Mattioli Woods plc

WEALTH MANAGEMENT & EMPLOYEE BENEFITS

Interim Report 2015/16

Mattioli Woods plc ("Mattioli Woods" or "the Group") is one of the UK's leading providers of wealth management and employee benefits services.

Our clients include controlling directors, professionals, executives, employees, owner-managed businesses, small to medium-sized enterprises and PLCs. Our ambition is to put our clients at the core of everything we do, with the objective of growing and preserving their assets. At the same time, we want to grow our business, both organically and by acquisition, to deliver strong, sustainable shareholder returns over the long term.

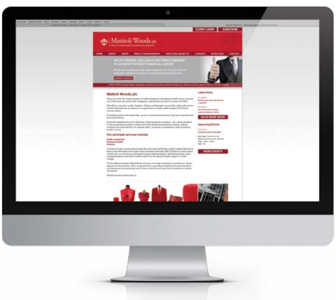
Our focus is on holistic planning and providing the highest levels of personal service, maintaining very close relationships with our clients, who entrust us with £6.5 billion of assets under management, administration and advice.

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.

Overview

"Another period of strong growth"

Bob Woods
Executive Chairman



For more information, visit our website:
www.mattioliwoods.com

HIGHLIGHTS

Financial highlights

- Revenue up 20.0% to £19.90m (1H15: £16.59m)
- Recurring revenues represent 81.6% (1H15: 82.1%)
- Adjusted EBITDA[1] up 18.4% to £4.32m (1H15: £3.65m)
  - Margin[1] of 21.7% (1H15: 22.0%)
  - Adjusted EPS[2,3] up 8.4% to 14.65p (1H15: 13.50p)
- Interim dividend up 15.3% to 3.85p (1H15: 3.34p)
- Strong financial position, with net cash of £22.64m (1H15: £7.70m)

Operational highlights and recent developments

- Total client assets up 29.5% to £6.49bn (1H15: £5.01bn)
  - Discretionary AuM up 24.1% to £1.08bn (1H15: £0.87bn)
  - £58.6m of new equity raised by Custodian REIT
- Net organic revenue growth[4] of £1.88m (12.0%) (1H15: £2.35m, 20.1%)
- June 2015 placing raised £18.6m of new money
- Three acquisitions completed in period:
  - Initial consideration of £6.16m cash, plus £3.70m shares
  - Deferred consideration of up to £5.80m payable in cash
- Acquisition of Maclean Marshall Healthcare in January 2016

Revenue

£19.90m

(1H15: £16.59m) **+20.0%**

Adjusted EBITDA[1]

£4.32m

(1H15: £3.65m) **+18.4%**

Adjusted EPS[2,3]

14.65p

(1H15: 13.50p) **+8.4%**

Interim dividend

3.85p

(1H15: 3.34p) **+15.3%**

1 Earnings before interest, taxation, depreciation, amortisation, impairment and acquisition-related costs.
2 Before acquisition-related costs, amortisation and impairment of acquired intangibles, and notional finance income and charges.
3 Basic EPS down 6.0% to 9.55p (1H15: 10.16p).
4 Excluding banking income.

> We believe Mattioli Woods' capabilities as adviser, provider and asset manager position us well to secure further profitable growth

Business review

We are delighted to report another period of strong growth, with revenue for the six months ended 30 November 2015 up 20.0% to £19.90m (1H15: £16.59m). In our wealth management business, the positive impact of new business wins and recent acquisitions more than offset a £0.66m fall in banking income, following the further cuts in interest margin we had anticipated.

Strong demand for advice and the continued development of our consultancy team has driven increased new business flows, which together with the three acquisitions completed during the period increased total client assets under management, administration and advice by 29.5% to £6.49bn (1H15: £5.01bn) at the period end.

Discretionary assets under management increased by 24.1% to £1.08bn (1H15: £0.87bn), with a net increase of £73.1m (1H15: £136.7m) in funds managed by our discretionary portfolio management service, despite the adverse impact of volatile investment markets on equity and bond values. In addition, our subsidiary Custodian Capital Limited ("Custodian Capital") is discretionary investment manager of Custodian REIT plc ("Custodian REIT"), a closed-ended property investment company listed on the Main Market of the London Stock Exchange, which raised over £58.6m of new monies during the period. As manager, Custodian Capital charges annual management fees based on the net asset value of the investment company, enhancing the Group's recurring revenues[5], which were 81.6% (1H15: 82.1%) of total revenue for the period.

Acquisitions continue to be a core part of our growth strategy. In June, we raised £18.6m (before expenses) by way of a placing with institutional investors ("the Placing") to allow us to pursue further acquisition opportunities. At the same time, we announced the acquisition of Boyd Coughlan Limited ("Boyd Coughlan"), followed by the purchase of the Taylor Patterson Group Limited ("Taylor Patterson") in September 2015 and the Lindley Trustees pension business in October 2015 (see Note 4).

On 22 January 2016 we were pleased to complete the acquisition of Maclean Marshall Healthcare, a specialist healthcare and protection business based in Aberdeen. The acquisition introduces an experienced manager and around 80 new corporate clients to the Group, adding further scale to our employee benefits business.

We believe further consolidation in the SIPP market remains likely, with increased regulatory capital requirements for SIPP operators coming into effect from 1 September 2016. The balance of funds raised by way of the Placing gives us the flexibility to make further earnings-enhancing acquisitions.

The period end coincided with the 10th anniversary of Mattioli Woods' admission to AIM and we are delighted with the performance of our business over the last ten years. Our focus is on ensuring we continue to address our clients' changing needs and our ambition is to see our brand become an even stronger force in the UK financial services sector. We believe Mattioli Woods' capabilities as adviser, provider and asset manager position us well to secure further profitable growth.

5 Annual pension consultancy and administration fees; adviser charges; level and renewal commissions; banking income; property and discretionary portfolio management charges.

Assets under management, administration and advice

Total client assets under management, administration and advice at the period end comprised:

	30 Nov 2015 £m	30 Nov 2014 £m	31 May 2015 £m
SIPP and SSAS funds under trusteeship	**3,939.6**	3,152.3	3,376.2
Employee benefits	**1,213.7**	960.4	1,059.4
Other personal and pension assets	**1,331.7**	898.4	974.8
Total assets under management, administration and advice[6]	**6,485.0**	5,011.1	5,410.4

Client assets attributable to the acquired businesses of Boyd Coughlan, Taylor Patterson and Lindley Trustees at the period end were £249.4m, £632.5m and £116.6m respectively, with net organic growth in total assets under management, administration and advice of £76.1m during the period, analysed as follows:

- An increase of £68.5m in SIPP and SSAS funds under trusteeship, following a net 1.2% increase in the number of schemes being administered at the period end;
- A £38.1m increase in other personal and pension assets under management and advice, with 154 new personal clients won during the period; and
- A £30.5m fall in the value of assets held in those corporate pension schemes advised by our employee benefits business.

Trading results

Revenue was up 20.0%, with sustained client demand for advice due to changes in both investment markets and the pension landscape.

We delivered net organic revenue growth of 12.0% (1H15: 20.1%), excluding the impact of expected cuts in banking margin. This organic growth was supplemented by £1.90m of revenue from the three acquisitions completed during the period, plus a full six months' revenue of £0.30m (1H15: £0.11m) from the pension administration businesses of UK Wealth Management and Torquil Clark that were acquired in the previous financial year.

As a result of the strong revenue growth during the period, adjusted EBITDA[7] increased 18.4% to £4.32m (1H15: £3.65m), with adjusted EBITDA margin falling to 21.7% (1H15: 22.0%) as the fall in banking revenue dropped through to the bottom line.

Adjusted EPS[8] increased 8.5% to 14.65p (1H15: 13.50p), while basic EPS fell 6.0% to 9.55p (1H15: 10.16p), with the growth in operating profits offset by the dilutive effect of issuing of 3,795,918 shares under the Placing and 655,630 shares as initial consideration on the Boyd Coughlan and Taylor Patterson acquisitions. Basic EPS was also impacted by £0.29m (1H15: £0.04m) of acquisition-related costs and £0.15m (1H15: £0.09m) of notional finance charges on the unwinding of discounts on long term provisions.

The effective rate of taxation fell to 18.0% (1H15: 22.8%), due to the reversal of deferred tax liabilities on acquired intangibles following cuts in the UK corporation tax rate.

Pension consultancy and administration

Pension consultancy and administration revenues were up 1.2% to £7.61m (1H15: £7.52m), with an increase in fees driven by the total number of SIPP and SSAS schemes administered by the Group increasing to 7,444 (1H15: 6,322) at the period end being offset by the fall in banking revenues during the period.

Direct[9] pension consultancy and administration fees were up 6.9% to £5.88m (1H15: £5.50m). The number of direct schemes increased to 4,284 (1H15: 3,637), with 295 new schemes gained in the first half (1H15:183), continuing the momentum of new business wins seen in the prior year, plus 228 additional schemes from acquisitions. Our focus remains on the quality of new business. The average new scheme value was £0.40m (1H15: £0.58m), with the prior year average particularly high due to one new SSAS scheme with £17.0m of assets. We also maintained strong client retention, with an external loss rate[10] of 1.1% (1H15: 1.2%) and an overall attrition rate[11] of 2.2% (1H15: 2.3%).

6 Note certain pension scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event.
7 Earnings before interest, taxation, depreciation, amortisation, impairment and acquisition-related costs.
8 Before acquisition-related costs, amortisation and impairment of acquired intangibles, and notional finance income and charges.
9 SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator.
10 Direct schemes lost to an alternative provider as a percentage of average scheme numbers during the period.
11 Direct schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the period.

The number of SSAS and SIPP schemes the Group operates on an administration-only basis increased to 3,160 (1H15: 2,685) at the period end. In recent years, Mattioli Woods has been appointed to operate or wind-up a number of distressed SIPP portfolios following the failure of the previous operator. Lost schemes include the transfer of members of these distressed SIPP portfolios to alternative arrangements, with lost schemes during the period being offset by 559 administration-only schemes being acquired as part of the Taylor Patterson and Lindley Trustees portfolios. Overall, third party administration fees increased 31.4% to £1.55m (1H15: £1.18m).

The Group's banking revenue fell 78.6% to £0.18m (1H15: £0.84m), following the introduction of new rules on liquidity cover that make it more onerous for banks to hold our clients' pension scheme deposits, reducing the interest rates available on these deposits. We expect to see a further cut in banking margins 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 47.8% to £7.95m (1H15: £5.38m). Income from both initial and ongoing portfolio management charges increased to £4.11m (1H15: £2.77m), as the value of clients' assets in discretionary portfolios increased 25.7% to £0.88bn (1H15: £0.70bn). The Group's total discretionary assets under management, including Custodian REIT and the Thoroughbred OEIC, totalled £1.08bn (1H15: £0.87bn) at the period end.

Adviser charges based on the value of assets under advice were £3.84m (1H15: £2.61m). Assets under advice included over £124.3m of clients' assets held in structured products and we plan to develop a collective investment structure to take advantage of the opportunities we see for growth in this area.

The growth in funds under management and advice has enhanced the quality of earnings through an increase in recurring revenues, with the proportion of investment and asset management revenues which are recurring increasing to 80.9% (1H15: 75.5%). As with other firms, these income streams are linked to the value of funds under management and advice, and are therefore affected by the performance of financial markets.

Employee benefits

The introduction of a charge cap on auto-enrolment pension schemes in April 2015 is soon to be followed by the abolition of provider commissions in April 2016. These changes have presented the employee benefits market with a number of challenges and opportunities, as enlightened employers recognise the value of employee engagement around benefits.

Employee benefits revenues were £2.62m (1H15: £2.61m). Although the shift to a fee-based proposition is being well-received by corporate clients, as anticipated, the changes in the corporate pensions market have reduced pension-related revenues in the short term but led to higher recurring revenues, with 78.5% (1H15: 61.4%) of employee benefits revenues now recurring. We anticipate the forthcoming abolition of provider commissions will further change the revenue mix and we continue to seek opportunities to enhance our revenues from non-pension related areas, such as the acquisition of Marshall Maclean Healthcare.

The oil and gas sector remains in a depressed state, with many commentators believing there are more cost control measures to come through in 2016, including further redundancies. This could impact revenues from clients operating in the oil and gas industry, which is cyclical, but the market will still require the services we provide. In addition, recent acquisitions have diversified our employee benefits revenues, both geographically and through the addition of new specialisms, such as the charity sector and health insurance.

We expect the employee benefits business to accelerate demand for our wealth management services via the introduction of our Executive Financial Counselling and Boardroom Pay initiatives to new corporate clients. We also intend to extend our reach through the launch of a new discretionary investment proposition for employees, "MW Select", later this year.

Property management

Property management revenues increased 59.3% to £1.72m (1H15: £1.08m) following the placing of a further £58.6m of new equity by Custodian REIT, which now has a market capitalisation of over £240m. The majority of our property management revenues are derived from the services provided by Custodian Capital to Custodian REIT. A strong income focus allows Custodian REIT to offer the highest yield[12] among its UK property investment company peer group, coupled with the potential for capital growth from a balanced portfolio of real estate assets.

In addition, Custodian Capital continues to facilitate direct property ownership on behalf of pension schemes and private clients and also manages the "Private Investors Club", which offers alternative investment opportunities to suitable clients by way of private investor syndicates. This has been well received by clients, with over £5.64m invested in three new syndicates completed during the period.

Cash flow

Cash generated from operations increased to £1.67m or 41.3% of EBITDA (1H15: £2.94m or 81.4%), with the cash conversion ratio adversely impacted by the £0.66m fall in banking revenues , a £1.82m increase (1H15: £0.51m increase) in trade and other receivables, and a £1.27m (1H15: £0.41m) decrease in trade and other payables.

Trade and other payable decreased following the payment of £2.94m (1H15: £1.77m) of employee bonuses in respect of the prior financial year, with the increase in trade and other receivables primarily resulting from:

- A £0.84m increase in trade receivables due to strong growth in pension consultancy and administration fees, a shift in employee benefits revenues from provider commissions to fees, and strong growth in property management fees; and
- A £0.80m increase in prepayments and accrued income, with prepayment of the Group's professional indemnity insurance for 18 months to secure what the Directors regard as favourable terms for a longer period, and increased accrued income representing fees payable to the Group in respect of the Placing by Custodian REIT, which closed on 27 November 2015.

Net cash at 30 November 2015 was £22.64m (1H15: £7.70m), after the Placing raised net proceeds of £17.91m and a net cash outflow of £2.95m (1H15: £0.24m) on acquisitions during the period.

EBITDA increased 11.6% to £4.03m (1H15: £3.61m), with first half EBITDA margin falling to 20.3% (1H15: 21.8%) due to reduced banking revenues, together with costs associated with the completion and integration of recent acquisitions and further simplification of the Group's legal structure. Profit before tax was up 5.2% to £2.82m (1H15: £2.68m) and we believe we have the strategy to deliver further revenue and profit growth for the full year.

Our people

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 100 (1H15: 82) at the period end.

We were pleased to welcome the 71 employees to the Group as part of the acquisitions completed during the period and 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 that the proportion of eligible staff currently investing via the Plan has increased to 63% (1H15: 57%) and we will continue to encourage broader staff participation.

Developing our peoples' talents and identifying our leaders of the future is at the core of our succession planning, and our best and most successful succession planning has come from within.

Board changes

In the first half we announced the appointment of Joanne Lake as Deputy Chairman, which is an interim step prior to her proposed appointment as Non-executive Chairman at the next Annual General Meeting in October 2016.

Bob Woods now intends to stand down from the Board and will continue in a full-time executive role as Senior Adviser to the Group. As previously announced, his focus will be on his client portfolio, new business development and acting as an ambassador for Mattioli Woods.

12 Source: Numis Securities Limited, Investment Companies – Property Funds Datasheet dated 19 January 2016.

The Group's senior Non-Executive Director, John Redpath, has informed the Board that, as planned, he wishes to retire this year. The Nomination Committee has initiated a search process to replace John. John has served on the Board since our admission to the AIM market in November 2005. The Board greatly appreciates John's valuable contribution to the Group's growth over the last ten years and wishes him well for the future.

As part of the preparations for John's retirement, Carol Duncumb will take over as Chairman of the Remuneration Committee and Joanne Lake will take over as Chairman of the Nominations Committee with immediate effect.

The Board remains committed to developing the corporate governance and management structure of the Group to ensure they continue to meet the changing needs of the business.

Dividend

The Board is pleased to recommend the payment of an increased interim dividend, up 15.3% to 3.85 pence per share (1H15: 3.34 pence). The Board remains committed to growing the dividend, while maintaining an appropriate level of dividend cover. The interim dividend will be paid on 4 March 2016 to shareholders on the register at the close of business on 12 February 2016.

Acquisitions

We have invested over £40m since our admission to AIM in 2005 in bringing 16 businesses or client portfolios into the Group. Accordingly, we have developed considerable expertise and a strong track record in the execution and subsequent integration of such deals.

The Boyd Coughlan and Taylor Patterson acquisitions have provided the Group with a wider audience for its products and services and extended our wealth management and employee benefits capabilities, with the experienced management teams of both companies remaining part of the enlarged Group.

Lindley Trustees provides trustee and administration services to over 130 SSAS schemes, and following its acquisition we have integrated this business into Taylor Patterson's operations.

Last month, we were pleased to acquire Maclean Marshall Healthcare, bringing additional scale and expertise to our corporate healthcare proposition. With increasing complexity and continuing consolidation across the key markets in which we operate, we are confident there will be further opportunities to expand our operations by acquisition, accelerating our already strong growth.

Strategy

We remain focused on the pursuit of strong organic growth, supplemented by strategic acquisitions that enhance value and broaden or deepen our expertise and services. Developing our technology is a key part of this strategy. We continue to invest in our bespoke pension administration and wealth management platform with the first phase of a new customer relationship management system scheduled to go live over the next few months. This is expected to realise operational efficiencies across the Group and we recognise the increasing consumer requirement for a strong advisory service blended with on-line functionality, visibility and product availability.

Outlook

We are proud of the strong shareholder returns we have delivered over the 10 years since Mattioli Woods' admission to AIM. Against a backdrop of volatile financial markets, we expect uncertainty, combined with recent regulatory and legislative changes, to drive sustained demand for advice from clients, offsetting any impact of lower asset values on investment-related revenues.

We are broadening our proposition as trusted adviser, product provider and asset manager and believe our blend of wealth management and employee benefits positions us well to deliver further strong shareholder returns going forward.

Bob Woods
Chairman

Ian Mattioli
Chief Executive

1 February 2016

INDEPENDENT REVIEW REPORT TO MATTIOLI WOODS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 November 2015 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 2015 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.

RSM UK Audit LLP

Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

1 February 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 November 2015

	Note	**Unaudited Six months ended 30 Nov 2015 £000**	Unaudited Six months ended 30 Nov 2014 £000	Audited Year ended 31 May 2015 £000
Revenue	6	**19,895**	16,590	34,565
Employee benefits expense		**(11,736)**	(9,677)	(20,042)
Other administrative expenses		**(3,458)**	(2,933)	(6,604)
Share based payments	11	**(653)**	(353)	(790)
Amortisation and impairment		**(892)**	(628)	(1,279)
Depreciation		**(197)**	(200)	(387)
Loss on disposal of property, plant and equipment		**(18)**	(15)	(44)
Operating profit before financing		**2,941**	2,784	5,419
Finance revenue		**22**	25	46
Finance costs		**(146)**	(128)	(175)
Net finance cost		**(124)**	(103)	(129)
Profit before tax		**2,817**	2,681	5,290
Income tax expense	9	**(506)**	(612)	(1,268)
Profit for the period		**2,311**	2,069	4,022
Other comprehensive income for the period, net of tax		**—**	—	—
Total comprehensive income for the period, net of tax		**2,311**	2,069	4,022
Attributable to:				
Equity holders of the parent		**2,311**	2,069	4,022
Earnings per ordinary share:				
Basic (pence)	7	**9.55**	10.16	19.72
Adjusted (pence)	7	**14.65**	13.50	27.38
Diluted (pence)	7	**9.48**	10.05	19.49
Proposed dividend per share (pence)	8	**3.85**	3.34	10.50

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 2015

	Note	**Unaudited 30 Nov 2015 £000**	Unaudited 30 Nov 2014 £000	Audited 31 May 2015 £000
Assets				
Property, plant and equipment		**1,620**	1,318	1,430
Intangible assets	5	**43,213**	29,169	28,852
Deferred tax asset	9	**501**	340	422
Total non-current assets		**45,334**	30,827	30,704
Trade and other receivables		**15,932**	11,134	12,355
Investments		**63**	40	129
Cash and short-term deposits		**22,639**	7,700	10,570
Total current assets		**38,634**	18,874	23,054
Total assets		**83,968**	49,701	53,758
Equity				
Issued capital		**250**	203	204
Share premium		**27,186**	8,369	8,689
Merger reserve		**8,531**	4,838	4,838
Equity – share based payments		**1,151**	1,099	997
Capital redemption reserve		**2,000**	2,000	2,000
Retained earnings		**23,342**	21,124	22,739
Total equity attributable to equity holders of the parent		**62,460**	37,633	39,467
Non-current liabilities				
Deferred tax liability	9	**3,928**	2,401	2,339
Provisions	13	**6,125**	1,918	2,393
Total non-current liabilities		**10,053**	4,319	4,732
Current liabilities				
Trade and other payables		**7,089**	6,373	7,979
Income tax payable	9	**1,119**	425	624
Provisions	13	**3,247**	951	956
Total current liabilities		**11,455**	7,749	9,559
Total liabilities		**21,508**	12,068	14,291
Total equities and liabilities		**83,968**	49,701	53,758

Registered number 3140521

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2015

	Note	Issued capital £000	Share premium £000	Merger reserve £000	Equity – share based payments £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
As at 1 June 2014 – Audited		**200**	**8,001**	**4,040**	**1,046**	**2,000**	**20,257**	**35,544**
Total comprehensive income for period								
Profit for the period		—	—	—	—	—	2,069	2,069
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income for period		—	—	—	—	—	2,069	2,069
Transactions with owners of the Company, recognised directly in equity								
Issue of share capital		3	368	798	—	—	—	1,169
Costs of share issue		—	—	—	—	—	—	—
Share-based payment transactions	11	—	—	—	113	—	—	113
Deferred tax asset derecognised in equity		—	—	—	(60)	—	—	(60)
Dividends		—	—	—	—	—	(1,202)	(1,202)
As at 30 November 2014 – Unaudited		203	8,369	4,838	1,099	2,000	21,124	37,633
Total comprehensive income for period								
Profit for the period		—	—	—	—	—	1,953	1,953
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income for period		—	—	—	—	—	1,953	1,953
Transactions with owners of the Company, recognised directly in equity								
Issue of share capital		1	320	—	—	—	—	321
Share-based payment transactions	11	—	—	—	143	—	—	143
Deferred tax asset recognised in equity		—	—	—	62	—	—	62
Current tax taken to equity		—	—	—	34	—	—	34
Dividends		—	—	—	—	—	(679)	(679)
Reserves transfer		—	—	—	(341)	—	341	—
As at 31 May 2015 – Audited		**204**	**8,689**	**4,838**	**997**	**2,000**	**22,739**	**39,467**

	Note	Issued capital £000	Share premium £000	Merger reserve £000	Equity – share based payments £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
As at 1 June 2015 – Audited		**204**	**8,689**	**4,838**	**997**	**2,000**	**22,739**	**39,467**
Total comprehensive income for period								
Profit for the period		—	—	—	—	—	2,311	2,311
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income for period		—	—	—	—	—	2,311	2,311
Transactions with owners of the Company, recognised directly in equity								
Issue of share capital		46	18,497	3,693	—	—	—	22,236
Share-based payment transactions	11	—	—	—	180	—	—	180
Deferred tax asset derecognised in equity		—	—	—	(16)	—	—	(16)
Current tax taken to equity		—	—	—	72	—	—	72
Reserves transfer		—	—	—	(82)	—	82	—
Dividends		—	—	—	—	—	(1,790)	(1,790)
As at 30 November 2015 – Unaudited		**250**	**27,186**	**8,531**	**1,151**	**2,000**	**23,342**	**62,460**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2015

	Note	**Unaudited Six months ended 30 Nov 2015 £000**	Unaudited Six months ended 30 Nov 2014 £000	Audited Year ended 31 May 2015 £000
Operating activities				
Profit for the period		**2,311**	2,069	4,022
Adjustments for:				
Depreciation		**197**	200	387
Amortisation and impairment		**892**	628	1,279
Gain on bargain purchase		**—**	—	(92)
Investment income		**(22)**	(25)	(46)
Interest expense		**146**	128	175
Loss on disposal of property, plant and equipment		**18**	15	44
Equity-settled share-based payments	11	**293**	213	478
Cash-settled share-based payments	11	**360**	140	312
Income tax expense		**506**	612	1,268
Cash flows from operating activities before changes in working capital and provisions		**4,701**	3,980	7,827
(Increase)/decrease in trade and other receivables		**(1,817)**	(505)	(1,699)
(Decrease)/increase in trade and other payables		**(1,265)**	(406)	1,442
Decrease/(increase) in provisions		**47**	(126)	10
Cash generated from operations		**1,666**	2,943	7,580
Interest paid		**—**	—	(1)
Income taxes paid		**(677)**	(916)	(1,441)
Net cash flows from operating activities		**989**	2,027	6,138
Investing activities				
Proceeds from sale of property, plant and equipment		**32**	36	69
Purchase of property, plant and equipment		**(358)**	(242)	(603)
Purchase of software		**(167)**	(234)	(374)
Consideration paid on acquisition of subsidiaries	4	**(5,965)**	(2,249)	(2,383)
Consideration paid on acquisition of business	4	**(199)**	(275)	(363)
Cash acquired in business combinations	4	**3,217**	32	32
Other investments		**—**	—	(90)
Interest received		**22**	25	46
Loans advanced to investment syndicates		**(1,163)**	—	—
Net cash from investing activities		**(4,581)**	(2,907)	(3,666)
Financing activities				
Proceeds from the issue of share capital		**19,116**	268	467
Payment of costs of share issue		**(692)**	—	—
Repayment of borrowings acquired in business combinations	4	**(965)**	—	—
Repayment of Directors' loans		**(8)**	—	(2)
Dividends paid	8	**(1,790)**	(1,202)	(1,881)
Net cash from financing activities		**15,661**	(934)	(1,416)
Net increase/(decrease) in cash and cash equivalents		**12,069**	(1,814)	1,056
Cash and cash equivalents at start of period		**10,570**	9,514	9,514
Cash and cash equivalents at end of period		**22,639**	7,700	10,570

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 1 February 2016.

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 2015, 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 2015 and the six months ended 30 November 2014 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 2015 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 2015.

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.

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 on or after
IFRS 2 (amended)	Share-based Payment	1 July 2014
IFRS 3 (amended)	Business Combinations	1 July 2014
IFRS 8 (amended)	Operating Segments	1 July 2014
IFRS 13 (amended)	Fair Value Measurement	1 July 2014
IAS 16 (amended)	Property, Plant and Equipment	1 July 2014
IAS 24 (amended)	Related Party Disclosures	1 July 2014
IAS 38 (amended)	Intangible Assets	1 July 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.

Future new standards and interpretations

A number of new standards and amendments to standards and interpretations will be effective for future annual and interim periods and, therefore, have not been applied in preparing these condensed consolidated interim financial statements. IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' are expected to have the most significant effect on the condensed consolidated interim financial statements and the consolidated financial statements of the Group.

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' are not expected to become mandatory for periods commencing before 1 January 2018. The Group does not plan to adopt these standards early and the extent of their impact has not yet been fully determined. These standards have not yet been adopted by the EU. IFRS 9 'Financial Instruments' could change the classification and measurement of financial assets and the timing and extent of credit provisioning. IFRS 15 'Revenue from Contracts with Customers' could change how and when revenue is recognised from contracts with customers.

Financial statements for the year ending 31 May 2016

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 2016, 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 each 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 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% (1H15: 2.5%), which management considers conservative against industry average long-term growth rates.

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 carrying amount of client portfolios at 30 November 2015 was £25.58m (1H15: £17.26m). No impairments have been made during the period (1H15: £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 2015 was £16.36m (1H15: £10.77m). No impairments have been made during the period (1H15: £nil) based upon the Directors' review.

2. Basis of preparation and accounting policies continued

2.4 Key sources of judgements and estimation uncertainty continued

Internally generated capitalised software

The costs of internal software developments are capitalised where they are judged to have an economic value that will extend into the future and meet the recognition criteria in IAS 38. Internally generated software is then amortised over an estimated useful life, assessed by taking into consideration the useful life of comparable software packages. The carrying amount of internally generated capitalised software at 30 November 2015 was £0.83m (1H15: £0.68m).

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 2015 was £0.50m (1H15: £0.34m).

Recoverability of accrued time costs and disbursements

The Group recognises accrued income in respect of time costs and disbursements 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 and disbursements incurred but not invoiced to clients. The carrying amount of accrued time costs at 30 November 2015 was £4.30m (1H15: £3.97m).

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 2015 was £3.05m (1H15: £1.00m).

Acquisitions and business combinations

When an acquisition arises the Group is required under IFRS to calculate the Purchase Price Allocation ("PPA"). The PPA requires companies to report the fair value of assets and liabilities acquired and it establishes useful lives for identified assets. The identification and the valuation of the assets and liabilities acquired involves estimation and judgement when determining whether the recognition criteria are met. The classification of consideration payable as either purchase consideration or remuneration is an area of judgement and estimate.

Subjectivity is also involved in PPA with the estimation of the future value of brands, technology, customer relationships and goodwill.

Contingent consideration payable on acquisitions

The Group has entered into certain acquisition agreements that provide for a contingent consideration to be paid. A financial instrument 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 business and determine a suitable discount rate for the calculation of the present value of any deferred contingent consideration payments. The carrying amount of contingent consideration provided for at 30 November 2015 was £6.84m (1H15: £1.40m).

2. Basis of preparation and accounting policies continued

2.4 Key sources of judgements and estimation uncertainty continued

Provisions

As detailed in Note 13, the Group recognises provisions for client claims, contingent consideration payable on acquisitions, commission clawbacks, cash-settled share based payment awards 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 Boyd Coughlan Limited

On 23 June 2015, Mattioli Woods acquired 100% of the voting equity interests of Boyd Coughlan Limited ("Boyd Coughlan"), an employee benefits and wealth management business based in Buckingham. Boyd Coughlan provides advice to both high net worth individuals and companies on all aspects of financial planning.

4. Business combinations continued

Acquisition of Boyd Coughlan Limited continued

The acquisition has been accounted for using the acquisition method. The fair values to be attributed to the assets acquired and liabilities assumed will be finalised during the 12 months following acquisition. The provisional fair value of the identifiable assets and liabilities of Boyd Coughlan as the date of acquisition was:

	Provisional fair value to be recognised on acquisition (unaudited) £000	Previous carrying value (unaudited) £000
Property, plant and equipment	7	33
Client portfolio	4,270	—
Cash	2,656	2,656
Trade receivables	91	91
Other receivables and prepayments	53	53
Deferred tax	1	1
Assets	7,078	2,834
Trade payables	(31)	(31)
Accruals and deferred income	(58)	(38)
Other payables	(42)	(42)
Other taxation and social security	(40)	(40)
Income tax	(121)	(121)
Provisions	(38)	—
Deferred tax liability	(854)	—
Liabilities	(1,184)	(272)
Total identifiable net assets at fair value	5,894	
Goodwill	1,493	
Total acquisition cost	7,387	
Analysed as follows:		
Initial cash consideration	(3,300)	
Adjustment to initial consideration	(561)	
New shares in Mattioli Woods	(1,200)	
Deferred contingent consideration	(2,500)	
Discounting of contingent consideration	174	
Total acquisition cost	(7,387)	

Cash outflow on acquisition	£000
Cash paid	(3,300)
Adjustment to initial consideration	(561)
Acquisition costs	(131)
Net cash acquired	2,656
Net cash outflow	(1,336)

4. Business combinations continued

Acquisition of Boyd Coughlan Limited continued

Boyd Coughlan is an excellent cultural and strategic fit with Mattioli Woods, offering real synergies for both organisations. The business provides advice to both corporate and personal clients, generating strong margins and recurring revenues. The acquisition provides a wider audience for the Group's products and services, extending its employee benefits proposition at a time when the drive towards total reward and flexible benefits is expected to create new business opportunities in the corporate market.

Synergies include the ability to promote additional services to existing and prospective clients of each business. In addition, the acquisition adds further specialist expertise to the Group and its experienced management team has been retained by Mattioli Woods. The goodwill recognised above is attributed to the expected benefits from combining the assets and activities of Boyd Coughlan with those of the Group. The primary components of this residual goodwill comprise:

- Revenue synergies expected to be available to Mattioli Woods as a result of the transaction;
- The workforce;
- The knowledge and know-how resident in Boyd Coughlan's modus operandi; and
- New opportunities available to the combined business, as a result of both Boyd Coughlan and the existing business becoming part of a more sizeable listed company.

None of the recognised goodwill is expected to be deductible for income tax purposes. The client portfolio will be amortised on a straight-line basis over an estimated useful life based on the Group's historic experience.

From the date of acquisition Boyd Coughlan has contributed £1.10m to revenue and £0.40m to the Group profit for the period. If the combination had taken place at the beginning of the period, Group revenue from continuing operations would have been £20.07m and the profit for the period would have been £2.32m.

Transaction costs incurred during the course of the acquisition have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income and operating cash flows in the consolidated statement of cash flows in the period in which they were incurred.

Acquisition of Taylor Patterson Group Limited

On 8 September 2015, Mattioli Woods acquired 100% of the voting equity interests of Taylor Patterson Group Limited and its subsidiaries (together "Taylor Patterson"), a financial advisory firm based in Preston. Taylor Patterson provides wealth management, strategic financial planning, employee benefits and pension services to businesses and individuals.

4. Business combinations continued

Acquisition of Taylor Patterson Group Limited continued

The acquisition has been accounted for using the acquisition method. The fair values to be attributed to the assets acquired and liabilities assumed will be finalised during the 12 months following acquisition. The provisional fair value of the identifiable assets and liabilities of Taylor Patterson as the date of acquisition was:

	Provisional fair value to be recognised on acquisition (unaudited) £000	Previous carrying value (unaudited) £000
Property, plant and equipment	72	75
Client portfolio	4,941	—
Cash	561	561
Trade receivables	167	167
Other receivables and prepayments	291	291
Assets	6,032	1,094
Trade payables	(31)	(31)
Accruals and deferred income	(100)	(100)
Other payables	(79)	(79)
Income tax	(262)	(262)
Provisions	(147)	(31)
Deferred tax liability	(999)	—
Loans	(965)	(965)
Liabilities	(2,583)	(1,468)
Total identifiable net assets at fair value	3,449	
Goodwill	4,098	
Total acquisition cost	7,547	
Analysed as follows:		
Initial cash consideration	(2,500)	
Adjustment to initial consideration	396	
New shares in Mattioli Woods	(2,500)	
Deferred contingent consideration	(3,300)	
Discounting of contingent consideration	357	
Total acquisition cost	(7,547)	

Cash outflow on acquisition	£000
Cash paid	(2,104)
Acquisition costs	(124)
Net cash acquired	561
Net cash outflow	(1,667)

4. Business combinations continued

Acquisition of Taylor Patterson Group Limited continued

Taylor Patterson is another excellent cultural and strategic fit with Mattioli Woods' existing business. The acquisition extends the Group's geographic footprint into the North-West of England and provides the opportunity to offer discretionary investment management to Taylor Patterson's clients, while realising synergies from the merger of its SSAS and SIPP business onto Mattioli Woods' bespoke pension administration platform.

The business adds further specialist expertise to the Group's wealth management and employee benefits operations and its experienced management team has been retained by Mattioli Woods. The goodwill recognised above is attributed to the expected benefits from combining the assets and activities Taylor Patterson with those of the Group. The primary components of this residual goodwill comprise:

- Revenue synergies expected to be available to Mattioli Woods as a result of the transaction;
- The workforce;
- The knowledge and know-how resident in Taylor Patterson's modus operandi; and
- New opportunities available to the combined business, as a result of both Taylor Patterson and the existing business becoming part of a more sizeable listed company.

None of the recognised goodwill is expected to be deductible for income tax purposes. The client portfolio will be amortised on a straight-line basis over an estimated useful life based on the Group's historic experience.

From the date of acquisition Taylor Patterson has contributed £0.76m to revenue and £0.21m to the Group profit for the period. If the combination had taken place at the beginning of the period, Group revenue from continuing operations would have been £20.74m and the profit for the period would have been £2.49m.

Transaction costs incurred during the course of the acquisition have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income and operating cash flows in the consolidated statement of cash flows in the period in which they were incurred.

Acquisition of Lindley Trustees

On 5 October 2015 the Group acquired the pension administration business of Lindley Group and 100% of the voting equity interests of Lindley Trustees Limited (together "Lindley Trustees"), which provides trustee and administration services to over 130 small self-administered pension ("SSAS") schemes.

4. Business combinations continued

Acquisition of Lindley Trustees continued

The acquisition has been accounted for using the acquisition method. The fair values to be attributed to the assets acquired and liabilities assumed will be finalised during the 12 months following acquisition. The provisional fair value of the identifiable assets and liabilities of Lindley Trustees as the date of acquisition was:

	Provisional fair value to be recognised on acquisition (unaudited) £000	Previous carrying value (unaudited) £000
Client portfolio	217	—
Assets	217	—
Provisions	(18)	—
Liabilities	(18)	—
Total identifiable net assets at fair value	199	
Total acquisition cost	199	
Analysed as follows:		
Initial cash consideration	(199)	
Total acquisition cost	(199)	

Cash outflow on acquisition	£000
Cash paid	(199)
Acquisition costs	(36)
Net cash outflow	(235)

The acquisition offers real synergies from combining the activities of Lindley Trustees with those of Mattioli Woods, extending the existing relationships the Group has with intermediaries like the Lindley Group. The goodwill recognised above is attributed to the expected benefits from combining the assets and activities of Lindley Trustees with those of the Group. The primary components of this residual goodwill comprise:

- Operational synergies expected to be realised as a result of combining the activities of Lindley Trustees onto the same pension administration platform that is used by Mattioli Woods;
- The workforce; and
- The knowledge and know-how resident in Lindley Trustees' modus operandi.

4. Business combinations continued

Acquisition of Lindley Trustees continued

The client portfolio will be amortised on a straight-line basis over an estimated useful life based on the Group's historic experience.

From the date of acquisition Lindley Trustees has contributed £0.04m to revenue and £0.01m to the Group profit for the period. If the combination had taken place at the beginning of the period, Group revenue from continuing operations would have been £19.95m and the profit for the period would have been £2.31m.

Transaction costs incurred during the course of the acquisition have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income and operating cash flows in the consolidated statement of cash flows in the period in which they were incurred.

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 fair value of contingent consideration payable within the next 12 months is £2.43m (1H15: £1.40m).

On 8 September 2015 the Group acquired Taylor Patterson for an initial consideration comprising cash of £2.10m (excluding cash acquired with the business) and 419,888 shares in Mattioli Woods, plus contingent consideration of £3.30m payable in cash in the three years following completion if certain revenue targets are met. The Group estimates the fair value of the remaining contingent consideration at 30 November 2015 to be £2.98m using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 23 June 2015 the Group acquired Boyd Coughlan for initial consideration comprising cash of £3.86m (excluding cash acquired with the business) and 235,742 shares in Mattioli Woods, plus contingent consideration of £2.50m payable in cash in the three years following completion if certain revenue targets are met. The Group estimates the fair value of the remaining contingent consideration at 30 November 2015 to be £2.33m using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 11 August 2014 the Group acquired UKWM Pensions 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 fair value of the remaining contingent consideration at 30 November 2015 to be £0.08m using cash flows approved by the Board covering the contingent consideration period.

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") stated contingent deferred consideration of up to £2.75m was payable in cash in the four years following completion if certain financial targets were met.

4. Business combinations continued

Contingent consideration continued

However, to facilitate the earlier integration of Atkinson Bolton into the Group's wealth management and employee benefits divisions, the parties agreed to vary the Agreement on 26 August 2014 such that:

- £1.60m of contingent consideration was paid in September 2014 as £0.80m in cash and £0.80m through the allotment and issue of new ordinary shares in Mattioli Woods, following the achievement of certain financial targets based on growth in the EBITDA generated by Atkinson Bolton in the year from 1 August 2013 to 31 July 2014; and
- Up to £1.15m of contingent consideration will be 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 fair value of the remaining contingent consideration at 30 November 2015 to be £1.02m (1H15: £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 fair value of the remaining contingent consideration at 30 November 2015 to be £0.40m (1H15: £0.37m) using cash flows approved by the Board covering the contingent consideration period.

5. Intangible assets

	Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Other £000	Total £000
Gross carrying amount:						
At 1 June 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
Arising on acquisitions	—	—	194	—	—	194
Additions	174	—	—	—	—	174
Disposal	—	(34)	—	—	—	(34)
At 31 May 2015	1,051	866	21,712	10,771	35	34,435
Arising on acquisitions	—	—	9,428	5,591	—	15,019
Additions	77	90	—	—	—	167
At 30 November 2015	1,128	956	31,140	16,362	35	49,621
Amortisation and impairment:						
At 1 June 2014	155	411	3,716	—	22	4,304
Amortisation	40	37	545	—	6	628
At 30 November 2014	195	448	4,261	—	28	4,932
Amortisation in period	48	35	561	—	7	651
At 31 May 2015	243	483	4,822	—	35	5,583
Amortisation in period	51	38	736	—	—	825
At 30 November 2015	294	521	5,558	—	35	6,408
Carrying amount:						
At 30 November 2015	**834**	**435**	**25,582**	**16,362**	**—**	**43,213**
At 30 November 2014	682	452	17,257	10,771	7	29,169
At 31 May 2015	808	383	16,890	10,771	—	28,852

6. Segment information

The Group's objective is to fully integrate the businesses it acquires, to enable it to deliver holistic solutions across its wide and diverse client base. During the year ended 31 May 2015, the Group harmonised it's legal and operational structures, transferring the trade and assets of City Pensions Limited and Atkinson Bolton Consulting Limited into Mattioli Woods in October and December 2014 respectively, followed by the transfer of the trade and assets of Kudos Financial Services Limited into Mattioli Woods in February 2015.

The Group's operating segments comprise the following:

- Pension consultancy and administration – fees earned by Mattioli Woods for setting up and administering pension schemes. Additional fees are generated from consultancy services provided for special one-off activities and the provision of bespoke scheme banking arrangements. In previous periods, fees earned for setting up and administering pension schemes under an advice-led model were reported separately to fees earned for setting up and administering pension schemes under an administration-only model. Following the transfer of the trade and assets of City Pensions Limited into Mattioli Woods, these fees are reported as one operating segment;
- 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 investment and asset 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).

6. Segment information continued

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 November 2015 and 2014, and the year ended 31 May 2015 respectively:

Six months ended 30 Nov 2015

	Pension consultancy and administration £000	Investment and asset management £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue							
External client	7,605	7,948	1,723	2,619	19,895	—	19,895
Total revenue	7,605	7,948	1,723	2,619	19,895	—	19,895
Profit before tax							
Segment result	1,475	1,718	386	233	3,812	(995)	2,817

Six months ended 30 Nov 2014

	Pension consultancy and administration £000	Investment and asset management £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue							
External client	7,520	5,381	1,077	2,612	16,590	—	16,590
Total revenue	7,520	5,381	1,077	2,612	16,590	—	16,590
Profit before tax							
Segment result	1,838	1,057	110	403	3,408	(727)	2,681

Year ended 31 May 2015

	Pension consultancy and administration £000	Investment and asset management £000	Property syndicates £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Revenue							
External client	15,545	11,430	2,790	4,800	34,565	—	34,565
Total revenue	15,545	11,430	2,790	4,800	34,565	—	34,565
Profit before tax							
Segment result	3,348	2,221	433	637	6,639	(1,349)	5,290

6. Segment information continued

Operating segments continued

The following table presents segment assets of the Group's operating segments as at 30 November 2015 and 2014, and at 31 May 2015 (the date of the last annual financial statements):

	Unaudited 30 Nov 2015 £000	Unaudited 30 Nov 2014 £000	Audited 31 May 2015 £000
Pension consultancy and administration	**21,548**	17,589	18,071
Investment and asset management	**20,516**	9,050	11,088
Property management	**1,616**	1,083	1,196
Employee benefits	**11,729**	10,368	9,061
Total segments	**55,409**	38,090	39,416
Corporate assets	**28,559**	11,611	14,342
Total assets	**83,968**	49,701	53,758

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 headcount or 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.

6. Segment information continued

Corporate costs

Certain administrative expenses including acquisition costs, amortisation of software, depreciation of property, plant and equipment, irrecoverable VAT, 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 and tangible assets.

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

	Unaudited 30 Nov 2015 £000	Unaudited 30 Nov 2014 £000	Audited 31 May 2015 £000
Reconciliation of profit			
Total segments	**3,812**	3,408	6,639
Acquisition-related costs	**(285)**	(101)	(272)
Depreciation	**(197)**	(200)	(387)
Amortisation and impairment	**(157)**	(66)	(139)
Loss on disposal of assets	**(18)**	(15)	(44)
Unallocated overheads	**(205)**	(236)	(355)
Bank charges	**(9)**	(6)	(23)
Finance income	**22**	25	46
Finance costs	**(146)**	(128)	(175)
Group profit before tax	**2,817**	2,681	5,290

	Unaudited 30 Nov 2015 £000	Unaudited 30 Nov 2014 £000	Audited 31 May 2015 £000
Reconciliation of assets			
Segment operating assets	**55,409**	38,090	39,416
Property, plant and equipment	**1,620**	1,318	1,430
Intangible assets	**1,268**	1,134	1,191
Investments	**63**	40	129
Deferred tax asset	**501**	340	422
Prepayments and other receivables	**2,468**	1,079	600
Cash and short-term deposits	**22,639**	7,700	10,570
Total assets	**83,968**	49,701	53,758

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:

	Unaudited Six months ended 30 Nov 2015 £000	Unaudited Six months ended 30 Nov 2014 £000	Audited Year ended 31 May 2015 £000
Net profit and diluted net profit attributable to equity holders of the Company	**2,311**	2,069	4,022
Weighted average number of ordinary shares:	**000s**	000s	000s
Issued ordinary shares at start period	**20,373**	19,990	19,990
Effect of shares issued during year ended 31 May 2015	**—**	259	297
Effect of shares issued in the current period	**3,834**	115	115
Basic weighted average number of shares	**24,207**	20,364	20,402
Effect of options exercisable at the reporting date	**168**	217	237
Diluted weighted average number of shares	**24,375**	20,581	20,639

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 3.91% 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 2015 the conditions attaching to 704,701 options granted under the LTIP are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 9.30 pence per share (1H15: 9.84 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 and notional finance income and charges 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 5,266 ordinary shares on 7 December 2015 and 8,340 ordinary shares on 7 January 2016 under the Mattioli Woods plc Share Incentive Plan ("SIP").

8. Dividends paid and proposed

	Unaudited Six months ended 30 Nov 2015 £000	Unaudited Six months ended 30 Nov 2014 £000	Audited Year ended 31 May 2015 £000
Paid during the period:			
Equity dividends on ordinary shares:			
– Final dividend for 2015: 7.16p (2014: 6.00p)	**1,790**	1,202	1,202
– Interim dividend for 2015: 3.34p (2014: 3.10p)	**—**	—	679
Dividends paid	**1,790**	1,202	1,881
Proposed for approval:			
Equity dividends on ordinary shares:			
– Interim dividend for 2016: 3.85p (2015: 3.34p)	**964**	679	—
– Final dividend for 2015: 7.16p (2014: 6.00p)	**—**	—	1,790
Dividends proposed	**964**	679	1,790

The interim dividend was approved on 1 February 2016.

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 2015 of £0.12m (1H15: credit of £0.08m) 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 2015 was £0.02m (1H15: £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 19.0%.

9. Income tax continued

Reconciliation of effective tax rates

The current tax expense for the six months ended 30 November 2015 was calculated based on the estimated average annual effective income tax rate of 18.0% (1H15: 22.8%), as compared to the standard rate of UK corporation tax at the reporting date of 20.0% (1H15: 21.0%). 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 Six months ended 30 Nov 2015 £000	Unaudited Six months ended 30 Nov 2014 £000	Audited Year ended 31 May 2015 £000
Cash flows from operating activities			
Cash receipts from customers	**18,078**	16,086	32,865
Cash paid to suppliers and employees	**(16,412)**	(13,143)	(25,285)
Cash generated from operations	**1,666**	2,943	7,580

11. Share-based payments

Consultants' Share Option Plan

The Company 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:

	Exercise price	At 1 June 2015 No.	Granted during the period No.	Exercised during the period No.	Lapsed during the period No.	**At 30 Nov 2015 No.**
Date of grant						
5 September 2006	£2.21	122,347	—	(38,668)	—	**83,679**
4 September 2007	£2.79	142,124	—	(33,301)	—	**108,823**
8 September 2009	£2.16	107,842	—	(26,730)	—	**81,112**
		372,313	—	(98,699)	—	**273,614**

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. All options have vested as a result of the option holders achieving certain individual performance hurdles. The contractual life of each option expires 10 years after the date of grant. At 30 November 2015 the total number of options exercisable under the Consultants' Share Option Plan was 273,614 (1H15: 392,065).

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 30 Nov 2015 Equity-settled No.	**Unaudited 30 Nov 2015 Cash-settled No.**	Unaudited 30 Nov 2014 Equity-settled No.	Unaudited 30 Nov 2014 Cash-settled No.	Audited 31 May 2015 Equity-settled No.	Audited 31 May 2015 Cash-settled No.
Number of options						
Outstanding at start of period	**410,032**	**266,650**	217,519	148,148	217,519	148,149
Granted during the period	**297,618**	**—**	235,902	118,501	235,901	118,501
Exercised during the period	**—**	**—**	—	—	—	—
Forfeited during the period	**(2,949)**	**—**	—	—	(43,388)	—
Outstanding at end of period	**704,701**	**266,650**	453,421	266,649	410,032	266,650
Exercisable at 30 November 2015	**—**	**—**	—	—	—	—

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 2015 No.	Granted during the period No.	Forfeited during the period No.	**At 30 Nov 2015 No.**
Date of grant					
5 September 2013	£0.01	364,331	—	(2,949)	**361,382**
16 September 2014	£0.01	312,351	—	—	**312,351**
15 October 2015	£0.01	—	297,618	—	**297,618**
		676,682	297,618	(2,949)	**971,351**

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 50,762 (1H15: 57,058) new ordinary shares were issued to the 208 employees who participated in the SIP during the year. At 30 November 2015, 493,101 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 30 Nov 2015 Equity-settled £000	**Unaudited 30 Nov 2015 Cash-settled £000**	Unaudited 30 Nov 2014 Equity-settled £000	Unaudited 30 Nov 2014 Cash-settled £000	Audited 31 May 2015 Equity-settled £000	Audited 31 May 2015 Cash-settled £000
LTIP	**180**	**360**	112	140	256	312
SIP	**113**	**—**	101	—	222	—
Total	**293**	**360**	213	140	478	312

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 (Equity-settled) 2015	LTIP (Equity-settled) 2014	LTIP (Equity-settled) 2013	CSOP 2009	CSOP 2007	CSOP 2006	Share Option Plan
Share price at grant date (£)	6.13	4.32	3.27	2.13	2.82	2.20	1.05
Exercise price (£)	0.01	0.01	0.01	2.16	2.79	2.21	1.32
Expected volatility (%)	20.0	20.0	22.5	17.0	30.0	30.0	25.0
Expected life (years)	4.5	4.5	4.5	7.0	7.0	7.0	6.0
Risk free rate (%)	1.25	2.02	1.54	3.33	4.63	4.58	4.57
Expected dividend yield (%)	2.30	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 2015 was £0.86m (1H15: £0.31m) (Note 13). No LTIP awards had vested at the reporting date.

12. Financial instruments

The table below analyses the Group's financial instruments measured at fair value into a fair value hierarchy based on the valuation technique used to determine the fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

				At 30 Nov 2015
	Level 1 £000	Level 2 £000	Level 3 £000	**Total £000**
Financial liabilities				
LTIP cash liability	—	—	861	**861**
Contingent consideration	—	—	6,844	**6,844**
Total	—	—	7,705	**7,705**

The fair value of cash equivalents, accounts receivable and accounts payable approximate their carrying values due to their short-term nature.

13. Provisions

Group	LTIP cash liability £000	Client claims £000	Contingent consideration £000	Dilapidations £000	Clawback £000	E'ers' NIC on share options £000	Onerous Contracts £000	Other £000	Total £000
At 1 June 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
At 30 November 2014	312	361	1,401	185	294	196	38	82	2,869
Arising during period	172	69	45	100	—	127	—	—	513
Used during period	—	(110)	—	—	—	(7)	—	—	(117)
Arising on acquisitions	—	25	—	—	—	—	23	58	106
Unused amounts reversed	—	—	—	—	—	—	—	(22)	(22)
At 31 May 2015	484	345	1,446	285	294	316	61	118	3,349
Arising during period	377	—	5,345	—	—	189	—	—	5,911
Used during period	—	(78)	—	—	—	—	(66)	—	(144)
Arising on acquisitions	—	87	—	62	14	—	40	—	203
Unwinding of discounting	—	—	53	—	—	—	—	—	53
At 30 November 2015	**861**	**354**	**6,844**	**347**	**308**	**505**	**35**	**118**	**9,372**
Current	—	354	2,432	—	308	—	35	118	3,247
Non-current	861	—	4,412	347	—	505	—	—	6,125
At 30 November 2015	861	354	6,844	347	308	505	35	118	9,372

13. Provisions continued

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.

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 £2.43m (1H15: £0.18m).

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, the acquisition of UKWM Pensions and the acquisition of Taylor Patterson. 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 £0.12m.

14. Related party transactions

Loan notes due to subsidiary undertakings

During the prior year the trade and assets of City Pensions Limited, Thoroughbred Wealth Management Limited, Atkinson Bolton Consulting Limited and Kudos Financial Services Limited were transferred to the Company in exchange for loan notes. The loan notes attracted annual interest on the outstanding principle at a rate of 3% above the Bank of England base rate.

On 30 November 2015 the loan notes were waived and the capital and reserves in City Pensions Limited, Thoroughbred Wealth Management Limited, Atkinson Bolton Consulting Limited, TCF Global Independent Financial Services Limited and Kudos Financial Services Limited were reduced to £1.

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 £13,500 of director's fees from Custodian REIT during the six months ended 30 November 2015. 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 2015 the Group received revenues of £0.98m in respect of annual management charges, company secretarial and administration fees. Custodian REIT owed the Group £0.80m at 30 November 2015.

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 15 (1H15: 11) other executives, received total compensation of £2.80m for the six months ended 30 November 2015 (1H15: £2.17m). Total remuneration is included in "employee benefits expense".

14. Related party transactions continued

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.

FP Thoroughbred Core Alpha Fund

The Company 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 2015 the Group held an investment with a market value of £40,860 (1H15: £39,502) in the FP Thoroughbred Core Alpha Fund.

15. Commitments and contingencies

New Walk

On 17 August 2015, a new subsidiary of the Company, Mattioli Woods (New Walk) Limited ("MW New Walk") entered into a development agreement with Ingleby (1245) Limited ("Ingleby"), a company owned and controlled by Sowden Group Limited ("Sowden") to build a new 60,000 square foot office on the site of the former Leicester City Council headquarters at New Walk, Leicester.

The expected expenditure for the development is £14.6m including fit out costs, which will be funded through a combination of existing cash resources, bank funding and future operating cashflows. Construction is scheduled to commence in 2016, with completion expected in 2017.

Client claims

The Group operates in a legal and regulatory environment that exposes it to certain litigation risks. As a result, the Group occasionally receives claims in respect of products and services provided and which arise in the ordinary course of business. The Group provides for potential losses that may arise out contingencies (Note 13).

FSCS levy

In the year ended 31 May 2015 the Financial Services Compensation Scheme ("FSCS") raised an interim levy of £20m (1H15: £nil) from investment intermediaries to pay for the costs of compensating clients in investment failures, to which the Group contributed £44,157 (1H15: £nil). It is not known whether any FSCS interim levy will be raised in the year ending 31 May 2016 and consequently no provision for FSCS interim levy has been made this these financial statements.

16. Events after the reporting period

Acquisition of Maclean Marshall Healthcare

On 22 January 2016 the Group acquired the business and assets of Maclean Marshall Healthcare ("MMH") for a cash consideration of £0.225m. Based in Aberdeen, MMH provides advice to personal and corporate clients on all aspects of private medical insurance.

In the year ended 5 April 2015, MMH generated a profit before taxation of £68,912 on revenues of £86,800. The acquisition introduces an experienced manager and over 130 new corporate and personal clients to the Group, adding further scale to our employee benefits business.

Due to the acquisition occurring after the end of the reporting period and the proximity of the date of acquisition to the date of issue of these consolidated financial statements, the Directors are unable to provide the full disclosures required to meet the requirements of IFRS3 relating to acquisitions after the end of the reporting period but before the financial statements are authorised for issue. Specifically, the purchase price allocation process is not yet complete, due to:

- Completion accounts setting out the financial position of MMH as at the date of acquisition not yet having been prepared; and
- The impracticality of measuring each identifiable asset and liability acquired at its IFRS acquisition date fair value for inclusion in these consolidated financial statements before completion accounts have been agreed.

Bank facility

At 30 November 2015, the Group had a £5.0m overdraft facility with Lloyds Bank plc with interest payable at the bank's base rate plus 1.1875% on the first £0.5m and plus 1.375% on borrowings in excess of £0.5m. The Lloyds Bank plc facility was repayable upon demand and expired on 31 January 2016.

Due to the headroom the Group's current cash balances provide on its projected working capital requirements, the Group has not renewed the overdraft facility. Management will continue to review the level of bank facilities the Group may require going forward.

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 reduced from 21% to 20% from 1 April 2015 and the summer budget of 8 July 2015 announced further reductions to 19% in April 2017 and then 18% from April 2020.

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 in the Group's statement of financial position.

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
Joanne Lake – Deputy Chairman
John Redpath – Non-Executive Director
Carol Duncumb – Non-Executive Director

Company secretary
Nathan Imlach

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Registered number
3140521

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EC2V 7QR

Auditor
RSM UK Audit LLP
2 Whitehall Quay
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LS1 4HG

Solicitors
Walker Morris LLP
Kings Court
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Leeds
LS1 2HL

Principal bankers
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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

2 February 2016	Announcement of interim results for the six months ended 30 November 2015
11 February 2016	Ex-date for interim dividend on ordinary shares
12 February 2016	Record date for interim dividend
4 March 2016	Payment of interim dividend on ordinary shares

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