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Mattioli Woods PLC
09 February 2021

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Mattioli Woods plc

("Mattioli Woods", "the Company" or "the Group ")

Interim Results

Mattioli Woods plc (AIM: MTW.L), the specialist wealth and asset management business, today reports its interim results for the six months ended 30 November 2020.

Financial highlights for the six months ended 30 November 2020:

- Key milestone achieved with total client assets of the Group and its associate[1] increasing £1.3bn in the period to £10.6bn (31 May 2020: £9.3bn):

Total Client Assets	1H21 *£m*	1H20 *£m*
At 1 June	9,300.3	9,382.5
Net inflows	439.7	(63.6)
Market movements	244.0	68.6
Acquired growth	593.9	-
At 30 November	10,577.9	9,387.5

- Revenue of £29.5m (1H20: £30.3m) down 2.6% as expected due to:
  - Reduced special consultancy and administration (£0.7m) and
  - Reduced statutory requirements for pension schemes (£0.2m)
- Recurring revenues[2] increased to 94.3% (1H20: 91.5%) of total revenue
- Operating profit before financing £5.4m (1H20 restated: £5.5m) down 1.8%
- Adjusted EBITDA[3] up 7.2% to £8.9m (1H20 restated: £8.3m)
- Adjusted EBITDA margin[4] increased to 30.2% (1H20 restated: 27.4%)
- Adjusted profit before tax[5] up 4.5% to £7.0m (1H20 restated: £6.7m)
- Basic EPS 16.3p (1H20 restated: 16.9p) down 3.6%
- Adjusted EPS[6] up 1.0% to 20.4p (1H20 restated: 20.2p)
- Interim dividend up 2.7% to 7.5p (1H20: 7.3p)
- Strong financial position, with cash of £18.2m at 30 November 2020 (1H20: £20.1m)

Operational highlights and recent developments

- Revenue mix remains strong though our integrated model with 54% fee-based revenues[7]
- Gross discretionary Assets under Management[8] up 28.5% to £3.3bn (31 May 2020: £2.6bn)
- Recent acquisitions performing and integrating well:
  - Hurley Partners Limited, acquired in July 2020 contributing £0.7m EBITDA
  - Further strategic acquisitions of Montagu Limited and Exempt Property Unit Trust administration business of BDO Northern Ireland post period end
- Sustained focus on targeted acquisitions with strong pipeline of opportunities
- Continued investment in technology, compliance and training, including a strategic investment in Tiller Group Limited, as part of a new strategic relationship to develop a digital, self-investment application
- Establishment of new executive team and post period end non-executive and oversight appointments further strengthens PLC board and management

- Trading outlook for the current year remains in line with management's expectations

Commenting on the results, Ian Mattioli MBE, Chief Executive Officer, said:

"The first six months of this financial year saw a continuation of the market and economic uncertainty that was a feature for most of 2020. Throughout the period we proactively balanced securing positive financial outcomes for our clients with ensuring the long-term sustainability of our business, remaining true to our purpose of putting clients first in all that we do, which has been consistent throughout our 30 years of trading. We are pleased to report further progress towards our goals with total client assets up 13.7% to a record £10.6bn (31 May 2020: £9.3bn) for the Group.

"Revenue of £29.5m was 2.6% lower than the equivalent period last year (1H20: £30.3m) as anticipated, due to weaker markets reducing the level of special consultancy and administration activity and the suspension of certain statutory requirements for pension schemes resulting in lower fee-based revenues. This was offset by positive EBITDA contributions from The Turris Partnership Limited and Hurley Partners Limited which were acquired in the prior and current financial year with both continuing to perform and integrate well as expected. The positive margin contributions from these recent acquisitions and continued cost management in the period more than offset the impact of reduced revenues with adjusted EBITDA up 4.5% to £8.9m (1H20 restated: £8.3m). Profit before tax was down 1.8% to £5.6m (1H20 restated: £5.7m), with adjusted profit before tax up 4.5% to £7.0m (1H20 restated: £6.7m).

"We believe the benefits of operating a responsibly integrated business allows us to secure great client outcomes including controlling clients' costs whilst delivering strong, sustainable shareholder returns over the long term. The Board remains committed to growing the dividend, while maintaining an appropriate level of dividend cover. Accordingly, the Board is pleased to recommend the payment of an increased interim dividend, up 2.7% to 7.5p per share (1H20: 7.3p).

"In addition to the positive contribution from recent acquisitions, the Group generated an increased share of profit from Amati of £0.4m (1H20: £0.3m), whose total funds under management had increased to £761.5m (31 May 2020: £581.4m) at the period end.

"Clients need long-term advice and strategies more than ever before. We will continue to provide quality solutions, maintaining our focus on client service and continuing to adapt our business model to the changing market, integrating asset management and financial planning to build upon our established reputation for delivering sound advice and consistent investment performance, while providing value for clients.

"We are pleased by our performance in the first half of the financial year and plan to build on this momentum, advancing our key strategic initiatives: new business generation, growth through strategic acquisitions, developing new products and services including developing our own technology solutions and delivering improved operational efficiencies. Our trading outlook for the year remains in line with management's expectations and we believe the Group is well-positioned to grow, both organically and by acquisition. We are committed to delivering our ambitious growth strategy and in doing so create a business that remains responsibly integrated for the future and continues to deliver sustainable shareholder returns."

1. Group and its' associate includes £688.4m (31 May 2020: £515.8m) of funds under management by the Group's associate, Amati Global Investors Limited, excluding £59.6m (31 May 2020: £54.1m) of Mattioli Woods' client investment and £13.5m (31 May 2020: £11.5m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.
2. Annual pension consultancy and administration fees; ongoing adviser charges; level and renewal commissions; banking income; property, discretionary portfolio and other annual management charges.
3. Earnings before interest, taxation, depreciation, amortisation, impairment, changes in valuation of derivative financial instruments and acquisition-related costs, including share of profit from associates (net of tax). All FY20 prior year balances all reported after restatement.
4. Adjusted EBITDA divided by revenue.
5. Calculated as profit before tax, adding back amortisation and impairment of acquired intangibles, changes in valuation of derivative financial instruments and acquisition-related costs.
6. Adjusted profit after tax used to derive adjusted EPS is calculated as adjusted profit before tax less income tax at the standard rate of 19.0% (1H20: 18.7%).
7. Revenue for the six months ended 30 November 2020 was split 54% (1H20: 55%) fixed, initial or time-based fees and 46% (1H20: 45%) ad valorem fees based on the value of assets under management, advice and administration.
8. Includes £761.5m (31 May 2020: £581.4m) of funds under management by Amati Global Investors Limited, including Mattioli Woods' client investment and cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.

Analyst presentation

There will be an analyst presentation held via webinar to discuss the results at 09:30am today.

Those analysts wishing to attend are asked to contact Julia Tilley at Camarco on +44 (0) 7815 068 387 or at julia.tilley@camarco.co.uk.

Investor Meet Company Presentation

Ian Mattioli MBE and Ravi Tara will provide a live presentation relating to Mattioli Woods Company Results Presentation via the Investor Meet Company platform on Tuesday 16 February at 1.30pm.

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet Mattioli Woods PLC via:
https://www.investormeetcompany.com/mattioli-woods-plc/register-investor

Investors who already follow Mattioli Woods PLC on the Investor Meet Company platform will automatically be invited

For further information please contact:

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Interim business review

Introduction

The first six months of this financial year saw a continuation of the market and economic uncertainty that was a feature for most of 2020. Throughout the period we proactively balanced securing positive financial outcomes for our clients with ensuring the long-term sustainability of our business, remaining true to our purpose of putting clients first in all that we do, which has been consistent throughout our 30 years of trading and led to our inter-generational client base. We are pleased to report further progress towards our goals with total client assets up 13.7% to a record £10.6bn (31 May 2020: £9.3bn) for the Group.

Revenue of £29.5m was 2.6% lower than the equivalent period last year (1H20: £30.3m) as anticipated, due to weaker markets reducing the level of special consultancy and administration activity and the suspension of certain statutory requirements for pension schemes resulting in lower fee-based revenues. This was offset by positive EBITDA contributions from the Turris Partnership Limited ("Turris") +£0.1m and Hurley Partners Limited ("Hurley") +£0.7m which were acquired in the prior and current financial year with both continuing to perform and integrate well as expected. The positive margin contributions from these recent acquisitions and continued cost management in the period more than offset the impact of reduced revenues with adjusted EBITDA up 4.5% to £8.9m (1H20 restated: £8.3m). Profit before tax was down 1.8% to £5.6m (1H20 restated: £5.7m), with adjusted profit before tax up 4.5% to £7.0m (1H20 restated: £6.7m).

We remain dedicated to maintaining our culture of putting clients first, particularly during periods of uncertainty caused by the current Covid-19 pandemic, developing our service offering and building a business that is sustainable over the long-term. Our focus remains on our clients' well-being and the preservation of their wealth. We have taken positive and decisive action to protect our clients and staff, and to ensure that all our core business areas continue to be fully operational throughout the extended pandemic. Our investment in technology has enabled our employees to continue to work remotely and to meet with clients through alternative channels rather than traditional face-to-face meetings. The well-being of all our staff has been a key focus during the pandemic with a range of workshops, educational and social forums and a dedicated team of support staff being established.

Clients quite rightly remain cautious of the prevailing economic and investment conditions, which reduced special advice and administration activity in the first half. However, our advice-led client offering and fee-based charging structure will ensure that we are able to minimise volatility through this cycle. We recognise that a significant number of our clients continue to be impacted by the challenging economic conditions and remain sympathetic to their needs. Accordingly, we resolved to maintain our position not to alter any of our fee structures or implement any fee increases for the remainder of this financial year.

As in prior years, we anticipate certain operating costs will be more heavily weighted towards the second half, including those associated with planned recruitment activity, marketing, and increased regulatory, compliance and professional service costs. More notably having taken some difficult decisions last year, we remain committed to restoring discretionary bonus payments to employees, having already paid an interim bonus to the majority of staff in September 2020, based on our anticipated full year results.

Our managed funds continue to deliver their investment objectives and represent a combined value of £3.3 billion, including more than £760 million with the team at the Group's associate company, Amati Global Investors ("Amati"), gaining further recognition being named Boutique Manager of the Year at Investment Week's Specialist Investment Awards in November 2020.

We believe the benefits of operating a responsibly integrated business allows us to secure great client outcomes including controlling clients' costs whilst delivering strong, sustainable shareholder returns over the long term. In meeting our clients' investment needs we generally use third parties' funds, but where we have a particular expertise and a more appropriate investment product, we look to meet those needs in-house. This has led to the innovative development of our Private Investors Club, Custodian REIT plc ("Custodian REIT") and the Mattioli Woods Structured Products Fund, in addition to the funds managed by Amati.

Despite continued market and economic uncertainty we achieved net inflows into the Group's bespoke investment services, with aggregate net inflows (before market movements) of £90.3m (1H20: £73.0m). Gross discretionary assets under management increased to £3.3bn (31 May 2020: £2.6bn) at the period end, with the value of assets held within our Discretionary Portfolio Management service increasing by 37.5% to £1.9bn (31 May 2020: £1.4bn), of which £136.9m or 8.8% (31 May 2020: £128.0m or 9.1%) is invested within funds managed by the Group and its associates.

New business generated by our consultancy team using traditional development channels continues to be impacted by the ongoing market and economic uncertainties. A total of 316 (1H20: 277) new SIPP, SSAS and personal clients with assets totalling £79m (1H20: £88m) chose to use Mattioli Woods during the period. In addition and as a direct consequence of increased business development activity, the period saw an increase in new business enquiries with 556 (1H20: 492) opportunities with assets totalling £160m (1H20: £157m). Total client assets under management, administration and advice by the Group and its associate reached a new record of £10.6bn at the period end (31 May 2020: £9.3bn), with our clients drawing down pension commencement lump sums and pension payments of £59m (1H20: £67m) during the period.

Given the increasing scrutiny on industry fee levels, a key priority within our growth strategy remains to create ways to reduce our clients' costs across the value chain without compromising our service. We believe the benefits of operating a responsibly integrated model, including the opportunity to secure economies of scale such as lower fund manager and platform charges, will allow us to improve client outcomes and reduce clients' total expense ratios ("TERs") over time. We recognise the speed at which Covid-19 has accelerated consumer technology and that on demand portfolio visibility is now considered a standard requirement. We have partnered with Tiller Group Limited ("Tiller") to enhance our client proposition through developing a streamlined digital investment solution for our discretionary investment management service. This development will further enable us to progress our strategic ambition to on board a new client demographic as well as improving operational efficiencies and simplifying our existing client processes.

In July 2020, we were pleased to follow the SSAS Solutions and The Turris Partnership transactions with the acquisition of Hurley Partners Limited, who provides private client and asset management advice and now have over £593m of client assets. Post period end, we were pleased to announce the acquisition of the Exempt Property Unit Trust ("EPUT") administration business of BDO Northern Ireland which complements Mattioli Woods' core SSAS and SIPP proposition, bringing over 100 EPUTs with total funds under trusteeship of over £233 million. In addition, we also announced the acquisition of Montagu Limited ("Montagu"), specialising in the provision of fee-based financial planning advice and bringing approximately £80 million of assets under advice.

Market overview

The UK retail savings and investment market has demonstrated considerable growth in recent years. It remains dominated by pension schemes but is evolving as a result of societal, economic, regulatory and technological changes. More than a decade of low interest rates and evolving client preferences, combined with recent dividend cuts have created challenges for people seeking to generate income, while preserving and growing their capital. Meanwhile, there is an increasing focus upon investment solutions that encompass environmental, social and governance ("ESG") considerations.

There have been some negative factors for the pension market over the last few years, with restrictions on annual contributions and annual allowances, and certain SIPP and SSAS operators in the spotlight due to issues with esoteric and non-standard investments. Current discussions with the UK Government include those seeking to reduce the taxation benefits of pension contributions and investments, and increasing pension taxation driven by the fiscal deficit. The Government is reported to be considering raising the point at which the tapered annual allowance for tax-free pension savings kicks in, which would benefit higher-earning private and public sector workers. While continual change, and talk of change, to the UK pensions system may work against the Government's aim to ensure all individuals save for their retirement, we expect any changes to drive demand for advice, benefiting our core pensions business.

At the same time, there is a growing awareness of the gap between the level of current UK savings and that which is necessary to provide a reasonable standard of living in retirement. Employers continue to withdraw from defined benefit ("DB") pension schemes, requiring individuals to be more self-reliant in planning for their own long-term needs. The defined benefit pension scheme advice market itself is coming under increased regulatory scrutiny, with the rise in the level of redundancies increasing the need to access these pension schemes. Individuals who have generated substantial personal and family wealth are increasingly seeking solutions that help them fulfil their personal ambitions, and we believe that the political and economic uncertainty created by the US election, the Brexit trade deal and the current pandemic are likely to drive an increased demand for the holistic planning and expert advice we provide in the coming months and years.

We continue to monitor Brexit-related developments. Brexit will bring no changes to the basis or nature of the services we provide to the vast majority of our clients and investors who are based in the UK. However, we recognise the impact of Brexit more generally, which has and could further affect the value of our clients' funds under management, advice and administration.

The global economic and political outlooks are also important. While we anticipate greater client activity and increasing inflows into our bespoke investment services following a period of sustained uncertainty, we remain conscious that the political situation could impact markets and consumer confidence, raising unexpected challenges. We remain confident that we have the right structures in place to ensure the continued operation of our business throughout.

As the demand for high-quality, personalised advice and the potential market for our products and services continue to grow, so do the costs of regulation. In the last financial year, we reported increases in the Financial Services Compensation Scheme ("FSCS") levy which doubled on the previous year's value. These costs are in excess of £1.0m for the Group and the FSCS has the ability, and has indicated it is again likely, to impose a supplementary interim levy on advisers as it did in the 2019/20 year due to rising SIPP and pension advice claims.

As regulators focus on protecting consumers, legislation is becoming increasingly stringent and the level of public scrutiny on conduct and cost is increasing, with clients able to more easily view the cost of the services they receive following the introduction of the Markets in Financial Instruments Directive II ("MiFID II") and subsequent additional requirements.

The need to comply with changing regulation, including the new prudential regime for investment firms ("IFPR"), means we continue to invest in our people, technology and infrastructure as we look to build upon our success to date.

Clients need long-term advice and strategies more than ever before. We will continue to provide quality solutions, maintaining our focus on client service and continuing to adapt our business model to the changing market, integrating asset management and financial planning to build upon our established reputation for delivering sound advice and consistent investment performance, while providing value for clients.

Assets under management, administration and advice

The majority of the Group's revenues are fee-based, rather than being linked to the value of assets under management, administration or advice[9], unlike many wealth managers giving our business a revenue profile that is less sensitive to market performance. Total client assets were £10.6bn as at 30 November 2020 (31 May 2020: £9.3bn) as follows:

Assets under management, administration and advice[10]	*SIPP and SSAS* ***[11]*** *£m*	*Employee benefits £m*	*Personal wealth and other assets £m*	*Sub-total £m*	*Amati* ***[12]*** *£m*	*Total £m*
At 1 June 2020	6,029.1	1,024.1	1,731.3	8,784.5	515.8	9,300.3
Hurley Partners	363.0	-	230.9	593.9	-	593.9
Net inflows/(outflows), including market movements	93.5	214.2	203.4	511.1	172.6	683.7
At 30 November 2020	6,485.6	1,238.3	2,165.6	9,889.5	688.4	10,577.9

9. Revenue for the six months ended 30 November 2020 was split 54% (1H20: 55%) fixed, initial or time-based fees and 46% (1H20: 45%) ad valorem fees based on the value of assets under management, advice and administration.
10. Certain pension scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event.
11. Value of funds under trusteeship in SIPP and SSAS schemes administered by Mattioli Woods and its subsidiaries.
12. Excluding £59.6m (31 May 2020: £46.7m) of Mattioli Woods' client investment and £13.5m (31 May 2020: £12.7m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.

The £1.3bn or 13.7% increase in total client assets during the period is analysed as:

- The acquisition of Hurley's increased client assets in the period by £593.9m, nearly half the total increase in the period. The number of schemes being administered at the period end increased by 332, split almost equally between SIPP and SSAS schemes, in addition to £230.9m in personal wealth and other assets under management and advice;
- A £93.5m (1H20: £89.2m) increase in SIPP and SSAS funds under trusteeship, with a 1.85% increase (1H20: 0.5% reduction) in the number of schemes being administered at the period end, comprising a 5.9% (1H20: 0.53%) increase in the number of direct[13] schemes to 6,831 (31 May 2020: 6,453) and a 3.9% decrease (1H20: 1.9% decrease) in the number of schemes the Group operates on an administration-only basis to 4,304 (31 May 2020: 4,480). In recent years, we have been appointed to operate or wind-up several SIPP portfolios following the failure of their previous operators, with the lower number of schemes due in part to the transfer of certain members of these distressed

portfolios to alternative arrangements;

- A £214.2m increase (1H20: £176.3m decrease) in the value of assets held in corporate pension schemes advised by our employee benefits business, following the consolidation of reporting systems to one platform. However, revenues in our employee benefits business are not linked to the value of client assets in the way that certain of our wealth management revenue streams are and our corporate client portfolio remains well diversified;
- A £203.4m (1H20: £50.2m) increase in personal wealth and other assets under management and advice, with the addition of 112 (1H20: 89) new personal clients won during the period partially offsetting some natural client attrition, resulting in a 0.4% (1H20: 1.2%) decrease in the number of personal clients[14]. The Hurley acquisition increased personal client numbers by 704 leading to an overall increase in the total number of personal clients 6,585 (1H20: 5,977); and
- A £172.6m (1H20: £41.9m) increase in Amati's funds under management (excluding Mattioli Woods' client investment), primarily through the growth of the TB Amati UK Smaller Companies Fund to £525.8m (31 May 2020: £350.2m) at 30 November 2020.

Amati continues to perform strongly since Mattioli Woods' 49% investment, seeing gross funds under management[15] increase from circa £120m to £761.5m (31 May 2020: £510.2m) at the period end. As a result of Amati's strong performance, the Group's share of its profits for the period increased to £0.4m (1H20: £0.3m).

13. SIPP and SSAS schemes where the Group acts as pension consultant and administrator.
14. Includes personal wealth clients with SIPP and SSAS schemes operated by third parties.
15. Includes Mattioli Woods' client investment and £13.5m (31 May 2020: £12.7m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.

Trading results

The Group has developed a broader wealth management proposition in recent years, grown from its strong pensions advisory and administration expertise, serving the market sector predominantly consisting of the mass affluent, high net-worth individuals including controlling directors and owner-managers, professionals, executives and retirees.

In recent years, the economies of scale associated with the Group's investment operations, together with a continuing focus on improving operational efficiency within the consultancy and administration teams, has driven a steady improvement in EBITDA and operating margin, resulting in achievement of our medium-term margin goal.

Revenue

Group revenue of £29.5m (1H20: £30.3m) was down 2.6% as anticipated with organic revenue reducing 10.2% (1H20: 1.8%) offset by a full six months' revenue of £0.2m (1H20: nil) from The Turris Partnership acquired in the last financial year and four months' revenue of £2.0m from Hurley acquired in July 2020.

Employee benefits expense

The major component of the Group's operating costs is our employee benefits expense of £15.2m (1H20: £15.7m) representing 51.4% of revenue (1H20: 51.7%). Securing economies of scale and operational efficiencies, particularly through the integration of acquired businesses and clients, are key elements of our aim to reduce clients' TERs. We are pleased to have increased average consultant and client relationship manager caseloads during the period where the vast majority of our team worked remotely, partly through the migration of acquired pension portfolios onto our bespoke MWeb administration platform, as well as investment into technology which facilitated a seamless transition to remote working for our employees supported by a small core office based team.

A key element of the year-on-year reduction relates to our decision to reduce accrued year-end bonuses in the current year. This was a decision taken balancing the prevailing uncertainty at the time and ensuring our continued financial stability for which thanks must be given to all our employees.

The Hurley acquisition added 32 new staff in addition to planned recruitment of our client relationship managers, consultancy team and support staff into new business units during the period which resulted in the Group's total headcount increasing to 642 (1H20: 606) at 30 November 2020.

The number of consultants increased to 131 (1H20: 127) at the period end. We continue to invest in our

IT development and infrastructure, compliance, recruitment and training across all parts of the Group, with the aim of delivering further operational efficiencies through simplification of our processes and creating capacity for future growth. Post period end, the Group made an investment in Tiller, as part of a new strategic relationship to develop a digital investment platform.

Other administrative expenses

Other administrative expenses decreased by 11.9% to £5.2m (1H20: £5.9m) with savings driven by reduced marketing activity, staff travel and reduced occupancy offsetting increased professional, regulatory and compliance costs in the period.

Share based payments

Share based payments costs of £0.7m (1H20 restated: £0.7m) were in line with the prior year with the vesting period for new awards made under the Mattioli Woods 2010 Long Term Incentive Plan ("the LTIP") being extended from three to five years, offsetting the increased LTIP option costs arising from corrections to the option valuation model identified in June 2020. This included of the calculation of LTIP options forfeited during the period.

Net finance *costs*

The Group maintained a positive net cash position throughout the period, with increased net finance costs of £0.3m (1H20: £0.08m) reflecting increased notional finance charges of £0.01m (1H20: £0.01m), unwinding of discounts on deferred consideration payable £0.2m (1H20: £0.1m) and £0.05m (1H20: £0.1m) for interest on the lease liabilities recognised on adoption of IFRS 16.

Taxation

The effective rate of taxation on profit on ordinary activities was 19.2% (1H20: 19.6%), above the standard rate of tax of 19.0% (1H20: 18.7%), primarily due to certain expenses associated with sponsorship and other business development activities not being deductible for tax purposes.

The net deferred taxation liability carried forward at 30 November 2020 was £5.6m (1H20 restated: £3.2m).

Alternative performance measures

The Group has identified certain measures that it believes will assist in the understanding of the performance of the business. Recurring revenues, adjusted EBITDA, adjusted EBITDA margin, adjusted profit before tax ("adjusted PBT"), adjusted profit after tax ("adjusted PAT") and adjusted EPS are non-GAAP alternative performance measures, considered by the Board to provide additional insight into business performance compared with reporting the Group's results on a statutory basis only.

These alternative performance measures may not be directly comparable with other companies' adjusted measures and are not intended to be a substitute for, or superior to, any IFRS measures of performance. However, the Board considers them to be important measures for assessing performance, used widely within the business and by research analysts covering the Company.

Supporting calculations for alternative performance measures and reconciliations between alternative performance measures and their IFRS equivalents are set out in Note 20.

Profitability and earnings per share

Profit before tax of £5.6m (1H20 restated: £5.7m) was down 1.8%, with adjusted profit before tax up 4.5% to £7.0m (1H20 restated: £6.7m), driven by reduced revenues together with additional efficiencies and cost savings realised and increased acquisition related costs. These changes translated into a reduction in operating profit before financing to £5.4m (1H20 restated: £5.5m) or 1.8% and adjusted EBITDA up 7.2% to £8.9m (1H20 restated: £8.3m), with adjusted EBITDA margin of 30.2% (1H20 restated: 27.4%). We expect margin in the second half to be lower, with additional expenditure on planned recruitment activity, staff bonus, marketing and increased regulatory and compliance costs.

The Board considers adjusted EBITDA to be a relevant measure for investors who want to understand the underlying profitability of the Group, adjusting for items that are non-cash or affect comparability between periods as follows:

	1H21	*Restated 1H20*
	£m	*£m*
Statutory operating profit before financing	5.4	5.5
Amortisation of acquired intangibles	1.3	1.1
Amortisation of software	0.1	0.2
Depreciation	1.5	1.3
EBITDA[16]	8.4	8.0
Share of associate profits (net of tax)	0.4	0.3
Acquisition-related costs	0.1	0.0
Adjusted EBITDA[17]	8.9	8.3

16. Earnings before interest, taxation, depreciation, amortisation and impairment.
17. Figures in table may not add due to rounding.

Adjusted PBT, adjusted PAT and adjusted EPS are additional measures the Board considers to be relevant for investors who want to understand the underlying earnings of the Group, excluding items that are non-cash or affect comparability between periods as follows:

	Profit 1H21	*EPS 1H21*	*Restated Profit 1H20*	*Restated EPS 1H20*
	£m	*pps*	*£m*	*pps*
Statutory profit before tax	5.6		5.7	
Income tax expense	(1.1)		(1.1)	
Statutory profit after tax / Basic EPS	4.5	16.3	4.6	16.9
Statutory profit before tax	5.6		5.7	
Amortisation of acquired intangibles	1.3		1.0	
Acquisition-related costs	0.1		0.0	
Adjusted PBT	7.0		6.7	
Income tax expense at standard rate of 19.0% (1H20: 18.7%)	(1.3)		(1.3)	
Adjusted PAT / Adjusted EPS[18]	5.7	20.4	5.5	20.2

18. Figures in table may not add due to rounding.

Client portfolios acquired through business combinations are recognised as intangible assets. The amortisation charge for the period of £1.3m (1H20: £1.1m) associated with these intangible assets has been excluded from adjusted PAT and adjusted EPS because the Board reviews the performance of the business before these charges, which are non-cash and do not apply evenly to all business units.

Adjusted EPS increased 1.0% to 20.4p (1H20 restated: 20.2p), while basic EPS reduced 3.6% to 16.3p (1H20 restated: 16.9p). EPS was also positively impacted by a lower effective tax rate of 19.2% (1H20: 19.6%), partially offset by the issue of 266,908 (1H20: 103,815) shares under the Company's share plans. There were 842,866 shares (1H20: nil) issued as consideration for acquisitions during the period. Diluted EPS was 16.1p (1H20 restated: 16.8p).

Dividends

The Board is pleased to recommend the payment of an increased interim dividend to 7.5p per share (1H20: 7.3p), up 2.7%, demonstrating our desire to deliver value to shareholders and confidence in the financial outlook for our business. The Board remains committed to growing the dividend, while maintaining an appropriate level of dividend cover. The interim dividend will be paid on 26 March 2021 to shareholders on the register at the close of business on 18 February 2021.

The Company offers shareholders the option to invest their dividends in a Dividend Reinvestment Plan ("DRIP"). The DRIP is administered by the Company's registrar, Link Asset Services ("Link"), which uses cash dividend payments to which participants in the DRIP are entitled to purchase shares in the market, which means the Company does not need to issue new shares and avoids diluting existing shareholdings.

For the DRIP to apply to the interim dividend for the six months ended 30 November 2020, shareholders' instructions must be received by Link by 5 March 2021.

Cash flow

Cash balances at 30 November 2020 totalled £18.2m (1H20: £20.1m). Cash generated from operations was £7.2m or 86.1% of EBITDA (1H20: £3.0m or 37.2%), with operating profit margin before changes in working capital and provisions improving to 30.9% (1H20: 29.0%), with a decrease in the Group's working capital requirement[19] of £1.6m (1H20: £6.0m) comprising:

- £1.9m (1H20: £4.3m) decrease in trade and other payables primarily due to:
  - £1.8m (1H20: £3.3m) decrease in accruals and deferred income following the payment of £0.5m (1H20: £4.3m) of staff bonuses, £1.0m of property insurance renewal premiums invoiced in the period, and £0.4m from reduction in deferred income on fees issued annually in advance to certain clients;
  - £0.2m increase (1H20: £0.7m decrease) in trade payables, primarily due to property insurance renewal premiums invoiced in the period but paid over the year; and
  - £0.2m (1H20: £0.3m) decrease in social security and other taxes outstanding at the period end; plus
- £0.4m decrease (1H20: £1.7m increase) in trade and other receivables, primarily due to collection of trade receivables, as well as other receivables including rental deposits and shareholder loans previously reported by acquired subsidiaries.

19. Working capital defined as trade and other receivables less trade and other payables.

Provisions decreased by £0.3m (1H20: £0.2m increase) during the period, including £0.1m from utilisation of provisions for client claims, £0.1m from utilisation of provisions for employers' national insurance contributions on share option costs, and £0.1m from release of dilapidation provisions.

Income taxes paid reduced to £1.2m (1H20: £1.9m) due to the new accelerated corporation tax payment regime changing the timing of quarterly corporation tax payments, which resulted in the Group paying four quarterly instalments in 1H20, compared to two in 1H21.

Capital expenditure of £0.4m (1H20: £0.6m) comprised £0.2m on the purchase of new company cars and computer and office equipment and £0.2m on software development. We intend to continue investing in technology to develop our platforms and improve efficiency by simplifying our processes.

Total consideration paid on acquisition of subsidiaries of £12.0m (1H20: £0.6m) includes the payment of contingent deferred consideration of £1.3m in respect of the acquisitions of Broughtons Financial Planning Limited and SSAS Solutions (UK) Ltd, and £10.7m of initial cash consideration paid on the acquisition of Hurley Partners Limited in the period. This is partially offset by £2.3m (1H20: £nil) cash received on the acquisition of Hurley Partners Limited.

Regulatory capital

The Group's regulatory capital requirement has increased in recent years. In addition, the Group's capital resources are reduced when it makes acquisitions due to the requirement for intangible assets arising on acquisition to be deducted from Tier 1 Capital.

However, the Group continues to enjoy significant headroom on its increased regulatory capital requirement allowing us to pursue further acquisition opportunities.

Segmental review

The mix of income derived from the Group's four key revenue streams changed slightly during the period, summarised as follows:

- 51.7% investment and asset management (1H20: 45.5%);
- 30.7% pension consultancy and administration (1H20: 36.0%);
- 8.4% property management (1H20: 9.9%); and
- 9.2% employee benefits (1H20: 8.6%).

We aim to operate a seamless structure, allowing us to cover all aspects of wealth management and employee benefits.

Investment and asset management

Investment and asset management revenues generated from advising clients on both pension and personal investments increased 10.5% to £15.3m (1H20: £13.8m).

The Group's gross discretionary assets under management ("AuM"), including the multi asset funds which now sit at the heart of our discretionary portfolio management service ("DPM"), Custodian REIT, the Mattioli Woods Structured Products Fund ("MW SPF") and the funds managed by our associate company, Amati, increased by 28.5% to £3.3bn (31 May 2020: £2.6bn) as follows:

Assets under management	*DPM £m*	*Custodian REIT £m*	*MW SPF £m*	*Amati £m*	*Gross AuM £m*	*Cross-holdings in DPM*[20] *£m*	*Cross-holdings in Amati funds*[21] *£m*	*Net AuM £m*
At 1 June 2020	1,412.6	354.5	204.0	581.5	2,552.6	(128.0)	(11.5)	2,413.1
Hurley Partners	392.9	-	-	-	392.9	-	-	392.9
Inflows	72.4	-	-	76.5	148.9	(8.9)	(2.0)	138.0
Outflows	(43.2)	-	(6.2)	(9.1)	(58.5)	-	-	(58.5)
Market movements	107.2	10.1	13.9	112.6	243.8	-	-	243.8
At 30 Nov 2020	1,941.9	364.6	211.7	761.5	3,279.7	(136.9)	(13.5)	3,129.3

20. Comprises £26.0m (31 May 2020: £31.9) invested in Custodian REIT, £61.0m (31 May 2020: £85.8m) in MW SPF and £49.9m (31 May 2020: £40.0m) in Amati funds.
21. Cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.

Income from both initial and ongoing portfolio management charges increased to £10.3m (1H20: £8.3m) with £72.4m (1H20: £80.3m) of inflows into our discretionary portfolio management service during the period.

Fees for services provided by Custodian Capital to Custodian REIT are included in the 'Property management' segment, with annual management charges on the MW SPF reducing to £0.6m (1H20: £0.9m) following £6.2m net outflow of funds offset by positive market movement in the fund's AuM.

Adviser charges based on gross assets under advice of £2.3bn (1H20: £2.1bn) reduced to £4.3m (1H20: £4.7m), with the lower revenue margin illustrating how we continue to reduce clients' charges and

TERs, particularly on those assets invested in Custodian REIT, the MW SPF and Amati funds.

Growth in total assets under management and advice continues to enhance the quality of earnings through an increase in recurring revenues, with the proportion of the Group's total revenues which are recurring increasing to 94.3% (1H20: 91.5%) across all segments. Notwithstanding our fee-based advisory model, 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.

Pension consultancy and administration

Pension consultancy and administration revenues decreased 16.8% to £9.1m (1H20: £10.9m), with the total number of SIPP and SSAS schemes administered by the Group increasing 0.7% to 11,135 (1H20: 11,060), including 332 schemes administered by Hurley.

Direct[22] pension consultancy and administration fees of £7.2m (1H20: £8.7m) decreased 18.8%. Retirement planning remains central to many of our clients' wealth management strategies and the number of direct schemes increased to 6,831(1H20: 6,434), with 170 new schemes gained in the first half (1H20: 164). Our focus remains on the quality of new business, with the value of a new scheme averaging £0.3m (1H20: £0.3m). We also enjoy strong client retention, with an external loss rate[23] of only 1.1% (1H20: 0.8%) and an overall attrition rate[24] of 1.9% (1H20: 2.0%).

22. SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator.
23. Direct schemes lost to an alternative provider as a percentage of average scheme numbers during the period.
24. 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 active SSAS and SIPP schemes the Group operates on an administration-only basis decreased to 4,304 (1H20: 4,626) at the period end. In prior years the Group has been appointed to administer a number of SIPPs following the previous operators' failure. Work continues in connection with schemes previously administered by Stadia Trustees Limited, HD Administrators, Pilgrim Trustees Services Limited and The Freedom SIPP Limited, but due to a lower level of transactional activity and the payment of compensation from the FSCS direct to individuals, rather than their pension schemes, third party administration fees fell 7.6% to £1.8m (1H20: £1.9m).

The Group's banking revenue was £0.02m (1H20: £0.3m), following the reduction in the Bank of England base rate to 0.1% since March 2020 despite the value of clients' cash balances being higher than in prior periods.

Segment margin improved during the period to 25.2% (1H20: 24.5%) with operational efficiencies and cost savings realised in the period through reduced overhead expenditure with the majority of employees continuing to work remotely.

We anticipate continued regulatory scrutiny of the pension market, with certain other SIPP and SSAS operators in the spotlight due to issues arising with DB transfer and esoteric and non-standard investments. However, the market opportunity remains strong, with SIPP and SSAS arrangements still benefitting from the introduction of the pension freedoms and being favoured as a way of allowing individuals to have greater access, control, flexibility and responsibility over their pension savings. SIPPs are increasingly the pension vehicle of choice for the mass affluent and having been appointed to administer SIPPs previously operated by a number of failed operators in recent years we anticipate there may be similar opportunities over the next few years.

We like to see our clients withdrawing funds to enjoy in their retirement. Following the introduction of pension freedoms and a broader market shift away from accumulation and steady savings, we anticipate there will be some natural outflows from our clients' SIPP and SSAS schemes, particularly as the "baby boomer" generation reaches retirement. We expect any such decumulation to have a positive impact on the Group's results, linking-in with the provision of advice around the cascading of wealth through the generations, inheritance tax and other planning.

Property management

Property management revenues decreased by 16.7% to £2.5m (1H20: £3.0m), with our subsidiary Custodian Capital having assets under management and administration of £479.6m (1H20: £584.8m) at the period end following the reduction in market values in the period. The majority of our property management revenues are derived from the services provided by Custodian Capital to Custodian REIT, which currently offers a fully-covered dividend yield of 4.5%[25] 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 our "Private Investors Club", which offers alternative investment opportunities to suitable clients by way of private investor syndicates. This initiative continues to be well supported, with £2.5m (1H20: £16.6m) invested and one (1H20: six) new syndicate completed during the period.

25. Source: Numis Securities Limited, Investment Companies Datasheet dated 25 January 2021.

Employee benefits

Employee benefits revenues grew 2.5% to £2.7m (1H20: £2.6m) with new client number growth achieved in the period, ensuring our portfolio of corporate clients remains well diversified.

Employers are increasingly encouraging staff wellbeing and retirement savings, which we expect to drive sustained growth in the UK employee benefits market, and we believe the Government's emphasis on workplace advice represents an opportunity for us to realise synergies between our employee benefits and wealth management businesses.

Acquisitions

We have invested over £81m in targeted acquisitions since our admission to AIM in 2005 bringing 26 businesses or client portfolios into the Group, developing considerable expertise and a strong track record in the execution and subsequent integration of such transactions.

The Turris Partnership and Hurley Partner businesses acquired during the prior and current year respectively are both integrating well and have contributed positively to the Group's trading results since acquisition, increasing earnings and enhancing value. We expect our recent acquisition of Hurley, which has performed ahead of our expectations since taking ownership, to increase earnings and enhance value in the first full year of ownership.

The EPUT administration business acquisition expands our existing operation and client proposition in Northern Ireland and the acquisition of Montagu, which complements our product offering, is expected to be earnings enhancing in the first full year of ownership.

Consolidation within both wealth management and SIPP administration is expected to continue, and we are seeing a number of opportunities arising from retirement sales and in advance of potential UK budget changes which could see sellers incurring higher tax burdens. Following a restructure of our executive, non-executive and senior management teams, we will seek to build on our track record of successful acquisitions by continuing to assess opportunities that meet our strict criteria focussed on strategic and cultural fit, enhancing our client proposition and enhancing distribution, technology with the potential for synergies and integration to the Group. The pipeline of strategic opportunities remains strong and of higher quality than that we have seen for several years.

Strategic vision and goals

Our new strategic vision for continued growth is focussed on five key pillars:

- New client wins and greater integration across the value-chain for existing clients
- Enhance our investment proposition
- Further investment in developing our digital platform and client portal
- Simplify administration processes and improve productivity
- Accelerate growth through strategic acquisitions

Our new strategic goals include:

- £300m Revenue
- £30bn of AuM
- £100m Profit
- Extend distribution by growing team to 250+ consultants

Resources

The Group aims to safeguard the assets that give it competitive advantage, including its reputation for quality and proactive advice, its technical competency and its people. This has been evident through our close relationships with our clients, where our primary focus has been to ensure the health and subsequent management of their financial needs. This also includes our employees and our commitment to provide a safe place to work, whether in the office or at home, and to mental well-being support through the period.

Our core values provide a framework for integrity, leading to responsible and ethical business practices. Structures for accountability from our administration and consultancy teams through to senior management and the Group's Board are clearly defined. The proper operation of the supporting processes and controls are regularly reviewed by the Audit Committee and the Risk and Compliance Committee and take into account ethical considerations, including procedures for 'whistle-blowing'.

Our people

We extend our thanks to all our staff for their continued commitment, enthusiasm and professionalism in dealing with our clients' affairs during the pandemic and for being agile to operate in new and evolving environment, including the acquisition and integration of Hurley, a deal which was transacted almost entirely during the pandemic. Our culture is based on professionalism, putting clients first in everything we do and adopting a collegiate approach. Retaining the integrity, expertise and passion of our staff remains a priority of the Board and at the heart of our success. We are committed to developing our people and maintaining the capacity to deliver sustainable growth.

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. At the end of the period 65% (1H20: 59%) of eligible staff had invested in the Plan and we continue to encourage broader staff participation.

In May 2019 the Mattioli Woods Employee Benefit Trust ("the Trust") commenced making market purchases of the Company's shares. The Trust holds shares for the benefit of the Group's employees and, in particular, to satisfy the vesting of awards made under the Company's various share schemes. The acquisition of shares by the Trust helps to avoid dilution of shareholders by reducing the need for the Company to issue new shares.

Our board

We have made a number of changes to our PLC Board composition post period end to ensure that we continue to have a diverse and balanced board. In January 2021 we announced the appointment of three new independent Non-Executive Directors, David Kiddie, Edward Knapp and Martin Reason, bringing significant asset management and investment oversight expertise, financial services technology, innovation and growth expertise and strategic planning, change management and creating operational resilience expertise respectively.

These appointments, together with those as previously announced of Ravi Tara, Michael Wright and Iain McKenzie (which are subject to final regulatory approval), the Company will continue to have a balanced board which we believe represents the right governance structure for the Company.

We are planning for further changes to our corporate governance structure as we begin the selection process for a new Non-Executive Chair as part of a managed transition which will see Joanne Lake step down at our next AGM in October after nine years as an independent Non-Executive Director including four as Chair.

Shareholders

During the period we have engaged with shareholders through various channels, including company-hosted events, webinars, virtual group meetings and one-to-one meetings. We are fortunate to have a number of supportive institutional shareholders with a significant investment in the Group and welcome opportunities to talk to all our shareholders, large and small. We will continue to maintain a regular and constructive dialogue with them, while seeking to broaden our shareholder base.

Outlook

We are pleased by our performance in the first half of the financial year and plan to build on this momentum, advancing our key strategic initiatives: new business generation, growth through strategic acquisitions, developing new products and services including developing our own technology solutions and delivering improved operational efficiencies. Our trading outlook for the year remains in line with management's expectations and we believe the Group is well-positioned to grow, both organically and by acquisition. We are committed to delivering our ambitious growth strategy and in doing so create a business that remains responsibly integrated for the future and continues to deliver sustainable shareholder returns.

Joanne Lake
Non-Executive Chair

Ian Mattioli MBE
Chief Executive Officer

8 February 2021

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 half-yearly financial report for the six months ended 30 November 2020 which comprises the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and associated Notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly 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 IFRSs as adopted by the International Accounting Standards Board ("IASB"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the IASB.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly 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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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 half-yearly financial report for the six months ended 30 November 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the IASB and the AIM Rules of the London Stock Exchange.

Use of our report

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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it 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.

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
8 February 2021

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 November 2020

	Note	***Unaudited Six months ended 30 Nov 2020 £000***	*Restated Unaudited Six months ended 30 Nov 2019 £000*	*Audited Year ended 31 May 2020 £000*
Revenue	5	**29,531**	30,339	58,407
Employee benefits expense		**(15,168)**	(15,677)	(27,623)
Other administrative expenses		**(5,269)**	(5,904)	(10,897)
Share based payments	14	**(718)**	(732)	(1,335)
Amortisation and impairment	11	**(1,432)**	(1,236)	(2,437)
Depreciation	9,10	**(1,529)**	(1,276)	(2,547)
Impairment loss on financial assets		**18**	-	(605)
Loss on disposal of property, plant and equipment		**(23)**	(17)	(18)
Operating profit before financing		**5,410**	5,497	12,945
Finance revenue		**20**	54	99
Finance costs		**(300)**	(135)	(260)
Net finance (cost)		**(280)**	(81)	(161)
Share of profit from associate, net of tax	12	**442**	280	633
Profit before tax		**5,572**	5,696	13,417
Income tax expense	8	**(1,067)**	(1,114)	(3,244)
Profit for the period		**4,505**	4,582	10,173
Other comprehensive income for the period, net of tax		**6**	1	(15)
Total comprehensive income for the period, net of tax		**4,511**	4,583	10,158
Attributable to:				
Equity holders of the parent		**4,511**	4,583	10,158

Earnings per ordinary share:
Basic (pence)

	6	**16.3**	16.9	37.4
Diluted (pence)	6	**16.1**	16.8	37.2
Proposed dividend per share (pence)	7	**7.5**	7.3	20.0

Details of the restatement to comparative financial information are disclosed in Note 2.
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 2020

Registered number: 03140521

	Note	***Unaudited 30 Nov 2020 £000***	*Restated Unaudited 30 Nov 2019 £000*	*Audited 31 May 2020 £000*
Assets				
Property, plant and equipment	9	**15,039**	16,246	15,636
Right of use assets	10	**2,479**	2,834	2,584
Intangible assets	11	**69,113**	47,558	48,102
Deferred tax asset	8	**745**	750	888
Investment in associate	12	**4,170**	3,895	3,732
Derivative financial asset	13	**-**	-	-
Total non-current assets		**91,546**	71,283	70,942
Trade and other receivables		**18,331**	18,418	17,208
Income tax receivable		**16**	-	390
Finance lease receivable		**307**	352	324
Investments		**26**	80	40
Cash and short-term deposits		**18,153**	20,073	25,959
Total current assets		**36,833**	38,923	43,921
Total assets		**128,379**	110,206	114,863
Equity				
Issued capital		**280**	269	269
Share premium		**33,330**	32,568	32,891
Merger reserve		**16,552**	10,639	10,639
Equity - share based payments		**3,162**	3,608	3,848
Capital redemption reserve		**2,000**	2,000	2,000
Own shares		**(597)**	(398)	(597)
Retained earnings		**44,753**	38,727	42,576
Total equity attributable to equity holders of the parent		**99,480**	87,413	91,626
Non-current liabilities				
Deferred tax liability	8	**6,350**	3,984	4,482
Lease liability		**2,077**	2,280	1,944
Financial liabilities and provisions	16	**3,879**	1,265	1,713
Total non-current liabilities		**12,306**	7,529	8,139
Current liabilities				
Trade and other payables		**8,458**	10,188	9,923
Income tax payable	8	**-**	161	-
Lease liability		**921**	862	964
Financial liabilities and provisions	16	**7,214**	4,053	4,211
Total current liabilities		**16,593**	15,264	15,098
Total liabilities		**28,899**	22,793	23,237
Total equities and liabilities		**128,379**	110,206	114,863

Details of the restatement to comparative financial information are disclosed in Note 2.

Interim condensed consolidated statement of changes in equity
For the six months ended 30 November 2020

	Note	*Issued capital £000*	*Share premium £000*	*Merger reserve £000*	*Equity - share based payments £000*	*Capital redemption reserve £000*	*Own shares £000*	*Retained earnings £000*	*Total equity £000*
As at 31 May 2019 - *Audited restated*		268	32,137	10,639	3,208	2,000	(99)	37,632	85,785
Total comprehensive income for period									
Profit for the period		-	-	-	-	-	-	4,582	4,582
Other comprehensive income		-	-	-	-	-	-	1	1
Total comprehensive income for period		-	-	-	-	-	-	4,583	4,583
Transactions with owners of the Company, recognised directly in equity									
Issue of share capital		1	431	-	-	-	-	-	432
Share-based payment transactions	14	-	-	-	586	-	-	-	586
Deferred tax recognised in equity		-	-	-	44	-	-	-	44
Current tax taken to equity		-	-	-	(58)	-	-	-	(58)
Reserves transfer		-	-	-	(172)	-	-	172	-
Own shares		-	-	-	-	-	(299)	-	(299)
Dividends	7	-	-	-	-	-	-	(3,660)	(3,660)
As at 30 November 2019 - *Unaudited restated*		**269**	**32,568**	**10,639**	**3,608**	**2,000**	**(398)**	**38,727**	**87,413**

Details of the restatement to comparative financial information are disclosed in Note 2.

Interim condensed consolidated statement of changes in equity (continued)
For the six months ended 30 November 2020

	Note	*Issued capital £000*	*Share premium £000*	*Merger reserve £000*	*Equity - share based payments £000*	*Capital redemption reserve £000*	*Own shares £000*	*Retained earnings £000*	*Total equity £000*
As at 30 November 2019 - *Unaudited restated*		269	32,568	10,639	3,608	2,000	(398)	38,727	87,413
Total comprehensive income for period									
Profit for the		-	-	-	-	-	-	5,591	5,591

period									
Other comprehensive income		-	-	-	-	-	-	(16)	(16)
Total comprehensive income for period		-	-	-	-	-	-	5,575	5,575
Transactions with owners of the Company, recognised directly in equity									
Issue of share capital		-	323	-	-	-	-	-	323
Share-based payment transactions	14	-	-	-	480	-	-	-	480
Deferred tax recognised in equity		-	-	-	(94)	-	-	-	(94)
Current tax taken to equity		-	-	-	87	-	-	-	87
Reserves transfer		-	-	-	(233)	-	-	233	-
Own shares		-	-	-	-	-	(199)	-	(199)
Dividends	7	-	-	-	-	-	-	(1,959)	(1,959)
As at 31 May 2020 - *Audited*		**269**	**32,891**	**10,639**	**3,848**	**2,000**	**(597)**	**42,576**	**91,626**

Details of the restatement to comparative financial information are disclosed in Note 2.

Interim condensed consolidated statement of changes in equity (continued)
For the six months ended 30 November 2020

	Note	*Issued capital £000*	*Share premium £000*	*Merger reserve £000*	*Equity - share based payments £000*	*Capital redemption reserve £000*	*Own shares £000*	*Retained earnings £000*	*Total equity £000*
As at 31 May 2020 - *Audited*		**269**	**32,891**	**10,639**	**3,848**	**2,000**	**(597)**	**42,576**	**91,626**
Total comprehensive income for period									
Profit for the period		-	-	-	-	-	-	4,505	4,505
Other comprehensive income		-	-	-	-	-	-	6	6
Total comprehensive income for period		-	-	-	-	-	-	4,511	4,511
Transactions with owners of the Company, recognised directly in equity									
Issue of share capital		11	439	5,913	-	-	-	-	6,363
Share-based payment transactions	14	-	-	-	527	-	-	-	527
Deferred tax recognised in equity		-	-	-	(30)	-	-	-	(30)
Current tax taken to equity		-	-	-	30	-	-	-	30

Reserves transfer		-	-	-	(1,213)	-	-	1,213	-
Own shares		-	-	-	-	-	-	-	-
Dividends	7	-	-	-	-	-	-	(3,547)	(3,547)
As at 30 November 2020 - *Unaudited*		**280**	**33,330**	**16,552**	**3,162**	**2,000**	**(597)**	**44,753**	**99,480**

Interim condensed consolidated statement of cash flows
For the six months ended 30 November 2020

	Note	***Unaudited Six months ended 30 Nov 2020 £000***	*Restated Unaudited Six months ended 30 Nov 2019 £000*	*Audited Year ended 31 May 2020 £000*
Operating activities				
Profit for the period		**4,505**	4,582	10,173
Adjustments for:				
Depreciation	9,10	**1,529**	1,276	2,547
Amortisation and impairment	11	**1,432**	1,236	2,437
Investment income		**(20)**	(54)	(99)
Interest expense		**300**	135	260
Share of profit from associate		**(442)**	(280)	(633)
Loss on disposal of property, plant and equipment		**23**	17	18
Equity-settled share-based payments	14	**718**	732	1,335
Income tax expense		**1,067**	1,114	3,244
Cash flows from operating activities before changes in working capital and provisions		**9,112**	8,758	19,282
Decrease/(increase) in trade and other receivables		**360**	(1,742)	(806)
(Decrease) in trade and other payables		**(1,926)**	(4,283)	(4,586)
(Decrease)/increase in provisions		**(343)**	248	36
Cash generated from operations		**7,203**	2,981	13,926
Interest paid		**-**	-	-
Income taxes paid		**(1,172)**	(1,910)	(4,392)
Net cash inflows from operating activities		**6,031**	1,071	9,534
Investing activities				
Proceeds from sale of property, plant and equipment		**57**	65	124
Purchase of property, plant and equipment	9	**(178)**	(533)	(818)
Purchase of software	11	**(209)**	(60)	(173)
Consideration paid on acquisition of subsidiaries		**(11,974)**	(600)	(600)
Acquisition of subsidiaries			-	(861)
Cash received on acquisition of subsidiaries		**2,271**	-	111
Dividends received from associate	12	**-**	588	1,078
Proceeds from disposal of derivative financial asset	13	**-**	375	750
Interest received		**18**	46	83
Proceeds from disposal of other investments		**4**	-	45
Loans advanced to investment syndicates		**(30)**	(15)	(35)
Loan repayments from investment syndicates		**35**	44	44
Net cash from investing activities		**(10,006)**	(90)	(252)
Financing activities				
Proceeds from the issue of share capital		**252**	266	487
Cost of own shares acquired		**-**	(299)	(498)
Dividends paid	7	**(3,547)**	(3,660)	(5,619)
Payment of lease liabilities		**(536)**	(463)	(941)
Net cash from financing activities		**(3,831)**	(4,156)	(6,571)
Net (decrease)/increase in cash and cash		**(7,806)**	(3,175)	2,711

equivalents			
Cash and cash equivalents at start of period	**25,959**	23,248	23,248
Cash and cash equivalents at end of period	**18,153**	20,073	25,959

Details of the restatement to comparative financial information are disclosed in Note 2.

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 8 February 2021.

The principal activities of the Group are described in Note 5.

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 2020, 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"), 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 2020 and the six months ended 30 November 2019 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 2020 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 Restatement of comparative financial information

Share-based payments costs

Following a detailed review of our option valuation model we identified the model had not been correctly updated to reflect the likely outcome of non-market based conditions as determined at each period end using the data available at the time. The correction of historic calculations has increased the share-based payments costs recognised in respect of the three years ended 31 May 2019 by £806,000 in aggregate. Accordingly, we have restated the value of the reserves transfer re-allocating the cost of exercised or lapsed share options from equity-share based payments to retained earnings to reflect the increased share-based payments cost by £90,000.

We have also restated share-based payments cost for the six months ended 30 November 2019 to increase the cost recognised by £331,000.

The deferred tax asset in respect of share based payments as at 31 May 2019 has been increased by £192,000, and as at 30 November 2019 by £268,000. In respect of the six months ended 30 November 2019 income tax expense has been reduced by £76,000.

Retained earnings as at 31 May 2019 were reduced by £660,000, and as at 30 November 2019 by £915,000, with the equity-share based payments reserve as at 31 May 2019 increased by £852,000, and as at 30 November 2019 by £1,183,000.

Performance measures impacted by the restatement to share-based payments costs have also been restated, including operating profit before financing, EBITDA, adjusted EBITDA, profit before tax, adjusted profit before tax, profit after tax, adjusted profit after tax, effective taxation rate, basic EPS and adjusted EPS.

2.3 *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 2020.

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 3 (amendments) Business Combinations	1 January 2020
IAS 1 and IAS 8 (amendments) Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS standards	1 January 2020

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. At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Standard or interpretation	*Periods commencing on or after*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform	1 January 2021
IFRS 17 Insurance Contracts	1 January 2023

Other than to expand certain disclosures within the financial statements, the Directors do not expect the adoption of these standards and interpretations listed above to have a material impact on the financial statements of the Group in future periods.

Financial statements for the year ending 31 May 2021

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 2021, except for the adoption of new standards and interpretations not yet issued.

2.4 *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 intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2.5 *Critical accounting judgements and sources of 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.

Critical accounting judgements

Disclosure is required of judgements made by the Board in applying the accounting policies that have a significant effect on the financial statements. In the opinion of the Board, no new critical accounting judgements were made during the period.

Sources of significant estimation uncertainty

Impairment of acquired client portfolios and goodwill

For the purposes of impairment testing, acquired client portfolios and goodwill are allocated to the group of cash-generating units ("CGUs") that are expected to benefit from the business combination.

The Group reviews whether acquired client portfolios are impaired on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This comprises an estimation of the fair value less cost to sell and the value in use of the acquired client portfolios.

The key assumptions 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.

Value in use calculations are utilised to calculate recoverable amounts of a CGU. Value in use is calculated as the net present value of the projected pre-tax cash flows of the CGU in which the client portfolio is contained. The net present value of cash flows is calculated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset, based on the Group's pre-tax Weighted Average Cost of Capital ("WACC"). The Group has applied a WACC of 11.4% (1H20: 11.6%) to each of its operating segments.

The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and expenses 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 2.0% (1H20: 2.5%), which management considers conservative against industry average long-term growth rates.

The carrying amount of client portfolios at 30 November 2020 was £35.7m (1H20: £25.7m). No impairment has been made during the period (1H20: £nil) based upon the Directors' review.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. In assessing value in use, the estimated future cash flows expected to arise from the CGU are discounted to their present value using a pre-tax discount rate of 11.4% (1H20: 11.6%), reflecting current market assessments of the time value of money and the risks specific to that asset, based on the Group's WACC.

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 2020 was £31.8m (1H20: £20.2m), with the value in use of the operating segments to which goodwill and client portfolio assets have been allocated calculated as £209.9m at 30 November 2020. Comparing this to the net asset value of the operating segments of £72.5m, the directors believe the value of goodwill is not impaired at 30 November 2020. This accounting treatment resulted in an impairment loss of £nil (1H20: £nil).

The value in use calculations at 30 November 2020 indicate there is limited headroom on the value of acquired client portfolios and goodwill allocated to the Employee Benefits operating segment. If the pre-tax discount rate used to calculate the value in use of each segment increased by 1.0%, with all other variables held constant, this would result in an £0.5m reduction in the value in use of the Employee Benefits operating segment, but would not impair its carrying value. There is no material impact on the Group's equity.

<u>Recoverability of accrued time costs and disbursements</u>

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 2020 was £4.5m (1H20: £5.8m).

The sensitivity of a 3.5% change in the estimated recoverability of time costs and disbursements incurred but not invoiced to clients, with all other variables held constant, is £0.3m of the Group's profit before tax. There is no material impact on the Group's equity.

Other areas of focus

<u>Acquisitions and business combinations</u>

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 the PPA with the estimation of the future value of brands, technology, customer relationships and goodwill. The fair value of separately identifiable intangible assets acquired during the period was £11.6m (1H20: £nil), with the key assumptions used to calculate these fair values being those around the estimated useful lives of the acquired customer relationships, the estimated future cash flows expected to arise from these relationships and the appropriate discount rate to be used to discount these cash flows to their present value.

The sensitivity of the fair value of the customer relationships acquired during the year to changes in the key assumptions is as follows:

	Sensitivity	*Change in assumption*	*Increase/ (decrease) in fair value £000*
Estimated useful life	15.7 years	-5 years	(1,381)
Short-term growth rate in years 2 to 3	2.0%-5.0%	-2.0%	(349)
Long-term growth rate from year 4	2.0%	-2.0%	(642)

Discount rate	11.2%	+1.0%	(642)

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 contingent consideration payments.

Using forecasts approved by the Board covering the contingent consideration period, provisions are recognised based on the expected value of contingent consideration expected to fall due. A material change to the carrying value would only occur if the acquired business over or under achieved against the performance conditions associated with the contingent consideration, leading to a material change in expected consideration falling due. The carrying amount of contingent consideration provided for at 30 November 2020 was £8.2m (1H20: £2.1m).

The key assumption used in determining the value of these provisions is the forecast financial performance as applied in the terms of the contingent consideration arrangement. A 10% reduction in achievement of forecast contingent consideration targets would reduce the value of provisions required by £0.8m, and a 10% increase in achievement of forecast contingent consideration targets would increase the value of provisions by £0.5m.

Provisions

The Group recognises a provision for client claims, among other matters, and the quantum of the provision at the reporting date set out in Note 16. The client claims provision is an estimate and the actual amount and timing of future cash flows are dependent on future events. Management reviews 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. Business combinations

The Group completed one acquisition during the period. Transaction costs of £0.1m (2019: £0.1m) incurred during the period to 30 November 2020 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 Hurley Partners Limited

On 31 July 2020, Mattioli Woods acquired the entire issued share capital of Hurley Partners Limited, a private client adviser and asset management business with offices in London, Surrey and Manchester.

The fair values of the assets and liabilities of Hurley as at the date of acquisition are set out in the table below:

	Provisional fair value recognised on acquisition £000	*Provisional fair value adjustments £000*	*Previous carrying value £000*
Property, plant and equipment	112	-	112
Right of use assets	606	606	-
Client portfolio	11,595	11,595	-
Cash at bank	2,271	-	2,271
Prepayments and accrued income	630	(41)	671
Other receivables	825	-	825
Assets	16,039	12,160	3,879
Trade and other payables	(273)	-	(273)
Accruals and deferred income	(71)	146	(217)
Other taxation and social security	(116)	-	(116)
Income tax	(275)	-	(275)

Lease liabilities	(577)	(577)	-
Provisions	(162)	(162)	-
Deferred tax liability	(2,215)	(2,203)	(12)
Liabilities	(3,689)	(2,796)	(893)

Total identifiable net assets at fair value	12,350
Goodwill	10,639
Total acquisition cost	22,989

Analysed as follows:	
Initial cash consideration	10,666
Net shares in Mattioli Woods	5,921
Contingent consideration	7,476
Discounting of contingent consideration	(1,074)
Total acquisition cost	22,989

Cash outflow on acquisition	
Cash paid	10,666
Cash acquired	(2,271)
Acquisition costs	293
Net cash outflow	8,688

Founded in 2013, Hurley is an established wealth management business with specialist pension expertise and a discretionary investment management offering. It is an excellent cultural and strategic fit with Mattioli Woods' existing business, providing services to clients with assets comprising approximately:

- £363m of discretionary funds under management;
- £54m of non-discretionary assets; and
- £125m of other pension assets.

The acquisition brings additional scale to Mattioli Woods' existing operations and offers the opportunity to promote additional services to existing and prospective clients of Hurley Partners. In addition, the acquisition adds further specialist expertise to the Group and Hurley Partners' experienced management and staff have remained with the business. The goodwill recognised above is attributed to the expected benefits from combining the assets and activities of Hurley Partners 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;
- Operational efficiencies expected to be realised on the migration of Hurley Partners' SSAS portfolio onto Mattioli Woods' proprietary pension administration platform;
- The workforce;
- The knowledge and know-how resident in Hurley Partners' modus operandi; and
- New opportunities available to the combined business, as a result of both Hurley Partners 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.

4. Seasonality of operations

Historically, revenues in the second half-year have been typically higher than in the first half. Time or activity-based pension consultancy and administration fees are impacted by SSAS scheme year ends being linked to the sponsoring company's year end, which is often in December or March, coupled with there typically being increased activity on SSAS and SIPP schemes prior to the end of the fiscal year on 5 April.

Despite further diversification of the Group's wealth management and employee benefits 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.

5. Segment information

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;
- Investment and asset management - Income generated from the management and placing of investments on behalf of clients;
- Property management - Income generated where Custodian Capital manages private investor syndicates, 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 from corporate clients for consultancy and administration of employee benefits offering including group personal pensions and other insurance products.

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 broadly the same market. The Group operates exclusively within the United Kingdom.

Operating segments

The operating segments defined above all 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).

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 November 2020 and 2019, and the year ended 31 May 2020 respectively:

Unaudited Six months ended 30 Nov 2020	*Investment and asset management £000*	*Pension consultancy and administration £000*	*Property management £000*	*Employee benefits £000*	*Total segments £000*	*Corporate costs £000*	*Consolidated £000*
Revenue	15,257	9,076	2,477	2,721	29,531	-	29,531
External customers							
Profit before tax	4,568	2,292	536	268	7,664	(2,092)	5,572
Segment profit before tax							

Unaudited Six months ended 30 Nov 2019	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Revenue	13,803	10,907	2,975	2,654	30,339	-	30,339
External customers							
Profit before tax restated	4,591	2,575	690	205	8,061	(2,365)	5,696
Segment							

profit before tax (restated)

Audited Year ended 31 May 2020	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Revenue							
External customers	26,848	20,561	5,416	5,582	58,407	-	58,407
Results							
Segment profit before tax	9,629	6,488	1,107	1,146	18,370	(4,953)	13,417

The following table presents segment assets of the Group's operating segments as at 30 November 2020 and 2019, and at 31 May 2020 (the date of the last annual financial statements):

	Unaudited 30 Nov 2020 £000	*Restated Unaudited 30 Nov 2019 £000*	*Audited 31 May 2020 £000*
Pension consultancy and administration	**29,044**	27,557	26,539
Investment and asset management	**47,116**	26,664	27,508
Property management	**2,721**	1,544	1,468
Employee benefits	**8,961**	9,445	9,239
Total segments	**87,842**	65,210	64,754
Corporate assets	**40,537**	44,996	50,109
Total assets	**128,379**	110,206	114,863

Segment operating 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.

Reconciliation of assets	***Unaudited 30 Nov 2020 £000***	*Restated Unaudited 30 Nov 2019 £000*	*Audited 31 May 2020 £000*
Segment operating assets	**87,842**	65,210	64,754
Property, plant and equipment	**15,038**	16,246	15,636
Right of use assets	**2,479**	2,834	2,584
Intangible assets	**1,641**	1,616	1,579
Investments	**26**	80	40
Deferred tax asset	**745**	750	888
Prepayments and other receivables	**2,439**	3,397	2,709
Derivative financial asset	**-**	-	-
Income tax receivable	**16**	-	390
Finance lease receivable	**-**	-	324
Cash and short-term deposits	**18,153**	20,073	25,959
Total assets	**128,379**	110,206	114,863

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.

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.

Reconciliation of profit	***Unaudited 30 Nov 2020 £000***	*Restated Unaudited 30 Nov 2019 £000*	*Audited 31 May 2020 £000*
Total segments	**7,664**	8,061	18,370
Amortisation and impairment	**(147)**	(210)	(359)
Depreciation	**(862)**	(1,276)	(2,547)
Irrecoverable VAT	**(321)**	(448)	(900)
Professional indemnity insurance	**(313)**	(292)	(610)
Loss on disposal of assets	**(23)**	(17)	(18)
Acquisition-related costs	**(118)**	(33)	(334)
Finance costs	**(300)**	(134)	(260)
Bank charges	**(25)**	(9)	(24)
Finance income	**20**	54	99
Foreign exchange losses	**(3)**	-	-
Group profit before tax	**5,572**	5,696	13,417

6. 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 year, excluding own shares of 76,578 (Nov 2019: 12,248, May 2020: 76,578).

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 year 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 income and share data used in the basic and diluted earnings per share computations is as follows:

	Unaudited Six months ended 30 Nov 2020 £000	*Restated Unaudited Six months ended 30 Nov 2019 £000*	*Audited Year ended 31 May 2020 £000*
Net profit and diluted net profit attributable to			

equity holders of the Company	**4,511**	4,583	10,158
Weighted average number of ordinary shares:	***000s***	*000s*	*000s*
Issued ordinary shares at start period	**26,940**	26,770	26,770
Effect of shares issued during the year ended 31 May 2020	**-**	96	128
Effect of shares issued during the current period	**756**	233	232
Basic weighted average number of shares	**27,696**	27,099	27,130
Effect of dilutive options at the statement of financial position date	**240**	171	150
Diluted weighted average number of shares	**27,936**	27,270	27,280

The Company has granted options under the Mattioli Woods 2010 Long Term Incentive Plan ("the LTIP") to certain of its senior managers and directors to acquire (in aggregate) up to 3.36% 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 2020 the conditions attaching to 702,238 options granted under the LTIP are not satisfied. If the conditions had been satisfied, diluted earnings per share would have been 15.7 pence per share (1H20: 16.4 pence).

Adjusted earnings per share amounts are calculated by adding back amortisation and impairment of acquired intangibles, changes in the fair value of derivative financial assets and acquisition-related costs to the profit before tax of the Company ("adjusted profit before tax") less income tax at the standard rate of corporation tax for the period ("adjusted profit after tax") and dividing adjusted profit after tax by the weighted average number of ordinary shares outstanding during the period.

Since the reporting date and the date of completion of these financial statements the following transactions have taken place involving ordinary shares or potential ordinary shares:

- The issue of nil ordinary shares to satisfy the exercise of options under the LTIP; and
- The issue of 16,453 ordinary shares under the Mattioli Woods plc Share Incentive Plan.

7. Dividends paid and proposed

	Unaudited Six months ended 30 Nov 2020 £000	*Unaudited Six months ended 30 Nov 2019 £000*	*Audited Year ended 31 May 2020 £000*
Paid during the period:			
Equity dividends on ordinary shares:			
- Final dividend for 2020: 12.7p (2019: 13.67p)	**3,547**	3,660	3,660
- Interim dividend for 2020: 7.3p (2019: 6.33p)	**-**	-	1,959
Dividends paid	**3,547**	3,660	5,619
Proposed for approval:			
Equity dividends on ordinary shares:			
- Interim dividend for 2021: 7.5p (2020: 7.3p)	**2,103**	1,963	-
- Final dividend for 2020: 12.7p (2019: 13.67p)	**-**	-	3,532
Dividends proposed	**2,103**	1,963	3,523

The interim dividend was approved on 8 February 2021.

8. 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, with deferred tax assets and liabilities recognised at the rate of corporation tax enacted or substantively enacted at the reporting date.

The primary component of the Group's recognised deferred tax assets include temporary differences related to share-based payments, provisions and other items.

The primary components of the Group'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 components of the deferred tax credit for the six months ended 30 November 2020 of £0.2m (1H20: £0.3m) are due to temporary differences on the amortisation of client portfolios and share-based payments at the reporting date.

The total deferred tax asset recognised in the consolidated statement of changes in equity for the six months ended 30 November 2020 was £0.03m (1H20: £0.06m derecognised in equity).

Changes to the future expected UK corporation tax rates were enacted as part of the Finance Act 2020 which received Royal Assent on 22 July 2020, in which the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19% and hence UK deferred tax has been recognised at 19%.

Reconciliation of effective tax rates

The income tax expense for the six months ended 30 November 2020 was calculated based on the estimated average annual effective income tax rate of 19.2% (1H20: 19.7%), as compared to the standard rate of UK corporation tax at the reporting date of 19% (1H20: 18.7%). Differences between the estimated average annual effective income tax rate and statutory rate include, but are not limited to non-deductible expenses, tax incentives not recognised in profit or loss and under/(over) provisions in previous periods.

Impact of future tax changes

On 22 July 2020 the Finance Bill 2019-21 received Royal Asset, enacting proposals that were announced in the 2020 budget. The main rate of corporation tax will remain at 19% for the years starting 1 April 2020 and 2021.

9. Property, plant and equipment

	Computer and office equipment	*Fixtures and fittings*	*Motor vehicles*	*Land and buildings*	*Total*
Gross carrying amount:	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 June 2020	2,654	5,676	1,631	10,780	20,741
Additions	43	3	132	-	178
Arising on acquisition	-	112	-	-	112

Disposals	-	-	(119)	-	(119)
At 30 November 2020	**2,697**	**5,791**	**1,644**	**10,780**	**20,912**
Depreciation:					
At 1 June 2020	1,823	2,207	653	420	5,103
Charged for the period	141	454	118	127	840
On disposals	-	-	(70)	-	(70)
At 30 November 2020	**1,964**	**2,661**	**701**	**547**	**5,873**
Carrying amount:					
At 30 November 2020	**733**	**3,130**	**943**	**10,233**	**15,039**
At 30 November 2019	796	3,814	1,150	10,486	16,246
At 31 May 2020	831	3,469	978	10,360	15,638

10. Right of use assets

Gross carrying amount:	*Properties* £000	*Computer and office equipment* £000	*Total* £000
At 1 June 2020	2,706	717	3,423
Arising on acquisition	606	-	606
Disposals	(44)	-	(44)
At 30 November 2020	**3,268**	**717**	**3,985**
Depreciation:			
At 1 June 2020	650	189	839
Charged for the period	572	117	689
On disposals	(22)	-	(22)
At 30 November 2020	**1,200**	**306**	**1,506**
Carrying amount:			
At 30 November 2020	**2,068**	**411**	**2,479**
At 30 November 2019	2,251	583	2,834
At 31 May 2020	2,056	528	2,584

11. Intangible assets

Gross carrying amount:	*Internally generated software* £000	*Software* £000	*Client portfolios* £000	*Goodwill* £000	*Other* £000	*Total* £000
At 1 June 2020	1,746	1,927	39,256	21,135	35	64,099
Additions	209	-	-	-	-	209
Arising on acquisition	-	-	11,595	10,639	-	22,234
At 30 November 2020	**1,955**	**1,927**	**50,851**	**31,774**	**35**	**86,542**
Amortisation and impairment:						

At 1 June 2020	884	1,209	13,869	-	35	15,997
Amortisation for the period	88	59	1,285	-	-	1,432
At 30 November 2020	**972**	**1,268**	**15,154**	**-**	**35**	**17,429**
Carrying amount:						
At 30 November 2020	**983**	**659**	**35,697**	**31,774**	**-**	**69,113**
At 30 November 2019	833	784	25,726	20,215	-	47,558
At 31 May 2020	862	718	25,387	21,135	-	48,102

12. Investment in associate

The movement in the Group's investment in associate is as follows:

Investment in associate	***Unaudited Six months ended 30 Nov 2020 £000***	*Unaudited Six months ended 30 Nov 2019 £000*	*Audited Year ended 31 May 2020 £000*
At 1 June	**3,732**	4,211	4,211
Share of profit for the period	**466**	305	682
Amortisation of fair value intangibles	**(34)**	(34)	(68)
Share of other comprehensive income	**6**	1	(15)
Dividends received	**-**	(588)	(1,078)
At end of period	**4,170**	3,895	3,732
Share of profit from associates in statement of comprehensive income:			
Share of profit for the period	**466**	305	682
Amortisation of fair value intangible assets	**(34)**	(34)	(68)
Elimination of transactions with associate	**10**	9	19
	442	280	633

Other comprehensive income represents the Group's share of movements in Amati's revaluation reserve recognised directly in equity.

The results of Amati from the beginning of the period and its aggregated assets and liabilities as at 30 November 2020 are as follows:

Name	*Country of incorporation*	*Assets £000*	*Liabilities £000*	*Revenue £000*	*Profit £000*	*Interest held*
Amati Global Investors Limited	Scotland	5,766	(2,502)	3,704	951	49%
Group's share of profit					466	

The net assets of Amati as at 1 June 2020 were £3,140,000. At 30 November 2020 the net assets of Amati were £3,264,000 and other increases in net assets of £124,000, increasing the Group's interest in the associate by £61,000 during the period, comprising Mattioli Woods' share of Amati's profit after tax, recognised in the statement of comprehensive income and Mattioli Woods' share of the movement in

Amati's revaluation reserve recognised directly in equity.

13. Derivative financial asset

The only derivative financial instrument held by the Group was an option contract over shares in the Group's associate. The option contract was carried at fair value.

Derivative financial asset	***Unaudited Six months ended 30 Nov 2020 £000***	*Unaudited Six months ended 30 Nov 2019 £000*	*Audited Year ended 31 May 2020 £000*
At 1 June	**-**	750	750
Extinguished in the period	**-**	(750)	(750)
Movement in fair value	**-**	-	-
At end of period	**-**	-	-

During the year ended 31 May 2019 the Company signed heads of terms to cancel the option agreement in exchange for £750,000. The cancellation of the agreement was completed and settled during the year ended 31 May 2020.

14. Share-based payments

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. Movements in the LTIP scheme during the period were as follows:

Number of options	***Unaudited 30 Nov 2020 Equity-settled No.***	*Unaudited 30 Nov 2019 Equity-settled No.*	*Audited 31 May 2020 Equity-settled No.*
Outstanding at start of period	**889,504**	757,463	757,463
Granted during the period	**255,800**	248,800	248,800
Exercised during the period	**(203,515)**	(45,641)	(66,418)
Forfeited during the period	**-**	(45,369)	(50,341)
Outstanding at end of period	**941,789**	915,253	889,504
Exercisable at end of period	**239,551**	279,613	258,564

The LTIP awards are subject to the achievement of corporate profitability targets measured over a three to five-year performance period and will vest following publication of the Group's audited results for the final performance year.

On 1 June 2020 the Remuneration Committee of the Group approved the amendment to the performance period of those LTIP awards granted 4 September 2019 under Tranche B, with the performance period reduced from five to three years.

The amounts shown above represent the maximum opportunity for the participants in the LTIP.

	At 1 June	*Granted during the*	*Forfeited during the*	*Exercised during the period*	***At 30 Nov***

Date of grant	Exercise price	2020 No.	period No.	period No.	No.	**2020 No.**
16 September 2014	£0.01	2,313	-	-	(2,313)	**-**
15 October 2015	£0.01	49,754	-	-	(6,610)	**43,144**
6 September 2016	£0.01	206,497	-	-	(86,325)	**120,172**
5 September 2017	£0.01	184,502	-	-	(108,267)	**76,235**
6 September 2018	£0.01	198,638	-	-	-	**198,638**
4 September 2019 - Tranche A	£0.01	108,000	-	-	-	**108,000**
4 September 2019 - Tranche B	£0.01	139,800	-	-	-	**139,800**
1 June 2020 - Tranche A	£0.01	-	141,550	-	-	**141,550**
1 June 2020 - Tranche B	£0.01	-	114,250	-	-	**114,250**
		889,504	255,800	-	(203,515)	**941,789**

Share Incentive Plan

The Company operates the Mattioli Woods plc Share Incentive Plan ("the SIP"). Participants in the SIP are entitled to purchase, at market value, up to a prescribed number of new 1p ordinary shares in the Company each year for which they will receive a like for like conditional 'matching share', subject to their continued employment for the three years following award of the matching share. These ordinary shares rank pari passu with existing issued ordinary shares of the Company.

A total of 63,393 (1H20: 58,174) new ordinary shares were issued to the 368 (1H20: 324) employees who participated in the SIP during the period. At 30 November 2020 654,775 (1H20: 616,510) shares were held in the SIP on their behalf. There were nil (1H20: 2,629) forfeited shares not allocated to any specific employee.

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 2019 Equity-settled £000	*Restated Unaudited 30 Nov 2019 Equity-settled £000*	*Audited 31 May 2020 Equity-settled £000*
LTIP	**564**	603	1,096
SIP	**154**	129	239
Total	**718**	732	1,335

The share-based payment expense in respect of the LTIP for the six months ended 30 November 2020 includes the impact of the modification of the performance period of the 4 September 2019 Tranche B LTIP awards.

Valuation assumptions

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black Scholes Merton model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used to estimate the fair value of options granted or modified during the six month period ended 30 November 2020:

	Tranche B (modified)	*Tranche A*	*Tranche B*
Date of grant	4 September 2019	1 June 2020	1 June 2020
Share price at date of grant	£7.85	£7.85	£7.85
Option exercise price	£0.01	£0.01	£0.01
Expected life of option (years)	3.8	6.5	4.5
Expected share price volatility (%)	30.0	35.0	35.0
Dividend yield (%)	2.80	2.80	2.80
Risk-free interest rate (%)	0.00	0.00	0.00

The expected volatility assumption is based on statistical analysis of the historical volatility of the Company's share price.

15. 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:

	Carrying amount as at 30 Nov 2020 £000	*Quoted prices in active markets for identical instruments Level1 £000*	*Significant other observable inputs Level 2 £000*	*Significant unobservable inputs Level 3 £000*
Financial liabilities				
Contingent consideration	8,178	-	-	8,178
At 30 November 2020	**8,178**	**-**	**-**	**8,178**

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

16. Provisions

Group	*Contingent consideration £000*	*Client claims £000*	*Dilapidations £000*	*Clawbacks £000*	*Employers' NIC on share options £000*	*Onerous contracts £000*	*FSCS levy £000*	*Total £000*
At 31 May 2020	2,843	1,881	377	58	634	22	109	5,924
Arising during period	6,403	315	2	(1)	108	-	-	6,827
Arising on acquisitions	-	-	133	-	-	29	-	162
Used during period	(1,309)	(447)	(14)	-	(190)	(37)	-	(1,997)
Unwinding of discount	241	-	10	-	-	-	-	251
Unused amounts reversed	-	(8)	(66)	-	-	-	-	(74)
At 30 Nov 2020	**8,178**	**1,741**	**442**	**57**	**552**	**14**	**109**	**11,093**
Current	4,879	1,741	-	57	414	14	109	7,214
Non-current	3,299	-	442	-	138	-	-	3,879
At 30 Nov 2020	**8,178**	**1,741**	**442**	**57**	**552**	**14**	**109**	**11,093**

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. These agreements and the basis of calculation of the net present value of the contingent consideration are summarised below. While it is not possible to determine the exact amount of contingent consideration (as this will depend on the performance of the acquired businesses during the period), the Group estimates the net present value of the financial liability payable within the next 12 months is £4.9m (1H20: £1.4m) and the Group expects to settle the non-current balance of £3.3m (1H20: £0.8m) within the next two years.

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 when management believes it is probable the claim will crystallise. No discount rate is applied to the projected cash flows due to their short-term nature.

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 fair 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

Provision for onerous contracts include software licence costs due on agreements under which the Group has served notice.

FSCS levy

The arrangements put in place by the Financial Services Compensation Scheme ("FSCS") to protect depositors and investors from loss in the event of failure of financial institutions have resulted in significant levies on the industry in recent years.

There is uncertainty over the level of future FSCS levies as they depend on the ultimate cost to the FSCS of industry failures. The Group contributes to the investment intermediation levy class and accrues levy costs for future levy years when the obligation arises. A provision of £0.11m (1H20: £0.15m) has been made in these financial statements for FSCS interim levies expected in the year ending 31 May 2021.

17. Related party transactions

Custodian REIT plc

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

The Company's Chief Executive Officer, Ian Mattioli, is a non-independent Non-Executive Director of Custodian REIT and the Company's former Chief Financial Officer, Nathan Imlach, was Company Secretary of Custodian REIT until he resigned from this position on 17 June 2020 to be replaced by Ed Moore, Finance Director of the Group's subsidiary Custodian Capital Limited.

During the six months ended 30 November 2020 the Group received revenues of £1.9m (1H20: £2.1m) in respect of annual management charges, administration and marketing fees from Custodian REIT. Custodian REIT owed the Group £nil (1H20: £1,488) at 30 November 2020.

Amati Global Investors Limited

On 6 February 2017 the Company purchased 49% of the issued share capital of Amati.

Three of the Company's senior management team were appointed to the board of Amati on the date of investment. Ian Mattioli is Deputy Chair, the Group's Chief Investment Officer, Simon Gibson, is a Non-Executive Director.

On 14 August 2018 the Group entered into an agreement to sublet space in its Edinburgh office to Amati for a term of five years. During the six months ended 30 November 2020 the Group received rent of £24,000 (1H20: £24,000) from Amati as lessee, £8,408 (1H20: £9,627) from the recharge of other property related costs and consultancy fees of £20,000 (1H20: £18,667) in the period.

Gateley (Holdings) plc

The Company's Non-Executive Chair, Joanne Lake, is a non-executive director of Gateley (Holdings) Plc, which is the holding company of Gateley Plc, a provider of commercial legal services. During the period the Group received revenues of £19,000 (1H20: £8,761) in respect of the employee benefits services provided to Gateley Plc.

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 24 (1H20: 16) other executives, received total compensation of £2.8m for the six months ended 30 November 2020 (1H20: £2.8m). Total remuneration is included in "employee benefits expense" and analysed as follows:

	Unaudited Six months ended 30 Nov 2020 £000	*Unaudited Six months ended 30 Nov 2019 £000*	*Audited Year ended 31 May 2020 £000*
Wages and salaries	**2,314**	2,283	2,844
Social security costs	**388**	395	585
Pension	**37**	58	123
Benefits in kind	**32**	60	104
	2,771	2,796	3,656

In addition, the cost of share-based payments disclosed separately in the statement of comprehensive income was £0.3m (1H20 restated: £0.4m).

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 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.

MW Properties No 25 Limited

The Group holds a 9.40% interest in MW Properties No 25 Limited, a nominee for a property syndicate. As at 30 November 2020 the Group held an investment with a market value of £28,095 (1H20: £27,334) in the syndicate.

MW Properties (Huntingdon Non-Geared) Limited

The Company previously held a 2.04% interest in MW Properties (Huntingdon Non-Geared) Limited, a nominee for a property syndicate. During the six months ended 30 November 2020 the Group's investment disposed on the wind-up of this syndicate, with the Group receiving a final distribution of £4,365.

18. Commitments and contingencies

Sponsorship agreement

As part of the Group's strategy to strengthen its brand awareness the Group has a sponsorship agreement with rugby giants Leicester Tigers. The agreement includes exclusive naming rights to the 26,000 capacity Mattioli Woods Welford Road stadium including full stadium, dugout and website branding, shirt sponsorship on the Tigers' home and away shirts, corporate hospitality rights and the provision of exclusive content to Tigers fans. In October 2020 the Group entered into a new sponsorship agreement with Leicester Tigers, which commenced in October 2020 and runs to June 2025, with a total cost of £3.4m over the term of the agreement.

Client claims

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

In-specie pension contributions

As has been widely reported in the media, HMRC has challenged all SIPP providers on whether pension contributions could be made in-specie. As a result there are a number of tax relief claims made on behalf of our clients that have been challenged and we have received or are awaiting assessment notices which are expected to amount to £0.9m. These assessments have been appealed, with proceedings stayed pending the outcome of HMRC's appeal against the First-Tier Tribunal's ruling in favour of another SIPP operator in a similar case.

Irrespective of the result of HMRC's appeal, the impact on the financial position of the Group is expected to be neutral with any liability expected to be recovered from the affected clients whose tax liability it is.

Transfers from defined benefit schemes

The FCA has been conducting an industry wide review of the advice being provided on transfers from defined benefit to defined contribution schemes since October 2015 ("the Review").

As previously reported, following consideration of the increasing costs of professional indemnity insurance, additional regulatory controls and the resources we would have to dedicate to this small part of our business, we have stopped giving pension transfer advice to individuals with safeguarded or defined benefits. The impact of this decision and the Review on the Group's financial performance is not expected to be material.

19. Events after the reporting date

Acquisition of the Exempt Property Unit Trust ("EPUT") administration business of BDO Northern Ireland ("BDO NI")

On 14 January 2021 the Group acquired the EPUT administration business of BDO NI for a nominal initial consideration plus (capped) deferred consideration representing 50% of BDO NI EPUT profits before tax for the 30 months following completion, forecast to be in the region of £0.3m.

Mattioli Woods has also acquired the entire issued share capital of Callender Street Nominees Limited from Aqua Trust Company Limited in Jersey as part of the transaction.

EPUTs are complementary to Mattioli Woods' core SSAS and SIPP proposition, widely used in Northern Ireland and the acquisition expands Mattioli Woods' operations in the region. The EPUT business's experienced team of three employees will join Mattioli Woods and operate from the Group's existing office in Belfast.

The EPUT business provides trustee and administration services to over 100 EPUTs with total funds under trusteeship of over £233m.

Fair values of the assets and liabilities of the acquired business are not disclosed due to the proximity of the acquisition to the publication of this report and will be disclosed in full in the annual report and accounts to 31 May 2021.

Strategic investment in technology partner Tiller Group Limited

On 22 January 2021 the Group made an investment in Tiller as part of a new strategic relationship to develop a digital, self-investment application. The investment sees the Company take an initial shareholding of 4% for consideration of £0.5m, through a subscription of new shares in Tiller, with the potential to increase this holding in the future.

Tiller provides a Software as a Service ("SaaS") wealth management platform designed specifically for wealth managers and other regulated financial services businesses. We will work closely with Tiller to develop its market-leading, automated investment management platform that will extend our discretionary investment management services to a new range of clients.

The platform will provide a streamlined investment solution under one digital interface, from onboarding including risk profiling, managing investment portfolios to client reporting, at a competitive price for the client and is planned for launch later this year.

Acquisition of Montagu Limited

On 2 February 2021 the Group acquired 100% of the issued share capital of Montagu Limited ("Montagu") from its shareholder for a total consideration of up to £2.34m on a cash-free, debt-free basis.

Montagu was established in 1996 and provides wealth management advice and administration for over 150 private and corporate clients with approximately £80m of assets under advice. Montagu is based in Twickenham and employs an experienced team of four staff, all of whom will remain with Mattioli Woods following completion.

Like Mattioli Woods, the business specialises in the provision of fee-based financial planning advice. The complementary product offerings provide scope for potential revenue synergies, while maintaining the strong cultural commitment of both companies to putting clients first.

In the year ended 31 July 2020, Montagu generated revenues of £0.77m with a profit before taxation of £0.31m. At 31 July 2020 Montagu's gross assets were £1.05m and net assets were £0.95m, including £0.91m of cash. The acquisition is expected to be earnings enhancing in the first full year of ownership.

The total consideration comprises:

- An initial consideration of £1.39m (subject to adjustment for the value of net assets acquired) comprising £1.09m in cash plus 40,161 new ordinary shares of 1p each in Mattioli Woods, which are valued at £0.30m based on the average closing price of a Mattioli Woods share for the 10 days to 1 February 2021 inclusive; and
- Contingent consideration of up to £0.95m payable in cash on the first and second anniversaries of completion, subject to certain revenue targets being met.

Payment of the initial cash consideration, deal costs and estimated net asset completion adjustment has resulted in a net cash outflow at completion of £1.19m (net of estimated cash received on acquisition).

Fair values of the assets and liabilities of Montagu are not disclosed due to the proximity of the acquisition to the publication of this report and will be disclosed in full in the annual report and accounts to 31 May 2021.

20. Alternative performance measure workings

Recurring revenue

A measure of sustainable revenue, calculated as revenue earned from ongoing services as a percentage of total revenue.

Timing of revenue recognition	***1H21 £000***	*1H20 £000*
At a point in time:		
Investment and asset management	**787**	1,123
Pension consultancy and administration	**413**	528
Property management	**61**	444
Employee benefits	**413**	472
Non recurring revenue	**1,674**	2,567
Over time:		
Investment and asset management	**14,470**	12,680
Pension consultancy and administration	**8,664**	10,379
Property management	**2,416**	2,531
Employee benefits	**2,307**	2,182
Recurring revenue	**27,857**	27,772
Total revenue	**29,531**	30,339
Recurring revenue	**94.3%**	91.5%

Adjusted EBITDA

A measure of the underlying profitability, excluding items that are non-cash or affect comparability between periods, calculated as statutory operating profit before financing income or costs, tax, depreciation, amortisation, impairment, changes in valuation of derivative financial instruments and acquisition related costs, including share of profit from associates (net of tax).

	1H21 £000	*Restated 1H20 £000*
Statutory operating profit before financing	**5,410**	5,497
Amortisation of acquired intangibles	**1,285**	1,027
Amortisation of software	**147**	209
Depreciation	**1,529**	1,276
EBITDA	**8,371**	8,009
Share of profit from associates, net of tax	**442**	280
Acquisition related costs	**118**	25
Adjusted EBITDA	**8,931**	8,314

Adjusted PBT

A measure of profitability before taxation, excluding items that are non-cash or affect comparability between periods, calculated as statutory profit before tax excluding amortisation of acquired intangibles, acquisition related costs, non-cash interest charges on provisions and changes in valuation of derivative financial instruments.

	1H21	*Restated 1H20*

	£000	£000
Statutory profit before tax	**5,572**	5,696
Amortisation of acquired intangibles	**1,285**	1,027
Acquisition related costs	**118**	25
Adjusted PBT	**6,975**	6,748

Adjusted PAT

A measure of profitability, net of taxation, excluding items that are non-cash or affect comparability between periods, calculated as statutory profit before tax excluding amortisation of acquired intangibles, acquisition related costs, changes in valuation of derivative financial instruments and deducting tax at the standard rate of corporation tax.

	1H21 £000	*Restated 1H20 £000*
Adjusted PBT	**6,975**	6,748
Income tax expense at standard rate of 19% (1H20: 18.7%)	**(1,325)**	(1,260)
Adjusted PAT	**5,650**	5,488

Adjusted EPS

A measure of total comprehensive income for the year, net of taxation, attributable to equity holders of the Company, adjusted to add back acquisition related costs, changes in valuation of derivative financial instruments, non-cash interest charges on provisions and the amortisation of acquired intangible assets, divided by the weighted average number of ordinary shares in issue.

	1H21 £000	*Restated 1H20 £000*
Adjusted PAT	**5,650**	5,488
Basic weighted average number of shares (see Note 6)	**27,696**	27,099
Adjusted EPS	**20.4**	20.2

21. Copies of 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: 1 New Walk Place, Leicester, LE1 6RU.

[1] Group and its' associate includes £688.4m (31 May 2020: £515.8m) of funds under management by the Group's associate, Amati Global Investors Limited, excluding £59.6m (31 May 2020: £54.1m) of Mattioli Woods' client investment and £13.5m (31 May 2020: £11.5m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.

[2] Annual pension consultancy and administration fees; ongoing adviser charges; level and renewal commissions; banking income; property, discretionary portfolio and other annual management charges.

[3] Earnings before interest, taxation, depreciation, amortisation, impairment, changes in valuation of derivative financial instruments and acquisition-related costs, including share of profit from associates (net of tax). All FY20 prior year balances all reported after restatement..

[4] Adjusted EBITDA divided by revenue.

[5] Calculated as profit before tax, adding back amortisation and impairment of acquired intangibles, changes in valuation of derivative financial instruments and acquisition-related costs.

[6] Adjusted profit after tax used to derive adjusted EPS is calculated as adjusted profit before tax less income tax at the standard rate of 18.7% (1H19: 19.0%).

[7] Revenue for the six months ended 30 November 2020 was split 54% (1H20: 55%) fixed, initial or time-based fees and 46% (1H20: 45%) ad valorem fees based on the value of assets under management, advice and administration.

[8] Includes £761.5m (31 May 2020: £581.4m) of funds under management by Amati Global Investors Limited, including Mattioli Woods' client investment and cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.

[9] Revenue for the six months ended 30 November 2020 was split 54% (1H20: 55%) fixed, initial or time-based fees and 46% (1H20: 45%) ad valorem fees based on the value of assets under management, advice and administration.

[10] Certain pension scheme assets, including clients' own commercial properties, are only subject to a statutory valuation at a benefit crystallisation event.

[11] Value of funds under trusteeship in SIPP and SSAS schemes administered by Mattioli Woods and its subsidiaries.
[12] Excluding £59.6m (31 May 2020: £46.7m) of Mattioli Woods' client investment and £13.5m (31 May 2020: £12.7m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.
[13] SIPP and SSAS schemes where the Group acts as pension consultant and administrator.
[14] Includes personal wealth clients with SIPP and SSAS schemes operated by third parties.
[15] Includes Mattioli Woods' client investment and £13.5m (31 May 2020: £12.7m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.
[16] Earnings before interest, taxation, depreciation, amortisation and impairment.
[17] Figures in table may not add due to rounding.
[18] Figures in table may not add due to rounding.
[19] Working capital defined as trade and other receivables less trade and other payables.
[20] Comprises £26.0m (31 May 2020: £31.9) invested in Custodian REIT, £61.0m (31 May 2020: £85.8m) in MW SPF and £49.9m (31 May 2020: £40.0m) in Amati funds.
[21] Cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.
[22] SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator.
[23] Direct schemes lost to an alternative provider as a percentage of average scheme numbers during the period.
[24] Direct schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the period.
[25] Source: Numis Securities Limited, Investment Companies Datasheet dated 25 January 2021.

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