

We are
one of the UK's leading providers
of wealth management and employee
benefit services. Discover
Mattioli Woods



Delivering great client outcomes

Find out more about
us at a glance



Find out more about
our strategy and
business model



Creating and preserving wealth, our trusted advice gives clients the understanding to achieve their objectives.

Mattioli Woods is one of the UK's leading providers of wealth management and employee benefit services, with total assets under management, administration and advice of £9.3bn (2019: £9.4bn).



COVID-19

COVID-19 is significantly impacting the UK and global economies. We have taken positive and decisive action to protect our clients and staff, and to ensure all our core business areas remain fully operational throughout this complex time. Our investment in technology has enabled our employees to work remotely, and our thanks go to all our employees who have helped to protect the business by agreeing to forego bonuses that would have been paid in more normal trading conditions. In addition, certain of our higher paid employees significantly reduced their basic salaries, with these actions reducing costs for the year ended 31 May 2020 by £2.6m.

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 we can see light at the end of the COVID-19 tunnel.

Find out more about COVID-19

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Highlights

Financial highlights

Revenue

£58.4m

+1.6%

2019 restated: £57.5m

Adjusted EBITDA^{2,3}

£18.9m

+34.0%

2019 restated: £14.1m

Basic EPS

37.8p

+29.0%

2019 restated: 29.3p

Recurring revenues^{1,2}

92.1%

2019 restated: 90.0%
of total revenue

Adjusted EBITDA margin⁴

32.4%

2019 restated: 24.5%

Adjusted EPS^{2,6}

47.7p

+34.4%

2019 restated: 35.5p

Operating profit before financing

£12.9m

+38.7%

2019 restated: £9.3m

- Significantly ahead of expectations at start of the year
- Reflects action taken to protect financial position in light of COVID-19, including rebasing Executive salaries, not paying bonuses and close management of fixed and discretionary spend

Profit before tax

£13.4m

+36.7%

2019 restated: £9.8m

Adjusted profit before tax^{2,5}

£15.8m

+33.9%

2019 restated: £11.8m

Proposed final dividend

12.7p

2019: 13.67p giving a total dividend of 20.0p (2019: 20.0p)

Strong financial position with cash at year end of

£26.0m

2019: £23.2m

To see our full list of KPIs



Operational highlights and recent developments

- Total client assets of the Group and its associate⁷ of £9.3bn (2019: £9.4bn)
- Gross discretionary AuM^{2,8} of £2.6bn (2019: £2.6bn), with net inflows of over £200m in year
- Primarily fee-based revenue profile is less sensitive to market movements
- Improved operational efficiency pre and post COVID-19
- Delivered an uninterrupted service to clients during COVID-19
- Building capacity to enhance existing client service and drive future growth
- Continued investment in technology, compliance and training
- Recent acquisitions performing and integrating well
- Strategic acquisition of Hurley Partners Limited completed post year end

To see our Chief Executive's review



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

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.

3 Earnings before interest, taxation, depreciation, amortisation, impairment, changes in valuation of derivative financial instruments and acquisition-related costs, including share of profit from associates (net of tax).

4 Adjusted EBITDA divided by revenue.

5 Definition amended to no longer add-back non-cash interest on provisions, following adoption of IFRS 16. Now calculated as profit before tax, adding back amortisation and impairment of acquired intangibles, changes in valuation of derivative financial instruments and acquisition-related costs.

6 Adjusted profit after tax used to derive adjusted EPS is calculated as adjusted profit before tax less income tax at the standard rate of 19.0% (2019: 19.0%).

7 Includes £515.8m (2019: £409.0m) of funds under management by the Group's associate, Amati Global Investors Limited, excluding £54.1m (2019: £31.9m) of Mattioli Woods' client investment and £11.5m (2019: £11.9m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.

8 Includes £510.2m (31 May 2019: £452.8m) of funds under management by Amati Global Investors Limited, including Mattioli Woods' client investment and cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.

Our approach

Mattioli Woods plc ("Mattioli Woods", "the Company" or "the Group") is one of the UK's leading providers of wealth management and employee benefit services. Our core proposition integrates asset management and financial planning to serve controlling Directors and owner-managed businesses, professionals, executives, individuals, families and retirees.

Our comprehensive range of employee benefit services is particularly suitable for medium-sized to larger corporates.

We put our clients 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 is on holistic planning and providing high levels of personal service, maintaining close relationships with our clients. 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, producing 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 provider
<ul style="list-style-type: none"> Financial planning, wealth management and employee benefits Trusted expertise Close client relationships 	<ul style="list-style-type: none"> Pension and personal wealth End to end administration Proactive, personal service 10,900+ SIPP and SSAS schemes 	<ul style="list-style-type: none"> Proprietary MWeb pension administration platform Custody, dealing and client banking Strategic partnerships with external providers Investing in technology 	<ul style="list-style-type: none"> Discretionary portfolio management Bespoke advice Using best of what we and other providers offer 	<ul style="list-style-type: none"> Portfolio and fund management SIPP and SSAS Innovative new product development Addressing clients' needs
Own distribution through our team of 120 consultants	Direct and intermediated distribution	Direct and intermediated distribution	Own distribution through our team of 120 consultants	Extending from direct to intermediated and institutional clients

Operating segments

Wealth management

Our wealth 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.

[Read more about our segmental reporting](#)



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 generally 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 Private Investors Club, Custodian REIT plc and the Mattioli Woods Structured Products Fund, 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.

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

Where we operate

Number of offices:

11

Aberdeen
Belfast
Birmingham
Buckingham
Edinburgh
Glasgow
Leicester
London
Manchester
Newmarket
Preston

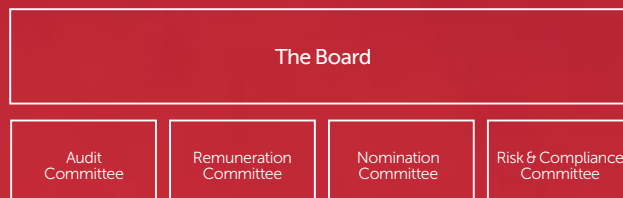


Number of employees:

597

Effective Governance

Board structure:



"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."

Joanne Lake
Non-Executive Chairman

Read more on our
Governance framework



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 institutional grade tenants typically provides stable returns over the long-term and our property team offers years of experience in commercial property investment to help deliver this.

Employee benefits

We assist our corporate clients with employee engagement, with the aim of improving recruitment, retention and workplace morale.

Employee benefits

Mattioli Woods assists its corporate clients with employee engagement, with the aim of improving recruitment, retention and workplace morale. This encompasses consultancy and administration on 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 its clients total reward and flexible benefit systems, assisting its clients in the delivery of these to their employees, along with advice, guidance and financial education. Recent changes in legislation are increasing demand for our financial education and wealth management services to be delivered through employers.

Chairman's statement

We have remained fully operational throughout the COVID-19 pandemic.

"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 at the heart of our success."

Joanne Lake, Non-Executive Chairman



I am pleased to report another successful year for Mattioli Woods. Revenue increased by 1.6% to £58.4m (2019 restated: £57.5m), despite the political and economic uncertainties that persisted throughout the period. A 0.5% fall in organic revenue was more than offset by a full year's contribution from Broughtons Financial Planning Limited ("Broughtons") and SSAS Solutions (UK) Ltd ("SSAS Solutions"), which were acquired in the prior financial year, plus a positive contribution from The Turriss Partnership Limited ("Turriss"), which has integrated well since its acquisition in December 2019.

As the Coronavirus (COVID-19) pandemic began to impact the UK our focus was to protect the health of our staff and clients, whilst continuing to deliver an uninterrupted service to our clients and supporting key workers and the wider community. We have remained fully operational throughout the COVID-19 pandemic, maintaining our focus on client service and continuing to develop our customer proposition. From the start of lockdown we decided that we would not take support from the government, recognising that our long-term financial prudence has placed the business on a strong footing and not wishing to add to the burden that will have to be met by the UK taxpayer as we emerge from the crisis in the coming years.

In anticipation of the likely trading conditions created by the pandemic, we implemented a number of mitigating actions to protect the Group's financial position, realising total cost savings of approximately £2.6m through all plc Board Directors reducing their basic remuneration and confirming that remaining staff bonuses and all plc Board Directors' bonuses in respect of the financial year would not be paid.

As highlighted in our July trading update, these actions combined with ongoing improvements in operational efficiency resulted in profits being significantly ahead of our expectations at the start of the year. Consequently, profit before tax increased 36.7% to £13.4m (2019 restated: £9.8m). This exceptional result provides a buffer for the business to respond to further challenges arising from the COVID-19 pandemic and we expect the Group to revert to a normal level of profitability for the coming year.

We believe the benefits of operating a responsibly integrated business will enable us to secure great client outcomes, whilst delivering strong, sustainable shareholder returns through the complex conditions we face, currently and over the longer term.

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, giving our business a revenue profile that is less sensitive to market performance. However, a fall in market values and recent interest rate cuts have resulted in an associated reduction in the Group's income streams linked to the value of clients' funds under management and advice and banking revenue.

The Board believes it is prudent to protect the Group's financial position and balance the interests of all stakeholders. Accordingly, the Board proposes a lower final dividend than might have been proposed in more normal circumstances of 12.7p per share (2019: 13.67p). This makes a proposed total dividend for the year of 20.0p (2019: 20.0p), in line with the prior year.

The Board recognises the importance of dividends to shareholders and intends to return to growing the dividend, while maintaining an appropriate level of dividend cover, when it is an appropriate time to do so.

Our strategy

Previously, we set out our ambition to grow revenue to £100m and total client assets to £15bn, while maintaining an EBITDA margin of 20%+. 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.

In July, we were pleased to announce receipt of the regulatory approval to complete the post year-end acquisition of Hurley Partners Limited ("Hurley Partners"), a private client adviser and asset management business with offices in London, Surrey and Manchester. We will seek to build on our track record of successfully executing and integrating acquisitions by continuing to assess a diverse pipeline of potential acquisition opportunities that meet our strict criteria.

Our people

We thank all our staff for their continued commitment, enthusiasm and professionalism, which combined with our investment in cloud-based technology and infrastructure allowed us to move quickly to an operating model that included implementing home working for almost 600 of our staff.

I deeply appreciate our people's dedication and how they have dealt with our clients' affairs throughout this period. 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 at the heart of our success.

Governance and the Board

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.

After 15 years as Chief Financial Officer, Nathan Imlach has decided to stand down from the Board at the Company's next Annual General Meeting ("AGM") on 19 October 2020. Nathan will remain with the Group, where his focus will be on acquisitions and contributing to its future direction as Chief Strategic Adviser. Nathan has been instrumental to the success of the Group and we look forward to continuing to benefit from his experience and insight in this new role.

He will be succeeded by Ravi Tara, Group Finance Director, who joined the Company in July 2019 as part of its succession planning. Ravi's experience of improving operational delivery and cost efficiency in his previous roles will add real value to our proposition as we position the Group for further growth.

The Board believes it is the right time to strengthen the Executive team through the further appointments of Michael Wright and Iain McKenzie to the Board as Group Managing Director and Group Operating Officer respectively.

Michael joined Mattioli Woods in 2004. As head of our wealth management business, Michael led the development of the graduate programme, training and competence scheme, and client service delivery strategy. In October 2019 he was appointed Group Managing Director, where his focus is on the strategic development of the Group's wealth management and employee benefits propositions. Michael also leads the Group's consultancy and administration teams, whilst continuing to advise clients.

Iain joined the Company in August 2018 as Executive Risk Consultant and was instrumental in developing the Group Risk and Internal Audit functions. Having taken on the role of Group Operating Officer, Iain oversees the day-to-day operations of the Group and has played a key role in ensuring the Group has remained fully operational throughout the current COVID-19 pandemic.

Ravi, Michael and Iain will join the Board immediately following regulatory approval of their appointments. We anticipate that after Nathan steps down as a Director the Company will have, for a period of time, a Board comprising four Executive and three Non-Executive Directors. The Board intends to appoint another Non-Executive Director and the Group is in discussion with potential candidates. Following this appointment, the Company will have a balanced Board, which we believe represents the right Governance structure for the business.

Shareholders

During the year we have engaged with shareholders through various channels, including company-hosted events, group meetings and one-to-one meetings, with these activities having been hosted online since March as a result of COVID-19.

We are fortunate to have a number of supportive institutional shareholders with a significant investment in the Group and welcome opportunities to talk to all our shareholders, large and small. We will continue to maintain a regular and constructive dialogue with them, while seeking to broaden our shareholder base.

Outlook

The Board is positive about the Group's prospects given all the actions we have taken to reinforce its financial position, ensuring we remain a business that is sustainable and here for the long-term. Creating and preserving wealth, our focus remains on ensuring our trusted advice gives clients the understanding to achieve their objectives.

We expect that uncertainty around Brexit and the impact of COVID-19 will continue to influence investor and consumer sentiment in the short-term, but we are confident that our focus on addressing the changing needs of our clients positions us well to deliver future growth and continued sustainable shareholder returns.

Joanne Lake
Chairman

1 September 2020

Business model & strategy

Purpose

Creating and preserving wealth, our trusted advice gives clients the understanding to achieve their objectives.

Culture

Our culture is based on professionalism, putting clients first and adopting a collegiate approach. Retaining the integrity, expertise and passion of our people continues to be a priority coupled with a strong compliance culture focused on delivering positive customer outcomes.



In July 2020, Mattioli Woods completed the acquisition of Hurley Partners Limited. Hurley Partners' origins mirror our own, with the business built on their specialist expertise in SSAS trusteeship and administration.

Although Hurley Partners was established in 2013, the Directors and many of the team have worked together for over 30 years. Today, the advisory team looks after over 300 families, with over 300 self-invested pension schemes and £550m of assets under administration.

Close client relationships remain at the heart of Hurley Partners' ethos, treating clients as the team would like to be treated themselves.

In addition to its strong reputation as a pension specialist, Hurley Partners offers holistic financial planning and a dedicated discretionary investment management service, helping its clients understand and meet their financial objectives.

The business has strong representation in the South East of England, with its numerous professional connections providing a great opportunity for the further development of the Group in this region.

The Directors of Hurley Partners have committed their long-term futures to the enlarged Group and are a team that strives to make a difference in its local community, having raised more than £330,000 for the benefit of over 40 UK charities, including the Atkinson Morley Department of Neurosurgery at St George's Hospital, London. Hurley Partners has also been a key sponsor of Cobham RFC for the past six years.

"We are delighted to be working together as part of the strong and progressive wealth management business that is Mattioli Woods. We believe our clients will see tangible benefits as a result of us being part of the enlarged Group. All of our employees remain in place as part of the newly combined business. Operating from the same locations with the highest level of commitment and personal service, we continue to put our clients at the heart of everything we do."

Tony Hurley, Chairman of Hurley Partners Limited



1 Strategy

A platform for sustainable growth, supplemented by strategic acquisitions that enhance value and broaden or deepen our expertise and services to better serve our clients

Proactive advice

- In-house product offering, with flexibility to offer other providers' products when better suited
- Broadening services

Personal client service

- Focus on maintaining close client relationships
- Passion for looking after clients' aspirations and assets
- Adviser, manager and provider

Great client outcomes

- Strong client satisfaction and retention
- Strong investment performance relative to benchmarks
- Lowering clients' TERs

Strong shareholder return

- Organic growth
- Supplemented by value-enhancing acquisitions
- Strong and passionate management team
- Progressive dividend policy

3 Integrated business model

Our responsibly integrated model enables us to provide a comprehensive client offering through multiple distribution channels

Adviser

- Financial planning, wealth management and employee benefits
- Trusted expertise
- Close client relationships

Administrator

- Pension and personal wealth
- End to end administration
- Proactive, personal service
- 10,900+ SIPP and SSAS schemes

Platform

- Proprietary MWeb pension administration platform
- Custody, dealing and client banking
- Strategic partnerships with external providers
- Investing in technology

Investment manager

- Discretionary portfolio management
- Bespoke advice
- Using best of what we and other providers offer

Product provider

- Portfolio and fund management
- SIPP and SSAS
- Innovative new product development
- Addressing clients' needs

2 Medium-term goals

Total client assets

£15bn

2019: £15bn

Revenue

£100m

2019: £100m

EBITDA margin

20%+

2019: 20%+

4 Addressing more of the value chain

To remain agile and competitive to deliver great client outcomes:

- Economies of scale
- Operational efficiencies
- Lower client costs
- Sustainable shareholder returns

Find out more from our Chief Executive Officer on page 10



10

Chief Executive's review

We maintain 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 are continuing to grow and develop the business, both organically and by strategic acquisition."

Ian Mattioli MBE, Chief Executive Officer



Introduction

We are dedicated 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 are continuing to grow and develop the business, both organically and by strategic acquisition. The Group's financial performance in the first nine months of the year ended 31 May 2020 was in line with the Board's expectations but, as anticipated, in the final quarter the impact of the COVID-19 pandemic on financial markets resulted in a reduction in the Group's income streams linked to the value of clients' assets and its banking revenue.

Revenue for the year was up 1.6% to £58.4m (2019 restated: £57.5m), with growth driven by a full 12 months' revenues of £2.1m (2019: £1.1m) from the Broughtons and SSAS Solutions businesses acquired in the prior year, plus £0.2m of revenues from Turris following its acquisition in December 2019.

Although the flow of new business generated by our consultancy team continued to be impacted by ongoing political and economic uncertainties, a total of 558 (2019: 762) new SIPP, SSAS and personal clients with assets totalling £155m (2019: £213m) chose to use Mattioli Woods during the year. Our continued investment in technology allowed us to adapt quickly to remote working as a means of servicing clients and generating new business. We hosted client and introducer webinars in the last quarter, attracting many times the number of attendees that we would have expected via our pre COVID-19 seminar programmes. We are confident that in this new environment we can continue to generate and convert new business opportunities.

Operating profit before financing was up 38.7% to £12.9m (2019 restated: £9.3m) and profit before tax was up 36.7% to £13.4m (2019 restated: £9.8m), enhanced by an increased share of profit of £0.6m (2019: £0.5m) from our 49% associate Amati, with the team's strong investment performance gaining further recognition through its fund managers being awarded "VCT Manager of the Year" at the Small Cap Awards 2020.

Adjusted EBITDA was up 34.0% to £18.9m (2019 restated: £14.1m) and adjusted EBITDA margin increased to 32.4% (2019 restated: 24.5%), primarily as a result of the one-off reduction in bonuses and other cost savings made in response to the COVID-19 pandemic, with an increased contribution from Amati and further efficiencies and cost savings realised following the planned restructuring of our client facing operations and the migration of acquired pension portfolios onto our proprietary MWeb administration platform prior to COVID-19. In addition, the adoption of IFRS 16 on 1 June 2019 decreased other administrative expenses by £0.9m and increased depreciation and interest on lease liabilities by £0.8m and £0.1m respectively, driving £0.9m of the increase in adjusted EBITDA and 1.5% of the increase in adjusted EBITDA margin.

With the expected reversal of bonus cost savings in future periods, we believe profit margins will revert towards our sustainable longer-term targets. We continue to seek ways to reduce clients' costs across the value chain and believe the benefits of operating a responsibly integrated model, including the opportunity to secure economies of scale such as lower fund manager and platform charges, will allow us to improve client outcomes and 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 enjoy strong, intergenerational client retention and have seen sustained demand for advice from clients set around the complexities we are all facing. We anticipate there will be a sustained demand for advice, driven by changes in lifestyle, increasing longevity, tax and other legislative changes, particularly when the implications of the UK's withdrawal from the European Union become clearer.

We continue to deliver strong investment performance across both portfolios and funds. In meeting our clients' investment needs we generally use third parties' funds, but where we have a particular expertise and a more appropriate investment product, we look to meet those needs in-house. This has led to the innovative development of our Private Investors Club, Custodian REIT plc ("Custodian REIT") and the Mattioli Woods Structured Products Fund, in addition to the funds managed by Amati.

Despite continued market and political uncertainty, we achieved aggregate net inflows (before market movements) of £200.2m (2019: £265.2m) into the Group's bespoke investment services, albeit this uncertainty resulted in lower flows than in the prior year. Gross discretionary assets under management by the Group and its associate decreased to £2.55bn (2019: £2.57bn) at the year end, primarily due to the impact of COVID-19 on the value of property held by Custodian REIT, with valuers assuming a three-month rent deferral and overall increase in yield to all assets let to tenants which had ceased or significantly curtailed trading, in line with Royal Institute of Chartered Surveyors ("RICS") advice to valuers.

The value of assets held within our Discretionary Portfolio Management service increased by 1.4% to £1.41bn (2019: £1.39bn), of which £128.0m or 9.1% (2019: £132.3m or 9.5%) 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, 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 COVID-19, over a decade of low interest rates and evolving client preferences, including environmental, social and governance ("ESG") considerations, have created challenges for people seeking to generate income, while preserving and growing their capital. At the same time, there is a growing awareness of the gap between the level of current UK savings and that which is necessary to provide a reasonable standard of living in retirement. Employers continue to withdraw from defined benefit pension schemes, requiring individuals to be more 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 drive an increased 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 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. On 31 July 2020 the FCA's new rules aimed at making it easier for consumers to transfer fund investments between platforms came into effect. 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 £1.1m, driven by further increases in the 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.

Last year the EU published rules introducing a bespoke prudential regime for investment firms, the Investment Firm Directive and Regulation ("IFD/IFR"), to be implemented by 26 June 2021. The UK is no longer a member of the EU and will not be obliged to implement the EU's rules. However, the FCA is now consulting on the introduction of a UK regime that will achieve similar outcomes as the IFD/IFR but, for the first time, be designed with investment firms in mind, replacing many rules largely designed for deposit-taking credit institutions and lowering the ongoing regulatory cost for investment firms.

The proposed rules represent significant change. UK investment firms would be subject to liquidity requirements across the Board and there would be a new methodology for calculating capital requirements, the 'K-factor' approach. There would also be new remuneration and disclosure requirements.

The need to comply with these and other regulatory changes, including the extension of the Senior Managers and Certification Regime ("SMCR") to investment firms in December 2019, means we continue to invest in our people, technology and infrastructure as we look to build upon our success to date.

EU withdrawal ("Brexit")

While the "divorce agreement" part of Brexit has now happened, we remain subject to EU rules and will be implementing those that come in before the end of the transition period at the end of December 2020.

A regulatory imperative to offer ESG propositions and collect information on a client's ESG preferences looks likely from 2021, in the form of MiFID II amendments, and preparation may require investment in the short term. Tools may be developed, similar to those used to assess clients' attitude to risk, to enable firms to assess ESG preferences in a consistent repeatable manner.

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, we anticipate that the operational impacts on our business will be relatively small. We remain conscious that the political situation could impact equity 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, such as the Mattioli Woods Structured Products Fund. However, we are confident we have the right structures in place to ensure the continued operation of our business in the event of a no-deal Brexit.

Changes to the tax regime

Following HM Treasury's review of the tapered annual allowance and its impact on NHS staff, the Chancellor of the Exchequer announced significant changes to the tapered annual pensions allowance for higher earners in the March 2020 Budget that mean from 2020-21 the "threshold income" will be £200,000, so individuals with income below this level will not be affected by the tapered annual allowance, and the annual allowance will only begin to taper down for individuals who also have an "adjusted income" above £240,000.

In July, the Chancellor announced £30bn worth of stimulus measures in the government's 'Plan for Jobs' to boost job creation in the UK, building on the action taken in the March 2020 Budget in response to the immediate threat posed by COVID-19. Having announced unprecedented levels of state support in recent months, the emergency packages will need to be repaid in one way or another and some have warned that savings or pensions could be targeted for this.

The Office of Tax Simplification ("OTS") has been asked by the Chancellor to review capital gains tax ("CGT") with particular reference to individuals and smaller businesses. Separately, a project being funded by the London School of Economics and CAGE Warwick is considering whether a UK wealth tax is desirable and deliverable. Whilst the CGT review has been instigated by the Chancellor, no official government review has been commissioned in respect of a wealth tax.

We expect any changes in the tax regime to create further demand for our financial planning and advisory services.

Outlook

Investment markets look likely to remain volatile but we believe the opportunity for Mattioli Woods is significant, as people seek to take charge of their money and manage it through the generations. At the same time, savings and investments are becoming more complicated and regulatory requirements continue to increase. The inherent agility within our business model allows us to adapt to the changing wealth and asset management marketplace. Clients need long-term advice and strategies more than ever before. We will continue to provide quality solutions, maintaining our focus on client service and continuing to adapt our business model to the changing market, integrating asset management and financial planning to build upon our established reputation for delivering sound advice and consistent investment performance, while looking to reduce clients' costs.

Chief Executive's review continued

Our services

Our core pension and wealth management offering serves the higher end of the market, including controlling Directors and owner-managed businesses, professionals, executives and retirees. Our broad range of employee benefit services is targeted towards medium-sized and larger corporates. The Group has developed a broader wealth management proposition in recent years, which has grown from its strong pensions advisory and administration expertise. The mix of income derived from the Group's four key revenue streams changed slightly during the year, summarised as follows:

- 45.9% investment and asset management (2019 restated: 45.2%);
- 35.3% pension consultancy and administration (2019 restated: 35.5%);
- 9.2% property management (2019 restated: 9.6%); and
- 9.6% employee benefits (2019 restated: 9.7%).

We aim to operate a seamless structure, allowing us to cover all aspects of 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 advice⁹, giving our business a revenue profile that is less sensitive to market performance. The acquisition of Turrus during the year added £68.4m of client assets, with total client assets of the Group and its associate of £9.3bn at 31 May 2020 (2019: £9.4bn) as seen on Table 1.

Our discretionary portfolio management service has continued to deliver strong investment performance relative to the market, with aggregate net inflows of over £200m into this and the Group's other bespoke investment services during the year. The movement in total client assets is analysed as follows:

- A £22.6m fall (2019: £565.7m increase) in SIPP and SSAS funds under trusteeship, with a 1.7% fall (2019: 5.6% increase) in the number of schemes being administered at the year end, comprising a 0.7% (2019: 3.7%) increase in the number of direct¹³ schemes to 6,453 (2019: 6,405) and a 5.0% decrease (2019: 7.9%) in the number of schemes the Group operates on an administration-only basis to 4,480 (2019: 4,714). 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 £172.5m (2019: £41.2m) decrease in the value of assets held in the corporate pension schemes advised by our employee benefits business, following the loss of two large corporate clients in the first half. 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 £6.1m (2019: £5.8m) increase in personal wealth and other assets under management and advice, with the acquisition of Turrus and 180 (2019: 254) new personal clients won during the year partially offsetting some natural client attrition, resulting in a 2.1% decrease (2019: 2.5% increase) in the total number of personal clients¹⁴ to 5,925 (2019: 6,052); and
- A £106.8m (2019: £123.0m) 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 £400.4m (2019: £291.1m) at 31 May 2020.

Amati continues to perform strongly since Mattioli Woods' investment, seeing gross funds under management¹⁵ increase to £581.4m (31 May 2019: £452.8m) at the year end. As a result of Amati's strong performance the Group's share of its profits increased to £0.6m (2019: £0.5m). 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 and has recently been added to Hargreaves Lansdown's Wealth Shortlist.

In addition, in October 2019 the Amati AIM VCT published a prospectus to raise up to £25m (with an over-allotment facility of a further £20m). Amati reached capacity in the £25m offer in April 2020 and having considered the current rate of investment activity, the VCT is now seeking to raise a further £20m under the over-allotment facility prior to the offer closing on 16 October 2020.

Table 1

Assets under management, administration and advice ¹⁰	SIPP and SSAS ¹¹ £m	Employee benefits £m	Personal wealth and other assets £m	Sub-total £m	Amati ¹² £m	Total £m
At 1 June 2019	6,051.6	1,196.7	1,725.2	8,973.5	409.0	9,382.5
Acquisition during the year	—	—	68.4	68.4	—	68.4
Net inflows/(outflows), including market movements	(22.6)	(172.5)	(62.3)	(257.4)	106.8	(150.6)
At 31 May 2020	6,029.0	1,024.2	1,731.3	8,784.5	515.8	9,300.3

9 Revenue for the year ended 31 May 2020 was split 53% (2019 restated: 52%) fixed, initial or time-based fees and 47% (2019 restated: 48%) ad valorem fees based on the value of assets under management, advice and administration.

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

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

12 Assets under management of £515.8m (2019: £409.0m) excludes £54.1m (2019: £31.9m) of Mattioli Woods' client investment included within SIPP and SSAS, employee benefits and personal wealth and other assets and excludes £11.5m (2019: £11.9m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc.








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

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

15 Includes Mattioli Woods' client investment and £11.5m (2019: £11.9m) of cross-holdings between the TB Amati Smaller Companies 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'  04 14
Operating efficiency	Adjusted EBITDA margin – profit generated from the Group's operating activities before financing income or costs, taxation, depreciation, amortisation, impairment, changes in valuation of derivative financial instruments and acquisition-related costs, including share of profit from associates (net of tax), divided by revenue.	See 'Profitability and earnings per share'  15
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, gain on revaluation of derivative financial assets, non-cash interest charges on the unwinding of discounts on long-term provisions and the amortisation of acquired intangible assets, divided by the weighted average number of ordinary shares in issue.	See 'Profitability and earnings per share'  15
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'  12
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'  17
Financial stability	Debtors' days – this is the average number of days' sales outstanding in trade receivables at any time.	See 'Cash flow'  16
	Surplus on regulatory capital requirement – this is the aggregate surplus on the total regulatory capital requirement of the Group.	See 'Regulatory capital'  17

Chief Executive's review continued

Financial performance and future developments

Revenue

Group revenue was up 1.6% to £58.4m (2019 restated: £57.5m), with organic revenues supplemented by a full 12 months' revenues of £2.1m (2019: £1.1m) from the Broughtons and SSAS Solutions businesses acquired in the prior year, plus £0.2m of revenues from Turriss following its acquisition in December 2019.

On 1 June 2018 the Group adopted the accounting standard IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 brought a new and detailed approach to how and when revenue is recognised from contracts with customers. Fees and commissions receivable on the arrangement of insurance by the Group's property management business on behalf of its clients were previously reported gross, with the premiums payable on the arrangement of the insurance on the clients' behalf previously reported as other administrative expenses. Having revisited the terms of these insurance arrangements, we have concluded the revenue that should be recognised under IFRS 15 is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the insurance services to be provided by that party.

Accordingly, we have restated revenue recognised in respect of the year ended 31 May 2019 to reduce revenue by £1.0m and restated other administrative expenses to reduce costs for the year by an equal amount. There is no impact on total equity and no impact on profit or earnings per share for the year.

Performance measures impacted by the restatement to revenue and other administrative expenses, including fee-based revenue, recurring revenue, operating profit margin, adjusted EBITDA margin and debtors' days have been corrected by restating each of the alternative performance measures (see page 126) for the prior year.

Employee benefits expense

As in previous years, the major component of the Group's operating costs is our employee benefits expense of £27.6m (2019: £31.2m) representing 47.3% of revenue (2019 restated: 54.3%). 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 and we are pleased to have increased average consultant and client relationship manager caseloads during the year, partly through the migration of acquired pension portfolios onto our bespoke MWeb administration platform.

In addition, we pre-emptively implemented a number of mitigating actions to protect the Group's strong financial position in light of the trading conditions created by the COVID-19 pandemic, realising £0.15m of cost savings through all plc Board Directors reducing their basic remuneration plus a further £2.4m on confirmation that remaining staff bonuses and all plc Board Directors' bonuses in respect of the financial year will not be paid.

The Group's total headcount increased to 597 (2019: 586) at 31 May 2020, with Turriss' experienced team of five staff in Glasgow being retained following its acquisition. In addition, the number of consultants increased to 120 (2019: 115) following the launch of a new consultancy development programme in December 2018.

We continue to invest in our 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 £10.9m (2019 restated: £10.8m), with additional professional, regulatory and compliance costs incurred following the appointment of RSM Risk Assurance Services LLP to provide internal audit services in December 2018, increased regulatory fees and levies and the introduction of SMCR during the period.

The Group adopted the new accounting standard IFRS 16 'Leases' with effect from 1 June 2019, where lessees now recognise an asset representing the right to use the leased item and a lease obligation for future lease payables. In addition, one lease where the Group is lessor that was previously classified as an operating lease under IAS 17 has been reclassified as a finance lease under IFRS 16, giving rise to the recognition of a finance lease receivable and the partial de-recognition of the right of use asset representing the head lease for the property.

These changes had the following impact on the Group's Financial Statements:

- A £0.9m decrease in other administrative expenses for the period, with the lease expense under IAS 17 for operating leases replaced with £0.8m of depreciation of the right-of-use assets and £0.1m interest on the lease liabilities; and
- Recognition in the Statement of Financial Position at 31 May 2020 of £2.6m of right-of-use assets, lease liabilities of £2.9m and a finance lease receivable of £0.3m.

Other administrative expenses in the prior year were lower due to the £0.5m reversal of unused provision for onerous contracts due to the actual costs incurred on the Group's exit from its previous premises at Grove Park being significantly lower than anticipated.

Share-based payments

Share-based payments costs were £1.3m (2019 restated: £1.5m).

The Group's trading performance and actions taken in response to the COVID-19 pandemic resulted in profits being significantly ahead of our expectations at the start of the year, increasing the number of options expected to vest under the Company's long-term incentive plans and the associated non-cash share-based payments cost recognised in the year,

"We continue to invest in our 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."



the impact of which was partially offset by the vesting period for some of the new awards granted under the Mattioli Woods 2010 Long Term Incentive Plan ("the LTIP") during the period being extended from three to five years.

Separately, following a detailed review of our option valuation model we identified the model had not been correctly updated to reflect the likely outcome of non-market based conditions as determined at each period end using the data available at the time. The correction of historical calculations to reflect the expectations of achieving performance conditions at previous reporting dates has increased the share-based payments costs recognised in respect of the year ended 31 May 2019 by £0.5m, and in respect of the three years ended 31 May 2019 by approximately £0.8m in aggregate. Accordingly, we have restated share-based payments costs for the year ended 31 May 2019 to increase the cost recognised by £0.5m and restated the value of the reserves transfer re-allocating the cost of exercised or lapsed share options from equity-share-based payments to retained earnings to reflect a £0.1m increase in the share-based payments costs associated with these options. Corresponding deferred tax assets have been restated resulting in a reduction in income tax expense in respect of the year ended 31 May 2018 by £0.1m and 31 May 2019 by £0.1m. Retained earnings as at 31 May 2018 were reduced by £0.4m and at 31 May 2019 by £0.7m, and the equity-share-based payments reserve as at 31 May 2018 was increased by £0.4m and at 31 May 2019 by £0.9m.

Performance measures impacted by the restatement to share-based payments costs, including operating profit before financing, EBITDA, adjusted EBITDA, profit before tax, adjusted profit before tax, profit after tax, adjusted profit after tax, effective taxation rate, basic EPS and adjusted EPS, have been corrected by restating each of the impacted financial statement line items (see page 81) and alternative performance measures (see page 126) for the prior year.

Gain on revaluation of derivative financial instrument

Given the success of our investment in Amati, which contributed an increased share of profits of £0.6m (2019: £0.5m) during the year, we believe the Group retaining a 49% minority interest is the optimal structure for all stakeholders and in June 2019 cancelled our option to acquire the other 51% of Amati, in return for a £0.75m payment from the Amati management team. Accordingly, there was no gain or loss (2019: £0.1m gain) in the value of the Group's option that was cancelled during the period.

Net finance costs

The Group has maintained a positive net cash position throughout the year, with increased net finance costs of £0.16m (2019: £0.03m) reflecting credit interest of £0.10m (2019: £0.06m) being offset by £0.14m (2019: £0.09m) of non-cash notional finance charges on the unwinding of discounts on long term provisions and £0.12m of interest on the lease liabilities recognised on adoption of IFRS 16.

Taxation

The effective rate of taxation on profit on ordinary activities was 24.2% (2019 restated: 20.1%), above the standard rate of tax of 19.0% (2019: 19.0%), primarily due to deferred tax liabilities being recognised at an increased rate of tax following reversal of the government's planned cut in the standard rate of tax to 17.0% from 6 April 2020. 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 2020 was £3.6m (2019: £3.8m).

Alternative performance measures

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

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

Supporting calculations for alternative performance measures and reconciliations between alternative performance measures and their IFRS equivalents are set out in the Alternative performance measure workings section of the Annual Report.

Profitability and earnings per share

Profit before tax was up 36.7% to £13.4m (2019 restated: £9.8m), with adjusted profit before tax up 33.9% to £15.8m (2019 restated: £11.8m), driven by the mitigating actions taken to protect the Group's financial position in light of the COVID-19 pandemic, together with the efficiencies and cost savings realised following the restructuring of our client facing operations before COVID-19. These changes, coupled with the impact of adopting IFRS 16 during the period, translated into growth in operating profit before financing of 38.7% to £12.9m (2019 restated: £9.3m) and adjusted EBITDA up 34.0% to £18.9m (2019 restated: £14.1m), with adjusted EBITDA margin of 32.4% (2019 restated: 24.5%).

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 seen on Table 2.

Table 2

	2020 £m	2019 (restated) £m
Statutory operating profit before financing	12.9	9.3
Amortisation of acquired intangibles	2.1	1.9
Amortisation of software	0.4	1.0
Depreciation	2.5	1.3
EBITDA ¹⁶	17.9	13.6
Share of associate profits (net of tax)	0.6	0.5
Acquisition-related costs	0.3	0.1
Gain on revaluation of Amati option	–	(0.1)
Adjusted EBITDA ¹⁷	18.9	14.1

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

17 Figures in table may not add due to rounding.

Chief Executive's review continued

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 seen on Table 3.

As explained in Note 17, client portfolios acquired through business combinations are recognised as intangible assets. The amortisation charge for the year of £2.1m (2019: £1.9m) 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 EPS¹⁹ increased 34.4% to 47.7p (2019 restated: 35.5p), while basic EPS was up 29.0% to 37.8p (2019 restated: 29.3p), driven by increased revenues and the significant cost reductions mentioned above. EPS was also impacted by the higher effective tax rate of 24.2% (2019 restated: 20.1%) and the issue of 169,497 (2019: 380,766) shares under the Company's share plans. There were no shares (2019: 239,825) issued as consideration for acquisitions during the year. Diluted EPS was 36.6p (2019 restated: 28.5p).

Dividends

In light of the uncertain trading conditions, the Board believes it is prudent to protect the Group's financial position and balance the interests of all stakeholders. Accordingly, the Board proposes a lower final dividend than might have been proposed in more normal circumstances of 12.7p per share (2019: 13.67p). This makes a proposed total dividend for the year of 20.0p (2019: 20.0p), in line with the prior year (2019: 17.6% increase).

The Board recognises the importance of dividends to shareholders and intends to return to growing the dividend, while maintaining an appropriate level of dividend cover, when it is an appropriate time to do so. If approved, the final dividend will be paid on 23 October 2020 to shareholders on the register at the close of business on 11 September 2020, having an ex-dividend date of 10 September 2020.

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

For the DRIP to apply to the proposed final dividend for the year ended 31 May 2020, shareholders' instructions must be received by Link by 25 September 2020.

Cash flow

Cash balances at 31 May 2020 totalled £26.0m (2019: £23.2m). Opening cash balances at the start of the period included £0.08m (2019: £3.5m) of VAT reclaimed on behalf of clients, with £0.04m (2019: £3.4m) repaid during the period. Cash generated from operations was £13.9m or 78% of EBITDA (2019 restated: £11.0m or 81%), with operating profit margin before changes in working capital and provisions improving to 33.0% (2019: 25.8%), with an increase in the Group's working capital requirement²⁰ of £5.4m (2019: £3.6m), comprising:

- A £4.6m decrease (2019: £4.2m) in trade and other payables, primarily due to:
 - a £3.5m decrease in accruals and deferred income following confirmation that remaining staff bonuses and all Directors' bonuses for the year ended 31 May 2020 would not be paid;
 - a £1.0m decrease in trade payables due to the annual cost of client insurance policies being paid prior to 31 May 2020; and
 - a £0.2m decrease in social security and other taxes outstanding at the year end.
- A £0.8m increase (2019: £0.7m decrease) in trade and other receivables, primarily due to:
 - a £1.0m increase in other receivables, with £1.0m of client insurance costs due to be recharged following the year end;
 - a £0.5m decrease in prepayments and accrued income; and
 - a £0.4m increase in trade receivables.

There was a net £nil change in provisions during the year (2019: £0.5m decrease), with £0.6m (2019: £0.8m) of contingent consideration paid on the Broughtons acquisition being more than offset by the £0.7m recognised on the acquisition of Turrus during the year.

Outstanding trade receivables increased to 34 days (2019 restated: 33 days), with credit control continuing to be an area of focus. Trade payables reduced to 21 days (2019: 40 days) with lower balances at the year end due to the Group not being invoiced clients' annual property insurance premiums, which are subsequently recharged to clients and paid monthly over the next 12 months, until after the year end, when in the prior year the Group was invoiced before the year end.

A new accelerated corporation tax payment regime became effective for accounting periods beginning on or after 1 April 2019, increasing income taxes paid in the year to £4.4m (2019: £2.2m), with quarterly tax payments now all due within the relevant accounting period, rather than two instalments being paid after the end of it as previously. This resulted in the Group paying six quarterly instalments (2019: four) in this financial year.

Table 3

	Profit 2020 £m	EPS 2020 pps	Profit 2019 (restated) £m	EPS 2019 (restated) pps
Statutory profit before tax	13.4	49.9	9.8	36.6
Income tax expense	(3.2)	(12.1)	(2.0)	(7.4)
Statutory profit after tax / Basic EPS	10.2	37.8	7.8	29.3
Statutory profit before tax	13.4	49.9	9.8	36.6
Amortisation of acquired intangibles	2.1	7.7	1.9	7.1
Gain on revaluation of Amati option	—	—	(0.1)	(0.4)
Acquisition-related costs	0.3	1.2	0.1	0.5
Adjusted PBT	15.8	58.8	11.7	43.8
Income tax expense at standard rate	(3.0)	(11.2)	(2.2)	(8.3)
Adjusted PAT / Adjusted EPS ¹⁸	12.8	47.7	9.5	35.5

18 Figures in table may not add due to rounding.

19 Before acquisition –related costs, amortisation and impairment of acquired intangibles, changes in valuation of derivative financial instruments and non-cash interest charges on provisions.

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

Capital expenditure of £1.0m (2019: £2.0m) comprised £0.4m on the purchase of new company cars, £0.3m investment in new computer hardware and office equipment and £0.2m on software development. In the prior financial year we reviewed our capitalised investment in IT, resulting in the accelerated amortisation of some IT systems that have since been taken out of service. We intend to continue investing in technology to develop our client relationship platforms and improve our client service propositions.

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.

However, the Group continues to enjoy significant headroom on its regulatory capital requirement, allowing us to pursue further acquisition opportunities (see Note 31).

Segmental review

Investment and asset management

Investment and asset management revenues generated from advising clients on both pension and personal investments increased 3.1% to £26.8m (2019: £26.0m).

The Group's gross discretionary assets under management ("AuM"), including the multi asset funds which sit at the heart of our discretionary portfolio management service ("DPM"), Custodian REIT, the Mattioli Woods Structured Products Fund ("MW SPF") and the funds managed by our associate company, Amati, were £2.6bn (2019: £2.6bn) at the year end, with movements during the year as seen on Table 4.

Income from both initial and ongoing portfolio management charges increased to £16.3m (2019: £15.0m), with £173.5m (2019: £174.8m) of inflows into our discretionary portfolio management 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 with annual management charges on the MW SPF of £1.3m (2019: £1.3m) despite the negative market movement in the last quarter resulting from the steep sell-off of markets generally.

Adviser charges based on gross assets under advice of £2.0bn (2019: £2.0bn) fell to £9.2m (2019: £9.7m), with the lower revenue margin illustrating how we continue to reduce clients' charges and TERs, particularly on those assets invested in Custodian REIT, the MW SPF and Amati funds.

Growth in total assets under management and advice continues to enhance the quality of earnings through an increase in recurring revenues, with the proportion of the Group's total revenues which are recurring increasing to 92.1% (2019 restated: 90.0%). 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 impact of the COVID-19 pandemic on financial markets resulting in a reduction in these income streams in the final quarter of the year.

Pension consultancy and administration

Pension consultancy and administration revenues were up 1.0% to £20.6m (2019: £20.4m), with an increased level of client activity partially offset by the total number of SIPP and SSAS schemes administered by the Group falling 1.7% to 10,933 (2019: 11,119).

Direct²³ pension consultancy and administration fees increased 5.2% to £16.3m (2019: £15.5m). Retirement planning remains central to many of our clients' wealth management strategies and the number of direct schemes increased to 6,453 (2019: 6,405²⁴), with 339 new schemes gained in the year (2019: 471). Our focus remains on the quality of new business, with the value of a new scheme averaging £0.3m (2019: £0.3m). We continue to enjoy strong client retention, with a decrease in the external loss rate²⁵ to 1.8% (2019: 2.2%) and an increase in overall attrition rate²⁶ to 3.6% (2019: 3.4%).

The number of SSAS and SIPP schemes the Group operates on an administration-only basis fell to 4,480 (2019: 4,714) 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, but due to a lower level of transactional activity and the payment of compensation from the FSCS direct to individuals, rather than their pension schemes, third party administration fees fell 11.6% to £3.8m (2019: £4.3m).

Table 4

Assets under management	DPM £m	Custodian REIT £m	MW SPF £m	Amati £m	Gross AuM £m	Cross- holdings in DPM ²¹	Cross- holdings in Amati funds ²²	Net AuM £m
At 1 June 2019	1,394.0	483.3	242.5	452.8	2,572.6	(132.3)	(11.9)	2,428.4
Inflows	173.5	13.9	10.5	159.0	356.9	4.4	0.4	361.7
Outflows	(125.5)	—	(21.8)	(9.3)	(156.6)	—	—	(156.6)
Market movements	(29.4)	(142.7)	(27.2)	(21.0)	(220.3)	—	—	(220.3)
At 31 May 2020	1,412.6	354.5	204.0	581.5	2,552.6	(127.9)	(11.5)	2,413.2

21 Comprises £25.2m (2019: £29.7m) in Custodian REIT, £57.6m (2019: £76.6m) in MW SPF and £45.1m (2019: £26.0m) in Amati funds.

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

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

24 SIPP and SSAS schemes administered by SSAS Solutions reclassified as direct during the year.

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

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

Chief Executive's review continued

Following the default transfer of schemes from Stadia Trustees in 2016, we have helped claim almost £10m in compensation after submitting more than 350 claims to the FSCS and we will continue to assist clients with their claims over the coming months.

The Group's banking revenue was £0.5m (2019: £0.6m). Following the Bank of England's cut in the base rate to a historic low of 0.1%, our banking revenue is expected to be negligible going forward.

Segment margin improved to 30.6% (2019 restated: 20.7%) with operational efficiencies and cost savings realised pre COVID-19 following the planned restructuring of our client facing operations. In addition, the operations of MC Trustees, which was based in Hampton-in-Arden until 30 November 2018, have been absorbed into our Leicester administration team, with margin improved through a smaller team now administering this portfolio using our bespoke MWeb administration platform and cost savings associated with no longer occupying the Hampton-in-Arden premises.

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 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 like to see our clients withdrawing funds to enjoy in their retirement. Following the introduction of pension freedoms and a broader market shift away from accumulation and steady savings, we anticipate there will 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, linking-in with our strength in the provision of advice around the cascading of wealth through the generations, inheritance tax and other planning.

Property management

Property management revenues were £5.4m (2019 restated: £5.5m), with our subsidiary Custodian Capital having assets under management and administration of £466.7m (2019: £585.6m) at 31 May 2020, following the sharp decline in the value of Custodian REIT due to the impact of COVID-19 on commercial property valuations. Recurring annual management charges represented 91.4% (2019 restated: 88.7%) 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, with £16.6m (2019: £27.9m) invested in six (2019: seven) new syndicates in the first half, with no new syndicates completed in the second half due to the prevailing market conditions.

Employee benefits

Employee benefits revenues were £5.6m (2019: £5.6m), with new client wins offsetting the loss of two large corporate pension clients during the year, ensuring our portfolio of corporate clients remains well diversified.

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

Acquisitions

We have invested over £56m since our admission to AIM in 2005 in bringing 23 businesses or client portfolios into the Group, developing considerable expertise and a strong track record in the execution and subsequent integration of such transactions.

In December 2019, we announced the acquisition of The Turriss Partnership, which followed the acquisitions of SSAS Solutions and Broughtons in the prior year, which are all integrating well and have contributed positively to our trading results since acquisition, increasing earnings and enhancing value.



In July 2020, we were pleased to complete the post year-end acquisition of Hurley Partners, which serves a similar client base to Mattioli Woods, with many complementary elements between our businesses enhancing our specialist pension knowledge, discretionary portfolio management and financial planning propositions. The broader range of products and services that the enlarged Group has to offer will support the excellent outcomes from which our clients already benefit. In addition, there are cost savings to be realised from combining our operations in London and Manchester.

Consolidation within both wealth management and SIPP administration is expected to continue, and we will seek to build on our track record of successful acquisitions by continuing to assess and progress opportunities that meet our strict criteria.

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 cannot express enough how much I appreciate our people's endeavour and their commitment, enthusiasm and professionalism in dealing with our clients' affairs during these complex times.

As our business grows, 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. 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 2020 had increased to 597 (2019: 586) and we remain committed to developing our people and maintaining the capacity to deliver sustainable growth. We enjoy a strong team spirit and facilitate employee equity ownership through the Mattioli Woods plc Share Incentive Plan ("the Plan") and other share schemes. At the end of the year 62% of eligible staff had invested in the Plan (2019: 57%) and we continue to encourage broader staff participation.

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

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.



"I cannot express enough how much I appreciate our people's endeavour and their commitment, enthusiasm and professionalism in dealing with our clients' affairs during these complex times."

Principal risks & 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. 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:

Key
 + Increase
 = No change
 - Decrease
New New risk

1	Risk type		Description
	Changes in investment markets and poor investment performance		The COVID-19 pandemic is affecting economic and financial markets. Volatility may adversely affect trading and/or the value of the Group's assets under management, administration and advice, from which we derive revenues.
	Changing markets and increased competition		The Group operates in a highly competitive environment with evolving characteristics and trends.
	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.

Mitigating factors

- 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 Investment Committee.

- 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 600 staff and specific shift rotations for our people carrying out essential tasks in our administration hubs across the country.

- 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 capital resource requirements be increased.

Chance

High

High

Medium

Impact

Medium

High

Medium /High

Change

+

=

=

Principal risks & uncertainties continued

2	Risk type		Description	Mitigating factors
	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.	<ul style="list-style-type: none"> Strong compliance culture with a focus on positive customer outcomes. High level of internal controls, including checks on new staff.
	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.	<ul style="list-style-type: none"> 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.
	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 the like.	<ul style="list-style-type: none"> 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.
	Fraud risk		There is a risk an employee or third party defrauds either the Group or a client.	<ul style="list-style-type: none"> 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 £5,000 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.
	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.	<ul style="list-style-type: none"> 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.
Operational risks	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.	<ul style="list-style-type: none"> 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.

	Chance	Impact	Change	Key
<ul style="list-style-type: none"> Well-trained staff who ensure the interests of clients are met in the services provided. 	Medium	High	=	+ Increase = No change - Decrease New New risk
<ul style="list-style-type: none"> 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	=	
<ul style="list-style-type: none"> 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. 	Medium	Medium	=	
<ul style="list-style-type: none"> 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, with accelerated completion of all modules required by 31 May 2020 this year to address heightened fraud risk arising from COVID-19. 	High	Medium	+	
<ul style="list-style-type: none"> Cross functional acquisition team brought into acquisition projects at an early stage. Ensuring the health and wellbeing of our people has been 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	=	
<ul style="list-style-type: none"> 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	=	

Principal risks & uncertainties continued

2	Risk type		Description	Mitigating factors
	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.	<ul style="list-style-type: none"> • 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.
	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.	<ul style="list-style-type: none"> • 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. checking if client is a sophisticated investor).
	Strategic risk		Risk that management will pursue inappropriate strategies or implement the Group's strategy ineffectively.	<ul style="list-style-type: none"> • Experienced management team with successful track record to date.
	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.	<ul style="list-style-type: none"> • 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 to monitor suitability of advice being given to clients.
	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.	<ul style="list-style-type: none"> • 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.
	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.	<ul style="list-style-type: none"> • 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.

	Chance	Impact	Change	Key + Increase = No change - Decrease New New risk
<ul style="list-style-type: none"> 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	+	
<ul style="list-style-type: none"> Credentials of third party advisers are checked against the FCA register. 	High	Low	New	
<ul style="list-style-type: none"> Management has demonstrated a thorough understanding of the market and monitors this through regular meetings with clients. 	Low	Low	=	
<ul style="list-style-type: none"> Compliance oversight by a dedicated team covering: conduct, product, complaints and technical. Non-standard investments require review and approval by the Group's Technical team. Professional Indemnity ("PI") insurance in place. 	Medium	Medium	=	
<ul style="list-style-type: none"> Active dialogue with the FCA, especially where we identify specific risks associated with the target business. 	High	Low	New	
<ul style="list-style-type: none"> 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	+	

3 Financial risks	Risk type	Description	Mitigating factors
	Counterparty default	That the counterparty to a financial obligation will default on repayments.	<ul style="list-style-type: none"> 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.
	Bank default	The risk that a bank could fail.	<ul style="list-style-type: none"> We only use banks with strong credit ratings. Client deposits spread across multiple banks. Regular review and challenge of treasury policy by management.
	Concentration risk	A component of credit risk, arising from a lack of diversity in business activities or geographical risk.	<ul style="list-style-type: none"> The client base is broad, without significant exposure to any individual client or group of clients. Broad service offering gives diversified revenue streams.

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 Brexit and the COVID-19 pandemic, 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 is affecting 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.

The UK is in a deep recession as the virus restricts economic activity and equity markets have not fully recovered to pre-COVID levels, but we believe the world is learning to live with the virus and will be able to contain new outbreaks with targeted regional measures that are less disruptive than previous national lockdowns.

We recognise the short term impacts of the pandemic and the risk of a disorderly Brexit at the end of 2020 may weigh on confidence and consumer spending. However, in the medium term a bigger-than-expected fiscal stimulus could lift demand by more than expected and we believe the UK household savings ratio is likely to surge, providing new opportunities for wealth and asset managers like Mattioli Woods.

	Chance	Impact	Change
	Medium	Medium	=
	Medium	High	=
	Medium	Medium	=

Key
 + Increase
 = No change
 - Decrease
 New New risk

Brexit

Brexit remains likely to have a significant political and economic impact on the UK. The UK left the European Union ("EU") on 31 January 2020 and has entered a transition period, which is due to operate until 31 December 2020. During the transition period, EU law continues to apply in the UK and new EU legislation that takes effect before the end of the transition period will also apply to the UK. The UK and the EU have indicated, in a Political Declaration, that they intend to reach agreement on the future relationship between the UK and the EU by the end of 2020. The UK government has legislated against extending the transition. The implication of this is that if a new trade deal cannot be agreed by the end of the transition period, EU-UK trade will take place on basic World Trade Organization trade terms.

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

Investors in the Mattioli Woods Structured Product Fund (which is a Luxembourg-based SICAV) are likely to see some changes to the basis on which this fund is distributed. It is also possible that there may be some implications for the small number of our private clients based in other EU countries, depending on the exact nature of the services they receive and regulatory framework agreed in the transitional period or in the event of an exit from the EU without an agreement. We continue to review the investment implications of Brexit for client portfolios and our range of funds, and regularly communicate our views through formal and informal briefings to clients and our consultants.

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

Consequences of any decision in the long term

Interests of employees

Fostering business relationships with suppliers, customers and others

Impact of operations on the community and the environment

Maintaining high standards of business conduct

Acting fairly between members

Approach taken

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 on page 13, which are used to assess the outcome of decisions made.

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

How the business builds 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 interaction of the Company with the wider community is explained in the 'Relationships' and 'Corporate Social Responsibility' sections of the Strategic Report on page 19 and pages 38 to 43.

The Group's impact on the environment is limited due to the nature of the Group's business operations as set out in the 'Environmental performance and strategy' section of the Strategic Report and 'Environmental' section of the Directors' report.

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 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 Board's commitment to keeping in mind the long term consequences of its decisions 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 prudent 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 focused 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.

Strategic Report on pages 7 and 19 and 'Employees' section of the Directors' report on page 65.

Employees are represented on the Board by Carol Duncumb.

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.

Because the Group's focus is on holistic planning and providing high levels of personal service, maintaining close relationships with all our clients, it has open lines of communication with clients and can understand and resolve any issues promptly.

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 community 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.

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 on page 49.

The principal risks and uncertainties facing the business are set out in that section of the Strategic Report on page 20.

The investor relations programme is designed to promote formal engagement with investors and is typically conducted after each half-yearly results announcement. The Group also engages 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. 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.

Section 172 statement continued

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;
- The Board meets regularly throughout the year as well as on an ad hoc basis, as required by time critical business needs. Throughout the peak of the COVID-19 pandemic in the UK the Board met on an at least weekly basis;
- 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, all of which have extensive engagement with their own 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 Turris Partnership, which was an important strategic acquisition as we had been looking to expand our operations in Scotland for some time. Turris' clients and staff continue to benefit from our strong ethos and culture of putting the clients' interests at the heart of everything we do. These values were an embedded part of both Turris' and Mattioli Woods' operations and a key reason why the transaction was such a good fit. The additional resources and support available as part of Mattioli Woods will benefit Turris' clients and staff, and the business has positively contributed to the Group's financial results since acquisition, enhancing shareholder returns. The acquisition is further detailed in Note 3 to the Financial Statements.

- The purchase of Hurley Partners, in line with the Group's strategy to explore high quality acquisition opportunities alongside organic growth. The acquisition is further detailed in Note 3 to the Financial Statements, with key elements of the strategic rationale being:
 - Extending the Group's geographic footprint into Surrey and adding scale to its existing London and Manchester operations;
 - Adding direct equity investment expertise to the Group's existing discretionary management proposition;
 - Adding nine advisers to the Group's consultancy team;
 - The migration of Hurley Partners' SSAS portfolio onto Mattioli Woods' proprietary pension administration platform offers potential operational efficiencies; and
 - Material financial benefits are expected from the acquisition, which is expected to be earnings enhancing in the first full year of ownership, with annual cost savings of approximately £0.5m expected to be fully realised by the end of the first year, with the opportunity to realise revenue synergies through a new distribution channel for Mattioli Woods' services.
- 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 Group has remained fully operational throughout, maintaining our focus on client service and developing our customer proposition. The Board decided it would 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. In anticipation of the likely trading conditions created by the pandemic, we implemented a number of mitigating actions to protect the Group's financial position, realising total cost savings of approximately £2.6m through all Directors reducing their basic remuneration and confirming that remaining staff bonuses and all Directors' bonuses in respect of the financial year would not be paid.
- Determination of dividend. In light of the uncertain trading conditions, the Board believes it is prudent to protect the Group's financial position and balance the interests of all stakeholders, including those employees that have foregone salary and bonus in respect of the year ended 31 May 2020. Accordingly, the Board has proposed a lower final dividend for the year than might have been proposed in more normal circumstances.
- Agreeing a further three-year term to Custodian Capital's ongoing engagement as external discretionary fund manager of Custodian REIT from 1 June 2020. The revised Investment Management Agreement secures further cost reductions for investors in Custodian REIT and an important long-term revenue stream for the Group. Another three year term allows the Group to commit to further investment in Custodian Capital's dedicated systems and people providing its services under the IMA and the fee changes will be beneficial to the Group's clients who are investors in Custodian REIT.

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

Details of the Group's key stakeholders and how we engage with them are set out below.

Shareholders

As owners of the Group we rely on our shareholders' support and their opinions are important to us. We have an open dialogue with our shareholders through one-to-one meetings, group meetings, webcasts and the AGM. Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook, governance and ethical practices. Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and their views are considered as part of decision-making.

Employees

Our people are the key to our success, and we want them to be successful individually and as a team. There are many ways we engage with and listen to our people including employee surveys, forums, well-being discussions, face-to-face briefings, internal communities and newsletters. During the pandemic there has been an increased focus on health and well-being, in addition to development opportunities, pay and benefits.

Our clients

We are passionate about looking after our clients' financial affairs. Creating and preserving wealth, our focus remains on ensuring our trusted advice gives clients the understanding to achieve their objectives. We recognise that a significant number of our clients are being affected by the challenging economic conditions. We resolved not to alter any of our fee structures or implement any annual fee increases, which will continue to give our clients the benefit of reduced TERs. We are confident our combination of lower costs alongside strong investment performance will ensure we continue to deliver good financial outcomes for our clients.

Suppliers

We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews. Key areas of focus include innovation, enhancing our client propositions, health and safety and sustainability. 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.

Communities

We engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include 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.

Government and regulators

We engage with the government and regulators through a range of industry consultations, forums, meetings and conferences to communicate our views to policy makers relevant to our business. 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.

Further information on the ways in which the Board engages with stakeholders is set out in the Corporate Governance report on page 49 and Strategic Report on pages 7, 19 and 38 to 43.

Mattioli Woods Webinars

Communicating with our clients, connections and prospects via live events has always been a major part of our annual marketing programme. In mid-March 2020, like many others, our events programme changed overnight.

The Mattioli Woods events team worked quickly to move key events online, and on 1 April 2020 our first live webinar for clients was delivered. The 'Investment Markets Update' with Simon Gibson, our Chief Investment Officer, Richard Shepherd-Cross, Managing Director for Custodian REIT, and Richard Smith, Investment Manager saw an incredible response with 458 people registering to attend. The largest ever client audience for a Mattioli Woods event.

Other webinar titles have included:

- Real assets (property and infrastructure) – nearly 200 attended and 109 YouTube views.
- Navigating our new financial world for accountants – nearly 100 attended and 66 YouTube views.
- Why low correlation to main markets matter – exclusive for Private Investors Club members with 56 attendees.

From April to July 2020 we delivered 10 events connecting with our clients and professional connections.

And we were just as busy in August with two further webinars:

- Investment Markets Briefing
- The Future of Employee Benefits (launch of a new series)

Use of webinar technology has complemented the wider company aim to provide an uninterrupted service, and helps bring us closer than ever to our clients and connections.

This technology has also supported our own employees via a series of monthly wellbeing webinars – these have been hosted by Ian Mattioli, Iain McKenzie, Michael Wright and Simon Gibson.

"As we embrace our next normal in light of the pandemic, we will continue to meet the needs of our audiences by providing a blend of webinars and physical events. We continue to be agile and responsive to our changing world."

Jo Spain, Mattioli Woods Events Manager

"Just to say that I thought your webinar today was very grounded and helpful."

Pamela Fagg

"We are both impressed with April's clarity of advice over the last five months which, added to the regular Mattioli Woods webinars, has kept us well informed and reassured."

Dr M Auld and Mrs A Auld



"Each webinar has been well run with worthwhile content. I had to miss the last one at the last minute but managed to catch up because you sent out an e-mail with a link to a recording. An excellent experience so far. Well done to the team."

Terry Somerfield



"I have attended some of the webinars and I genuinely think that Mattioli Woods have really stood out in these difficult times for getting across innovative, sound financial advice."

Philip Thompson



Total number of registrants for all webinars since 1 April (excl. staff)

2,036

Total number of attendees for all webinars since 1 April (excl. staff)

1,319

Average interest rating

93%

The Cotton Pension Trust

Simon Cotton and his wife Diana were introduced to Mattioli Woods following our acquisition of the advisory firm Boyd Coughlan in June 2015. At the time, Simon held a senior position as Corporate Director at a business specialising in financing solutions.

In 2017, Simon and Diana decided on a lifestyle change and explored the opportunity of purchasing a hotel, The Summer Isles Hotel, in Achiltibuie in the Scottish Highlands. They knew the area well having visited on family holidays for many years. Their local familiarity, as well as Simon's wealth of knowledge and experience gained in purchasing and running companies, lent itself to the successful running of the business.

We introduced Simon and Diana to the options available when using a SIPP. Having considered various financing options, we helped Simon assess whether a part of his existing pension savings could be used in the acquisition.

The ability to combine our multifaceted proposition allowed us initially through our consultancy services to review their existing pension provision and establish a Joint SIPP with Diana and Simon as members and trustees. Following completion of the relevant advice and pension transfers, we acted as co-trustee and administrator to acquire The Summer Isles Hotel within a 12-week deadline to meet the seller's demanding timescale.

The planning enabled them to fulfil their ambition and provide an outlet for Simon's expertise in a business that was refreshingly different from the world of finance. It would allow Diana to be involved as well when she wanted and for their investment to provide a source of retirement income and a legacy for the children.

Given the hotel's exposed location a lot of work and money goes into the constant upkeep and development of the property. The hotel itself operates on a seasonal basis, typically between April and October, and so this work is usually undertaken in the 'off season' with minimal disruption to guests, ready for the new season's opening. Winter 2019/20 was no different with the creation of two new bedrooms, a new main boiler and significant electrical work. All progressed as planned and the hotel was ready to welcome the first guests on 28 March 2020.

However, the global pandemic of COVID-19 hit and it soon became clear that the hotel should not open as the area is particularly isolated and vulnerable. Decisive and responsible action was required with regular communications to guests and the local community as much of the season was 'unwound'.

The financial impact on the business was huge with multiple refunds to be made while other obligations (financial and moral) were met with suppliers, trades people and staff.



"Investing a part of my pension pot in the hotel represented an opportunity to diversify my portfolio, change my career and provide a legacy for the family."

Simon Cotton



Simon and Diana Cotton, The Summer Isles Hotel

We worked with Simon and Diana to put a rental deferral in place, which provided welcome relief during several months of significant cash outflow. In addition, Simon decided to withdraw cash from the pension scheme to ensure sufficient liquidity in the business. We worked with him to minimise the resultant income tax liability by staggering the payment over two tax years.

While the pension scheme held sufficient liquidity to meet these needs, the money had been invested to achieve at least a modest return in a third-party cash account. This brought yet further challenges as many businesses were now understaffed and working to increased timescales. However, we were able to move funds quickly to make the income payments and minimise disruption.

We continued to work closely with Simon and Diana as the pandemic took hold and enforced lockdowns ensued. Today, we are pleased that the hotel has been able to reopen, incorporating all the required COVID-19 health and safety requirements, and is now able to welcome guests who had previously cancelled. Naturally the number of visitors has been reduced, but business has been very positive since the reopening and is a reflection of the fact that if you look after people when times are hard, they will ultimately reward you when times are better.

“The team at Mattioli Woods provided clear advice and acted quickly to secure the deal. Since then, they have been proactive and flexible to help achieve our combined objectives as trustees of the pension and as tenants of the related lease. The challenges of 2020 have convinced us that we have a robust scheme and a sound partner in Mattioli Woods.”

Simon and Diana Cotton

Environmental performance & strategy

Due to the Group's activities, Mattioli Woods impacts the local and global environment. 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 CO₂ equivalent using the UK Government 2019 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. Comparative information has not been disclosed as this is the Group's first year of mandatory reporting.

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 gases 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 and London offices (which represent circa 2.5% 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 and like-for-like performance of our Scope 1, 2 and 3 emissions for the year, which represents the Group's first year of reporting under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018:

GHG emissions (tCO ₂ e)		2020
Scope 1	Fuel consumption (gas office heating) (kWh)	490,767
	Associated GHG (tCO ₂ e)	90
	Fuel consumption (company vehicles) (miles)	612,808
	Fuel consumption (company vehicles) (MWh)	714
Scope 2	Associated GHG (tCO ₂ e)	175
	Electricity consumption (office and company car electricity) (kWh)	1,036,440
	Associated GHG (tCO ₂ e)	265
	Total Scope 1 & 2 emissions	530
Scope 3	Fuel consumption (own cars for business use) (miles)	147,569
	Fuel consumption (own cars for business use) (MWh)	176
	Associated GHG (tCO ₂ e)	42
	Water consumption (m ³)	3,236
Associated GHG (tCO ₂ e)		3
Total Scope 3 emissions		45
Gross Scope 1, 2 & 3 emissions		575
Total floor area (sqft)		90,742
Scope 1 & 2 emissions intensity (tCO ₂ e/sqft/yr)		0.0058
Scope 3 emissions intensity (tCO ₂ e/sqft/yr)		0.0005

Corporate social responsibility

Our commitment to operating responsibly

As never before, the events of 2020 have challenged and impacted all businesses across all sectors. Mattioli Woods is no different however 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.



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 from home'. 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 long-term.

Whilst our environmental footprint has inevitably reduced in the period of lockdown, 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 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 new 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.

However, this has not stopped our enthusiasm to help where possible and the team was delighted to participate in "Jay's Virtual Pub Quiz" in April 2020, co-hosted by Stephen Fry and sponsored by Mattioli Woods, which raised a total of £340,000, aided by a £50,000 contribution by Mattioli Woods.

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 over £0.6m during 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:

	2020 £000	2019 £000
Total tax contribution		
Corporation tax	3,244	1,963
Other taxes borne:		
Employer's National Insurance Contributions	2,761	2,967
Apprenticeship levy	121	129
Business rates	514	451
Irrecoverable input VAT	799	946
Insurance premium tax	109	69
Stamp duty land and stamp duty reserve tax	9	57
Taxes collected:		
Income tax deducted under PAYE	5,379	6,561
Employees' National Insurance Contributions	1,610	1,600
Output VAT	4,688	4,728
	19,234	19,471



Looking after our people during COVID-19



Helen – Administration



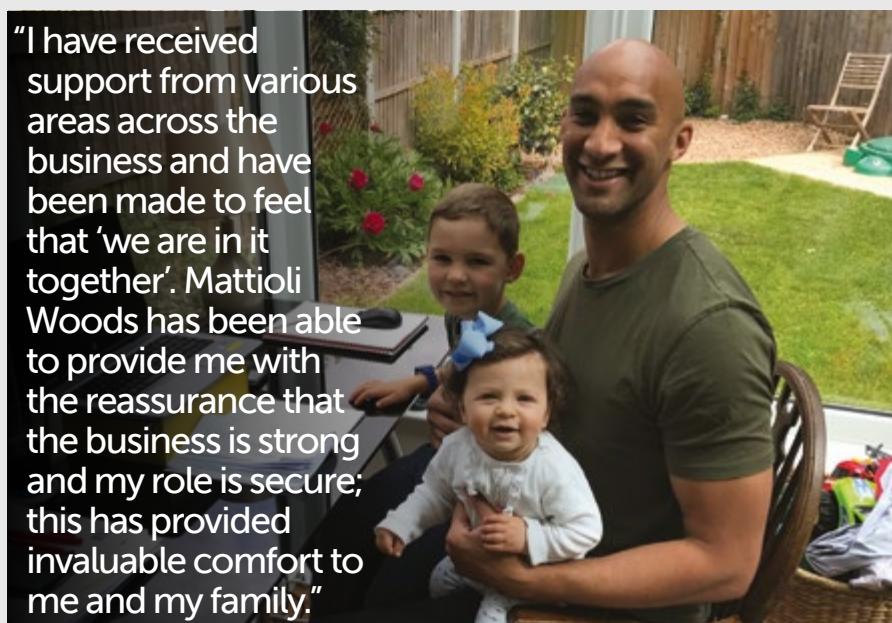
Hina – HR



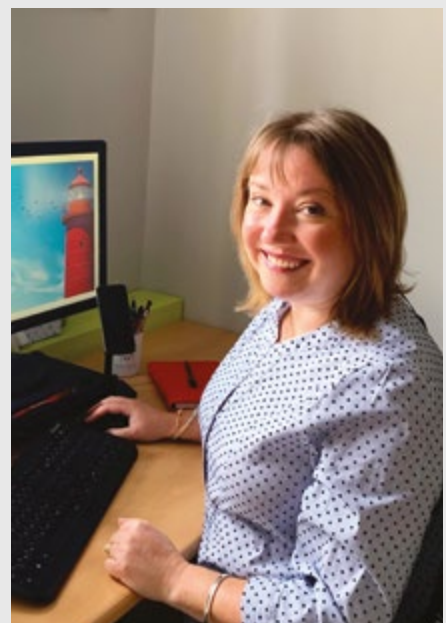
Femi – Wealth Management



Alex – Wealth Management



Anthony – Wealth Management



Nicola – Marketing



Ilan – Finance



Nathan – Wealth Management



Louise – Administration



Sean – Employee Benefits



Sarah – Wealth Management

Developing our people

The Group continues to create opportunities for young people and we operate a trainee consultant programme for aspiring advisers. We have introduced a 26-week plan to foster small groups of trainee advisers in a classroom setting, two days a week.

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.



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.



Employee diversity

Male	44%
Female	56%



Employee age

Under 30	36%
30 to 50	42%
Above 50	21%



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 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 Rights Commission have suspended gender pay gap reporting regulations for the 2019/20 reporting year, due to the COVID-19 pandemic. 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 43 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

1 September 2020

Governance overview

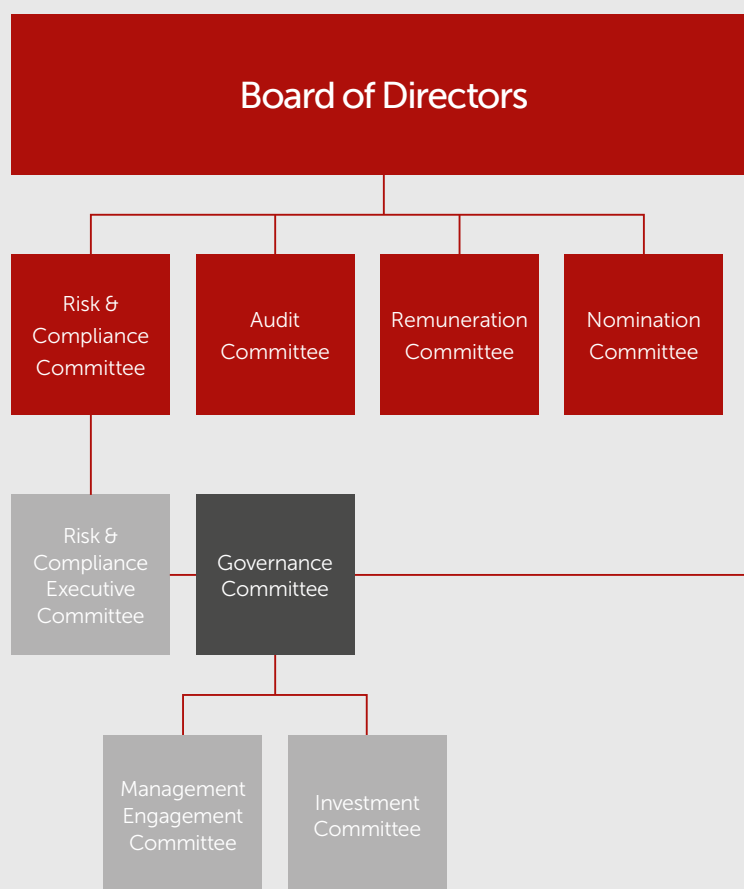
Our Board & Governance

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. During 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 ten 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 Chair.

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 these principles 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 on pages 8 and 9.

Effective risk management – QCA Principle Four

The Group embeds risk management throughout the organisation and this is described on page 50.

Board Balance and Skills – QCA Principles Five and Six

The Board, led by the Chair, 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 attend industry conferences 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 2021 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

The Board of Directors currently comprises five Executive Directors and three independent Non-Executive Directors. Nathan Imlach has decided to stand down from the Board at the Company's next AGM, after 15 years as Chief Financial Officer, to continue in a new role as Chief Strategic Adviser to the Group. We anticipate that after Nathan steps down as a Director the Company will have, for a period of time, a Board comprising four Executive and three Non-Executive Directors. The Board intends to appoint another independent Non-Executive Director and the Group is in discussion with potential candidates. Following this appointment, the Company will have a balanced board, which we believe represents the right Governance structure for the business.

A short biography of each Director is set out to the right.



Joanne Lake

Non-Executive Chairman

Appointed to the Board: **2012**
Non-Executive Chairman: **2016**
Tenure at Mattioli Woods: **8 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



Ian Mattioli MBE

Chief Executive Officer

Co-founded Mattioli Woods in **1991**
Tenure at Mattioli Woods: **29 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

External appointments:

- Non-Executive chairman of K3 Capital Group plc
- Non-Independent Director of Custodian REIT plc



Nathan Imlach

Chief Financial Officer

Appointed to the Board: 2005
Tenure at Mattioli Woods: 15 years

Brings to the Board

- 25+ years' experience in accountancy and financial services
- Financial management of operations
- Group acquisition strategy
- Founder and former Company Secretary of Custodian REIT plc

Accreditations

- Chartered Accountant
- Fellow of the CISI
- Corporate Finance qualification, ICAEW

External appointments

- Non-Executive and Senior Independent Director of Mortgage Advice Bureau (Holdings) plc
- Trustee, Leicester Grammar School Trust



Carol Duncumb

Non-Executive Director
and Chair of Remuneration
Committee

Appointed to the Board: 2014
Tenure at Mattioli Woods: 6 years

Brings to the Board

- 35 years in brand building consumer-related companies
- Successful management buy-out experience
- 12 years' experience in online transactional companies
- Executive management of businesses
- Business angel and portfolio management
- Advising successful entrepreneurs and management teams

Previous roles

- Chief Executive of Intimas plc
- Managing Director of Wolsey Limited



Anne Gunther

Senior Independent Director and
Chair of Audit Committee, Risk
Committee

Appointed to the Board: 2016
Tenure at Mattioli Woods: 4 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
- Chair, 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)

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 eight to nine 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.
- Nathan Imlach's time commitment from his other appointments averages two to three working days per month.
- Carol Duncumb's time commitment from her other business interests outside of the Group averages nine to ten working days per month.
- Anne Gunther's time commitment from her other Directorships averages four and a half working days per month.

Imminent changes to the Board

Nathan Imlach, Chief Financial Officer, has decided to stand down from the Board at the Company's next AGM on 19 October 2020. Nathan remains with the business, where his focus will be on acquisitions and contributing to its strategic direction as Chief Strategic Adviser to the Group.

Nathan has been instrumental to the success of the Group, including its admission to AIM in 2005, the launch of Custodian REIT as a main-market listed property investment company in 2014 and the completion of 24 successful acquisitions to date. Nathan's management responsibilities are being handed over to Group Finance Director, Ravi Tara, who joined the Company over a year ago as part of its succession planning.

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, and is strengthening the Executive team through the further appointments of Michael Wright and Iain McKenzie to the Board as Group Managing Director and Group Operating Officer respectively. Ravi, Michael and Iain will join the Board immediately following regulatory approval of their appointments.



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.

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 Anne Gunther (Chairman), Carol Duncumb and Joanne Lake. Committee meetings are normally attended by George Houston (Group Compliance Officer) as Compliance Oversight Function, the Chief Executive, the Chief Financial Officer, the Group Finance Director 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 and Compliance Committee continued

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, 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 six 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 of the Group's training and competence regime;
- Review of the potential 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;
- Review of the risks associated with acquisitions; and
- Review of recommendation of the Group's risk appetite statement and tolerance for key risks to the Board.

Following the year end, the committee reviewed the risks associated with the COVID-19 pandemic and commissioned an internal audit of the Group's secure remote working, information security and operational resilience, as described below.

Audit Committee

The Audit Committee comprises Anne Gunther (Chairman), Carol Duncumb and Joanne Lake. 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; and
- To report to the Board on how it has discharged its responsibilities.

Committee meetings are normally attended by the Chief Executive, the Chief Financial Officer, the Group Finance Director 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 six 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 reviewed 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.

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:

- Consideration of the potential impact on the Financial Statements of risks associated with Brexit and the COVID-19 pandemic;
- 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 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;
- How errors in the calculation of the Group's share-based payments expense under IFRS 2 arose and disclosure of the impact of corrections made to the Group's option valuation model on the Financial Statements for prior years;
- The purchase price allocation and fair value accounting for the acquisition of Turris;
- Development of a formal policy on the provision of non-audit services by the external auditors, in line with the FRC's Ethical Standard for Auditors;
- The correct recognition of revenues and costs associated with the arrangement of property insurance by the Group's property management business under IFRS 15;
- Disclosure of the impact of IFRS 16 on the Financial Statements for the year ended 31 May 2020; and
- Consideration of how to reduce reliance on spreadsheets, improve key financial processes and streamline the financial close.

Audit Committee continued

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 2020 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 2020 the Group had goodwill of £21.1m with other intangible assets amounting in total to £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 2020 was £4.7m (2019: £4.6m).

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 Broughtons and SSAS Solutions 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 Broughtons and SSAS Solutions 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 2020 was £2.8m (2019: £2.7m).

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 27, 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 Brexit and the COVID-19 pandemic.

The committee also considered 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 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.

Audit Committee continued

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.

The Audit Committee determined that the audit would be put out to tender in 2018. Having concluded a competitive tender in line with best practice, Deloitte LLP were appointed 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, client payroll and benefit payments, SIPP contributions and investments, tax-related client advisory services, outsourcing and conduct risk management. 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 a post-implementation review of the GDPR, covering current data Governance processes, procedures and controls.

Following the year end, an audit of Group's secure remote working, information security and operational resilience was undertaken in response to the COVID-19 pandemic to assess how the business has implemented the technical controls to enable remote working. The objective of the review was to critically assess the IT infrastructure and remote network to ensure that adequate capacity is always available to meet the agreed needs of the business and to confirm that secure configuration is in place for remote working. In addition, the audit provided assurance over the design of key controls and adherence to these in respect of Governance over business-critical data whilst working remotely.

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 Carol Duncumb (Chairman), Joanne Lake and Anne Gunther. 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 two 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;
- Awards to be granted under the share option and incentive schemes established by the Company;
- Trends in Executive pay in the wider market; and
- The implications the COVID-19 pandemic and 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), Carol Duncumb and Anne Gunther. 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 twice 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	Audit	Remuneration	Nomination
Joanne Lake	7 (7)	6 (6)	6 (6)	2 (2)	2 (2)
Ian Mattioli ¹	6 (7)	3 (3)	–	–	–
Nathan Imlach	7 (7)	–	–	–	–
Carol Duncumb	7 (7)	6 (6)	6 (6)	2 (2)	2 (2)
Anne Gunther	7 (7)	6 (6)	6 (6)	2 (2)	2 (2)
Murray Smith ²	2 (2)	–	–	–	–

Notes:

1. Ian Mattioli resigned as a member of the Risk and Compliance Committee on 21 October 2019.
2. Murray Smith resigned as a Director of the Company at the AGM held on 21 October 2019.

In addition, the Board held eight weekly ad hoc meetings throughout the peak of the COVID-19 pandemic.

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 good 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.

Other committees continued

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 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 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 2020, but due to the COVID-19 pandemic, this process has been postponed until the year ending 31 May 2021 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 19 October 2020. In addition, the Chairman, Chief Executive Officer, Chief Financial Officer and Group Finance 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 all bids, acquisitions and capital expenditure within the Group.

On behalf of the Board

Nathan Imlach

Chief Financial Officer

1 September 2020

Directors' remuneration report

In recognition of 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, determined in March that the remainder of the financial year ended 31 May 2020 and the subsequent new financial year required flexible remuneration arrangements to protect the Group's financial position and provide security for its clients and employees.

The committee was fully aligned with the senior Executive team in understanding that there needed to be substantial individual sacrifices both in the form of basic and variable pay structures. The committee therefore approved a package of measures that included all Directors reducing their basic salary or fees by 50% and the Chief Executive reducing his basic salary to zero until 30 June 2020, with Executive Directors' salaries being temporarily rebased from 1 July 2020 to create an annual saving of over £0.4m. At the same time, we confirmed we would maintain all other employees' basic salaries, with both these positions to be reviewed at 30 November 2020.

Having confirmed 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, we have adjusted salary structures for many of the key operators in the business, recognising that security and engagement are paramount in retaining a motivated workforce capable of guiding the business through this period of unprecedented market turbulence.

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 reward 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.

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 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 19 October 2020.

Single total figure of remuneration for each Director

Directors' remuneration payable in respect of the years ended 31 May 2020 and 2019 was as follows:

	Salary and fees		Benefits		Bonus		Long-term incentive plan		Pension-related benefits		Share incentive plan		Total	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 ⁵ £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Executives														
Ian Mattioli ^{1,3}	474	530	2	–	–	524	558	525	52	52	–	2	1,086	1,633
Nathan Imlach ^{1,2}	263	304	16	12	–	246	262	272	29	30	–	2	570	866
Murray Smith ^{1,2,4}	66	260	6	12	–	120	221	229	3	26	–	–	296	647
Sub-total	803	1,094	24	24	–	890	1,041	1,026	84	108	–	4	1,952	3,146
Non-Executives														
Joanne Lake	91	98	–	–	–	–	–	–	–	–	–	–	91	98
Carol Duncumb	46	49	–	–	–	–	–	–	–	–	–	–	46	49
Anne Gunther	54	57	–	–	–	–	–	–	–	–	–	–	54	57
Sub-total	191	204	–	–	–	–	–	–	–	–	–	–	191	204
Total	994	1,298	24	24	–	890	1,041	1,026	84	108	–	4	2,143	3,350

Notes:

1. The benefit package of each Executive Director includes the provision of life assurance under a group scheme.
2. The benefit packages of Nathan Imlach and Murray Smith include the provision of a company car.
3. The salary package of Ian Mattioli includes a car allowance.
4. Murray Smith ceased to be a Director on 21 October 2019.
5. 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 the Chief Executive reducing his basic salary to zero all other Directors reducing their basic salary or fees by 50% from 1 April 2020 until 30 June 2020. Executive Directors' salaries have been temporarily re-based to £200,000 per annum from 1 July 2020, with these positions to be reviewed at 30 November 2020.

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

Awards to Executive Directors and some other senior employees of the Group for profit-related bonuses 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. For the year ended 31 May 2020, the bonus arrangements for the Executive Directors comprised:

- A corporate award based on actual profit achieved compared to target profit; and
- A personal award based on the achievement of personal objectives assessed on a discretionary basis, considering each Executive's performance against their key objectives.

Directors' remuneration report continued

Notes to Directors' remuneration table continued

Bonus continued

The payment of corporate award at its maximum level is dependent on outperformance of the Board's approved internal budget for the period. The maximum award as a proportion of salary and the actual award payable in respect of the year ended 31 May 2020 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	0%	105.0%	50.0%	50.0%
Nathan Imlach	0%	84.0%	50.0%	50.0%
Murray Smith	0%	84.0%	0%	100.0%

Personal objectives 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 resolved that no Directors' bonuses in respect of the year ended 31 May 2020 would be paid.

The committee has resolved that the new financial year requires flexible remuneration arrangements to protect the Group's financial position. Executive Directors' bonuses in respect of the year ending 31 May 2021, including those individuals who will join the Board immediately following regulatory approval of their appointments, will be payable on a purely discretionary basis, as follows:

Director	Maximum award as a proportion of salary	Linked to corporate objectives	Linked to personal objectives
Ian Mattioli	100.0%	0%	100.0%
Nathan Imlach	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, it adopted the Mattioli Woods 2010 Long-Term Incentive Plan ("the LTIP") to incentivise 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 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.

This 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 2020 the Remuneration Committee granted further awards under the LTIP in respect of the year ended 31 May 2019. 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 2020, the Company had granted options to certain of its senior employees and Executive Directors to acquire (in aggregate) up to 3.30% (2019: 2.83%) of its share capital. The maximum entitlement of any individual was 0.89% (2019: 0.75%). The options are exercisable at 1p per share.

Grant of cash-settled options under the LTIP

At 31 May 2020 there were no cash-settled options in issue (2019: nil).

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 2020 the EBT held 76,578 shares (2019: 12,248) and the Company held no shares in treasury (2019: nil).

Directors' remuneration report continued

Directors' interest in share options

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

Director	Exercise price £	31 May 2019 No.	Granted during the year No.	Exercised during the year No.	Forfeited during the year No.	31 May 2020 No.
Ian Mattioli	0.01	200,016	30,000	–	–	230,016
Murray Smith ¹	0.01	86,118	–	–	–	86,118
Nathan Imlach	0.01	93,943	10,000	–	–	103,943
Total		380,077	40,000	–	–	420,077

Notes:

1. Murray Smith ceased to be a Director on 21 October 2019.

Note 20 to the Financial Statements contains a detailed schedule of all options granted to Directors and employees as at 31 May 2020. All of the options were granted for nil consideration.

The Remuneration Committee has granted additional awards under the LTIP following the announcement of the Group's trading update in respect of the year ended 31 May 2020 on 1 June 2020 (see Note 20).

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, Carol Duncumb and Anne Gunther 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 31 May 2020, 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	2020 No.	%	2019 No.	%
Ian Mattioli	3,371,977	12.52	3,371,876	12.60
Nathan Imlach	112,906	0.42	112,668	0.42
Carol Duncumb	8,800	0.03	8,800	0.03
Joanne Lake	4,100	0.02	4,100	0.02
Anne Gunther	4,000	0.01	4,000	0.01

Notes:

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

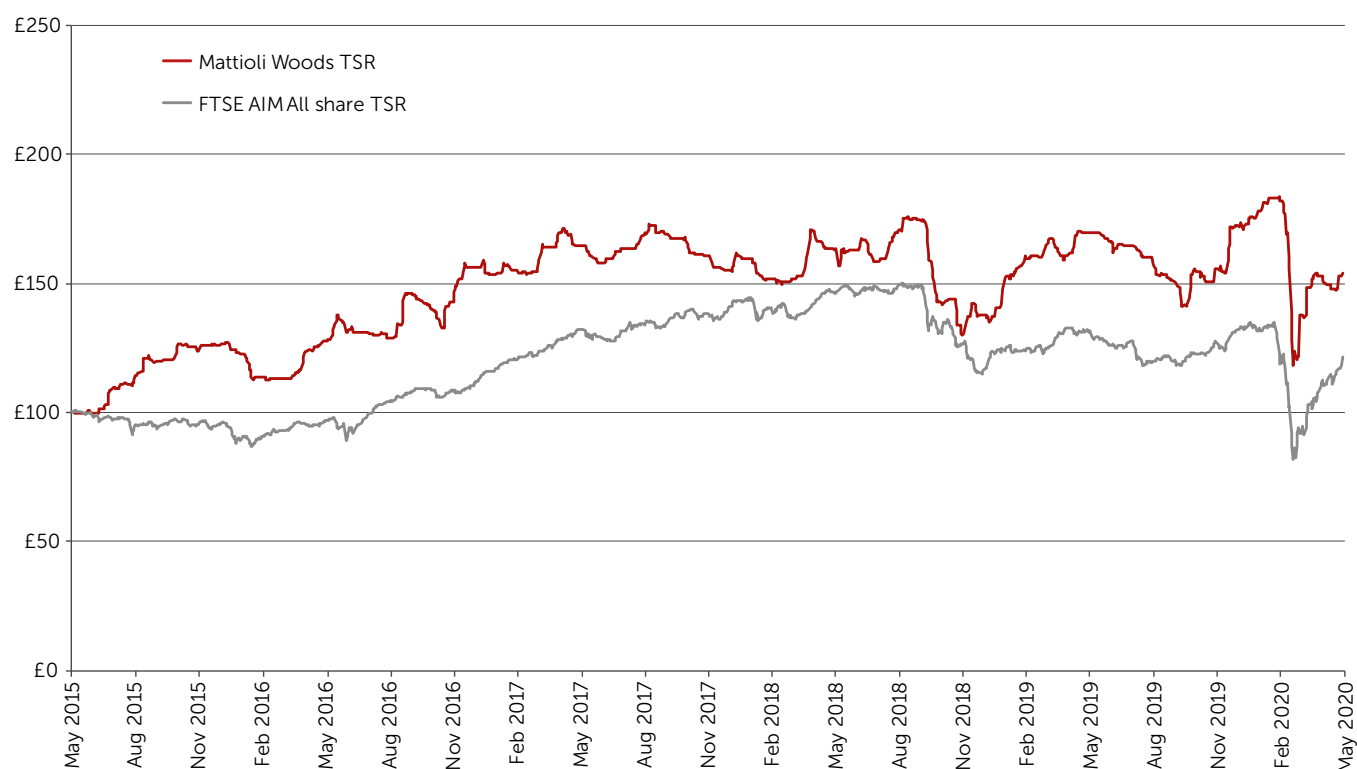
The mid-market closing price of the Company's ordinary shares at 31 May 2020 was 715.0p and the range during the financial year was 550.0p to 857.5p.

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 30 to the Financial Statements.

There was no change in the Directors' shareholdings (all of which are beneficial) between 31 May 2020 and 1 September 2020. The Remuneration Committee granted certain Directors' additional awards under the LTIP on 1 June 2020 (see Note 20). There were no further changes in the Directors' interests in options between 1 June 2020 and 1 September 2020.

Total shareholder return performance graph

The graph below illustrates the total shareholder return ("TSR") for the five years ended 31 May 2020 in terms of the change in value of an initial investment of £100 invested on 1 June 2015 in a holding of the Company's shares against the corresponding total shareholder returns in hypothetical holdings of shares in the FTSE AIM All Share Index.



The Company is a member of the FTSE AIM 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

Carol Duncumb

Chairman of the Remuneration Committee

1 September 2020

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 2020. 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 on page 8, and financial performance during the year and indications of likely future developments in the Chief Executive's review from page 10.

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 2020. This is demonstrated in the Section 172 statement included in the Strategic Report from page 28.

Results and dividends

Revenue increased by 1.6% to £58.4m (2019 restated: £57.5m), with organic revenues supplemented by a full year's contribution from the two businesses acquired in the prior financial year, plus a positive contribution from Turris, which has integrated well since its acquisition in December 2019. Group profit for the year after taxation increased to £10.2m (2019 restated: £7.8m), due to the increase in revenues and the mitigating actions implemented to protect the Group's financial position and reduce costs. The effective rate of taxation was above the standard rate of tax at 24.2% (2019 restated: 20.1%), primarily due to the government's reversal of the previously enacted reduction in the main rate of corporation tax to 17% from 1 April 2020 and expenses associated with sponsorship and other business development activities not being deductible for tax purposes.

The final dividend in respect of the year ended 31 May 2019 of 13.67p per share was paid in October 2019. An interim dividend in respect of the year ended 31 May 2020 of 7.3p per share was paid to shareholders in March 2020. In light of the uncertain trading conditions resulting from the COVID-19 pandemic, the Directors believe it is prudent to protect the Group's financial position and balance the interests of all stakeholders and recommend a lower final dividend than might have been proposed in more normal circumstances of 12.7p per share. This has not been included within the Group Financial Statements as no obligation existed at 31 May 2020. If approved, the final dividend will be paid on 23 October 2020 to ordinary shareholders whose names are on the register at the close of business on 11 September 2020.

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 2020 is shown in Note 24. 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 SSAS Solutions 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 162,654 ordinary shares in Mattioli Woods during the two years ending 27 March 2021; and
- 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.

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 24 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 2020 the EBT purchased 64,330 shares in the Company (2019: 12,248) at a cost of £498,000 (2019: £99,000).

CREST

Mattioli Woods plc share dealings are settled in CREST, the computerised system for the settlement of share dealings on the London Stock Exchange. CREST reduces the amount of documentation required and makes the trading of shares faster and more secure. CREST enables shares to be held in an electronic form instead of the traditional share certificates. CREST is voluntary and shareholders can keep their share certificates if they wish. This may be preferable for shareholders who do not trade in shares on a frequent basis.

Substantial shareholdings

At 1 September 2020, 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
Ian Mattioli	3,371,977	12.12%
Investec Wealth and Investment Limited	2,780,008	9.99%
BlackRock, Inc.	2,686,062	9.65%
Liontrust Investment Partners LLP	2,685,397	9.65%
Standard Life Aberdeen plc	2,383,687	8.57%
Gresham House Asset Management Limited	1,579,805	5.68%
Unicorn Asset Management Limited	1,356,538	4.87%
Canaccord Genuity Group, Inc.	1,130,313	4.06%
Bob Woods	971,105	3.49%

In addition to the above shareholdings, 623,722 ordinary 1p shares representing 2.24% 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.

Directors

A list of current serving Directors and their biographies is given on pages 46 and 47. 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.

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 2020, it was confirmed that each Director continues to be an effective member of the Board and to demonstrate commitment to the role.

Nathan Imlach, Chief Financial Officer, will step down from the Board at the AGM on 19 October 2020.

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 other than in respect of Custodian REIT plc and the rental in the prior year of the previous office premises at MW House and Gateway House as disclosed in Note 30.

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 two 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, 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 from page 28.

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.

Directors' report continued

Employees continued

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 put our graduate training programme on hold whilst the majority of Mattioli Woods' employees are working from home. The graduate scheme has been a great success, and when it is safe to do so, we will reintroduce the scheme.

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 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 therefore we will review 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 30.

Environmental

The Board believes good environmental practices, such as the recycling of paper waste and purchase of 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 on pages 36 and 37 of the Strategic Report.

Annual General Meeting

The AGM of the Company will be held on 19 October 2020. The notice of the meeting together with details of the resolutions proposed and explanatory notes are enclosed with this report and can also be found on the Group's website.

Principal risks and uncertainties

The Directors' view of the principal risks and uncertainties facing the business is summarised on pages 20 to 27 of 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 on page 50 of the review of Corporate Governance. The key risks and mitigating factors are set out on pages 20 to 27.

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 on pages 44 to 57.

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 19 October 2020.

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 on pages 46 and 47. 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 2020 through to 31 May 2023. 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 is affecting economic and financial markets. The Board has 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 restructuring activities.

The Board has carried out a robust assessment of the principal risks facing the Group along with the stress tests and scenarios that would threaten the sustainability of its business model, future performance, solvency or liquidity. In assessing the future viability of the overall business, the Board has considered the current and future strategy, the results of the latest ICAAP and the risk management controls and procedures in place.

The Directors believe the Group is well placed to manage its business risks successfully. 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.

Events after the balance sheet date

Details of significant events occurring after the end of the reporting period are given in Note 33.

On behalf of the Board

Nathan Imlach
Chief Financial Officer
1 September 2020

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 Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company Financial Statements in accordance with IFRS as adopted by the EU.

The Financial Statements are required by law and IFRS adopted by the EU 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.

Independent auditor's report to the members of Mattioli Woods plc

Report on the audit of the Financial Statements

Opinion

In our opinion:

- the Financial Statements of Mattioli Woods plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2020 and of the group's profit for the year then ended;
- the group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated and company statements of cash flows; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Revenue recognition – valuation and recoverability of accrued revenue • Impairment of goodwill and intangible assets <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> ① Newly identified ⊗ Increased level of risk ⊙ Similar level of risk ⊗ Decreased level of risk
Materiality	The materiality that we used for the group Financial Statements was £577,000 which was determined on the basis of adjusted profit before tax.
Scoping	The group audit includes the full scope audit of Mattioli Woods plc and six other trading subsidiaries. This scope covers over 99% of the group's reported results.
Significant changes in our approach	We have removed acquisition accounting as a key audit matter from the prior year on the basis that there has been only one business acquisition during the year, there is an established process of business acquisition accounting and there has been no history of audit misstatement.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION – VALUATION AND RECOVERABILITY OF ACCRUED REVENUE

Key audit matter description

The group derives its revenue from the rendering of services in wealth management and employee benefits, both over time and at a point in time across all four operating segments. The Financial Statements report total revenue of £58.4m (2019: £57.5m), of which £4.8m (2019: £4.6m) represents accrued income in respect of time costs incurred on clients' affairs during the period which has not yet been invoiced.

We identified a key audit matter relating to the estimate made by management over the valuation of accrued income, which is based on the expected recovery rate for time charges billed across the portfolio of clients and the length of historical data to calculate that recovery rate.

Management develops the forecast based on the average historical recovery rate and makes adjustments for accrued income balances which are more than twelve months old. In the current year, management used the last three months (2019: twelve months) in their estimate. This was because the effect of the UK lockdown in March 2020 led to a fall in the recovery rate and management considered that the experience over the past twelve months would not be a reliable measure of the recoverability of the accrued income.

The recovery rate in the last quarter of the financial year was 66.9% (2019 annual rate 68.0%). Post year end, the recovery rate fell in June 2020 and then recovered in July to a similar level as the rate at the year end and this was not included in the calculation of the rate as at year end. Management's estimate, together with a sensitivity of a reasonably likely change in the recovery rate, is discussed in more detail in the key sources of estimation uncertainty section of Note 2.6.

Inappropriate assumptions for recoverability would result in inaccurate revenue recognition. We therefore consider there to be a risk of material misstatement due to fraud or error in respect of the valuation and recoverability of accrued revenue.

The accounting policy for revenue recognition is provided in Note 2.5. Revenue recognised in the year is disclosed in Note 4. This risk was also considered by the Audit Committee, as set out in "Audit Committee activities during the year" within the Corporate Governance report of the Annual Report.

How the scope of our audit responded to the key audit matter

Our work on the testing of the accrued revenue balance included:

- Understanding of the relevant controls over the recording of time costs and the setting of the recovery rate for accrued revenue;
- Examining the historical recovery rates to assess whether three months is an appropriate period of data to set the current recovery rate and to identify evidence of patterns or outliers that might indicate it is not;
- Examining credit notes for evidence of unusual trends, patterns or outliers;
- Reviewing the movement in recoverability rates post year end for evidence of deterioration in the same;
- Performing a retrospective review of the management estimate;
- Recalculating the recovery rate from the underlying data and testing the arithmetical accuracy of how the recovery rate was applied in the estimate;
- Testing the cut off of accrued income by analysing the records of time spent on client matters at the balance sheet date; and
- Considering the adequacy of disclosure of the estimation uncertainty for accrued revenue.

Key observations

Overall, we considered the estimate of accrued income to be reasonable. The recovery rate used by management to estimate accrued income was not adjusted to include actual recovery rates post year end; we therefore considered the recovery rate assumption to be slightly optimistic.

We concluded that the related disclosures are appropriate.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

Key audit matter description	<p>The group balance sheet shows intangible assets (including goodwill) of £48.1m (2019: £48.7m). Management are required by IAS 36 Impairment of assets, to perform an annual impairment review for goodwill and for finite-life intangible assets where there are indicators of impairment.</p> <p>Management have prepared an impairment model which covers all of the operating segments, because each has goodwill attributed to it. Each operating segment is treated as a cash generating unit ("CGU") for the purposes of the impairment assessment. There is significant headroom in all CGUs, with the exception of the Employee Benefits division. This is broadly consistent with the fact that the market capitalisation of Mattioli Woods plc (£192.7m at 31 May 2020) is significantly in excess of the net assets of the group at £91.9m.</p> <p>Note 19 of the Financial Statements discloses that there is no impairment to the carrying value of the Employee Benefits division goodwill and intangible assets, but that there is £2.1m headroom in the model and this is the most sensitive to changes in assumptions.</p> <p>Therefore, we have focused our audit work on the assumptions which have been used for the Employee Benefits division, specifically the discount rate and the comparison of the forecast cashflows to historical results. We consider there to be a risk of material misstatement due to fraud or error in respect of the impairment of goodwill and intangible assets.</p> <p>The accounting policy for goodwill is provided in Note 2.5 and the management judgement is discussed in more detail in the key sources of estimation uncertainty section of Note 2.6. Goodwill and intangible assets are disclosed in Note 19. This risk was also considered by the Audit Committee, as set out in "Audit Committee activities during the year" within the Corporate Governance report of the Annual Report.</p>
How the scope of our audit responded to the key audit matter	<p>Our work on the impairment of goodwill and intangible assets included:</p> <ul style="list-style-type: none"> › Obtaining an understanding of the relevant controls over the reviews of the impairment review model; › Reviewing of the EBITDA forecast used in the model against the historical trading of the Employee Benefits division and challenged the assumptions underpinning the forecast, including retrospective review of the estimates, long-term growth rate and discount rate used; › Considering factors behind growth and financial performance in the Employee Benefits division specifically, the extent of recurring work and new business wins in 2020; › Assessing the length of the forecast period and the long-term growth rates; › Working with our valuation specialists to determine an estimate of the discount rate independently in order to challenge the rate selected by management; › Comparing the forecasts used in the impairment test to the forecasts used in the going concern assumption for consistency; › Comparing the FY20 actual to the budgeted FY20 balances per the FY19 impairment model; › Considering management's assessment of the classification of CGUs for consistency with their operating segments; and › Testing the impairment calculations for mechanical accuracy and consistency. <p>We have also considered the goodwill and intangible assets sensitivity disclosures in Note 19 and assessed whether they are consistent with our understanding of sensitivities and the potential impairment under those scenarios.</p>
Key observations	<p>Current trading, including post year-end trading performance, indicates that the forecasts for the Employee Benefits division are appropriate. The discount rate applied is at the conservative end of the acceptable range. We have concluded that management's judgement not to impair the intangible assets and goodwill is reasonable.</p> <p>The disclosures made concerning the impairment review and the sensitivities that apply to the Employee Benefits division are appropriate.</p>

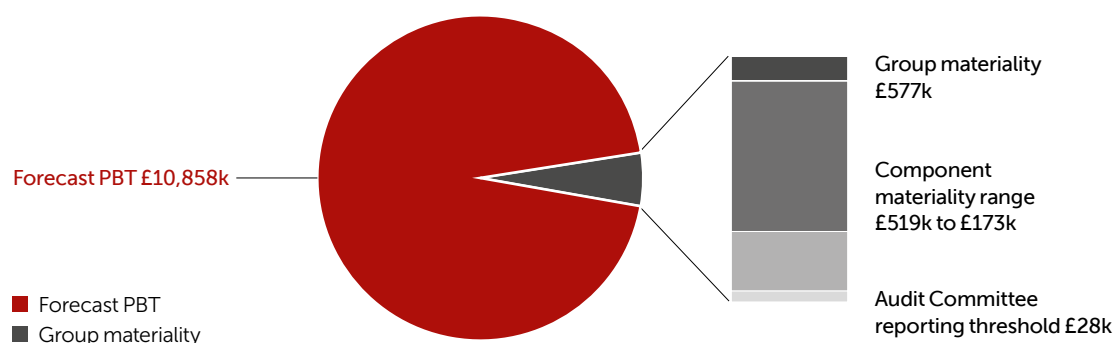
Our application of materiality

Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality	£577,000 (2019: £512,000)	£519,300 (2019: £358,000)
Basis for determining materiality	<p>5% of forecast profit before tax (2019: 5% of statutory profit before tax), which equates to 4.2% of statutory profit before tax and 5.5% of adjusted profit before tax.</p> <p>Adjusted profit before tax is statutory profit before tax of £13,417,000, less £2,900,000; this is the estimate of the cost savings that arose following management's actions in response to Covid-19. These cost savings are expected to only affect the year ended 31 May 2020.</p>	<p>1.25% of revenue (2019: 4% of profit before tax).</p> <p>Parent company materiality equates to 4% of profit, which is capped at 90% of group materiality. In prior year, the parent company materiality equated to 4% of parent company only profit and was capped at 70% of group materiality.</p>
Rationale for the benchmark applied	<p>In determining our materiality benchmark, we considered the focus of the users of the Financial Statements. Profit before tax is a key performance indicator for the group as well as being the key metric provided in trading updates, and is an indicator of profits available for distribution to members. At the planning stage of the audit, we used forecast profit before tax to determine materiality. Because forecast profit before tax did not differ significantly from actual adjusted profit before tax, we did not revise the amount determined initially.</p>	<p>The parent company is also the largest trading entity in the group, however as central costs are largely incurred by the parent company only we considered it appropriate to assess materiality based on the parent company revenue. We cap the materiality to reflect the proportion of the group's profit that arises in the company.</p>



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Group performance materiality was set at 60% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- Control environment: The impact of the ongoing process to improve the control environment in the finance function elevates the risk of operational error until such process is finalised;
- Prior period errors: A number of adjustments were identified by management through the financial closing process which related to the prior period. The prior period Financial Statements were adjusted for items that were judged by management to be material to the Financial Statements (see note 2.2). Adjustments that were considered immaterial, either individually or in aggregate, to users of the Financial Statements were adjusted in the current year.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £28,000 (2019: £25,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, our audit scope focused on the key trading entities in the group, which are Mattioli Woods plc, Custodian Capital Limited, MC Trustees Limited, Broughtons Financial Planning Limited, SSAS Solutions (UK) Ltd and The Turris Partnership Limited, plus the property owning entity, Mattioli Woods (New Walk) Limited.

Our audit work included a full scope audit on these UK components, to levels of component materiality that ranged from £173k to £519k. The extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations in those components. These components represent the principal business units and, together with the consolidation adjustments, account for more than 99% of the group's revenue, assets and profit before tax.

The parent company and group finance function is located in Leicester and all components are audited directly by the group audit team. The consolidation of the results is also carried out at the level of the overall group and there are no sub-consolidations.

Independent auditor's report to the members of Mattioli Woods plc continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

OPINION ON OTHER MATTER PRESCRIBED BY THE CAPITAL REQUIREMENTS (COUNTRY-BY-COUNTRY REPORTING) REGULATIONS 2013

In our opinion the information given on page 96 for the financial year ended 31 May 2020 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieren Cooper, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

1 September 2020

For the year ended 31 May 2020

Consolidated statement of comprehensive income

	Note	2020 £000	2019 Restated £000
Revenue	4	58,407	57,494
Employee benefits expense	11	(27,623)	(31,239)
Other administrative expenses		(10,897)	(10,771)
Share-based payments	20	(1,335)	(1,531)
Amortisation and impairment	17	(2,437)	(2,962)
Depreciation	15,16	(2,547)	(1,288)
Impairment loss on financial assets	21	(605)	(358)
Loss on disposal of property, plant and equipment		(18)	(125)
Gain on revaluation of derivative financial instrument	18	–	100
Operating profit before financing	10	12,945	9,320
Finance revenue	8	99	60
Finance costs	9	(260)	(86)
Net finance costs		(161)	(26)
Share of profit from associate, net of tax	18	633	480
Profit before tax		13,417	9,774
Income tax expense	12	(3,244)	(1,963)
Profit for the year		10,173	7,811
<i>Items that will not be reclassified to profit or loss</i>			
Other comprehensive income for the year, net of tax		(15)	6
Total comprehensive income for the year, net of tax		10,158	7,817
Attributable to:			
Equity holders of the parent		10,158	7,817
Earnings per ordinary share:			
Basic (pence)	13	37.8	29.3
Diluted (pence)	13	36.6	28.5
Proposed total dividend per share (pence)	14	20.0	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.

As at 31 May 2020

Consolidated and Company statements of financial position

		2020		2019	
	Note	Group £000	Company £000	Group Restated £000	Company Restated £000
Assets					
Property, plant and equipment	15	15,636	3,115	16,665	3,469
Right of use assets	16	2,584	2,188	–	–
Intangible assets	17	48,102	36,638	48,734	38,505
Deferred tax asset	12	888	874	704	701
Investments in subsidiaries	18	–	14,534	–	12,803
Investment in associate	18	3,732	3,732	4,211	4,211
Derivative financial asset	22	–	–	750	750
Total non-current assets		70,942	61,081	71,064	60,439
Trade and other receivables	21	17,208	27,192	16,384	28,111
Income tax receivable	12	390	1,403	–	–
Finance lease receivable		324	324	–	–
Investments	18	40	40	80	80
Cash and short-term deposits	23	25,959	17,584	23,248	14,095
Total current assets		43,921	46,543	39,712	42,286
Total assets		114,863	107,624	110,776	102,725
Equity					
Issued capital	24	269	269	268	268
Share premium	24	32,891	32,891	32,137	32,137
Merger reserve	24	10,639	10,639	10,639	10,639
Equity - share-based payments	24	3,848	3,848	3,208	3,208
Capital redemption reserve	24	2,000	2,000	2,000	2,000
Own shares	24	(597)	–	(99)	–
Retained earnings	24	42,576	38,037	37,632	33,223
Total equity attributable to equity holders of the parent		91,626	87,684	85,785	81,475
Non-current liabilities					
Deferred tax liability	12	4,482	3,092	4,345	3,150
Lease liability	28	1,944	1,622	–	–
Financial liabilities and provisions	27	1,713	1,683	1,976	1,951
Total non-current liabilities		8,139	6,397	6,321	5,101
Current liabilities					
Trade and other payables	26	9,923	8,706	14,527	12,806
Income tax payable	12	–	–	536	–
Lease liability	28	964	880	–	–
Financial liabilities and provisions	27	4,211	3,957	3,607	3,343
Total current liabilities		15,098	13,543	18,670	16,149
Total liabilities		23,237	19,940	24,991	21,250
Total equities and liabilities		114,863	107,624	110,766	102,725

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

The profit of the Company for the financial year, after taxation, was £10.0m (2019 restated: £8.5m).

The Financial Statements on pages 76 to 127 were approved by the Board of Directors and authorised for issue on 1 September 2020 and are signed on its behalf by:

Ian Mattioli MBE
Chief Executive Officer

Nathan Imlach
Chief Financial Officer

Registered number: 03140521

For the year ended 31 May 2020

Consolidated and Company statements of changes in equity

Group	Issued capital (Note 24) £000	Share premium (Note 24) £000	Merger reserve (Note 24) £000	Equity – share-based payments Restated (Note 24) £000	Capital redemption reserve (Note 24) £000	Own shares (Note 24) £000	Retained earnings Restated (Note 24) £000	Total equity £000
As at 1 June 2018	261	31,283	8,781	3,456	2,000	–	33,001	78,782
Profit for the year	–	–	–	–	–	–	7,811	7,811
Share of other comprehensive income from associates	–	–	–	–	–	–	6	6
Total comprehensive income	–	–	–	–	–	–	7,817	7,817
Transactions with owners of the Group, recognised directly in equity								
Issue of share capital	7	854	1,858	–	–	–	–	2,719
Share-based payment transactions	–	–	–	1,270	–	–	–	1,270
Deferred tax recognised in equity	–	–	–	(135)	–	–	–	(135)
Current tax taken to equity	–	–	–	134	–	–	–	134
Reserves transfer	–	–	–	(1,517)	–	–	1,517	–
Own shares	–	–	–	–	–	(99)	–	(99)
Dividends	–	–	–	–	–	–	(4,703)	(4,703)
As at 31 May 2019	268	32,137	10,639	3,208	2,000	(99)	37,632	85,785
Profit for the year	–	–	–	–	–	–	10,173	10,173
Share of other comprehensive income from associates	–	–	–	–	–	–	(15)	(15)
Total comprehensive income	–	–	–	–	–	–	10,158	10,158
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 taken to equity	–	–	–	29	–	–	–	29
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)	42,576	91,626

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

Company	Issued capital (Note 24) £000	Share premium (Note 24) £000	Merger reserve (Note 24) £000	Equity – share-based payments Restated (Note 24) £000	Capital redemption reserve (Note 24) £000	Retained earnings Restated (Note 24) £000	Total equity £000
As at 1 June 2018	261	31,283	8,781	3,456	2,000	27,874	73,655
Profit for the year	–	–	–	–	–	8,529	8,529
Share of other comprehensive income from associates	–	–	–	–	–	6	6
Total comprehensive income	–	–	–	–	–	8,535	8,535
Transactions with owners of the Company, recognised directly in equity							
Issue of share capital	7	854	1,858	–	–	–	2,719
Share-based payment transactions	–	–	–	1,270	–	–	1,270
Deferred tax recognised in equity	–	–	–	(135)	–	–	(135)
Current tax taken to equity	–	–	–	134	–	–	134
Reserves transfer	–	–	–	(1,517)	–	1,517	–
Dividends	–	–	–	–	–	(4,703)	(4,703)
As at 31 May 2019	268	32,137	10,639	3,208	2,000	33,081	81,475
Profit for the year	–	–	–	–	–	10,043	10,043
Share of other comprehensive income from associates	–	–	–	–	–	(15)	(15)
Total comprehensive income	–	–	–	–	–	10,028	10,028
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 transfer	–	–	–	(405)	–	405	–
Dividends	–	–	–	–	–	(5,619)	(5,619)
As at 31 May 2020	269	32,891	10,639	3,848	2,000	38,037	87,684

Details of 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.

For the year ended 31 May 2020

Consolidated and Company statements of cash flows

	Note	Group 2020 £000	Company 2020 £000	Group 2019 Restated £000	Company 2019 Restated £000
Operating activities					
Profit for the year					
Adjustments for:		10,173	10,042	7,811	8,529
Depreciation	15,16	2,547	1,781	1,288	840
Amortisation	17	2,437	2,039	2,962	2,723
Impairment	18	–	–	–	14,935
Investment income	8	(99)	(490)	(60)	(512)
Interest expense	9	260	241	86	691
Share of profit from associate	18	(633)	(633)	(480)	(480)
Gain on revaluation of derivative financial asset	18	–	–	(100)	(100)
Loss on disposal of property, plant and equipment		18	16	125	114
Equity-settled share-based payments	20	1,335	1,335	1,531	1,531
Dividend income		–	(3,500)	–	(18,835)
Income tax expense	12	3,244	2,208	1,963	1,031
Cash flows from operating activities before changes in working capital and provisions		19,282	13,039	15,126	10,467
(Increase)/decrease in trade and other receivables		(806)	1,327	656	1,101
Decrease in trade and other payables		(4,586)	(4,061)	(4,231)	(3,580)
Increase/(decrease) in provisions		36	55	(537)	(687)
Cash generated from operations		13,926	10,360	11,014	7,301
Interest paid		–	–	(1)	–
Income taxes paid		(4,392)	(3,863)	(2,221)	(1,640)
Net cash flows from operating activities		9,534	6,497	8,792	5,661
Investing activities					
Proceeds from sale of property, plant and equipment		124	124	117	117
Purchase of property, plant and equipment	15	(818)	(814)	(1,680)	(1,648)
Purchase of software	17	(173)	(173)	(297)	(297)
Contingent consideration paid on acquisition of subsidiaries	27	(600)	(600)	(763)	(763)
Acquisition of subsidiaries	3	(861)	(990)	(4,537)	(4,537)
Cash received on acquisition of subsidiaries	3	111	–	1,845	–
Dividends received from associate undertakings	18	1,078	1,078	–	–
Proceeds from disposal of derivative financial assets	22	750	750	–	–
Other investments	18	45	45	–	–
Loans advanced to property syndicates		(35)	(35)	(211)	(211)
Loan repayments from property syndicates		44	44	467	467
Interest received	8	83	44	54	34
Dividends received		–	3,500	–	1,500
Net cash flows from investing activities		(252)	2,973	(5,005)	(5,338)
Financing activities					
Proceeds from the issue of share capital		487	487	595	595
Cost of own shares acquired		(498)	–	(99)	–
Dividends paid	14	(5,619)	(5,619)	(4,703)	(4,703)
Payment of lease liabilities	28	(941)	(849)	–	–
Net cash flows from financing activities		(6,571)	(5,981)	(4,207)	(4,108)
Net increase in cash and cash equivalents		2,711	3,489	(420)	(3,785)
Cash and cash equivalents at start year	23	23,248	14,095	23,668	17,880
Cash and cash equivalents at end of year	23	25,959	17,584	23,248	14,095

Details of 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 Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS.

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 1 September 2020.

2.2 Restatement of comparative financial information

Revenue

Fees and commissions receivable on the arrangement of insurance by the Group's property management business on behalf of its clients were previously reported gross, with the premiums payable on the arrangement of the insurance on the clients' behalf previously reported as other administrative expenses.

Having revisited the terms of these insurance arrangements, we have concluded that in these circumstances the Group is acting as agent, not principal, and hence the revenue that should be recognised under IFRS 15 is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the insurance services to be provided by that party.

Accordingly, we have restated revenue recognised in respect of the year ended 31 May 2019 to reduce revenue by £970,000 and restated other administrative expenses to reduce costs for the year by an equal amount. There is no impact on total equity and no impact on profit or earnings per share for the year.

Performance measures impacted by the restatement to revenue and other administrative expenses have also been restated, including fee-based revenue, recurring revenue, operating profit margin, adjusted EBITDA margin and debtors' days.

Share-based payments costs

Following a detailed review of our option valuation model we identified the model had not been correctly updated to reflect the likely outcome of non-market based conditions as determined at each period end using the data available at the time. The correction of historic calculations has increased the share-based payments costs recognised in respect of the year ended 31 May 2019 by £471,000, and in respect of the three years ended 31 May 2019 by £806,000 in aggregate. Accordingly, we have restated share-based payments cost for the year ended 31 May 2019 to increase the cost recognised by £471,000 and restated the value of the reserves transfer re-allocating the cost of exercised or lapsed share options from equity-share-based payments to retained earnings to reflect the increased share-based payments cost by £90,000.

The deferred tax asset in respect of share-based payments as at 31 May 2018 has been increased by £82,000, and as at 31 May 2019 by £192,000. In respect of the year ended 31 May 2019 income tax expense has been reduced by £85,000 and deferred taxation charge in equity share-based payments reserve has been reduced by £25,000.

Retained earnings as at 31 May 2018 were reduced by £364,000 and at 31 May 2019 by £660,000, with the equity-share-based payments reserve as at 31 May 2018 increased by £446,000 and at 31 May 2019 by £852,000.

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

2.3 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.

2.4 Developments in reporting standards and interpretations

Standards affecting the Financial Statements

This is the first set of the Group's Financial Statements where IFRS 16 has been applied. This new standard was adopted from 1 June 2019. Under the transition method chosen, comparative information is not restated. Changes to significant accounting policies are described in Note 2.

Notes to the financial statements continued

2 Basis of preparation and accounting policies continued**2.4 Developments in reporting standards and interpretations continued****IFRS 16 Leases**

IFRS 16 has primarily changed lease accounting for lessees. Lease agreements now give rise to the recognition of an asset representing the right to use the leased item and a lease liability obligation for the present value of future lease payments. Lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability. Lessee accounting under IFRS 16 is similar in many respects to the existing IAS 17 'Accounting for finance leases' but is substantially different to previous accounting for operating leases where rental charges were recognised on a straight-line basis and no lease asset or lease loan obligation was recognised.

Lessor accounting under IFRS 16 is similar in many respects to IAS 17 accounting, but is different in the classification of leases for sublets of lease assets, which are now made by reference to the term of the head lease, rather than the life of the leased asset itself.

Transition

On transition to IFRS 16, the Group has applied the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to the opening balance sheet. There is no restatement of the comparative information, which continues to be reported under IAS 17.

On adoption, lease agreements under which the Group is lessee have given rise to both a right-of-use asset and a lease liability. For leases previously classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 June 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments on the Group statement of financial position at the date of transition.

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. 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.

On adoption, the classification of lease agreements under which the Group is lessor have been reviewed and one lease previously classified as an operating lease under IAS 17 has been classified as a finance lease under IFRS 16. This has given rise to both a finance lease receivable, reported within trade and other receivables, and the partial de-recognition of the right of use asset in respect of the head lease for the property. De-recognition of right of use assets were measured at an amount equal to the lease receivable, adjusted by the amount of any prepaid or accrued lease payment on the Group statement of financial position at the date of transition.

The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- 'Grandfathering' the assessment of which contracts are leases and applied IFRS 16 only to those that were previously identified as leases. Contracts not identified as leases under IAS 17 were not reassessed as to whether there is a lease. The identification of a lease under IFRS 16 was therefore only applied to contracts entered into (or modified) on or after 1 June 2019; and
- Applying the exemption not to recognise right-of-use assets and liabilities for leases with a term of less than 12 months and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The impact on the consolidated statement of financial position as at 1 June 2019 is as follows:

	As reported 31 May 2019 £000	Adjustments £000	On adoption 1 June 2019 £000
Assets			
Right of use assets	–	3,190	3,190
Finance lease receivable	–	356	356
Trade and other receivables	16,384	(76)	16,308
Total assets	110,584	3,470	114,054
Liabilities			
Trade and other payables	14,527	(37)	14,490
Lease liabilities	–	3,507	3,507
Total liabilities	24,991	3,470	28,461
Equity			
Retained earnings	38,292	–	38,292
Total equity	85,593	–	85,593
Total equity and liabilities	110,584	3,470	114,054

The adjustments to the consolidated balance sheet reflect the initial application of IFRS 16.

Impact on the Financial Statements for the year ended 31 May 2020

In the year ended 31 May 2020, the Group recognised an interest charge arising on lease liabilities of £122,000, a depreciation charge on the right-of-use assets of £842,000 and interest income arising on finance lease receivables from sub-leased assets of £16,000. In the year ended 31 May 2019, the Group recognised lease costs of £1,054,000 and sublet rental income of £48,000 in accordance with IAS 17.

Disclosure of the change in value of the right-of-use assets during the period is included in Note 16.

When measuring lease liabilities, the Group discounted its lease payments using incremental borrowing rates between 3.08% and 4.47% at 1 June 2019, depending on the remaining term of the lease.

The Group is required to identify the difference between the present value of its operating lease commitments disclosed at 31 May 2019 under IAS 17, discounted using the Group's incremental borrowing rate, and its lease liabilities recognised at the date of initial application to IFRS 16. This reconciliation is presented as follows:

	£000
Operating lease commitment at 31 May 2019	3,975
Amendments to lease commitment workings	(85)
Impact of discounting at the incremental borrowing rate	(383)
Lease liabilities at 1 June 2019	3,507

Standards not affecting the Financial Statements

In addition to IFRS 16 the following new and revised standards and interpretations have been adopted in the current year:

Standard or interpretation	Periods commencing on or after
IFRIC 23 Accounting for uncertain tax treatments	1 January 2019
IAS 28 (amended) Long Term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
IAS 19 (amendments) Plan amendment, curtailment or settlement	1 January 2019
IFRS 9 (amendments) Prepayment Features with Negative Compensation	1 January 2019

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 References to the Conceptual Framework in IFRS standards	1 January 2020
Amendments to IFRS 3 Business Combinations	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
IFRS 17 Insurance Contracts including Amendments to IFRS 17	1 January 2023

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

2 Basis of preparation and accounting policies continued

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.

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 and office equipment	20/25% per annum on written down values;
• Fixtures and fittings	20% per annum on written down values;
• Motor vehicles	25% 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 Trustees	5 October 2015	10 Years
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

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.

2 Basis of preparation and accounting policies continued

2.5 Principal accounting policies continued

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.

Derivative financial assets

Derivative financial assets previously comprised an option contract to acquire the remaining ordinary share capital of an associate of the Group. Derivative financial assets are carried at fair value, with gains and losses arising from changes in fair value taken directly to the Statement of Comprehensive Income. Fair values of derivatives are determined using valuation techniques, including discounted cash flow models and option pricing models as appropriate.

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 relevant. 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.

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

The group has applied IFRS 16 with effect from 1 June 2019, using the modified retrospective approach. Comparative information has not been restated. More details on the approach to transition are provided in Note 2.

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

Where the Group has entered into an acquisition agreement under which contingent consideration may be payable, management reviews the agreement and monitors the financial and other targets to be met to estimate the fair value of any amounts payable. Subsequent changes to the fair value of the contingent consideration are recognised in accordance with IFRS 9 in the Statement of Comprehensive Income.

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).

Notes to the financial statements continued

2 Basis of preparation and accounting policies continued**2.5 Principal accounting policies continued****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 27) and initial adviser charges 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 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 and have been compared to observable rates from other providers on a stand-alone basis, with initial charges recognised by the residual approach to ensure that the allocation of the selling price remains appropriate.

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.

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 Basis of preparation and accounting policies continued

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

The Group does not believe that there are any critical accounting judgements at 31 May 2020 which require disclosure.

Sources of significant estimation uncertainty

Impairment of acquired client portfolios and goodwill

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

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

The key assumptions used in arriving at a fair value less cost of sale are those around valuations based on earnings multiples and values based on assets under management. These have been determined by looking at valuations of similar businesses and the consideration paid in comparable transactions. Management has used a range of multiples resulting in an average of 7.5x EBITDA to arrive at a fair value.

Value in use calculations are utilised to calculate recoverable amounts of a CGU. Value in use is calculated as the net present value of the projected pre-tax cash flows of the CGU in which the client portfolio is contained. The net present value of cash flows is calculated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset, based on the Group's pre-tax Weighted Average Cost of Capital ("WACC"). The Group has applied a WACC of 13.3% to each of its operating segments.

The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and expenses during the period covered by the calculations. Changes to revenue and costs are based upon management's expectation. The Group prepares its annual budget and five-year cash flow forecasts derived therefrom, thereafter extrapolating these cash flows using a long-term growth rate of 2.5% (2019: 2.5%), which management considers conservative against industry average long-term growth rates.

The carrying amount of client portfolios at 31 May 2020 was £25.4m (2019: £26.8m). No impairment provisions have been made during the year (2019: £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 13.3%, 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 2020 was £21.1m (2019: £20.2m). No impairment provisions have been made during the year (2019: £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 £14.6m (2019: £13.2m).

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 66.9% (2019: 68.0%) is based on historic actual recovery rates measured over a period of three (2019: twelve) 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 is measured has been temporarily reduced to three months as this is considered a more appropriate reflection of any impact from the Covid-19 pandemic. The carrying amount of accrued time costs and disbursements at 31 May 2020 was £4.8m (2019: £4.6m).

The sensitivity of a 1.0% and a 3.0% change in the estimated recoverability of time costs and disbursements incurred but not invoiced to clients, with all other variables held constant, is £0.07m and £0.21m of the Group's profit before tax respectively. There is no material impact on the Group's equity.

Other areas of focus

Acquisitions and business combinations

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

Subjectivity is also involved in 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 £1.6m (2019: £5.2m), with the key assumptions used to calculate these fair values being those around the estimated useful lives of the acquired customer relationships, the estimated future cash flows expected to arise from these relationships and the appropriate discount rate to be used to discount these cash flows to their present value.

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

Assumption	Sensitivity	Change in assumption	Increase/ (decrease) in fair value £000
Estimated useful life	10 years	-5 years	(160)
Short-term growth rate in years 2 to 5	Nil	-2.5%	(41)
Long-term growth rate from year 6	Nil	-2.5%	(19)
Discount rate	14.7%	+1.0%	(22)

Contingent consideration payable on acquisitions

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

Using forecasts approved by the Board covering the contingent consideration period, provisions are recognised based on the maximum expected value of contingent consideration expected to fall due. A material change to the carrying value would only occur if the acquired business achieved 80% or less of the target earnings. The carrying amount of contingent consideration provided for at 31 May 2020 was £2.8m (2019: £2.7m).

The key assumption used in determining the value of these provisions is the forecast financial performance as applied in the terms of the contingent consideration arrangement. A 10% reduction in achievement of forecast contingent consideration targets would reduce the value of provisions required by £0.3m.

Provisions

As detailed in Note 27, 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.

Notes to the financial statements continued

3. Business combinations

The Group completed one acquisition during the year. Transaction costs of £0.3m (2019: £0.1m) incurred during the year to 31 May 2020 have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income and operating cash flows in the consolidated statement of cash flows in the period in which they were incurred.

Acquisition of The Turriss Partnership Limited

On 19 December 2019, Mattioli Woods acquired the entire issued share capital of The Turriss Partnership Limited ("Turriss"), a financial planning and wealth management business based in Glasgow. The acquisition of Turriss helps us expand our Wealth Management operations in Scotland.

The fair values of the assets and liabilities of Turriss 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
Tangible fixed assets	2	–	2
Right of use assets	88	–	88
Client portfolio	712	712	–
Other receivables	16	(129)	145
Prepayments and accrued income	23	–	23
Cash	111	–	111
Assets	952	583	369
Accruals and deferred income	(15)	–	(15)
Income tax	(33)	–	(33)
Lease liability	(88)	–	(88)
Provisions	(12)	–	(12)
Deferred tax liability	(121)	(121)	–
Liabilities	(269)	(121)	(148)
Total identifiable net assets at fair value	682		
Goodwill arising on acquisition	920		
Total acquisition cost	1,602		
Analysed as follows:			
Initial cash consideration	800		
Net assets adjustment to initial consideration	61		
Deferred consideration payable	800		
Discounting of deferred consideration	(59)		
Total acquisition cost	1,602		
Cash outflow on acquisition			
Cash paid	800		
Cash acquired	(111)		
Acquired net assets adjustment	61		
Acquisition costs	73		
Net cash outflow	823		

Turriss specialises in providing chartered financial planning and wealth management advice to its clients and has over £65m of assets under advice. Turriss was established in 2003 and its experienced team of five staff based in Glasgow have been retained by Mattioli Woods following the acquisition.

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 of 15 years based on the Group's historical experience.

From the date of acquisition Turriss has contributed £0.2m to Group revenue and £0.1m to the Group profit for the period. If the combination had taken place at the beginning of the period, Group revenue from continuing operations would have been £59.6m and the profit for the period would have been £10.5m.

Contingent consideration

The Group has entered into certain acquisition agreements that provide for contingent consideration to be paid. These agreements and the basis of calculation of the net present value of the contingent consideration are summarised below. While it is not possible to determine the exact amount of contingent consideration (as this will depend on the performance of the acquired businesses during the period), the Group estimates the fair value of the remaining contingent consideration payable is £2.8m (2019: £2.7m) (see Note 27).

On 19 December 2019 the Group acquired Turris for total consideration of up to £1.6m, comprising initial consideration of £0.8m in cash plus contingent consideration of up to £0.8m payable in cash in the two years following completion if certain financial targets based on growth in earnings before interest, tax, depreciation and amortisation are met. The Group estimates the fair value of the remaining contingent consideration at 31 May 2020 to be £0.8m using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

On 27 March 2019 the Group acquired SSAS Solutions for total consideration of up to £4.9m, comprising initial consideration of £1.25m in cash plus 162,654 new ordinary shares of 1p each in Mattioli Woods plus contingent consideration of up to £1.5m payable in cash in the two years following completion if certain financial targets based on growth in earnings before interest, tax, depreciation and amortisation are met. Following the year end, the Group has agreed to amend the terms of the share purchase agreement to defer the second year of the contingent consideration period by one year in light of the expected impact of Brexit and the COVID-19 pandemic on the revenues of SSAS Solutions (Note 33). The Group estimates the fair value of the remaining contingent consideration at 31 May 2020 to be £1.4m (2019: £1.4m) using cash flows approved by the Board covering the contingent consideration period and expects the maximum remaining contingent consideration will be payable.

On 8 August 2018 the Group acquired Broughtons for total consideration of up to £4.4m, comprising initial consideration of £2.5m in cash plus 77,171 new ordinary shares of 1p each in Mattioli Woods plus contingent consideration of up to £1.3m payable in cash in the two years following completion if certain financial target based on growth in earnings before interest, tax, depreciation and amortisation are met. The Group estimates the fair value of the remaining contingent consideration at 31 May 2020 to be £0.8m (2019: £1.3m) using cash flows approved by the Board covering the contingent consideration period and expects the maximum contingent consideration will be payable.

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:

	2020 £000	2019 Restated £000
Timing of revenue recognition		
At a point in time:		
Investment and asset management	2,002	2,873
Pension consultancy and administration	1,097	1,276
Property management	464	620
Employee benefits	1,043	973
	4,606	5,742
Over time:		
Investment and asset management	24,846	23,124
Pension consultancy and administration	19,464	19,129
Property management	4,952	4,853
Employee benefits	4,539	4,646
	53,801	51,752
	58,407	57,494

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:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Contract liabilities				
Investment and asset management	–	–	–	–
Pension consultancy and administration	2,219	2,353	1,051	1,205
Property management	36	36	–	–
Employee benefits	515	491	515	491
	2,770	2,880	1,566	1,696

The Group expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 May 2020 will be recognised as revenue during the next reporting period, amounting to £2,770,000.

Notes to the financial statements continued

4. Revenue continued

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

Contract liabilities	Group £000	Company £000
At 1 June 2019	2,880	1,696
Revenue recognised on completion of performance obligations	(2,880)	(1,696)
Consideration received allocated to performance obligations that are unsatisfied at the period end	2,770	1,566
At 31 May 2020	2,770	1,566

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 2020 and 2019 respectively.

	Investment and asset management £000	Pension consultancy and administration £000	Property management £000	Employee benefits £000	Total segments £000	Corporate costs £000	Consolidated £000
Year ended 31 May 2020							
Revenue							
External customers	26,848	20,561	5,416	5,582	58,407	–	58,407
Results							
Segment profit before tax	9,629	6,488	1,107	1,146	18,370	(4,953)	13,417
Year ended 31 May 2019							
Revenue							
External customers (restated)	25,997	20,405	5,473	5,619	57,494	–	57,494
Results							
Segment profit before tax (restated)	7,242	4,602	510	755	13,109	(3,335)	9,774

Segment assets

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

	31 May 2020 £000	31 May 2019 £000
Pension consultancy and administration	26,539	26,825
Investment and asset management	27,508	28,092
Property management	1,468	1,559
Employee benefits	9,239	9,626
Segment operating assets	64,754	66,102
Corporate assets	50,109	44,482
Total assets	114,863	110,584

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.

	31 May 2020 £000	31 May 2019 £000
Reconciliation of assets		
Segment operating assets	64,754	66,102
Property, plant and equipment	15,636	16,665
Right of use assets	2,584	–
Intangible assets	1,579	1,766
Deferred tax asset	888	512
Derivative financial asset	–	750
Prepayments and other receivables	2,709	1,461
Income tax receivable	390	–
Finance lease receivable	324	–
Investments	40	80
Cash and short-term deposits	25,959	23,248
Total assets	114,863	110,584

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.

Notes to the financial statements continued

6. Segment information continued**Corporate costs continued**

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.

	31 May 2020 £000	31 May 2019 Restated £000
Reconciliation of profit before tax		
Total segments	18,370	13,109
Depreciation	(2,547)	(1,288)
Irrecoverable VAT	(900)	(868)
Professional indemnity insurance	(610)	(513)
Amortisation and impairment	(359)	(1,054)
Acquisition-related costs	(334)	(123)
Finance costs	(260)	(321)
Bank charges	(24)	(18)
Loss on disposal of assets	(18)	(125)
Gain on revaluation of derivative financial asset	–	100
Finance income	99	292
Decrease in provisions	–	583
Group profit before tax	13,417	9,774

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 2020.

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:

	2020 £000	2019 £000
Audit services:		
Audit of the Company	170	91
Audit of subsidiaries	30	52
	200	143
Audit-related services:		
Interim review	28	25
Other assurance – CASS reporting	20	18
	48	43
Non-audit services:		
Indirect tax advice	12	14
Provision of indirect tax software for clients' VAT returns	39	–
	51	14
Total	299	200

8. Finance revenue

	2020 £000	2019 £000
Bank interest receivable	83	60
Unwinding of discount on finance lease receivable	16	–
	99	60

9. Finance costs

	2020 £000	2019 £000
Unwinding of discount on provisions	138	86
Unwinding of discount on lease liabilities	122	–
	260	86

10. Operating profit

Included in operating profit before financing:

	2020 £000	2019 £000
Depreciation (Notes 15 and 16)	(2,547)	(1,288)
Amortisation and impairment of intangible assets (Note 17)	(2,437)	(2,962)
Minimum lease payments recognised as an operating lease expense (Note 28)	–	(1,054)
Gain on revaluation of derivative financial instrument (Note 18)	–	100

11. Employee benefits expense

The average monthly number of employees during the year was:

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Executive Directors	2	3	2	3
Consultants	120	119	115	115
Administrators	246	258	221	239
Support staff	233	220	213	202
	601	600	551	559

Staff costs for the above persons were:

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Wages and salaries	23,253	26,504	21,402	24,419
Social security costs	2,321	3,028	2,168	2,847
Pension costs and life insurance	1,266	889	1,111	807
Other staff costs	783	886	780	861
	27,623	31,307	25,461	28,934

In addition, the cost of share-based payments disclosed separately in the consolidated statement of comprehensive income was £1,335,000 (2019 restated: £1,531,000).

Details of the remuneration payable to each Director in respect of the year ended 31 May 2020 is disclosed in the Directors' Remuneration Report on page 59.

	2020 £000	2019 £000
Emoluments	1,078	2,296
Company contributions to personal pension schemes	–	–
Benefits in kind	24	24
	1,102	2,320

Three Directors (2019: three) accrued benefits under personal pension schemes, or through an equivalent cash award when they have reached their maximum lifetime allowance. During the year 40,000 share options were issued to Directors (2019: 119,493) and Directors exercised nil share options (2019: 140,406). The aggregate amount of gains made by Directors on the exercise of share options during the year was £nil (2019: £1,026,000). For terms of share options awarded, please see Note 20.

Notes to the financial statements continued

11. Employee benefits expense continued

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

	2020 £000	2019 £000
Emoluments	526	1,106
Company contributions to personal pension schemes	–	–
Benefits in kind	2	–
	528	1,106

The amount of gains made by the highest paid Director on the exercise of share options during the year was £nil (2019: £525,000).

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 £1,006,000 (2019: £644,000).

12. Income tax

The major components of income tax expense for the years ended 31 May 2020 and 2019 are:

	2020 £000	2019 Restated £000
Consolidated statement of comprehensive income		
Current tax	3,292	2,106
Under/(over) provision in prior periods	170	(64)
	3,462	2,042
Deferred tax credit	(505)	(197)
Adjustments in respect of change in tax rate	424	33
Adjustments in respect of prior periods	(137)	85
Income tax expense reported in the statement of comprehensive income	3,244	1,963

The over provision for current tax in prior periods includes £nil (2019: £40,000) arising from a Research and Development tax credit in respect of the financial years ending 31 May 2018 (2019: 31 May 2017 and 2018).

For the year ended 31 May 2020 the current tax credit on the Group's share-based payment arrangements recognised directly in equity was £29,000 (2019: £134,000). The deferred tax charged on the Group's outstanding share-based payment arrangements recognised directly in equity was £50,000 (2019 restated: £135,000).

Factors affecting the tax charge for the period

The tax charge assessed for the period is higher (2019: higher) than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%).

The differences are explained below:

	2020 £000	2019 Restated £000
Accounting profit before income tax	13,417	9,774
Multiplied by standard rate of UK corporation tax of 19.0% (2019: 19.0%)	2,549	1,857
Effects of:		
Expenses not deductible for tax	343	150
Effects of changes in tax rates	424	33
Deferred tax on share options	16	(7)
Income not taxable	(121)	(91)
Over provision in prior periods	33	21
Income tax expense for the year	3,244	1,963
Effective income tax rate	24.2%	20.1%

Deferred income tax

Deferred income tax at 31 May relates to the following:

	Group 2020 £000	Group 2019 Restated £000	Company 2020 £000	Company 2019 Restated £000
Deferred income tax liability				
Temporary differences on:				
Acquired intangibles	(4,305)	(4,050)	(3,038)	(2,969)
Accelerated capital allowances	(177)	(158)	(54)	(44)
Derivative financial asset	–	(137)	–	(137)
Deferred tax liability	(4,482)	(4,345)	(3,092)	(3,150)
Deferred income tax asset				
Temporary differences on:				
Provisions	214	153	200	152
Accelerated capital allowances	–	1	–	–
Share-based payments	674	550	674	549
Deferred tax asset	888	704	874	701
Net deferred tax liability	(3,594)	(3,641)	(2,218)	(2,449)

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

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 2020 are summarised as follows:

	2020 £000	2019 Restated £000
Deferred tax in statement of comprehensive income		
Effect of changes in the standard rate of tax	424	–
Deferred tax on capital allowances	11	75
Deferred tax on provisions	–	(21)
Under/(over) provision for capital allowances in prior period	(6)	89
Deferred tax on intangible assets	(18)	(2)
Overprovision for provisions in prior period	(40)	(57)
Under provision for intangibles	(92)	54
Deferred tax on share-based payments	(124)	73
Deferred tax on derivative financial asset	(139)	29
Deferred tax on amortisation of client portfolios	(235)	(234)
Deferred tax credit	(218)	(79)

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

	2020 £000	2019 Restated £000
Deferred tax reconciliation		
Opening net deferred tax liability	(3,641)	(2,669)
Credit recognised in statement of comprehensive income	218	79
Deferred tax charge recognised in equity	(50)	(135)
Deferred tax arising on acquisitions	(121)	(886)
Closing net deferred tax liability	(3,594)	(3,641)

There are no income tax consequences for the Group attaching to the payment of dividends by Mattioli Woods plc to its shareholders in either 2019 or 2020.

Notes to the financial statements continued

12. Income tax continued**Impact of future tax changes**

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

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 (2019: 12,248).

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:

	2020 £000	2019 Restated £000
Net profit and diluted net profit attributable to equity holders of the Company	10,158	7,817
Weighted average number of ordinary shares:	000s	000s
Issued ordinary shares at start of period	26,770	26,150
Effect of shares issued during the year ended 31 May 2019	–	440
Effect of shares issued during the year ended 31 May 2020	127	95
Basic weighted average number of shares	26,897	26,685
Effect of dilutive options at the statement of financial position date	258	36
Diluted weighted average number of shares	27,155	26,721

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 3.30% of its issued share capital (see Note 24). 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 2020 the conditions attached to 630,940 options granted under the LTIP were not satisfied (2019: 680,440). If the conditions had been satisfied, diluted earnings per share would have been 36.6p per share (2019 restated: 28.5p).

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 842,866 ordinary shares as initial consideration payable on the acquisition of Hurley Partners (see Note 33);
- The issue of 25,986 ordinary shares under the Mattioli Woods plc Share Incentive Plan; and
- The issue of 1,650 ordinary shares to satisfy the exercise of options under the LTIP.

14. Dividends paid and proposed

	2020 £000	2019 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
– Final dividend for 2019: 13.67p (2018: 11.5p)	3,660	3,024
– Interim dividend for 2020: 7.3p (2019: 6.33p)	1,959	1,679
Dividends paid	5,619	4,703
Proposed for approval by shareholders at the AGM:		
Final dividend for 2020: 12.7p (2019: 13.67p)	3,532	3,664

15. Property, plant and equipment

Group	Assets under construction £000	Land and buildings £000	Computer and office equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Gross carrying amount:						
At 1 June 2018	14,457	–	2,137	960	1,492	19,046
Additions	790	27	323	72	468	1,680
Arising on acquisitions	–	–	5	25	–	30
Disposals	–	–	(144)	(2)	(394)	(540)
Reclassifications	(15,247)	10,753	27	4,467	–	–
At 31 May 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
Depreciation:						
At 1 June 2018	–	–	1,316	768	479	2,563
Charged for the year	–	168	259	597	264	1,288
On disposals	–	–	(92)	–	(208)	(300)
At 31 May 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
Carrying amount:						
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
At 31 May 2018	14,457	–	821	192	1,013	16,483
Company	Assets under construction £000	Computer and office equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000	
Gross carrying amount:						
At 1 June 2018	877	1,984	882	1,498	5,241	
Additions	790	321	69	468	1,648	
Reclassification	(1,667)	27	1,640	–	–	
Disposals	–	(137)	–	(394)	(531)	
At 31 May 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	
Depreciation:						
At 1 June 2018	–	1,172	692	485	2,349	
Charged for the year	–	255	321	264	840	
On disposals	–	(92)	–	(208)	(300)	
At 31 May 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	
Carrying amount:						
At 31 May 2020	–	827	1,312	976	3,115	
At 31 May 2019	–	860	1,578	1,031	3,469	
At 31 May 2018	877	812	190	1,013	2,892	

16. Right of use assets

Group	Properties £000	Computer and office equipment £000	Total £000
On adoption of IFRS 16 at 1 June 2019	2,512	678	3,190
Additions	282	39	321
Arising on acquisitions	–	–	–
Disposals	(88)	–	(88)
At 31 May 2020	2,706	717	3,423
Depreciation:			
At 1 June 2019	–	–	–
Charged for the period	653	189	842
On disposals	(3)	–	3
At 31 May 2020	650	189	839
Carrying amount:			
At 31 May 2020	2,056	528	2,584
At 31 May 2018 & 31 May 2019	–	–	–

Company	Properties £000	Computer and office equipment £000	Total £000
On adoption of IFRS 16 at 1 June 2019	2,105	678	2,783
Additions	118	39	157
At 31 May 2020	2,223	717	2,940
Depreciation:			
At 1 June 2019	–	–	–
Charged for the period	563	189	752
At 31 May 2020	563	189	752
Carrying amount:			
At 31 May 2020	1,660	528	2,188
At 31 May 2018 & 31 May 2019	–	–	–

17. Intangible assets

Group	Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Other £000	Total £000
Gross carrying amount:						
At 1 June 2018	1,693	2,417	33,354	17,253	35	54,752
Arising on acquisitions	–	–	5,190	2,962	–	8,152
Additions	97	248	–	–	–	345
Disposals	(217)	(738)	–	–	–	(955)
At 31 May 2019	1,573	1,927	38,544	20,215	35	62,294
Arising on acquisitions	–	–	712	920	–	1,632
Additions	173	–	–	–	–	173
At 31 May 2020	1,746	1,927	39,256	21,135	35	64,099
Amortisation and impairment:						
At 1 June 2018	656	978	9,884	–	35	11,553
Amortisation during the year	270	785	1,907	–	–	2,962
Disposals	(217)	(738)	–	–	–	(955)
At 31 May 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
Carrying amount:						
At 31 May 2020	862	718	25,387	21,135	–	48,102
At 31 May 2019	864	902	26,753	20,215	–	48,734
At 31 May 2018	1,037	1,439	23,470	17,253	–	43,199

Company	Internally generated software £000	Software £000	Client portfolios £000	Goodwill £000	Total £000
Gross carrying amount:					
At 1 June 2018	1,693	2,306	28,979	16,384	49,362
Additions	97	200	–	–	297
Disposals	(217)	(738)	–	–	(955)
At 31 May 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
Amortisation and impairment:					
At 1 June 2018	656	878	6,897	–	8,431
Amortisation during the year	270	774	1,679	–	2,723
Disposals	(217)	(738)	–	–	(955)
At 31 May 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
Carrying amount:					
At 31 May 2020	861	669	18,724	16,384	36,638
At 31 May 2019	864	854	20,403	16,384	38,505
At 31 May 2018	1,037	1,428	22,082	16,384	40,931

Notes to the financial statements continued

17. Intangible assets continued**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 2018	–	18,572
Investment in Broughtons Financial Planning Limited	–	4,347
Investment in SSAS Solutions (UK) Ltd	–	4,819
Reduction in value of Boyd Coughlan Limited	–	(7,388)
Reduction in value of Taylor Patterson Group Limited	–	(7,547)
At 31 May 2019	–	12,803
Investment in The Turrus Partnership Limited	–	1,731
At 31 May 2020	–	14,534

On 31 May 2019 certain loan notes payable by the Company were waived and the capital and reserves of Boyd Coughlan Limited, Taylor Patterson Group Limited and its subsidiaries were each reduced to £2. Following this distribution, the value of the Company's investments in Boyd Coughlan Limited and Taylor Patterson Group Limited were impaired down to the value of the residual assets held by each subsidiary.

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 ("PCL")	Ordinary	100%	Holding company
PC Trustees Limited (held by PCL)	Ordinary	100%	Trustee company
Bank Street Trustees Limited	Ordinary	100%	Trustee company
JB Trustees Limited	Ordinary	100%	Trustee company
John Bradley Financial Services Limited	Ordinary	100%	Dormant
Mattioli Woods Legal Limited	Ordinary	100%	Dormant
Mayflower Trustees Limited	Ordinary	100%	Trustee company
Custodian Capital Limited ("CCL")	Ordinary	100%	Property and fund management
CP SSAS Trustees Limited	Ordinary	100%	Trustee company
CP SIPP Trustees Limited	Ordinary	100%	Trustee company
City Pensions Limited	Ordinary	100%	Dormant
City Trustees Limited	Ordinary	100%	Trustee company

Subsidiary undertakings	Share class held	Voting rights and shares held	Nature of business
TCF Global Independent Financial Services Limited ("TCF")	Ordinary	100%	Holding company
Kudos Financial Services Limited (held by TCF)	Ordinary	100%	Dormant
AR Pension Trustees Limited	Ordinary	100%	Trustee company
Robinson Gear (Management Services) Limited	Ordinary	100%	Trustee company
Thoroughbred Wealth Management Limited ("TWM")	Ordinary	100%	Holding company
Atkinson Bolton Consulting Limited (held by TWM)	Ordinary	100%	Dormant
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
Boyd Coughlan Limited	Ordinary	100%	Dormant
Taylor Patterson Group Limited ("TPG")	Ordinary	100%	Dormant
Taylor Patterson Associates Limited (held by TPG)	Ordinary	100%	Dormant
Taylor Patterson Financial Planning Limited (held by TPG)	Ordinary	100%	Dormant
Taylor Patterson Trustees Ltd	Ordinary	100%	Trustee company
Lanson House Limited	Ordinary	100%	Dormant
Lindley Trustees Limited	Ordinary	100%	Trustee company
MWV Solutions Limited	Ordinary	50%	Dormant joint venture
Old Station Road Holdings Limited ("OSRHL")	Ordinary	100%	Holding company
M C Trustees (Pensions) Limited (held by OSRHL)	Ordinary and preference	100%	Pension administration
M C Trustees (Administration) Limited (held by OSRHL)	Ordinary	100%	Pension administration
MCT (Properties) Limited (held by OSRHL)	Ordinary	100%	Dormant
M C Trustees Limited (held by OSRHL)	Ordinary	100%	Trustee company
MC Nominees Limited (held by OSRHL)	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 (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (102) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (103) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (105) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (106) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (Beech Properties) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (Welbeck Land) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (CITU) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (Proseed) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (Prosperity Liverpool) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (Heaton Group) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Equity (Harbinger Self Storage) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (Tungsten Witney) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (Versant) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company
MW Private Investors (Piper Homes) General Partner Limited (held by CCL)	Ordinary	100%	General Partner company

Notes to the financial statements continued

18. Investments continued

Subsidiary undertakings	Share class held	Voting rights and shares held	Nature of business
MW Private Investors (The Square) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (Expedia) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (Belfast Expedia 2) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (Belfast Expedia 3) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (Belfast Expedia 4) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (The Priest House Hotel) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (Walrus) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (103) EPUT Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (Clear Nursery) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (Expedia Dental) General Partner Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investors (Barwood Capital) General Partner Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investor (Earthworm) General Partner Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Investor (Gage Taplow) General Partner Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Equity (Rotherhill) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Equity (March Projects) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Private Equity (Tungsten Handcross) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties (Huntingdon Geared) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties (Huntingdon Non-Geared) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties (No 42) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties (No 46) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties (No 49) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties (No 60) Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties No 17 Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties No 20 Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties No 25 Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties No 32 Limited (held by CCL)	Ordinary	100%	Trustee company
MW Properties No 35 Limited (held by CCL)	Ordinary	100%	Trustee company
APUK14001 Limited (held by CCL)	Ordinary	100%	Trustee company
APUK14002 Limited (held by CCL)	Ordinary	100%	Trustee company
APUK15001 Limited (held by CCL)	Ordinary	100%	Trustee company
APUK15002 Limited (held by CCL)	Ordinary	100%	Trustee company
CC Private (202) Limited (held by CCL)	Ordinary	100%	Trustee company
CC Private (204) Limited (held by CCL)	Ordinary	100%	Trustee company
CC Private (205) Limited (held by CCL)	Ordinary	100%	Trustee company
CC Private (207) Limited (held by CCL)	Ordinary	100%	Trustee company
Brogan Group Investments Limited (held by CCL)	Ordinary	100%	Trustee company
Eltek House Limited (held by CCL)	Ordinary	100%	Trustee company
Welbeck Strategic Land III Limited (held by CCL)	Ordinary	100%	Trustee company

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
TCF Global Independent Financial Services Limited	8 Queens Terrace, Aberdeen, AB10 1XL
Kudos Financial Services Limited	8 Queens Terrace, Aberdeen, AB10 1XL
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
The Turrus Partnership Limited	4th Floor, 120 West Regent Street, Glasgow, G2 2QD

Investment in associate and related derivative

Investment in associate

On 6 February 2017 the Group acquired 49% of the ordinary share capital of Amati Global Investors Limited ("Amati") from Amati Global Partners LLP plus an option to acquire the remaining 51% ordinary share capital of Amati in the two years commencing 6 February 2019 for a total consideration of £3.39m, comprising £1.65m in cash and £1.74m of new ordinary shares in Mattioli Woods.

Amati is a fund management firm founded in 2010 following the management buyout of Noble Fund Managers Limited. Amati's principal place of business is the United Kingdom. It focuses on small and mid-sized companies, with a universe ranging from fully listed constituents of the FTSE Mid 250 and FTSE Small Cap indices, to stocks quoted on AIM. At the date of investment Amati had approximately £120m of assets under management, including the TB Amati UK Smaller Companies Fund; two AIM Venture Capital Trusts (Amati VCT plc and Amati VCT 2 plc); and an AIM IHT portfolio service.

During the prior year the shareholders of Amati VCT plc voted to approve its merger with Amati VCT 2 plc, which has been renamed Amati AIM VCT plc. Amati's gross assets under management at 31 May 2020 had increased to £582m (2019: £453m).

The Group exercises significant influence by virtue of its contractual right to appoint a minority of Directors to Amati's Board of Directors. The option held by the Group to acquire the remaining shares in Amati was not exercised at 6 February 2019 as the Company had agreed heads of terms with the counterparty to cancel the option in exchange for a payment of £750,000 from the counterparty, with the cancellation being completed during the year ended 31 May 2020. 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	2020 £000	2019 £000
At 1 June	4,211	3,725
Share of profit for the year	682	548
Amortisation of fair value intangibles	(68)	(68)
Share of other comprehensive income	(15)	6
Dividends received from associate	(1,078)	–
At 31 May	3,732	4,211
Share of profit from associates in statement of comprehensive income:	2020 £000	2019 £000
Share of profit for the year	682	548
Amortisation of fair value intangibles	(68)	(68)
Elimination of transactions with associate	19	–
	633	480

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 2020 are as follows:

Name	Country of incorporation	Assets £000	Liabilities £000	Revenue £000	Profit £000	Interest held
Amati Global Investors Limited	Scotland	3,920	1,618	5,552	1,392	49%
Group's share of profit					682	

The net assets of Amati as at 1 June 2019 were £3,140,000. At 31 May 2020 the net assets of Amati were £2,302,000 following payment of dividends of £2,200,000 and other increases in net assets of £1,362,000, increasing the Group's interest in the associate (net of tax) by £667,000 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.

18. Investments continued**Derivative financial instruments**

As part of the transaction to acquire its holding in Amati, Mattioli Woods also entered into an option agreement with the Seller which entitled Mattioli Woods to acquire the remaining 51% of Amati in the two years commencing 6 February 2019 for a mixture of cash and Mattioli Woods' ordinary shares ("the Option"). If Mattioli Woods did not exercise the Option to acquire the remaining stake from the Seller, the Seller had an option to buy Mattioli Woods' shareholding back for the original consideration paid.

The fair value of the option contract at the date of acquisition was £17,000. During the year ended 31 May 2019 the Company signed heads of terms to cancel the option agreement in exchange for £750,000. The cancellation of the agreement was completed and settled during the year ended 31 May 2020.

Other Investments	Group £000	Company £000
At 1 June 2018	81	81
Revaluation	(1)	(1)
At 31 May 2019	80	80
Disposal	(40)	(40)
At 31 May 2020	40	40

During the year, the Group disposed of an investment with a previous carrying value of £40,000 (2019: £40,000) in the FP Mattioli Woods Balanced Fund (Note 30) for proceeds totalling £45,000, recognising a gain on disposal of £5,000.

Mattioli Woods owns 15% (2019: 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 2020 the Company's investment in Mainsforth was valued at Enil (2019: Enil).

At 31 May 2020 the Company owned 9.40% (2019: 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 2020 these shares are included within investments at a value of £26,000 (2019: £26,000).

At 31 May 2020 the Company owned 2.04% (2019: 2.04%) of the shareholding in MW Properties (Huntingdon Non-Geared) Limited, acquired at a total cost of £15,000. The company is incorporated in England and Wales and its principal activity is investment in real estate. At 31 May 2020 these shares are included within investments at a value of £14,000 (2019: £14,000).

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 2018	13,683	17,490	279	9,271	40,723
Arising on acquisitions	4,362	3,790	–	–	8,152
Amortisation during the year	(731)	(772)	(8)	(396)	(1,907)
At 31 May 2019	17,314	20,508	271	8,875	46,968
Arising on acquisitions	–	1,632	–	–	1,632
Amortisation during the year	(853)	(820)	(8)	(397)	(2,078)
At 31 May 2020	16,461	21,320	263	8,478	46,522
Goodwill	7,166	10,125	188	3,656	21,135
Client portfolios	9,295	11,195	75	4,822	25,387
At 31 May 2020	16,461	21,320	263	8,478	46,522

Company	Pension consultancy and admin £000	Investment and asset management £000	Property management £000	Employee benefits £000	Total £000
At 1 June 2018	11,426	17,490	279	9,271	38,466
Amortisation during the year	(632)	(643)	(8)	(396)	(1,679)
At 31 May 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
Goodwill	4,828	7,712	188	3,656	16,384
Client portfolios	5,334	8,492	75	4,823	18,724
At 31 May 2020	10,162	16,204	263	8,479	35,108

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.

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 13.3% (2019: 10.2%), reflecting current market assessments of the time value of money and the risks specific to the asset, based on the Group's WACC. The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations, based upon management's expectation. The estimated cash flows for each segment are derived by extrapolating the budgeted cash flows for the year ending 31 May 2021 assuming annual growth of 5.0% (2019: 5.0%) over the next four years and a long-term growth rate of 2.0% (2019: 2.5%), which management considers conservative against actual average long-term growth rates.

The value in use calculated at 31 May 2020 was £152.2m. 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 2020. This accounting treatment resulted in an impairment loss of £nil (2019: £nil). The sensitivity of the value in use calculated at 31 May 2020 to changes in the key assumptions is as follows:

Assumption	Sensitivity	Change in Assumption	Increase/(decrease) in value in use £000
Discount rate	14.3%	+1%	(14,564)
Short-term growth rate	Nil	-5%	(22,274)
Long-term growth rate	Nil	-2%	(19,266)

None of these sensitivities would result in an impairment in the value in use of any operating segment.

Notes to the financial statements continued

19. Impairment of goodwill and client portfolio intangible assets continued

The value in use calculations at 31 May 2020 indicate a £2.1m increase in the headroom on the value of acquired client portfolios and goodwill allocated to the Employee Benefits operating segment, on which there was very little headroom calculated in the prior year. If the pre-tax discount rate used to calculate the value in use of each segment increased by 1.0%, with all other variables held constant, this would result in an £0.8m reduction in the value in use, resulting in an impairment loss of £nil (2019: £0.6m). 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 £1.7m reduction in the value in use, resulting in an impairment loss of £nil (2019: 3.0%, £0.8m).

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:

	31 May 2020 Equity-settled No.	31 May 2019 Equity-settled No.
LTIP options		
Outstanding as at 1 June	757,463	806,489
Granted during the year	248,800	241,756
Exercised during the year	(66,418)	(233,718)
Forfeited during the year	(50,341)	(57,064)
Outstanding at 31 May	889,504	757,463
Exercisable at 31 May	258,564	77,023

The LTIP awards are subject to the achievement of corporate profitability targets measured over a three-year performance period and will vest following publication of the Group's audited results for the final performance year. The amounts shown above represent the maximum opportunity for the participants in the LTIP.

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:

	31 May 2020 No.	31 May 2019 No.
SIP shares		
Scheme shares as at 1 June	586,399	593,019
Employee shares purchased	48,886	50,989
Matching shares awarded	48,886	50,989
Matching shares recycled	(12,370)	(16,072)
Reinvestment of dividends	17,677	14,281
Shares transferred out	(89,816)	(106,807)
Scheme shares at 31 May	599,662	586,399
Conditional matching shares at 31 May	121,980	117,817

A total of 350 (2019: 359) employees participated in the SIP during the year.

Share-based payments expense

The expense for share-based payments made in respect of employee services under the LTIP is recognised over the expected vesting period of the awards. The expense recognised during the year ended 31 May 2020 is £1,096,000 (2019 restated: £1,296,000), all of which arises from equity-settled share-based payment transactions.

The expense for share-based payments in respect of matching shares issued under the SIP is recognised over the expected vesting period of the shares granted to the participating employee (see Note 24). The expense recognised during the year ended 31 May 2020 is £239,000 (2019: £235,000), which arises entirely from equity-settled share-based payment transactions.

Reserves transfer

During the prior year, the Group reduced the value of the Equity – share-based payments reserve by £359,000, reduced deferred tax assets by £68,000 and increased retained earnings by £291,000 in the year ended 31 May 2019 to reflect the impact of recognising the cost of ‘matching shares’ awarded under the Mattioli Woods plc Share Incentive Plan (“SIP”) over the expected vesting period of the shares and the associated impact on deferred tax assets. Matching shares awarded under the SIP are subject to a three-year continued employment condition. Previously, the cost of matching shares was recognised in full at the date of the award.

Summary of share options

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, share options during the year.

Share options	2020 No.	2020 WAEP £	2019 No.	2019 WAEP £
Outstanding as at 1 June	757,463	0.01	853,350	1.53
Granted during the year	248,800	0.01	241,756	0.01
Exercised	(66,418)	0.01	(280,579)	0.37
Forfeited during the year	(50,341)	0.01	(57,064)	0.01
Outstanding at 31 May	889,504	0.01	757,463	0.01
Exercisable at 31 May	258,564	0.01	77,023	0.01

The weighted average share price at the date of exercise for share options exercised during the year was £7.38 (2019: £7.27). For the share options outstanding at 31 May 2020, the weighted average remaining contractual life is 3.9 years (2019: 4.0 years). The WAEP for options outstanding at the end of the year was £0.01 (2019: £0.01).

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 during the year ended 31 May 2020:

	LTIP
Share price at date of grant	£7.33
Option exercise price	£0.01
Expected life of option (years)	6.5
Expected share price volatility (%)	30.0
Dividend yield (%)	3.00
Risk-free interest rate (%)	0.58

The share price at date of grant for options issued under the LTIP is based on the market value of the shares on that date. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grant were incorporated into the measurement of fair value.

The share price at 31 May 2020 and movements during the year are set out in the Directors’ Remuneration Report.

Notes to the financial statements continued

21. Trade and other receivables (current)

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Trade receivables due from Group companies	–	13,366	–	13,969
Other trade receivables	5,498	4,571	5,143	4,020
Other receivables	1,443	231	437	530
Prepayments and accrued income	10,267	9,024	10,804	9,592
	17,208	27,192	16,384	28,111

Trade receivables due from Group companies are recognised at amortised cost and eliminate on consolidation. Trade receivables from Group companies reported by the Company includes £12.9m (2019: £13.3m) 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 2020, 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 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
As at 1 June	1,332	1,084	1,114	931
Charge for year	605	332	358	309
Utilised during the year	(184)	(70)	(156)	(156)
Acquired on acquisition	–	–	16	–
At 31 May	1,753	1,346	1,332	1,084

At 31 May 2020, 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	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
Gross carrying amount	6,475	2,227	1,952	491	260	1,545
Provisions for ECL	(1,332)	–	–	–	–	(1,332)
At 31 May 2019	5,143	2,227	1,952	491	260	213

Prepayments and accrued income balances include the following contract assets accrued under IFRS 15:

	Group £000	Company £000
Contract assets accrued		
At 1 June 2019	9,690	8,551
Arising from acquisitions	20	–
Net increase in contract assets accrued	557	473
At 31 May 2020	10,267	9,024

For all receivables above, including neither past due nor impaired, the carrying amount is deemed to reflect the fair value.

22. Derivative financial asset

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Derivative financial asset (Notes 18 and 32)	–	–	750	750
	–	–	750	750

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

23. Cash and short-term deposits

For the purpose of the statement of cashflows, cash and cash equivalents comprise the following at 31 May 2020:

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Cash at banks and on hand	25,959	17,584	23,248	14,095
Cash and cash equivalents	25,959	17,584	23,248	14,095

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 £26.0m (2019: £23.2m).

24. 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 2018	26,149,774	261	31,283	8,781
Exercise of employee share options	280,579	3	101	–
Shares issued under the SIP	100,187	1	753	–
Shares issued for consideration	239,825	3	–	1,858
At 31 May 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	–
At 31 May 2020	26,939,862	269	32,891	10,639

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 shareholder of Broughtons ("the Broughtons Seller") 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 77,171 ordinary shares in Mattioli Woods during the two years ending 8 August 2020; and
- The former shareholders of SSAS Solutions ("the SSAS Solutions Sellers") have 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 162,654 ordinary shares in Mattioli Woods during the two years ending 27 March 2021.

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.

Notes to the financial statements continued

24. Issued capital and reserves continued**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 2018	–	–
Acquired during the year	12,248	99
At 31 May 2019	12,248	99
Acquired during the year	64,330	498
At 31 May 2020	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 2020 76,578 (2019: 12,248) shares were held in the Mattioli Woods Employee Benefit Trust, representing 0.28% of issued share capital (2019: 0.05%).

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'.

25. Cash flows arising from financing liabilities

The financing liabilities of the Group are £2,908,000 (2019: £nil), comprising lease liabilities as disclosed in Note 28. Cash flows arising from financing liabilities include payment of lease liabilities of £941,000.

The financing liabilities of the Company are £2,502,000 (2019: £nil), comprising lease liabilities as disclosed in Note 28. Cash flows arising from financing liabilities include payment of lease liabilities of £849,000.

Financing liabilities of the Company at 31 May 2018 comprised loan notes due from subsidiary undertakings issued on the hive up of the trade and assets of certain subsidiaries. During the year ended 31 May 2019, the interest accrued on these loan notes and the subsequent waiver of the balance by way of in-specie dividend did not give rise to any financing cash flows as reported in the Statement of Cash Flows of the Company. However, the gain on the waiver of loan notes of £17,335,000 was reported as part of non-cash dividend income in the Statement of Cash Flows of the Company for the year ended 31 May 2019.

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.

26. Trade and other payables

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Trade and other payables (current)				
Trade payables due to Group companies	–	1,559	–	1,308
Other trade payables	809	749	1,765	812
Other taxation and social security	1,691	1,499	1,876	1,706
Other payables	591	466	627	517
Accruals and deferred income	6,832	4,433	10,259	8,463
	9,923	8,706	14,527	12,806

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.

27. Financial liabilities and provisions

Group	Contingent consideration £000	Client claims £000	Dilapidations £000	Clawbacks £000	Employers' NIC on share options £000	Onerous contracts £000	FSCS levy £000	Total £000
At 1 June 2018	886	982	631	124	627	988	100	4,338
Unwinding of discount	75	–	10	–	–	–	–	85
Arising during the year	2,657	728	102	141	278	145	50	4,101
Arising on acquisitions	–	43	25	–	–	–	–	68
Paid during the year	(763)	(230)	(376)	(142)	(263)	(368)	–	(2,142)
Unused amounts reversed	–	(245)	(44)	–	(40)	(545)	–	(874)
Reclassification	(200)	207	–	–	–	–	–	7
At 31 May 2019	2,655	1,485	348	123	602	220	150	5,583
Unwinding of discount	125	–	13	–	–	–	–	138
Arising during the year	741	914	16	2	133	22	42	1,870
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	2,843	1,881	377	58	634	22	109	5,924
Current 2019	1,260	1,485	–	123	369	220	150	3,607
Non-current 2019	1,395	–	348	–	233	–	–	1,976
At 31 May 2019	2,655	1,485	348	123	602	220	150	5,583
Current 2020	1,705	1,881	–	58	436	22	109	4,211
Non-current 2020	1,138	–	377	–	198	–	–	1,713
At 31 May 2020	2,843	1,881	377	58	634	22	109	5,924

Notes to the financial statements continued

27. Financial liabilities and provisions continued

Company	Loan note £000	Contingent consideration £000	Client claims £000	Dilapidations £000	Clawbacks £000	Employers' NIC on share options £000	Onerous contracts £000	FSCS levy £000	Total £000
At 1 June 2018	16,940	886	946	601	119	627	988	100	21,207
Finance costs	606	75	–	10	–	–	–	–	691
Arising during the year	–	2,657	641	102	137	278	145	50	4,010
Paid during the year	–	(763)	(194)	(376)	(137)	(263)	(368)	–	(2,101)
Unused amounts reversed	–	–	(168)	(14)	–	(40)	(545)	–	(767)
Waiver of loan note	(17,335)	–	–	–	–	–	–	–	(17,335)
Reclassification	(211)	(200)	–	–	–	–	–	–	(411)
At 31 May 2019	–	2,655	1,225	323	119	602	220	150	5,294
Finance costs	–	125	–	13	–	–	–	–	138
Arising during the year	–	741	859	11	–	133	22	34	1,800
Paid during the year	–	(600)	(392)	–	(43)	(67)	(97)	(83)	(1,282)
Unused amounts reversed	–	(78)	(53)	–	(22)	(34)	(123)	–	(310)
Waiver of loan note	–	–	–	–	–	–	–	–	–
At 31 May 2020	–	2,843	1,639	347	54	634	22	101	5,640
Current 2019	–	1,260	1,225	–	119	369	220	150	3,343
Non-current 2019	–	1,395	–	323	–	233	–	–	1,951
At 31 May 2019	–	2,655	1,225	323	119	602	220	150	5,294
Current 2020	–	1,705	1,639	–	54	436	22	101	3,957
Non-current 2020	–	1,138	–	347	–	198	–	–	1,683
At 31 May 2020	–	2,843	1,639	347	54	634	22	101	5,640

Loan notes due to subsidiary undertakings

Loan note balances as at 1 June 2018 had arisen on the hive up of the trade and assets of subsidiaries; Boyd Coughlan Limited and the Taylor Patterson Group Limited and its subsidiaries Taylor Patterson Financial Planning Limited and Taylor Patterson Associates Limited (together "the Taylor Patterson Group"). The loan notes attracted annual interest on the outstanding principal at a rate of 3% above the Bank of England base rate.

On 31 May 2019 the loan notes were waived and the capital and reserves of Boyd Coughlan Limited, Taylor Patterson Group Limited and its subsidiaries were each reduced to £2.

During the year ended 31 May 2019 the Company reclassified £0.2m of residual loan note balances owed to the subsidiary undertakings against current receivables due to the Company from them.

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 (2019: £1.3m) and the Group expects to settle the non-current balance of £1.1m (2019: £1.4m) within the subsequent two years.

The balance reclassified in the year ended 31 May 2019 of £0.2m represented consideration which is no longer considered contingent but has yet to be paid, which was therefore recognised within Other Payables.

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 £0.2m reclassified in the prior year represented potential liabilities of the Group recoverable under indemnities provided by the vendor of an acquired subsidiary, which are now recognised within Other Receivables.

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. The discount rate applied to the cash flow projections is 5.0%.

Clawbacks

The Group receives certain initial commissions on indemnity terms and hence the Group provides for the expected level of clawback, based on past experience. No discount rate is applied to the projected cash flows due to their short-term nature.

Onerous contracts

Provision for onerous contracts at 31 May 2020 includes software licence costs due on an agreement under which the Group has served notice and will come to an end during the next financial year.

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 £109,000 has been made in these Financial Statements for FSCS interim levies expected in the year ending 31 May 2021 (2019: £150,000).

28. Lease liability

Group	2020 £000
Maturity analysis – Contractual undiscounted cash flows:	
Less than one year	964
One to five years	1,746
More than five years	496
Total undiscounted cash flows	3,206
Total lease liabilities	2,908
Current	964
Non-current	1,944
Company	2020 £000
Maturity analysis – Contractual undiscounted cash flows:	
Less than one year	880
One to five years	1,527
More than five years	318
Total undiscounted cash flows	2,725
Total lease liabilities	2,502
Current	880
Non-current	1,622

29. Commitments and contingencies

Capital commitments

At 31 May 2020 the Group had no capital commitments (2019: £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 shirt sponsorship on the Tigers' home and away shirts, a dedicated Mattioli Woods stand at the 26,000 capacity Welford Road stadium, corporate hospitality rights and the provision of exclusive content to Tigers fans. In November 2018 the Group entered into a new three-year sponsorship agreement with Leicester Tigers, which commenced on 1 July 2019 at a total cost of £1,230,000 over the three years 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 contingencies.

In-specie pension contributions

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

Should the result of the appeal be found to be in favour of HMRC, the impact on the financial position of the Group is expected to be mitigated by expected recovery from the affected clients whose tax liability it is. In recognition of the possibility that some clients may have insufficient assets to settle this liability, we have recognised a provision (Note 27) of £0.2m.

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.

30. 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 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.

Ian Mattioli, Nathan Imlach, Richard Shepherd-Cross (the Managing Director of Custodian Capital), Ed Moore and the private pension schemes of Ian Mattioli, Nathan Imlach, Richard Shepherd-Cross, Joanne Lake and Carol Duncumb have a beneficial interest in Custodian REIT.

During the year the Group received revenues of £4.0m (2019: £4.0m) in respect of annual management charges, administration and marketing fees from Custodian REIT. Custodian REIT owed the Group £1,000 at 31 May 2020 (2019: £59,000).

During the year the Group paid rent of £nil (2019: £257,000), service charges and other property related costs of £nil (2019: £50,000) and dilapidations on exit of £nil (2019: £138,000) in respect of its former office premises at MW House and Gateway House, Leicester where Custodian REIT was the lessor.

Amati Global Investors Limited

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

Three of the Company's senior management team were appointed to the Board of Amati on the date of investment. Ian Mattioli is Deputy Chairman 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 (2019: £48,000) from Amati as lessee, £15,000 (2019: £39,000) from the recharge of other property related costs and consultancy fees of £39,000 (2019: £nil).

Gateley (Holdings) Plc

The Company's Chairman, 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 paid Gateley Plc a total of £nil (2019: £2,000) in respect of corporate legal services provided to the Group and its subsidiaries. In addition, the Group received revenues of £40,000 (2019: £34,000) in respect of employee benefits services provided to Gateley Plc during the year.

Key management compensation

Key management personnel, representing those Executive Directors that served throughout the year and 19 (2019: 14) other Executives, received compensation in the form of short-term employee benefits and equity compensation benefits (see Note 11) which totalled £3.7m for the year ended 31 May 2020 (2019: £5.9m).

Total compensation is included in "employee benefits expense" and analysed as follows:

	2020 £000	2019 £000
Wages and salaries	2,844	4,907
Social security costs	585	803
Pension	123	86
Benefits in kind	104	96
	3,656	5,892

In addition, the cost of share-based payments disclosed separately in the statement of comprehensive income was £0.9m (2019 restated: £1.0m).

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.

FP Mattioli Woods Balanced Fund

The Company is the investment manager of the FP Mattioli Woods Balanced Fund, an open-ended investment company which aims to achieve long-term growth whilst managing volatility so that, other than on very short-term measures, outperformance comes with a lower beta than the benchmark. During the year, the Group disposed of an investment with a previous carrying value of £40,000 (2019: £40,000) in the FP Mattioli Woods Balanced Fund for proceeds totalling £45,000, recognising a gain on disposal of £5,000.

MW Properties No 25 Limited

The Company holds a 9.40% interest in MW Properties No 25 Limited, a nominee for a property syndicate. As at 31 May 2020 the Group held an investment with the value of £27,334 (2019: £26,282) in the syndicate.

MW Properties (Huntingdon Non-Geared) Limited

The Company holds a 2.04% interest in MW Properties (Huntingdon Non-Geared) Limited, a nominee for a property syndicate. As at 31 May 2020 the Group held an investment with a value of £10,953 (2019: £14,201) in the syndicate.

Notes to the financial statements continued

31. 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 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 2020 the value of market interest bearing financial instruments on the Group's statement of financial position exposed to interest rate risk was £26.0m (2019: £23.2m), and Company £30.5m (2019: £27.4m). 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
2020			
£ Sterling	+50	130	116
£ Sterling	-50	(130)	(116)
2019			
£ Sterling	+50	152	137
£ Sterling	-50	(152)	(137)

(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. The Group is exposed to price risk on corporate investments recognised in the Group's statement of financial position. At 31 May 2020, the fair value of investments and derivative financial assets recognised in the Group's and Company's statement of financial position was £nil (2019: £830,000). A movement in the value of these investments could no longer have a material impact on the Group's financial position or results.

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 2020 and 2019 based on contractual payments:

Group	Maturity of liability					
	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	–	7,189	–	–	–	7,189
Contingent consideration	–	622	1,100	1,200	–	2,922
Lease liabilities	–	241	723	1,746	496	3,206
At 31 May 2020	–	8,052	1,823	2,946	496	13,317
Trade and other payables	–	9,771	–	–	–	9,771
Contingent consideration	–	–	1,300	1,500	–	2,800
Lease liabilities	–	–	–	–	–	–
At 31 May 2019	–	9,771	1,300	1,500	–	12,571

Company	Maturity of liability					
	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	–	7,140	–	–	–	7,140
Contingent consideration	–	622	1,100	1,200	–	2,922
Lease liabilities	–	220	660	1,527	318	2,725
At 31 May 2020	–	7,982	1,760	2,727	318	12,787
Trade and other payables	–	9,404	–	–	–	9,404
Contingent consideration	–	–	1,300	1,500	–	2,800
Lease liabilities	–	–	–	–	–	–
At 31 May 2019	–	9,404	1,300	1,500	–	12,204

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 2020 was £91.9m (2019: £85.6m) and Company was £88.0m (2019: £81.3m). 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.

Notes to the financial statements continued

31. Financial risk management continued**Capital management** continued

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 2020 the total regulatory capital requirement across the Group was £13.6m (2019: £12.3m) and the Group had an aggregate surplus of £22.6m (2019: £17.3m), 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.

32. Financial instruments

The carrying amount of financial assets and financial liabilities recorded by category is as follows:

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Financial assets				
Cash and short-term deposits	25,959	17,584	23,248	14,095
Fair value through profit or loss (including derivative financial asset and investments) (Note 18)	–	–	830	830
Amortised cost loans and receivables (including trade and other receivables) (Note 21)	16,072	25,993	15,329	27,112
	42,031	43,577	39,407	42,037
Financial liabilities				
Amortised cost (including trade and other payables and loan notes payable)	7,189	7,140	9,771	9,404
Fair value through profit and loss (including contingent consideration) (Note 27)	2,843	2,843	2,655	2,655
	10,032	9,983	12,426	12,059

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:

	Carrying amount as at 31 May 2020 £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
Group and Company				
Financial liabilities				
Contingent consideration (Note 3)	2,843	–	–	2,843
At 31 May 2020	2,843	–	–	2,843

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

Derivative financial instruments

During the year ended 31 May 2020, the option contract previously recognised at fair value of £750,000 was cancelled.

The gain relating to the derivative financial instrument is included within 'operating profit'. There were no other gains or losses arising from changes in the fair value of financial instruments categorised as level 3 within the fair value hierarchy.

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 £2.8m (2019: £2.7m).

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	25,959	–	–	–	–	–	25,959
At 31 May 2020	25,959	–	–	–	–	–	25,959
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	23,248	–	–	–	–	–	23,248
At 31 May 2019	23,248	–	–	–	–	–	23,248
Company 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
Company 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)	13,336	–	–	–	–	–	13,336
Cash and cash equivalents	14,095	–	–	–	–	–	14,095
At 31 May 2019	27,431	–	–	–	–	–	27,431

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. At 31 May 2020, the Group's bank deposits were held with 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 and Northern Bank Limited (Danske Bank).

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. 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.

33. Events after the reporting date

Acquisition of Hurley Partners Limited

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

The provisional fair values of the identifiable assets and liabilities of Hurley Partners as at the date of acquisition are set out in the table below. Due to the proximity of the date of acquisition to the date of issue of these consolidated Financial Statements, the provisional fair values of the identifiable assets and liabilities of Hurley Partners are estimates and remain subject to the detailed review of completion accounts by Mattioli Woods:

Notes to the financial statements continued

33. Events after the reporting date continued

Acquisition of Hurley Partners Limited continued

	Provisional fair value recognised on acquisition £000	Provisional fair value adjustments £000	Previous carrying value £000
Property, plant and equipment	112	–	112
Right of use assets	606	606	–
Client portfolio	8,818	8,818	–
Cash at bank	2,271	–	2,271
Prepayments and accrued income	629	(42)	671
Other receivables	825	–	825
Assets	13,261	9,381	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	(1,687)	(1,675)	(12)
Liabilities	(3,161)	(2,268)	(893)
Total identifiable net assets at fair value	10,100		
Goodwill	9,489		
Total acquisition cost	19,589		
Analysed as follows:			
Initial cash consideration	10,666		
Net shares in Mattioli Woods	5,921		
Contingent consideration	3,473		
Discounting of contingent consideration	(471)		
Total acquisition cost	19,589		
Cash outflow on acquisition			
Cash paid	10,666		
Cash acquired	(2,271)		
Acquisition costs	293		
Net cash outflow	8,688		

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

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

The acquisition brings additional scale to Mattioli Woods' existing operations and offers the opportunity to promote additional services to existing and prospective clients of Hurley Partners. In addition, the acquisition adds further specialist expertise to the Group and Hurley Partners' experienced management and staff have remained with the business. The goodwill recognised above is attributed to the expected benefits from combining the assets and activities of Hurley Partners with those of the Group. The primary components of this residual goodwill comprise:

- Revenue synergies expected to be available to Mattioli Woods as a result of the transaction;
- Operational efficiencies expected to be realised on the migration of Hurley Partners' SSAS portfolio onto Mattioli Woods' proprietary pension administration platform;
- The workforce;
- The knowledge and know-how resident in Hurley Partners' modus operandi; and
- New opportunities available to the combined business, as a result of both Hurley Partners and the existing business becoming part of a more sizeable listed company.

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

Variation of share purchase agreement

On 27 March 2019 the Group acquired SSAS Solutions (see Note 3). The share purchase agreement ("the Agreement") states contingent consideration of up to £1.5m is payable in cash in the two years following completion if certain financial targets are met based on growth in EBITDA generated by SSAS Solutions during the period.

In light of the expected impact of Brexit and the COVID-19 pandemic on the revenues of SSAS Solutions the parties have agreed to vary the Agreement such that contingent consideration of up to £0.8m that was referable to SSAS Solutions' financial result for the 12 months ending 27 March 2021 is now referable to SSAS Solutions' financial result for the 12 months ending 27 March 2022.

34. Ultimate controlling party

The Company has no controlling party.

Alternative Performance Measure (APM) workings

Recurring revenue

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

	2020 £000	2019 Restated £000
Timing of revenue recognition		
At a point in time:		
Investment and asset management	2,002	2,873
Pension consultancy and administration	1,097	1,276
Property management	464	620
Employee benefits	1,043	973
Non recurring revenue	4,606	5,742
Over time:		
Investment and asset management	24,846	23,124
Pension consultancy and administration	19,464	19,129
Property management	4,952	4,853
Employee benefits	4,539	4,646
Recurring revenue	53,801	51,752
Total revenue	58,407	57,494
Recurring revenue	92.1%	90.0%

Adjusted EBITDA

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

	2020 £000	2019 Restated £000
Statutory operating profit before financing	12,945	9,320
Amortisation of acquired intangibles	2,077	1,907
Amortisation of software	360	1,055
Depreciation	2,547	1,288
EBITDA	17,929	13,570
Share of profit from associates, net of tax	633	480
Acquisition related costs	334	126
Gain on revaluation of derivative financial instrument	–	(100)
Adjusted EBITDA	18,896	14,076

Adjusted PBT

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

	2020 £000	2019 Restated £000
Statutory profit before tax	13,417	9,774
Amortisation of acquired intangibles	2,077	1,907
Acquisition related costs	334	126
Gain on revaluation of derivative financial instrument	–	(100)
Adjusted PBT	15,828	11,707

Adjusted PAT

A measure of profitability, net of taxation, excluding items that are non-cash or affect comparability between periods, calculated as statutory profit before tax excluding amortisation of acquired intangibles, acquisition related costs, non-cash interest charges on provisions, changes in valuation of derivative financial instruments and deducting tax at the standard rate of 19%.

	2020 £000	2019 Restated £000
Adjusted PBT	15,828	11,707
Income tax expense at standard rate of 19%	(3,007)	(2,224)
Adjusted PAT	12,821	9,483

Adjusted EPS

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

	2020 £000	2019 Restated £000
Adjusted PAT	12,821	9,483
Basic weighted average number of shares (see Note 13)	26,897	26,685
Adjusted EPS	47.7p	35.5p

Company information

Directors:	<p>Joanne Lake Ian Mattioli MBE Nathan Imlach Carol Duncumb Anne Gunther</p>	<p>Non-Executive Chairman Chief Executive Officer Chief Financial Officer Non-Executive Director Non-Executive Director</p>
Company secretary:	Petershill Secretaries Limited	
Registered office:	<p>1 New Walk Place Leicester LE1 6RU</p>	
Registered number:	03140521	
Nominated adviser and broker:	<p>Canaccord Genuity Limited 88 Wood Street London EC2V 7QR</p>	
Joint broker:	<p>N+1 Singer 1 Bartholomew Lane London EC2N 2AX</p>	
Auditor:	<p>Deloitte LLP Four Brindleyplace Birmingham B1 2HZ</p>	
Principal solicitors:	<p>Walker Morris LLP 33 Wellington Street Leeds LS1 4DL</p>	<p>DWF LLP 2 Lochrin Square 96 Fountainbridge Edinburgh EH3 9QA</p>
Principal bankers:	<p>Lloyds Bank plc 1 Lochrin Square 92 Fountainbridge Edinburgh EH3 9QA</p>	<p>Bank of Scotland plc 1 Lochrin Square 92 Fountainbridge Edinburgh EH3 9QA</p>
Registrars:	<p>Link Market Services Limited Link Asset Services 40 Dukes Place London EC3A 7NH</p>	

Five year summary (unaudited)

	2020 £000	2019 Restated £000	2018 Restated £000	2017 Restated £000	2016 Restated £000
Revenue	58,407	57,494	57,783	49,678	42,245
Employee benefits expense	(27,623)	(31,239)	(32,148)	(28,711)	(24,552)
Other administrative expenses	(10,897)	(10,771)	(11,674)	(8,475)	(7,014)
Share-based payments	(1,335)	(1,531)	(1,832)	(1,902)	(1,594)
Impairment loss on financial assets	(605)	(358)	(273)	(228)	(88)
Loss on disposal of property, plant and equipment	(18)	(125)	(67)	(61)	(56)
Gain on revaluation of derivative financial instrument	–	100	540	93	–
EBITDA	17,929	13,570	12,329	10,394	8,941
Acquisition-related costs	334	126	125	378	339
Gain on derivative financial asset	–	(100)	(540)	(93)	–
Share of profit from associates	633	480	240	103	–
Adjusted EBITDA	18,896	14,076	12,154	10,782	9,280
Amortisation and impairment	(2,437)	(2,962)	(2,225)	(1,996)	(1,816)
Depreciation	(2,547)	(1,288)	(822)	(606)	(497)
Operating profit before financing	12,945	9,320	9,282	7,792	6,628
Net financing (costs)/income	(161)	(26)	(81)	(246)	(337)
Share of profit from associate, net of tax	633	480	240	103	–
Profit before tax	13,417	9,774	9,441	7,649	6,291
Income tax expense	(3,244)	(1,963)	(1,529)	(1,293)	(1,046)
Profit for the year	10,173	7,811	7,912	6,356	5,245
Assets under management, administration and advice (£m)	9,300.3	9,382.5	8,729.2	7,925.3	6,605.9
Headline debtors' ratio (days)	34.4	32.7	32.4	43.9	47.2
External client loss rate	2.5%	2.2%	1.5%	2.1%	2.4%
EBITDA margin	30.7%	23.6%	21.3%	20.9%	21.2%
Adjusted EBITDA margin	32.4%	24.5%	21.0%	21.7%	22.0%
Basic EPS (pence)	37.8	29.3	29.7	24.1	20.4
Adjusted EPS (pence)	47.7	35.5	32.8	29.4	25.7
Dividends paid and proposed (pence)	20.0	20.0	17.0	14.1	12.5

Financial calendar

2 September 2020	Announcement of final results for the year ended 31 May 2020
10 September 2020	Ex-dividend date for ordinary shares
11 September 2020	Record date for final dividend
19 October 2020	Annual General Meeting
23 October 2020	Payment of final dividend on ordinary shares

Mattioli Woods plc

1 New Walk Place
Leicester
LE1 6RU

Tel: 0116 240 8700
Fax: 0116 240 8701
info@mattioliwoods.com

www.mattioliwoods.com