RNS Number : 4298M
Mattioli Woods PLC
21 September 2021

21 September 2021

Mattioli Woods plc

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

Final results

Mattioli Woods plc (AIM: MTW.L), the specialist wealth and asset management business, today reports its final results for the year ended 31 May 2021.

Mattioli Woods is creating a responsibly-integrated, full-service financial services group achieving this organically through its distribution network of 139 consultants and through acquiring and integrating businesses that enhance the client proposition of the Group.

Financial highlights

· Revenue up 7% to £62.6m (2020: £58.4m)
· Recurring revenues[1],[2] represent 92.7% (2020: 92.1%) of total revenue
· Adjusted EBITDA[2],[3] £17.3m down 8% (2020: £18.9m; 2019 pre-COVID-19 £14.1m)
· Adjusted EBITDA margin[4] 27.7% (2020: 32.4%; 2019: 24.5%)
· Operating profit before financing £4.2m down 65% (2020 restated: £12.2m; 2019: £9.2m):
  - Significantly reduced discretionary staff bonuses paid in the prior year due to COVID-19 with incremental £1.8m paid in 2021 to £3.1m
  - Acquisition related expenses of £2.6m (2020: £0.3m) on eight acquisitions completed in or shortly after the year
· Profit before tax £5.1m down 60% (2020 restated: £12.7m) driven by IFRS 3 accounting policy
· Adjusted profit before tax[2],[5] £14.2m down 11% (2020 restated: £16.0m)
· Basic EPS 5.1p down 85% (2020 restated: 34.9p)
· Adjusted EPS[2],[6] 41.1p (2020 restated: 47.6p)
· Proposed final dividend of 13.5p (2020: 12.7p), giving a total dividend of 21.0p up 5% (2020: 20.0p)
· Strong financial position, with £21.9m (2020: £26.0m) of cash at 31 May 2021

Operational highlights and recent developments

· Total client assets of the Group and its associate[7] up 30.4% to £12.1bn (2020: £9.3bn) at year-end
· Gross discretionary AuM[8] of £4.1bn (2020: £2.6bn), with net inflows of over £453m in year
· Uninterrupted client service
· Delivery throughout year demonstrating operational resilience
· Continued investment in technology, compliance and training
· Board appointments during the period strengthens strategic oversight
· Recent acquisitions performing and integrating well
· £112m fundraise in June to facilitate strategic acquisitions
· Post year-end completion of Maven Capital Partners, Ludlow Wealth Management and Richings Financial Management acquisitions

1 Annual pension consultancy and administration fees; ongoing adviser charges; level and renewal commissions; banking income; property, discretionary portfolio and other annual management charges adjusted for Private Investor Club initial fees. .
2 This is an alternative performance measure ("APM") the Group reports to assist stakeholders in assessing performance alongside the Group's results on a statutory basis. APMs may not be directly comparable with other companies' adjusted measures and APMs are not intended to be a substitute for, or superior to, any IFRS measures of performance. Supporting calculations for APMs and reconciliations between APMs and their IFRS equivalents are set out in the Alternative performance measure workings section of the Annual Report. See page 17 for further details of APMs.
3 Definition amended to add gain on bargain purchase and contingent consideration as remuneration. Now calculated as earnings before interest, taxation, depreciation, amortisation, acquisition-related costs, gain on bargain purchase, contingent consideration treated as remuneration and including share of profit from associates (net of tax).
4 Adjusted EBITDA divided by revenue.
5 Definition amended to add back gain on bargain purchase, deferred consideration as remuneration and acquisition related finance expenses. Now calculated as profit before tax, adding back amortisation and impairment of acquired intangibles, acquisition-related costs, gain on bargain purchase, contingent consideration treated as an expense, acquisition related finance expenses .
6 Adjusted profit after tax used to derive adjusted EPS is calculated as adjusted profit before tax as defined above less income tax at the standard rate of 19% (2020: 19%).
7 Includes £1,196.0m (2020: £515.8m) of funds under management by the Group's associate, Amati Global Investors Limited, excluding £94.9m (2020: £54.1m) of Mattioli Woods' client investment and £17.2m (2020: £11.5m) of cross-holdings between the TB Amati Smaller

Companies Fund, TB Amati Strategic Metals Fund and the Amati AIM Venture Capital Trust ("VCT") plc.
8 Includes £1,308.1m (31 May 2020: £581.4) of funds under management by Amati Global Investors Limited, including Mattioli Woods' client investment and cross-holdings between TB Amati Smaller Companies Fund, TB Amati Strategic Metals Fund and Amati AIM VCT plc.

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

"I am pleased to report that even in these unprecedented times we continue to grow and develop the business. The Group's revenue grew 7% to £62.6m (2020: £58.4m), driven by increased inflows and the sustained performance of our discretionary management proposition, combined with positive contribution of each of the businesses acquired during the year.

"The uncertainty that we have all experienced over the last year has served to enhance our commitment to maintaining our culture of putting clients first, developing our service offering and building a business that is sustainable over the long-term. Our continued investment in technology has allowed the majority of our team to continue working remotely, and for us to work in a new operating environment with an increased number of new clients and also generate an increased pipeline of new business opportunities.

"The essence of what we do is looking after our clients' money and there is an expectation that we should apply the same diligence in looking after that of our business and our shareholders. Current trading is in line with our expectations and the momentum that we saw in the second half of last year continues in the current year.

"Adjusted EBITDA was down 8% to £17.3m (2020: £18.9m) and adjusted EBITDA margin of 27.7% (2020: 32.4%), primarily as a result of the decision to reinstate discretionary staff bonuses, and increased contribution from our associate company, Amati.

"Adjusted EPS reduced 2% to 41.1p (2020 restated: 47.6p). The Board is pleased to recommend a final dividend of 13.5p per share (2020: 12.7p). This makes a proposed total dividend for the year of 21.0p (2020: 20.0p) a year-on-year increase of 5.0% (2020: flat), demonstrating our desire to deliver value to shareholders and confidence in the outlook for our business.

"This has been a record year of acquisitions for the Group. In June 2021, we announced the successful completion of a £112m equity fundraise to facilitate the earnings enhancing acquisitions of Maven, Ludlow, Richings, a pipeline of smaller bolt-on acquisitions and to provide regulatory capital headroom. We also completed the acquisitions of five businesses during the year, and I am pleased that all are performing and integrating well.

"We will continue to seek to build on our track record of successful acquisitions by continuing to assess and progress opportunities that meet our strict criteria. Consolidation within both wealth management and SIPP administration is expected to continue for the foreseeable future with many more opportunities coming to market.

"I am very grateful for the continued commitment, endeavour, agility and professionalism that our people have shown in dealing with our clients' affairs throughout a year characterised by a sustained level of uncertainty.

"The easing of lockdown restrictions and continued roll out of the COVID-19 vaccination programme are beginning to support investor confidence. Investment markets have partially recovered from the weakness seen at the outset of the COVID-19 pandemic but look likely to remain volatile for some time. This provides a significant opportunity for Mattioli Woods, as people seek to take charge of their financial affairs and manage wealth through the generations. At the same time, savings and investments are becoming more complicated and regulatory requirements continue to increase. Clients need long-term advice and strategies more than ever before. We will continue to seek to understand our clients' needs and 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.

"We are confident our focus on addressing the changing needs of our clients, developing the capabilities of the Group and continued investment in our governance and infrastructure, will position us well to deliver future growth, sustainable shareholder returns over the long term and a business that is here for the long term".

For further information please contact:

Mattioli Woods plc
Ian Mattioli MBE, Chief Executive Officer
Ravi Tara, Chief Financial Officer — Tel: +44 (0) 116 240 8700
Michael Wright, Group Managing Director — www.mattioliwoods.com

Canaccord Genuity Limited (Nominated Adviser and Joint Broker)
Adam James — Tel: +44 (0) 20 7523 8000
Thomas Diehl — www.canaccordgenuity.com

Singer Capital Markets (Joint

Broker)
Justin McKeegan Tel: +44 (0) 20 7496 3000
Tom Salvesen www.singercm.com

Media enquiries:
Camarco
Julia Tilley Tel: +44 (0) 20 3757 4998
www.camarco.co.uk

Analyst presentation

There will be an analyst presentation held via webinar to discuss Mattioli Woods' full year results at 09:30am today.

Those analysts wishing to attend are asked to contact Julia Tilley at Camarco on +44 (0) 20 3757 4998 or at julia.tilley@camarco.co.uk

Strategic report
Our vision and approach

Our business model

Mattioli Woods plc ("Mattioli Woods", "the Company" or "the Group") is a diversified specialist wealth and asset management business. Our core proposition integrates asset management and financial planning to serve a market predominantly consisting of the mass affluent, controlling directors and owner-managed businesses, professionals, executives, individuals, families and retirees. We plan to expand our reach to new client demographics as we develop both our investment and product propositions as part of our strategic plan.

Our vision

The Group's strategic vision is to drive continued growth whilst delivering exceptional client outcomes focussed on five key pillars:

1. New client wins and greater integration across the value-chain for existing clients;
2. Enhancing the Group's investment proposition;
3. Further investment in developing the Group's digital platform and client portal;
4. Simplifying administration processes and improved productivity; and
5. Accelerating growth through strategic acquisitions.

Our strategic goals for the Group are to deliver:

- £300m Revenue
- £30bn AuM
- £100m EBITDA
- Extended distribution by growing team to 250+ consultants

We continue to put our clients and their needs at the core of everything we do, with the objective of growing and preserving their assets, while giving them control and understanding of their overall financial position. At the same time, we aim to grow our business, both organically and by acquisition, to deliver strong, sustainable shareholder returns over the long-term.

Our focus on holistic planning, providing high levels of personal service and maintaining close multi-generational relationships with our clients has also been a feature in each of the acquisitions made this year. We plan to continue developing complementary services around our core specialisms, blending advice, investment and asset management with product provision to progress as a modern financial services business aligned to our clients' needs. This will allow us to continue to produce great client outcomes including keeping clients' costs low, with our integrated model allowing us to address more of the value chain:

Adviser	Administrator	Platform	Investment manager	Product providers
· Trusted expertise	· End to end administration	· Own MWeb pension administration platform	· Discretionary portfolio management	· Innovative new product development
· Close client relationships	· Proactive, personal service	· Investing in technology	· Bespoke advice	· Addressing clients' needs

· Own distribution through team of 139 consultants	· 11,000+ SIPP and SSAS schemes	· Strategic partnerships with external providers	· Using best of what we and other providers offer	· Extending distribution beyond advised clients

Wealth and asset management

Our wealth and asset management business comprises three operating segments providing services to individuals and families, embracing all aspects of financial planning, personal and trust investment, pensions and estate planning.

Pension consultancy and administration

Mattioli Woods is a leader in the provision of Self Invested Personal Pension ("SIPP") and Small Self-Administered Pension Scheme ("SSAS") arrangements, which are often central to our clients' life planning strategies. We have established a reputation for technical excellence, widely acknowledged within our industry. We maintain our technical edge through our in-depth understanding of UK pension legislation, which translates into meaningful advice given to clients by our consultancy team.

The provision of personalised and proactive administration further differentiates us from our competitors.

Investment and asset management

Discretionary management and the provision of bespoke investment advice sit at the heart of our investment proposition. In meeting our clients' investment needs we use third parties' funds, but where we have a particular expertise we look to meet those needs in-house. This approach has led to the development of our internal Investment management function that has successfully developed a range of products and funds to meet our clients' needs including the £1.6bn Multi-Asset Fund which has received external recognition, as well as our Private Investors Club and Custodian REIT plc. These are in addition to the funds managed by our associate company Amati Global Investors Limited. Where appropriate, we intend to expand upon these offerings in the future to enhance our client service provision and drive further organic growth.

The migration of client assets under advice to assets under management allows us to deliver a more efficient wealth management service to our clients. Our services are delivered by a dedicated team, with many years' of investment experience.

Property management

Our subsidiary company Custodian Capital Limited facilitates direct property ownership on behalf of pension schemes and private clients and also manages the Mattioli Woods Private Investors Club, which offers alternative investment opportunities to suitable clients by way of private investment structures.

In addition, Custodian Capital is the discretionary fund manager of Custodian REIT plc, a UK real estate investment trust listed on the Main Market of the London Stock Exchange. We believe investment in good quality properties with high grade tenants typically provides stable returns over the long-term and our property team draws on many years' experience in commercial property investment to deliver this.

Employee benefits

The Group's fourth operating segment comprises its Employee Benefits business assisting our corporate clients with employee engagement, with the aim of improving recruitment, retention and workplace morale. This encompasses consultancy and administration in areas such as defined contribution and defined benefit pension schemes, workplace savings, healthcare, international benefit solutions and risk benefits, in addition to the design, implementation and administration of these schemes.

The Group also offers total reward and flexible benefit systems, assisting clients in the delivery of these to their employees, along with advice, guidance and financial education. Recent changes in legislation and the uncertainty caused by the current pandemic are increasing demand for our financial education and wealth management services to be delivered through employers.

Strategic report
Chairman's statement

I have now served on the Board of Mattioli Woods for nine years, including as Chairman for the last five years, and this is my last statement before I will step down at our forthcoming AGM on 29 October 2021. When I joined the Group on 31 July 2012, Mattioli Woods was one of the smaller wealth management companies on the AIM Market with a share price of 132p and a market capitalisation of £33m. Since then, as a team, we have taken the Group on a journey of transformation and growth, always centred around serving the needs of our increasing number of clients. We have

added to our range of products and operating segments, enhanced our systems and processes and developed our compliance and governance structures. We have acquired 29 businesses over this period adding expertise to our consultancy, investment and asset management and administration teams and expanding our geographic reach across the UK. This last year has been a particularly significant period in the development of the Group, as we have continued to grow our client base organically and have delivered compelling acquisitions on a major scale together with a substantial £112m fundraise. We have also strengthened and expanded our Board, bringing together an experienced team with the expertise to lead the Group into the next phase of its development. As at 20 September, the Group's share price was 795p and our market capitalisation over £402m.

For the year ended 31 May 2021 I am pleased to report revenue growth of 7% to £62.6m (2020: £58.4m), despite the continued economic uncertainties that persisted throughout the period. Adjusted EBITDA was down 8% to £17.3m (2020: £18.9m) after normalising the prior year's result to reflect the impact of paying no discretionary staff bonuses at year-end whilst we responded to the unfolding impacts of the Coronavirus (COVID-19) pandemic.

The revenue contributions from the acquisitions of Hurley Partners ("Hurley"), the Exempt Property Unit Trust ("EPUT") administration business of BDO Northern Ireland, Montagu Limited ("Montagu"), Pole Arnold Financial Management ("Pole Arnold") and Caledonia Asset Management ("Caledonia") during the year offset the 3.6% reduction in organic revenues[9] which reflected the sustained impact of COVID-19 throughout the period.

9 Total revenues excluding the revenue growth from businesses acquired in the last 24 months.

A reduction in fee-based revenues, primarily driven by lower client activity in the first half and the suspension of certain regulatory requirements for pension schemes, was more than offset by an increase in revenues linked to the value of clients' funds under management and advice following the rise in market values and improved investor sentiment in the second half.

We have remained focussed on our purpose, demonstrating resilience despite the pandemic and operating our business in a sustainable and responsible manner throughout. Our focus remains on protecting both the health and wealth of our staff and clients, whilst supporting all our stakeholders and the wider community. We have maintained our focus on client service and continued to develop our customer and business propositions, with the vast majority of our team working remotely for most of the year. We are mindful of our social impact and remained firm in our commitment to not take support from the government and add to the burden that will have to be met by the UK taxpayer as we emerge from the crisis in the coming years. We recognise our long-term financial prudence and decisive action taken at the beginning of the first lockdown in March 2020, have placed the business on a strong and sustainable footing.

As highlighted in our July trading update, financial performance in the second half of the year benefitted from the easing of some COVID-19 concerns, and a Brexit trade deal amongst other factors, with increased client activity and sustained and higher inflows into the Group's discretionary portfolio management services. Following our decision to not pay staff bonuses in response to the pandemic in the prior year, we reported an exceptional level of profitability at that time. Our commitment to rewarding our employees for their continued efforts by paying bonuses for all staff in the current financial year, combined with our continued investment in recruitment, infrastructure and capability, and increases in specific costs resulted in profit before tax ("PBT") of £5.1m (2020 restated: £12.7m). Excluding the impact of acquisition related costs, adjusted PBT reduced by 11% year on year.

The Board believes it is prudent to continue to protect the Group's financial position and balance the interests of all stakeholders, whilst recognising the importance of dividends to our shareholders. We remain committed to growing the dividend while maintaining an appropriate level of cover. Accordingly, the Board proposes a final dividend of 13.5p per share (2020: 12.7p). This makes a proposed total dividend for the year of 21.0p (2020: 20.0p).

Our strategy

Earlier this year we set out our revised medium-term growth targets that reflect the Board's ambition for the Group which include growing revenue to £300m and achieving EBITDA of £100m, underpinned by total client assets of £30bn. As we work towards these goals our strategy remains focused on achieving sustainable levels of organic growth, supplemented by strategic acquisitions that enhance value and broaden or deepen our expertise and services to better serve our clients.

As a reflection of this renewed Group ambition, in June we were pleased to complete our largest equity fundraise since Mattioli Woods joined the AIM Market in 2005. The £112m fundraise was required to fund the acquisitions of Maven Capital Partners UK LLP ("Maven"), Ludlow Wealth Management Group Limited ("Ludlow") and a pipeline of smaller acquisitions whilst maintaining appropriate levels of regulatory capital following these and the acquisitions completed during the last financial year.

These most recent acquisitions represent significant milestones in Mattioli Woods' journey and illustrate meaningful progress toward our ambitious medium-term goals. These earning enhancing transactions extend the Group's existing client proposition and add to our distribution capacity and scale. We will seek to build on our track record of successfully combining businesses that share the same culture and ethos of putting clients first. Alongside the

expected return to organic growth, we continue to assess a diverse pipeline of potential acquisition opportunities that meet our strict criteria.

Our people

I very much appreciate our team's dedication in how they have dealt with our clients' affairs throughout this uncertain period and thank all our staff for their continued commitment to delivering high levels of service to our clients, and for their enthusiasm and professionalism, whilst the majority of our people continue to work remotely.

We are committed to developing our staff and building the capacity to deliver sustainable growth over the long-term. As part of our normal planning, we monitor the Group's capabilities and assess what new skills are necessary to strengthen the business over time, taking account of the existing balance of knowledge, experience and diversity.

Our culture is based on professionalism, putting clients first and adopting a collegiate approach. Retaining the integrity, expertise and passion of our people remains a priority of the Board and this is at the heart of our success.

Governance and the Board

We have substantially renewed and expanded our Board during the course of the last financial year. In January 2021, three new independent non-executive directors were appointed with David Kiddie, Edward Knapp and Martin Reason joining the Group. Each of our new non-executive directors strengthens our Board bringing specialist financial services expertise to the governance of our Group, including senior level experience in asset management and investment oversight, technology, innovation and growth and strategic planning and change management, as we continue to execute against our ambitious plans for growth. Carol Duncumb stepped down from the Board in March 2021 for personal reasons and we thank Carol for her contributions over the period since her appointment in September 2014.

Our executive team has also been expanded and strengthened with the appointments of Ravi Tara, Chief Financial Officer in February 2021, Iain McKenzie, Chief Operating Officer in May 2021 and Michael Wright, Group Managing Director in June 2021. These appointments create an executive team that has the balance of skills and capability required to effectively lead and govern the Group's activities both now and for the future as we deliver our medium-term strategic goals.

Following these appointments, the Company will continue to have a balanced board, which we believe represents the right governance structure for the business. We strive for high standards in our corporate governance and disclosure and have adopted the QCA Corporate Governance Code to facilitate this. The Board remains committed to developing the corporate governance and management structures of the Group to ensure they continue to meet the changing needs of the business.

Shareholders

During the year we have engaged with our shareholders through traditional face-to-face meetings when permitted as well as through virtual channels including webinars, and group meetings. We were also pleased to be able to engage with many of our shareholders both existing and new as part of the recent equity fundraise process.

We are fortunate to have a group of supportive institutional shareholders with a significant investment in the Company and welcome opportunities to talk to all our shareholders, large and small, including our new shareholders who we welcome to the Group. We will continue to maintain a regular and constructive dialogue with them, while seeking to further broaden our shareholder base as we continue to grow.

Outlook

The Board are pleased by the Group's performance in the year despite the continued economic and market uncertainties that persisted throughout the period. The Group has remained stable and resilient, maintaining our focus on providing excellent client outcomes and to protect their interests despite the external influences and challenges.

We plan to build on this momentum, advancing key strategic initiatives to drive further organic growth, such as the development of a self-directed investment platform with our partner Tiller Group. The acquisitions of Maven and Ludlow, completed post year-end, together with our other acquisitions completed during the period demonstrate meaningful progress towards our ambitious strategic goals, and provide significant opportunities to further broaden our scale, distribution reach and product offering to both our existing and new clients.

The further easing of lockdown restrictions and continued roll out of the COVID-19 vaccination programme are supporting investor confidence and we expect the increased client inflows and new business enquiries seen in the second half of the last financial year to continue in the current period.

We are confident our focus on addressing the changing needs of our clients, developing the capabilities of the Group and continued investment in our governance and infrastructure, will position us well to deliver future growth,

sustainable shareholder returns over the long term and a business that is here for the long term. We look forward to the future with confidence and enthusiasm.

Joanne Lake
Chairman
20 September 2021

Strategic report
Chief Executive's review

Introduction

The uncertainty that we have all experienced over the last year has served to enhance our commitment to maintaining our culture of putting clients first, developing our service offering and building a business that is sustainable over the long-term. I am pleased to report that even in these unprecedented times we continue to grow and develop the business. The Group's revenue grew 7% to £62.6m (2020: £58.4m), driven by increased inflows and the sustained performance of our discretionary management proposition, combined with positive contribution of each of the businesses acquired during the year.

The momentum of new business generation in the first half of the year carried on in to the second half despite the ongoing economic uncertainty. A total of 898 (2020: 558) new SIPP, SSAS and personal clients with assets totalling £239m (2020: £155m) chose to use Mattioli Woods during the year, with this new business being generated primarily through virtual meetings but also through traditional, face-to-face meetings when permitted. Our continued investment in technology enabled us to host client and introducer webinars which continue to attract larger attendee numbers than our pre COVID-19 seminars. This new operating environment has enabled us to work with an increased number of new clients and also generate an increased pipeline of new business opportunities.

Operating profit before financing was down 66% to £4.2m (2020 restated: £12.2m) and profit before tax was down 40% to £5.1m (2020 restated: £12.7m), compared to the exceptional result of the prior year, following the re-instatement of discretionary staff bonuses increasing employee bonus costs to £3.1m (2020: £1.3m), increased acquisition related costs £2.6m (2020: £0.3m) and deferred consideration reported as remuneration £3.8m (2020 restated: £0.8m). Adjusted profit before tax was enhanced by an increased share of profit of £1.1m (2020: £0.6m) from our 49% associate Amati, with the team achieving a significant milestone with assets under management going through £1bn during the year totalling £1.2bn at the year-end. Amati's strong investment performance gained further recognition in being named both Boutique Manager of the Year and Investment Company of the Year at Investment Week's Specialist Investment Awards in November 2020.

Adjusted EBITDA was down 8% to £17.3m (2020: £18.9m) and adjusted EBITDA margin of 27.7% (2020: 32.4%), primarily as a result of the decision to reinstate discretionary staff bonuses which were not paid in the prior year.

We believe the profit margins achieved in the year are indicative of our sustainable longer-term targets. We continue working to realise the economies of scale and operational efficiencies that our responsibly integrated model offers, while seeking ways to reduce clients' costs such as lower fund manager and platform charges. Further investment in our platform infrastructure will allow us to improve client outcomes and further reduce clients' total expense ratios ("TERs").

Our success has been based upon the delivery of quality advice, growing our clients' assets and enhancing their financial outcomes. We continue to enjoy strong, intergenerational client retention and we have seen sustained demand for advice from clients through the year against an uncertain backdrop. Whilst our markets continue to evolve, including the growth of self-administered advice for less complex clients, we expect there to be continued demand for advice driven by working and lifestyle changes, the impact of the pandemic on financial planning matters, an uncertain investment environment, increasing longevity, tax and other legislative changes, where navigating these headwinds becomes more complex.

We continue to deliver strong investment performance across both portfolios and funds. In meeting our clients' investment needs where we have a particular expertise, we look to meet those needs though our own investment management products and expertise including Discretionary Portfolio Management ("DPM"), our Private Investors Club and Custodian REIT plc ("Custodian REIT"). Alternatively we use third parties' funds where we believe these to better meet our clients' investment needs. We expect that the recent acquisition of Maven Capital Partners, where appropriate, will provide access to a wider range of investment opportunities for our clients.

Despite continued market uncertainty, we achieved significantly higher aggregate net inflows (before market movements) of £452.9m (2020: £200.2m) into the Group's bespoke investment services. Gross discretionary assets under management by the Group and its associate increased to £4.1bn (2020: £2.6bn) at the year-end in part due to

the acquisition of Hurley Partners ("Hurley") in July 2020 and the partial recovery of markets, including the value of property held by Custodian REIT.

The value of assets held within our DPM service increased by 51.7% to £2.1bn (2020: £1.4bn), of which £144.0m or 6.7% (2020: £128.0m or 9.1%) is invested within funds managed by the Group and its associate. We plan to continue developing new products and services to better deal with our clients' needs and in conjunction with the Maven and Ludlow businesses acquired post year-end, using the best of what we have and the best of what other providers can offer.

Market overview

Mattioli Woods operates within the UK's financial services industry, which is subject to the effects of volatile markets, economic conditions and regulatory changes. Our markets are highly fragmented and remain competitive, serviced by a wide range of suppliers offering diverse services to both individual and corporate clients.

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. The impact of the COVID-19 pandemic, more than a decade of low interest rates and evolving client preferences, including environmental, social and governance ("ESG") and Responsible Investing considerations, have created challenges for people seeking to generate income, while preserving and growing their capital. At the same time, the COVID-19 pandemic has heightened awareness of the gap between the current level of UK savings and that which is necessary to provide a reasonable standard of living in adverse circumstances or during retirement. Employers continue to withdraw from defined benefit pension schemes, requiring individuals to be self-reliant in planning for their own long-term needs. Individuals who have generated substantial personal and family wealth are increasingly seeking solutions that help them fulfil their personal ambitions, and we believe events such as the current pandemic are likely to continue driving demand for the holistic planning and expert advice we provide.

In addition, there are a number of changes in regulation and legislation that may shift the landscape of financial advice.

Regulation

The Financial Conduct Authority ("FCA") has been proactive in its response to COVID-19, with the FCA's Executive Director of Supervision setting out the FCA's priorities and long-term expectations for the wealth management and advice industry in June this year. The FCA's focus is on firms' operational and financial resilience, including the preservation of client assets and money, and it expects firms to take reasonable steps to ensure they continue to meet the challenges the pandemic poses to customers and staff, particularly through their business continuity plans.

Acting with integrity, charging appropriate fees for delivered services and the prevention of fraud, financial crime and market abuse are all important parts of this. The FCA has introduced new rules aimed at making it easier for consumers to transfer fund investments between platforms. We believe these changes should be beneficial for advisers in ensuring that, subject to individual suitability assessments, clients are on the most appropriate platform for their needs.

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. Previously, we reported increases in the Financial Services Compensation Scheme ("FSCS") levy had resulted in the Group's regulatory fees and levies more than doubling to £0.8m for the 2019/20 year. The Group's regulatory fees and levies for the 2020/21 year have increased to £1.3m, driven by further increases in FSCS levy due to SIPP and pension advice claims in the wider market, and we expect these costs will continue to increase over the next few years.

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") last year.

The new Investment Firm Prudential Regime (IFPR) for UK investment firms authorised under the UK Markets in Financial Instruments Directive regime (MiFID) is expected to take effect from January 2022. The IFPR aims to streamline and simplify the prudential requirements for solo regulated investment firms in the UK (FCA investment firms), taking into account their level of risk and specific business requirements.

The new rules represent significant change. UK investment firms will be subject to liquidity requirements across the board, a new methodology for calculating capital requirements plus new remuneration and disclosure requirements.

Brexit

As a UK business with no operations in other EU countries, no material dependencies on goods or people from other EU countries and a predominantly UK client base, the operational impacts of Brexit on our business have been

modest. We remain conscious that the political situation could impact financial markets, interest rates and consumer confidence, raising unexpected challenges, including any broader impact that Brexit might have on the UK economy or on the operation of European funds.

Changes to the tax regime

The Chancellor's March 2021 budget announced a rise in corporation tax ("CT") for businesses with profits above £250,000 to move to 25% corporation tax from 2023, with profits between £50,000 and £250,000 taxed on a tapered scale. This will lead to an increase in the Group's effective tax rate in future years.

For our clients, there will be many opportunities to manage their tax positions effectively. The continuation of tax relief for research and development, the new super deduction for plant and machinery investment and of course, the continuation of tax relief for employees putting money into pensions for retirement.

It was widely expected that a review of capital gains tax ("CGT") with particular reference to individuals and smaller businesses would lead to increased charges. This did not materialise in the March 2021 budget but we expect any future changes in the tax regime to create further demand for our financial planning and advisory services.

The need to comply with these and other regulatory changes means we continue to invest in our people and technology, including our strategic partnership with the Tiller Group to develop a self-investment platform for new and existing clients.

Outlook

Investment markets have partially recovered from the weakness seen at the outset of the COVID-19 pandemic but look likely to remain volatile for some time. This provides a significant opportunity for Mattioli Woods, as people seek to take charge of their financial affairs and manage wealth through the generations. At the same time, savings and investments are becoming more complicated and regulatory requirements continue to increase. Clients need long-term advice and strategies more than ever before. We will continue to seek to understand our clients' needs and 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.

Our services

Our core pension and wealth management offering currently serves a wide demographic cross-section including affluent families and the higher end of the market, including controlling directors and owner-managed businesses, professionals, executives and retirees.

We intend to extend our reach to new client demographics as we develop both our investment and product propositions as part of our strategic plan including our partnership with the Tiller Group Limited to develop a self-directed investment platform for new and existing clients. The mix of income derived from the Group's four operating segments changed slightly during the year, summarised as follows:

- 53.3% investment and asset management (2020: 45.9%);
- 30.1% pension consultancy and administration (2020: 35.3%);
- 8.8% employee benefits (2020: 9.6%); and
- 7.8% property management (2020: 9.2%).

We aim to operate a seamless structure, allowing us to cover all aspects of financial planning, wealth management and employee benefits. Our key objectives are:

- Maintaining long-term relationships and delivering great outcomes for our clients;
- Proactively anticipating our clients' needs to deliver on their expectations;
- Investing in our people and technology to service greater business volumes at a lower cost;
- Sharing knowledge and ideas between ourselves and others for mutual benefit;
- The development of our market standing through the integrity and expertise of our people;
- Extending our range of products and services, seeking to attract new clients both organically and via strategic acquisitions; and
- Being proud of our charitable and community spirit, supporting staff and local and national charities.

Assets under management, administration and advice

Unlike many wealth managers, the majority of the Group's revenues are fee-based, rather than being linked to the value of assets under management, administration or advice[10], giving our business a revenue profile that is less sensitive to market performance. The acquisitions of Hurley, EPUT, Montagu, Pole Arnold and Caledonia during the year added £1.3bn of client assets, with total client assets of the Group and its associate of £12.1bn at 31 May 2021 (2020: £9.3bn) summarised as follows:

Assets under management, administration and advice[11]	*SIPP and SSAS[12] £m*	*Employee benefits £m*	*Personal wealth and other assets £m*	*Sub-total £m*	*Amati[13] £m*	*Total £m*
At 1 June 2020	6,029.1	1,024.1	1,728.6	8,781.8	518.5	9,300.3
Acquisition during the year	381.4	-	918.5	1,299.9	-	1,299.9
Net inflows/(outflows), including market movements	330.6	428.0	87.1	845.7	677.6	1,523.3
At 31 May 2021	6,741.1	1,452.1	2,734.2	10,927.4	1,196.1	12,123.5

Our DPM service has continued to deliver targeted investment performance relative to the market, with aggregate net inflows of over £453m into this and the Group's other bespoke investment services during the year. The movement in total client assets is analysed as follows:

- A £712.0m increase (2020: £22.6m fall) in SIPP and SSAS assets under administration driven in part by the acquisition of Hurley contributing £381.4m of the increase, with a 1.3% rise (2020: 1.7% fall) in the number of schemes being administered at the year end, comprising a 7.1% (2020: 0.7%) increase in the number of direct[14] schemes to 6,912 (2020: 6,453) and a 7.2% (2020: 5.0%) decrease in the number of schemes the Group operates on an administration-only basis to 4,159 (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 more appropriate arrangements;
- A £428.0m (2020: £172.5m decrease) increase in the value of assets held in the corporate pension schemes advised by our employee benefits business, following a restructure of our corporate client portfolio and focus on the development and expansion of both new and existing relationships. 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 £1,005.5m (2020: £6.1m) increase in personal wealth and other assets under management and advice, with the acquisitions of Hurley, EPUT, Montagu, Pole Arnold and Caledonia in the period contributing £918.5m. The 357 (2020: 180) new personal clients won during the year partially offset some natural client attrition, resulting in a 23.3% increase (2020: 2.1% decrease) in the total number of personal clients[15] to 7,270 (2020: 5,925); and
- A £677.6m (2020: £106.8m) increase in Amati's funds under management (excluding Mattioli Woods' client investments), primarily through the growth of the TB Amati UK Smaller Companies Fund to £980.9m (2020: £400.4m) and launch of the new TB Amati Strategic Metals Fund in March 2021 which had grown to £25.1m (2020: nil) at 31 May 2021.

Amati continues to perform strongly with gross funds under management[16] increasing to £1,308.1m (2020: £581.4m) with the Group's share of its profits increased to £1.1m (2020: £0.6m). Co-managed by Amati's Chief Executive Dr Paul Jourdan, David Stevenson and Anna Macdonald, the TB Amati UK Smaller Companies Fund is a top-quartile performer in The Investment Association UK Smaller Companies sector over three and five years.

The post year-end acquisitions of Maven and Ludlow will significantly enhance both the value and quality of the Group's assets under management, administration and advice.

10 Revenue for the year ended 31 May 2021 was split 54% (2020: 53%) fixed, initial or time-based fees and 46% (2020: 47%%) ad valorem fees based on the value of assets under management, advice and administration.

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

12 Value of funds under trusteeship in SIPP and SSAS schemes administered by Mattioli Woods and its subsidiaries.

13 Assets under management of £1,196.0m (2020: £515.8m) excludes £94.9m (2020: £54.1m) of Mattioli Woods' client investment included within SIPP and SSAS, employee benefits and personal wealth and other assets and excludes £17.2m (2020: £11.5m) of cross-holdings between the TB Amati Smaller Companies Fund, TB Amati Strategic Metals Fund and the Amati AIM VCT plc.

14 SIPP and SSAS schemes where the Group acts as pension consultant and administrator. SIPP and SSAS schemes administered by SSAS Solutions reclassified as direct during the year.

15 Includes personal wealth clients' with SIPP and SSAS schemes operated by third parties.

16 Includes Mattioli Woods' client investment and £20.0m (2020: £11.5m) of cross-holdings between the TB Amati Smaller Companies Fund, TB Strategic Metals Fund and the Amati AIM VCT plc.

Key performance indicators

The directors consider the key performance indicators ("KPIs") for the Group are as follows:

Strategy/objective	Performance indicator	Further explanation
Organic growth and growth by acquisition	**Revenue -** total income (excluding VAT) from all revenue streams.	See 'Our business model' and 'Revenue'.
Operating efficiency	**Adjusted EBITDA margin** - profit generated from the Group's operating activities before financing income or costs, taxation, depreciation, amortisation, impairment, gain on bargain purchase, deferred consideration as remuneration and acquisition-related costs, including share of profit from associates (net of tax), divided by revenue.	See 'Profitability and earnings per share'.
Shareholder value and financial performance	**Adjusted Earnings Per Share ("EPS")** - total comprehensive income for the year, net of taxation, attributable to equity holders of the Company, adjusted to add back acquisition-related costs, acquisition related finance costs, the amortisation of acquired intangible assets, gain on bargain purchase and deferred consideration as remuneration divided by the weighted average number of ordinary shares in issue.	See 'Profitability and earnings per share'.
Growth in the value of assets under management, administration and advice	**Assets under management, administration and advice** - the value of all client assets the business gives advice upon, manages or administers.	See 'Assets under management, administration and advice'.
Excellent client service and retention	**Client attrition** - the number of direct SSAS and SIPP schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the period.	See 'Segmental review'.
Financial stability	**Debtors' days** - this is the average number of days' sales outstanding in trade receivables at any time.	See 'Cash flow'.
Financial stability	**Surplus on regulatory capital requirement** - this is the aggregate surplus on the total regulatory capital requirement of the Group.	See 'Regulatory capital'.

Financial performance and future developments

Revenue

Group revenue was up 7% to £62.6m (2020: £58.4m), with organic revenues supplemented by eleven months' revenues of £5.3m from the Hurley Partners business acquired in July 2020, plus £0.4m of revenues from Turris following its acquisition in the prior year.

Revenue in the first half of the year was, as anticipated, slightly lower than in the equivalent period in the prior year due to the adverse impact of weaker financial markets and the suspension of certain statutory requirements for pension schemes resulting in lower fee-based revenues. The Group's revenue in the second half of the year benefitted from an easing of some concerns relating to COVID-19, and a Brexit trade deal amongst other factors, resulting in increased investment activity, which together with positive investment performance saw sustained and higher inflows into the Group's DPM services and an increase in revenues linked to the value of clients' assets.

We continue to focus on delivering great client outcomes and addressing their evolving needs. In addition to delivering increased efficiency and effectiveness across the Group through increased client caseloads for our consultancy and administration teams, we are working to streamline and automate our processes to facilitate more efficient administration, through initiatives such as the adoption of electronic signatures, maintaining a scalable operating model and in doing so making Mattioli Woods easier to do business with. We anticipate these changes will deliver improved margins and cost savings for both us and our clients.

Employee benefits expense

As in previous years, the major component of the Group's operating costs is our employee benefits expense of £34.1m (2020: £27.6m) representing 54.5% of revenue (2020: 47.3%). The mitigating actions taken to protect the Group's financial position in response to the COVID-19 pandemic in the prior year included not paying any year-end bonuses to staff, with the increase in employee benefits expense this year primarily due to awarding discretionary bonuses to all staff totalling £3.1m plus an additional £2.6m cost from those business acquired during the year.

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 continued to increase average consultant and client relationship manager caseloads during the year, partly through the migration of acquired pension portfolios onto our bespoke MWeb administration platform.

The Group's total headcount increased to 663 (2020: 597) at 31 May 2021, with the retention of the experienced teams at Hurley, the EPUT business, Pole Arnold, Montagu and Caledonia adding 55 staff. The number of consultants increased to 139 (2020: 120) as we recruited throughout the year to further expand upon our own distribution network for existing and new clients.

We continue to invest in our infrastructure and capacity including IT systems, compliance and training across all parts of the Group, with the aim of delivering further operational efficiencies and benefiting from further economies of scale as the business continues to grow.

Other administrative expenses

Other administrative expenses increased to £13.3m (2020: £10.9m), with additional professional, regulatory and compliance costs incurred following the acquisitions completed during the year offsetting over savings. Regulatory fees and levies incurred by the Group increased to £1.3m (2020: £0.9m) representing an increase of 46% or £0.4m. Further, acquisition related costs of £2.6m (2020: £0.3m) increased by £2.3m following the increased number of acquisitions completed during the year and post year-end.

Other overheads were broadly in line with the prior year with increased infrastructure costs for IT, professional services and insurances offset by strict control of compensation payments and savings driven by lower employee travel and office occupancy.

Share-based payments

Share-based payments costs of £1.5m (2020: £1.3m) represent the cost of options expected to vest under the Company's long-term incentive plans and matching shares awarded to employees under the Company's share incentive plan.

Net finance costs

The Group has maintained a positive net cash position throughout the year, with increased net finance costs of £0.2m (2020 restated: £0.1m) reflecting credit interest of £0.03m (2020: £0.10m) being offset by £0.1m (2020 restated: £0.1m) of non-cash notional finance charges on the unwinding of discounts on long-term provisions and £0.1m (2020: £0.1m) of interest on the lease liabilities recognised under IFRS 16.

Taxation

The effective rate of taxation on profit on ordinary activities was 73.0% (2020 restated: 25.5%), above the standard rate of tax of 19.0% (2020: 19.0%). This is primarily due to the revaluation of deferred tax liabilities being recognised at an increased rate of tax following the government's announced plans to increase the standard rate of tax to 25.0% from 6 April 2023, as well as significant non-deductible expenses from contingent consideration arrangements accounted for as remuneration. Excluding the impact of changes in tax rates, the effective income tax rate was 34.6% (2020: 22.2%). In addition, certain expenses associated with sponsorship and other business development activities were not deductible for tax purposes.

The net deferred taxation liability carried forward at 31 May 2021 was £8.5m (2020: £3.6m).

Restatement of acquisition accounting

Following a review of IFRS Interpretations Committee ("IFRIC") guidance regarding the interpretation of IFRS 3 Business Combinations, the accounting treatment for acquisitions with contingent consideration payable under certain circumstances has been retrospectively corrected. This accounting change impacts five acquisitions completed since 1 June 2010 but has no impact on adjusted EBITDA, adjusted PBT, cash flows or tax position of the Group.

To protect the goodwill and intangible assets being acquired over the first few years of ownership, many of the Group's acquisitions have been structured with an initial and a deferred consideration, which is typically paid in cash over a two to four year period following completion. The deferred consideration is contingent on the acquired business meeting pre-agreed financial performance targets over an agreed period. These payments are part of the purchase consideration negotiated with the respective sellers and are contractual payments in exchange for the shares or assets of a business. However, on review of the IFRIC guidance regarding the interpretation of IFRS 3, the accounting treatment has been amended where former shareholders of an acquired business are required to remain in employment with the Group. In people businesses like Mattioli Woods, such provisions are an important protection to ensure the successful transition of client relationships and key personnel into the Group, preserving the value of the goodwill and intangible assets acquired.

In accordance with the IFRIC guidance noted above, in such circumstances, the contingent consideration is now recognised as remuneration in the income statement, accrued over the deferred consideration period. Previously, the fair value of the contingent consideration was recognised in full at the date of acquisition, forming part of the

acquired goodwill. Accordingly, we have restated our prior year accounts, as shown in the comparative numbers within the financial statements. Further details are provided in Note 2 to the accounts.

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, organic revenues, adjusted EBITDA, adjusted profit before tax ("adjusted PBT"), adjusted profit after tax ("adjusted PAT"), adjusted EPS and adjusted cash generated from operations 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. Adjusted profit measures for the prior year have been restated to recognise the financial impact of the actions taken to protect the Group's financial position in light of the COVID-19 pandemic, comprising a £0.2m cost saving through all plc Board directors reducing their basic remuneration plus a further £2.3m cost saving on year-end bonuses not being paid.

The change in accounting treatment outlined above means that for certain acquisitions the contingent consideration has been treated as an expense in the income statement rather than as a capital payment. While the Board accepts this treatment is appropriate for reported results, it introduced the employment conditions on the deferred consideration to protect capital value.

Adjusted measures of the Group's profitability, including adjusted EBITDA, adjusted PBT, adjusted PAT and adjusted EPS, have therefore been amended to add-back the cost of discretionary staff bonuses, gain on bargain purchase and deferred consideration as remuneration.

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 underlying 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 the Alternative performance measure workings section of the Annual Report.

Profitability and earnings per share

Profit before tax was down 60% to £5.1m (2020 restated: £12.7m), with adjusted profit before tax up 1% to £17.2m (2020 restated: £17.1m), driven by increased revenues offset by the full year impact on employee benefits expense of the businesses acquired during the year, restoring discretionary staff bonuses, increased regulatory and compliance costs and increased acquisition related fees. These changes translated into a reduction in operating profit before financing of 66% to £4.2m (2020 restated: £12.2m) and adjusted EBITDA down 8% to £17.3m (2020: £18.9m), with adjusted EBITDA margin of 27.7% (2020 restated: 32.4%).

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:

	2021 *£m*	*2020 Restated* *£m*
Statutory operating profit before financing	4.2	12.2
Amortisation of acquired intangibles	2.8	2.1
Amortisation of software	0.3	0.4
Depreciation	2.8	2.5
EBITDA[17]	10.1	17.2
Share of associate profits (net of tax)	1.1	0.6
Acquisition-related costs	2.6	0.3
Gain on bargain purchase	(0.3)	-

Deferred consideration as remuneration	3.8	0.8
Adjusted EBITDA[18]	17.3	18.9

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:

17 Earnings before interest, taxation, depreciation, amortisation and impairment.

18 Figures in table may not add due to rounding.

	Profit 2021 £m	*EPS 2021 pps*	*Profit 2020 Restated £m*	*EPS 2020 Restated pps*
Statutory profit before tax	5.1	18.4	12.7	46.9
Income tax expense	(3.8)	(13.4)	(3.2)	(11.9)
Other comprehensive income	-	0.1	-	(0.1)
Total comprehensive income / Basic EPS	1.4	5.1	9.5	34.9
Statutory profit before tax	5.1	18.4	12.7	46.9
Amortisation of acquired intangibles	2.8	9.9	2.1	7.6
Acquisition-related costs	2.6	9.3	0.3	1.2
Acquisition-related notional finance cost	0.1	0.5	0.1	0.2
Gain on bargain purchase	(0.3)	(1.0)	-	-
Deferred consideration as remuneration	3.8	13.6	0.8	2.8
Adjusted PBT	14.2	50.7	16.0	58.7
Income tax expense at standard rate	(2.7)	(9.6)	(3.0)	(11.2)
Adjusted PAT / Adjusted EPS[19]	11.5	41.1	12.9	47.6

As explained in Note 17, client portfolios acquired through business combinations are recognised as intangible assets. The amortisation charge for the year of £2.8m (2020: £2.1m) 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[20] was 41.1p down 13.7% (2020: 47.6p), while basic EPS was down 85% to 5.1p (2020 restated: 37.9p), driven by increased revenues offset by the significant cost increases mentioned above. EPS was also impacted by the higher effective tax rate of 73.0% (2020 restated: 25.5%) and the issue of 340,788 (2020: 169,497) shares under the Company's share plans. There were 970,409 (2020: nil) shares issued as consideration for acquisitions during the year. Diluted EPS was 5.0p (2020 restated: 34.7p).

19 Figures in table may not add due to rounding.
20 Before acquisition-related costs, amortisation and impairment of acquired intangibles, gain on bargain purchase, deferred consideration as remuneration and acquisition related finance costs.

Dividends

The Board is pleased to recommend a final dividend of 13.5p per share (2020: 12.7p). This makes a proposed total dividend for the year of 21.0p (2020: 20.0p) a year-on-year increase of 5.0% (2020: flat), demonstrating our desire to deliver value to shareholders and confidence in the outlook for our business.

The Board recognises the importance of dividends to shareholders and remains committed to growing the dividend, while maintaining an appropriate level of dividend cover. If approved, the final dividend will be paid on 3 November 2021 to shareholders on the register at the close of business on 1 October 2021, having an ex-dividend date of 30 September 2021.

The Company offers its UK and Channel Islands' resident shareholders the option to invest their dividends in a Dividend Reinvestment Plan ("DRIP"). The DRIP is administered by the Company's registrar, Link Group ("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 proposed final dividend for the year ended 31 May 2021, shareholders' instructions must be received by Link by close of business on 8 October 2021.

Cash flow

Cash balances at 31 May 2021 totalled £21.9m (2020: £26.0m). Cash generated from operations was £20.4m or 202% of EBITDA (2020 restated: £13.9m or 81%), driven by a reduction in the Group's working capital requirement[21] of £5.2m (2020: £5.4m increase), comprising:

- A £5.0m increase (2020: £4.5m decrease) in trade and other payables, primarily due to:
  - £4.6m increase in accruals and deferred income following the reinstatement of staff and directors' bonuses for the year ended 31 May 2021, to be paid following the year end, and significant increase in accruals for acquisition-related costs invoiced following the year end;
  - £0.5m increase in other payables relating to the balance of consideration payable for acquisitions; and
  - £0.1m reduction across other balances within trade and other payables.
- A £1.0m reduction (2020: £0.8m increase) in trade and other receivables, primarily due to:
  - £0.7m reduction in trade receivables as we continue to minimise aged debt exposure and move from fee invoicing to deduction of income from client's holdings with platform providers;
  - £0.4m reduction in other receivables, including the impact of collecting rental deposits on vacated properties and collecting director loan balances following acquisitions; and
  - £0.1m increase across other balances within trade and other receivables.
- A £0.7m decrease in provisions during the year (2020: £nil change), primarily due to:
  - £0.6m reduction in provisions for contingent remuneration following the previous acquisition of SSAS Solutions (UK) Ltd; and
  - £0.1m reduction across other provision balances, including payment of dilapidations on exit of leased property and utilisation of provisions for onerous contracts.

Adjusted cash generated from operations[22], which excludes items that are incurred as a result of the Group's acquisition activities, increased by 51% to £21.7m (2020: £14.4m)

Outstanding trade receivables reduced to 30 days (2020: 34 days), with credit management continuing to be an area of focus, as well as moving from fee invoicing to deduction of income from client's holdings with platform providers where the opportunity arises. Outstanding trade payables reduced to 14 days (2020: 21 days) with an increase in invoiced expenses borne by the business as a result of acquisitions, and a small reduction in trade payables outstanding at the end of the period.

The accelerated corporation tax payment regime introduced in the prior year resulted in higher income tax paid in 2020. and this reduced income taxes paid in the year reduced to £2.5m (2020: £4.4m), with quarterly tax payments now all due within the relevant accounting period, rather than two additional instalments being paid in the prior year. This resulted in the Group paying four quarterly instalments (2020: six) in the financial year.

Investing cashflows include £1.1m (2020: £nil) of contingent consideration paid on previous acquisitions Broughtons Financial Planning Limited and The Turris Partnership Limited acquisitions, as well as net initial cash consideration of £13.0m (net of cash acquired) on acquisitions completed during the year.

Capital expenditure of £0.8m (2020: £1.0m) comprised £0.3m on the purchase of new company cars, £0.1m investment in new computer hardware and office equipment and £0.4m on software development.

21 Working capital defined as trade and other receivables less trade and other payables.
22 Cash generated from operations before acquisition-related costs paid and contingent remuneration paid

Regulatory capital

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

The Group continues to enjoy headroom on its regulatory capital requirement, and completion of the fundraise in June 2021 is allowing us to pursue further acquisition opportunities (see Note 30).

In January 2022, following the introduction of the Investment Firm Prudential Regime ("IFPR") it is estimated that the Group's CET1 Capital will be reduced due to the removal of the reliefs on deduction of deferred tax assets and significant investments in financial services entities. The impact on the Group's regulatory capital at May 2021 would

be a reduction of £2.4m but the impact on adoption of IFPR will be greater due to the impact of the fundraise and post year-end acquisitions on the Group's regulatory capital.

Segmental review

Investment and asset management

Investment and asset management revenues generated from advising clients on both pension and personal investments increased 24% to £33.4m (2020: £26.8m).

The Group's gross discretionary assets under management ("AuM"), including the multi asset funds which sit at the heart of our DPM service, Custodian REIT, the Mattioli Woods Structured Products Fund ("MW SPF") and the funds managed by our associate company, Amati, were £4.1bn (2020: £2.6bn) at the year end, with movements during the year as follows:

Assets under management	*DPM £m*	*Custodian REIT £m*	*MW SPF £m*	*Amati £m*	*Gross AuM £m*	*Cross-holdings in DPM*[23]	*Cross-holdings in Amati funds*[24]	*Net AuM £m*
At 1 June 2020	1,412.6	354.5	204.0	581.5	2,552.6	(127.9)	(11.5)	2,413.2
Acquisition during the year	438.6	-	-	-	438.6	-	-	438.6
Inflows	204.2	0.6	1.3	401.1	607.2	(16.1)	(5.7)	585.4
Outflows	(105.9)	-	(36.9)	(11.6)	(154.4)	-	-	(154.4)
Market movements	193.6	52.9	29.0	337.1	612.6	-	-	612.6
At 31 May 2021	2,143.1	408.0	197.4	1,308.1	4,056.6	(144.0)	(17.2)	3,895.4

Income from both initial and ongoing portfolio management charges increased to £23.1m (2020: £16.3m), with £204.2m (2020: £173.5m) of inflows into our DPM service during the year.

Fees for services provided by the Group's subsidiary Custodian Capital Limited ("Custodian Capital") to Custodian REIT are included in the 'Property management' segment. Annual management charges on the MW SPF were £1.1m (2020: £1.3m) with the steep sell-off and negative market movement in the last quarter of the prior year partially recovering in the current year.

Adviser charges based on gross assets under advice of £2.6bn (2020: £2.0bn) fell to £9.0m (2020: £9.2m). This was driven by the part-year revenue contribution from acquisitions made in the second half with gross assets under advice £0.4bn. The lower revenue margin illustrates 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 93.5% (2020: 92.1%). 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, with the initial impact of the COVID-19 pandemic in the final quarter of the prior year and subsequent recovery of financial markets in the current year resulting in an increase in these income streams

23 Comprises £26.6m (2020: £25.2m) in Custodian REIT, £44.0m (2020: £57.6m) in MW SPF and £73.3m (2020: £45.1m) in Amati funds.

24 Cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.

Pension consultancy and administration

Pension consultancy and administration revenues were down 9% to £18.8m (2020: £20.6m), with an increase in the total number of SIPP and SSAS schemes administered by the Group of 1% to 11,071 (2020: 10,933) offset by reduced levels of client activity and the suspension of certain statutory requirements for pension schemes.

Direct[25] pension consultancy and administration fees decreased 8% to £15.0m (2020: £16.3m). Retirement planning remains central to many of our clients' wealth management strategies and the number of direct schemes increased to 6,912 (2020: 6,453), with 408 new schemes gained in the year (2020: 339). Our focus remains on the quality of new business, with the value of a new scheme averaging £0.3m (2020: £0.3m). We continue to enjoy

strong client retention, with a slight increase in the external loss rate[26] to 2.3% (2020: 1.8%) and a reduction in overall attrition rate[27] to 3.4% (2020: 3.6%).

The number of SSAS and SIPP schemes the Group operates on an administration-only basis fell to 4,159 (2020: 4,480) at the year 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, with third party administration fees remaining at £3.8m despite the fall in scheme numbers.

The Group's banking revenue was £0.05m (2020: £0.5m) with the Bank of England's base rate remaining at a historic low of 0.1%, our banking revenue is expected to be negligible going forward.

Segment margin reduced to 30.8% (2020: 31.6%) with the benefit of the operational efficiencies and cost savings realised pre and during COVID-19 offset by the reduction in segment revenues.

While we anticipate continued regulatory scrutiny of the pension market, with some 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 there may be similar opportunities in the future.

We take great pride in seeing 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 continue to be some natural outflows from our clients' SIPP and SSAS schemes, particularly as the "baby boom" generation reaches retirement. We expect any such decumulation to have a positive impact on the Group's results based on our multi-generational approach linking our strength in the provision of advice around the cascading of wealth through the generations, inheritance tax and other planning.

25 SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator.

26 Direct schemes lost to an alternative provider as a percentage of average scheme numbers during the year.

27 Direct schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the year.

Property management

Property management revenues were £4.9m (2020: £5.4m), with our subsidiary Custodian Capital having assets under management and administration of £516.9m (2020: £466.7m) at 31 May 2021, with the impact of the sharp decline in commercial property valuations at the end of the prior year on the value of Custodian REIT, partially recovering during the year. Recurring annual management charges represented 97.9% (2020: 91.4%) of property management revenues, the majority of which are derived from the services provided by Custodian Capital to Custodian REIT.

In addition, Custodian Capital continues to facilitate direct property ownership on behalf of pension schemes and private clients and 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 however in response to the pandemic we took an early decision to temporarily pause the launch of new opportunities given the level of market, political and economic uncertainty at that time, focusing on the preservation of wealth for our clients. We invested £2.5m (2020: £16.6m) in one (2020: six) new syndicates in the first half, with no new syndicates completed in the second half due to the prevailing market conditions. Following the year-end a number of new opportunities are in the pipeline, which will be marketed to suitable clients.

Employee benefits

Employee benefits revenues were £5.5m (2020: £5.6m), with market conditions driven in part by the COVID-19 pandemic, limiting new client wins and the uptake of ad-hoc consultancy projects from existing clients. This was offset by strong client retention throughout the year and accretion in premiums for risk and healthcare cover.

Employers are increasingly encouraging staff wellbeing and retirement savings as part of remuneration packages and we believe greater emphasis will be placed on these in a post COVID-19 world. As workplaces start building occupancy towards pre-COVID levels, we believe this focus on employee benefits and retention of key staff will provide opportunities for growth over the coming years.

Acquisitions

We have developed considerable expertise and a strong track record in the execution and subsequent integration of acquisitions. At the year-end, we had invested over £92m since our admission to AIM in 2005, bringing 29 businesses or client portfolios into the Group, excluding the transactions announced following the year-end.

In June 2021, we announced the successful completion of a £112m equity fundraise to facilitate the earnings enhancing acquisitions of Maven, Ludlow, a pipeline of smaller bolt-on acquisitions and to provide regulatory capital headroom.

The acquisition of Maven, one of the UK's leading private equity and alternative asset managers represents a complementary extension of the Group's investment proposition. Maven's service offering, inherent profitability and ability to extend existing and win new investment mandates, coupled with the potential to enhance projected returns through the delivery of material performance-related fees, makes this a significant acquisition that is well aligned to our stated strategic ambitions, with expected revenue and cost synergies of at least £1.0 million when fully realised.

The acquisition of Ludlow adds scale and critical mass in the North West of England, extending the Group's distribution capacity for existing and new client services. Ludlow provides a hub for further acquisitions to take advantage of the significant consolidation opportunity we see in the IFA sector. The acquisition also offers opportunities for the elimination of duplicated costs and to realise economies of scale, with expected revenue and cost synergies of at least £1.0 million when fully realised.

We will continue to seek to build on our track record of successful acquisitions by continuing to assess and progress opportunities that meet our strict criteria. Consolidation within both wealth management and SIPP administration is expected to continue for the foreseeable future with many more opportunities coming to market.

Relationships

The Group's performance and shareholder value are influenced by other stakeholders, principally our clients, suppliers, employees, the government and our strategic partners. Our approach to all these parties is founded on the principle of open and honest dialogue, based on a mutual understanding of needs and objectives.

Relationships with our clients are managed on an individual basis through our client relationship managers and consultants. Employees have performance development reviews and employee forums also provide a communication route between employees and management. Mattioli Woods also participates in trade associations and industry groups, which give us access to client and supplier groups and decision-makers in government and other regulatory bodies. Mattioli Woods is a member of the Association of Member-directed Pension Schemes and the Quoted Companies Alliance.

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.

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

I am very grateful for the continued commitment, endeavour, agility and professionalism that our people have shown in dealing with our clients' affairs throughout a year characterised by a sustained level of uncertainty, with the majority of our team working remotely during this period.

As our business continues to evolve and grow into one which has a long-term and successful future, the Board recognises the continued importance of good communication and will ensure that the strong client-centric behaviours that are embedded within the business are preserved. We have made a number of changes to the composition of our Board with new appointments to both the executive and independent non-executive teams. Carol Duncumb has stepped down from her role as independent non-executive director at the end of her second term of office due to personal reasons and I express the Board's thanks to Carol for her support, challenge and insight over the last six years. We will be delighted to retain Carol's services in a new role when circumstances allow. Outside of board meetings, non-executive directors have held a number of meetings with employees across the business to share experiences more directly.

Our total headcount at 31 May 2021 had increased to 663 (2020: 597) and we remain committed to developing our people and maintaining the capacity to deliver further 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 year 63% of eligible staff had invested in the Plan (2020: 62%) and we continue to encourage broader staff participation.

The Mattioli Woods Employee Benefit Trust ("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 market purchase of shares by the Trust helps to avoid dilution of shareholders by reducing the need for the Company to issue new shares. As one of the early decisions taken in response to the COVID-19 pandemic to ensure the strong financial position of the Group, in April 2020 the monthly purchase of shares was suspended and remained the case throughout the entire year.

Forward-looking statements

The strategic report is prepared for the members of Mattioli Woods and should not be relied upon by any other party for any other purpose. Where the report contains forward-looking statements these are made by the directors in good faith based on the information available to them at the time of their approval of this report. Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risks underlying such forward-looking statements and information. The Group undertakes no obligation to update these forward-looking statements.

Principal risks and uncertainties

The Board is ultimately responsible for risk management and regularly considers the most significant and emerging threats to the Group's strategy, as well as establishing and maintaining the Group's systems of internal control and risk management and reviewing the effectiveness of those systems. The Board and senior management are actively involved in a continuous risk assessment process as part of our risk management framework, supported by the annual Internal Capital Adequacy Assessment Process ("ICAAP"), which assesses the principal risks facing the Group. Stress tests include consideration of the impact of a number of severe but plausible events that could impact the business. The work also takes account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

Day-to-day, our risk assessment process considers both the impact and likelihood of risk events which could materialise and affect the delivery of the Group's strategic goals. Risk owners regularly review and update where needed the controls in place to mitigate the impact of the risks, with independent review and challenge given by the Risk Management Team. Throughout the Group, all employees have a responsibility for managing risk and adhering to our control framework.

There are a number of potential risks which could hinder the implementation of the Group's strategy and have a material impact on its long-term performance. These arise from internal or external events, acts or omissions which could pose a threat to the Group. The principal risks identified as having a potential material impact on the Group are detailed below, together with the principal means of mitigation. The risk factors mentioned do not purport to be exhaustive as there may be additional risks that materialise over time that the Group has not yet identified or deemed to have a potentially material adverse effect on the business:

Industry risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
Changes in investment markets and poor investment performance	The ongoing impact of the COVID-19 pandemic is affecting economic and financial markets globally. Any resulting volatility may adversely affect trading and/or the value of the Group's assets under management, administration and advice, from which we derive revenues.	· Majority of clients' funds held within registered pension schemes or ISAs, where less likely to withdraw funds and lose tax benefits. · Broad range of investment solutions enables clients to shelter from market volatility through diversification, while continuing to generate revenues for the Group. · Market volatility is closely monitored by the Asset Allocation Team, as delegated by the Investment Committee, and includes monthly assessment of what is changing in markets and the economic environment globally; regular risk analysis, including a sentiment survey of the individual members of the multi asset team taking into account their own analysis of external analysts' reports on a rolling basis. There are also regular reviews of liquidity. Further, performance is considered every month, in detail, including attribution and contribution analysis. Reports are then discussed at Investment Committee every two months.	High	Medium	No change

Industry risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
ESG	Failure to meet future ESG reporting requirements MW is not recognised as an ESG responsible company ESG products offered do not meet target market	**Consequences** · Regulatory censure · Loss of Client and shareholder confidence · Clients look elsewhere for ESG focussed products **Existing Controls** Internal action plan in place to deliver short, medium, and longer-term initiatives **Planned Controls** Introduce a more ESG focussed investment product. Continue to build MW positive actions towards ESG, harnessing technology and solutions across the business which reduce our footprint.	High	High	No Change
Climate change - Physical impacts	Physical impacts include the potential economic costs and financial losses resulting from the increasing severity and frequency of extreme climate-change related events, and longer-term progressive shifts in the climate. Drivers · Rising temperatures · Heavy and disruptive snowstorms · Higher sea levels · More destructive storms/ floods/ wildfires	**Consequences** · Business disruptions - Damage to building and operations · Cost of improving resilience and adaptation · Lower productivity/income/profits **Existing Controls** · Resilient buildings that can withstand damage from storms, strong winds and flooding · DR/BCP in place to continue business as usual · Due to the Covid outbreak we support flexible working and work from home options which have been tested as part of our continuity plans ·	High	Medium	No Change

Industry risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
Climate change - Transition impacts	Transition impacts relate to the process of adjusting to a low-carbon economy. Transition risks can occur when moving towards a less polluting, greener economy. Such transitions could mean that some sectors of the economy face big shifts in asset values or higher costs of doing business. An example of such a change in policy in the UK is the ban on the sale of fossil-fuel-powered cars from 2040. Drivers · Climate policy changes · Innovations in technology · Shifts in consumer preferences Clients' ability to do business could also be affected by some of the physical impacts which in turn has an impact on MW ability to deliver profitable services to them.	**Consequences** · Business disruptions · Cost of improving resilience and adaptation · Lower productivity/income/profits **Existing Controls** · DR/BCP in place to continue business as usual · We have adapted through Covid to help clients with innovative solutions which aided the smooth running of their businesses in troubled times. · Plans in place to offset negative impact of our activities through initiatives such as the launch of our Responsible Equity Fund, moving towards paperless offices and transitioning towards an all-electric fleet	High	Medium	No Change
Changing markets and increased competition	The Group operates in a highly competitive environment with evolving characteristics and trends.	· The Group seeks to maintain strong working relationships with clients underpinned by high levels of service, quality products and a continued focus on product development and innovation. · Consolidating market position is enhancing the Group's competitive advantage. · Control over scalable and flexible bespoke pension administration platform. · Experienced management team with a strong track record. · Loyal customer base and strong client retention. · Broad service offering gives diversified revenue streams. · In response to COVID-19 our investment in people, cloud-based technology and infrastructure allowed us to move quickly to an operating model that includes home working for circa 640 staff and specific shift rotations for our people carrying out essential tasks in our administration hubs across the country · Harness efficiencies through our continued assessment of the changes to working patterns and methods.	High	High	No change

Industry risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
Regulatory risk	The Group may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.	· Strong compliance culture, with appropriate oversight and reporting supported by training. · External professional advisers are engaged to review and advise upon control environment. · Business model and culture embraces FCA principles, including treating clients fairly. · Decision to withdraw from providing advice on safeguarded pensions. · Financial strength provides comfort should there be a need to increase capital resource requirements.	Medium	Medium / High	No change

Operational risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
Damage to the Group's reputation	There is a risk of reputational damage as a result of employee misconduct, failure to manage inside information or conflicts of interest, fraud, improper practice, poor client service or advice.	· Strong compliance culture with a focus on positive customer outcomes. · High level of internal controls, including checks on new staff. · Well-trained staff who ensure the interests of clients are met in the services provided.	Medium	High	No change
Errors, breakdown or security breaches in respect of the Group's software or information technology systems	Serious or prolonged breaches, errors or breakdowns in the Group's software or information technology systems could negatively impact customer confidence. It could also breach contracts with customers and data protection laws, rendering us liable to disciplinary action by governmental and regulatory authorities, as well as to claims by our clients.	· Ongoing review of data security, including penetration testing and "phishing" exercises. · IT performance, scalability and security are deemed top priorities by the Board, with additional controls introduced during the year. · Experienced in-house team of IT professionals and established name suppliers. · Audit of secure remote working, information security and operational resilience undertaken in response to the COVID-19 pandemic.	High	High	No change
Business continuity and operational resilience	In addition to the failure of IT systems, there is a risk of disruption to the business as a result of power failure, fire, flood, acts of terrorism, re-location problems and failure of external suppliers.	· Periodic review and approval of Business Continuity Plan, considering best practice methodologies. · Periodic review and approval of Disaster Recovery Plan and disaster recovery teams (including IT support) on call to deal with major incidents at short notice. Business impact analysis has been conducted by department. · Loss of revenue is covered by business interruption insurance (subject to certain limits and exclusions). · Response to COVID-19 pandemic demonstrates all Group operations can move to "working from home" at short notice, with little or no interruption to day-to-day business operations. · Ongoing assessment of external suppliers' performance	Medium	Medium	No change

Operational risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
Fraud risk	There is a risk an employee or third party defrauds either the Group or a client.	· The Group ensures the control environment mitigates against the misappropriation of client assets, with additional controls being introduced to safeguard client assets. · The Group does not hold client money. · Strong corporate controls require dual signatures or online approvals for all payments. Executive committee approval for all expenditure greater than £10,000 and Board approval for all expenditure greater than £100,000. · Assessment of fraud risk every six months discussed with the Audit Committee, Risk and Compliance Committee and external auditors. · Clients have view-only access to information. · Ongoing review of risk of fraud due to external attack on the Group's IT systems, including audit of secure remote working, information security and operational resilience undertaken in response to the COVID-19 pandemic. · All staff are required to complete structured training on Information Security, Cyber Crime, Fighting Fraud and Anti Money Laundering each year.	High	Medium	No change
Key personnel risk	The loss of, or inability to recruit, key personnel could have a material adverse effect on the Group's business, results of operations or financial condition.	· Succession planning is a key consideration throughout the Group. · Success of the Group should attract high calibre candidates. · Share-based schemes in operation to incentivise staff and encourage retention. · Recruitment programmes in place to attract appropriate new staff. · Cross functional acquisition team brought into acquisition projects at an early stage. · Ensuring the health and wellbeing of our people has remained a priority throughout COVID-19. The way our people work has changed, with the adoption of training, talent and resource management and leadership in a remote environment.	Low	Medium	No change
Litigation or claims made against the Group	Risk of liability related to litigation from clients or third parties and assurance that a claim or claims will not be covered by insurance or, if covered, will exceed the limits of available insurance coverage, or that any insurer will become insolvent and will not meet its obligations to provide the Group with cover.	· Appropriate levels of Professional Indemnity insurance cover regularly reviewed with the Group's advisers. · Comprehensive internal review procedures, including compliance sign-off, for advice and marketing materials. · Maintenance of three charging models; time cost, fixed and asset based, which are aligned to specific service propositions and agreed with clients. · Restricted status for our consultants to enable the recommendation of our own products and others in the market.	High	Medium	No change

Operational risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
Reliance on third parties or outsourcing risk	Any regulatory breach or service failure on the part of an outsourced service provider could expose the Group to the risk of regulatory sanctions and reputational damage.	· Due diligence is part of the selection process for key suppliers, including assurance on their controls over shared data. · Key contracts with third parties handling sensitive data are escalated for review and approval. · Service level agreements in place with key suppliers. · Ongoing review of relationships and concentration of risk with key business partners. · Review of outsourcing is a key area of focus in Internal Audit plan. · Our operational risk assessment considers the impact of disruptions on critical business functions, with the Business Continuity Plan updated to include an infectious disease section specifically relating to COVID- 19.	High	High	No change
SIPP administration for non-advised clients ("third party SIPP administration")	Risk that through the provision of SIPP administration services to clients with no adviser or a third party adviser, we facilitate the client acting with no or bad advice.	· The Group recognises the duty of care owed to these clients. · Evidence of the suitability of advice where pension investments are out of the ordinary (e.g. ensuring that the client is a sophisticated investor). · Credentials of third party advisers are checked against the FCA register.	High	Low	No change
Strategic risk	Risk that management will pursue inappropriate strategies or implement the Group's strategy ineffectively.	· Experienced management team with successful track record to date. · Management has demonstrated a thorough understanding of the market and monitors this through regular meetings with clients.	Low	Low	No change
Conduct risk	The risk that we fail our clients through the flawed design or mis-selling of our products or services, or poor business conduct results in client outcomes that do not meet their needs and circumstances.	· Only appropriately authorised consultants can provide advice. · Robust training and competence scheme in place. · Operation of 'three lines of defence' model, including internal and external reviews of to monitor suitability of advice being given to clients. · Compliance oversight by a dedicated team covering; conduct, product, complaints and technical. · Non-standard investments require review and approval by the Group's Non-Standard Investment team. · Professional Indemnity ("PI") insurance in place.	Medium	Medium	No change
Conduct risk (acquisitions)	The risk that acquired clients have been failed by the acquired business through the flawed design or mis-selling of products or services, or poor business conduct resulting in outcomes that do not meet their needs and circumstances.	· Due diligence process used to identify and assess risk in acquired client portfolios. · Run-off PI insurance cover and specific indemnities provided by the sellers of acquired businesses to mitigate the Group's risk exposure. · Active dialog with the FCA, especially where we identify specific risks associated with the target business.	High	Low	No change

Operational risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
Information security (or cyber) risk	The risk that the security controls over our IT systems are compromised by internal or external influences, resulting in unauthorised access to our client or corporate confidential data.	· External security provider scans for intrusion threats across our network 24/7. · Electronic data is protected by user access controls. Data privacy training provided to all staff. · Robust firewalls and patches maintained to prevent unauthorised access to IT systems, including utilisation of third party providers to protect corporate networks. · Electronic data is protected by user access controls. Data privacy training is provided across the Group. · Compliance with the Data Protection Act and registration with the Information Commissioner's Office. · Two step verification of any client instruction received by email or post. · Audit of secure remote working, information security and operational resilience undertaken in response to the COVID-19 pandemic.	High	High	No change

Financial risks

Risk type	Description	Mitigating factors	Chance	Impact	Change in risk
Counterparty default	That the counterparty to a financial obligation will default on repayments.	· The Group trades only with recognised, creditworthy third parties. · Customers who wish to trade on credit terms are subject to credit verification procedures. · All receivables are reviewed on an ongoing basis for risk of non-collection and any doubtful balances are provided against.	Medium	Medium	No change
Bank default	The risk that a bank could fail.	· We only use banks with strong credit ratings. · Client deposits spread across multiple banks. · Regular review and challenge of treasury policy by management.	Medium	High	No change
Concentration risk	A component of credit risk, arising from a lack of diversity in business activities or geographical risk.	· The client base is broad, without significant exposure to any individual client or group of clients. · Broad service offering gives diversified revenue streams.	Medium	Medium	No change

Emerging risks, including legislative and regulatory change, have the potential to impact the Group and its strategy. The Board, Audit Committee and Risk and Compliance Committee continue to monitor emerging risks and threats to the financial services sector including, for example, cyber threats, regulatory change, climate change and scenarios potentially arising from political and economic developments, including the COVID-19 pandemic and further Brexit implications, and intend to continue to focus on operational resilience and enhancing the control environment over the next 12 months.

COVID-19

The COVID-19 pandemic has and continues to affect economic and financial markets. We have considered the risks associated with a general economic downturn, including financial market volatility, deteriorating credit, liquidity concerns, government intervention, increasing unemployment, furlough, redundancies and other potential impacts. We have also implemented new systems and controls where relevant to mitigate or reduce the impact of these risks on the business.

Throughout the period, investment markets have continued to recover from the position at the beginning of the

financial year to pre-COVID levels. The government sponsored stimulus measures applied to both the UK and other global economies have contributed to positive investor sentiment and returns.

There will undoubtedly be challenges ahead, as government support reduces in tandem with the easing of restrictions that have been in place for most of the last financial year. Long term inflation concerns cannot be ignored and are being considered in our investment and advisory support to clients. Our decisions are being taken on the basis that COVID-19 and its impact on investment markets will continue to be with us for some time. In the medium we continue to believe the UK household savings ratio is likely to rise, providing new opportunities for wealth and asset managers like Mattioli Woods to provide quality advice to clients.

Brexit

Brexit remains likely to have a significant political and economic impact on the UK. The rules governing the new relationship between the EU and the UK took effect on 1 January 2021 by which time it was hoped that an agreement on the cross-border operation of financial services would be reached. The industry is however still waiting for a Memorandum of Understanding to be legally agreed between the EU and the UK to fully understand the implications of the impact of Brexit on clients and financial markets. We continue to monitor this and the potential impact on the business and our clients with the help of our legal advisors.

Section 172 statement

The Directors consider that in conducting the business of the Company over the course of the year they have complied with Section 172(1) of the Companies Act 2006 ("the Act") by fulfilling their duty to promote the success of the Company and act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

Engaging with stakeholders

The continued success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assists us in delivering long-term sustainable success.

To fulfil their duties the senior management team, the Directors of each subsidiary company and the Directors of the Group itself take care to have regard to the likely consequences on all stakeholders of the decisions and actions they take, with a long-term view in mind and with the highest standards of conduct, in line with Group policies. Where possible, decisions are carefully discussed with affected groups and are therefore fully understood and supported when taken.

Reports are regularly made to the Board by the senior management team about the strategy, performance and key decisions taken, which provides the Board with assurance that proper consideration is given to stakeholder interests in decision-making, and it uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process.

The Group's governance structure allows the Board and the senior management team to have due regard to the impact of decisions on the following matters specified in Section 172 (1) of the Act:

Section 172 factor	**Approach taken**
(a) Consequences of any decision in the long term	The business model and strategy of the Company is set out within the Strategic Report. Any deviation from or amendment to that strategy is subject to Board and, if necessary, shareholder approval. At least annually, the Board considers a budget for the delivery of its strategic objectives based on a three year forecast model. The senior management team reports non-financial and financial key performance indicators to the Board each month, including but not limited to the measures set out in the 'Key performance indicators' section of the Strategic report, which are used to assess the outcome of decisions made. The Board's commitment to keeping in mind the long term consequences of its decisions

Section 172 factor	Approach taken
	underlies its focus on risk, including risks to the long term success of the business, leading to the conclusion that during the current period of heightened political and market uncertainty both in the UK and globally, a conservative level of cash resources should be maintained such that the payment of dividends to shareholders and variable remuneration to employees are balanced. The strategy of the Group is focussed on positive client outcomes that can deliver sustainable shareholder returns over the long term and as such the long term is firmly within the sights of the Board when all material decisions are made.
(b) Interests of employees	The Group is committed to developing our people and maintaining the capacity to deliver sustainable growth. How the Directors have regard to the interests of the individuals responsible for delivery of its products and services is set out in the 'Our people' sections of the Strategic report and 'Employees' section of the Directors' report. Employees are represented on the Board by Martin Reason.
(c) Fostering business relationships with suppliers, customers and others	How the business manages relationships with suppliers, clients and other counterparties is set out in the 'Relationships' section of the Strategic report. Suppliers and other counterparties are typically professional firms such as banks, investment houses, platform providers, accounting firms and legal firms with which the senior management team often has a longstanding relationship. Where material counterparties are new to the business, checks, including anti money laundering checks are conducted prior to transacting any business to ensure that no reputational or legal issues would arise from engaging with that counterparty. The Company also periodically reviews the compliance of all material counterparties with relevant laws and regulations such as the Modern Slavery Act 2015. The Company pays suppliers in accordance with pre-agreed terms. Due to the Group's focus on holistic planning and providing high levels of personal service whilst maintaining close client relationships, it has open lines of communication with clients and can understand and resolve any issues promptly.
(d) Impact of operations on the community and the environment	The interaction of the Company with the wider community is explained in the 'Relationships' and 'Corporate Social Responsibility' sections of the Strategic report. The Group's impact on the environment is limited due to the nature of the Group's

Section 172 factor	Approach taken
	business operations as set out in the 'Environmental performance and strategy' section of the Strategic report and 'Environmental' section of the Directors' report. However, the Board is committed to limiting the impact of the business on the environment where possible. The Board takes overall responsibility for the Company's impact on the local communities in which we operate and the environment. The Company's approach to sustainability, preventing bribery, money laundering, slavery and human trafficking is disclosed in the 'Corporate Social Responsibility' section of the Strategic report.
(e) Maintaining high standards of business conduct	The Board believes that the ability of the Company to conduct its business and finance its activities depends in part on the reputation of the Board and senior management team. The risk of falling short of the high standards expected and thereby risking its business reputation is included in the Board's review of the Company's risk register, which is conducted periodically. The Board is responsible to shareholders for the proper management of the Group and how the Board discharges its duties is set out in the Corporate governance report. The principal risks and uncertainties facing the business are set out in that section of the Strategic report.

Section 172 factor	Approach taken
(f) Acting fairly between members	The Company's shareholders are a very important stakeholder group. The Board oversees a formal investor relations programme which involves the Directors and senior management team engaging routinely with the Company's shareholders. The programme is managed by the Company's brokers and the Board receives prompt feedback from both its brokers and its financial public relations adviser on the outcomes of meetings. The Board aims to be open with shareholders and available to them, subject to compliance with relevant securities laws. The Chairman of the Company and other Non-Executive Directors make themselves available for meetings as appropriate and all attend the Company's Annual General Meeting ("AGM"). The investor relations programme is designed to promote formal engagement with investors and is typically conducted after each half-yearly results announcement. The equity fundraise in the year afforded another opportunity to formally engage with existing and new shareholders. The Group also has open lines of communication with existing investors who may request meetings and with potential new investors on an ad hoc basis throughout the year, including where prompted by Company announcements. For the last two years the Directors have also engaged with retail shareholders through the Invest Meet Company platform as an endorsed channel of communication by the QCA. Shareholder presentations are made available on the Company's website. The Company has a single class of shares in issue with all members of the Company having equal rights.

Methods used by the Board

The main methods used by the Directors to perform their duties include:

- Board strategy days, which are held at least annually, to review all aspects of the Group's business model and strategy and assess the long-term sustainable success of the Group and its impact on key stakeholders. A strategy day did not take place during the year due to the restrictions on group meetings, with a strategy day planned to take place in the current year;
- The Board meets regularly throughout the year as well as on an ad hoc basis, as required by time critical business needs. Throughout the COVID-19 pandemic, as part of the equity fundraise and in connection with recent acquisitions the Board and invited members of the senior management team have met more regularly;
- The Board is responsible for the Company's ESG activities set out in the Strategic report;
- The Board's risk management procedures set out in the Corporate governance report identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to the Company and wider stakeholders;
- The Board sets the Company's purpose, values and strategy, detailed in the 'Our approach' and 'Strategy' sections of the Strategic report, and the senior management team ensures they align with its culture;
- The Board carries out direct shareholder engagement via the AGM and Directors attend shareholder meetings on an ad hoc basis;
- External assurance is received through internal and external audits and reports from brokers and advisers; and
- Specific training for existing Directors and induction for new Directors as set out in the Corporate governance

report.

Principal decisions in the year

Mattioli Woods comprises a number of operating segments, through which the Executive team extensively engage with each segments' unique stakeholders as well as other businesses in the Group. The governance framework delegates day-to-day operational authority to the Management Engagement Committee, subject to a list of matters which are reserved for decision by the Governance Committee or the full Board only, up to defined levels of cost and impact.

The Board has a formal schedule of matters specifically reserved to it for decision, including strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements.

The principal non-routine decisions taken by the Board during the year were:

- The purchase of the EPUT business of BDO Northern Ireland, which was an important strategic acquisition expanding the Group's operations in Northern Ireland following the SSAS Solutions acquisition in 2019. Following integration of the EPUT business its clients and staff benefit from our strong ethos and culture, combined with excellent administration and strong property expertise. and the business has positively contributed to the Group's financial results since acquisition, enhancing shareholder returns. The Board considered the key risks, financial returns and impact upon existing clients arising from the acquisition;
- The acquisitions of Pole Arnold, Montagu and Caledonia all represent important acquisitions, offering the clients of each business the opportunity to access the wider service proposition available as part of the Mattioli Woods Group. This, combined with the Group's administration and compliance support, provide additional capacity for these businesses to generate new business and revenue growth. Each business has contributed positively to the Group's results since acquisition and continue to integrate well. These acquisitions are further detailed in Note 3 to the financial statements. The Board considered the integration risk amongst other risks, financial returns generated and impact on existing staff as part of the decision;
- On-going response to the COVID-19 pandemic. Our primary focus was to help manage the health emergency, whilst continuing to deliver an uninterrupted service to our clients and the wider community. The Board maintained its position to not take advantage of any of the government initiatives to assist businesses navigate their way through the challenges and pressures that emerged, reducing the burden that will have to be met by the UK taxpayer as we emerge from the crisis and recognising that past financial prudence had placed the Group on a strong footing. The Board considered the health and financial risks to staff, clients and stakeholders in the response to ensure safety and clear procedures were maintained throughout;
- Approval of the equity fundraise for £112m to fund the acquisitions of Maven, Ludlow and a pipeline of bolt-on acquisitions. The Board considered the strategic rationale for each acquisition, the associated risks and the performance impact on the Group;
- Agreement of revised three-year sponsorship deal with Leicester Tigers, giving Mattioli Woods naming rights to the 'Mattioli Woods Welford Road' stadium and continuation of the first team kit sponsorship agreement. Details of the revised agreement are provided in Note 28. The Board considered the financial risks, brand awareness and commercial impact of the revised agreement before approving;
- The appointments of Ravi Tara, Iain McKenzie and post year-end Michael Wright to the Board of Directors as executive directors, in addition to the appointments of David Kiddie, Edward Knapp and Martin Reason as independent non-executive directors. The Board considered the balance of skills required for the respective roles, the experience of each board member and the on-going requirements of the business; and
- Determination of dividend. The Board recommends a final dividend of 13.5p per share (2020: 12.7p). This makes a proposed total dividend for the year of 21.0p (2020: 20.0p) a year-on-year increase of 5.0% (2020: flat), demonstrating the Board's desire to deliver value to shareholders and confidence in the outlook for the Group's business. This decision was taken in conjunction with a review of returns paid to all key stakeholders including staff in the form of salary awards and bonus payments.

Due to the nature of these decisions, a variety of stakeholders had to be considered as part of the Board's discussions. Each decision was announced at the time, so that all stakeholders were aware of the decisions.

Stakeholders

The Directors are aware there are a number of other stakeholders, in addition to shareholders, who will be affected by the actions of the Group. The below table outlines how we consider these stakeholders and how we engage with them:

Stakeholder	Why we engage	How we engage	How we responded
Our clients	Clients are the central focus of our business. By engaging with them, we are able to gain a	We engage with our clients in a variety of ways, driven by their requirements and preferences,	Our clients' desire to have easier on-boarding and better access to information about

Stakeholder	**Why we engage**	**How we engage**	**How we responded**
	better understanding of their needs and ensure that we can provide them with bespoke solutions to address their financial goals.	including: · regular meetings with consultants and investment managers; · the use of video technology to enable virtual engagement with clients; · virtual seminars held for clients and introducers; · investment updates and quarterly statements; and client portals, where investment management clients can view details of their investments.	their financial affairs resulted in the Board supporting the Group's investment in Tiller Technology and their appointment to develop a new digital, self-investment platform. ESG has become an important topic for our clients and the launch of The Mattioli Woods Responsible Equity Fund reflects this.
Employees	Our people are the key to our success, and we want them to be successful individually and as a team. The Board recognises that the firm's culture and corporate values underpin the effective delivery of its strategy. Our aim is to continue to attract, retain, develop and motivate the right people for our current and future business needs.	We have a comprehensive internal communication programme to engage with and listen to our people, including: · the CEO and other members of the senior management team frequently leading staff forums ranging from all staff video conferences to small group discussions; · Martin Reason was appointed as the designated Non-executive Director with responsibility for engagement with the workforce; and · we undertake regular employee engagement surveys, the results of which are closely monitored with the Management Engagement Committee considering what actions need to be taken in response.	During the pandemic there has been an increased focus on health and well-being, in addition to development opportunities, pay, benefits and flexible working arrangements. Our focus on the wellbeing of our staff enabled the successful transition to remote working during the COVID-19 pandemic.
Shareholders	As owners of the Group we rely on our shareholders' support. Their opinions are important to us and we want to give them a better understanding of our business. In addition, we have obligations as an AIM-listed company to	We engage with our shareholders through the following activities: · regular meetings with our investors throughout the year to discuss delivery of our strategy, current performance and plans for	We have provided regular updates on company performance during COVID-19, with dividends maintained and paid during the year. We have a number of long-term, committed shareholders.

Stakeholder	Why we engage	How we engage	How we responded
	provide information to our shareholders.	the business through our Executive and Non-executive Directors; and · the provision of detailed financial reports and presentations on the business at the half-year and full-year.	The highly successful share placing to fund the acquisition of Maven, Ludlow and a pipeline of smaller bolt-ons reflects the strong relationships we have built with our shareholders.
Suppliers	We recognise the importance of our various suppliers in delivering services to clients and ensure we have shared values.	We engage with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews. The Board recognises that relationships with suppliers are important to the Group's long-term success and is briefed on supplier feedback and issues on a regular basis.	Key areas of focus have included innovation, enhancing our client propositions, health and safety and sustainability.
Communities	We seek both to support our community and to reduce our impact on the environment as much as possible. We recognise the responsibility we have to wider society and other key stakeholders. We believe that demanding high levels of corporate responsibility is the right thing to do.	We engage with the communities in which we operate to build trust and understand the local issues that are important to them. We seek our people's input on how we can support local causes and issues, create opportunities to recruit and develop local people and help to look after the environment. We partner with local charities and organisations at an individual office level to raise awareness and funds. The impact of decisions on the environment both locally and nationally is considered with such considerations as the use of and disposal of paper and plastic.	We continued to support a number of national and local charities during the year including LOROS and Alzheimer's Research UK. In addition we supported over 30 local charities as selected by our staff teams across the UK, donating £0.1m during the year. A number of planned events were cancelled due to the COVID-19 restrictions which had been a driver for donations in the prior year.
Government and regulator	We seek to build positive relationships with government and our regulator. Government and our regulator provide key oversight of how we run our business and we believe our clients' best interests are	We engage with the government and our regulator through a range of industry consultations, forums, meetings and conferences to communicate our views to policy makers relevant to our business.	We held regular meetings with our regulators during the year and continue to have a proactive and transparent relationship with them. We ensured our payment terms

Stakeholder	Why we engage	How we engage	How we responded
	served by our working constructively with them.	Mattioli Woods is a member of the Association of Member-directed Pension Schemes and the Quoted Companies Alliance. Key areas of focus are compliance with laws and regulations, health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.	with all suppliers were fair and in compliance with payment practices. We assessed our key suppliers for conformance to the Modern Slavery Act and conducted a risk assessment of our supply chain. Our modern slavery statement is reviewed and updated by the Board annually.

Further information on the ways in which the Board engages with stakeholders is set out in the Corporate governance report and Strategic report.

Environmental performance and strategy

Due to the Group's activities, Mattioli Woods impacts the local and global environment, and it is committed to monitoring the environmental performance of its assets and using this information to develop robust strategies to minimise its environmental impact where possible. The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's policy on Streamlined Energy and Carbon Reporting, requiring disclosure of the environmental performance of the Group's assets through calculating the Group's greenhouse gas ("GHG") emissions and subsequently, setting strategies to minimise these emissions. The following information summarises the Group's environmental performance over the year.

Methodology

GHG emissions are quantified and reported according to the Greenhouse Gas Protocol. Consumption data has been collated and converted into CO_2 equivalent ("CO_2e") using the UK Government 2020 Conversion Factors for Company Reporting to calculate emissions from corresponding activity data. To collect consumption data, the Group has reviewed utility invoicing and its staff expense software to track business mileage in Group-owned vehicles and own vehicles.

This information has been prepared in accordance with the GHG Protocol's Scope 2 Guidance on both location-based and market-based Scope 2 emissions figures. Data collected relates to the most recent 12 month period where data was available.

We have calculated energy intensity and emissions intensity using total floor area which is considered to best represent the scale of the business compared to using alternative measure such as headcount, as the majority of energy usage is from buildings and the COVID-19 pandemic is expected to make the level of fuel consumption for Group vehicles volatile in the short-term.

As part of the data collection, a materiality assessment was applied to determine which indicators were relevant to the Group. We have assessed each indicator in terms of its impact on the Group and its perceived importance to stakeholders.

Sustainability is a key priority for Mattioli Woods and we are working towards putting in place an environmental vision and strategy, including the development and implementation of key performance indicators and long-term targets for Scope 1 and 2 emissions. No electricity or gas consumption is currently from renewables. This strategy will also involve setting a plan of building and car fleet optimisation opportunities.

Reporting boundaries and limitations

The GHG sources that constitute our operational boundary for the reporting period are:

- Scope 1**:** Natural gas combustion within boilers, gas oil combustion within generators and road fuel combustion within owned vehicles.
- Scope 2: Purchased electricity consumption for our own use.
- Scope 3: Water consumption and fuel consumption from employee-owned cars for business use.

Fuel connected with employee train travel for business use has been excluded as amounts are likely to be immaterial

and we consider it impractical to make estimations as only the cost of travel is recorded in the Group's expense records. Fugitive gasses from office air conditioning are also considered immaterial.

Assumptions and estimations

In some instances data is missing, including:

- The utility costs for Group's Manchester, London and Twickenham offices (which represent circa 7.5% of the Group's total floor area), where utilities are included in rent payable; and
- Water usage in the Group's Scottish offices has been estimated as they pay rates rather than using meters.

In such cases, estimations have been applied to fill the gaps, calculated either through extrapolation of available data from the reporting period or through data from other similar offices as a proxy.

Performance

The table below shows absolute performance of our Scope 1, 2 and 3 emissions for the year, which represents the Group's second year of reporting under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018:

GHG emissions (tCO_2e)		**2021**	**2020**	**Change**
Scope 1	Fuel consumption (gas office heating) (kWh)	**330,863**	**490,767**	**(33%)**
	Associated GHG (tCO_2e)	**61**	**90**	**(32%)**
	Fuel consumption (company vehicles) (miles)	**37,109**	**612,808**	**(94%)**
	Fuel consumption (company vehicles) (MWh)	**43**	**714**	**(94%)**
	Associated GHG (tCO_2e)	**10**	**175**	**(94%)**
Scope 2	Electricity consumption (office and company car electricity) (kWh)	**704,925**	**1,036,440**	**(32%)**
	Associated GHG (tCO_2e)	**164**	**265**	**(38%)**
	Total Scope 1 & 2 emissions	**235**	**530**	**(56%)**
Scope 3	Fuel consumption (own cars for business use) (miles)	**11,471**	**147,569**	**(92%)**
	Fuel consumption (own cars for business use) (MWh)	**13**	**176**	**(92%)**
	Associated GHG (tCO_2e)	**3**	**42**	**(92%)**
	Water consumption (m3)	**2,764**	**3,236**	**(15%)**
	Associated GHG (tCO_2e)	**3**	**3**	**(3%)**
	Total Scope 3 emissions	**6**	**45**	**(87%)**
	Gross Scope 1, 2 and 3 emissions	**241**	**575**	**(58%)**
	Total floor area (sqft)	**90,742**	**90,742**	**-**
	Scope 1 & 2 emissions intensity (tCO_2e/sqft/yr)	**0.0026**	**0.0058**	**(55%)**
	Scope 3 emissions intensity (tCO_2e/sqft/yr)	**0.0001**	**0.0005**	**(87%)**

Corporate social responsibility

Our commitment to operating responsibly

As we continue to work our way through the many challenges of COVID-19, our dedicated team has allowed us to rise to these challenges and continue making a positive contribution to our stakeholders - our clients, shareholders, staff, suppliers and chosen charity partners alike. We believe this is responsible business in action.

Our approach to achieving good governance comes from a passion to ensure we do the right things for our clients and this is embedded in the culture of the Mattioli Woods team, where staff are encouraged to thrive and develop in their roles and the business in turn supports them in their own career development. Our record of growing our own and promoting from within the Group adds to the sense of teamship which underpins everything we do, reflected most recently in the post year-end appointment to the Board of Michael Wright, who joined the business as a graduate in 2004.

Sustainability

The Group has continued to grow over the last year and we recognise that we have a responsibility to support our profitable expansion by operating in a sustainable manner. As we continue to deal with, and learn from, the impact of COVID-19, we have demonstrated we can deliver great client outcomes in different ways, with the majority of our staff currently working remotely as they have for over a year. This will inform our thinking as to how we can deliver strong and sustainable shareholder returns, including investing in new technology to facilitate efficient growth over the longer term.

Whilst our environmental footprint has inevitably reduced in the last year, this does not detract from our focus on ensuring that, wherever possible, we minimise any negative impact in this area. The modern design and construction

methods used in our Leicester office means that we are harnessing the latest technology to support our environmental aims and, whilst this is a major contributor in itself, we recognise that smaller changes to how we do things can make incremental contributions. These include reducing the amount of paper we use through the adoption of new technologies, including an on-line portal to deliver client valuations, supporting our move to a paperless environment. In addition, our consultancy team is making increasing use of hybrid and efficient fuel technology in the vehicles they use.

We are also exploring how we can offer our clients access to bespoke "ESG responsible" investment propositions, with a view to adding such an option in the coming year.

Charities and communities

Making a difference within our local communities matters to us and we continue to have a high level of engagement in this area. Each year, we sponsor businesses, sports and community awards. Our business has benefited greatly from winning numerous awards and we feel it's right to help other businesses reap the rewards of such accolades. In addition, we sponsor a variety of local clubs, business and sports related events across the country.

In 2019, we launched a national partnership with Alzheimer's Research UK, a charity focused on boosting research, improving treatments and raising awareness about dementia. Like many charities, the impact of the COVID-19 pandemic on Alzheimer's Research UK has been significant and some of the activities we had planned to support them, such as members of the Mattioli Woods family running the Virgin Money London Marathon, have had to be put on hold, although two members of our consultancy team, Amit Joshi and Chetan Mistry successfully took part in the "virtual" London Marathon in 2020.

We believe dementia is one of the biggest problems facing health services today and one that is impacting the lives of many of our employees and clients. We will continue to explore ways of engaging employees, clients and partners to raise money for the charity where and when we can.

Every year, the Group's associate company Amati has a commitment to donate 10% of its profits to good causes. We want to further that tradition and this year asked our staff to suggest good causes they felt deserving of a donation. This meant we could contribute to numerous other charities throughout the UK that are local to where our staff live, which has helped to further enhance our impact on the communities where we live, with total charitable donations by the Group and its employees (through payroll giving) totalling £0.2m (2020: £0.6m) for the year.

We recognise that our tax contributions also play an important role for the communities in which we operate, with the Group's total tax contribution summarised as follows:

Total tax contribution	*2021* *£000*	*2020* *£000*
Corporation tax	2,428	3,244
Other taxes borne:		
Employer's National Insurance Contributions	2,843	2,761
Apprenticeship levy	118	121
Business rates	570	514
Irrecoverable input VAT	909	799
Insurance premium tax	108	109
Stamp duty land and stamp duty reserve tax	153	9
Taxes collected:		
Income tax deducted under PAYE	5,378	5,379
Employees' National Insurance Contributions	1,630	1,610
Output VAT	4,579	4,688
	18,716	19,234

Developing our people

The Group continues to create opportunities for new recruits and we operate a trainee consultant programme for aspiring advisors. We have continued to operate our 26-week plan to foster small groups of trainee advisers in a classroom setting, two days a week and have successfully delivered these remotely.

Each week is themed, including topics such as tax, pensions and investments, and aims to get trainees who have been with the Company for 18 months and have completed their level 4 qualification to the point where they are able to develop financial plans.

Trainees work alongside consultants in administrative roles and attend consultant-led client meetings. The scheme will continue to be rolled out for new groups of employees who demonstrate the potential to move into consultant roles at the firm. Mattioli Woods' graduate and apprenticeship schemes have been running for a number of years and, together with the trainee consultant programme, highlight the firm's motivation to 'grow our own'. The scheme will continue to be rolled out for new groups of employees who demonstrate the potential to move into consultant roles at the firm.

The group also operate a number of graduate and apprenticeship schemes in other teams including Finance, HR and Marketing where on the job learning is supported by study toward an externally recognised qualification.

Diversity and inclusion

We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity, gender reassignment or sexual orientation.

Modern slavery

Mattioli Woods is committed to preventing modern slavery and human trafficking in all its activities, and to ensuring its supply chains are free from modern slavery and human trafficking. We welcomed the introduction of the Modern Slavery Act 2015 and a copy of our Modern Slavery and Human Trafficking Statement can be found on our website. We have also developed policies, reviewed our due diligence processes for suppliers and provided training to staff.

Anti-bribery policy

We value our reputation for ethical behaviour and upholding the utmost integrity and we comply with the FCA's clients' best interests rule. We understand that in addition to the criminality of bribery and corruption, any such crime would also have an adverse effect on our reputation and integrity.

Mattioli Woods has a zero tolerance approach to bribery and corruption and we ensure all of our employees and suppliers are adequately trained as to limit our exposure to bribery by:

- Setting out clear anti-bribery and corruption policies;
- Providing mandatory training to all employees;
- Encouraging our employees to be vigilant and report any suspected cases of bribery in accordance with the specified procedures; and
- Escalating and investigating instances of suspected bribery and assisting the police or other appropriate authorities in their investigations.

Gender pay reporting

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 requires all employers with 250 or more employees in the UK to publish details of their gender pay gap. Its aim is to achieve greater transparency about gender pay difference. The analysis is based on data as at 5 April of each year and shows the differences in the average pay between men and women.

However, the Government Equalities Office and the Equality and Human Right Commission have suspended gender pay gap reporting regulations for the 2020-21 reporting year, due to the COVID-19 pandemic. The EHRC is encouraging employers to report ahead of the usual deadlines. Ordinarily, the Group submits its data on gender pay to the government each year and publishes these details on our website.

Approval

The strategic report contains certain forward-looking statements, which are made by the Directors in good faith based on the information available to them at the time of their approval of this annual report. Statements contained within the strategic report should be treated with some caution due to the inherent uncertainties (including but not limited to those arising from economic, regulatory and business risk factors) underlying any such forward-looking statements. The strategic report has been prepared by Mattioli Woods to provide information to its shareholders and should not be relied upon for any other purpose.

Pages 1 to 55 constitute the strategic report, which has been approved by the Board of Directors and signed on its behalf by:

Ian Mattioli MBE
Chief Executive Officer
20 September 2021

Governance overview

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. We recognise the need to ensure an effective governance framework is in place to give all our stakeholders confidence that the business is effectively run, ensuring good outcomes for our clients and looking after the interests of the Group's shareholders and other stakeholders.

Board structure

The Board has established a sub-committee structure comprising Risk and Compliance, Audit, Remuneration and Nomination Committees. In the financial year ended 31 May 2019 the Group reviewed its management and governance structure, implementing a number of changes designed to improve the management and governance of the Group's key areas of operation, illustrated as follows:

The executive management team is structured into two committees, comprising the Governance Committee and the Management Engagement Committee.

The Group's investment and asset management business is managed through the Investment Committee, which ensures risk and investment controls are applied consistently across our various products and services.

Each operating subsidiary is managed by its own board, which reports to the Management Engagement Committee. We believe this is the optimal management structure to secure continued growth.

Corporate governance code

The Board has adopted the Quoted Companies Alliance ("QCA") revised corporate governance code ("QCA Code"), which requires the Group to apply 10 principles focused on the pursuit of medium to long-term value for shareholders and also to publish certain related disclosures.

Corporate governance principles applicable to the Group

The 10 QCA Code corporate governance principles, which apply to the Group, are:

1. Establish a strategy and business model which promote long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.
5. Maintain the Board as a well-functioning, balanced team led by the Chairman.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Application of the QCA Code and required disclosures

The QCA Code requires us to apply the principles set out above and to publish certain related disclosures in our Annual Report, on our website, or a combination of the two. We have followed the QCA Code's recommendations and have provided disclosure relating to all principles in a corporate governance statement on our website and summarise our compliance with the following principles in this Annual Report.

Strategy and business model - QCA Principle One

The Group's strategy and business model is described in our Strategic Report.

Effective risk management - QCA Principle Four

The Group embeds risk management throughout the organisation and this is described in the Corporate Governance report.

Board Balance and Skills - QCA Principles Five and Six

The Board, led by the Chairman, has the necessary skills and knowledge to discharge their duties and responsibilities effectively, setting clear expectations and ensuring stringent measures for corporate governance standards are met, particularly in relation to executive remuneration, risk, compliance and audit. The Executive and Non-executive Directors' skill sets are complementary, and together provide a blend of broad commercial, operational, legal, and financial expertise. The skill set is suitably broad and sufficiently high calibre such that all decision making at Board level is robust and mindful of the fiduciary responsibilities that need to be discharged to all shareholders.

In addition, the Directors are aware of the importance of keeping abreast of the industry's current activities and industry conferences, webinars and events throughout the year to keep their skills, contacts and knowledge current and simultaneously engage with the regulator, other operators and service providers to the financial services industry.

Board Effectiveness - QCA Principle Seven

The Board intends to undertake a self-evaluation during the financial year ending 31 May 2022 and annually thereafter. The criteria against which the Board collectively and individually will be assessed includes Board composition, roles and responsibilities, meetings and administration, Board committees,
Board discussions, Board relationships and stewardships, monitoring and evaluation, strategy and internal control.

The aim of the Board evaluation is to review the effectiveness of the Board's performance and assess its strengths as well as areas for development. The Board has considered the Company's approach to succession planning and will work with the Nomination Committee on the Board evaluation process. The executive management team and, at a more junior level, senior departmental managers address progression of employees through annual appraisals and competency reviews. The Group's structured 'Financial Assess' training programme further assists key managers with training and learning opportunities.

Board of directors

We have further strengthened our PLC Board during the year 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 and change management expertise respectively. Following regulatory approval, we were pleased to appoint Ravi Tara, Iain McKenzie and Michael Wright onto the Board as Executive Directors.

As a result the Board currently comprises four executive directors and five independent non-executive directors, including the Chairman. The Company will continue to have a balanced board, which we believe represents the right governance structure for the business.

The Nominations Committee has commenced the selection process for a new Non-Executive Chairman as part of a managed transition which will see Joanne Lake step down at our forthcoming AGM in October after nine years as an independent Non-Executive Director including five as Chairman.

A short biography of each director is set out below.

Joanne Lake - Non-Executive Chairman

Appointed to the Board: 2012
Non-executive Chairman: 2016
Tenure at Mattioli Woods: 9 years

Brings to the Board:
- 30+ years' experience in accountancy and investment banking

Previous roles:
- Panmure Gordon
- Evolution Securities
- Williams de Broë
- Price Waterhouse

Accreditations:
- Chartered Accountant
- Fellow of the Chartered Institute for Securities & Investment ("CISI")
- Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW")
- A member of the ICAEW's Corporate Finance Faculty

External appointments:
- Deputy Chairman of Main Market-listed Henry Boot plc

- Non-executive director of Gateley (Holdings) Plc
- Non-executive director of Morses Club plc
- Non-executive director of Honeycomb Investment Trust Plc

Ian Mattioli MBE - Chief Executive Officer

Co-founded Mattioli Woods in 1991
Tenure at Mattioli Woods: 30 years

Brings to the Board:
- 35+ years' experience in financial services, wealth management and property businesses
- Co-founded Mattioli Woods, with Bob Woods, in 1991
- Vision and strategy
- Development of investment proposition
- Founder of Custodian REIT plc

Accreditations:
- Awarded an MBE for services to business and the community in 2017
- LSE AIM Entrepreneur of the Year Award, 2008
- CEO of the Year Award, City of London Wealth Management Awards, 2018
- Awarded Honorary Degree (Doctor of Laws), University of Leicester
- Appointed High Sheriff of Leicestershire for 2021-22

External appointments:
- Non-executive Chairman of K3 Capital Group plc
- Non-independent director of Custodian REIT plc

Ravi Tara - Chief Financial Officer

Appointed to the Board: 2021
Tenure at Mattioli Woods: 2 years

Brings to the Board:
- Strategic planning and value creation
- Financial management and oversight of operations
- Operational efficiency and improvement
- Mergers & acquisitions and integration experience
- Inspirating leadership and development of teams
- Change management

Previous roles:
- Capita plc
- Weetabix Food Company
- JP Morgan
- Barclays Capital
- PwC

Accreditations:
- Chartered Accountant
- Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW")
- A member of the ICAEW's Corporate Finance Faculty

Iain McKenzie - Chief Operating Officer

Appointed to the Board: 2021
Tenure at Mattioli Woods: 3 years

Brings to the Board:
- People and change management
- Operational and process efficiency
- Understanding of business functions and risk management
- Strategic planning and project management
- Data analysis and performance metrics
- Organisational and leadership abilities

Previous roles:
- Business consultancy
- Senior management

Accreditations:
- BA Design Management, De Montfort University, Leicester.

External appointments:
- Director of Leicestershire Business Voice

Michael Wright - Group Managing Director

Appointed to the Board: 2021[28]
Tenure at Mattioli Woods: 17 years

Brings to the Board:
- Over 17 years' experience in financial services
- Experienced adviser, assisting controlling directors, owner-managers and affluent individuals
- Inspiring leadership and operational management
- Acquisition and integration expertise
- Change and efficiency management

Accreditations:
- Diploma in Financial Planning
- LLB Law Degree, University of Leicester

28 Appointed to Board post year-end on 9th June 2021

Anne Gunther - Senior Independent Director and Chairman of Audit Committee

Appointed to the Board: 2016
Tenure at Mattioli Woods: 5 years

Brings to the Board:
- 40+ years' experience in retail financial services
- Wide executive experience from lending to wealth management
- FTSE 100 IPO experience
- M&A experience

Previous roles:
- Managing Director - Direct, Lloyds TSB
- Chief Executive, Standard Life Bank
- Chief Executive, Standard Life Healthcare
- Member of group executive, Standard Life
- Founding director, Standard Life Wealth
- Chairman, Warwick Business School

Accreditations:
- Honorary doctorate, Edinburgh University
- Chartered Banker
- MBA, Warwick Business School
- BSc Hons Physics, Nottingham University

External appointments:
- Non-executive director of Masthaven Bank Limited
- Director of Water Plus Limited group (a jointly-owned subsidiary of United Utilities plc and Severn Trent plc)

Edward Knapp - Non-Executive Director and Chairman of Risk Committee

Appointed to the Board: 2021
Tenure at Mattioli Woods: 1 year

Brings to the Board:
- Significant commercial and strategic insight and transformation expertise
- Digital, technology and IT development within financial services
- Risk and compliance oversight and control
- Asset management and advisory expertise

Previous roles:
- Managing Director and Global Head of Business Management, Technology, HSBC
- Chief Operating Officer and Global Head of Business Management, Risk, Barclays

- Senior Adviser, McKinsey & Company

Accreditations:
- BA Mathematics, Balliol College, University of Oxford

External appointments:
- Non-executive director of F&C Investment Trust Plc
- Senior Advisor to Board of Revolut
- Director of Asia House

David Kiddie - Non-Executive Director

Appointed to the Board: 2021
Tenure at Mattioli Woods: 1 year

Brings to the Board:
- Significant experience and expertise in asset management and investment oversight
- Strategic planning and leadership
- Focus on governance, oversight and regulatory environment

Previous roles:
- Chief Executive UK and Head of Institutional Business, BNP Paribas Investment Partners
- Chief Investment Officer, AMP Capital Investors, ABN AMRO Asset Management and Rothschild Asset Management
- Head of Equities, Baring Asset Management
- Group Executive, Perpetual Investments (Australia)

Accreditations:
- BA Hons Economics, University of Kent

External appointments:
- Non-executive director of Marlborough Fund Managers Ltd
- Non-executive director of Marlborough Investment Management Ltd
- Non-executive director of Investment Fund Services Ltd

Martin Reason - Non-Executive Director and Chairman of Remuneration Committee

Appointed to the Board: 2021
Tenure at Mattioli Woods: 1 year

Brings to the Board:
- Development of strategic plan focussing on client outcomes and marketing
- Risk management and controls
- Process design and operational efficiency
- Remuneration and people strategies

Previous roles:
- Chief Executive Officer, Melton Mowbray Building Society
- MD, Merrill Lynch HSBC
- HSBC/Midland Bank
- MD, Pakawaste Group

Accreditations:
- Associate of the Chartered Institute of Banking ("ACIB")
- High performance leadership diploma, Cranfield School of Management
- BSc Hons Banking and Finance

External appointments:
- Director of Sitigrid Ltd

Time commitments of Board members

The Group embraces the benefits that are brought by a Board from a range of business backgrounds and who are actively involved in other businesses. The Board also recognises its members must be able to dedicate sufficient time to the Company. The Board has considered the time commitments of each director and is comfortable that each has sufficient available capacity to carry out the required duties for Mattioli Woods:

- Joanne Lake's time commitment from her other directorships averages nine to ten working days per month.

- Ian Mattioli's time commitment from his roles as Non-Executive Chairman of K3 Capital Group plc and Non-Executive Director of Custodian REIT plc average two and one and a half working days per month respectively.
- Iain McKenzie's time commitment from other directorships averages two days per month
- Anne Gunther's time commitment from her other directorships averages four and a half working days per month.
- Edward Knapp's time commitment from his other directorships averages four working days per month.
- David Kiddie's time commitment from his other directorships averages three working days per month.
- Martin Reason's time commitments his other directorship averages four days per month respectively.

Corporate governance report

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group and has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements. As part of our ongoing focus on corporate governance the Board reserved matters and committee terms of reference were reviewed and updated during the year, particularly in light of the updated QCA Corporate Governance Code and an emerging focus on stakeholder engagement and linking a company's purpose and values to its strategy.

Other matters are delegated to the executive management team, supported by policies for reporting to the Board. The Company maintains appropriate insurance cover in respect of legal action against the Company's directors, but no cover exists in the event that a director is found to have acted fraudulently or dishonestly.

The agenda and relevant briefing papers are distributed by the Company Secretary on a timely basis, usually a week in advance of each Board meeting.

The roles of Chairman and Chief Executive are distinct, as set out in writing and agreed by the Board. The Chairman is responsible for the effectiveness of the Board, directing strategy and ensuring communication with shareholders. The Chief Executive is responsible for overseeing the delivery of this strategy and the day-to-day management of the Group by the executive management team. The Board is committed to developing the corporate governance and management structures of the Group to ensure they continue to meet the changing needs of the business.

The Non-Executive Directors are considered by the Board to be independent of management and free from any relationship which might materially interfere with the exercise of independent judgement. The Board does not consider the Non-Executive Directors' shareholdings to impinge on their independence. The Non-Executive Directors provide a strong independent element to the Board and bring experience at a senior level of business operations and strategy. Anne Gunther is the Senior Independent Director.

All directors have access to the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. Any director, on appointment and throughout their service, is entitled to receive any training they consider necessary to fulfil their responsibilities effectively including training on quoted company requirements from the Nominated Advisor, Canaccord Genuity Limited.

The Board meets regularly throughout the year as well as on an ad hoc basis, as required by time critical business needs, and is the principal forum for directing the business of the Group.

Board committees

The Board has delegated authority to four committees. The Chairman of each committee provides a report of any meeting of that committee at the next Board meeting. The Chairman of each committee is present at the AGM to answer questions from shareholders.

Risk and Compliance Committee

The Risk and Compliance Committee comprises Edward Knapp (Chairman), Anne Gunther, Joanne Lake, David Kiddie and Martin Reason. Anne Gunther was Chairman of the Committee until 5 January 2021, handing the Chairman position to Edward Knapp. Committee meetings are normally attended by George Houston (Group Compliance Officer) as Compliance Oversight Function, the Chief Executive, the Chief Financial Officer, and by representatives of the external and internal auditors by way of invitation. In addition, senior managers and representatives from the internal audit, risk and compliance functions attend committee meetings as necessary.

The Risk and Compliance Committee is principally responsible for monitoring identified risks and the effectiveness of mitigating action, keeping risk assessment processes under review, reviewing the impact of key regulatory changes on the Group, assessing material breaches of risk limits and regulations as well as reviewing client complaints.

Risk management framework

The Group's risk management framework is designed to ensure risks are identified, managed and reported effectively. The Group has been investing in its risk management framework to meet the requirements of key regulatory changes and the risk management framework remains subject to ongoing review.

We continue to apply a 'three lines of defence' model to support our risk management framework, with responsibility and accountability for risk management summarised as follows:

- First line: Senior management and operational business units are responsible for managing risks, by developing and maintaining effective internal controls to mitigate risk. First-line systems and controls are employed to ensure business activities are conducted in compliance with internal policies and procedures. First-line supervision teams carry out monitoring of business activities on a day-to-day basis.
- Second line: The risk, compliance and anti-money laundering functions maintain a level of independence from the first line. They are responsible for providing oversight and challenge of the first line's day-to-day management, monitoring and reporting of risks to both senior management and governing bodies.
- Third line: The internal audit function is responsible for providing independent assurance to both senior management and governing bodies as to the effectiveness of the group's governance, risk management and internal controls.

Output from first, second and third-line monitoring is reported to the managers and management information is reported to the Executive Risk and Compliance Committee and the Risk and Compliance Committee.

Risk appetite

Risk appetite is defined as both the amount and type of risk the Group is prepared to accept or retain in pursuit of our strategy. Our appetite is subject to regular review to ensure it remains aligned to our strategic goals. At least annually, the Board, Executive Risk and Compliance Committee and the Risk and Compliance Committee will formally review and approve the Group's risk appetite statement and assess whether the firm has operated in accordance with the stated risk appetite measures during the year.

Notwithstanding its continued expectations for business growth, the Board retains a relatively low overall appetite for risk, ensuring that our internal controls mitigate risk to appropriate levels.

Risk assessment process

Identified risks are tracked in a department-level risk register and used as the basis for a consolidated risk register that provides the Risk and Compliance Committee with an overview of the key risks across the organisation. The Board and senior management are actively involved in a continuous risk assessment process as part of our risk management framework, supported by the annual Internal Capital Adequacy Assessment Process ("ICAAP"), which assesses the principal risks facing the Group.

Stress tests include consideration of the impact of a number of severe but plausible events that could impact the business. The work also takes account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

The Group's risk assessment process considers both the impact and likelihood of risk events which could materialise, affecting the delivery of strategic goals and annual business plans. A top-down and bottom-up approach ensures that our assessment of key risks is challenged and reviewed on a regular basis throughout the year, with the Board and its committees receiving regular reports and information from senior management, operational business units and the risk oversight functions.

Activities during the year

The committee met seven times during the year, with the committee's activities during the year including:

- Review and challenge of the key components of the Group's risk management framework;
- Review and challenge of the ICAAP, exploring scenarios and stress tests to determine an appropriate regulatory capital requirement prior to recommendation to the Board;
- Review and challenge of the Group's treating customers fairly ("TCF") policy and outcomes;
- Review and challenge of the Group's vulnerable client processes;
- Review of the Group's training and competence regime;
- Review of the potential ongoing risks associated with Brexit and the COVID-19 pandemic, including security and maintenance of our IT systems and data: The recent changes in our IT environment have increased the risk of a cyber-attack due to the number of users accessing our systems while working from home and we have experienced a heightened volume of phishing targeted at employees;
- Reviewed risks associated with the COVID-19 pandemic and commissioned an internal audit of the Group's secure remote working, information security and operational resilience;

- Review of the risks associated with acquisitions and impact on regulatory capital; and
- Review of recommendation of the Group's risk appetite statement and tolerance for key risks to the Board and review of the risk register.

Audit Committee

The Audit Committee comprises Anne Gunther (Chairman), Joanne Lake, Edward Knapp and Martin Reason. Anne Gunther is a Chartered Banker and the Board is satisfied that all members of the committee have recent and relevant financial experience. The Board believes the committee is independent, with all members being Non-Executive Directors.

The key responsibilities of the Audit Committee are:

- To review the reporting of financial and other information to the shareholders of the Company and to monitor the integrity of the financial statements;
- To review the Group's accounting procedures and provide oversight of significant judgement areas;
- To review the firm's internal controls and effectiveness of the internal audit function;
- To review the effectiveness of the external audit process and the independence and objectivity of the external auditors;
- To review audit fees and proposals for future years; and
- To report to the Board on how it has discharged its responsibilities.

Committee meetings are normally attended by the Chief Executive, Chief Financial Officer, Head of Financial Reporting, Chief Operating Officer and by representatives of the external and internal auditors by way of invitation. The presence of other senior executives from the Group may be requested. The committee meets with representatives of the internal and external auditors, without management present, at least once a year.

Activities during the year

The committee met five times during the year, where it considered the significant financial and audit issues, the judgements made in connection with the financial statements and reviewed the narrative within the Annual Report and the Interim Report.

During the year the Audit Committee continued to monitor the operation of the internal audit function which has been outsourced to RSM Risk Assurance Services LLP since December 2018. In light of an ever-changing regulatory environment, outsourcing gives the Group access to greater skills externally, while having the ability to shrink or expand our internal audit activities to meet the ongoing demands of the business and in response to the impact of the uncertainty created by the pandemic.

The committee also considered the appointment of, and fees payable to, the external auditor and discussed with them the scope of the interim review and annual audit.

Specific audit issues the committee discussed included:

- Assessment of whether each entity and the Group as a whole are going concerns, including whether forecast performance would result in an adequate level of headroom over the Group's available cash facilities, including the potential impacts of Brexit and the COVID-19 pandemic;
- Review of the whether any impairment needed to be recognised in respect of the intangible assets of the Group, including the assumptions underlying the calculation of the value in use of the cash generating units tested for impairment;
- Management's approach to estimating the recoverability of WIP, including the recovery rate applied and the length of historical data used to calculate that recovery rate;
- Provisions recognised in respect of contingent consideration payable on past business combinations and management's key assumptions and estimates applied in reaching these recognition and measurement decisions;
- The purchase price allocation and fair value accounting for the acquisition of Hurley Partners, Montagu, Pole Arnold, Caledonia, Maven and Ludlow;
- Consideration of how to improve controls to both improve key financial processes and streamline the financial close and to increase the controls reliance for the external audit; and
- To recommend to the Board the upgrade of the financial reporting platform operated by the Group to a single system.

Significant judgements and estimates

Significant critical accounting judgements and key estimates in connection with the Group's financial statements for the year ended 31 May 2021 and other matters considered by the committee included:

Goodwill and intangible assets

As set out in Note 19 to the Group financial statements, at 31 May 2021, the Group had goodwill of £37.2m (2020: £21.1m) with other intangible assets relating to client portfolios amounting in total to £40.6m (2020: £25.4m). Under IFRSs, these balances are assessed annually for impairment. Impairment testing requires the application of judgement, largely around the assumptions that are built into the calculation of the value in use of the cash generating unit being tested for impairment.	The committee considered the impairment reviews carried out by management. These reviews focused on the assumptions underlying the calculation of the value in use of the cash generating units tested for impairment. The underlying cash flow assumptions were challenged by management and the committee, having regard to historical performance. This was supported by the challenge to the Group's budgets earlier in the year. The main assumptions reviewed by the committee were the achievability of long-term business plans and the discount rate used as outlined in Note 19. These assumptions were subject to sensitivity analysis by management which was also reviewed by the committee. The committee concluded that the carrying values of goodwill and intangibles included in the financial statements are appropriate.

Revenue recognition	
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 ("work in progress" or "WIP"). 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 and disbursements at 31 May 2021 was £4.2m (2020: £4.7m).	The committee considered management's approach to estimating the recoverability of WIP, including the recovery rate applied and the length of historical data used to calculate that recovery rate. The committee concluded that the valuation of accrued WIP in the financial statements is appropriate.

Acquisition accounting	
Business combinations are accounted for using the purchase accounting method. This involves assessing the fair value of the assets acquired and whether any assets acquired meet the criteria for recognition as separately identifiable intangible assets. Intangible assets are measured on initial recognition at their fair value at the date of acquisition. Client portfolios are valued by discounting their expected future cash flows over their expected useful lives, based on the Group's historical experience. Expected future cash flows are estimated based on the historical revenues and costs associated with the operation of that client portfolio. The discount rates used estimate the cost of capital, adjusted for risk.	The committee reviewed the purchase price allocations prepared by management on the purchase of Hurley Partners, Pole Arnold, Caledonia Asset Management and Montagu during the year. These reviews focused on the underlying cash flow assumptions and the discount rate used to determine the present value of the cash flows attributable to the subject intangible assets. The committee concluded that the fair values of the identifiable assets and liabilities of these acquired businesses as at their respective dates of acquisition included in the financial statements are appropriate.
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. The carrying amount of contingent consideration provided for at 31 May 2021 was £12.9m (2020: £2.8m).	The committee considered management's assessment of the amounts that will be paid under the relevant acquisition agreements. These reviews focused on the assumptions underlying the cash flows covering the contingent consideration period. Following this review, the committee was satisfied that the judgements exercised were appropriate and that the contingent consideration payable on acquisitions was fairly stated in the financial statements.
Other liability provisioning	
As detailed in Note 26, the Group recognises provisions for client claims, commission clawbacks, dilapidations, onerous contracts and other obligations which exist at the reporting date. These provisions are estimates and the actual amount and timing of future cash flows are dependent on future events. Management reviews these provisions at each reporting date to ensure they are measured at the current best estimate of the expenditure required to settle the obligation. Any difference between the amounts previously recognised and the current estimate is recognised immediately in the statement of comprehensive income.	The committee considered and challenged the nature of the provisions, the potential outcomes, any developments relating to specific claims, and the prior history of obligations, provisions and claims in order to assess whether the provisions recorded are prudent and appropriate. The committee discussed with management the key elements of judgement to assure themselves as to the adequacy and appropriateness of the provisions. Following this discussion, the committee was satisfied that the judgements exercised were appropriate and that the provisions were fairly stated in the financial statements.
Use of alternative performance measures	

The Group has identified certain measures that it believes will assist in the understanding of the performance of the business. These measures are not defined under IFRS but can be used, subject to appropriate disclosure in the Annual Report and Accounts. These alternative performance measures are recurring revenue, adjusted EBITDA, adjusted profit before tax, adjusted profit after tax and adjusted earnings per share as set out in the Alternative performance measure workings section of the Annual Report.	The committee considered the measures and felt that these alternative performance measures are those considered by management to be important comparables and key measures used within the business for assessing performance. They are not substitute for, or superior to any IFRS measures. The committee was also satisfied that the disclosure of the alternative performance measures was appropriate.

Other matters	
In addition to the above matters, the committee assessed whether each entity and the Group as a whole are going concerns, including the potential impacts of the Brexit trade deal and the on-going COVID-19 pandemic during the year. The committee also reconsidered a number of other judgements made by management including: IFRS 15 'Revenue from contracts with customers', IFRS 9 'Financial instruments' and IFRS 16 'Leases'.	The committee considered whether the forecast financial performance would result in an adequate level of headroom over the Group's available cash facilities. The committee also discussed the key assumptions underpinning the Group's forecast financial performance with management regularly during the year and considered a range of sensitivities to those forecasts, together with the feasibility and effectiveness of mitigating factors. The committee concluded there are no material uncertainties that cast doubt about the Group's ability to continue as a going concern and that the adoption of the going concern basis is appropriate. The committee considered management's approach, proposed disclosures, assessment of impact on the financials and the judgements made in relation to impairment allowances and the factors considered around expected credit losses on financial instruments.

External auditor

An analysis of fees payable to the external audit firm in respect of audit and non-audit services during the year is set out in Note 7 to the financial statements. The Company is satisfied the external auditor remains independent in the discharge of their audit responsibilities.

Following the conclusion of a competitive tender in line with best practice in 2018, the Audit Committee appointed Deloitte LLP as external auditors at the Company's AGM in October 2018.

Internal Audit

The internal audit function is responsible for providing assurance on the internal controls related to the Group's key activities. Our internal audit activity is based around a strategic approach to cyclical internal audit along with consideration of the Group's key priorities and risks. This approach is designed to provide assurance over key areas of FCA oversight, including; conduct risk management, complaints, outsourcing and financial crime and whistleblowing. During the year the internal audit function engaged in a number of activities, including:

- Developing our internal audit plan based on an analysis of the Group's corporate objectives, risk profile and assurance framework, as well as other factors such as emerging issues in our sector;
- Audits over the Group's key financial controls, secure remote working and information security and operational resilience, data governance, risk management framework, discretionary portfolio management, acquisitions management and Small Self-Administered Schemes (SSAS). Each review identified control improvements to enhance our business operations; and
- Consultancy-style reviews, where internal audit has partnered with the business to strengthen a number of key processes, including providing assurance that the Group was prepared for the implementation of the SMCR. The internal audit team also carried out quarterly reviews of CREIT.

The Internal Audit function also conducted reviews in to Training and Development, Governance and Wealth Management Services in light of the continuation of remote working for the majority of the team.

As the third line of defence, the internal audit function (together with the external auditors in connection with their audit of the financial statements) builds risk awareness within the organisation by challenging the first and second lines of defence to continue improving the controls framework.

Remuneration Committee

The Remuneration Committee comprises Martin Reason (Chairman), Joanne Lake and Anne Gunther. Carol Duncumb was Chairman of the Committee until March 2021 being the date that she stepped down from the Board, handing the Chairman position to Martin Reason at the same time. The committee meets not less than twice a year. It is

responsible for determining and reviewing the Group's policy on executive remuneration and other benefits and terms of employment, including performance related bonuses and share options. The committee also administers the operation of the share option and share incentive schemes established by the Company.

The members of the Remuneration Committee have no personal interest in the outcome of their decisions and seek to serve the interests of shareholders to ensure the continuing success of the Company. The remuneration of the Non-Executive Directors is determined by the Board itself. No director is permitted to participate in decisions concerning their own remuneration.

The committee met five times during the year with key items considered including:

- The Group's remuneration policy;
- Annual review of Executive Directors' and other senior managers' base salaries and bonus arrangements;
- Creation of a new share option scheme for Executives, senior managers and consultants with the current share option scheme expiring at the upcoming AGM in October 2021;
- Awards to be granted under the share option and incentive schemes established by the Company;
- Trends and benchmarking of executive pay in the wider market; and
- The implications new corporate governance requirements may have for the design of the Group's remuneration policy and remuneration disclosures.

The Committee continues to review the Group's long-term incentive plans to ensure it can continue to attract, retain and incentivise appropriately qualified staff to achieve its goals.

Nomination Committee

The Nomination Committee comprises Joanne Lake (Chairman), Anne Gunther and David Kiddie. The Committee is responsible for reviewing the size, structure and composition of the Board, establishing appropriate succession plans for the Executive Directors and other senior executives in the Group and for the nomination of candidates to fill Board vacancies where required.

The committee works in close consultation with the Executive Directors and met six times during the year, with the main items being considered including Board structure, proposed changes to Board membership, recruitment to expand the number of non-executive directors on the Board and management succession.

Meetings and attendance

All directors are encouraged to attend all Board meetings and meetings of Committees of which they are members. Directors' attendance at meetings during the year (including the AGM) was as follows:

Meetings attended (eligible to attend)	*Board*	*Risk and Compliance Committee*	*Audit Committee*	*Remuneration Committee*	*Nomination Committee*
Joanne Lake	*7(7)	4(4)	5(5)	5(5)	*6(6)
Ian Mattioli[1]	7(7)	-	-	-	3(3)
Nathan Imlach[2]	2(2)	-	-	-	-
Carol Duncumb[3]	4(5)	4(4)	2(3)	4(4)	2(3)
Anne Gunther	7(7)	7(7)	*5(5)	5(5)	6(6)
David Kiddie[4]	3(3)	2(3)	-	-	3(3)
Edward Knapp[4]	3(3)	*3(3)	2(3)	-	-
Martin Reason[4]	3(3)	3(3)	1(1)	*1(1)	-
Ravi Tara[5]	2(2)	-	-	-	-
Iain McKenzie[6]	1(1)	-	-	-	-

Notes

* Denotes Committee Chairman

1. Ian Mattioli appointed to Nominations Committee on 4 January 2021
2. Nathan Imlach resigned as a director of the Company at the AGM held on 19 October 2020

3. Carol Duncumb resigned as a non-executive director of the Company on 19 March 2021. Carol was Chairman of the Remuneration Committee up to this date, with Martin Reason becoming Chairman on the same date.
4. Edward Knapp, David Kiddie and Martin Reason appointed as non-executive directors of the Company on 5 January 2021. Martin Reason was appointed as Chairman of the Remuneration Committee on 15 March 2021. Edward Knapp was appointed as Chairman of the Risk and Compliance Committee on 5 January 2021 taking over from the previous Chairman Anne Gunther.
5. Ravi Tara appointed as a director of the Company on 17 February 2021 and
6. Iain McKenzie appointed as a director of the Company on 24 May 2021.

In addition, the Board held six weekly ad hoc meetings in advance of the announced fundraise and acquisitions of Maven and Ludlow prior to those completing or agreement being reached, and to consider the integration of these business with the existing Groups operations.

Other committees

These committees form part of the Corporate Governance framework but are not sub-committees of the Board. The main committees comprise the Governance Committee, the Management Engagement Committee, the Investment Committee and the Executive Risk and Compliance Committee.

Governance Committee

The Board strongly believes that robust governance and strong, responsible, balanced leadership by the Board are critical to creating long-term shareholder value and business success. The committee's role is to assist the Board in shaping the strategy, culture and ethical values of the Group, while supporting the Management Engagement Committee in the day to day management of Mattioli Woods and its subsidiaries.

The key responsibilities of the committee are to:

· Take a leadership role in shaping the corporate governance principles, culture and ethical values of the Group in line with the Group's strategic priorities;
· Oversee the brand and reputation of the Group, ensuring that reputational risk is consistent with the risk appetite approved by the Board and the creation of long-term shareholder value;
· Develop strategy and growth initiatives, such as possible acquisitions and new products and services;
· Implement the agreed strategy and support the day-to-day management of the Group by the Management Engagement Committee;
· Review and discuss the annual business plan and budget prior to its submission to the Board for approval;
· Oversee the Group's compliance with its statutory and regulatory obligations, including conduct of the firm and TCF; and
· Oversee the Group's conduct in relation to its corporate and societal obligations, including setting the guidance, direction and policies for the Group's TCF, corporate responsibility agenda and related activities and advising the Board and management on these matters.

The Governance Committee is Chaired by the Chief Executive and comprises functional heads from the appropriate disciplines. Committee meetings are normally attended by the Group Managing Director, Chief Financial Officer, Chief Operating Officer and by other senior executives from the Group as requested.

Management Engagement Committee

The Board has delegated its day-to-day operational authority to the Management Engagement Committee, subject to a list of matters which are reserved for decision by the Governance Committee or the full Board only. The Management Engagement Committee is primarily responsible for:

· Managing and monitoring all aspects of the Group's business on a continuing basis;
· Implementing the business strategy and business plans agreed by the Board from time to time;
· Ensuring that day-to-day operations are conducted in accordance with the relevant regulatory and statutory requirements;
· Monitoring the management and performance of the Group's business units and operating subsidiaries (including their results compared to budget, risks and regulatory compliance); and
· Reviewing employee talent management and development programmes, ensuring they consider the benefits of diversity, including gender, social and ethnic backgrounds, cognitive ability and personal strengths.

The Management Engagement Committee meets at least monthly but more frequently if required. The committee is Chaired by the Executive directors on behalf of the Chief Executive and committee meetings may be attended by any number of a broad range of senior managers from across the Group, depending on the meeting agenda.

Investment Committee

The Board has delegated authority to the Investment Committee to oversee the Group's investment management approach, developing the 'house view' on economics, investment markets and asset allocation; and considering how the Group should best apply these views.

In particular, the Investment Committee is responsible for developing and implementing the Group's asset

management strategy, for developing and monitoring all aspects of the Group's investment business on a continuing basis, receiving reports from the board of Custodian Capital, the Structured Products Fund Oversight Committee and the Multi-Asset Team (including the Asset Allocation Committee). The committee is also responsible for ensuring that the Group's day-to-day investment and asset management operations are conducted in accordance with the relevant regulatory and statutory requirements through the investment research and investment operations teams.

The Investment Committee meets at least six times a year but more frequently if required. The committee is Chaired by the Chief Investment Officer and comprises senior members of the investment, wealth management, technical and compliance functions.

Executive Risk and Compliance Committee

The Board has delegated authority to the Executive Risk and Compliance Committee to oversee the operation of the Group's risk and compliance framework and activity. The Executive Risk and Compliance Committee is responsible for ensuring that risk, compliance and Internal Audit are considered, reviewed and actions implemented across all areas of the Group including wealth management advice, asset management, pension administration and employee benefits. The committee is also responsible for ensuring that risks are fully considered in context of the Group's ICAAP and the impact on the Group's capital requirements.

The Executive Risk and Compliance Committee meets at least four times a year but more frequently if required. The committee is Chaired by the Compliance Oversight Function and comprises senior members of the Group's management and risk and compliance function.

Induction, training and performance evaluation

New directors receive an induction on their appointment covering the activities of the Group, its key business and financial risks, the terms of reference of the Board and its committees and the latest financial information.

The Chairman ensures directors update their skills, knowledge and familiarity with the Group as required to fulfil their roles on the Board and its committees. Ongoing training is provided as necessary and includes updates from the Company Secretary and Nominated Adviser on changes to the AIM Rules, requirements under the Companies Acts and other regulatory matters. All directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chairman or two other directors, one of whom is a Non-Executive.

Evaluation of the Board's performance

During the year ended 31 May 2018 an external review of the Board's effectiveness was undertaken by an independent third party. This involved one-to-one interviews with directors and a review of Board and Board committee papers and minutes. The key points raised in the review were around board composition and succession planning.

The Board planned to undertake a self-evaluation during the financial year ended 31 May 2021, but due to the ongoing COVID-19 pandemic, this process has been postponed until the year ending 31 May 2022 and is intended to be repeated annually thereafter.

Individual appraisal of each director's performance is undertaken either by the Chief Executive Officer or Chairman each year and involves meetings with each director on a one-to-one basis. The Non-Executive Directors, led by the Senior Independent Director, carry out an appraisal of the performance of the Chairman and Chief Executive Officer.

Retirement and re-election

All directors are subject to election by shareholders after their appointment and to re-election thereafter at intervals of no more than three years under the Company's articles of association. However, as a matter of good practice and as recommended under the QCA Corporate Governance Code, board policy is for all directors to stand for re-election at each AGM.

Non-Executive Directors' appointments are initially for 12 months and continue thereafter until terminated by either party giving six months' prior written notice to expire at any time on or after the initial 12 month period. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and prior to the AGM.

Communications with shareholders

The Board is committed to maintaining an ongoing dialogue with the Company's shareholders. The principal methods of communication with private investors remain the Annual Report and financial statements, the Interim Report, the AGM and the Group's website (www.mattioliwoods.com).

It is intended that all directors will attend each AGM and shareholders will be given the opportunity to ask questions at the AGM on 29 October 2021. In addition, the Chairman, Chief Executive Officer, Chief Financial Officer and Group Managing Director welcome dialogue with individual institutional shareholders to understand their views and feed these back to the Board. General presentations are also given to analysts and investors covering the annual and interim results.

Internal control and risk management

The Board is ultimately responsible for the Group's systems of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can only provide reasonable not absolute assurance against material misstatement or loss.

In accordance with the guidance of the Turnbull Committee on internal control, an ongoing process has been established for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the Annual Report and financial statements.

The Board routinely reviews the effectiveness of the systems of internal control and risk management to ensure controls react to changes in the nature of the Group's operations.

The Group maintains appropriate insurance cover and reviews the adequacy of the cover regularly, in conjunction with the Group's insurance brokers.

There are clearly defined procedures for reviewing and approving transactions, acquisitions, material expenditure and capital expenditure within the Group.

On behalf of the Board

Ravi Tara
Chief Financial Officer
20 September 2021

Directors' remuneration report

In March 2020, recognising the likely impact of the COVID-19 pandemic on the Group and the markets it operates in, the Remuneration Committee, working alongside and taking recommendations from the executive management team and external resources, decided to protect the Group's financial position and provide security for its clients and employees by adopting a flexible approach to total remuneration arrangements. The Committee determined that this level of prudence should be maintained until at least December 2021 whilst the firm and wider market forces reacted to the unprecedented financial and commercial conditions caused by the pandemic.

The committee was fully aligned with the senior executive team in recognising that there needed to be substantial individual sacrifices both in the form of basic and variable pay structures whilst uncertainty associated with the pandemic remained evident. The committee therefore approved a package of measures that included all directors at the time, reducing their basic salary or fees by 50% until 30 November 2021.

Having communicated that remaining staff bonuses and all directors' bonuses in respect of the year ended 31 May 2020 would not be paid and recognising that variable pay awards for the new financial year may be restricted, the Group has adjusted salary structures for many of the key functions in the business, recognising that security and engagement are paramount in retaining a motivated workforce capable of guiding the business through a period of continued uncertainty and lockdown restrictions. The Group has committed to restoring discretionary bonuses for all staff in the current year ending 31 May 2021 having not paid a bonus for the first time in the Group's 30 year history in the last financial year.

Remuneration policy

Mattioli Woods recognises the importance of its employees to the success of the Group and consequently the remuneration policy is designed to be market competitive to attract, motivate and retain high calibre individuals. The main focus of the Group's remuneration policy is to align the interests of the Executive Directors with the Group's strategic priorities and the long-term creation of shareholder value.

The Remuneration Committee reviews the regulatory and legislative framework with the aim of ensuring that the remuneration policy is in line with best practice, including the FCA codes of practice ("the FCA Codes") which set out the standards and policies that regulated firms are required to meet when setting pay and bonus awards for staff. External data is used to validate rather than to benchmark the total rewards granted and the Remuneration Committee takes into consideration the current economic climate, remuneration policies of comparable businesses and pay and employment conditions elsewhere in the Group when considering Executive Directors' and other senior managers' pay.

The remuneration arrangements are designed to:

- Promote value creation;
- Support the business strategy;
- Promote the long-term success of the Group;
- Deliver a competitive level of pay for the Executive Directors and senior management;
- Encourage the retention of staff through deferred variable compensation, where appropriate;
- Ensure greater alignment between the interests of the Executive Directors and the long-term interests of shareholders through significant long-term equity participation;
- Be fair for both the director and the Group, with some element of discretion;
- Comply with financial services rules and regulations;
- Discourage excessive risk taking and short-termism;
- Encourage more effective risk management; and
- Support positive behaviours and a strong and appropriate conduct culture.

The Group's policy is to remunerate Executive Directors and senior management through basic salary and benefits, annual performance-related discretionary bonuses and participation in long-term incentive plans which promote the creation of sustainable shareholder value. The total reward is designed to include a balance of fixed and variable pay with an element of deferral attached to a proportion of the variable pay element.

Fees for the Non-Executive Directors are determined by the Board and are reviewed annually, having regard to fees paid to non-executive directors in other UK quoted companies, the time commitment and responsibilities of the role. Non-Executive Directors do not receive bonuses or share entitlements. No director is permitted to participate in decisions concerning their own remuneration.

The effective date for annual changes in directors' remuneration is 1 September, in line with the Group's other employees.

Shareholders will be asked to approve the Directors' Remuneration Report, including the remuneration policy which applies to the directors and employees of the Group, at the Company's next AGM on 29 October 2021.

Single total figure of remuneration for each director

Directors' remuneration payable in respect of the years ended 31 May 2021 and 2020 was as follows:

	Salary and fees		*Benefits*		*Bonus*		*Long-term incentive plan*		*Pension-related benefits*		*Share incentive plan*		*Total*	
	2021 £000	*2020 £000*	***2021 £000***	*2020 £000*	***2021 £000***	*2020 £000*	***2021[9] £000***	*2020 £000*	***2021 £000***	*2020 £000*	***2021 £000***	*2020 £000*	***2021 £000***	*2020 £000*
Executives[1]														
Ian Mattioli[2]	**372**	474	**9**	2	**600**	-	**433**	558	**52**	52	**2**	-	**1,468**	1,086
Nathan Imlach[3,4]	**72**	263	**7**	16	**-**	-	**203**	262	**11**	29	**2**	-	**295**	570
Ravi Tara[5]	**57**	-	**1**	-	**190**	-	**-**	-	**3**	-	**2**	-	**253**	-
Ian McKenzie[4,6]	**5**	-	**0**	-	**100**	-	**-**	-	**0**	-	**-**	-	**105**	-
Murray Smith[3]	-	66	-	**6**	-	-	-	221	-	3	-	-	-	296
Sub-total	**506**	803	**17**	24	**890**	-	**636**	1,041	**66**	84	**6**	-	**2,121**	1,952
Non-executives														
Joanne Lake	**95**	91	-	-	-	-	-	-	-	-	-	-	**95**	91
Carol Duncumb[7]	**38**	46	-	-	-	-	-	-	-	-	-	-	**48**	46
Anne Gunther	**56**	54	-	-	-	-	-	-	-	-	-	-	**56**	54
David Kiddie[6]	**17**	-	-	-	-	-	-	-	-	-	-	-	**17**	-
Edward Knapp[6]	**16**	-	-	-	-	-	-	-	-	-	-	-	**16**	-
Martin Reason[6]	**17**	-	-	-	-	-	-	-	-	-	-	-	**17**	-
Sub-total	**239**	191	-	-	-	-	-	-	-	-	-	-	**239**	191
Total	**745**	994	**17**	24	**890**	-	**636**	1,041	**66**	84	**6**	-	**2,360**	2,143

1. The benefit package of each Executive Director includes the provision of life assurance under a group scheme;
2. The salary package of Ian Mattioli includes a car allowance;
3. Nathan Imlach ceased to be a director on 19 October 2020, Murray Smith ceased to be a director on 21 October 2019;
4. The benefit packages of Nathan Imlach and Iain McKenzie include the provision of a company car;
5. Ravi Tara appointed as a director of the Company on 17 February 2021;
6. Iain McKenzie appointed as a director of the Company on 24 May 2021;
7. Carol Duncumb resigned as a non-executive director of the Company on 19 March 2021;
8. Edward Knapp, David Kiddie and Martin Reason appointed as non-executive directors of the Company on 5 January 2021; and
9. Total market price of shares under option vesting during the year as at their vesting date, less any option exercise price payable.

Notes to Directors' remuneration table

Salary

The base salaries of the Executive Directors are reviewed annually having regard to personal performance, divisional or Group performance, significant changes in responsibilities and competitive market practice in their area of operation. In recognition of the likely impact of the COVID-19 pandemic on the Group and the markets it operates in, the committee approved an interim review of salaries for the executive directors at the time on 30 November 2020 having temporarily re-based salaries to £200,000 per annum from 1 July 2020 to this date.

Fees

The Non-Executive Directors are only paid fees, which are not pensionable. In addition to a basic fee, Non-Executive Directors also receive additional responsibility fees in recognition of them being a member of or Chairing a committee or being the senior independent director.

Benefits

Benefits for Executive Directors principally relate to the provision of cars, death in service cover and permanent health insurance or cash allowances taken in lieu of such benefits.

Bonus

Bonus awards to Executive Directors and some other senior employees of the Group for profit-related performance are made from a pool of the Group's earnings before interest, taxation, depreciation and amortisation after payment of bonuses payable to all other staff. Executive Directors' bonuses in respect of the year ending 31 May 2021 will be payable on a purely discretionary basis as follows:

· A discretionary personal performance award based on the achievement of personal key objectives.

The maximum award as a proportion of salary and the actual award payable in respect of the year ended 31 May 2021 are summarised as follows:

Director	*Actual award as a proportion of salary*	*Maximum award as a proportion of salary*	*Linked to corporate objectives*	*Linked to personal objectives*
Ian Mattioli	116.0%	100.0%	0%	100.0%
Ravi Tara	95.0%	100.0%	0%	100.0%
Iain McKenzie	50.0%	100.0%	0%	100.0%

The awards for the current year include an element linked to corporate objectives in line with the discretionary bonus paid out to all staff, and an additional award related to meeting personal objectives linked to the successful completion of the equity placing and completion of the five acquisitions in the year and two acquisitions completing after the year-end. These awards are reviewed and approved by the Remuneration Committee at the start of each financial year, with the payment of personal awards being made at the committee's discretion. In recognition of the likely impact of the COVID-19 pandemic on the Group and the markets it operates in, the Remuneration Committee has resolved that the new financial year requires more flexible remuneration arrangements to protect the Group's financial position and to retain talent. Executive Directors' bonuses in respect of the year ending 31 May 2022 will be payable on a purely discretionary basis, as follows:

Maximum

Director	award as a proportion of salary	Linked to corporate objectives	Linked to personal objectives
Ian Mattioli	100.0%	0%	100.0%
Michael Wright	100.0%	0%	100.0%
Ravi Tara	100.0%	0%	100.0%
Iain McKenzie	100.0%	0%	100.0%

Long-term incentive plan

To assist the Group to attract and retain appropriately qualified staff, the Mattioli Woods 2010 Long-Term Incentive Plan ("the LTIP") was introduced to incentivise and reward certain of its senior employees and Executive Directors. Awards made to the Executive Directors under the LTIP are set out below.

Pension related benefits

Executive Directors may participate in the pension arrangements of the Group or elect to have pension payments paid into a personal pension plan or as cash in lieu of pension on the same basis as other employees. Pension payments in respect of Executive Directors are currently in line with all staff of up to 5% of base salary. Pension payments for the Chief Executive are currently 10% of base salary (before any temporary reductions).

Share Incentive Plan

The Mattioli Woods plc Share Incentive Plan ("the SIP") enables employees to buy shares in the Company at an effective discount to the Stock Exchange price by having an amount deducted from pre-tax salary each month. In addition, the Company can grant participating employees matching and/or free shares.

The consequent employee benefit is the value of the SIP matching shares made in the year. Employees may contribute up to £150 per month to buy partnership shares with contributions matched on a one-for-one basis by the Company.

Mattioli Woods 2010 Long-Term Incentive Plan

The current LTIP was approved by shareholders at the Company's 2010 AGM. During the year ended 31 May 2021 the Remuneration Committee granted further awards under the LTIP in respect of the year ended 31 May 2020. The LTIP allows a significant element of deferred variable remuneration to be paid in equity or a cash equivalent award.

Eligibility

Any employee (including an Executive Director) of the Company or any of its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee.

Form of award

Awards under the LTIP may be in the form of an option granted to the participant to acquire ordinary shares with a nominal exercise price of 1p. Alternatively, the Remuneration Committee may at its discretion grant participants a right to receive a cash amount which relates to the value of a certain number of notional shares.

Performance conditions

Options granted under the LTIP are only exercisable subject to the satisfaction of the following performance conditions which will determine the proportion of the option that will vest at the end of a three-year or five-year performance period:

Compound annual growth in EBITDA over the performance period	Percentage of maximum award vesting
<5%	Nil
5%	30%
12%	100%

The percentage of maximum award vesting will be calculated pro rata between the minimum and maximum hurdles. If the performance conditions are not met over the three or five financial years commencing on 1 June before the date of grant, the options lapse. The options will generally be exercisable after approval of the financial statements for the financial year two years or four years after the year of grant, or on a change of control (if earlier).

The Remuneration Committee believes that extending the performance period for awards under the LTIP to a five-year period creates greater alignment between award-holders and shareholders and will encourage a long-term perspective.

Individual and overall limits

The maximum award for any eligible employee under the LTIP for any one year is 100% of salary. The LTIP is subject to an overall limit on the total number of shares which may be issued within a 10 year period under the LTIP or any other employee share plan operated by the Group of 10% of the issued ordinary share capital of the Company.

Clawback

Vested and unvested LTIP awards are subject to a formal malus and clawback mechanism.

Grant of equity share options under the LTIP

As at 31 May 2021, the Company had granted options to certain of its senior employees and Executive Directors to acquire (in aggregate) up to 3.31% (2020: 3.30%) of its share capital. The maximum entitlement of any individual was 0.85% (2020: 0.89%). The options are exercisable at 1p per share.

Terms of awards

Options may be granted over newly issued shares, treasury shares or shares purchased in the market. Options are not transferable other than on death. Shares acquired through the LTIP may be delivered to participants by the trustees of the Mattioli Woods 2010 Employee Benefit Trust ("the EBT"), which was established for this purpose. The trustees may either subscribe for new shares from the Company or purchase shares on the market. The EBT may never hold more than 5% of the ordinary share capital of the Company at any time. At 31 May 2021 the EBT held 76,578 shares (2020: 76,578) and the Company held no shares in treasury (2020: nil) having suspended monthly purchases in response to the COVID-19 pandemic in April 2020.

Directors' interest in share options

Outstanding share options granted to Executive Directors under the 2010 LTIP are as follows:

Director	*Exercise price £*	*31 May 2020 No.*	*Granted during the year No.*	*Exercised during the year No.*	*Forfeited during the year No.*	*31 May 2021 No.*
Ian Mattioli	0.01	230,016	10,000	-	-	240,016
Ravi Tara[1]	0.01	-	7,500	-	-	7,500
Iain McKenzie[2]	0.01	10,000	7,500	-	-	17,500
Nathan Imlach[3]	0.01	103,943	10,000	(64,740)	-	49,203
Total		343,959	35,000	(64,740)	-	314,219

Notes:
1. Ravi Tara appointed as a director of the Company on 17 February 2021;
2. Iain McKenzie appointed as a director of the Company on 24 May 2021; and
3. Nathan Imlach ceased to be a director on 19 October 2020.

Note 20 to the financial statements contains a detailed schedule of all options granted to directors and employees as at 31 May 2021. All of the options were granted for nil consideration.

The Remuneration Committee expects to be able to grant additional awards under the LTIP following the announcement of the Group's trading update in respect of the year ended 31 May 2021 and subject to compliance with Market Abuse Regulation requirements.

Service contracts

It is the Group's policy for all Executive Directors to have contracts of employment that contain a termination notice period not exceeding 12 months. Ian Mattioli's appointment continues until terminated by either party on giving not less than 12 months' notice to the other party. The other Executive Directors' appointments continue until termination by either party on giving not less than six months' notice to the other party.

Joanne Lake, Anne Gunther, David Kiddie, Edward Knapp and Martin Reason do not have service contracts. A letter of appointment provides for an initial period of 12 months and continues until terminated by either party giving six months' prior written notice to expire at any time on or after the initial 12-month period.

Directors' shareholdings

As at 20 September 2021, the interest of the directors in the issued shares of the Company, as shown in its register maintained under section 809 (2) and (3) of the Companies Act 2006 were:

Director	2021[29] No.	%	2020 No.	%
Ian Mattioli	3,402,925	6.73	3,371,977	12.52
Ravi Tara	10,690	0.02	562	0.00
Iain McKenzie	4,459	0.01	447	0.00
Joanne Lake	4,100	0.01	4,100	0.02
Anne Gunther	11,576	0.02	4,000	0.01
David Kiddie	3,030	0.01	-	-
Edward Knapp	-	-	-	-
Martin Reason	15,152	0.03	-	-

Directors' shareholdings include any shareholdings of trusts or family members deemed to be connected persons.

The mid-market closing price of the Company's ordinary shares at 31 May 2021 was 700.0p and the range during the financial year was 625.0p to 785.0p.

None of the directors had an interest in any contract of significance in relation to the business of the Company or its subsidiaries at any time during the financial year, other than those disclosed in Note 29 to the financial statements.

There was no change in the directors' shareholdings or interests in options between 1 June 2021 and 20 September 2021.

29 Shareholdings include additional shares subscribed as part of the placing in June 2021. Percentage shareholdings are based upon the total issued share capital of 50,578,773.

Total shareholder return performance graph

The graph below illustrates the total shareholder return ("TSR") for the five years ended 31 May 2021 in terms of the change in value of an initial investment of £100 invested on 1 June 2016 in a holding of the Company's shares against the corresponding total shareholder returns in hypothetical holdings of shares in the FTSE All Share Index.

The Company is a member of the FTSE All Share Index and considers this to be the most appropriate broad equity market index for the purpose of measuring the Company's relative performance.

On behalf of the Board

Martin Reason
Chairman of the Remuneration Committee

20 September 2021

Directors' report

Report and financial statements

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 May 2021. For the purposes of this report, the expression 'Company' means Mattioli Woods plc and the expression 'Group' means the Company and its subsidiaries.

Business review

The Group's principal activities continue to be the provision of pension consulting and administration, wealth management, asset management and employee benefits consultancy. The Strategic Report includes further information about the Group's business model, financial performance during the year and indications of likely future developments.

The directors believe they have adequately discharged their responsibilities under section 414(c) of the Companies Act 2006 to provide a balanced and comprehensive review of the development and performance of the business.

Statement by the directors under section 172 Companies Act 2006

The Directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so having regard to the stakeholders and matters set out in section 172(1)(a-f) of the Act in the decisions taken during the year ended 31

May 2021. This is demonstrated in the Section 172 statement included in the strategic report.

Results and dividends

Revenue increased by 7% to £62.6m (2020: £58.4m), with organic revenues supplemented by part year contributions from the acquired businesses in the year: Hurley, EPUT, Montagu, Pole Arnold and Caledonia, with all contributing positively to Group earnings and integrating well since acquisition. Group profit for the year before taxation decreasing to £5.1m (2020 restated: £12.7m), due to the restoration of discretionary bonuses for all staff and significant acquisition related expenses incurred in the year, increased acquisition related costs and increase deferred consideration reported as remuneration. The effective rate of taxation was above the standard rate of tax at 73.0% (2020 restated: 25.5%), primarily due to the revaluation of deferred tax liabilities being recognised at an increased rate of tax following the government's announced plans to increase the standard rate of tax to 25.0% from 6 April 2023, as well as significant non-deductible expenses from contingent consideration arrangements accounted for as remuneration.

The final dividend in respect of the year ended 31 May 2020 of 12.7p per share was paid in October 2020. An interim dividend in respect of the year ended 31 May 2021 of 7.5p per share was paid to shareholders in March 2021. In light of the uncertain trading conditions and in order to protect the Group's financial position and balance the interests of all stakeholders, the Board is pleased to recommend a final dividend of 13.5p per share (2020: 12.7p). This makes a proposed total dividend for the year of 21.0p (2020: 20.0p) a year-on-year increase of 5.0% (2020: flat). This has not been included within the Group financial statements as no obligation existed at 31 May 2021. If approved, the final dividend will be paid on 3 November 2021 to ordinary shareholders whose names are on the register at the close of business on 1 October 2021, having an ex-dividend date of 30 September 2021.

Share capital

Mattioli Woods plc is a public limited company incorporated in England and Wales and its shares are quoted on the AIM market of London Stock Exchange plc. The Company's authorised and issued share capital during the year and as at 31 May 2021 is shown in Note 23. The ordinary shares rank pari passu in all respects. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by section 561 of the Companies Act 2006.

There are no restrictions on the transfer of ordinary shares in the Company, other than:

- Certain restrictions that may be imposed from time to time by laws and regulations and pursuant to the Listing Rules of the FCA, whereby certain directors, officers and employees of the Group require the approval of the Group to deal in ordinary shares of the Company;
- Restrictions on the former shareholders of Hurley Partners as a result of them entering into a lock-in agreement with Mattioli Woods and Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 842,866 ordinary shares in Mattioli Woods during the two years ending 31 July 2022.
- Restrictions on the former shareholder of Montagu has entered into a lock-in deed with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 40,161 ordinary shares in Mattioli Woods during the two years ending 2 February 2023;
- Restrictions on the former shareholders of Pole Arnold Financial Management have entered into lock-in deeds with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 72,940 ordinary shares in Mattioli Woods during the two years ending 12 April 2023; and
- Restrictions on the former shareholders of Caledonia Asset Management have entered into lock-in deeds with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 12,724 ordinary shares in Mattioli Woods during the two years ending 16 April 2023.

The Group is not aware of any other agreements between holders of securities that may result in restrictions on the transfer of ordinary shares.

Employee share trust

The Mattioli Woods 2010 Employee Benefit Trust ("the EBT") was established to deliver shares for the benefit of employees and former employees of the Group who have been granted an award under one of the Group's employee share schemes. The trustee has agreed to satisfy awards under the Group's employee share schemes. As part of these arrangements the Group funds the EBT, from time to time, to enable the trustee to acquire shares to satisfy these awards, details of which are set out in Note 23 of the Financial Statements. The trustee has waived its right to dividends on all shares held within the trust.

During the year ended 31 May 2021 the EBT purchased no shares in the Company (2020: 64,330) at a cost of £nil (2020: £498,000).

At 20 September 2021, the Company had been notified of the following interests representing 3% or more of its issued share capital:

Shareholder	*Number of ordinary shares*	*Percentage holding*[30]
Liontrust Asset Management	3,912,961	7.74
Ian Mattioli	3,402,925	6.73
Investec Wealth & Investment	2,943,078	5.82
Schroder Investment Management	2,614,535	5.17
Bill Nixon	2,557,306	5.06
Gresham House	2,386,535	4.72
Standard Life Aberdeen plc	2,383,687	4.71
Chelverton Asset Management	2,284,091	4.52
Royal London Mutual Assurance Society	2,213,141	4.38
Octopus Investments	1,807,862	3.57
Tellworth Investments	1,744,934	3.45
Canaccord Genuity Group Inc	1,706,649	3.37
Unicorn Asset Management	1,540,538	3.05

In addition to the above shareholdings, 701,259 ordinary 1p shares representing 1.4% of the issued share capital are held by employees via the Mattioli Woods plc Share Incentive Plan ("the SIP"). The Group intends to actively encourage wider share ownership by its employees through the SIP and other share-based incentive schemes.

30 Percentage shareholdings are based upon the total issued share capital of 50,578,773.

Directors

A list of current serving directors and their biographies is given. The Company's articles of association require that any Director who held office at the time of the two preceding AGMs and who did not retire at either of them shall retire from office at the next AGM and may offer himself for re-election. As a matter of good governance however, each of the Directors will stand for re-election at this AGM with the exception of Joanne Lake who will step down from her role as Non-Executive Chair.

The Board has a process for the evaluation of its own performance and that of the individual Directors and, following the evaluation of the performance of the Directors during the year ended 31 May 2021, it was confirmed that each Director continues to be an effective member of the Board and to demonstrate commitment to the role.

Directors' interests

Directors' emoluments, beneficial interests in the shares of the Company and their options to acquire shares are disclosed in the Directors' Remuneration Report. During the period covered by this report, no director had a material interest in a contract to which the Company or any of its subsidiaries was a party (other than their own service contract), requiring disclosure under the Companies Act 2006.

Conflicts of interest

There are procedures in place to deal with any directors' conflicts of interest arising under section 175 of the Companies Act 2006 and such procedures have operated effectively since the Company adopted new articles of association on 22 October 2009.

Directors' indemnity

All directors and officers of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association. The provision, which is a qualifying third-party indemnity provision, was in force throughout the last three financial years and is currently still in force. The Group also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its directors and officers, although no cover exists in the event directors or officers are found to have acted fraudulently or dishonestly.

Employees

The Group continues to involve its staff in the future development of the business. Information is provided to employees through briefing sessions, webinars, the Group's website and its intranet, 'MWeb', which is continually updated. How the Group has engaged with employees and had due regard to their interests in considering the principal decisions taken during the year are demonstrated in the Section 172 statement included in the strategic report.

The Group operates 'MyWay', an online flexible benefits platform. Employees can change elements of their benefits choice annually or if they have any lifestyle events. MyWay offers a variety of benefits covering health and wellbeing, finance and lifestyle choices, in addition to a core benefits package, and employees are able to purchase these benefits at group rates. MyWay shows employees the value of their salary and all other benefits as part of a total reward statement. The platform allows individuals to select options to meet their personal needs and since its launch we have seen an increasing take up of flexible benefits each year.

The Group operates a Group Personal Pension plan available to all employees and contributes to the pension schemes of directors and employees. Following the introduction of auto-enrolment every employer must automatically enrol eligible jobholders into a workplace pension scheme. Employers are then required to make contributions to pension schemes, adding to the savings made by employees. Eligible employees may choose to opt out after they have been automatically enrolled. Employers cannot avoid their obligation to automatically enrol eligible employees into a qualifying scheme.

The Group's pension scheme qualifies as an auto-enrolment scheme, with the Group applying the following contribution rates:

Date	*Employer contribution*	*Minimum employee contribution*
6 April 2018 to 5 April 2019	3%	3%
6 April 2019 onwards	5%	5%

The Group operates a Share Incentive Plan and Long-Term Incentive Plan, details of which are given in the Directors' Remuneration Report and the financial statements.

The Group is committed to the principle of equal opportunity in employment, regardless of a person's race, creed, colour, nationality, gender, age, marital status, sexual orientation, religion or disability. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the business.

Applications for employment by disabled persons are always fully considered. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. Group policy is that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Due to the impact of COVID-19 we have reopened our graduate training programme having been on hold whilst the majority of Mattioli Woods' employees continue to work from home. This along with on-going recruitment to new roles which continued during the pandemic have been great successes.

We believe in providing work experience and supporting school leavers that may find it difficult to find work. We will continue working in partnership with Gateway College Leicester, the YMCA and University of Leicester to provide work experience, as well as continuing with apprenticeships and our own work-based training to develop new and existing staff across a range of business areas, fulfilling the Group's commitment to creating opportunities that offer a clear progression path both in the short and long-term.

We recognise that the pandemic is likely to have a lasting impact on the way we work and we have already been through a review of our current roles, training and engagement, allowing us to introduce new roles where training can

be provided.

We operate an eLearning platform in conjunction with the Chartered Insurance Institute's Financial Assess for the continued professional development of our staff. We are committed to continual process improvement and intend to seek further business improvements across our locations.

Research and development

In response to the need for an increasingly sophisticated software solution to manage the broader range of products and services offered by Mattioli Woods, the Group has continued to develop its technology infrastructure, extending the development of its bespoke pension administration and wealth management platform to include employee benefits, with the aim of enhancing the services offered to clients and realising operational efficiencies across the Group as a whole. The costs of this development are capitalised where they are recognised as having an economic value that will extend into the future and they meet the criteria of IAS 38 to be capitalised.

Related party transactions

Details of related party transactions are given in Note 29.

Environmental

The Board believes good environmental practices, such as the reducing the volume of printing, recycling of paper waste and committing to purchasing hybrid, fuel-efficient motor vehicles, will support its strategy by enhancing the reputation of the Group. Due to the Group's activities, Mattioli Woods impacts the local and global environment, but due to the nature of its business generally, the Group does not have a significant environmental impact. Environmental performance and strategy are summarised in the Strategic Report.

Annual General Meeting

The AGM of the Company will be held on 29 October 2021. The notice of the meeting together with details of the resolutions proposed and explanatory notes will be made available on the Group's website.

Principal risks and uncertainties

The directors' view of the principal risks and uncertainties facing the business is summarised in the Chief Executive's Review.

Financial risk management

The Company and certain of its subsidiaries are supervised in the UK by the Financial Conduct Authority ("FCA"). The Group must comply with the regulatory capital requirements set by the FCA and manages its regulatory capital through continuous review of the capital requirements of the Company and its regulated subsidiaries, which are monitored by the Group's management and reported monthly to the Board.

The Group's financial risk management is based upon sound economic objectives and good corporate practice. The Board has overall responsibility for risk management and internal control. Our process for identifying and managing risks is set out in more detail in the review of Corporate Governance. The key risks and mitigating factors are set out in the Strategic report.

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet the identifiable needs of the Group and to invest cash assets safely and profitably. If required, short-term flexibility is achieved through the use of bank overdraft facilities. The Group does not undertake any trading activity in financial instruments. All activities are transacted in Sterling. The Group does not engage in any hedging activities.

The Group reviews the credit quality of customers and limits credit exposures accordingly. All trade receivables are subject to credit risk exposure. However, there is no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

Loans may be advanced to investment syndicates to secure new investment opportunities. In the event that a syndicate fails to raise sufficient funds to complete the investment, the Group may either take up ownership of part of the investment or lose some, or all, of the loan. However, to mitigate this risk, loans are only approved by the Board under strict criteria, which include confirmation of client demand for the investment.

Corporate governance

A full review of Corporate Governance appears in the Corporate Governance report.

Auditor

The Audit Committee has recommended to the Board that the incumbent auditor, Deloitte LLP is reappointed for a further term. Deloitte LLP have confirmed their willingness to continue in office as the Group's auditor in accordance with Section 489 of the Companies Act 2006. The Group is satisfied that Deloitte LLP are independent and there are adequate safeguards in place to safeguard their objectivity.

A resolution to approve the appointment of Deloitte LLP will be put to shareholders at the Company's AGM on 29 October 2021.

Directors' statement as to disclosure of information to the auditor

The directors who were members of the Board at the time of approving the Directors' Report are listed in the overview of corporate governance. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- Each director has taken all the steps they might reasonably be expected to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

The Group's business activities, performance and position, together with the risks it faces and the factors likely to affect its future development are set out in the Strategic report. The Board has assessed the Group's viability over a three-year period from 1 June 2021 through to 31 May 2024. This period is aligned with the Group's annual budgeting process, where the Board reviews and challenges the Group's budget in advance of each new financial year.

The Board has also considered the general business environment and the potential threats to the Group's business model arising from regulatory, demographic, political and technological changes. The COVID-19 pandemic and the impact of Brexit continues to affect economic and financial markets. The Board has carried out a robust assessment of the principal risks facing the Group including those associated with a general economic downturn, including financial market volatility, deteriorating credit, liquidity concerns, government intervention, increasing unemployment, furlough, redundancies and other restructuring activities that would threaten the sustainability of its business model, future performance, solvency or liquidity. This assessment by the Board extends to run a series of stress tests against the Group's three-year plan, including a reverse stress scenario in which a variety of external and internal events impact the three-year plan and so enable the Directors to assess management's ability to take management actions to mitigate the impact on the Group.

In assessing the future viability of the overall business, the Board also considers the current and future strategy, the results of the latest ICAAP, the risk management controls and procedures in place.

As an example for this year, a Group stress under the market scenario is based on the impact of a reduction in market value of investment assets of approximately 10-20% as seen in the initial stages of the COVID-19 pandemic in 2020. Subsequent management actions ensures the Group still maintains sufficient net assets and regulatory capital.

The directors believe the Group is well placed to manage its business risks successfully as demonstrated by the stress tests. The Group's forecasts and projections show that the Group should continue to be cash generative, maintain a surplus on its regulatory capital requirements and be able to operate within the level of its current financing arrangements. Accordingly, the directors continue to adopt the going concern basis for the preparation of the financial statements. The Directors have considered the Group's prospects for a period in excess of 12 months from the date on which the Financial Statements are approved.

Events after the balance sheet date

Details of significant events occurring after the end of the reporting period are given in Note 32.
Approved on behalf of the Board

Ravi Tara
Chief Financial Officer
20 September 2021

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB.

The financial statements are required by law and IFRS to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Mattioli Woods plc website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income
For the year ended 31 May 2021

	Note		***2021 £000***	*2020 Restated £000*
Revenue	4	**62,615**		58,407
Employee benefits expense	11		**(34,141)**	(27,623)
Other administrative expenses			**(13,332)**	(10,897)
Share-based payments	20		**(1,475)**	(1,335)
Amortisation and impairment	17		**(3,078)**	(2,437)
Depreciation	15,16		**(2,772)**	(2,547)
Impairment loss on financial assets	21		**(25)**	(605)
Loss on disposal of property, plant and equipment			**(46)**	(18)
Gain on bargain purchase	3		**288**	-
Deferred consideration as remuneration	26,28		**(3,803)**	(750)
Operating profit before financing	10		**4,231**	12,195
Finance revenue	8		**34**	99
Finance costs	9		**(258)**	(196)

Net finance costs		**(224)**	(97)
Share of profit from associate, net of tax	18	**1,141**	633
Profit before tax		**5,148**	12,731
Income tax expense	12	**(3,757)**	(3,244)
Profit for the year		**1,391**	9,487
Items that will not be reclassified to profit or loss			
Other comprehensive income for the year, net of tax	18	**28**	(15)
Total comprehensive income for the year, net of tax		**1,419**	9,472
Attributable to:			
Equity holders of the parent		**1,419**	9,472
Earnings per ordinary share:			
Basic (pence)	13	**5.1**	34.9
Diluted (pence)	13	**5.0**	34.7
Proposed total dividend per share (pence)	14	**21.0**	20.0

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

The operating profit for each period arises from the Group's continuing operations. The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements.

Consolidated and Company Statements of Financial Position Registered number: 03140521

As at 31 May 2021

		2021		*2020*		*2019*	
	Note	***Group £000***	***Company £000***	*Group Restated £000*	*Company Restated £000*	*Group Restated £000*	*Company Restated £000*
Assets							
Property, plant and equipment	15	**14,340**	**2,472**	15,636	3,115	16,665	3,469
Right of use assets	16	**2,180**	**1,823**	2,584	2,188	-	-
Intangible assets	17	**60,468**	**60,555**	37,393	36,638	38,025	38,505
Deferred tax asset	12	**951**	**932**	888	874	704	701
Investments in subsidiaries	18	**-**	**39,805**	-	13,141	-	11,410
Investment in associate	18	**4,295**	**4,295**	3,732	3,732	4,211	4,211
Other investments	18	**500**	**500**	-	-	750	750
Total non-current assets		**82,734**	**110,382**	60,233	59,688	60,355	59,046
Trade and other receivables	21	**19,197**	**28,247**	17,208	27,192	16,384	28,111
Income tax receivable	12	**30**	**1,307**	390	1,403	-	-
Finance lease receivable		**290**	**290**	324	324	-	-
Investments	18	**26**	**26**	40	40	80	80
Cash and short-term deposits	22	**21,888**	**10,909**	25,959	17,584	23,248	14,095
Total current assets		**41,431**	**40,779**	43,921	46,543	39,712	42,286
Total assets		**124,165**	**151,161**	104,154	106,231	100,067	101,332

Equity

	Note						
Issued capital	23	**283**	**283**	269	269	268	268
Share premium	23	**33,834**	**33,834**	32,891	32,891	32,137	32,137
Merger reserve	23	**17,458**	**17,458**	10,639	10,639	10,639	10,639
Equity - share based payments	23	**3,559**	**3,559**	3,848	3,848	3,208	3,208
Capital redemption reserve	23	**2,000**	**2,000**	2,000	2,000	2,000	2,000
Own shares	23	**(597)**	**-**	(597)	-	(99)	-
Retained earnings	23	**29,550**	**31,975**	32,460	37,236	28,202	33,108
Total equity attributable to equity holders of the parent		**86,087**	**89,109**	81,510	86,883	76,355	81,360
Non-current liabilities							
Trade and other payables	25	**-**	**28,143**	-	-	-	-
Lease liability	27	**1,680**	**1,395**	1,944	1,622	-	-
Deferred tax liability	12	**9,442**	**6,740**	4,482	3,092	4,345	3,150
Provisions	26	**1,545**	**1,545**	944	914	1,244	1,219
Total non-current liabilities		**12,667**	**37,823**	7,370	5,628	5,589	4,369
Current liabilities							
Trade and other payables	25	**15,515**	**14,651**	9,923	8,706	14,527	12,806
Income tax payable	12	**-**	**-**	-	-	536	-
Lease liability	27	**905**	**820**	964	880	-	-
Provisions	26	**8,991**	**8,758**	4,387	4,134	3,060	2,797
Total current liabilities		**25,411**	**24,229**	15,274	13,720	18,123	15,603
Total liabilities		**38,078**	**62,052**	22,644	19,348	23,712	19,972
Total equities and liabilities		**124,165**	**151,161**	104,154	106,231	100,067	101,332

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

The loss of the Company for the financial year, after taxation, was £1.0m (2020 restated: £9.4m profit).

The financial statements were approved by the Board of directors and authorised for issue on 20 September 2021 and are signed on its behalf by:

Ian Mattioli MBE

Chief Executive Officer

Ravi Tara

Chief Financial Officer

Consolidated and Company Statements of Changes in Equity
For the year ended 31 May 2021

Group	*Issued capital (Note 23) £000*	*Share premium (Note 23) £000*	*Merger reserve (Note 23) £000*	*Equity - share based payments (Note 23) £000*	*Capital redemption reserve (Note 23) £000*	*Own shares (Note 23) £000*	*Retained earnings Restated (Note 23) £000*	*Total equity £000*
As at 1 June 2019	268	32,137	10,639	3,208	2,000	(99)	28,202	76,355
Profit for the year	-	-	-	-	-	-	9,487	9,487
Share of other comprehensive income from associates	-	-	-	-	-	-	(15)	(15)
Total comprehensive income	-	-	-	-	-	-	9,472	9,472
Transactions with owners of the Group, recognised directly in equity								
Issue of share capital	1	754	-	-	-	-	-	755
Share-based payment transactions	-	-	-	1,066	-	-	-	1,066
Deferred tax recognised in equity	-	-	-	(50)	-	-	-	(50)
Current tax	-	-	-	29	-	-	-	29

taken to equity								
Reserves transfer	-	-	-	(405)	-	-	405	-
Own shares	-	-	-	-	-	(498)	-	(498)
Dividends	-	-	-	-	-	-	(5,619)	(5,619)
As at 31 May 2020	269	32,891	10,639	3,848	2,000	(597)	32,460	81,510
Profit for the year	-	-	-	-	-	-	1,391	1,391
Share of other comprehensive income from associates	-	-	-	-	-	-	28	28
Total comprehensive income	-	-	-	-	-	-	1,419	1,419
Transactions with owners of the Group, recognised directly in equity								
Issue of share capital	14	943	6,819	-	-	-	-	7,776
Share-based payment transactions	-	-	-	1,080	-	-	-	1,080
Deferred tax recognised in equity	-	-	-	(46)	-	-	(32)	(78)
Current tax taken to equity	-	-	-	31	-	-	-	31
Reserves transfer	-	-	-	(1,354)	-	-	1,354	-
Dividends	-	-	-	-	-	-	(5,651)	(5,651)
As at 31 May 2021	**283**	**33,834**	**17,458**	**3,559**	**2,000**	**(597)**	**29,550**	**86,087**

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

Consolidated and Company Statements of Changes in Equity
For the year ended 31 May 2021 (continued)

Company	*Issued capital (Note 23) £000*	*Share premium (Note 23) £000*	*Merger reserve (Note 23) £000*	*Equity - share based payments (Note 23) £000*	*Capital redemption reserve (Note 23) £000*	*Retained earnings Restated (Note 23) £000*	*Total equity £000*
As at 1 June 2019	268	32,137	10,639	3,208	2,000	33,108	81,360
Profit for the year	-	-	-	-	-	9,357	9,357
Share of other comprehensive income from associates	-	-	-	-	-	(15)	(15)
Total comprehensive income	-	-	-	-	-	9,342	9,342
Transactions with owners of the Company, recognised directly in equity							
Issue of share capital	1	754	-	-	-	-	755
Share-based payment transactions	-	-	-	1,066	-	-	1,066
Deferred tax recognised in equity	-	-	-	(50)	-	-	(50)
Current tax taken to equity	-	-	-	29	-	-	29
Reserves	-	-	-	(405)	-	405	-

Dividends	-	-	-	-	-	(5,619)	(5,619)
As at 31 May 2020	269	32,891	10,639	3,848	2,000	37,236	86,883
Loss for the year	-	-	-	-	-	(960)	(960)
Share of other comprehensive income from associates	-	-	-	-	-	28	28
Total comprehensive loss	-	-	-	-	-	(932)	(932)
Transactions with owners of the Company, recognised directly in equity							
Issue of share capital	14	943	6,819	-	-	-	7,776
Share-based payment transactions	-	-	-	1,080	-	-	1,080
Deferred tax recognised in equity	-	-	-	(46)	-	(32)	(78)
Current tax taken to equity	-	-	-	31	-	-	31
Reserves transfer	-	-	-	(1,354)	-	1,354	-
Dividends	-	-	-	-	-	(5,651)	(5,651)
As at 31 May 2021	**283**	**33,834**	**17,458**	**3,559**	**2,000**	**31,975**	**89,109**

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

As permitted by s408 of the Companies Act 2006, no separate profit or loss account or statement of comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's statement of financial position.

Consolidated and Company Statements of Cash Flows
For the year ended 31 May 2021

	Note	***Group 2021 £000***	***Company 2021 £000***	*Group 2020 Restated £000*	*Company 2020 Restated £000*
Operating activities					
Profit for the year		**1,391**	**(960)**	9,487	9,293
Adjustments for:					
Depreciation	15,16	**2,772**	**1,884**	2,547	1,781
Amortisation	17	**3,078**	**2,204**	2,437	2,039
Impairment of investment in subsidiaries	18	**-**	**21**	-	-
Gain on bargain purchase	3	**(288)**	**(288)**	-	-
Deferred consideration as remuneration	26,28	**3,803**	**3,803**	750	750
Investment income	8	**(34)**	**(367)**	(99)	(490)
Interest expense	9	**258**	**448**	196	177
Share of profit from associate	18	**(1,141)**	**(1,141)**	(633)	(633)
Loss on disposal of property, plant and equipment		**46**	**46**	18	16
Equity-settled share-based payments	20	**1,475**	**1,475**	1,335	1,335
Dividend income		**-**	**(2,000)**	-	(3,500)
Income tax expense	12	**3,757**	**1,936**	3,244	2,208
Cash flows from operating activities before changes in working capital and provisions		**15,117**	**7,061**	19,282	12,976
Decrease/(increase) in trade and other receivables		**996**	**2,368**	(806)	1,327
Increase/(decrease) in trade and other payables		**4,962**	**6,002**	(4,586)	(3,998)
(Decrease)/increase in provisions		**(713)**	**(613)**	36	55
Cash generated from operations		**20,362**	**14,818**	13,926	10,360
Interest paid		**(2)**	**(11)**	-	-
Income taxes paid		**(2,543)**	**(2,255)**	(4,392)	(3,863)
Net cash flows from operating activities		**17,817**	**12,552**	9,534	6,497
Investing activities					
Proceeds from sale of property, plant and equipment		**169**	**169**	124	124
Purchase of property, plant and equipment	15	**(419)**	**(416)**	(818)	(814)
Purchase of software	17	**(391)**	**(387)**	(173)	(173)
Contingent consideration paid on acquisition of subsidiaries	26	**(1,111)**	**(1,111)**	(600)	(600)
Acquisition of subsidiaries					

	Note				
Acquisition of subsidiaries	3	**(17,736)**	**(17,736)**	(861)	(990)
Cash received on acquisition of subsidiaries	3	**4,750**	**-**	111	-
Investment in other equity holdings	18	**(500)**	**(500)**	-	-
Cash received on hive up of group companies		**-**	**5,230**	-	-
Dividends received from associate undertakings	18	**588**	**588**	1,078	1,078
Proceeds from disposal of derivative financial assets		**-**	**-**	750	750
Proceeds on disposal of other investments	18	**8**	**8**	45	45
Loans advanced to property syndicates		**(1,108)**	**(1,108)**	(35)	(35)
Loan repayments from property syndicates		**20**	**20**	44	44
Interest received	8	**19**	**11**	83	44
Dividends received		**-**	**2,000**	-	3,500
Net cash flows from investing activities		**(15,711)**	**(13,232)**	(252)	2,973
Financing activities					
Proceeds from the issue of share capital		**551**	**551**	487	487
Cost of own shares acquired		**-**	**-**	(498)	-
Dividends paid	14	**(5,651)**	**(5,651)**	(5,619)	(5,619)
Payment of lease liabilities	27	**(1,077)**	**(895)**	(941)	(849)
Net cash flows from financing activities		**(6,177)**	**(5,995)**	(6,571)	(5,981)
Net (decrease)/increase in cash and cash equivalents		**(4,071)**	**(6,675)**	2,711	3,489
Cash and cash equivalents at start year	22	**25,959**	**17,584**	23,248	14,095
Cash and cash equivalents at end of year	22	**21,888**	**10,909**	25,959	17,584

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

Notes to the 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 publicly traded on the AIM market of the London Stock Exchange plc. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Review.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by IASB.

The financial statements comprise the financial statements of Mattioli Woods plc and its subsidiaries ("the Group") as at 31 May each year. The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value (Notes 18, 22 and 27), and are presented in pounds, with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted are set out in this note and, unless otherwise stated, have been applied consistently to all periods presented in the financial statements. The financial statements were authorised for issue in accordance with a resolution of the directors on 20 September 2021.

2.2 Restatement of comparative financial information

Following a review a decision has been made to change the accounting treatment for acquisitions with contingent earn-out consideration payable under certain circumstances. As a result of a review, we have restated comparative financial information to reflect a revised allocation of contingent consideration on certain business combinations between acquisition costs and non-underlying remuneration.

IFRS 3 Business Combinations lists a number of factors to consider when assessing whether contingent consideration payable to employees or management vendors should be treated as part of acquisition cost or remuneration. These factors include terms associated with post-acquisition employment, linkage to valuation of the acquiree and other factors.

Following further review in the current year, and consideration of the January 2013 IFRIC Update issued by the IFRS Interpretations Committee, which sought to provide clarification on this area of IFRS 3, we identified that certain of our previous acquisitions which contained contingent consideration should have been recognised separately as remuneration rather than acquisition cost. The clarification to IFRS 3 centres on the existence of automatic forfeiture of a management seller to their rights to contingent deferred consideration in the event of the termination of their employment, which supersedes all other factors we are asked to consider under IFRS 3.

We have reviewed the legal documentation and acquisition accounting for every acquisition made by the Group since the adoption of IFRS 3, which for the Group is the period commencing 1 June 2010, five of which were found to contain clauses where rights to contingent consideration are forfeit on termination of employment. In these cases, we have

treated the contingent consideration payable to those management sellers as remuneration. These contractual terms existed to help protect the value of the intangible assets acquired in the business combination by encouraging retention of key personnel and their client relationships.

The historical acquisitions that have given rise to this restatement are as follows:

- TCF Global Independent Financial Services Limited acquired in August 2011;
- Thoroughbred Wealth Management Limited acquired in July 2013;
- Boyd Coughlan Limited acquired in June 2015;
- Taylor Patterson Group Limited acquired in September 2015; and
- SSAS Solutions (UK) Limited acquired in March 2019.

When classified as acquisition cost, the discounted value is capitalised, with the discounting being unwound over the earn-out period and recognised as a finance cost. By classifying contingent consideration as remuneration, the cost of the contingent payments are not capitalised as part of acquisition cost, but recognised as a separately identifiable expense on the face of the statement of comprehensive income over the period in which those services were provided under the terms of the acquisition agreement. Treatment as remuneration also reduces finance costs recognised in respect of discounting the provisions for contingent consideration. Where the reduction to acquisition cost results in acquisition costs being lower than the fair value of separately identifiable assets acquired, this gives rise to negative goodwill, which is recognised as a gain on bargain purchase in the statement of comprehensive income at acquisition.

The impact of the restatement on the comparative financial statements of the Group are as follows:

Group Statement of Financial Position	*2020 As reported £000*	*Restatement £000*	***2020 Restated £000***
Assets			
Intangible assets	48,102	(10,709)	**37,393**
Total assets	114,863	(10,709)	**104,154**
Liabilities			
Provisions	5,924	(593)	**5,331**
Total liabilities	23,237	(593)	**22,644**
Equity			
Retained earnings	42,576	(10,116)	**32,460**
Total equity	91,626	(10,116)	**81,510**
Total equity and liabilities	114,863	(10,709)	**104,154**

Group Statement of Comprehensive Income	*2020 As reported £000*	*Restatement £000*	***2020 Restated £000***
Deferred consideration as remuneration	-	(750)	**(750)**
Operating profit before financing	12,945	(750)	**12,195**
Finance costs	(260)	64	**(196)**
Profit before tax	13,417	(686)	**12,731**
Profit for the year	10,173	(686)	**9,487**

Group Statement of Financial	*2019 As reported*	*Restatement £000*	***2019 Restated £000***

Position	£000		
Assets			
Intangible assets	48,734	(10,709)	**38,025**
Total assets	110,776	(10,709)	**100,067**
Liabilities			
Provisions	5,583	(1,279)	**4,304**
Total liabilities	24,991	(1,279)	**23,712**
Equity			
Retained earnings	37,632	(9,430)	**28,202**
Total equity	85,785	(9,430)	**76,355**
Total equity and liabilities	110,776	(10,709)	**100,067**

The financial statements of the Company have also been restated, with the value of investments in subsidiaries having been reduced to reflect the lower acquisition costs recognised. The impact is less than that of the impact on goodwill in the Group accounts as a result of investments in subsidiaries impacted by this restatement having been impaired in prior accounting periods. Goodwill recognised by the Company is unchanged.

The impact of the restatement on the comparative financial statements of the Company are as follows:

Company Statement of Financial Position	*2020 As reported £000*	*Restatement £000*	***2020 Restated £000***
Assets			
Investments in subsidiaries	14,534	(1,393)	**13,141**
Total assets	107,624	(1,393)	**106,231**
Liabilities			
Provisions	5,640	(592)	**5,048**
Total liabilities	19,940	(592)	**19,348**
Equity			
Retained earnings	38,037	(801)	**37,236**
Total equity	87,684	(801)	**86,883**
Total equity and liabilities	107,624	(1,393)	**106,231**

Company Statement of Financial Position	*2019 As reported £000*	*Restatement £000*	***2019 Restated £000***
Assets			
Investments in subsidiaries	12,803	(1,393)	**11,410**
Total assets	102,725	(1,393)	**101,332**
Liabilities			
Provisions	5,294	(1,278)	**4,016**
Total liabilities	21,250	(1,278)	**19,972**
Equity			
Retained earnings	33,223	(115)	**33,108**
Total equity	81,475	(115)	**81,360**
Total equity and liabilities	102,725	(1,393)	**101,332**

As a result of the restatement to comparative financial information, we have presented a third statement of financial position as at the beginning of the preceding period, as required by IAS 1 Presentation of Financial Statements.

Performance measures impacted by the restatement to contingent consideration costs have also been restated,

including operating profit before financing, EBITDA, EBITDA margin, profit before tax, effective taxation rate, basic EPS and diluted EPS.

2.3 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence. In forming this view, the directors have considered the Company's and the Group's prospects for a period of at least 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Further details of the consideration made by the directors can be found in the Directors Report.

2.4 Developments in reporting standards and interpretations

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 8 (amendments) Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS standard	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 periods and, therefore, have not been applied in preparing these consolidated financial statements. At the date of authorisation of these financial statements, the following standards and interpretations 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 - Interest Rate Benchmark Reform	1 January 2021
Amendments to IFRS 16 - Covid-19 related rent concessions	1 January 2021
IFRS 17 Insurance contacts	1 January 2023

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.

2.5 Principal accounting policies

Basis of consolidation

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 the

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.

Business combinations

Business combinations are accounted for using the purchase accounting method. This involves assessing whether any assets acquired meet the criteria for recognition as separately identifiable intangible assets. Intangible assets are measured on initial recognition at their fair value at the date of acquisition. Client portfolios are valued by discounting their expected future cash flows over their expected useful lives, based on the Group's historical experience. Expected future cash flows are estimated based on the historical revenues and costs associated with the operation of that client portfolio. The discount rates used estimate the cost of capital, adjusted for risk.

Contingent consideration payable to employees or selling shareholders arising on business combination is assessed as to whether it should be classified as part of acquisition costs or remuneration for post-acquisition services, using the criteria as defined in IFRS 3 Business Combinations to identify the appropriate treatment. Where contingent consideration payable to employees or selling shareholders is treated as remuneration, it is recognised as an expense over the period over which the contingent consideration is earned, and reported separately on the face of the statement of comprehensive income.

Associates

The Company's share of profits from associates is reported separately in the Statement of Comprehensive Income and the investment is recognised in the Statement of Financial Position using the equity method. The investment is initially recorded at cost and subsequently adjusted to reflect the Company's share of the cumulative profits of the associate since acquisition. Appropriate adjustments to the Company's share of the profits or losses after acquisition are made to account for additional amortisation of the associate's amortisable assets based on the excess of their fair values over their carrying amounts at the time the investment was acquired.

Property, plant and equipment

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred if the recognition criteria are met.

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

- Assets under construction — 0% until asset becomes available for use;
- Freehold buildings — 2% per annum on cost;
- Computer equipment — 10-33% per annum on cost;
- Office equipment — 20% per annum on written down values;
- Fixtures and fittings — 20% per annum on written down values;
- Motor vehicles — 33% per annum on written down values; and
- Leasehold improvements — Straight line over the remaining term of the lease.

Assets under construction are not depreciated until construction is complete and the asset is available for use. At the point when the asset becomes available for use, it will be transferred to the appropriate asset class and depreciated in line with the above policy.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Investments

The Group accounts for its investments in subsidiaries using the cost model and investments in associates using the equity method.

Short-term investments

Short-term investments include units in private property syndicates, which are measured at amortised cost.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 'Operating Segments'.

If a cash generating unit was to be sold, the difference between the selling price and the net assets and goodwill would be recognised in the statement of comprehensive income. Where the Group reorganises its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets assessed as having finite lives are amortised over their useful economic life as follows:

- Purchased software — 25% per annum on written down values; and
- Internally generated software — Straight line over 10 years.

The Group amortises individual client portfolios acquired through business combinations on a straight-line basis over an estimated useful life based on the Group's historic experience.

Client portfolios acquired through business combinations are as follows:

Client portfolio	**Date of acquisition**	**Estimated useful life**
Mattioli Woods Pension Consultants ("the Partnership Portfolio")	2 September 2003	25 Years
Geoffrey Bernstein	20 June 2005	25 Years
Suffolk Life	27 January 2006	25 Years
PCL	10 July 2007	25 Years
JBFS	18 February 2008	25 Years
CP Pensions	30 April 2010	25 Years
City Pensions	9 August 2010	20 Years
Kudos	26 August 2011	20 Years
Ashcourt Rowan	23 April 2013	10 Years
Atkinson Bolton	29 July 2013	20 Years
UK Wealth Management	8 August 2014	10 Years
Torquil Clark	23 January 2015	10 Years
Boyd Coughlan	23 June 2015	20 Years
Taylor Patterson	8 September 2015	20 Years
Lindley	5 October	10 Years

Trustees	2015	
Maclean Marshall Healthcare	22 January 2016	10 Years
Stadia Trustees	15 February 2016	10 Years
MC Trustees	7 September 2016	20 Years
Broughtons	8 August 2018	15 Years
SSAS Solutions	27 March 2019	20 Years
The Turris Partnership	19 December 2019	15 Years
Exempt Property Unit Trust	14 January 2021	10 Years
Montagu	2 February 2021	20 Years
Pole Arnold	12 April 2021	20 Years
Caledonia	16 April 2021	20 Years

A summary of the policies applied to the Group's goodwill and intangible assets is as follows:

	Goodwill	**Client portfolios**	**Software**	**Other intangibles**
Useful life	Indefinite	Finite	Finite	Finite
Measurement method used	Annual impairment review	Amortised over a useful economic life of between 10 and 25 years on a straight-line basis	Amortised over a useful economic life of four years on a reducing balance basis or 10 years on a straight-line basis if internally generated	Amortised over a useful economic life of three years
Internally generated or acquired	Acquired	Acquired	Both	Both

Intangible assets assessed as having finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash generating unit's fair value less cost to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or group of assets.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last

impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at the revalued amount, in which case reversal is treated as a revaluation increase, except in relation to goodwill.

The following criteria are also applied in assessing impairment of specific non-financial assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 May.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets, which have solely payments of principal and interest that are held with the intention of collecting the cashflows. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees and transaction costs. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Impairment of non-derivative financial assets

At each reporting date the Group recognises loss allowances for expected credit losses for all financial assets at amortised cost. The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12 month expected credit losses.

When estimating expected credit loss by determining whether credit risk has increased significantly since initial recognition, the Group considers reasonable and supportive information that is relevant and available without undue cost or effort, including historic rates of loss from the issue of credit notes or increases in specific provisions for bad debt and will consider forward looking factors where they may impact clients abilities to meet cashflow obligations such as significant market movements impacting the value of clients investments.

Trade receivables are deemed to be low credit risk as our pension and investment products tend to attract high net worth clients with a strong capacity to meet contractual cashflow obligations in the near term and adverse changes in economic conditions in the longer term may, but will not necessarily, reduce their ability to fulfil cashflow obligations. Further details of our credit risk management practices are included in Note 30.

Aged trade and other receivables are reviewed with specific provisions or write offs recognise where recovery is uncertain, such as balances owing from individuals who are declared bankrupt or deceased, and balances due from pension schemes where the scheme does not hold liquid or saleable assets. The carrying amount of the receivable is reduced through use of an allowance account.

Credit losses are calculated based on the value of credit notes issued, plus increases in specific provisions against trade receivables. Credit losses rates are calculated separately for each company within the Group based on credit losses divided by the value of invoiced revenue over a rolling 12-month period.

Financial liabilities
Trade and other payables

Trade and other payables are recognised at cost, due to their short-term nature. Accruals and deferred income are normally settled monthly throughout the financial year, with the exception of bonus accruals which are typically paid annually.

Leases

Lease agreements under which the Group is lessee give rise to both a right-of-use asset and a lease liability.

The lease liability is recognised at the present value of future lease payments under the lease, including any rental incentives, and discounted at the incremental rate of borrowing of the lessee, which is determined based on the risk-free rate and margin payable on borrowing over a term equivalent to the lease. Right of use asset assets are initially recognised at the value of the lease liability.

Lease liabilities are subsequently measured by adjusting the carrying amount to reflect the interest charge, the lease payments made and any reassessment or lease modifications. Leases with a remaining term less than 12 months at the reporting date are assessed for a period of expected renewal, and where renewal is expected the lease liability is remeasured to include the terms of the expected renewal.

Right-of-use assets are subsequently depreciated on a straight-line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability and amendments to associated provisions for dilapidation on property leases. Right-of-use assets are derecognised on handing the leased asset back to the lessor of the asset.

Lease agreements under which the Group is lessor are assessed to determine if they represent operating or finance leases. The Group has one lease agreement under which the Group is lessor, which is classified as a finance lease, in respect of part of a property for which the Group is also lessor.

Finance leases of leased assets under which the Group is lessor give rise to both a finance lease receivable and the partial de-recognition of the right-of-use asset in respect of the head lease of the leased asset. De-recognition of right-of-use assets are measured at an amount equal to the lease receivable.

Finance lease receivable is subsequently measured by adjusting the carrying amount to reflect the interest income, the lease payments received and any reassessment or lease modifications.

Where a lease has a term of less than 12 months or is of low value, the Group applies the exemption not to recognise right-of-use assets and liabilities for these leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Contingent consideration

Contingent consideration payable to employees or selling shareholders arising on business combination is assessed as to whether it should be classified as part of acquisition costs or remuneration for post-acquisition services.

Where classified as acquisition costs, a provision for contingent consideration is recognised on acquisition for the present value of the level of contingent consideration expected to be paid. Subsequent changes to the fair value of the contingent consideration are recognised in accordance with IFRS 9 in the statement of comprehensive income.

Where classified as remuneration a provision for contingent consideration is recognised based on the level of contingent consideration expected to be paid and the period over which the contingent consideration relates.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate which reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passing of time is recognised as a finance cost.

Provisions include financial liabilities. Where the Group has entered into certain acquisition agreements that provide for contingent consideration to be paid the Board estimates the net present value of contingent consideration payable.

Share-based payments

The Group engages in share-based payment transactions in respect of services received from certain employees. In relation to equity settled share-based payments, the fair value of services received is measured by reference to the fair value of the shares or share options granted on the date of grant and is recognised, together with a corresponding increase in equity, as an expense over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The fair value of share options is determined using the Black Scholes Merton pricing model.

The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has elapsed and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in Note 13).

Own shares

Own shares consist of shares held within an employee benefit trust. The Company has an employee benefit trust for the granting of shares to applicable employees.

Own shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable for each contractual obligation, excluding discounts, rebates, and other sales taxes or duty. Terms of business with customers typically include payment periods of up to 60 days, although specific payment terms can be agreed between the parties. The following information details the nature and timing of the satisfaction of performance obligations in contracts with customers.

Investment and asset management

Commission income and adviser charges are recognised as follows:

- At a point in time: Initial commission (less provision for clawbacks, as explained in Note 26) and initial adviser charges are recognised on a 'point in time' basis as being earned at the point the performance obligation is met, being when an investment of funds has been made by the client and submitted to the product provider.
- Over time: Ongoing adviser charges, based on the value of assets invested, are recognised on an 'over time' basis during the period the assets are held in the portfolio or investment fund, with the contract performance obligation being the ongoing management of investments in accordance with the applicable investment mandate.

Discretionary portfolio management ("DPM") charges are recognised as follows:

- At a point in time: Initial charges on the placing of investments are recognised on a 'point in time' basis as being earned at the point when an investment of funds has been made by the client and submitted to the product provider.
- Over time: Ongoing DPM charges based on the value of assets invested are recognised on an 'over time' basis

during the period the assets are held in the portfolio or investment fund, with the contract performance obligation being the ongoing management of investments in accordance with the applicable investment mandate.

Our ongoing adviser and DPM charges have been compared to observable rates from other providers on a stand-alone basis, with initial charges being recognised by the residual approach, to ensure that the allocation of the selling price remains appropriate.

Pension consultancy and administration

Pension consultancy and administration fees are recognised as follows:

- At a point in time: Mattioli Woods generally invoices pension clients on a six-monthly basis in arrears for costs incurred in advising on and administering their affairs. Where revenue is contingent on completion of a service, revenue is recognised on a 'point in time' basis at the point that those contractual performance conditions are satisfied. No revenue is recognised if there are significant uncertainties regarding recovery of the time incurred.
- Over time: To the extent that the Group has a contractual right to invoice for services rendered, revenue is recognised on an 'over time' basis as time is incurred on the provision of services, with an estimate being made of what proportion of uninvoiced time costs will be recoverable. Recoverability is measured as a percentage of the total time costs incurred on clients' affairs compared to the proportion of historical time costs actually invoiced.

Pension consultancy and administration fees have been compared to observable rates from other providers on a stand-alone basis, with establishment charges being recognised by the residual approach, to ensure that the allocation of the selling price remains appropriate.

Property management

Property management fees are recognised as follows:

- At a point in time: Initial charges on the establishment of a private investment syndicate are recognised on a 'point in time' basis when the syndicate completes its investment.
- Over time: Fund management and private investment syndicate charges, including charges based on the value of assets held, are recognised on an 'over time' basis during the period the assets are held in the fund or syndicate.

Employee benefits

Employee benefits fees are recognised as follows:

- At a point in time: Fee income from services provided on the set up of an employee benefits scheme or provision of non-recurring employee benefits services are recognised on a 'point in time' basis on completion of rendering those services, being the point that those contractual performance conditions are satisfied.
- Over time: Ongoing management charges on employee benefits schemes are recognised on an 'over time' basis over the period to which they relate.

Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or repaid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax balances are recognised for all taxable temporary differences, except where the deferred income tax balance arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Deferred income tax assets related to temporary differences arising on share-based payments to employees are based on the market value of the Company's shares at the year end.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

Pension costs

The Group makes discretionary payments into the personal pension schemes of certain employees. Contributions are charged to the statement of comprehensive income as they are payable.

2.6 Critical accounting judgements and sources of significant estimation uncertainty

The preparation of the 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

Contingent payments to selling shareholders arising from a business combination

Contingent consideration payable to employees or selling shareholders arising on business combination is assessed as to whether it should be classified as part of acquisition costs or remuneration for post-acquisition services, using the criteria as defined in IFRS 3 Business Combinations to identify the appropriate treatment. Where contingent consideration payable to employees or selling shareholders is treated as acquisition costs, its fair value at acquisition forms part of the intangible assets arising on acquisition. Where it is treated as remuneration, it is recognised as an expense over the period over which the contingent consideration is earned.

Two acquisitions were completed in the year ended 31 May 2021 which include contingent consideration classified as remuneration. If these had been classified as part of acquisition cost, overhead expenses would be lower by £3,178,000, finance costs would be higher by £505,000, therefore profit before tax would be higher by £2,673,000. In addition, goodwill would be higher by £8,636,000 and provisions for contingent consideration would be higher by £4,952,000.

Sources of significant estimation uncertainty

Acquisitions and business combinations

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

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 year was £34.1m (2020: £1.6m), 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.

Estimated useful life sensitivity of -5 years is used, representing a severe but plausible rate of client attrition if customer relationships acquired are damaged as a result of the business combination. Growth rate sensitivities are set at a level to either minimise or altogether remove the impact of assumed growth in cashflows derived from the acquired portfolio. Discount rate sensitivity of +1.0% represents a plausible variance in discount rate as a result of a range of judgements used in following the capital asset pricing model to determine an appropriate weighted average cost of capital for the acquired businesses.

The sensitivity of the fair value of the highest-valued customer relationships acquired during the year to changes in the key assumptions are as follows:

Acquisition of Hurley Partners Limited	*Base assumption*	*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%	-5.0%	(972)
Long-term growth rate from year 4	2.0%	-2.0%	(642)
Discount rate	11.2%	+1.0%	(642)

Acquisition of Pole Arnold Financial Management Limited	*Base assumption*	*Change in assumption*	*Increase/ (decrease) in fair value £000*
Estimated useful life	20 years	-5 years	(487)
Short-term growth rate in years 2 to 5	2.5%	-5.0%	(438)
Long-term growth rate from year 6	2.5%	-2.0%	(113)
Discount rate	14.7%	+1.0%	(147)

Other areas of estimation uncertainty

The Group also notes the following other areas of estimation uncertainty, which are not considered areas of significant estimation uncertainty:

Impairment of intangible assets

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.

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 10.5% 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. Forecast cashflows are derived from the budget for the three years to 31 May 2024, extrapolated for a further two years assuming medium-term growth of 5.0% (2020: 5.0%), thereafter extrapolating these cash flows using a long-term growth rate of 2.0% (2020: 2.5%), which management considers conservative against industry average long-term growth rates.

The carrying amount of client portfolios at 31 May 2021 was £40.6m (2020: £25.4m). No impairment provisions have been made during the year (2020: £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 10.5%, reflecting current market assessments of the time value of money and the risks specific to that asset, based on the Group's WACC.

The carrying amount of goodwill at 31 May 2021 was £37.2m (2020 restated: £21.1m). No impairment provisions have been made during the year (2020: £nil) based upon the Directors' review.

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, and discount rates. Sensitivities to key assumptions are disclosed in Note 19. Of these, the most sensitive assumption is the discount rate used to measure the value in use. Increasing the discount rate by 1.0% would reduce the value in use of the Group's operating segments by £28.7m (2020: £14.6m), but would not result in an impairment being recognised.

Contingent consideration and contingent remuneration payable on acquisitions

Whether contingent consideration is classified as acquisition cost or remuneration, provisions for contingent consideration and contingent remuneration require an assessment of the future values expected to be paid out.

Using forecasts approved by the Board covering the period of the contingency, provisions for consideration and remuneration are recognised based on the maximum expected value expected to fall due. A material change to the carrying value would only occur if the acquired business fell significantly short of the target earnings, or if termination of employment of a management seller results in forfeiture of rights to future contingent payments. The carrying amount of contingent consideration provided for at 31 May 2021 was £2.9m (2020 restated: £1.5m) and contingent remuneration provided for at 31 May 2021 was £4.0m (2020 restated: £0.8m)

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. For all acquisitions that have completed their contingent payment period, contingent consideration has been paid in full.

Provisions

As detailed in Note 26, the Group recognises provisions for client claims, contingent consideration payable on acquisitions, commission clawbacks, dilapidations, onerous contracts and other obligations which exist at the reporting date. These provisions are estimates and the actual amount and timing of future cash flows are dependent on future events. Management reviews these provisions at each reporting date to ensure they are measured at the current best estimate of the expenditure required to settle the obligation. Any difference between the amounts previously recognised and the current estimate is recognised immediately in the statement of comprehensive income.

Recoverability of accrued time costs and disbursements

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

The estimated rate of recovery of 67.8% (2020: 66.9%) is based on historic actual recovery rates measured over a period of twelve (2020: three) months, calculated based on the value of invoices, net of credit losses, divided by the gross value of the charges based on internal charge out rates. The period over which the recovery rate was measured in the prior year was temporarily reduced to three months as that was considered a more appropriate reflection of any impact from the Covid-19 pandemic on valuation of the unbilled time costs and disbursements at 31 May 2020. The carrying amount of accrued time costs and disbursements at 31 May 2021 was £4.2m (2020: £4.8m).

The sensitivity of a 5.0% change in the estimated recoverability of accrued time costs and disbursements is appropriate as rates have fluctuated +/- 3.0% over the past 12 months, with 5.0% representing a severe but plausible degradation of recovery rates. Sensitivity to a 5.0% (2020: 5.0%) change with all other variables held constant, is £0.3m (2020: £0.3m) of the Group's profit before tax respectively. There is no material impact on the Group's equity.

3. Business combinations

The Group completed five acquisitions during the year. Acquisition related costs of £2.6m (2020: £0.3m) incurred during the year to 31 May 2021 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 ("Hurley"), 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:

	Fair value recognised on acquisition £000	*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	-
Trade and other receivables	825	-	825
Prepayments and accrued income	630	(41)	671
Cash at bank	2,271	-	2,271
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	5,067		
Acquisition cost	17,417		

Analysed as follows:	
Initial cash consideration	10,666
Net shares in Mattioli Woods	5,921
Contingent consideration	972
Discounting of contingent consideration	(142)
Acquisition cost	17,417

Cash outflow on acquisition:	
Cash paid	10,666
Cash acquired	(2,271)
Acquisition related 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 at acquisition 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.

In addition to the acquisition cost, management sellers will receive remuneration of up to £7.0m over a two year earn out to 31 July 2022, subject to the achievement of certain performance conditions including the financial performance of Hurley meeting financial targets, see Note 28 for further details of commitments and contingencies.

Acquisition of the Exempt Property Unit Trust administration business of BDO Northern Ireland

On 11 January 2021, Mattioli Woods completed the acquisition of the Exempt Property Unit Trust ("EPUT") administration business of BDO Northern Ireland ("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. Mattioli Woods has also acquired the entire issued share capital of Callender Street Nominees Limited ("CSNL") from Aqua Trust Company Limited in Jersey as part of the transaction.

The provisional fair values of the assets and liabilities of the EPUT business 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*
Client portfolio	537	537	-
Trade and other receivables	-	(15)	15
Prepayments and accrued income	138	-	138
Cash at bank	-	(66)	66
Assets	675	456	219
Trade and other payables	-	4	(4)
Accruals and deferred income	-	12	(12)
Other taxation and social security	-	10	(10)
Income tax	-	11	(11)
Deferred tax liability	(102)	(102)	-
Liabilities	(102)	(65)	(37)
Total identifiable net assets at fair value	573		
Goodwill	(288)		
Total acquisition cost	285		

Analysed as follows:	
Initial cash consideration	107
Contingent consideration	201
Discounting of contingent consideration	(23)
Total acquisition cost	285

Cash outflow on acquisition:	
Cash paid	107
Cash acquired	-
Acquisition related costs	24
Net cash outflow	131

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 £233 million.

Negative goodwill of £288,000 has been recognised in the statement of comprehensive income as a gain on bargain purchase.

Acquisition of Montagu Limited

On 2 February 2021, Mattioli Woods acquired the entire issued share capital of Montagu Limited ("Montagu"), a financial planning and wealth management business based in Twickenham, London.

The provisional fair values of the assets and liabilities of Montagu 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	3	-	3
Right of use assets	53	53	-
Client portfolio	1,716	1,716	-
Trade receivables	74	-	74
Prepayments and accrued income	17	-	17
Cash at bank	1,173	-	1,173
Assets	3,036	1,769	1,267
Trade and other payables	(1)	-	(1)
Accruals and deferred income	(130)	-	(130)
Other taxation and social security	(17)	-	(17)
Corporation tax	(82)	-	(82)
Lease liability	(53)	(53)	-
Provisions for deferred tax	(326)	(326)	-
Liabilities	(609)	(379)	(230)

Total identifiable net assets at fair value	2,428
Goodwill arising on acquisition	800
Total acquisition cost	3,228

Analysed as follows:	
Initial cash consideration	1,090
Net assets adjustment to initial cash consideration	1,003
Initial share consideration	300
Contingent consideration	950
Discounting of contingent consideration	(115)
Total acquisition cost	3,228

Cash outflow on acquisition:	
Cash paid	2,093
Cash acquired	(1,173)
Acquisition related costs	103
Net cash outflow	1,023

Montagu was established in 1996 and provides wealth management advice and administration for over 150 private and corporate clients with approximately £80 million of assets under advice.

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.

Acquisition of Pole Arnold Financial Management Limited

On 12 April 2021, Mattioli Woods acquired the entire issued share capital of Pole Arnold Financial Management Limited ("Pole Arnold"), a financial planning and wealth management business with offices in Leicester and London.

The provisional fair values of the assets and liabilities of Pole Arnold 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	13	-	13
Client portfolio	3,762	3,762	-
Trade and other receivables	99	-	99

Prepayments and accrued income	19	-	19
Cash at bank	1,039	-	1,039
Assets	4,932	3,762	1,170
Trade and other payables	(16)	-	(16)
Accruals and deferred income	(284)	-	(284)
Social security and other taxes	(118)	-	(118)
Corporation tax	(109)	-	(109)
Provisions	(5)	-	(5)
Provisions for deferred tax	(715)	(715)	(1)
Liabilities	(1,247)	(715)	(533)

Total identifiable net assets at fair value	3,684
Goodwill arising on acquisition	718
Total acquisition cost	4,402

Analysed as follows:	
Initial cash consideration	3,500
Net assets adjustment to initial cash consideration	399
Initial share consideration	503
Total acquisition cost	4,402

Cash outflow on acquisition:	
Cash paid	3,899
Cash acquired	(1,039)
Acquisition related costs	145
Net cash outflow	3,005

Pole Arnold is a firm of experienced financial advisers, established in 2012 and providing highly personalised advice to circa 360 private and corporate clients with approximately £245 million of assets under management and advice. Pole Arnold is based in Leicester and employs an experienced team of 16 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, with the businesses complementary product offerings providing scope for potential revenue synergies, whilst maintaining the strong cultural commitment of both companies to putting clients first.

In addition to the acquisition cost, management sellers will receive remuneration of up to £3.0m over a two year earn out to 12 April 2023, subject to the achievement of certain performance conditions including the financial performance of Pole Arnold meeting financial targets, see Note 28 for further details of commitments and contingencies.

Acquisition of Caledonia Asset Management Limited

On 12 April 2021, Mattioli Woods acquired the entire issued share capital of Caledonia Asset Management Limited ("Caledonia"), a financial planning and wealth management business based in Edinburgh.

The provisional fair values of the assets and liabilities of Caledonia 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	7	-	7
Right of use assets	30	30	-
Client portfolio	680	680	-
Trade and other receivables	3	(18)	21
Prepayments and accrued income	24	-	24
Cash at bank	267	-	267
Assets	1,011	692	319
Trade and other payables	(25)	-	(25)
Accruals and deferred income	(31)	-	(31)
Corporation tax	(43)	-	(43)
Lease liability	(30)	(30)	-
Provisions for deferred tax	(129)	(129)	-
Liabilities	(258)	(159)	(99)

Total identifiable net assets at fair value	752
Goodwill arising on acquisition	886
Total acquisition cost	1,638

Analysed as follows:

Initial cash consideration	860
Net assets adjustment to initial cash consideration	111
Initial share consideration	105
Contingent consideration	640
Discounting of contingent consideration	(78)
Total acquisition cost	1,638

Cash outflow on acquisition:	
Cash paid	971
Cash acquired	(267)
Acquisition related costs	89
Net cash outflow	793

Founded in 2000, Caledonia provides wealth management services to affluent individuals and families, encompassing lifestyle financial planning, pensions and retirement planning, ISAs, life assurance, critical illness, income protection and personal tax planning, working with circa 150 private clients with over £55 million of assets under advice.

4. Revenue

The Group derives its revenue from the rendering of services over time and at a point in time across all operating segments. Further details of accounting policies for the recognition of revenue are disclosed in Note 2. The timing of recognition of the revenues of each operating segment is analysed as follows:

Timing of revenue recognition	***2021 £000***	*2020 £000*
At a point in time:		
Investment and asset management	**2,041**	2,002
Pension consultancy and administration	**1,018**	1,097
Property management	**104**	464
Employee benefits	**917**	1,043
	4,080	4,606
Over time:		
Investment and asset management	**31,329**	24,846
Pension consultancy and administration	**17,789**	19,464
Property management	**4,806**	4,952
Employee benefits	**4,611**	4,539
	58,535	53,801
	62,615	58,407

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period:

Contract liabilities	***Group 2021 £000***	*Group 2020 £000*	***Company 2021 £000***	*Company 2020 £000*
Investment and asset management	**52**	-	**-**	-
Pension consultancy and administration	**2,218**	2,219	**967**	1,051
Property management	**204**	36	**-**	-
Employee benefits	**485**	515	**485**	515
	2,959	2,770	**1,452**	1,566

The Group expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 May 2021 will be recognised as revenue during the next reporting period, amounting to £2,959,000.

The following table shows the movement in contract liabilities in the period:

Contract liabilities	*Group £000*	*Company £000*
At 1 June 2020	2,770	1,566
Revenue recognised on completion of performance obligations	(2,770)	(1,566)
Consideration received allocated to performance obligations that are unsatisfied at the period end	2,959	1,452

At 31 May 2021	2,959	1,452

5. 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.

6. Segment information

The Group's objective is to fully integrate the businesses it acquires, to enable it to deliver holistic solutions across its wide and diverse client base. 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 two years ended 31 May 2021 and 2020 respectively.

Year ended 31 May 2021	*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							
External customers	33,370	18,807	4,910	5,528	62,615	-	62,615
Results							
Segment profit before tax	9,195	5,787	605	755	16,342	(11,194)	5,148

Year ended 31 May 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							
External customers	26,848	20,561	5,416	5,582	58,407	-	58,407
Results							
	9,629	6,488	1,107	1,146	18,370	(5,639)	12,731

Segment profit before tax (restated)

Segment assets

The following table presents segment assets of the Group's operating segments:

	31 May 2021 £000	*31 May 2020 Restated £000*
Investment and asset management	**46,042**	22,153
Pension consultancy and administration	**24,096**	24,204
Property management	**2,189**	1,468
Employee benefits	**5,511**	6,220
Segment operating assets	**77,838**	54,045
Corporate assets	**46,327**	50,109
Total assets	**124,165**	104,154

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	***31 May 2021 £000***	*31 May 2020 Restated £000*
Segment operating assets	**77,838**	54,045
Property, plant and equipment	**14,340**	15,636
Right of use assets	**2,180**	2,584
Intangible assets	**1,666**	1,579
Deferred tax asset	**951**	888
Prepayments and other receivables	**4,956**	2,709
Income tax receivable	**30**	390
Finance lease receivable	**290**	324
Investments	**26**	40
Cash and short-term deposits	**21,888**	25,959
Total assets	**124,165**	104,154

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 before tax	***2021 £000***	*2020 Restated £000*
Total segments	**16,342**	18,370
Deferred consideration as remuneration	**(3,803)**	(750)
Depreciation	**(2,772)**	(2,547)
Acquisition-related costs	**(2,595)**	(334)
Irrecoverable VAT	**(981)**	(900)
Finance costs	**(258)**	(260)
Professional indemnity insurance	**(706)**	(610)
Amortisation and impairment	**(304)**	(359)
Bank charges	**(48)**	(24)
Loss on disposal of assets	**(46)**	(18)
Foreign exchange loss	**(3)**	-
Finance income	**34**	99
Gain on bargain purchase	**288**	-
Group profit before tax	**5,148**	12,731

Country-by-country reporting

HM Treasury has transposed the requirements set out under the Capital Requirements Directive IV ("CRD IV") and issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014. The legislation requires Mattioli Woods plc (together with its subsidiaries) to publish certain additional information split by country, on a consolidated basis, for the year ended 31 May 2021.

Mattioli Woods plc and its subsidiaries (see Note 18) are all incorporated in and operate from the United Kingdom. All employees (see Note 11) of the Group hold contracts of employment in the United Kingdom. All turnover (revenue) and profit before tax is recognised on activities based in the United Kingdom. All tax paid and any subsidies received are paid to and received from UK institutions.

7. Auditor's remuneration

Remuneration paid by the Group to its auditor, Deloitte LLP, and its associates for the audit of the financial statements, fees other than for the audit of the financial statements and the total of non-audit fees for the Group were as follows:

2021 *2020*

	£000	£000
Audit services:		
Audit of the financial statements of the Company	**225**	170
Audit of the financial statements of subsidiaries	**37**	30
	262	200
Audit-related services:		
Interim review	**28**	28
Other assurance - CASS reporting	**20**	20
	48	48
Non-audit services:		
Indirect tax advice	**-**	12
Provision of indirect tax software for clients' VAT returns	**19**	39
	19	51
Total	**329**	299

8. Finance revenue

	2021 £000	*2020 £000*
Bank interest receivable	**20**	83
Unwinding of discount on finance lease receivable	**14**	16
	34	99

9. Finance costs

	2021 £000	*2020 Restated £000*
Unwinding of discount on provisions	**145**	74
Unwinding of discount on lease liabilities	**110**	122
Interest payable	**3**	-
	258	196

10. Operating profit

Included in operating profit before financing:	***2021 £000***	*2020 £000*
Depreciation and	**(2,772)**	(2,547)

impairment of tangible assets (Notes 15 and 16)		
Amortisation and impairment of intangible assets (Note 17)	**(3,078)**	(2,437)

11. Employee benefits expense

The average monthly number of employees during the year was:

	Group 2021 No.	*Group 2020 No.*	***Company 2021 No.***	*Company 2020 No.*
Executive directors	**2**	2	**2**	2
Non-executive directors	**4**	3	**4**	3
Consultants	**133**	120	**116**	115
Administrators	**251**	246	**221**	221
Support staff	**246**	230	**220**	210
	636	601	**563**	551

Staff costs for the above persons were:

	Group 2021 £000	*Group 2020 £000*	***Company 2021 £000***	*Company 2020 £000*
Wages and salaries	**28,817**	23,253	**25,220**	21,402
Social security costs	**3,118**	2,321	**2,650**	2,168
Pension costs and life insurance	**1,402**	1,266	**1,202**	1,111
Other staff costs	**804**	783	**776**	780
	34,141	27,623	**29,848**	25,461

In addition, the cost of share-based payments disclosed separately in the consolidated statement of comprehensive income was £1,475,000 (2020: £1,335,000), and the cost of contingent consideration treated as remuneration disclosed separately in the consolidated statement of comprehensive income was £3,803,000 (2020 restated: £750,000).

Details of the remuneration payable to each director in respect of the year ended 31 May 2021 is disclosed in the Directors' Remuneration Report.

	2021 £000	*2020 £000*
Emoluments	**1,707**	1,078
Company contributions to personal pension schemes	**-**	-
Benefits in kind	**17**	24
Market value of share options vesting	**636**	1,041
	2,360	2,143

Five directors (2020: three) accrued benefits under personal pension schemes, or through an equivalent cash award when they have reached their maximum lifetime allowance. During the year 20,000 share options were issued to directors (2020: 40,000) and directors exercised 64,740 share options (2020: Nil). The aggregate amount of gains made by directors on the exercise of share options during the year was £433,000 (2020: £nil). For terms of share options awarded, please see Note 20.

The amounts in respect of the highest paid director are as follows:

	2021 £000	*2020 £000*
Emoluments	**1,026**	526
Company contributions to personal pension schemes	**-**	-
Benefits in kind	**9**	2
Market value of share options vesting	**433**	558
	1,468	1,086

The amount of gains made by the highest paid director on the exercise of share options during the year was £nil (2020: £nil).

The Group makes discretionary and contractual payments into the personal defined contribution pension schemes of employees and contributions are charged in the statement of comprehensive income as they become payable. The charge for the year was £1,114,000 (2020: £1,006,000).

12. Income tax

The major components of income tax expense for the years ended 31 May 2021 and 2020 are:

Consolidated statement of comprehensive income	***2021 £000***	*2020 £000*
Current tax	**2,390**	3,292
Under provision in prior periods	**38**	170
	2,428	3,462
Deferred tax credit	**(498)**	(505)
Adjustments in respect of change in tax rate	**1,974**	424
Adjustments in respect of prior periods	**(147)**	(137)
Income tax expense reported in the statement of comprehensive income	**3,757**	3,244

The over provision for current tax in prior periods includes £98,000 (2020: £nil) arising from a Research and Development tax credit in respect of the financial year ending 31 May 2021 (2020: Nil).

For the year ended 31 May 2021 the current tax credit on the Group's share-based payment arrangements recognised directly in equity was £31,000 (2020: £29,000). The deferred tax charged on the Group's outstanding share-based payment arrangements recognised directly in equity was £46,000 (2020: £50,000).

Factors affecting the tax charge for the period

The tax charge assessed for the period is higher (2020: higher) than the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £000	*2020 Restated £000*
Accounting profit before income tax	**5,148**	12,731

Multiplied by standard rate of UK corporation tax of 19.0% (2019: 19.0%)	**978**	2,419
Effects of:		
Expenses not deductible for tax	**1,180**	473
Effects of changes in tax rates	**1,974**	424
Deferred tax on share options	**7**	16
Income not taxable	**(271)**	(121)
(Over)/under provision in prior periods	**(108)**	33
Tax reliefs	**(1)**	-
Income tax expense for the year	**3,757**	3,244
Effective income tax rate	**73.0%**	25.5%

Deferred income tax

Deferred income tax at 31 May relates to the following:

	Group 2021 £000	*Group 2020 £000*	***Company 2021 £000***	*Company 2020 £000*
Deferred income tax liability				
Temporary differences on:				
Acquired intangibles	**(9,291)**	(4,305)	**(6,730)**	(3,038)
Accelerated capital allowances	**(151)**	(177)	**(10)**	(54)
Deferred tax liability	**(9,442)**	(4,482)	**(6,740)**	(3,092)
Deferred income tax asset				
Temporary differences on:				
Provisions	**372**	214	**353**	200
Share-based payments	**579**	674	**578**	674
Deferred tax asset	**951**	888	**932**	874
Net deferred tax liability	**(8,491)**	(3,594)	**(5,808)**	(2,218)

Changes to the future expected UK corporation tax rates were enacted as part of The Finance (No. 2) Act 2021 which received Royal Assent on 10 June 2021, in which the government announced that the corporation tax main rate will remain at 19% for the years starting 1 April 2021 and 2022 before increasing to 25% for the year starting 1 April 2023 and thereafter. Deferred taxation assets and liabilities have been remeasured at the blended average rates at which they are expected to unwind.

The primary components of the entity's recognised deferred tax assets include temporary differences related to

share-based payments, provisions and other items. The primary components of the entity's deferred tax liabilities include temporary differences related to property, plant and equipment and intangible assets. The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

The recognition of deferred tax in the statement of comprehensive income arises from the origination and the reversal of temporary differences and the effects of changes in tax rates. The components of the deferred tax credit for the year ended 31 May 2021 are summarised as follows:

Deferred tax in statement of comprehensive income	***2021 £000***	*2020 £000*
Effect of changes in the standard rate of tax	**1,974**	424
Deferred tax on share-based payments	**35**	(124)
Under/(over) provision for capital allowances in prior period	**17**	(6)
Deferred tax on derivative financial asset	**-**	(139)
Under provision for share-based payments	**(9)**	-
Deferred tax on provisions	**(11)**	-
Deferred tax on intangible assets	**(16)**	(18)
Under provision for intangibles	**(58)**	(92)
Deferred tax on capital allowances	**(69)**	11
Under provision for provisions in prior period	**(97)**	(40)
Deferred tax on amortisation of client portfolios	**(437)**	(235)
Deferred tax charge/(credit)	**1,329**	(218)

The total deferred tax movement in the statement of financial position is summarised as follows:

Deferred tax reconciliation	***2021 £000***	*2020 £000*
Opening net deferred tax liability	**(3,594)**	(3,641)
(Debit)/Credit recognised in statement of comprehensive income	**(1,329)**	218
Deferred tax charge recognised in equity	**(78)**	(50)
Movement arising from transfer of trade	**(102)**	-
Deferred tax arising on acquisitions or disposal of trade	**(3,388)**	(121)
Closing net deferred tax liability	**(8,491)**	(3,594)

There are no income tax consequences for the Group attaching to the payment of dividends by Mattioli Woods plc to its shareholders in either 2020 or 2021.

Impact of future tax changes

On 10 June 2021 The Finance (No. 2) Bill 2019-21 received Royal Asset, enacting proposals that were announced in the 2021 budget. The main rate of corporation tax will remain at 19% for the years starting 1 April 2021 and 2022 before increasing to 25% for the year starting 1 April 2023 and thereafter.

Deferred taxation assets and liabilities have been revalued taking in to account the upcoming change in corporation tax rates.

13. 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 (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:

	2021 £000	*2020 Restated £000*
Net profit and diluted net profit attributable to equity holders of the Company	**1,419**	9,472
Weighted average number of ordinary shares:	***000s***	*000s*
Issued ordinary shares at start of period	**26,940**	26,770
Effect of shares issued during the year ended 31 May 2020	**-**	127
Effect of shares issued during the year ended 31 May 2021	**996**	264
Basic weighted average number of shares	**27,936**	27,161
Effect of dilutive options at the	**235**	150

statement of financial position date		
Diluted weighted average number of shares	**28,171**	27,311

The Company has granted options under the Share Option Plan, the Consultants' Share Option Plan and the LTIP to certain of its senior managers and directors to acquire (in aggregate) up to 3.32% of its issued share capital (see Note 20). Under IAS 33 'Earnings Per Share', contingently issuable ordinary shares are treated as outstanding and are included in the calculation of diluted earnings per share if the conditions (the events triggering the vesting of the option) are satisfied. At 31 May 2021 the conditions attached to 702,238 options granted under the LTIP were not satisfied (2020: 630,940). If the conditions had been satisfied, diluted earnings per share would have been 4.9p per share (2020 restated: 33.9p).

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 16,969,697 ordinary shares on completion of the market placing (see Note 33);
- The issue of 4,545,455 ordinary shares as initial consideration payable on the acquisition of Maven Capital Partners LLP (see Note 33);
- The issue of 780,250 ordinary shares as initial consideration payable on the acquisition of Ludlow Wealth Management Group (see Note 33); and
- The issue of 32,312 ordinary shares under the Mattioli Woods plc Share Incentive Plan.

14. Dividends paid and proposed

	2021 £000	*2020 £000*
Declared and paid during the year:		
Equity dividends on ordinary shares:		
- Final dividend for 2020: 12.7p (2019: 13.67p)	**3,547**	3,660
- Interim dividend for 2021: 7.5p (2020: 7.3p)	**2,103**	1,959
Dividends paid	**5,650**	5,619
Proposed for approval by shareholders at the AGM:		
Final dividend for 2021: 13.5p (2020: 12.7p)	**6,818**	3,532

15. Property, plant and equipment

Group	*Land and buildings £000*	*Computer and office equipment £000*	*Fixtures and fittings £000*	*Motor vehicles £000*	*Total £000*
Gross carrying amount:					
At 1 June 2019	10,780	2,348	5,522	1,566	20,216
Additions	-	308	154	356	818
Arising on acquisitions	-	2	-	-	2
Disposals	-	(4)	-	(291)	(295)
At 31 May 2020	10,780	2,654	5,676	1,631	20,741
Additions	-	93	18	307	418

Arising on acquisitions	-	130	3	-	133
Disposals	-	(770)	(725)	(467)	(1,962)
At 31 May 2021	**10,780**	**2,107**	**4,972**	**1,471**	**19,330**
Depreciation:					
At 1 June 2019	168	1,483	1,365	535	3,551
Charged for the year	252	341	842	270	1,705
On disposals	-	(1)	-	(152)	(153)
At 31 May 2020	420	1,823	2,207	653	5,103
Charged for the year	252	327	825	234	1,638
On disposals	-	(758)	(705)	(288)	(1,751)
At 31 May 2021	**672**	**1,392**	**2,327**	**599**	**4,990**
Carrying amount:					
At 31 May 2021	**10,108**	**714**	**2,646**	**872**	**14,340**
At 31 May 2020	10,360	831	3,469	978	15,638
At 31 May 2019	10,612	865	4,157	1,031	16,665

Company	*Computer and office equipment £000*	*Fixtures and fittings £000*	*Motor vehicles £000*	*Total £000*
Gross carrying amount:				
At 1 June 2019	2,195	2,591	1,572	6,358
Additions	305	154	355	814
Disposals	(1)	-	(291)	(292)
At 31 May 2020	2,499	2,745	1,636	6,880
Additions	92	17	307	416
Disposals	(770)	(724)	(467)	(1,961)
Transfer between companies	68	7	-	75
At 31 May 2021	**1,889**	**2,044**	**1,476**	**5,410**
Depreciation:				
At 1 June 2019	1,335	1,013	541	2,889
Charged for the year	338	420	271	1,029
On disposals	(1)	-	(151)	(152)
At 31 May 2020	1,672	1,433	661	3,766
Charged for the year	274	401	234	909
On disposals	(752)	(696)	(289)	(1,737)
At 31 May 2021	**1,194**	**1,138**	**606**	**2,938**

Carrying amount:				
At 31 May 2021	**695**	**906**	**870**	**2,472**
At 31 May 2020	827	1,312	976	3,115
At 31 May 2019	860	1,578	1,031	3,469

16. Right of use assets

Group	*Properties £000*	*Computer and office equipment £000*	*Total £000*
Gross carrying amount:			
At 1 June 2020	2,706	717	3,423
Additions	64	-	64
Arising on acquisitions	689	-	689
Disposals	(75)	-	(75)
At 31 May 2021	**3,384**	**717**	**4,101**
Depreciation:			
At 1 June 2020	650	189	839
Charged for the period	734	233	967
On disposals	(52)	-	(52)
Impairment	167	-	167
At 31 May 2021	**1,499**	**422**	**1,921**
Carrying amount:			
At 31 May 2021	**1,885**	**295**	**2,180**
At 31 May 2020	2,056	528	2,584

Company	*Properties £000*	*Computer and office equipment £000*	*Total £000*
Gross carrying amount:			
At 1 June 2020	2,223	717	2,940
Additions	64	-	64
Transfer between companies	532	-	532
At 31 May 2021	**2,819**	**717**	**3,536**
Depreciation:			
At 1 June 2020	563	189	752
Charged for the period	561	233	794
Impairment	167	-	167
At 31 May	**1,291**	**422**	**1,713**

2021			
Carrying amount:			
At 31 May 2021	**1,528**	**295**	**1,823**
At 31 May 2020	1,660	528	2,188

17. Intangible assets

Group	Internally generated software £000	Software £000	Client portfolios £000	Goodwill Restated £000	Other £000	Total £000
Gross carrying amount:						
At 1 June 2019 - Restated	1,573	1,927	38,544	9,506	35	51,585
Arising on acquisitions	-	-	712	920	-	1,632
Additions	173	-	-	-	-	173
At 31 May 2020 - Restated	1,746	1,927	39,256	10,426	35	53,390
Arising on acquisitions	-	-	18,293	7,470	-	25,763
Additions	386	4	-	-	-	390
At 31 May 2021	**2,132**	**1,931**	**57,549**	**17,896**	**35**	**79,543**
Amortisation and impairment:						
At 1 June 2019	709	1,025	11,791	-	35	13,560
Amortisation during the year	175	184	2,078	-	-	2,437
At 31 May 2020	884	1,209	13,869	-	35	15,997
Amortisation during the year	187	117	2,774	-	-	3,078
At 31 May 2021	**1,071**	**1,326**	**16,643**	**-**	**35**	**19,075**
Carrying amount:						
At 31 May 2021	**1,061**	**605**	**40,906**	**17,896**	**-**	**60,468**
At 31 May 2020 - Restated	862	718	25,387	10,426	-	37,393
At 31 May 2019 - Restated	864	902	26,753	9,506	-	38,025

Company	Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Total £000
Gross					

carrying amount:					
At 1 June 2019	1,573	1,768	28,979	16,384	48,704
Additions	172	-	-	-	172
At 31 May 2020	1,745	1,768	28,979	16,384	48,876
Arising on acquisitions	-	-	537	-	537
Arising on hive up	-	-	13,065	12,132	25,197
Additions	387	-	-	-	387
At 31 May 2021	**2,132**	**1,768**	**42,581**	**28,516**	**74,997**
Amortisation and impairment:					
At 1 June 2019	709	914	8,576	-	10,199
Amortisation during the year	175	185	1,679	-	2,039
At 31 May 2020	884	1,099	10,255	-	12,238
Amortisation during the year	187	114	1,903	-	2,204
At 31 May 2021	**1,071**	**1,213**	**12,158**	**-**	**14,442**
Carrying amount:					
At 31 May 2021	**1,061**	**555**	**30,423**	**28,516**	**60,555**
At 31 May 2020	861	669	18,724	16,384	36,638
At 31 May 2019	864	854	20,403	16,384	38,505

Software

Software is amortised over its useful economic life of four years on a reducing balance basis. Internally generated software represents the development costs of the Group's bespoke customer relationship management, administration and trading platform. The directors believe this technology will be the principal technology platform used throughout the Group for the foreseeable future. Internally generated software is amortised on a straight-line basis over an estimated useful life of 10 years.

Client portfolios

Client portfolios represent individual client portfolios acquired through business combinations. Client portfolios are amortised on a straight-line basis over an estimated useful life of between 10 and 25 years, based on the Group's historic experience.

Goodwill

Goodwill arises where the price paid for an acquisition is greater than the fair value of the net assets acquired. Goodwill arising on business combinations is subject to annual impairment testing (see Note 19).

18. Investments

Investments in subsidiaries

Investments in subsidiaries	*Group £000*	*Company £000*
At 1 June 2019 -	-	11,410

Restated		
Investment in The Turris Partnership Limited	-	1,731
At 31 May 2020 - Restated	-	13,141
Investment in Hurley Partners Limited	-	17,417
Investment in Montagu Limited	-	3,228
Investment in Pole Arnold Financial Management Limited	-	4,402
Investment in Caledonia Asset Management Limited	-	1,638
Reduction in value of Broughtons Financial Planning Limited	-	(21)
At 31 May 2021	**-**	**39,805**

Reduction in value of investment in Broughtons Financial Planning Limited ("Broughtons") investment was recognised following the hive-up of trade and assets of Broughtons to the Company 28 February 2021. As Broughtons had paid dividends to the Company since its acquisition, the net assets of the subsidiary were lower than the value of the investment recognised by the Company, therefore once Broughtons' trade was transferred, the value of the investment was no longer fully supported by its future cashflows and a small impairment charge was recognised to write the value of the investment down to the net assets of Broughtons. The impairment charge recognised by the company was eliminated on consolidation.

Details of the investments in subsidiaries which the Group and the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertakings	*Share class held*	*Voting rights and shares held*	*Nature of business*
GB Pension Trustees Limited	Ordinary	100%	Trustee company
Great Marlborough Street Pension Trustees Limited	Ordinary	100%	Trustee company
M.W. Trustees Limited	Ordinary	100%	Trustee company
SLT Trustees Limited	Ordinary	100%	Trustee company
Professional Independent Pension Trustees Limited	Ordinary	100%	Trustee company
Pension Consulting Limited	Ordinary	100%	Holding company
PC Trustees Limited	Ordinary	100%	Trustee company
Bank Street Trustees Limited	Ordinary	100%	Trustee company
JB Trustees Limited	Ordinary	100%	Trustee company
Mayflower Trustees Limited	Ordinary	100%	Trustee company
Custodian Capital Limited	Ordinary	100%	Property and fund management
CP SSAS	Ordinary	100%	Trustee

Subsidiary undertakings	*Share class held*	*Voting rights and shares held*	*Nature of business*
Trustees Limited			company
CP SIPP Trustees Limited	Ordinary	100%	Trustee company
City Trustees Limited	Ordinary	100%	Trustee company
AR Pension Trustees Limited	Ordinary	100%	Trustee company
Robinson Gear (Management Services) Limited	Ordinary	100%	Trustee company
Simmonds Ford Trustees Limited	Ordinary	100%	Trustee company
Acomb Trustees Limited	Ordinary	100%	Trustee company
Ropergate Trustees Limited	Ordinary	100%	Trustee company
Chapel Trustees Limited	Ordinary	100%	Trustee company
Mattioli Woods (New Walk) Limited	Ordinary	100%	Property development
Taylor Patterson Trustees Ltd	Ordinary	100%	Trustee company
Lindley Trustees Limited	Ordinary	100%	Trustee company
MWV Solutions Limited	Ordinary	50%	Dormant joint venture
Old Station Road Holdings Limited	Ordinary	100%	Holding company
M C Trustees (Pensions) Limited	Ordinary and preference	100%	Pension administration
M C Trustees (Administration) Limited	Ordinary	100%	Pension administration
MCT (Properties) Limited	Ordinary	100%	Dormant
M C Trustees Limited	Ordinary	100%	Trustee company
MC Nominees Limited	Ordinary	100%	Dormant
Broughtons Financial Planning Limited	Ordinary	100%	Wealth management
SSAS Solutions (UK) Ltd	Ordinary	100%	Pension administration
The Turris Partnership Limited	Ordinary	100%	Wealth management
MW Personal Equity (Harbinger Self Storage) Limited	Ordinary	100%	Trustee company
MW Private Investors (102) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (103) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (105) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (106) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Beech Properties) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Welbeck Land) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (CITU) General	Ordinary	100%	General Partner company

Subsidiary undertakings	*Share class held*	*Voting rights and shares held*	*Nature of business*
Partner Limited			
MW Private Investors (Proseed) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Prosperity Liverpool) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Heaton Group) General Partner Limited	Ordinary	100%	General Partner company
MW Private Equity (Harbinger Self Storage) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Tungsten Witney) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Versant) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (The Square) Limited	Ordinary	100%	Trustee company
MW Private Investors (Expedia) Limited	Ordinary	100%	Trustee company
MW Private Investors (Belfast Expedia 2) Limited	Ordinary	100%	Trustee company
MW Private Investors (Belfast Expedia 3) Limited	Ordinary	100%	Trustee company
MW Private Investors (The Priest House Hotel) Limited	Ordinary	100%	Trustee company
MW Private Investors (Walrus) Limited	Ordinary	100%	Trustee company
MW Private Investors (103) EPUT Limited	Ordinary	100%	Trustee company
MW Private Investors (Clear Nursery) Limited	Ordinary	100%	Trustee company
MW Private Investors (Expedia Dental) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Barwood Capital) General Partner Limited	Ordinary	100%	General Partner company
MW Private Equity (Rotherhill) Limited	Ordinary	100%	Trustee company
MW Private Equity (March Projects) Limited	Ordinary	100%	Trustee company
MW Private Equity (Tungsten Handcross) Limited	Ordinary	100%	Trustee company
MW Properties (Huntingdon Geared) Limited	Ordinary	100%	Trustee company
MW Properties (Huntingdon Non-Geared)	Ordinary	100%	Trustee company

Subsidiary undertakings	Share class held	Voting rights and shares held	Nature of business
Limited			
MW Properties (No 42) Limited	Ordinary	100%	Trustee company
MW Properties (No 46) Limited	Ordinary	100%	Trustee company
MW Properties (No 49) Limited	Ordinary	100%	Trustee company
MW Properties (No 60) Limited	Ordinary	100%	Trustee company
MW Properties No 17 Limited	Ordinary	100%	Trustee company
MW Properties No 20 Limited	Ordinary	100%	Trustee company
MW Properties No 25 Limited	Ordinary	100%	Trustee company
MW Properties No 32 Limited	Ordinary	100%	Trustee company
MW Properties No 35 Limited	Ordinary	100%	Trustee company
APUK14001 Limited	Ordinary	100%	Trustee company
APUK14002 Limited	Ordinary	100%	Trustee company
APUK15001 Limited	Ordinary	100%	Trustee company
APUK15002 Limited	Ordinary	100%	Trustee company
CC Private (202) Limited	Ordinary	100%	Trustee company
CC Private (204) Limited	Ordinary	100%	Trustee company
CC Private (205) Limited	Ordinary	100%	Trustee company
Brogan Group Investments Limited	Ordinary	100%	Trustee company
Eltek House Limited	Ordinary	100%	Trustee company
Welbeck Strategic Land III Limited	Ordinary	100%	Trustee company
Hurley Partners Limited	Ordinary	100%	Wealth Management
Hurley Trustees Services Limited	Ordinary	100%	Trustee company
MW Private Investors (AgriPartners) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Swift Point) General Partner Limited	Ordinary	100%	General Partner company
Custodian (Inland RCF) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Barwood Capital) EUUT Limited	Ordinary	100%	Trustee company
MW Private Investors (Dundalk) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Newstead Relf) General Partner Limited	Ordinary	100%	General Partner company
MW Private Investors (Tungsten Frimley) General Partner Limited	Ordinary	100%	General Partner company
Montagu Limited	Ordinary	100%	Wealth Management
Callender Street	Ordinary	100%	Holding company
	Ordinary	100%	Trustee company
	Ordinary	100%	Trustee company
	Ordinary	100%	Trustee company
	Ordinary	100%	Holding company
	Ordinary	100%	Trustee company
	Ordinary		Trustee company
	Ordinary		Holding company
	Ordinary		Trustee company
	Ordinary		Trustee company
	Ordinary		Holding company
	Ordinary		Trustee company
	Ordinary		Trustee company
	Ordinary		Holding
	Ordinary		
	Ordinary		

Subsidiary undertakings	*Share class held*	*Voting rights and shares held*	*Nature of business*
Nominees Limited	Ordinary		company
Callender Street Trustees Limited	Ordinary		Trustee company
Fitzwilliam Trustees Number 1 Limited	Ordinary		Trustee company
Fitzwilliam Trustees Number 2 Limited	Ordinary		Holding company
Fitzwilliam (Waltham Forest) Holdings Limited	Ordinary		Trustee company
Fitzwilliam Trustees Number 3 Limited			Trustee company
Fitzwilliam Trustees Number 4 Limited			Wealth Management
Fitzwilliam (Ascot) Holdings Limited			Wealth Management
Fitzwilliam Trustees Number 5 Limited			
Fitzwilliam Trustees Number 6 Limited			
Fitzwilliam (President) Holdings Limited			
Fitzwilliam Trustees Number 7 Limited			
Fitzwilliam Trustees Number 8 Limited			
Fitzwilliam (GYLO) Holdings Limited			
Fitzwilliam Trustees Number 9 Limited			
Fitzwilliam Trustees Number 10 Limited			
Fitzwilliam Trustees (Marylebone & Cotswold) Holdings Limited			
Fitzwilliam Trustees Number 11 Limited			
Fitzwilliam Trustees Number 12			

Subsidiary undertakings	Share class held	Voting rights and shares held	Nature of business
Limited			
Pole Arnold Financial Management Limited			
Caledonia Asset Management Limited			

The principal place of business of all the subsidiaries is the United Kingdom. The Company accounts for its investments in subsidiaries using the cost method. The registered office for all subsidiary undertakings is 1 New Walk Place, Leicester, LE1 6RU except for the following:

Subsidiary undertaking	*Registered office*
Broughtons Financial Planning Limited	5a Swallowfield Courtyard, Wolverhampton Road, Oldbury, West Midlands, B69 2JG
SSAS Solutions (UK) Ltd	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Callender Street Nominees Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Callender Street Trustees Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 1 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 2 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam (Waltham Forest) Holdings Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 3 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 4 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam (Ascot) Holdings Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 5 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 6 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam (President) Holdings Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 7 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 8 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam (GYLO) Holdings Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 9 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 10 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees (Marylebone & Cotswold) Holdings Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 11 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
Fitzwilliam Trustees Number 12 Limited	Rivers Edge, 11 Ravenhill Road, Belfast, BT6 8DN
The Turris Partnership Limited	4th Floor, 120 West Regent Street, Glasgow, G2 2QD
Caledonia Asset Management Limited	4th Floor, 120 West Regent Street, Glasgow, G2 2QD

Investment in associate

The Group holds 49% of the ordinary share capital of Amati Global Investors Limited ("Amati"), with the remaining 51% of the ordinary share capital held by Amati Global Partners LLP.

Amati is an independent specialist fund management business managing funds investing in small and mid-sized companies. Amati's gross assets under management at 31 May 2021 had increased to £1,308m (2020: £582m) comprising; Amati AIM VCT plc, TB Amati UK Smaller Companies Fund, Amati AIM IHT Portfolio Service and TB Amati Strategic Metals Fund.

The Group exercises significant influence by virtue of its contractual right to appoint a minority of directors to Amati's board of directors. The Group has no other rights which would allow it to exercise control over Amati's

operations. Therefore, the Group is not judged to control Amati and it is not consolidated.

Amati Global Investors Limited is incorporated in Scotland, and its registered office is 8 Coates Crescent, Edinburgh, Scotland, EH3 7AL.

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

Investment in associate - Group and Company	***2021 £000***	*2020 £000*
At 1 June	**3,732**	4,211
Share of profit for the year	**1,191**	682
Amortisation of fair value intangibles	**(68)**	(68)
Share of other comprehensive income	**28**	(15)
Dividends received from associate	**(588)**	(1,078)
At 31 May	**4,295**	3,732

Share of profit from associates in statement of comprehensive income:	***2021 £000***	*2020 £000*
Share of profit for the year	**1,191**	682
Amortisation of fair value intangibles	**(68)**	(68)
Elimination of transactions with associate	**18**	19
	1,141	633

Other comprehensive income represents a movement in Amati's revaluation reserve recognised directly in equity.

The results of Amati and its aggregated assets and liabilities as at 31 May 2021 are as follows:

Name	*Country of incorporation*	*Assets £000*	*Liabilities £000*	*Revenue £000*	*Profit £000*	*Interest held*
Amati Global Investors Limited	Scotland	6,420	2,831	9,192	2,431	49%
Group's share of profit					1,191	

The net assets of Amati as at 1 June 2020 were £2,302,000. At 31 May 2021 the net assets of Amati were £3,589,000 following payment of dividends of £1,200,000 and other increases in net assets of £2,487,000, increasing the Group's interest in the associate (net of tax) by £1,219,000 during the year, 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.

Other Investments - Non-current

	Group £000	*Company £000*
At 1 June		

At 1 June 2019 and 31 May 2020	-	-
Investment in Tiller	500	500
At 31 May 2021	**500**	**500**

On 20 January 2021 the Group announced an investment in Tiller Group Limited ("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 4.1%, through a subscription of new shares in Tiller, and has been accounted for at cost.

Tiller provides a Software as a Service 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.

Other Investments - Current

	Group £000	*Company £000*
At 1 June 2019	80	80
Disposal	(40)	(40)
At 31 May 2020	**40**	**40**
Disposal	(14)	(14)
At 31 May 2021	**26**	**26**

The Company previously held a 2.04% interest in MW Properties (Huntingdon Non-Geared) Limited, a nominee for a property syndicate. During the year the Group's investment was disposed on the wind-up of this syndicate, with the Group receiving a final distribution of £7,957.

At 31 May 2021 the Company owned 9.40% (2020: 9.40%) of the shareholding in MW Properties (No.25) Limited ("MWPS25"), acquired at a total cost of £91,000. MWPS25 owns part of the Development Land. At 31 May 2021 these shares are included within investments at a value of £26,000 (2020: £26,000).

Mattioli Woods owns 15% (2020: 15%) of the issued share capital of Mainsforth Developments Limited ("Mainsforth"), a company incorporated in England and Wales with its principal activity being the development and selling of real estate. Mainsforth had entered into two conditional sale agreements ("the Agreements") to acquire freehold land with vacant possession (the "Development Land"). However, the Agreements have been terminated and at 31 May 2021 the Company's investment in Mainsforth was valued at £nil (2020: £nil).

19. Impairment of goodwill and client portfolio intangible assets

Goodwill and client portfolio intangible assets arising on acquisitions are allocated to the cash generating units comprising the acquired businesses. Allocation to cash-generating units is based on headcount or revenues at the date of acquisition. Where the Group reorganises its operating and reporting structures in a way that changes the composition of one or more cash-generating units to which goodwill and client portfolio assets have been allocated, the goodwill and client portfolio assets are reallocated to the units affected.

The cash-generating units comprise the same groups of assets as the four operating segments, which represent the smallest individual groups of assets generating cash flows. Goodwill and client portfolio assets have been allocated between the Group's operating segments for impairment testing, as follows:

Group	*Pension consultancy and admin £000*	*Investment and asset management £000*	*Property management £000*	*Employee benefits £000*	*Total £000*
At 1 June 2019 - Restated	14,978	15,153	271	5,857	36,259

Arising on acquisitions	-	1,632	-	-	1,632
Amortisation during the year	(853)	(820)	(8)	(397)	(2,078)
At 31 May 2020 - Restated	14,125	15,965	263	5,460	35,813
Arising on acquisitions	2,166	23,060	537	-	25,763
Amortisation during the year	(933)	(1,437)	(8)	(396)	(2,774)
At 31 May 2021	**15,358**	**37,588**	**792**	**5,064**	**58,802**
Goodwill	**5,489**	**11,581**	**188**	**638**	**17,896**
Client portfolios	**9,869**	**26,007**	**604**	**4,426**	**40,906**
At 31 May 2021	**15,358**	**37,588**	**792**	**5,064**	**58,802**

Company	*Pension consultancy and admin £000*	*Investment and asset management £000*	*Property management £000*	*Employee benefits £000*	*Total £000*
At 1 June 2019	10,794	16,847	271	8,875	36,787
Amortisation during the year	(632)	(643)	(8)	(396)	(1,679)
At 31 May 2020	10,162	16,204	263	8,479	35,108
Arising on acquisitions	-	-	537	-	537
Transferred to the Company	2,834	22,363	-	-	25,197
Amortisation during the year	(656)	(842)	(8)	(397)	(1,903)
At 31 May 2021	**12,340**	**37,725**	**792**	**8,082**	**58,939**
Goodwill	**6,211**	**18,461**	**188**	**3,656**	**28,516**
Client portfolios	**6,129**	**19,264**	**604**	**4,426**	**30,423**
At 31 May 2021	**12,340**	**37,725**	**792**	**8,082**	**58,939**

The determination of whether goodwill and client portfolio assets are impaired requires an assessment of the fair value less cost to sell and estimation of the value in use of the operating segments to which the assets have been allocated. We have assessed both the value in use of the operating segments, and fair value less costs to sell, based on the enterprise value of the Group at the year-end date, and determined that the value in use is higher than the enterprise value.

In assessing value in use, the estimated future cash flows of each operating segment are discounted to their present value using a pre-tax discount rate of 10.5% (2020: 13.3%), reflecting current market assessments of the time value of money and the risks specific to these assets, 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 estimated cash flows for each segment are derived from the budget for the three years to 31 May 2024, extrapolated for a further two years assuming medium-term growth of 5.0% (2020: 5.0%) and a long-term growth rate of 2.0% (2020: 2.0%), which management considers conservative against actual average long-term growth rates.

The value in use calculated at 31 May 2021 was £267.3m. Comparing this to the net asset value of the operating segments identified above, the directors believe the value of goodwill is not impaired at 31 May 2021. This accounting treatment resulted in an impairment loss of £nil (2020: £nil).

Discount rate sensitivity of +1.0% represents a plausible variance in discount rate as a result of a range of judgements used in following the capital asset pricing model to determine an appropriate weighted average cost of capital for the Group. Growth rate sensitivities are set at a level to either minimise or altogether remove the impact of assumed growth in pre-tax cashflows derived from each operating segment.
The sensitivity of the value in use calculated at 31 May 2021 to changes in the key assumptions is as follows:

Assumption	*Base assumption*	*Change in assumption*	*Increase/(decrease) in value in use £000*
Discount rate	10.5%	+1.0%	(28,703)
Years 1-3 cashflows	Var.	-5.0%	(13,363)
Medium-term growth rate	5.0%	-5.0%	(20,141)
Long-term growth rate	2.0%	-2.0%	(48,111)

None of these individual sensitivities would result in an impairment in the value in use of any operating segment.

The value in use calculations at 31 May 2021 indicate the Employee Benefits operating segment continues to report less headroom than the other operating segments. 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 £1.8m reduction in the value in use, resulting in an impairment loss of £nil (2020: £nil). If the short-term rate of growth in cash flows generated by the Employee Benefits segment in years two to five of the period covered by the calculations reduced by 5.0%, with all other variables held constant, this would result in an £3.2m reduction in the value in use, resulting in an impairment loss of £nil (2020: 5.0%, £1.7m reduction in value, £nil impairment).

The introduction of a charge cap on auto-enrolment pension schemes in April 2015, followed by the abolition of provider commissions in April 2016, resulted in a number of changes and challenges within the employee benefits market, reducing corporate pension revenues but leading to higher fee-based recurring revenues going forward. The market continues to evolve with employers now bound to provide pensions to almost all staff. Pricing in this area remains competitive as the industry settles into a "post-RDR" fee model, but management is confident the business can deliver further improvement in the Employee Benefits segment's results. The directors consider that reasonably likely changes in assumptions would not create an impairment in any of the other operating segments.

20. Share-based payments

Long-Term Incentive Plan

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

LTIP options	***31 May 2021 Equity-settled No.***	*31 May 2020 Equity-settled No.*
Outstanding as at 1 June	**889,504**	757,463
Granted during the year	**255,800**	248,800
Exercised during the year	**(207,295)**	(66,418)
Forfeited during the year	**(4,200)**	(50,341)
Outstanding at 31 May	**933,809**	889,504
Exercisable at 31	**235,571**	258,564

May

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.

Date of grant	*Exercise price*	*At 1 June 2020 No.*	*Granted during the period No.*	*Forfeited during the period No.*	*Exercised during the period No.*	***At 31 May 2021 No.***
16 September 2014	£0.01	2,313	-	-	(2,313)	**-**
15 October 2015	£0.01	49,754	-	-	(9,890)	**39,864**
6 September 2016	£0.01	206,497	-	-	(86,325)	**120,172**
5 September 2017	£0.01	184,502	-	(200)	(108,767)	**75,535**
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	(4,000)	-	**137,550**
1 June 2020 - Tranche B	£0.01	-	114,250	-	-	**114,250**
		889,504	255,800	(4,200)	(207,295)	**933,809**

The weighted average share price at the date of exercise for share options exercised during the year was £6.71 (2020: £7.38). For the share options outstanding at 31 May 2021, the weighted average exercise prices ("WAEP") was £0.01 (2020: £0.01), and the weighted average remaining contractual life is 1.46 years (2020: 1.53 years).

Income tax and employee's National Insurance contributions payable by the participant on exercise of a share option are borne by the participant, employers National Insurance contributions payable on exercise are borne by the Company and provided for over the vesting period (Note 26).

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. Movements in the shares held in the SIP on behalf of employees during the year were as follows:

SIP shares	***31 May 2021 No.***	*31 May 2020 No.*
Scheme shares as at 1 June	**599,662**	586,399
Employee shares	**58,753**	48,886

purchased		
Matching shares awarded	**58,753**	48,886
Matching shares recycled	**(3,376)**	(12,370)
Reinvestment of dividends	**19,364**	17,677
Shares transferred out	**(31,896)**	(89,816)
Scheme shares at 31 May	**701,259**	599,662
Conditional matching shares at 31 May	**144,483**	121,980

A total of 389 (2020: 350) employees participated in the SIP during the year.

Share-based payments expense

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

	31 May 2021 Equity-settled £000	*31 May 2020 Equity-settled £000*
LTIP	**1,149**	1,096
SIP	**326**	239
Total	**1,475**	1,335

The share-based payment expense in respect of the LTIP for the year ended 31 May 2021 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 year ended 31 May 2021:

	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.

The share price at 31 May 2021 and movements during the year are set out in the Directors' Remuneration Report.

21. Trade and other receivables (current)

	Group 2021 £000	***Company 2021 £000***	*Group 2020 £000*	*Company 2020 £000*
Trade receivables due from	**-**	**13,093**	-	13,366

Group companies				
Other trade receivables	**5,184**	**3,801**	5,498	4,571
Other receivables	**2,625**	**1,447**	1,443	231
Prepayments and accrued income	**11,388**	**9,906**	10,267	9,024
	19,197	**28,247**	17,208	27,192

Trade receivables due from Group companies are recognised at amortised cost, eliminate on consolidation, and include £12.6m (2020: £12.9m) receivable from subsidiary Mattioli Woods (New Walk) Limited on which interest is incurred at the Bank of England's base rate plus a margin of 3%. All other balances due from Group companies incur no interest and are due on demand. None of the trade receivables from Group companies were overdue at the reporting date.

Other trade receivables are non-interest bearing and are generally on 30-90 days' terms. As at 31 May 2021, the nominal value of non-related party trade receivables impaired and fully provided for, and movements in the lifetime loss provision for impairment (with no 12 month expected credit losses or transfers between stages) of receivables were as follows:

	Group 2021 £000	***Company 2021 £000***	*Group 2020 £000*	*Company 2020 £000*
As at 1 June	**1,753**	**1,346**	1,332	1,084
Charge for year	**25**	**50**	605	332
Utilised during the year	**(366)**	**(188)**	(184)	(70)
Acquired on acquisition	**-**	**-**	-	-
At 31 May	**1,412**	**1,208**	1,753	1,346

At 31 May 2021, the analysis of non-related party trade receivables that were past due but not impaired is as follows:

	Total £000	*Neither past due nor impaired £000*	*Past due but not impaired* < 30 days £000	*30-60 days £000*	*60-90 days £000*	*>90 days £000*
Gross carrying amount	6,596	2,213	1,837	589	235	1,722
Provisions for ECL	(1,412)	(98)	(69)	(16)	(13)	(1,216)
At 31 May 2021	**5,184**	**2,115**	**1,768**	**573**	**222**	**506**
Gross carrying amount	7,251	2,040	1,793	1,208	265	1,945
Provisions for ECL	(1,753)	(94)	(87)	(97)	(12)	(1,463)
At 31 May 2020	5,498	1,946	1,706	1,111	253	482

Prepayments and accrued income balances include the following contract assets accrued under IFRS 15:

Contract assets accrued	*Group £000*	*Company £000*
At 1 June	10,267	9,024

2020		
Arising from acquisitions	497	-
Arising from hive up	-	731
Net increase in contract assets accrued	624	151
At 31 May 2021	**11,388**	**9,906**

For all receivables above, including neither past due nor impaired, the carrying amount is deemed to reflect the fair value.

22. Cash and short-term deposits

For the purpose of the statement of cashflows, cash and cash equivalents comprise the following at 31 May 2021:

	Group 2021 £000	***Company 2021 £000***	*Group 2020 £000*	*Company 2020 £000*
Cash at banks and on hand	**21,888**	**10,909**	25,959	17,584
Cash and cash equivalents	**21,888**	**10,909**	25,959	17,584

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is £21.9m (2020: £26.0m).

23. Issued capital and reserves

Group and Company	*Ordinary shares of 1p*	*Share capital £000*	*Share premium £000*	*Merger reserve £000*
Issued and fully paid				
At 1 June 2019	26,770,365	268	32,137	10,639
Exercise of employee share options	66,418	-	-	-
Shares issued under the SIP	103,079	1	754	-
Shares issued for consideration	-	-	-	-
At 31 May 2020	26,939,862	269	32,891	10,639
Exercise of employee share options	207,295	2	-	-
Shares issued under the SIP	133,493	2	943	-
Shares issued for consideration	970,409	10	-	6,819
At 31 May 2021	**28,251,029**	**283**	**33,834**	**17,458**

Rights, preferences and restrictions on shares

All ordinary shares carry equal rights and no privileges are attached to any shares in the Company. All the shares are freely transferable, except as otherwise provided by law. However:

- The former shareholders of Hurley Partners have entered into lock-in deeds with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 842,866 ordinary shares in Mattioli Woods during the two years ending 31 July 2022;
- The former shareholder of Montagu has entered into a lock-in deed with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 40,161 ordinary shares in Mattioli Woods during the two years ending 2 February 2023;
- The former shareholders of Pole Arnold Financial Management have entered into lock-in deeds with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 72,940 ordinary shares in Mattioli Woods during the two years ending 12 April 2023; and
- The former shareholders of Caledonia Asset Management have entered into lock-in deeds with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of that part of the consideration comprising 12,724 ordinary shares in Mattioli Woods during the two years ending 16 April 2023.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Share schemes and share incentive plan

The Company has two share schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (Note 20).

The Company also operates a share incentive plan. Participants in the SIP are entitled to purchase up to a prescribed number of new ordinary shares in the Company in any year. At the Directors' discretion, the Company may also award additional shares to participants in the SIP. Ordinary shares issued under the SIP rank pari passu with existing issued ordinary shares of the Company. Dividends paid on shares held within the SIP are used to buy new ordinary shares in the Company of 1p each.

Own shares

	Number of shares	*Own shares £000*
At 1 June 2019	12,248	99
Acquired during the year	64,330	498
At 31 May 2020 and 31 May 2021	**76,578**	**597**

Own shares represent the cost of the Company's own shares, either purchased in the market or issued by the Company, that are held by the Company or in an employee benefit trust to satisfy future awards under the Group's share-based payment schemes (Note 20). At 31 May 2021 76,578 (2020: 76,578) shares were held in the Mattioli Woods Employee Benefit Trust, representing 0.27% of issued share capital (2020: 0.28%).

Other reserves

Movements recognised in other reserves in the year are disclosed in the statement of changes in equity. The following table describes the nature and purpose of each reserve within equity:

Reserve	*Description and purpose*
Share premium	Amounts subscribed for share capital in excess of nominal value less any associated issue costs that have been capitalised.
Merger reserve	Where shares are issued as consideration for >90% of the shares in a

	subsidiary, the excess of the fair value of the shares acquired over the nominal value of the shares issued is recognised in the merger reserve.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Equity - share based payments	The fair value of equity instruments granted by the Company in respect of share-based payment transactions less options exercised.
Own shares	The cost of the Company's own shares, purchased in the market, that are held in an employee benefit trust to satisfy future awards under the Group's share-based payment schemes (Note 20).
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The Company has issued options to subscribe for the Company's shares under two employee share schemes (Note 20). The cost of exercised or lapsed share options has been derecognised from equity-share based payments and re-allocated to retained earnings as required by IFRS 2 'Share-based Payments'.

24. Cash flows arising from financing liabilities

The financing liabilities of the Group are £2,585,000 (2020: £2,908,000), comprising lease liabilities as disclosed in Note 28. Cash flows arising from financing liabilities include payment of lease liabilities of £1,077,000.

The financing liabilities of the Company are £2,216,000 (2020: £2,502,000), comprising lease liabilities as disclosed in Note 27. Cash flows arising from financing liabilities include payment of lease liabilities of £895,000.

The net cash flows from financing activities of the Group and the Company, as reported in the Statements of Cash Flows, relate entirely to financing balances reported within equity.

25. Trade and other payables

Trade and other payables	***Group 2021 £000***	***Company 2021 £000***	*Group 2020 £000*	*Company 2020 £000*
Trade payables due to Group companies	**-**	**2,064**	-	1,559
Loan notes due to subsidiary undertakings	**-**	**28,143**	-	-
Other trade payables	**633**	**697**	809	749
Other taxation and social security	**2,052**	**1,810**	1,691	1,499
Other payables	**1,197**	**1,239**	591	466
Accruals and deferred income	**11,633**	**8,841**	6,832	4,433
Trade and other payables	**15,515**	**42,794**	9,923	8,706
Current	**15,515**	**14,651**	9,923	8,706
Non-current	**-**	**28,143**	-	-

Trade payables due to Group companies reported by the Company incur no interest, are repayable on demand and eliminate on consolidation. Terms and conditions of the other financial liabilities set out above are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-day terms;
- Other taxation and social security become interest bearing if paid late and are settled on terms of one or three months; and
- Accruals and deferred income are non-interest bearing and are normally settled monthly throughout the financial year.

Loan notes due to subsidiary undertakings

On 28 February 2021 the trade and assets of Broughtons Financial Planning Limited and Hurley Partners Limited were transferred to the Company. The trade and assets were exchanged for loan notes equal to the book value of the assets and assumed liabilities of Broughtons Financial Planning Limited and Hurley Partners Limited as at the date of hive up, and attracting annual interest on the outstanding principal at a rate of 3% above the Bank of England base rate. During the year, interest costs of £218,000 (2020: £nil) were borne by the Company with £nil (2020: £nil) impact

on consolidation.

The book value of the assets and liabilities recognised on hive up from Broughtons Financial Planning Limited and Hurley Partners Limited were as follows

	Broughtons Financial Planning Limited £000	*Hurley Partners Limited £000*	***Combined carrying value £000***
Property, plant and equipment	6	66	**72**
Right of use assets	48	-	**48**
Intangible assets	3,394	21,804	**25,198**
Trade and other receivables	166	951	**1,117**
Cash and short-term deposits	1,429	3,801	**5,230**
Trade and other payables	(275)	(869)	**(1,144)**
Deferred tax liability	(361)	(2,126)	**(2,487)**
Provisions	(81)	(28)	**(109)**
Net assets transferred	4,326	23,599	**27,925**
Consideration transferred	4,326	23,599	**27,925**

26. Financial liabilities and provisions

Group	*Contingent consideration £000*	*Contingent remuneration £000*	*Client claims £000*	*Dilapidations £000*	*Clawbacks £000*	*Employers' NIC on share options £000*	*Onerous contracts £000*	*FSCS levy £000*	*Total £000*
At 1 June 2019 - Restated	1,252	125	1,484	348	123	602	220	150	4,304
Unwinding of discount	61	-	-	13	-	-	-	-	74
Arising during the year	-	750	914	16	2	133	22	42	1,879
Arising on acquisitions	741	-	-	-	-	-	-	-	741
Paid during the year	(600)	-	(422)	-	(45)	(67)	(97)	(83)	(1,314)
Unused amounts reversed	-	(78)	(96)	-	(22)	(34)	(123)	-	(353)
At 31 May 2020 - Restated	1,454	797	1,880	377	58	634	22	109	5,331
Unwinding of discount	133	-	-	20	-	-	-	-	153
Arising during the year	-	3,803	568	70	91	173	-	15	4,720
Arising on acquisitions	2,405	-	-	138	-	-	29	-	2,572
Paid during the year	(1,111)	(609)	(519)	(18)	(89)	(193)	(51)	(15)	(2,605)
Unused amounts reversed	-	-	(19)	(66)	-	-	-	-	(85)
Reclassification	-	-	450	-	-	-	-	-	450
At 31 May	**2,881**	**3,991**	**2,360**	**521**	**60**	**614**	**-**	**109**	**10,536**

2021									
Current 2020	1,085	797	1,881	-	58	436	22	109	4,387
Non-current 2020	369	-	-	377	-	198	-	-	944
At 31 May 2020	1,454	797	1,881	377	58	634	22	109	5,331
Current 2021	**1,709**	**3,991**	**2,358**	**343**	**60**	**419**	**-**	**109**	**8,991**
Non-current 2021	**1,172**	**-**	**-**	**178**	**-**	**195**	**-**	**-**	**1,545**
At 31 May 2021	**2,881**	**3,991**	**2,358**	**521**	**60**	**614**	**-**	**109**	**10,536**

Company	*Contingent consideration £000*	*Contingent remuneration £000*	*Client claims £000*	*Dilapidations £000*	*Clawbacks £000*	*Employers' NIC on share options £000*	*Onerous contracts £000*	*FSCS levy £000*	*Total £000*
At 1 June 2019	1,252	125	1,225	323	119	602	220	150	4,016
Finance costs	61	-	-	13	-	-	-	-	74
Arising during the year	-	750	859	11	-	133	22	34	1,809
Arising on acquisitions	741	-							741
Paid during the year	(600)	-	(392)	-	(43)	(67)	(97)	(83)	(1,282)
Unused amounts reversed	-	(78)	(53)	-	(22)	(34)	(123)	-	(310)
At 31 May 2020	1,454	797	1,639	347	54	634	22	101	5,048
Finance costs	133	-	-	19	-	-	-	-	152
Arising during the year	-	3,803	568	72	88	173	-	15	4,718
Arising on acquisitions	2,405	-	-	-	-	-	-	-	2,405
Transferred from Group companies	-	-	-	87	-	-	7	-	94
Paid during the year	(1,111)	(609)	(503)	(4)	(88)	(193)	(29)	(15)	(2,551)
Unused amounts reversed	-	-	(13)	-	-	-	-		(13)
Reclassification	-	-	450	-	-	-	-	-	450
At 31 May 2021	**2,881**	**3,991**	**2,141**	**521**	**54**	**614**	**-**	**101**	**10,303**
Current 2020	1,085	797	1,639	-	54	436	22	101	4,134
Non-current 2020	369	-	-	347	-	198	-	-	914
At 31 May 2020	1,454	797	1,639	347	54	634	22	101	5,048
Current 2021	**1,709**	**3,991**	**2,141**	**343**	**54**	**419**	**-**	**101**	**8,758**
Non-current 2021	**1,172**	**-**	**-**	**178**	**-**	**195**	**-**	**-**	**1,545**
At 31 May 2021	**2,881**	**3,991**	**2,141**	**521**	**54**	**614**	**-**	**101**	**10,303**

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. Details of these agreements and the basis of calculation of the net present value of the contingent consideration are summarised in Note 3. The Group estimates the net present value of the financial liability payable within the next 12 months is £1.7m (2020 restated: £1.1m) and the Group expects to settle the non-current balance of £1.2m (2020 restated: £0.4m) within the subsequent year.

Contingent remuneration

Certain business acquisitions made by the Group include arrangements for remuneration payable to selling shareholders which is contingent upon certain performance conditions including the financial performance of the acquired business in meeting financial targets and links to continuing employment of management sellers. Details of these agreements and the basis of calculation of the net present value of the contingent remuneration are summarised in Note 28. The Group estimates remuneration payable within the next 12 months is £6.3m (2020 restated: £0.7m).

Client claims

A provision is recognised for the estimated potential liability when the Group becomes aware of a possible client claim. The value of the provision recognised is determined based on the nature of the potential liability, the Group's historic experience and any insurance recovery expected. No discount rate is applied to the projected cash flows due to their short-term nature.

The balance of £450,000 reclassified in the year represented potential liabilities for complaints previously reported within Accruals and deferred income.

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 the lease term. The Group provides for the estimated fair value of the cost of any dilapidations.

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 at 31 May 2020 and acquired related software licence costs due on agreements under which the Group has served, with the provisions fully utilised before 31 May 2021.

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 £0.1m (2020: £0.1m) has been made in these financial statements for FSCS interim levies expected in relation to the year ending 31 May 2021.

27. Lease liability

Group	***2021 £000***
Maturity analysis - Contractual undiscounted cash flows:	
Less than one year	989
One to five years	1,409
More than five years	442
Total undiscounted cash flows	**2,840**
Total lease liabilities	**2,585**
Current	905
Non-current	1,680

Company	***2021 £000***

Maturity analysis - Contractual undiscounted cash flows:	
Less than one year	894
One to five years	1,212
More than five years	309
Total undiscounted cash flows	**2,415**
Total lease liabilities	**2,216**
Current	821
Non-current	1,395

28. Commitments and contingencies

Remuneration of management sellers including contingencies

Certain business acquisitions made by the Group include arrangements for remuneration payable to selling shareholders which is contingent upon certain performance conditions including the financial performance of the acquired business in meeting financial targets and links to continuing employment of management sellers.

Following the acquisition of SSAS Solutions (UK) Ltd ("SSAS Solutions") on 27 March 2019, management sellers will receive remuneration of up to £1,500,000 over an extended three year earn out to 27 March 2022, subject to the achievement of certain performance conditions including the financial performance of SSAS Solutions meeting financial targets and continuing employment of management sellers. In the year to 31 May 2021 remuneration costs of £625,000 (2020 restated: £750,000) have been recognised in the statement of comprehensive income, and provision of £813,000 (2020 restated: £797,000) is recognised in Note 26. Based on management's latest forecasts we anticipate that a further remuneration costs of £891,000, representing the maximum remuneration available to management sellers, will be recognised over the remaining period of contingency to 27 March 2022.

Following the acquisition of Hurley Partners Limited ("Hurley") on 31 July 2020, management sellers will receive remuneration of up to £7,028,000 over a two year earn out to 31 July 2022, subject to the achievement of certain performance conditions including the financial performance of Hurley meeting financial targets and continuing employment of management sellers. In the year to 31 May 2021 remuneration costs of £2,928,000 (2020 restated: £nil) have been recognised in the statement of comprehensive income, and provision of £2,928,000 (2020 restated: £nil) is recognised in Note 26. Based on management's latest forecasts we anticipate that a further remuneration costs of £4,100,000, representing the maximum remuneration available to management sellers, will be recognised over the remaining period of contingency to 31 July 2022.

Following the acquisition of Pole Arnold Financial Management Limited ("Pole Arnold") on 12 April 2021, management sellers will receive remuneration of up to £3,000,000 over a two year earn out to 12 April 2023, subject to the achievement of certain performance conditions including the financial performance of Pole Arnold meeting financial targets and continuing employment of management sellers. In the year to 31 May 2021 remuneration costs of £250,000 (2020 restated: £nil) have been recognised in the statement of comprehensive income, and provision of £250,000 (2020 restated: £nil) is recognised in Note 26. Based on management's latest forecasts we anticipate that a further remuneration costs of £2,750,000, representing the maximum remuneration available to management sellers, will be recognised over the remaining period of contingency to 12 April 2023.

Capital commitments

At 31 May 2021 the Group had no capital commitments (2020: £nil).

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 (2020: £0.9m). These assessments have been appealed and we are currently awaiting a hearing date at the First-tier Tribunal.

Irrespective of the result of this process, 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.

29. Related party disclosures

Custodian REIT plc

In March 2014 the Company's subsidiary, Custodian Capital, was appointed as the discretionary investment manager of 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 year the Group received revenues of £3.8m (2020: £4.0m) in respect of annual management charges, administration and marketing fees from Custodian REIT. Custodian REIT owed the Group £2,733 at 31 May 2021 (2020: £1,000).

Amati Global Investors Limited

The Company holds 49% of the issued share capital of Amati Global Investors Limited ("Amati"), an independent specialist fund management business.

Two of the Company's senior management team have been appointed to the board of Amati. Ian Mattioli is Deputy Chair and 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 year the Group received rent of £48,000 (2020: £48,000) from Amati as lessee, £16,000 (2020: £15,000) from the recharge of other property related costs and consultancy fees of £43,000 (2020: £39,000).

Gateley (Holdings) Plc

The Company's 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 year the Group received revenues of £41,000 (2020: £40,000) in respect of employee benefits services provided to Gateley Plc.

Key management compensation

Key management personnel, representing those Executive Directors that served throughout the year and 8 (2020: 19) other executives, received compensation in the form of short-term employee benefits and equity compensation benefits (see Note 11) which totalled £4.4m for the year ended 31 May 2021 (2020: £3.7m).

Total remuneration of key management personnel is included in "employee benefits expense" and analysed as follows:

	2021	*2020*
	£000	*£000*

Wages and salaries	**3,855**	2,844
Social security costs	**405**	585
Pension	**42**	123
Benefits in kind	**101**	104
	4,403	3,656

In addition, the cost of share-based payments, disclosed separately in the statement of comprehensive income, to key management personnel was £0.7m (2020: £0.9m).

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 (see Note 18).

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 31 May 2021 the Group held an investment with a market value of £28,095 (2020: £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 year the Group's investment was disposed on the wind-up of this syndicate, with the Group receiving a final distribution of £7,957.

30. Financial risk management

Financial assets principally comprise trade and other receivables, cash and short-term deposits, which arise directly from its operations. Financial liabilities comprise certain provisions and trade and other payables. The main risks arising from financial instruments are market risk (including interest rate risk, foreign exchange risk and price risk), credit risk, and liquidity risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis, with its financial risk management based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented.

Market risk

(a) *Interest rate risk*

Interest rate risk is the risk that the Group's financial performance will be adversely impacted by movements in interest rates. The Group does not have any derivative financial assets whose value is linked to interest rates, therefore exposure to interest rate risk arises from financial assets and liabilities incurring a market interest rate including cash and cash equivalents, as well as certain intercompany loan agreements to which the company is exposed. At 31 May 2021 the value of market interest bearing financial instruments on the Group's statement of financial position exposed to interest rate risk was £21.9m (2020: £26.0m), and Company £23.5m (2020: £30.5m). This exposure is monitored to ensure that the Group is managing its interest earning potential within accepted liquidity and credit constraints. Other than short-term overdrafts, the Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are also made for varying periods of between one day and 3 months depending on the immediate cash requirements of the Group and earn interest at the respective fixed term deposit rates.

A source of revenue is based on the value of client cash under administration. The Group has an indirect exposure to interest rate risk on these cash balances held for clients. These balances are not on the Company or Group Statements of Financial Position.

The following table demonstrates the sensitivity to a 50bps (0.5%) change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate deposits). 50bps is considered the appropriate impact to consider sensitivity given the reduction in the Bank of England's base rate to a historic low and the reduced likelihood of increases in this rate over the coming financial year. There is no impact on the Group's equity.

	Increase/decrease in basis points	*Group Effect on profit before tax £000*	*Company Effect on profit before tax £000*
2021			
£ Sterling	**+50**	**109**	**117**
£ Sterling	**-50**	**(109)**	**(117)**
2020			
£ Sterling	+50	130	116
£ Sterling	-50	(130)	(116)

(b) *Foreign exchange translation and transaction risk*

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. With all of the Group's business located within the UK, the Group has no material exposure to foreign exchange translation or transaction risk and does not hedge any foreign current assets or liabilities.

(c) *Price risk*

Price risk is the risk that a decline in the value of assets adversely impacts the profitability of the Group as a result of an asset not meeting its expected value.

Property administration fees, discretionary management charges and adviser charges for intermediation are based on the value of client assets under administration and hence the Group has an indirect exposure to security price risk on investments held by clients. These assets are not on the Group's statement of financial position. The risk of lower revenues is partially mitigated by asset class diversification. The Group does not hedge its revenue exposure to movements in the value of client assets arising from these risks and so the interests of the Group are aligned to those of its clients.

Credit risk

The Group and Company trades only with third parties it recognises as being creditworthy. In addition, receivable balances are monitored on an ongoing basis and under the simplified approach, provisions for credit risk are assessed under the lifetime losses approach as explained in Note 2, with all assets assessed as one portfolio (Note 21).

Credit risk from the other financial assets of the Group and Company, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the possible use of bank overdrafts, bank loans and leases. The table below summarises the maturity profile of the Group's and the Company's financial liabilities at 31 May 2021 and 2020 based on contractual payments:

		Maturity of liability				
Group	*On demand £000*	*Less than 3 months £000*	*3 to 12 months £000*	*1 to 5 years £000*	*> 5 years £000*	*Total £000*

Trade and other payables	-	12,695	-		-	12,695
Contingent consideration	-	44	1,730	1,329	-	3,103
Lease liabilities	-	227	679	1,261	418	2,585
At 31 May 2021	**-**	**12,966**	**2,409**	**2,590**	**418**	**18,383**
Trade and other payables	-	7,189	-	-	-	7,189
Contingent consideration	-	-	1,100	400	-	1,500
Lease liabilities	-	241	723	1,746	496	3,206
At 31 May 2020 - Restated	-	7,430	1,823	2,146	496	11,895

	Maturity of liability					
Company	*On demand £000*	*Less than 3 months £000*	*3 to 12 months £000*	*1 to 5 years £000*	*> 5 years £000*	*Total £000*
Trade and other payables	-	13,194	-	28,143	-	41,337
Contingent consideration	-	44	1,730	1,329	-	3,103
Lease liabilities	-	205	616	1,100	294	2,215
At 31 May 2021	**-**	**13,443**	**2,346**	**30,572**	**294**	**46,655**
Trade and other payables	-	7,140	-	-	-	7,140
Contingent consideration	-	-	1,100	400	-	1,500
Lease liabilities	-	220	660	1,527	318	2,725
At 31 May 2020 - Restated	-	7,360	1,760	1,927	318	11,365

Capital management

The Company and certain of its subsidiaries are supervised in the UK by the Financial Conduct Authority ("FCA"). The Group manages its capital through continuous review of the capital requirements of the Company and its regulated subsidiaries, which are monitored by the Group's management and reported monthly to the Board. The Group's objectives when managing capital are:

· To comply with the regulatory capital requirements set by the FCA;
· To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
· To maintain a strong capital base to support the development of its business.

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital of the Group at 31 May 2021 was £86.2m (2020 restated: £81.5m) and Company was £89.2m (2020 restated: £86.9m). The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive ("the CRD") prescribed in the UK by the FCA. The Group's regulatory capital comprises Tier 1 capital, which is the total of

issued share capital, retained earnings and reserves created by appropriations of externally verified retained earnings, net of the book value of goodwill and other intangible assets. The Group does not hold any Tier 2 or Tier 3 capital.

All regulated entities within the Group are required to meet the Pillar 1 Capital Resources Requirements set out in the CRD. The latest version of the CRD legislation ("CRD IV") came into effect on 1 January 2014. The Group is also required to comply with the CRD's requirements under Pillar 2 (Operational Risk) and Pillar 3 (Disclosure). The CRD requires continual assessment of the Group's risks to ensure that the higher of Pillar 1 and 2 requirements is met. Under the Pillar 3 requirements, the Group must disclose regulatory capital information and has done so by making the disclosures available on the Group's website at www.mattioliwoods.com.

The Company and regulated subsidiary companies submit quarterly returns to the FCA relating to their capital resources. At 31 May 2021 the total regulatory capital requirement across the Group was £11.9m (2020: £13.6m) and the Group had an aggregate surplus of £9.9m (2020: £22.6m), including: shares issued during the year and admitted to Core Equity Tier 1 capital following the year end, the proposed final dividend and retained earnings for the year. All the regulated firms within the Group maintained surplus regulated capital throughout the year. The regulated subsidiaries are limited in the distributions that can be paid up to the Company by each of their individual capital resource requirements.

31. Financial instruments

The carrying amount of financial assets and financial liabilities recorded by category is as follows:

Financial assets	***Group 2021 £000***	***Company 2021 £000***	*Group 2020 £000*	*Company 2020 £000*
Cash and short-term deposits	**21,888**	**10,909**	25,959	17,584
Amortised cost loans and receivables (including trade and other receivables) (Note 21)	**16,957**	**26,180**	16,072	25,993
Amortised cost financial assets	**38,845**	**37,089**	42,031	43,577
Fair value through profit or loss	**-**	**-**	-	-
	38,845	**37,089**	42,031	43,577

Financial liabilities	***Group 2021 £000***	***Company 2021 £000***	*Group 2020 Restated £000*	*Company 2020 Restated £000*
Amortised cost (including trade and other payables and loan notes payable)	**12,695**	**41,337**	7,189	7,140
Fair value through profit and loss (including contingent consideration) (Note 26)	**2,881**	**2,881**	1,454	1,454
	15,576	**44,218**	8,643	8,594

Fair values

The directors consider that the carrying value of financial instruments in the Company's and the Group's financial statements is equivalent to fair value. The following table summarises the fair value measurements recognised in the statement of financial position by class of asset or liability and categorised by level according to the significance of the inputs used in making the measurements:

Group and Company	*Carrying amount as at 31 May 2021 £000*	*Quoted prices in active markets for identical instruments Level 1 £000*	*Significant other observable inputs Level 2 £000*	*Significant unobservable inputs Level 3 £000*
Financial liabilities				
Contingent consideration (Note 26)	2,881	-	-	2,881
At 31 May 2021	**2,881**	**-**	**-**	**2,881**

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

Contingent consideration

As set out in Note 3, the Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. The exact amounts payable cannot be determined as these depend on the future performance of the acquired businesses, but the basis on which the valuation is prepared, along with detail of sensitivity to key assumptions, is set out in Note 2. The Group estimates the fair value of contingent consideration payable on acquisitions to be £2.9m (2020 restated: £1.5m).

Interest rate risk

The following table sets out the carrying amount after taking into account provisions for impairment, by maturity, of the Company's and the Group's financial instruments that are exposed to interest rate risk:

Group Floating rate	*< 1 year £000*	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*> 5 years £000*	*Total £000*
Financial assets (current)	-	-	-	-	-	-	-
Cash and cash equivalents	21,888	-	-	-	-	-	21,888
At 31 May 2021	**21,888**	**-**	**-**	**-**	**-**	**-**	**21,888**

Group Floating rate	*< 1 year £000*	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*> 5 years £000*	*Total £000*
Financial assets (current)	-	-	-	-	-	-	-
Cash and cash equivalents	25,959	-	-	-	-	-	25,959
At 31 May 2020	25,959	-	-	-	-	-	25,959

Company 31 May 2021 Floating rate	*< 1 year £000*	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*> 5 years £000*	*Total £000*

Financial assets (current)	12,576	-	-	-	-	-	12,576
Cash and cash equivalents	10,909	-	-	-	-	-	10,909
At 31 May 2021	**23,485**	**-**	**-**	**-**	**-**	**-**	**23,485**

Company 31 May 2020 Floating rate	*< 1 year £000*	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*> 5 years £000*	*Total £000*
Financial assets (current)	12,915	-	-	-	-	-	12,915
Cash and cash equivalents	17,584	-	-	-	-	-	17,584
At 31 May 2020	30,499	-	-	-	-	-	30,499

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Other financial instruments of the Company and Group that are not included in the above table are non-interest bearing and therefore not subject to interest rate risk.

Credit risk

The Group's principal financial assets are cash and short-term deposits and trade and other receivables.

The only significant concentrations of credit risk relate to the Group's bank deposits and exposure to credit risk arising from default of the counterparty. The maximum exposure is equal to the carrying amount of these deposits. Credit risk mitigation practices employed by the Group include monitoring of the creditworthiness of the financial institutions we hold deposits with, and spreading funds accordingly to reduce exposure to institutions with lower credit ratings. At 31 May 2021, the Group's bank deposits were held across the following banks: Royal Bank of Scotland plc, Lloyds Bank plc, Bank of Scotland plc, Barclays Bank UK plc, Metro Bank plc, Santander UK plc, Cater Allen Limited, Investec Bank plc, Northern Bank Limited (Danske Bank), Clydesdale Bank plc, Hinckley & Rugby Building Society and Market Harborough Building Society.

Given the nature of the Group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. Credit risk mitigation practices employed by the Group include reviewing the credit quality of customers and limiting credit exposures accordingly, arranging for the settlement of trade receivables directly from customers investments where possible, and monitoring aged trade receivables and engaging with customers where trade receivables become overdue.

A provision for lifetime expected credit losses on financial assets is made, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The basis of our calculation of credit loss experience and provisions for expected credit losses are explained in Note 2, and details of financial assets and the associated provision for impairment are disclosed in Note 21.

32. Events after the reporting date

Completion of fundraise

On 26 May 2021 the Company announced the proposed acquisitions of Maven Capital Partners UK LLP ("Maven") and LWMG Topco Limited (the holding company of Ludlow Wealth Management Group Ltd) ("Ludlow Wealth Management") (together, the "Acquisitions"), together with an equity fundraising to raise gross proceeds of approximately £112m and an additional Broker Option (the "Fundraise").

The Company has successfully raised gross proceeds of £112m, before expenses, at an Issue Price of 660 pence per Ordinary Share, comprising:

- 2,800,800 Firm Placing Shares, raising gross proceeds of £18.5m;
- 13,757,512 Conditional Placing Shares, conditionally raising gross proceeds of £90.8m;
- 108,355 PrimaryBid Shares, conditionally raising gross proceeds of £0.7m; and
- 303,030 Broker Option Shares, conditionally raising gross proceeds of £2.0m.

2,800,800 Firm Placing Shares were admitted to trading 2 June 2021, with the remaining 14,168,897 shares admitted to trading 17 June 2021.

Acquisition of Maven Capital Partners

On 30 June 2021 the Company completed the proposed acquisition of 100% of the membership interests in Maven Capital Partners UK LLP ("Maven") for an aggregate maximum consideration of up to £100.0m (including, subject to certain conditions being satisfied, up to £20.0 million of deferred consideration), comprised of a combination of cash and new Ordinary Shares.

Maven is one of the UK's leading private equity and alternative asset managers, providing funding options to UK SMEs, and offering investment opportunities in VCTs, private equity and property. The owner-led business comprises 12 partners, with a regionally based team of 91 investment executives and support professionals. Maven operates across 10 offices in Glasgow, Edinburgh, Manchester, Birmingham, London, Newcastle, Bristol, Nottingham, Durham and Reading.

Maven and its indirect subsidiary company Maven Property Investments Limited ("MPIL") are authorised and regulated by the FCA as Alternative Investment Fund Managers ("AIFMs"). Maven Capital Investments Limited ("MCIL"), a direct subsidiary of Maven, is an investment holding company with co-investment commitments into a number of regional funds. MCIL also generates management fees from property deals. MPIL is a subsidiary of MCIL and is the regulated manager for property deals and generates monitoring and accounting fees from those transactions.

Maven manages approximately £772m in AuM, comprising:

- Four evergreen VCTs, listed on the London Stock Exchange, providing growth capital for UK based younger companies.
- Seven regional funds, providing equity and debt growth capital for SMEs in specific UK regions
- An MBO fund, supporting management buyouts in the UK smaller and lower mid-market
- Maven Investor Partners ("MIP"), funding individual private equity and property deals, on a deal by deal basis:
    - Equity capital for smaller MBO transactions of later stage SMEs across the UK
    - Equity capital for the development of hotels, purpose-built student accommodation, offices, residential construction and strategic land transactions

Maven primarily generates revenue from management fees and General Partner's Priority Share which are annual management charges generated on the VCTs, regional funds, MBO fund and MIP deals.

Performance fees may be generated on the VCT funds based on increases in net asset value and is structured as carried interest for MIP deals.

Other income is generated from director and monitoring fees, third party administration and investment income.

The provisional fair values of the assets and liabilities of Maven 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*
Tangible fixed assets	380	-	380
Intangible assets - Client portfolio	54,483	54,483	-
Intangible assets - Brand	1,951	1,951	-
Investments	3,422	-	3,422
Trade and other receivables	3,530	-	3,530
Net cash	4,408	-	4,408
Assets	68,174	56,434	11,740
Trade and other payables	(1,746)	-	(1,746)
Provisions	(683)	-	(683)
Non-current liabilities	(628)	-	(628)
Deferred tax liability	(13,851)	(13,851)	-
Liabilities	(16,908)	(13,851)	(3,057)

Total identifiable net assets at fair value	51,265
Goodwill	38,105
Total acquisition cost	89,370

Analysed as follows:	
Initial cash consideration	50,000
Net shares in Mattioli Woods	33,773
Net asset excess	5,000
Contingent consideration	800

Discounting of contingent consideration	(203)
Total acquisition cost	89,370

In addition to the acquisition cost, management sellers will receive remuneration of up to £19.2m over a four year earn out to 30 June 2025, subject to the achievement of certain performance conditions including the financial performance of Maven meeting financial targets.

Acquisition of Richings Financial Management

On 26 August 2021 the Company completed the acquisition of 100% of the share capital of Richings Financial Management Ltd ("Richings") for an initial consideration of £0.9 million and potential further consideration of up to £0.9 million dependent on the attainment of specified performance targets in the two years after completion.

Founded in 1991, Richings is an established financial planning and wealth management business, working with over 270 private client families with approximately £70 million of assets under advice. Richings is based in Iver and employs an experienced team of four staff, all of whom will remain with Mattioli Woods following completion.

In the year ended 30 April 2021, Richings generated revenues of £0.66 million with a profit before taxation of £0.34 million. At 30 April 2021 Richings' gross assets were £0.35 million and net assets were £0.26 million. The acquisition is expected to be earnings enhancing in the first full year of ownership.

The total consideration comprises:

- An initial consideration of £0.9 million cash on a cash-free, debt-free basis (subject to adjustment for the value of net assets acquired); and
- Contingent consideration of up to £0.9 million payable in cash on the first and second anniversaries of completion, subject to certain profit 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 £0.9 million (net of estimated cash received on acquisition).

Due to the proximity of the date of acquisition of Richings to the date of announcement of the Group's final results for the year ended 31 May 2021, the Directors are unable to provide the disclosure requirements of IFRS 3 relating to acquisitions after the end of the reporting period but before the financial statements are authorised for issue.

Acquisition of Ludlow Wealth Management

On 3 September 2021 the Company completed the proposed acquisition of 100% of the issued share capital of LWMG Topco Limited (the holding company of Ludlow Wealth Management Group Ltd) ("Ludlow Wealth Management"), for an aggregate consideration and other deferred payments of up to £43.5 million on a cash free, debt free basis as at the agreed "locked box" balance sheet date of 30 September 2020. The amount payable in respect of the Ludlow Wealth Management Acquisition includes, subject to the satisfaction of certain performance conditions following completion of the Ludlow Wealth Management Acquisition, up to £6.4 million of deferred consideration and up to £1.0m of bonuses payable to non-shareholder employees. In addition, in accordance with the locked box adjustment mechanism, in respect of the period commencing on the locked box date of 30 September 2020 and ending on the date of completion of the Ludlow Wealth Management Acquisition, the Company will pay to the sellers of Ludlow Wealth Management an amount in respect of the estimated cash profits of Ludlow Wealth Management during such post-locked box date period calculated at a daily rate of £6,173.24 for the total number of days during such period. The consideration for the Ludlow Wealth Management Acquisition will be satisfied by a combination of cash and new Ordinary Shares.

Established in 1993, Ludlow Wealth Management is one of the largest providers of investment, financial planning and pension advice in the North West of England. Ludlow Wealth Management has 61 employees, including 22 advisers operating from offices in Fylde, Preston, Burnley, Liverpool and Southport.

Ludlow Wealth Management manages £1,622 million of assets under advice ("AuA") as at 31 March 2021 for 3,371 clients, with an average of £74 million AuA per adviser and an average client size of £0.48 million AuA. Ludlow Wealth Management has delivered growth, organically and by acquisition; completing 16 acquisitions in the last 12 years, adding £588 million of AuA and £2.4 million of recurring revenue. Ludlow Wealth Management currently outsources investment management.

In the year ended 30 September 2020, Ludlow Wealth Management generated revenue of £9.4 million, of which 91 per cent. was recurring. Adjusted EBITDA for the period was approximately £3.3 million (adding back monitoring and directors' fees incurred to oversee private equity investment in business), with an associated adjusted EBITDA margin of 35 per cent and a high cash conversion. As at 30 September 2020, Ludlow Wealth Management had gross assets of £16.8 million and net liabilities of £0.5 million (including net debt of £13.7 million). Ludlow Wealth Management has maintained momentum despite adverse market conditions and management expects material profit growth for the year ending 30 September 2021.

The total consideration comprises:

- An initial consideration of £36.1 million, calculated on a cash free, debt free basis as at the agreed "locked box" balance sheet date of 30 September 2020, and which will be satisfied as follows:
    - o an aggregate amount of £30.3 million will be payable in cash on Ludlow Wealth Management Completion in respect of consideration for the acquisition of Ludlow Wealth Management and repayment of indebtedness and borrowings of Ludlow Wealth Management; and
    - o £5.8 million will be satisfied by the issue of new Ordinary Shares to certain individual sellers who are members of the Ludlow Wealth Management management team; and, in addition
    - o in accordance with the locked boxed adjustment mechanism, in respect of the period commencing on the locked box date of 30 September 2020 and ending on the date of completion of the Ludlow Wealth Management Acquisition, the Company has agreed to pay to the sellers of Ludlow Wealth Management an amount in respect of the estimated cash profits of Ludlow Wealth Management during such post-locked box date period calculated at a daily rate of £6,173.24 for the total number of days during such period; and
- Deferred consideration, subject to the satisfaction of certain performance conditions, up to £6.4 million and up to £1.0m of bonuses payable to non-shareholder employees of Ludlow Wealth Management, in each case, payable in cash and calculated on the basis of (a) the amount of the adjusted EBITDA of Ludlow Wealth Management for the 12 months ending 30 September 2023 multiplied by 8.25; less (b) the amount of the Initial Ludlow Wealth Management Consideration; and less (c) the aggregate value of all consideration paid or payable by Mattioli Woods in respect of any eligible acquisition of any company or business that is integrated into Ludlow Wealth Management and which completes between Ludlow Wealth Management Completion and 30 September 2023.

Ludlow Wealth Management's experienced management team will be retained by Mattioli Woods following the Ludlow Wealth Management Acquisition, which is expected to be earnings enhancing in the first full year of ownership. In addition, the Company expects to realise revenue and cost synergies from first full year onwards, including investment in Mattioli Woods' discretionary portfolio management service and alternative investment strategies by certain of Ludlow Wealth Management's clients.

Due to the proximity of the date of acquisition of Ludlow Wealth Management to the date of announcement of the Group's final results for the year ended 31 May 2021, the Directors are unable to provide the disclosure requirements of IFRS 3 relating to acquisitions after the end of the reporting period but before the financial statements are authorised for issue.

33. Ultimate controlling party

The Company has no controlling party.

34. Financial information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 May 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

35. Distribution of the annual report and accounts to members

The annual report and accounts will be posted to shareholders in due course, and will be available on our website (www.mattioliwoods.com) and for inspection by the public at the Group's registered office address: 1 New Walk Place, Leicester, LE1 6RU during normal business hours on any weekday. Further copies will be available on request.

Alternative performance measure workings

Recurring revenue

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

	2021	*2020*

Timing of revenue recognition	***£000***	*£000*
At a point in time:		
Investment and asset management	**2,041**	2,002
Pension consultancy and administration	**1,018**	1,097
Property management	**104**	464
Employee benefits	**917**	1,043
Non-recurring revenue	**4,080**	4,606
Over time:		
Investment and asset management	**31,329**	24,846
Pension consultancy and administration	**17,789**	19,464
Property management	**4,806**	4,952
Employee benefits	**4,611**	4,539
Recurring revenue	**58,535**	53,801
Total revenue	**62,615**	58,407
Recurring revenue	**93.5%**	92.1%

Organic revenues

A measure of revenue excluding revenue from businesses acquired in the current or prior year.

Group	***2021 £000***	*2020 £000*
Total revenue	**62,615**	58,407
Increase in revenue from acquisitions in the prior year	**(252)**	-
Revenue from acquisitions in the current year	**(6,050)**	-
Organic revenue	**56,313**	58,407

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 and acquisition related costs, share of profit from associates (net of tax), gain on bargain purchase and contingent consideration recognised as remuneration.

Group	***2021 £000***	*2020 Restated £000*
Statutory operating profit before financing	**4,231**	12,192
Amortisation of acquired intangibles	**2,774**	2,077
Amortisation of software	**304**	360
Depreciation	**2,772**	2,547
EBITDA	**10,081**	17,176
Share of profit from associates, net of tax	**1,141**	633
Acquisition related costs	**2,595**	334
Subtotal	**13,817**	18,143
Gain on bargain purchase	**(288)**	-
Deferred consideration as remuneration	**3,803**	750
Adjusted	**17,332**	18,893

EBITDA

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 and acquisition related costs, gain on bargain purchase, contingent consideration recognised as remuneration and acquisition related notional interest charges.

Group	***2021 £000***	*2020 Restated £000*
Statutory profit before tax	**5,148**	12,731
Amortisation of acquired intangibles	**2,774**	2,077
Acquisition related costs	**2,595**	334
Gain on bargain purchase	**(288)**	-
Deferred consideration as remuneration	**3,803**	750
Acquisition related notional finance cost	**133**	61
Adjusted PBT	**14,165**	15,953

Adjusted PAT

A measure of profitability, net of taxation, based on Adjusted PBT and deducting tax at the standard rate of 19% (2020: 19%).

Group	***2021 £000***	*2020 Restated £000*
Adjusted PBT	**14,165**	15,953
Income tax expense at standard rate of 19%	**(2,691)**	(3,031)
Adjusted PAT	**11,474**	12,922

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 amortisation of acquired intangibles and acquisition related costs, gain on bargain purchase, contingent consideration recognised as remuneration and acquisition related notional interest charges, divided by the weighted average number of ordinary shares in issue.

Group	***2021 £000***	*2020 Restated £000*
Adjusted PAT	**11,474**	12,922
Basic weighted average number of shares	**27,936**	27,161

(see Note 13)		
Adjusted EPS	**41.1p**	47.6p

Adjusted cash generated from operations

A measure of operating cashflows, excluding items that are incurred as a result of the Group's acquisition activities, calculated as statutory cash generated from operations excluding contingent remuneration paid on acquisition of subsidiaries, and acquisition-related costs paid.

Group	***2021 £000***	*2020 Restated £000*
Statutory cash generated from operations	**20,362**	13,926
Contingent remuneration paid on acquisition of subsidiaries (see Note 26)	**609**	-
Acquisition costs paid	**732**	437
Adjusted cash generated from operations	**21,703**	14,363

---

[1] Annual pension consultancy and administration fees; ongoing adviser charges; level and renewal commissions; banking income; property, discretionary portfolio and other annual management charges adjusted for Private Investor Club initial fees.

[2] This is an alternative performance measure ("APM") the Group reports to assist stakeholders in assessing performance alongside the Group's results on a statutory basis. APMs may not be directly comparable with other companies' adjusted measures and APMs are not intended to be a substitute for, or superior to, any IFRS measures of performance. Supporting calculations for APMs and reconciliations between APMs and their IFRS equivalents are set out in the Alternative performance measure workings section of the Annual Report. See Strategic report for further details of APMs.

[3] Definition amended to add gain on bargain purchase and contingent consideration as remuneration. Now calculated as earnings before interest, taxation, depreciation, amortisation, acquisition-related costs, gain on bargain purchase, contingent consideration treated as remuneration and including share of profit from associates (net of tax).

[4] Adjusted EBITDA divided by revenue.

[5] Definition amended to add back gain on bargain purchase, deferred consideration as remuneration and acquisition related finance expenses. Now calculated as profit before tax, adding back amortisation and impairment of acquired intangibles, acquisition-related costs, gain on bargain purchase, contingent consideration treated as an expense, acquisition related finance expenses.

[6] Adjusted profit after tax used to derive adjusted EPS is calculated as adjusted profit before tax as defined above less income tax at the standard rate of 19% (2020: 19%).

[7] Includes £1,196.0m (2020: £515.8m) of funds under management by the Group's associate, Amati Global Investors Limited, excluding £94.9m (2020: £54.1m) of Mattioli Woods' client investment and £17.2m (2020: £11.5m) of cross-holdings between the TB Amati Smaller Companies Fund, TB Amati Strategic Metals Fund and the Amati AIM Venture Capital Trust ("VCT") plc.

[8] Includes £1,308.1m (31 May 2020: £581.4)) of funds under management by Amati Global Investors Limited, including Mattioli Woods' client investment and cross-holdings between TB Amati Smaller Companies Fund, TB Amati Strategic Metals Fund and Amati AIM VCT plc.

[9] Total revenues excluding the revenue growth from businesses acquired in the last 24 months

[10] Revenue for the year ended 31 May 2021 was split 54% (2020: 53%) fixed, initial or time-based fees and 46% (2020: 47%%) ad valorem fees based on the value of assets under management, advice and administration.

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

[12] Value of funds under trusteeship in SIPP and SSAS schemes administered by Mattioli Woods and its subsidiaries.

[13] Assets under management of £1,196.0m (2020: £515.8m) excludes £94.9m (2020: £54.1m) of Mattioli Woods' client investment included within SIPP and SSAS, employee benefits and personal wealth and other assets and excludes £17.2m (2020: £11.5m) of cross-holdings between the TB Amati Smaller Companies Fund, TB Amati Strategic Metals Fund and the Amati AIM VCT plc.

[14] SIPP and SSAS schemes where the Group acts as pension consultant and administrator. SIPP and SSAS schemes administered by SSAS Solutions reclassified as direct during the year.

[15] Includes personal wealth clients' with SIPP and SSAS schemes operated by third parties.

[16] Includes Mattioli Woods' client investment and £20.0m (2020: £11.5m) of cross-holdings between the TB Amati Smaller Companies Fund, TB Strategic Metals Fund and the Amati AIM VCT plc.

[17] Earnings before interest, taxation, depreciation, amortisation and impairment.

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

[19] Figures in table may not add due to rounding.

[20] Before acquisition-related costs, amortisation and impairment of acquired intangibles, gain on bargain purchase, deferred consideration as remuneration and acquisition related finance costs.

[21] Working capital defined as trade and other receivables less trade and other payables.

[22] Cash generated from operations before acquisition-related costs paid and contingent remuneration paid

[23] Comprises £26.6m (2020: £25.2m) in Custodian REIT, £44.0m (2020: £57.6m) in MW SPF and £73.3m (2020: £45.1m) in Amati funds.
[24] Cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.
[25] SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator.
[26] Direct schemes lost to an alternative provider as a percentage of average scheme numbers during the year.

[27] Direct schemes lost as a result of death, annuity purchase, external transfer or cancellation as a percentage of average scheme numbers during the year.

[28] Appointed to Board post year-end on 9th June 2021

[29] Shareholdings include additional shares subscribed as part of the placing in June 2021. Percentage shareholdings are based upon the total issued share capital of 50,578,773.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

FR DKDBPPBKKCCB