Mattioli Woods
Pension Consultants

Mattioli Woods plc
Interim Report 2009

Securing your pension

Pension Consultants
Retirement Wealth Management
Trustees & Administrators

Mattioli Woods plc and its subsidiaries ("Mattioli Woods" or "the Group") provide pension consultancy, scheme administration, trustee services and retirement wealth management primarily to owner-managers, senior executives, professionals and small to medium sized enterprises. The Group's focus is at the higher end of the market where clients require bespoke service and specialist advice.

Mattioli Woods was established by Ian Mattioli and Bob Woods in 1991. Headquartered in Leicester and employing 172 staff, including 21 pension consultants, Mattioli Woods has a strong network of intermediary contacts throughout the UK. The practice has grown dynamically year-on-year since inception and became a public company on joining the AIM market of the London Stock Exchange in November 2005.

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

Contents

Highlights

Revenue
1H10: £6.59m

−3.8%

Profit before tax and amortisation[1]
1H10: £2.16m

+1.4%

Adjusted EPS[1,2]
1H10: 9.04p

+3.2%

Interim dividend
1H10: 1.45p

+26.1%

- Adjusted EPS[1,2] up 3.2% to 9.04p (1H09: 8.76p)
- Profit before tax and amortisation[1] up 1.4% to £2.16m (1H09: £2.13m)
- Interim dividend up 26.1% to 1.45p (1H09: 1.15p)
- EBITDA margin improved to 34.4% (1H09: 31.8%)
- Revenue down 3.8% to £6.59m (1H09: £6.85m)
- Net cash at period end £4.66m (1H09: £1.50m)
- Core funds under trusteeship up 5.7% to £1.48bn (1H09: £1.40bn)
- Core scheme numbers up 2.7% to 2,584 (1H09: 2,517)
- Appointed agent to The Freedom SIPP Limited

[1] Before amortisation of intangible assets other than computer software
[2] Basis EPS up 3.6% to 8.33p (1H09: 8.04p)

Chairman's statement

I am pleased to report another solid set of results for the six months ended 30 November 2009 ("1H10"), with profit before tax and amortisation[1] up 1.4% to £2.16m (1H09: £2.13m). Our trading results for the first half of the financial year continue to demonstrate the Group's ability to withstand the challenging investment conditions left in the wake of the credit crisis.

With many clients suffering financially as a result of the recession, we have focused on proactively advising them through these difficult conditions, maintaining our record of strong client retention with an overall client attrition rate[2] of 2.4% (1H09: 1.3%). We now advise 2,584 self-invested personal pension ("SIPP") and small self-administered pension scheme ("SSAS") clients (1H09: 2,517) throughout the UK. Core funds under trusteeship at the end of the period totalled £1.48bn (1H09: £1.40bn) including over £290m held in cash deposits.

Clients quite rightly remain cautious of the prevailing economic and investment conditions, which has tended to delay the timing of their investment decisions and led to lower investment-related revenues in the first half. However, we have been encouraging clients to move away from overly defensive positions and commenced a comprehensive review of our clients' investment strategies in October. I expect this to drive growth in investment-related revenues over the remainder of this financial year.

Market overview

The shift in responsibility for pension provision from the State and the employer to the individual is underlined by the continuing demise of defined benefit schemes. I have previously highlighted my expectation that this will leave millions of employees needing professional advice and lead to more people managing their retirement savings through SIPPs and SSASs, due to the control, flexibility and cost-effectiveness these products offer.

Conversely, the SIPP sector is still responding to the compliance and advisory challenges it faces. SIPPs are just one part of the retirement wealth management arena. Rather than seeking the ability to make personal investment decisions, I believe the majority of SIPP clients want the more powerful chemistry of good advice coupled with the control and flexibility our arrangements provide. The provision of personalised administration further differentiates us from our competitors.

I was delighted to announce the appointment of Mattioli Woods to complete the winding up of The Freedom SIPP, as agent of The Freedom SIPP Limited (in liquidation). We have worked closely with the Financial Services Authority ("the FSA") and the liquidators, PricewaterhouseCoopers, to develop solutions for the troubled operation. Until our appointment, clients of the Freedom SIPP faced great uncertainty and the potential threat of HM Revenue & Customs deregistering the scheme, resulting in the imposition of highly punitive tax charges. There are estimated to be around 180 members remaining within The Freedom SIPP. We look forward to working closely with these members to provide robust administration around the winding-up of the scheme, assisting them to transfer their existing arrangements to Mattioli Woods or an alternative provider.

As we move away from the worst of the credit crisis, we are proactively seeking new acquisition opportunities. The increasing regulatory burden on smaller operators is expected to drive consolidation within the sector and our strong balance sheet will enable us to take advantage of this.

Trading results

Our focus is on maintaining strong client relationships, delivering impartial and proactive advice. We achieved revenues of £6.59m in the first half (1H09: £6.85m). Typically, second half revenues have been marginally higher than in the first half. However, the increased demand for advice following a significant downturn in financial markets resulted in 1H09 revenues being higher than the £6.43m achieved in 2H09.

The Bank of England base rate remains at a historic low, reducing banking-related revenues and making the structuring of capital-guaranteed products more difficult. Banking revenues and financial income fell 47.6% to

[1] Before amortisation of intangible assets other than computer software.

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

£0.43m (1H09: £0.82m). Revenues from structured product sales fell 39.5% to £0.26m (1H09: £0.43m) with clients subscribing a total of £8.51m (1H09: £14.39m) over five (1H09: six) capital-protected bond issues. Clients have invested a total of £76.9m in the capital protected bond issues we have sponsored to date, with expected maturities of some £16.3m prior to the end of the current financial year.

Property syndicate revenues fell 20.9% to £0.53m (1H09: £0.67m) with falling commercial property valuations impacting annual management charges and a reduced £3.68m of new investment (1H09: £6.51m) being completed on our clients' behalf. Syndicated properties have continued to deliver a high income return. We believe that, for the most part, property values are near the bottom of the current cycle and there is a real opportunity to take advantage of current market pricing.

We will continue to look for opportunities in the commercial property market, as we believe that over the long-term, syndicated property investment will continue to provide clients with important diversification and good returns. The sector has seen increasing activity since 2H09, with two new syndicates completed during the period (1H09: two, 2H09: nil), and we expect to complete the purchase of another new property on our clients' behalf at the end of this month.

In August 2009 we were delighted to appoint Richard Shepherd-Cross to manage our property syndicate team. Richard is a skilled property investment professional with 14 years experience and a broad-based knowledge of real estate across sectors and markets. He was previously head of the Jones Lang Lasalle portfolio investment team. His experience strengthens the team and highlights our commitment to this important element of our business, in what are exciting times for the commercial property market.

Falls in banking, structured product and property syndicate revenues were partially offset by organic growth in core SSAS and SIPP revenues, up 7.1% to £5.14m (1H09: £4.80m), and an increase in group scheme

Bob Woods
Chairman

Our people continue to demonstrate an enormous amount of enthusiasm and professionalism in responding to the challenges created by the recent turmoil in financial markets.

Chairman's statement

revenues, up 31.6% to £0.25m (1H09: £0.19m). A key element of this growth was the further development of revenues generated on schemes gained via past acquisitions, which increased 15.0% to £1.38m (1H09: £1.20m).

The turmoil in financial markets seen during the 'credit crunch' has led to prospective clients being more cautious, with the time taken to convert new enquiries lengthening. Organic growth of 89 new SSAS and SIPP schemes (1H09: 110) was constrained by the consultancy team's focus on advising existing clients, which included commencing the migration of those clients the JB Group provided with third-party administration services to our time-costed model, or if more appropriate, transferring their arrangements to a low-cost provider. It is particularly pleasing that our retention of clients gained via acquisitions remains higher than expected, with a number of third-party administration cases having become full advisory clients. We plan to complete this migration over the remainder of the current financial year.

We have restructured the consultancy team to create greater capacity to target new business and accelerated our marketing initiatives. During the first half we presented seven seminars to professional intermediaries throughout the UK, which highlighted recent changes in tax legislation and are expected to stimulate a higher level of referrals. We also held five seminars for prospective clients, outlining strategies for maximising value when considering sale or succession in the context of their own businesses. This programme of events extends into the second half, with nine intermediary seminars and 19 prospective client events planned. The second half generally sees an increase in new business, driven by many clients' company year-ends being in either December or March, and the fiscal year ending in April.

We also conducted a marketing event in June 2009 designed to test the opportunity to develop our group scheme initiative, aimed at assisting companies with defined benefit schemes in deficit. We received eight new group scheme instructions during the period (1H09: five), including two engagements to provide consultancy on the wind-up of final salary schemes as a result of the seminar.

Our profit margins have improved as a result of operational efficiencies and lower employee benefits costs linked to revenue, with EBITDA margin increasing to 34.4% (1H09: 31.8%). EBITDA increased by 4.1% to £2.27m (1H09: £2.18m), with profit before tax up 1.5% to £2.04m (1H09: £2.01m). Adjusted earnings per share (adding back amortisation on intangible assets) increased by 3.2% to 9.04 pence (1H09: 8.76 pence).

Cash generated from operations increased to £1.32m or 58.2% of EBITDA (1H09: £1.16m or 53.2%). Cash at 30 November 2009 was £4.66m (1H09: £1.50m). Our strong balance sheet is enhanced by the availability of £3.00m of undrawn overdraft facilities.

With clients moving away from defensive asset allocations, changes to the personal tax regime and a general election scheduled for the first half of the 2010 calendar year, conditions are favourable for an increase in investment activity and demand for advice in the second half of our financial year.

Dividend

The board is pleased to recommend the payment of an interim dividend for the half year ended 30 November 2009 of 1.45 pence (1H09: 1.15 pence) per ordinary share. I highlighted in September last year that the earnings trend and cash generative nature of the Group meant it was appropriate to significantly increase our dividend payout ratio. I reiterate our commitment to grow the dividend sensibly, whilst maintaining an appropriate level of dividend cover. The interim dividend, which typically represents one-third of the full-year dividend, will be paid on 5 March 2010 to shareholders on the register at the close of business on 5 February 2010.

Staff

We have restructured how we deliver our administrative services through our 'small to big' initiative. This initiative will create additional administrative and consultancy capacity, enhance the control environment and realise operational efficiencies over the coming years. 'Small to big' is a key element in ensuring we can manage planned growth in future business volumes and will enable us to deal more easily with the regulatory changes expected to impact our industry.

Our people continue to demonstrate an enormous amount of enthusiasm and commitment in responding to the challenges created by the recent turmoil in financial markets. I thank all our employees for their dedication and hard work over the last six months, as it is their effort that differentiates Mattioli Woods from its competitors.

I have highlighted previously the strong team spirit and commitment we enjoy from all our staff. We built upon this culture through the introduction of the Mattioli Woods plc Share Incentive Plan in June 2008. There has been an enthusiastic response, with 47.8% of eligible staff electing to invest. We remain committed to developing wider employee equity participation throughout the organisation. As part of the review of executive remuneration being undertaken in conjunction with external remuneration consultants, I intend to announce the principal terms of a Long Term Incentive Plan designed to attract and retain appropriately qualified staff later this year.

Shareholders

In response to market demand, Ian Mattioli and I each placed a further 500,000 shares during the period, expanding the Company's institutional shareholder base and increasing liquidity in Mattioli Woods' shares. We are also developing broader private client interest. It is your board's intention to continue to communicate fully with all our shareholders and the wider market, and in so doing build further awareness of Mattioli Woods over the coming years.

Regulation

The FSA published the findings of its thematic review of small SIPPs operators in September 2009. The conclusions of the FSA's thematic review highlight that SIPP are not packaged products but a bespoke service designed to facilitate clients' retirement objectives. In line with this, I believe operators need to engage with their clients, rather than offer administration-only services.

In November 2009 the FSA set out the changes it will make to the prudential rules for Personal Investment Firms. These changes will increase our expenditure-based capital requirement from 6 to 13 weeks over the next three years. Our balance sheet strength gives us significant headroom above the increased requirement. However, the burden on many small and medium sized IFA firms may force them to exit the market, creating new opportunities for Mattioli Woods.

The FSA has also announced it is going to consider the capital resources requirements for pension administrators separately and expects to consult on these issues in 2010. This may lead to a further increase in our capital resource requirements, although I expect any increase to be accommodated within our current financing arrangements.

Acquisitions

The economic turmoil of the last two years has affected our ability to complete acquisitions, with uncertainty over the valuation and financial performance of target companies leading to a gap between acquirer and vendor price expectations. However, I believe the opportunity for us to make acquisitions is stronger than ever and we are aggressively seeking appropriate opportunities.

Outlook

We have shown in both good and bad economic conditions that we have a robust business model, which can deliver additional shareholder value through:

- organic growth from the development of existing and new client relationships;
- the development of new revenue streams from existing service lines; and
- the acquisition of similar or complementary businesses.

I expect revenues to be weighted towards the second half of this financial year and current trading remains in line with our expectations. We continue to invest for the future, particularly in recruitment and our 'small to big' change management initiative. We are establishing a platform from which to provide our personalised, advice-led services to a much larger client base. I remain confident we can capitalise on the acquisition opportunity and deliver profitable growth over the coming years.

Bob Woods
Chairman
25 January 2010

Independent review report to Mattioli Woods plc

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the interim financial report for the six months ended 30 November 2009 which comprises the income statement, balance sheet, statement of recognised income and expense, consolidated statement of cash flows and associated notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

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 2009 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, and the AIM Rules for Companies.

Baker Tilly UK Audit LLP
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG
25 January 2010

Interim condensed consolidated income statement

for the six months ended 30 November 2009

	Notes	**Unaudited Six months ended 30 Nov 2009 £**	Unaudited Six months ended 30 Nov 2008 £	Audited Year ended 31 May 2009 £
Revenue	4	**6,591,677**	6,849,191	13,283,204
Employee benefits expense		**(3,400,894)**	(3,514,581)	(6,813,449)
Other administrative expenses		**(808,252)**	(1,052,583)	(1,941,255)
Share based payments		**(107,962)**	(101,399)	(199,905)
Amortisation		**(164,446)**	(149,617)	(299,099)
Depreciation		**(80,059)**	(93,149)	(183,178)
Loss on disposal of property, plant and equipment		**(8,228)**	(3,085)	(35,360)
Operating profit before financing	4	**2,021,836**	1,934,777	3,810,958
Financial income		**19,663**	75,994	91,599
Financial costs		**(200)**	(3,839)	(5,889)
Net financing income		**19,463**	72,155	85,710
Profit before tax		**2,041,299**	2,006,932	3,896,668
Income tax expense	7	**(599,154)**	(617,655)	(1,174,410)
Profit for the period		**1,442,145**	1,389,277	2,722,258
Attributable to:				
Equity holders of the parent		**1,442,145**	1,389,277	2,722,258
Earnings per ordinary share:				
Basic (pence)	5	**8.33p**	8.04p	15.75p
Diluted (pence)	5	**8.33p**	8.04p	15.75p
Dividend per share (pence)	6	**1.45p**	1.15p	3.90p

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

Interim condensed consolidated statement of recognised income and expense

For the six months ended 30 November 2009

	Notes	**Unaudited Six months ended 30 Nov 2009 £**	Unaudited Six months ended 30 Nov 2008 £	Audited Year ended 31 May 2009 £
Deferred tax on share-based payments	7	**34,830**	(66,588)	(31,968)
Income and expense recognised directly in equity		**34,830**	(66,588)	(31,968)
Profit for the period		**1,442,145**	1,389,277	2,722,258
Total recognised income and expense for the period		**1,476,975**	1,322,689	2,690,290

Interim condensed consolidated balance sheet

as at 30 November 2009

	Notes	**Unaudited 30 Nov 2009 £**	Unaudited 30 Nov 2008 £	Audited 31 May 2009 £
Assets				
Property, plant and equipment		**655,605**	716,398	638,634
Intangible assets		**9,956,089**	10,040,010	10,056,466
Deferred tax asset	7	**174,881**	78,841	127,805
Investments	8	**15**	15	15
Total non-current assets		**10,786,590**	10,835,264	10,822,920
Trade and other receivables		**5,185,497**	5,360,817	5,021,080
Financial assets		**366,259**	1,629,060	120,392
Cash and short-term deposits		**4,656,154**	1,504,283	4,808,179
Total current assets		**10,207,910**	8,494,160	9,949,651
Total assets		**20,994,500**	19,329,424	20,772,571
Equity				
Issued capital		**173,213**	172,499	172,855
Share premium	10	**5,849,929**	5,687,721	5,769,149
Other reserves	10	**2,559,813**	2,363,688	2,456,341
Retained earnings	10	**9,026,255**	6,925,692	8,060,163
Total equity attributable to equity holders of the parent		**17,609,210**	15,149,600	16,458,508
Non-current liabilities				
Trade and other payables		**100,000**	340,000	100,000
Interest-bearing loans and borrowings		**–**	5,044	–
Deferred tax liability	7	**256,868**	268,242	262,555
Provisions		**218,018**	299,727	242,599
Total non-current liabilities		**574,886**	913,013	605,154
Current liabilities				
Trade and other payables		**1,930,317**	2,305,826	2,810,554
Interest-bearing loans and borrowings		**–**	13,597	–
Income tax payable	7	**617,088**	602,443	559,229
Provisions		**262,999**	344,945	339,126
Total current liabilities		**2,810,404**	3,266,811	3,708,909
Total liabilities		**3,385,290**	4,179,824	4,314,063
Total equity and liabilities		**20,994,500**	19,329,424	20,772,571

Interim condensed consolidated statement of cash flows

for the six months ended 30 November 2009

	Notes	**Unaudited Six months ended 30 Nov 2009 £**	Unaudited Six months ended 30 Nov 2008 £	Audited Year ended 31 May 2009 £
Operating activities				
Profit for the period		**1,442,145**	1,389,277	2,722,258
Adjustments for:				
Depreciation		**80,059**	93,149	183,178
Amortisation		**164,446**	149,617	299,099
Investment income		**(19,663)**	(75,994)	(91,599)
Interest expense		**200**	3,839	5,889
Loss on disposal of property, plant and equipment		**8,228**	3,085	35,360
Equity-settled share-based payments		**107,962**	101,399	199,905
Income tax expense		**599,154**	617,655	1,174,410
Cash flows from operating activities before changes in working capital and provisions		**2,382,531**	2,282,027	4,528,500
Increase in trade and other receivables		**(164,417)**	(670,879)	(331,142)
(Decrease)/increase in trade and other payables		**(880,801)**	(501,549)	119,892
(Decrease)/increase in provisions		**(17,208)**	53,867	(9,261)
Cash generated from operations		**1,320,105**	1,163,466	4,307,989
Interest paid		**(200)**	(3,840)	(5,889)
Income taxes paid		**(559,229)**	(513,932)	(1,133,932)
Net cash flows from operating activities		**760,676**	645,694	3,168,168
Investing activities				
Proceeds from sale of property, plant and equipment		**17,000**	546	2,545
Purchase of property, plant and equipment		**(122,258)**	(80,077)	(126,616)
Purchase of software		**(64,070)**	(140,445)	(345,133)
Acquisition of subsidiaries		**(80,000)**	(125,500)	(206,000)
Acquisition of businesses		**(3,499)**	–	(234,048)
New loans advanced to property syndicates		**(614,755)**	(1,629,060)	(1,629,060)
Loan repayments from property syndicates		**368,888**	529,242	2,037,910
Interest received		**19,663**	75,994	91,599
Net cash from investing activities		**(479,031)**	(1,369,300)	(408,803)
Financing activities				
Proceeds from the issue of share capital		**41,818**	43,238	84,549
Repayment of borrowings		**–**	(9,600)	(28,242)
Proceeds/(repayment) of Directors' loans		**565**	1,145	(2,089)
Dividends paid		**(476,053)**	(344,788)	(543,298)
Net cash from financing activities		**(433,670)**	(310,005)	(489,080)
(Decrease)/increase in cash and cash equivalents		**(152,025)**	(1,033,611)	2,270,285
Cash and cash equivalents at start period		**4,808,179**	2,537,894	2,537,894
Cash and cash equivalents at end period		**4,656,154**	1,504,283	4,808,179

Notes to the interim condensed consolidated financial statements

1. Corporate information

Mattioli Woods plc ("the Company") is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange plc. The interim condensed consolidated financial statements of the Company for the six months ended 30 November 2009 comprise the Company and its subsidiaries (together referred to as the "Group"). The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 25 January 2010.

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

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 November 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 May 2009.

The information relating to the six months ended 30 November 2009 and the six months ended 30 November 2008 is unaudited and does not constitute statutory accounts. The comparative figures for the year ended 31 May 2009 are not the statutory accounts for that financial year. The statutory accounts for the year ended 31 May 2009 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union, and have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The interim financial statements are unaudited but have been reviewed by the auditors and their report to the Board of Mattioli Woods plc is included within these financial statements.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 May 2009 except for the adoption of new Standards and Interpretations, which did not have any effect on the financial position or performance of the Group.

Standards and Interpretations issued but not yet effective

The IASB and International Financial Reporting Interpretation Committee ("IFRIC") have issued Standards and Interpretations with an effective date for periods starting on or after the date on which these financial statements start. The Directors anticipate the adoption of these Standards and Interpretations, wherever relevant to Mattioli Woods, will not have a material impact on the Company's or the Group's financial statements in the period of initial application.

Financial statements for the year ending 31 May 2010

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 2010, except for the adoption of new Standards and Interpretations not yet issued.

2.3 Basis of consolidation

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

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

2.4 Significant accounting judgements estimates and assumptions

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost to sell of the cash-generating unit to which the goodwill is allocated. Estimating a fair value less cost to sell amount requires management to make an estimate of the realisable value of the cash generating unit.

Deferred tax assets

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

Recoverability of accrued time costs

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

Accrued commission income

Accrued commission income is recognised in respect of commissions due to the Group on investments and bank deposits placed during the accounting period which have not been received at the balance sheet date. This requires an estimation of the amount of commission income that will be received subsequent to the balance sheet date in respect of the accounting period.

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. A provision is recognised for all amounts management anticipates will be paid under the relevant acquisition agreement. This requires management to make an estimate of the expected future cash flows from the acquired client portfolio and also to choose a suitable discount rate for the calculation of the present value of those cash flows.

Notes to the interim condensed consolidated financial statements

3. Seasonality of operations

The Group's operations are not subject to any recurrent seasonal fluctuations as a result of external factors. Historically, revenues in the second half-year typically have been higher than in the first half, primarily due to SSAS scheme year-ends being linked to the sponsoring company's year-end, which is often in December or March, coupled with the end of the fiscal year being 5 April. With the growth in the number of SIPP schemes under administration and further diversification of the Group's revenue streams in recent periods, the Board of Directors believes the seasonal impact of SSAS scheme year-ends is no longer material.

Revenues in 1H09 were higher than in 2H09 as a result of increased demand for advice from clients following the significant downturn in financial markets seen during the first half of that financial year.

4. Segment information

The Group is comprised of the following operating segments:

- Pension consultancy and administration – time-based fees earned for setting up and administering pension schemes. Additional fees are generated from consultancy services provided for special one-off activities;
- Investment planning – income generated from the placing of investments on clients' behalf with banks and other financial institutions; and
- Property syndicates – income generated where the Group facilitates commercial property transactions on behalf of its clients.

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

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

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

4. Segment information continued

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

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

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

Operating segments

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

	Pension consultancy and administration			Investment planning			Property syndicates			Total		
	Six months ended 30 Nov 2009 £	Six months ended 30 Nov 2008 £	Year ended 31 May 2009 £	**Six months ended 30 Nov 2009 £**	Six months ended 30 Nov 2008 £	Year ended 31 May 2009 £	**Six months ended 30 Nov 2009 £**	Six months ended 30 Nov 2008 £	Year ended 31 May 2009 £	**Six months ended 30 Nov 2009 £**	Six months ended 30 Nov 2008 £	Year ended 31 May 2009 £
Operating segments												
Total revenue	**3,647,682**	3,317,000	6,479,102	**2,412,810**	2,857,707	5,694,386	**531,185**	674,484	1,109,716	**6,591,677**	6,849,191	13,283,204
Employee benefits expense (including share based payments)	**(2,542,173)**	(2,507,459)	(4,947,096)	**(472,269)**	(597,554)	(1,155,657)	**(494,414)**	(510,967)	(910,601)	**(3,508,856)**	(3,615,980)	(7,013,354)
Other administrative expense	**(36,113)**	(26,951)	(188,275)	**(63,466)**	(199,449)	(320,819)	**(19,013)**	(18,951)	–	**(118,592)**	(245,351)	(509,094)
Segment results	**1,069,396**	782,590	1,343,731	**1,877,075**	2,060,704	4,217,910	**17,758**	144,566	199,115	**2,964,229**	2,987,860	5,760,756
Unallocated indirect overheads										**(942,393)**	(1,053,083)	(1,949,798)
Operating profit before financing										**2,021,836**	1,934,777	3,810,958
Net finance income										**19,463**	72,155	85,710
Profit before tax										**2,041,299**	2,006,932	3,896,668
Income tax expense										**(599,154)**	(617,655)	(1,174,410)
Net profit for the period										**1,442,145**	1,389,277	2,722,258

4. Segment information continued

Total segment assets

The following table compares total segment assets as at 30 November 2009, 30 November 2008 and 31 May 2009 (the date of the last annual financial statements).

	Unaudited 30 Nov 2009 £	Unaudited 30 Nov 2008 £	Audited 31 May 2009 £
Pension consultancy and administration	**4,160,702**	3,674,752	3,729,921
Investment planning	**599,860**	916,021	605,377
Property syndicates	**664,198**	2,138,370	647,617
Total segment assets	**5,424,760**	6,729,143	4,982,915
Property plant and equipment	**655,605**	716,398	638,634
Intangible assets	**9,956,089**	10,040,010	10,056,466
Investments	**15**	15	15
Deferred tax	**174,881**	78,841	127,805
Prepayments and other receivables	**126,996**	260,734	158,557
Cash and cash equivalents	**4,656,154**	1,504,283	4,808,179
Total consolidated assets	**20,994,500**	19,329,424	20,772,571

5. Earnings per ordinary share

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

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

5. Earnings per ordinary share continued

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

	Unaudited Six months ended 30 Nov 2009 £	Unaudited Six months ended 30 Nov 2008 £	Audited Year ended 31 May 2009 £
Net profit and diluted net profit attributable to equity holders of the Company	**1,442,145**	1,389,277	2,722,258

Weighted average number of ordinary shares:	**Thousands**	Thousands	Thousands
Issued ordinary shares at start period	**17,286**	17,216	17,216
Effect of shares issued in the current period	**27**	18	18
Effect of shares issued in prior periods	**–**	40	52
Basic and diluted weighted average number of shares	**17,313**	17,274	17,286

The Company has granted options under the Share Option Plan and Consultants' Share Option Plan to certain of its senior managers and directors to acquire (in aggregate) up to 8.99% 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 2009 the conditions are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 7.67 pence per share (1H09: 7.45 pence).

The only transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements has been the issue of 3,552 ordinary shares on 8 December 2009 and 4,332 ordinary shares on 7 January 2010 under the Mattioli Woods plc Share Incentive Plan.

Notes to the interim condensed consolidated financial statements

6. Dividends paid and proposed

	Unaudited Six months ended 30 Nov 2009 £	Unaudited Six months ended 30 Nov 2008 £	Audited Year ended 31 May 2009 £
Paid during the period:			
Equity dividends on ordinary shares:			
– Final dividend for 2008: 2.00p (2007: 1.70p)	**–**	344,788	344,788
– Interim dividend for 2009: 1.15p (2008: 1.00p)	**476,053**	–	198,510
Dividends paid	**476,053**	344,788	543,298
Proposed for approval:			
Equity dividends on ordinary shares:			
– Interim dividend for 2010: 1.45p (2009: 1.15p)	**251,273**	198,510	–
– Final dividend for 2009: 2.75p (2008: 2.00p)	**–**	–	476,053
Dividends proposed	**251,273**	198,510	476,053

The proposed dividend was approved on 25 January 2010.

7. Income tax

Current tax

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

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

Deferred income tax

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

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

The recognition of deferred tax in the income statement arises from the origination and the reversal of temporary differences and the effects of changes in tax rates. The primary component of the deferred tax credit for the six months ended 30 November 2009 of £17,933 (1H09: debit of £15,212) is related to temporary differences arising on share-based payments to employees.

The total deferred tax asset recognised in equity was £34,830 for the six months ended 30 November 2009 (1H09: derecognised asset of £66,588).

7. Income tax continued

Reconciliation of effective tax rates

The current tax expense for the six months ended 30 November 2009 was calculated based on the estimated average annual effective income tax rate of 29.4% (1H09: 30.8%), as compared to the tax rates expected to be enacted or substantively enacted at the balance sheet date of 28.0% (1H09: 28.0%). Differences between the estimated average annual effective income tax rate and statutory rate include, but are not limited to the effect of non-deductible expenses, tax incentives not recognised in profit or loss and under/(over) provisions in previous periods.

8. Investments

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

The first CSA gives Mainsforth the right to acquire certain freehold land ("Land A") with vacant possession for a purchase consideration of £1.00m.

The second CSA gives Mainsforth the right to acquire other freehold land adjacent to Land A ("Land B") with vacant possession for a purchase consideration of £2.80m, subject to an upwards and downwards adjustment if the consideration (the "Development Consideration") payable to Mainsforth on the sale of Land A and Land B (together "the Development Land") is greater or less than £10.00m, subject to the condition that the consideration payable for Land B shall not be reduced below £2.20m.

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

9. Cash flows from operating activities using the direct method

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

	Unaudited Six months ended 30 Nov 2009 £	Unaudited Six months ended 30 Nov 2008 £	Audited Year ended 31 May 2009 £
Cash flows from operating activities			
Cash receipts from customers	**6,427,260**	6,178,312	12,952,062
Cash paid to suppliers and employees	**(5,107,155)**	(5,014,846)	(8,644,073)
Cash generated from operations	**1,320,105**	1,163,466	4,307,989

Notes to the interim condensed consolidated financial statements

10. Reserves

	Equity-share based payments £	Share premium account £	Capital redemption reserve £	Retained earnings £
As at 31 May 2008 – *Audited*	372,242	5,601,458	2,000,000	5,881,203
Share based payments	58,034	–	–	–
Shares issued under SIP	–	86,263	–	–
Deferred tax asset derecognised in equity	(66,588)	–	–	–
Profit for financial period	–	–	–	1,389,277
Dividends	–	–	–	(344,788)
At 30 November 2008 – *Unaudited*	363,688	5,687,721	2,000,000	6,925,692
Share based payments	58,033	–	–	–
Shares issued under SIP	–	81,428	–	–
Deferred tax asset recognised in equity	34,620	–	–	–
Profit for financial period	–	–	–	1,332,981
Dividends	–	–	–	(198,510)
At 31 May 2009 – *Audited*	456,341	5,769,149	2,000,000	8,060,163
Share based payments	68,642	–	–	–
Shares issued under SIP	–	80,780	–	–
Deferred tax asset recognised in equity	34,830	–	–	–
Profit for financial period	–	–	–	1,442,145
Dividends	–	–	–	(476,053)
At 30 November 2009 – *Unaudited*	559,813	5,849,929	2,000,000	9,026,255

11. Related party transactions

Transactions with key management personnel

The private pension schemes of Ian Mattioli, Robert Woods, Nathan Imlach, Murray Smith and Mark Smith, together with the private pension schemes of other employees of the Group, have beneficial interests in MW Properties (No 16) Limited and MW Properties (No 60) Limited. The Group leases its premises at MW House, Grove Park, Enderby from MW Properties (No 16) Limited and paid rentals of £93,000 during the six months ended 30 November 2009 (1H09: £93,690). At 30 November 2009 the Group had prepaid future rentals of £12,230 (1H09: £12,227).

The Group leases its premises at Gateway House, Grove Park, Enderby from MW Properties (No 60) Limited and paid rentals of £37,800 during the six months ended 30 November 2009 (1H09: £37,800). At 30 November 2009 the Group had prepaid future rentals of £4,971 (1H09: £4,971).

Key management personnel receive compensation in the form of short-term employee benefits and equity compensation benefits. Key management personnel, representing the executive directors and five (1H09: five) senior executives, received total compensation of £914,988 for the six months ended 30 November 2009 (1H09: £1,003,050). Total remuneration is included in "employee benefits expense".

Company information

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

Company secretary
Nathan Imlach

Registered office
MW House
1 PenmanWay
Grove Park
Enderby
Leicester
LE19 1SY

Registered number
3140521

Nominated adviser and broker
Evolution Securities Limited
Kings House
1 King Street
Leeds
LS1 2HH

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

Solicitors
Cobbetts LLP
1 Whitehall Riverside
Leeds
LS1 4BN

Principal bankers
Lloyds TSB Bank plc
Charnwood House
Harcourt Way, Meridian Business Park
Leicester
LE19 1WF

Royal Bank of Scotland plc
98-102 Belgrave Gate
Leicester
LE1 3GR

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Financial calendar

26 January	Announcement of interim results for the six months ended 30 November 2009
3 February	Ex-interim dividend date for ordinary shares
5 February	Record date for interim dividend
5 March	Payment of interim dividend on ordinary shares

ckd
Design & Production
www.ckdcorp.co.uk

Mattioli Woods plc
MW House
1 Penman Way
Grove Park
Enderby
Leicester
LE19 1SY

Tel: 0116 240 8700
Fax: 0116 240 8701
pensions@mattioli-woods.com
www.mattioli-woods.com