed

|  | Unaudited<br>Six months ended<br>30 Nov 2014<br>€000 | Unaudited<br>Six months ended<br>30 Nov 2013<br>€000 | Audited<br>Year ended<br>31 May 2014<br>€000 |
|--|--|--|--|
| <b>Paid during the period:</b>                   |  |  |  |
| Equity dividends on ordinary shares:             |  |  |  |
| - Final dividend for 2014: 6.00p (2013: 4.67p)   | 1,202  | 925  | 925  |
| - Interim dividend for 2014: 3.10p (2013: 2.33p) | —  | —  | 618  |
| Dividends paid                                   | 1,202  | 925  | 1,543  |
| <b>Proposed for approval:</b>                    |  |  |  |
| Equity dividends on ordinary shares:             |  |  |  |
| - Interim dividend for 2015: 3.34p (2014: 3.10p) | 678  | 618  | —  |
| - Final dividend for 2014: 6.00p (2013: 4.67p)   | —  | —  | 1,202  |
| Dividends proposed                               | 678  | 618  | 1,202  |

The interim dividend was approved on 26 January 2015.

### 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 2014 of €0.08m (1H14: credit of €0.29m) is temporary differences on the amortisation of client portfolios. In the prior period the primary components were permanent differences arising on changes to the rate of tax expected to be enacted or substantively enacted at the reporting date and temporary differences on the amortisation of client portfolios.

The total deferred tax asset derecognised in the consolidated statement of changes in equity for the six months ended 30 November 2014 was €0.06m (1H14: €0.06m credit to equity). Deferred tax assets and liabilities have been recognised assuming the rate of tax enacted or substantively enacted at the reporting date was 20%.

## 9. Income tax continued

### Reconciliation of effective tax rates

The current tax expense for the six months ended 30 November 2014 was calculated based on the estimated average annual effective income tax rate of 22.8% (1H14: 12.9%), as compared to the tax rates expected to be enacted or substantively enacted at the reporting date of 21.0% (1H14: 23.0%). 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

The cash generated from operations may be presented under the direct method as follows:

|   | Unaudited<br>Six months ended<br>30 Nov 2014<br>£000 | Unaudited<br>Six months ended<br>30 Nov 2013<br>£000 | Audited<br>Year ended<br>31 May 2014<br>£000 |
|---|--|--|--|
| <b>Cash flows from operating activities</b> |  |  |  |
| Cash receipts from customers                | 16,086   | 13,541   | 27,786                                       |
| Cash paid to suppliers and employees        | (13,143)   | (11,435)   | (22,736)                                     |
| <b>Cash generated from operations</b>       | <b>2,943</b>   | 2,106  | 5,050  |

## 11. Share-based payments

### Share Option Plan

The Company operates the Share Option Plan by which certain of the executive directors and other senior executives can subscribe for ordinary shares in the Company at an exercise price of £1.32 per share. The contractual life of each option expires on 31 May 2015. At 30 November 2014 the total number of options outstanding and exercisable under the Share Option Plan was 60,450 (1H14: 95,250).

### Consultants' Share Option Plan

The Company also operates the Consultants' Share Option Plan by which certain senior executives are able to subscribe for ordinary shares in the Company. Options granted under the Consultants' Share Option Plan are summarised as follows:

| Date of grant    | Exercise price | At 1 June 2014 | Granted during the period | Exercised during the period | Lapsed during the period | At 30 Nov 2014 |
|------------------|----------------|----------------|---------------------------|-----------------------------|--------------------------|----------------|
| 5 September 2006 | £2.21          | 151,877        | —                         | (21,850)                    | —                        | 130,027        |
| 4 September 2007 | £2.79          | 154,196        | —                         | —                           | —                        | 154,196        |
| 8 September 2009 | £2.16          | 127,842        | —                         | (20,000)                    | —                        | 107,842        |
|                  |                | 433,915        | —                         | (41,850)                    | —                        | 392,065        |

The exercise price of the options is equal to the market price of the shares at the close of business on the day immediately preceding the date of grant. The options vest when the option holders achieve certain individual performance hurdles. A total of 127,842 options vested during the period as a result of the associated performance conditions being fulfilled. If the performance hurdles, which are linked to individual sales revenues, are not met over the five financial years commencing on 1 June before the date of grant, the options lapse. The contractual life of each option expires 10 years after the date of grant. At 30 November 2014 the total number of options exercisable under the Consultants' Share Option Plan was 392,065 (1H14: 351,833).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 11. Share-based payments continued

#### Long Term Incentive Plan

During the period, Mattioli Woods granted awards to the Company's executive directors and certain senior employees under the LTIP. Conditional share awards ("Equity-settled") grant participating employees a conditional right to become entitled to options with an exercise price of 1 pence over ordinary shares in the Company. Conditional cash awards ("Cash-settled") grant participating employees a conditional right to be paid a cash amount based on the proceeds of the sale of a specified number of ordinary shares following the vesting of the award. Movements in the LTIP scheme during the period were as follows:

|                                | Unaudited<br>30 Nov 2014<br>Equity-<br>settled | Unaudited<br>30 Nov 2014<br>Cash-<br>settled | Unaudited<br>30 Nov 2013<br>Equity-<br>settled | Unaudited<br>30 Nov 2013<br>Cash-<br>settled | Audited<br>31 May 2014<br>Equity-<br>settled | Audited<br>31 May 2014<br>Cash-<br>settled |
|--------------------------------|--|--|--|--|--|--|
| <b>Number of options</b>       |  |  |  |  |  |  |
| Outstanding at start of period | <b>217,519</b>                                 | <b>148,148</b>                               | —  | —  | —  | —  |
| Granted during the period      | <b>235,902</b>                                 | <b>118,501</b>                               | 217,519  | 148,148                                      | 217,519                                      | 148,148                                    |
| Exercised during the period    | —  | —  | —  | —  | —  | —  |
| Forfeited during the period    | —  | —  | —  | —  | —  | —  |
| Outstanding at end of period   | <b>453,421</b>                                 | <b>266,649</b>                               | 217,519  | 148,148                                      | 217,519                                      | 148,148                                    |

The LTIP awards are subject to the achievement of corporate profitability targets measured over a three year performance period and will vest following publication of the Group's audited results for the year. The amounts shown below represent the maximum opportunity for the participants in the LTIP:

|                      | Exercise price | At 1 June 2014 | Granted during the period | At 30 Nov 2014 |
|----------------------|----------------|----------------|---------------------------|----------------|
| <b>Date of grant</b> |                |                |                           |                |
| 5 September 2013     | £0.01          | 365,667        | —                         | <b>365,667</b> |
| 16 September 2014    | £0.01          | —              | 354,403                   | <b>354,403</b> |
|                      |                | 365,667        | 354,403                   | <b>720,070</b> |

#### Share Incentive Plan

The Company also operates the Mattioli Woods plc Share Incentive Plan ("the SIP"). Participants in the SIP are entitled to purchase up to a prescribed number of new ordinary shares in the Company at the end of each month. A total of 57,058 (1H14: 40,582) new ordinary shares were issued to the 203 employees who participated in the SIP during the year. At 30 November 2014, 455,638 shares were held in the SIP on their behalf. There were no forfeited shares not allocated to any specific employee.

## 11. Share-based payments continued

### Share-based payment expense

The amounts recognised in the statement of comprehensive income in respect of share-based payments were as follows:

|                                | Unaudited<br>30 Nov 2014<br>Equity-<br>settled<br>£000 | Unaudited<br>30 Nov 2014<br>Cash-<br>settled<br>£000 | Unaudited<br>30 Nov 2013<br>Equity-<br>settled<br>£000 | Unaudited<br>30 Nov 2013<br>Cash-<br>settled<br>£000 | Audited<br>31 May 2014<br>Equity-<br>settled<br>£000 | Audited<br>31 May 2014<br>Cash-<br>settled<br>£000 |
|--------------------------------|--|--|--|--|--|--|
| Share Option Plan              | —  | —  | —  | —  | —  | —  |
| Consultants' Share Option Plan | —  | —  | 6  | —  | 12   | —  |
| LTIP                           | 252  | 133  | 28   | 38   | 254  | 172  |
| SIP                            | 101  | —  | 60   | —  | 120  | —  |
| <b>Total</b>                   | <b>353</b>   | <b>133</b>   | 94   | 38   | 386  | 172  |

### Valuation assumptions

Assumptions used in the Black Scholes model to determine the fair value of options at the date of grant were as follows:

|                               | LTIP<br>(Equity-<br>settled)<br>2014 | LTIP<br>(Equity-<br>settled)<br>2013 | CSOP<br>2009 | CSOP<br>2007 | CSOP<br>2006 | Share<br>Option<br>Plan |
|-------------------------------|--------------------------------------|--------------------------------------|--------------|--------------|--------------|-------------------------|
| Share price at grant date (£) | 4.32                                 | 3.27                                 | 2.13         | 2.82         | 2.20         | 1.05                    |
| Exercise price (£)            | 0.01                                 | 0.01                                 | 2.16         | 2.79         | 2.21         | 1.32                    |
| Expected volatility (%)       | 20.0                                 | 22.5                                 | 17.0         | 30.0         | 30.0         | 25.0                    |
| Expected life (years)         | 4.5                                  | 4.5                                  | 7.0          | 7.0          | 7.0          | 6.0                     |
| Risk free rate (%)            | 2.02                                 | 1.54                                 | 3.33         | 4.63         | 4.58         | 4.57                    |
| Expected dividend yield (%)   | 2.30                                 | 3.00                                 | 1.60         | 1.11         | 1.00         | 1.00                    |

The expected volatility assumption is based on statistical analysis of the historical volatility of the Company's share price. For the LTIP, the mid-market value of the shares under option at the date of grant is based on the average price over the five days immediately preceding (but not including) the day of grant.

Cash-settled awards require the Group to pay the intrinsic value of the share-based payments to the employee at the date of exercise. The fair value of the awards is re-measured at each reporting date, based on the directors' estimate of the number of awards that will vest, and on settlement. Until the award is settled it is presented as a liability, not within equity. The total carrying amount of liabilities to pay cash-settled awards at 30 November 2014 was £0.31m (1H14: £0.04m) (Note 12). No LTIP awards had vested at the reporting date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 12. Provisions

| Group                   | LTIP cash liability<br>£000 | Client claims<br>£000 | Contingent consideration<br>£000 | Dilapidations<br>£000 | Clawback<br>£000 | E'ers'NIC on share options<br>£000 | Onerous Contracts<br>£000 | Other<br>£000 | Total<br>£000 |
|-------------------------|-----------------------------|-----------------------|----------------------------------|-----------------------|------------------|------------------------------------|---------------------------|---------------|---------------|
| At 1 June 2013          | —                           | 556                   | 3,792                            | 140                   | 341              | 29                                 | 42                        | 8             | 4,908         |
| Arising during period   | 39                          | 124                   | 2,750                            | —                     | 2                | 54                                 | —                         | —             | 2,969         |
| Used during period      | —                           | (15)                  | (1,583)                          | (20)                  | —                | —                                  | —                         | (8)           | (1,626)       |
| Arising on acquisitions | —                           | 65                    | —                                | 65                    | 51               | —                                  | —                         | —             | 181           |
| Unused amounts reversed | —                           | —                     | —                                | —                     | (101)            | —                                  | —                         | —             | (101)         |
| At 30 Nov 2013          | 39                          | 730                   | 4,959                            | 185                   | 293              | 83                                 | 42                        | —             | 6,331         |
| Arising during period   | 133                         | 168                   | (395)                            | —                     | 1                | 85                                 | —                         | —             | (8)           |
| Used during period      | —                           | (373)                 | —                                | —                     | —                | (19)                               | (42)                      | —             | (434)         |
| Unused amounts reversed | —                           | —                     | (100)                            | —                     | —                | —                                  | —                         | —             | (100)         |
| At 31 May 2014          | 172                         | 525                   | 4,464                            | 185                   | 294              | 149                                | —                         | —             | 5,789         |
| Arising during period   | 140                         | 135                   | 128                              | —                     | —                | 47                                 | —                         | —             | 450           |
| Used during period      | —                           | (309)                 | (3,271)                          | —                     | —                | —                                  | (19)                      | —             | (3,599)       |
| Arising on acquisitions | —                           | 10                    | 80                               | —                     | —                | —                                  | 57                        | 82            | 229           |
| <b>At 30 Nov 2014</b>   | <b>312</b>                  | <b>361</b>            | <b>1,401</b>                     | <b>185</b>            | <b>294</b>       | <b>196</b>                         | <b>38</b>                 | <b>82</b>     | <b>2,869</b>  |
| Current                 | —                           | 361                   | 176                              | —                     | 294              | —                                  | 38                        | 82            | 951           |
| Non-current             | 312                         | —                     | 1,225                            | 185                   | —                | 196                                | —                         | —             | 1,918         |
| At 30 Nov 2014          | 312                         | 361                   | 1,401                            | 185                   | 294              | 196                                | 38                        | 82            | 2,869         |

#### LTIP cash liability

The Group has granted cash settled options to certain Executive Directors. The amounts of any cash entitlement on vesting of an award will be directly linked to the value of a specified number of the Company's shares at the vesting date.

#### 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.

The directors believe it would be seriously prejudicial for the Group to disclose the amount of any expected reimbursement in respect of provisions recognised and have therefore taken advantage of the exemption from this disclosure requirement available under IAS 37.

#### 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 £0.18m (1H14: £2.23m).



## **12. Provisions continued**

### **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.

### **Onerous contracts**

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

### **Other**

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

As part of the Group's acquisition of UKWM Pensions, the Group has undertaken to transfer its members' assets to alternative SIPP arrangements provided by the Group and wind-up the existing SIPP arrangements of the acquired business. Post-acquisition the Group became liable for the costs of transferring members' assets to new SIPP arrangements and estimates the net present value of those costs payable within the next 12 months to be £0.06m.

## **13. Related party transactions**

### **Custodian REIT plc**

In March 2014 the Company's subsidiary, Custodian Capital, was appointed as the discretionary investment manager of Custodian REIT plc ("Custodian REIT"), a new closed-ended property investment company listed on the Main Market of the London Stock Exchange.

The Company's Chief Executive, Ian Mattioli, is a non-independent Non-Executive Director of Custodian REIT and the Company's Finance Director and Company Secretary, Nathan Imlach, is Company Secretary of Custodian REIT. Ian Mattioli received £13,000 of director's fees from Custodian REIT during the six months ended 30 November 2014. Fees for Nathan Imlach's services are charged by Custodian Capital directly to Custodian REIT and are included in the annual management charges noted below.

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

During the six months ended 30 November 2014 the Group received revenues of £0.72m in respect of annual management charges, company secretarial and administration fees. Custodian REIT owed the Group £0.36m at 30 November 2014.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 13. Related party transactions continued

#### Key management compensation

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 11 (1H14: 12) other executives, received total compensation of £2.17m for the six months ended 30 November 2013 (1H14: £1.68m). 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 a limited partnership structure, replacing the previous trust-based structure. Each limited partnership is constituted by its general partner and its limited partners (the investors), with the general partner being a separate limited company owned by Custodian Capital.

The general partner and the initial limited partner enter into a limited partnership agreement, which governs the operation of the partnership and also sets out the rights and obligations of the investors. The general partners have appointed Custodian Capital as the operator of the partnerships pursuant to an operator agreement between the general partner and Custodian Capital. At 30 November 2014 the Company had advanced £nil (1H14: £0.01m) of unsecured short-term loans to new property syndicate partnerships. The loans repaid during the period were repayable on demand and accrued interest daily at a rate of 3% above the Bank of England base rate.

#### FP Thoroughbred Core Alpha Fund

The Group's subsidiary Atkinson Bolton is the investment manager of the FP Thoroughbred Core Alpha Fund, an open ended investment company which aims to achieve long-term growth while managing volatility so that, other than on very short term measures, outperformance comes with a lower beta than the benchmark. As at 30 November 2014 the Group held an investment with a market value of £39,502 in the FP Thoroughbred Core Alpha Fund.

### 14. 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 probable losses that may arise out of contingencies (Note 12).

#### FSCS levy

In the year ended 31 May 2014 the Financial Services Compensation Scheme ("FSCS") did not raise an interim levy from investment intermediaries to pay for the costs of compensating clients in investment failures. This meant the Group was not required to contribute. In the prior period a provision of £0.01m was made in the financial statements for FSCS interim levy. It is not expected that any FSCS interim levy will be raised in the year ending 31 May 2015 and consequently no provision for FSCS interim levy has been made in these financial statements.

## **15. Events after the reporting period**

### **Acquisition of Torquil Clark portfolio**

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

The Torquil Clark pension business comprises 140 SIPP and SSAS schemes with total funds under trusteeship of over £83.0m. The acquisition will be accounted for using the acquisition method. The provisional fair values of the identifiable assets and liabilities of the Torquil Clark pension business as at the acquisition date are yet to be determined. The costs associated with the acquisition were £0.06m.

### **Bank facility**

At 30 November 2014, the Group had a £5.0m overdraft facility with Lloyds Bank plc ("Lloyds Bank") with interest payable at the Bank of England's base rate plus 1.1875% on the first £0.5m and plus 1.375% on borrowings in excess of £0.5m. The facility is repayable upon demand and renewable on 31 January 2015.

The Group has renewed its borrowing facilities with Lloyds Bank on the existing terms, with the new facility repayable upon demand and available until further notice. It will be reviewed periodically by Lloyds Bank, at least on an annual basis.

### **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 be reduced from 21% to 20% from 1 April 2015.

This rate change 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.

## NOTES

## 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  
Alan Fergusson - Employee Benefits Director  
John Redpath - Non-Executive Director  
Joanne Lake - Non-Executive Director  
Carol Duncumb - Non-Executive Director

### Company secretary

Nathan Imlach

### Registered office

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Grove Park  
Enderby  
Leicester  
LE19 1SY

### Registered number

3140521

### Nominated adviser and broker

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR

### Auditor

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

### Solicitors

**DWF LLP**  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DY

### Principal bankers

**Lloyds Bank plc**  
1 Lochrin Square  
92 Fountainbridge  
Edinburgh  
EH3 9QA

### Bank of Scotland plc

1 Lochrin Square  
92 Fountainbridge  
Edinburgh  
EH3 9QA

### Registrars

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

## FINANCIAL CALENDAR

|                 |   |
|-----------------|---|
| 27 January 2015 | Announcement of interim results for the six months ended 30 November 2014 |
| 5 February 2015 | Ex-interim dividend date for ordinary shares                              |
| 6 February 2015 | Record date for interim dividend  |
| 6 March 2015    | Payment of interim dividend on ordinary shares                            |



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WEALTH MANAGEMENT & EMPLOYEE BENEFITS