

**Mattioli Woods**

Pension Consultants

**Mattioli Woods plc**  
**Interim Report 2005**



## Securing your pension

Pension Trustees & Administrators  
Pension Investment Services  
Pension Consultants

## Corporate statement

Mattioli Woods plc (“Mattioli Woods” or “the Group”) was established in 1991 by Ian Mattioli and Bob Woods. The Group provides pensions consultancy and administration services primarily to owner-managers, senior executives and professionals. Its focus is at the higher end of the market where clients require bespoke service and specialist advice.

Headquartered in Leicester and employing 80 staff including 12 pension consultants, Mattioli Woods has a strong network of intermediary contacts throughout the UK. The practice has grown rapidly over the last decade. Mattioli Woods became a public company when it joined AiM in November 2005.

The Group’s objective is to continue to grow the organisation to increase its market share and enhance its reputation in the pension consultancy market.

## Index

1	Highlights
2	Chairman’s statement
4	Consolidated profit and loss account
5	Consolidated balance sheet
6	Consolidated cash flow statement
7	Notes to the interim report
11	Independent review report
12	Company information

## Highlights

- Turnover increased by 7% to £3.61 million for the six months
- Profit before interest and tax of £1.07 million in line with expectations
- Earnings per share of 5.6 pence
- June 2005 acquisition of client portfolio of Geoffrey Bernstein successfully integrated
- Office move to new premises in Leicester in September 2005
- Joined AiM in November 2005
- Acquisition of Suffolk Life SSAS portfolio in January 2006
- New SIPP launched in conjunction with Bank of Scotland



## Chairman's statement



I am delighted to report that the historic growth trend of the business has been maintained, with turnover up 7% on the same period in 2004, notwithstanding that in the six months ended 30 November 2005 the business made its first acquisition, moved to new premises and floated on AiM. Taking into account anticipated costs relating to the office move and the flotation, the Group's reported profits are in line with market expectations.

### **Business progress**

Our objective is to continue to grow the organisation to increase market share and enhance Mattioli Woods' reputation in the pensions consultancy market. In accordance with our strategy of using funds raised on flotation to make acquisitions to consolidate our position, on 27 January 2006 we acquired Suffolk Life Group plc's portfolio of small

self-administered pension scheme ("SSAS") clients. We look forward to integrating this portfolio alongside the Geoffrey Bernstein client portfolio acquired in June 2005.

In addition, I am pleased that we have obtained HM Revenue & Customs approval for a new Mattioli Woods Self Invested Personal Pension ("SIPP") scheme, established in conjunction with Bank of Scotland (part of the HBoS Group). This is the fifth SIPP we have developed together with other leading financial institutions. A strong banking connection such as Bank of Scotland, which has developed a specialist on-line pension fund banking facility, further strengthens Mattioli Woods' existing SIPP initiative. The Bank of Scotland's technology is built upon a streamlined and efficient administrative platform for clients, underpinned by the ability to download scheme transactions on a daily basis.

We now act for over 1,300 SSAS and SIPP clients throughout the UK, with funds under trusteeship totalling over £700 million.

### **Trading results**

In the six months to 30 November 2005, increased turnover of £3.61 million (2004: £3.37 million) was achieved despite the additional responsibilities management and staff experienced in the day-to-day running of our business as a result of the AiM flotation and the office move. As anticipated, the trading results were affected by additional one-off costs incurred in connection with this activity.

Operating profit (before exceptional items) was £1.18 million (2004: £1.42 million), with EBITDA of £1.11 million (2004: £1.44 million). Earnings per share were 5.6p. As stated in the prospectus, the Board does not propose to pay an interim dividend in respect of the period.

### **Review of operations**

As expected, the SIPP market continues to grow strongly with almost all providers and practices around the UK reporting good levels of new business. This is in sharp contrast with insurance companies' conventional pension plan business. We expect the SIPP market to continue to grow, and remain focused on the top-end where clients require more proactive bespoke advice and a wider range of supporting services. Against this background, our consultancy team is enjoying good levels of new enquiries, which augurs well for next year.

### **Staff**

The last six months has been an exceptionally busy period for Mattioli Woods and it is only through the hard work and dedication of our employees that I am able to report on the positive progress we have achieved, for which I am very grateful.

Our flotation on AiM has been well received by both our clients and our professional connections. Whilst it is still early days, this shows every indication of supporting all elements of our growth strategy, not least of which is our graduate recruitment drive.

### **Outlook**

We have always believed that the Government's Pension Simplification legislation ("A-Day") would not only boost the current rate of growth in the SIPP market, but also lead to rationalisation within the sector. This is becoming apparent, with signs that certain small practitioners are taking the view that they do not have the appetite or resources to implement the impending changes. We believe this may provide Mattioli Woods with further opportunities for acquisitions.

We look forward to 2006 with confidence and enthusiasm.

### **Bob Woods**

Chairman  
20 February 2006

## Consolidated profit and loss account

for the six months ended 30 November 2005

	Notes	Six months ended 30 November 2005 £	Six months ended 30 November 2004 £	Year ended 31 May 2005 £
<b>Turnover</b>		<b>3,605,970</b>	3,370,201	6,442,104
Administration expenses		<b>2,428,062</b>	1,953,264	3,704,420
<b>Exceptional item:</b>				
Costs of AiM flotation		<b>108,605</b>	-	-
<b>Operating profit</b>		<b>1,069,303</b>	1,416,937	2,737,684
Interest receivable and similar income		<b>32,174</b>	26,960	62,567
Interest payable		<b>76,760</b>	348	560
<b>Profit on ordinary activities before taxation</b>		<b>1,024,717</b>	1,443,549	2,799,691
Tax on profit on ordinary activities		<b>307,574</b>	433,065	840,580
<b>Profit on ordinary activities after taxation</b>		<b>717,143</b>	1,010,484	1,959,111
Dividends		-	-	250,000
<b>Retained profit for the financial period</b>		<b>717,143</b>	1,010,484	1,709,111
<b>Earnings per ordinary share</b>				
Basic	3	<b>5.6p</b>	8.1p	15.7p
Diluted	3	<b>5.6p</b>	8.1p	15.7p

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

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# Consolidated balance sheet

as at 30 November 2005

	Notes	As at 30 November 2005 £	As at 30 November 2004 £	As at 31 May 2005 £
<b>Fixed assets</b>				
Intangible assets		5,405,891	4,847,130	4,847,130
Tangible assets		388,766	150,757	224,630
		<b>5,794,657</b>	<b>4,997,887</b>	<b>5,071,760</b>
<b>Current assets</b>				
Debtors		3,057,835	2,547,919	2,765,864
Cash at bank and in hand		3,028,215	1,843,309	1,381,461
		<b>6,086,050</b>	<b>4,391,228</b>	<b>4,147,325</b>
<b>Creditors:</b> amounts falling due within one year		<b>2,849,118</b>	<b>7,205,137</b>	<b>6,328,256</b>
		<b>3,236,932</b>	<b>(2,813,909)</b>	<b>(2,180,931)</b>
<b>Total assets less current liabilities</b>		<b>9,031,589</b>	<b>2,183,978</b>	<b>2,890,829</b>
<b>Creditors:</b> amounts falling due after more than one year		–	–	–
<b>Provisions for liabilities and charges</b>		<b>8,225</b>	–	8,225
<b>Net assets</b>		<b>9,023,364</b>	<b>2,183,978</b>	<b>2,882,604</b>
<b>Capital and reserves</b>				
Called up share capital	8	170,455	50,000	50,000
Share premium account		5,378,162	–	–
Profit and loss account		3,474,747	2,133,978	2,832,604
<b>Shareholders' funds</b>		<b>9,023,364</b>	<b>2,183,978</b>	<b>2,882,604</b>

# Consolidated cash flow statement

for the six months ended 30 November 2005

	Notes	Six months ended 30 November 2005 £	Six months ended 30 November 2004 £	Year ended 31 May 2005 £
<b>Net cash in flow from operating activities</b>	4	<b>913,910</b>	864,495	1,750,903
<b>Returns on investment and servicing of finance</b>				
Interest received		<b>32,174</b>	26,960	57,887
Interest paid		<b>(76,760)</b>	(348)	(560)
<b>Net cash flow from investments and servicing of finance</b>		<b>(44,586)</b>	26,612	57,327
<b>Taxation</b>				
Corporation tax		<b>(593,753)</b>	-	(795,000)
<b>Capital expenditure</b>				
Purchase of fixed assets		<b>(206,060)</b>	(47,362)	(148,135)
Sale of fixed assets		-	2,663	6,900
<b>Acquisitions</b>				
Purchase of subsidiary undertakings	5	<b>(15)</b>	-	-
Purchase of business	5	<b>(383,791)</b>	-	-
<b>Net cash flow from capital expenditure and financial investment</b>		<b>(589,866)</b>	(44,699)	(141,235)
<b>Equity dividends paid</b>		-	-	(250,000)
<b>Cash flow before financing</b>		<b>(314,295)</b>	846,408	621,995
<b>Financing</b>				
Gross proceeds of share issue		<b>6,000,001</b>	-	-
Costs of share issue		<b>(576,385)</b>	-	-
Movement on Directors' loan accounts		<b>(3,019,298)</b>	(279,836)	(353,925)
Loan proceeds		<b>1,200,000</b>	-	-
Redemption of preference shares		<b>(2,000,000)</b>	-	-
<b>Net cash flow from financing</b>		<b>1,604,318</b>	(279,836)	(353,925)
<b>Increase in cash</b>	7	<b>1,290,023</b>	566,572	268,070



# Notes to the interim report

## for the six months ended 30 November 2005

### 1. Preparation of interim report

The interim report has been prepared on the basis of the accounting policies set out in the Group's 31 May 2005 statutory financial statements, except for the treatment of redeemable preference shares, which are disclosed in accordance with FRS25. The interim report was approved by the Board of Directors on 20 February 2006.

The post-acquisition results of the Geoffrey Bernstein portfolio are not separately disclosed in accordance with FRS3 because at 30 November 2005:

- A number of clients that had prepaid their annual pensioner trustee fees at the date of acquisition continued to have a prepaid balance;
- The recoverable unbilled time charges on the portfolio were immaterial; and
- The acquisition is a 'bolt-on' to the Group's existing business. No additional administrative expenses were incurred in the period as a result of the acquisition.

The figures for the year ended 31 May 2005 have been extracted from the financial statements for that year which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain any statement under Section 237 (2) or (3) of the Companies Act 1985.

### 2. Dividend

No dividend is proposed to be paid in respect of the period.

### 3. Earnings per share

Basic earnings per share is calculated by reference to the weighted average number of ordinary shares in issue during the period of 12,698,708 (2004: 12,500,000) and the profit after taxation.

Diluted earnings per share is calculated by reference to the weighted average number of ordinary shares in issue adjusted for the conversion of share options of 170,455 (2004: nil).

## Notes to the interim report (continued)

for the six months ended 30 November 2005

### 4. Reconciliation of operating profit to operating cash flows

	Six months ended 30 November 2005 £	Six months ended 30 November 2004 £	Year ended 31 May 2005 £
<b>Operating profit</b>	<b>1,069,303</b>	1,416,936	2,737,684
Depreciation charge	41,924	20,100	42,432
Loss on disposal of fixed assets	–	13,000	13,330
(Increase) in debtors	(291,956)	(544,404)	(1,029,808)
Increase/(decrease) in creditors	94,639	(41,137)	(12,735)
<b>Net cash inflow from operating activities</b>	<b>913,910</b>	864,495	1,750,903

### 5. Acquisitions

	Six months ended 30 November 2005 £	Six months ended 30 November 2004 £	Year ended 31 May 2005 £
<b>Purchase of subsidiaries</b>			
Net assets acquired:			
Other debtors	15	–	–
<b>Purchase of business</b>			
Goodwill	383,791	–	–
	<b>383,806</b>	–	–

On 20 June 2005, the Group acquired the entire issued share capital of GB Pension Trustees Limited for a cash consideration of £6 and the entire issued share capital of Great Marlborough Street Pension Trustees Limited for a cash consideration of £7. Also on 20 June 2005, the Group acquired the client portfolio of Geoffrey Bernstein, a small practice providing pensioner trusteeship in London and the Home Counties. The total cost of the purchase of the business was a cash consideration of £379,987 paid on completion, plus legal fees of £3,804.

In addition, the acquisition agreement provides for deferred consideration to be paid by an earn-out based on an amount equal to 20% of all investment commissions paid to the Group from contracts entered into by the Group during the five years from 20 June 2005. The earn-out is payable at 12 monthly intervals following completion of the acquisition. Whilst it is not possible to determine the exact amount of the deferred consideration (as this will depend on commission earned on contracts), the Group estimates the net present value of the earn-out to be £174,968.

On 16 September 2005, the Group acquired the entire issued share capital of MW Trustees Limited for a cash consideration of £2.

## Notes to the interim report (continued)

for the six months ended 30 November 2005

### 6. Analysis of net debt

	As at 1 June 2005 £	Cash flow £	Non-cash changes £	As at 30 November 2005 £
<b>Analysis of changes in net debt</b>				
Cash at bank and in hand	1,381,461	1,646,754	-	<b>3,028,215</b>
Overdraft	(93,913)	(356,731)	-	<b>(450,644)</b>
	1,287,548	1,290,023	-	<b>2,577,571</b>
Debt due within one year	(5,019,298)	3,819,298	-	<b>(1,200,000)</b>
Total	(3,731,750)	5,109,321	-	<b>1,377,571</b>

### 7. Reconciliation of net cash flow to movement in net debt

	Six months ended 30 November 2005 £	Six months ended 30 November 2004 £	Year ended 31 May 2005 £
<b>Reconciliation of net cash flow to movement in net debt</b>			
Movement in cash in the period	<b>1,290,023</b>	566,572	268,070
Cash outflow from Directors' loan repayments	<b>19,298</b>	279,836	305,459
Repayment of subordinated loan	<b>3,000,000</b>	-	-
New bank loan	<b>(1,200,000)</b>	-	-
Cash outflow from redemption of preference shares	<b>2,000,000</b>	-	-
Movement in net debt in period	<b>5,109,321</b>	846,408	573,529
Opening net debt	<b>(3,731,750)</b>	(4,305,279)	(4,305,279)
Closing net funds/(debt)	<b>1,377,571</b>	(3,458,871)	(3,731,750)

## Notes to the interim report (continued)

for the six months ended 30 November 2005

### 8. Called up share capital

	Six months ended 30 November 2005 £	Six months ended 30 November 2004 £	Year ended 31 May 2005 £
<b>Authorised</b>			
100,000 Ordinary Shares of £1 each	–	100,000	100,000
25,000,000 Ordinary Shares of 1p each	<b>250,000</b>	–	–
	<b>250,000</b>	100,000	100,000
<b>Allotted, called up and fully paid</b>			
50,000 Ordinary Shares of £1 each	–	50,000	50,000
17,045,455 Ordinary Shares of 1p each	<b>170,455</b>	–	–
	<b>170,455</b>	50,000	50,000

On 10 November 2005, the share capital of the Company was altered by the conversion and subdivision of each of the issued and unissued Ordinary Shares of £1 in the capital of the Company into 100 Ordinary Shares of 1p. On the same date, the authorised share capital of the Company was increased from £100,000 to £250,000 by the creation of 15,000,000 Ordinary Shares of 1p, and £75,000 of the amount standing to the credit of the Company's profit and loss account was capitalised and used by the Directors in paying up and distributing by way of a bonus issue 7,500,000 Ordinary Shares of 1p each on the basis of 1½ new Ordinary Shares of 1p for each Ordinary Share in issue.

On 15 November 2005, 4,545,455 Ordinary Shares of 1p were issued at £1.32 per share, pursuant to a placing.

### 9. Post balance sheet event

On 27 January 2006, the Group acquired the entire issued share capital of Suffolk Life Trustee Company Limited ("SLT"), together with the Suffolk Life Group plc's ("Suffolk Life") portfolio of small self-administered pension scheme clients for an initial cash consideration of £701,149. The acquisition agreement also provides for deferred consideration to be paid to Suffolk Life by way of an earn-out based on investment commissions earned by the Group during the three years from 27 January 2006.

### 10. Copies of the interim report

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

# Independent review report to Mattioli Woods plc

## Introduction

We have been instructed by the Group to review the financial statements set out on pages 4 to 10 and have read the other information in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report, including the conclusion, has been prepared for and only for the Group for the purpose of its interim statement 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 as expressly agreed by our prior consent in writing.

## Directors' responsibilities

The interim statement, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim statement in accordance with the AiM Market Rules which require that the accounting policies and presentation applied to the interim figures must be consistent with those that will be adopted in the Group's annual accounts.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board as if that Bulletin applied. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 November 2005.

## Baker Tilly Chartered Accountants

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Leeds  
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## Company information

<b>Directors:</b>	Robert Woods – Executive Chairman Ian Mattioli – Chief Executive Nathan Imlach – Finance Director Murray Smith – Marketing and Sales Director John Redpath – Non-Executive Director
<b>Company secretary:</b>	Nathan Imlach
<b>Registered office:</b>	MW House 1 Penman Way Grove Park Enderby Leicester LE19 1SY
<b>Registered number:</b>	3140521
<b>Nominated adviser and broker:</b>	<b>Williams de Broë Plc</b> Kings House 1 King Street Leeds LS1 2HH
<b>Auditors:</b>	<b>Baker Tilly</b> 2 Whitehall Quay Leeds LS1 4HG
<b>Solicitors:</b>	<b>Cobbetts LLP</b> Trafalgar House 29 Park Place Leeds LS1 2SP
<b>Principal bankers:</b>	<b>Royal Bank of Scotland</b> 98-102 Belgrave Gate Leicester LE1 3GR
<b>Registrars:</b>	<b>Capita Registrars</b> Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

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