



# Mattioli Woods

Pension Consultants  
Retirement Wealth Management  
Trustees and Administrators

Final results for the year ended  
31 May 2007

# Group overview

## Securing your pension

### Pension consultants

- Proactive advice
- Primarily fee-based
- High proportion of repeat business

### Retirement wealth management

- Impartial investment advice
- Alternative investment products
- Facilitates ancillary planning

### Trustees and administrators

- Strong on integrity and compliance
- Proactive and personalised administration





# Highlights

## Strong growth in an expanding market

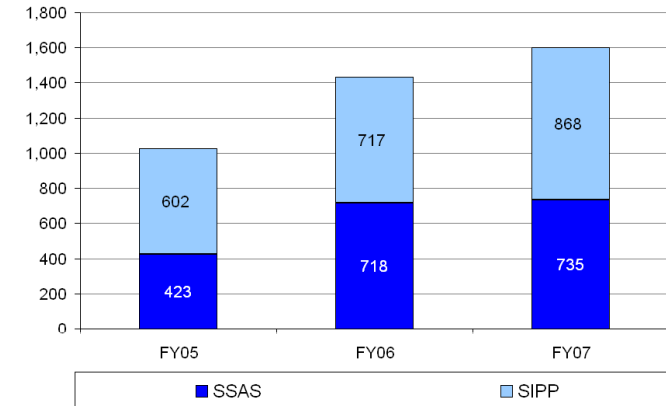
- Turnover increased by 18.9% to £9.00m (FY06: £7.57m)
- PBT increased by 45.2% to £3.15m (FY06: £2.17m)
- EPS increased by 28.0% to 12.8 pence (FY06: 10.0 pence)
- Proposed total dividend of 2.55 pence per share (FY06: 1.4 pence)
- Organic growth of 21.1% in SIPP numbers (FY06: 19.1%)
- Maturity and awareness of SIPPs continue to increase demand
- Advising on funds under trusteeship of over £1bn (FY07: £818m)
- Strong client retention
- Acquisition of Pension Consulting Limited (PCL) completed in July 2007

# Key performance indicators

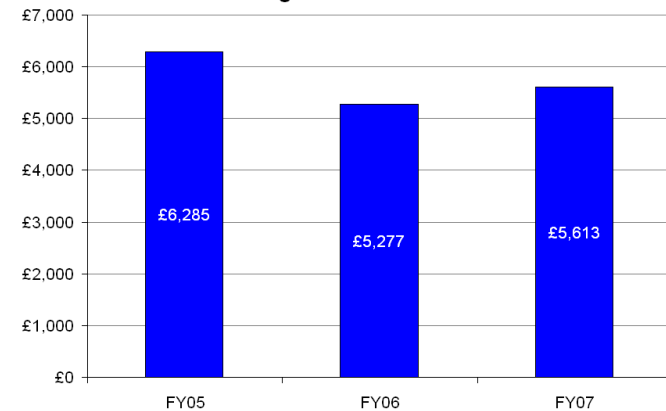
## A clear path to future growth

- Advising on 1,603 schemes (FY06: 1,435 schemes)
- Increased revenues per scheme:
  - Sustained consultancy post “A-Day”
  - Introduction of structured products
  - Increased bank commission and interest
  - Integration of acquired portfolios
- PCL acquisition adds:
  - 145 SSASs and 213 SIPPs
  - New network of business introducers
  - Experienced administration team

Core scheme numbers



Average scheme revenues

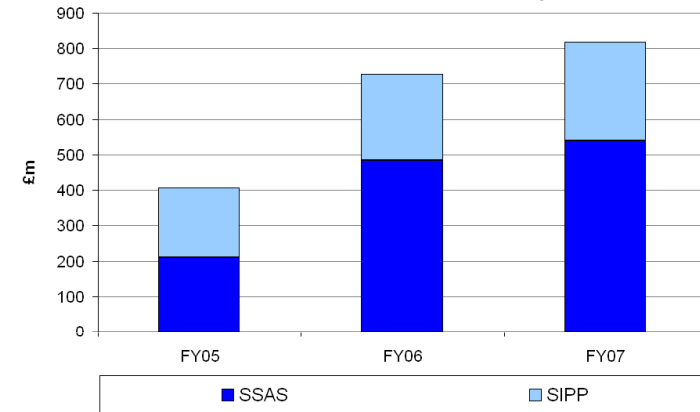


# Key performance indicators

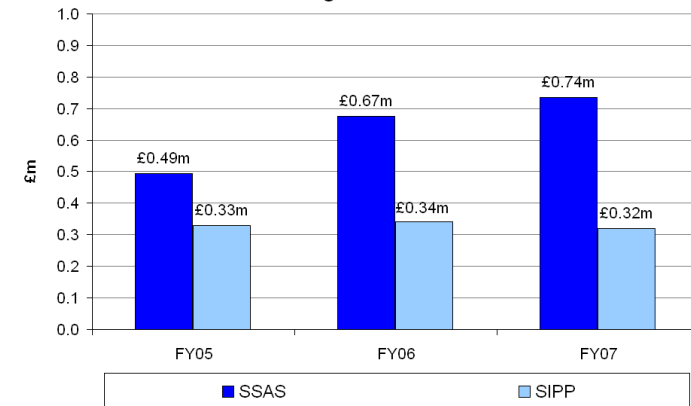
## Funds now exceed £1bn

- FUT of £818m at 31 May 2007 (FY06: £728m)
- Average scheme value is £0.5m+
- SSASs are typically higher value schemes
- PCL acquisition adds over £185m of FUT
- Also advising on:
  - Group schemes
  - Personal investments

Core funds under trusteeship



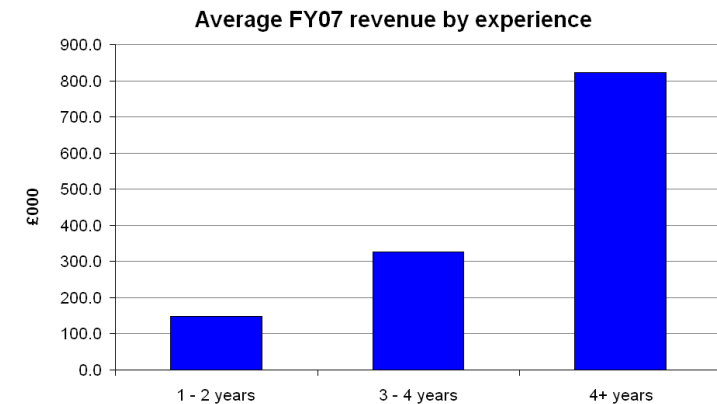
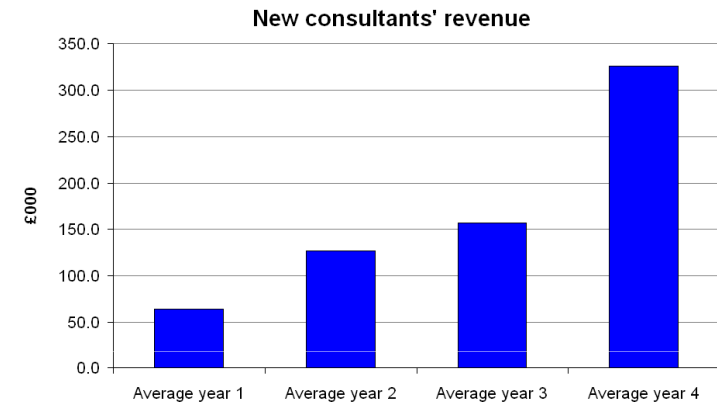
Average scheme value



# Consultancy

## A successful and growing team

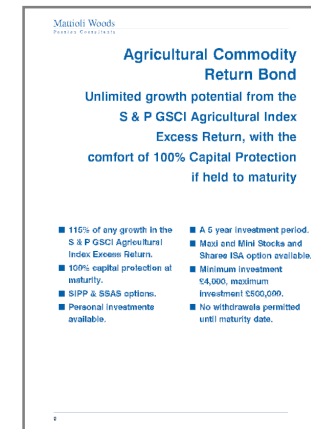
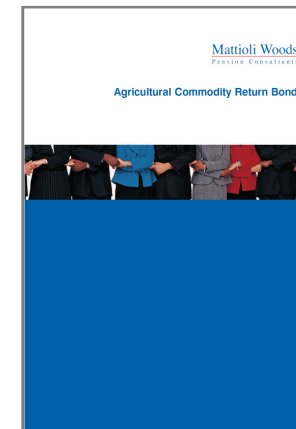
- Increasing revenue per consultant
  - Maturing client portfolios drive growth
  - Accelerated development via acquisitions
  - Exceeds average IFA turnover of £97,000
- Experienced consultants' revenue currently £1m+
- Team now consists of 17 consultants (FY06: 13)
  - Home-grown team mentored individually
  - Building networks of introducers
  - Graduate recruitment is creating pipeline



# Investment planning

## Asset and liability modelling for a secure future

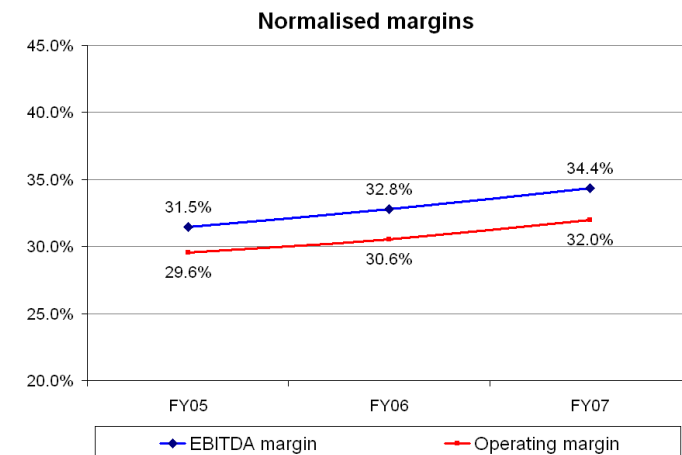
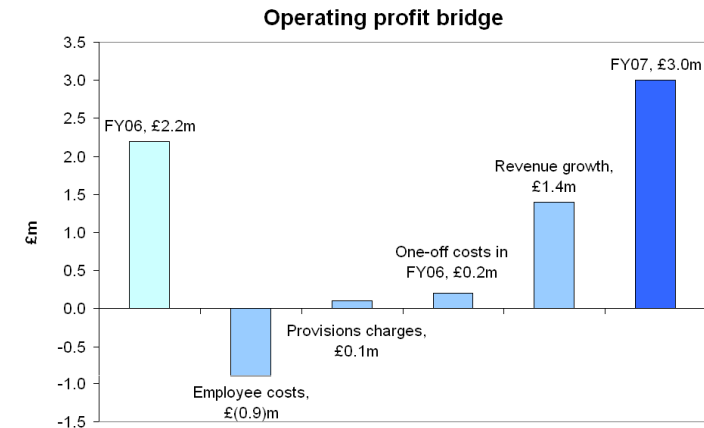
- Mattioli Woods' best buy list
  - In-house economic research
  - High quality fund managers
  - Strategy and monitoring
- Cash facilities
  - High interest current accounts
  - High interest immediate-access deposits
- Commercial property syndicates
- Structured products
  - In partnership with Barclays and Newcastle BS



# Financial result

## EPS increased by 28.0%

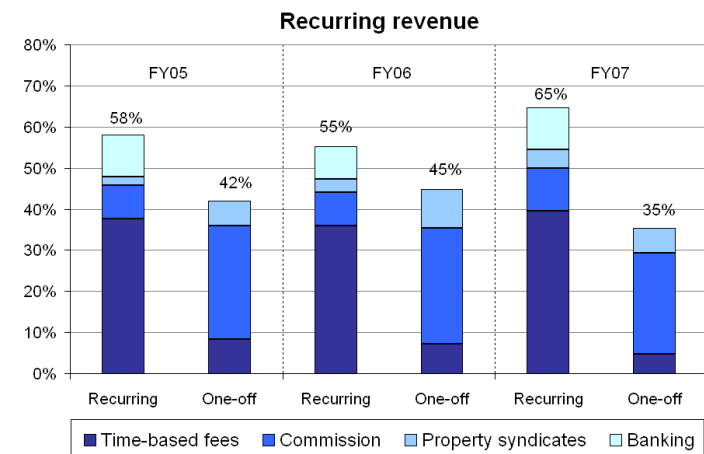
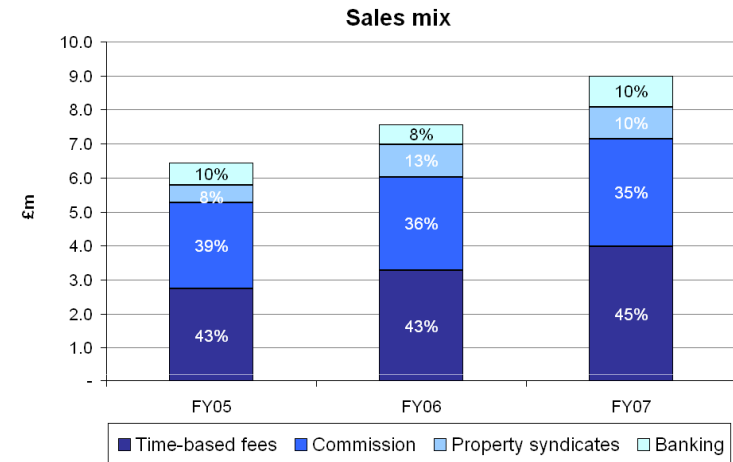
- Profit before tax up 45.2% to £3.15m
- Operating profit up £0.8m to £3.0m
- Average headcount of 92 (FY06: 74)
- Margin improvement due to:
  - Impact of one-off costs in 2006
  - Commissions coming through on acquired portfolios
  - Focus on cost control



# Revenue analysis

## Primarily fee based

- Consistent sales mix
- Commissions partially offset time-based fees
- Improved terms with key banking connections
- Growth in recurring revenue streams:
  - Annual consultancy and administration fees
  - Property syndicate administration
  - Bank and trail commission
- Recurring revenue increased to 65% of sales



# Cash flow statement

## Cash generative and dividend paying

	2005 £000	2006 £000	2007 £000
<b>Cash generated from operations</b>	1,990	2,335	3,716
Interest paid	-	(94)	(1)
Income taxes paid	(795)	(904)	(874)
<b>Net cash generated from operations</b>	1,195	1,337	2,841
Interest received	58	104	195
Net capital expenditure	(146)	(274)	(228)
Acquisitions	-	(1,091)	2
Loans to property syndicates	(235)	(1,682)	(38)
<b>Net cash from investing activities</b>	(323)	(2,943)	(69)
Net proceeds from issue of share capital	-	5,423	225
Movement in borrowings	(354)	(5,011)	21
Dividends paid	(250)	-	(385)
<b>Net cash from financing activities</b>	(604)	412	(139)
<b>Increase /(decrease) in cash</b>	268	(1,194)	2,633

- £1.4m increase in cash generated from operations:
  - £0.8m increase in operating profit
  - £0.5m positive working capital movement
  - £0.1m increase in non-cash costs
- Positive working capital movement :
  - Days' sales in debtors cut to 48 days (FY06: 65)
  - Accrued bonuses up by £0.3m to £1.1m
- Effective tax rate reduced to 30.3% (FY06: 31.1%)
- Continue to facilitate new property syndicates
- Cash at year-end of £2.7m (FY06: £0.1m)
- Initial cash cost of PCL was £1.4m in July 2007
- Final dividend of 1.7p per share (FY06: 1.4p)

# The UK pensions market

## Exponential growth potential?

- Demographic shift → Ageing population
- Significant and increasing pools of personal wealth
  - Good quality advice is critical
- Retirement planning shift → Individuals
  - Occupational (final salary) scheme demise
  - Corporates reducing the long term liability of pension
- SIPPs offer significant advantages to the individual
  - Control
  - Cost effectiveness
  - Inheritance?

UK population	59 million people
% of population over 60 years of age	21%
Highest median age	Japan 42%, <b>UK 39%</b>
GDP per capita	13th
Purchasing power	15th
Quality of life	15th
Earnings in excess of £35k p.a	25%
Potential SIPP market	3 million (20%?)

Sources: The Economist and The Office For National Statistics

# The UK pensions market

## “Tectonic shifts”

- The SIPP market:

– 1995	➡	25,000
– 2005	➡	160,000
– 2006	➡	220,000
– 2007	➡	?

- Final salary schemes:

– Membership	circa 5 million
– Assets	£1.5 trillion?
– Income	£58 billion (2005)

- Contributions to all pension schemes:

– £75 billion (2005)
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*“At the end 2006, 145,000 customers have a SIPP, with £35bn assets under management”*

*“Based on population segmentation, we estimate a potential target market of 3m to 7m customers”*

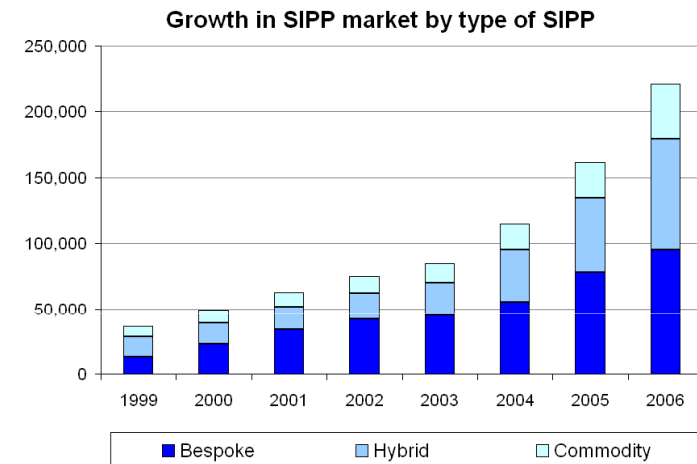
*Standard Life, May 2007*

➡ *As the demise of the Final Salary scheme continues – where next?*

# SIPP market growth

## Three different SIPP propositions

- Bespoke (or full SIPP)
  - Average size typically >£200,000
  - Wide range of investment options
  - Approximately 43% of current market
- Hybrid
  - Primarily offered by life companies
  - Average size circa £100,000
  - Investments or administration may be outsourced
- Commodity (or low cost)
  - Typically <£50,000
  - Frequently offered on a no advice or on-line basis



Sources: Suffolk Life research and Money Management



# Outlook

## Capitalising on the opportunity

- Holistic approach for clients requiring long-term advice
- Maintain high-quality personalised service
- Continue to target high net worth clients
- Strong growth in SIPP market
- Burden of regulation likely to drive further consolidation at “top-end”
- Development of scalable operational platform
  - Organic growth
  - Portfolio acquisitions
- Further investment in systems and people to create capacity
- Current trading in line with expectations



# Appendices

# Executive directors

## **Bob Woods**

Executive Chairman

- Co-founder in 1991
- 30 years' experience in pensions industry
- Developed UK's second SIPP

## **Ian Mattioli**

Chief Executive

- Co-founder in 1991
- 25 years' experience in pensions industry
- Previously with Pointon York and Phoenix Assurance

## **Nathan Imlach**

Finance Director

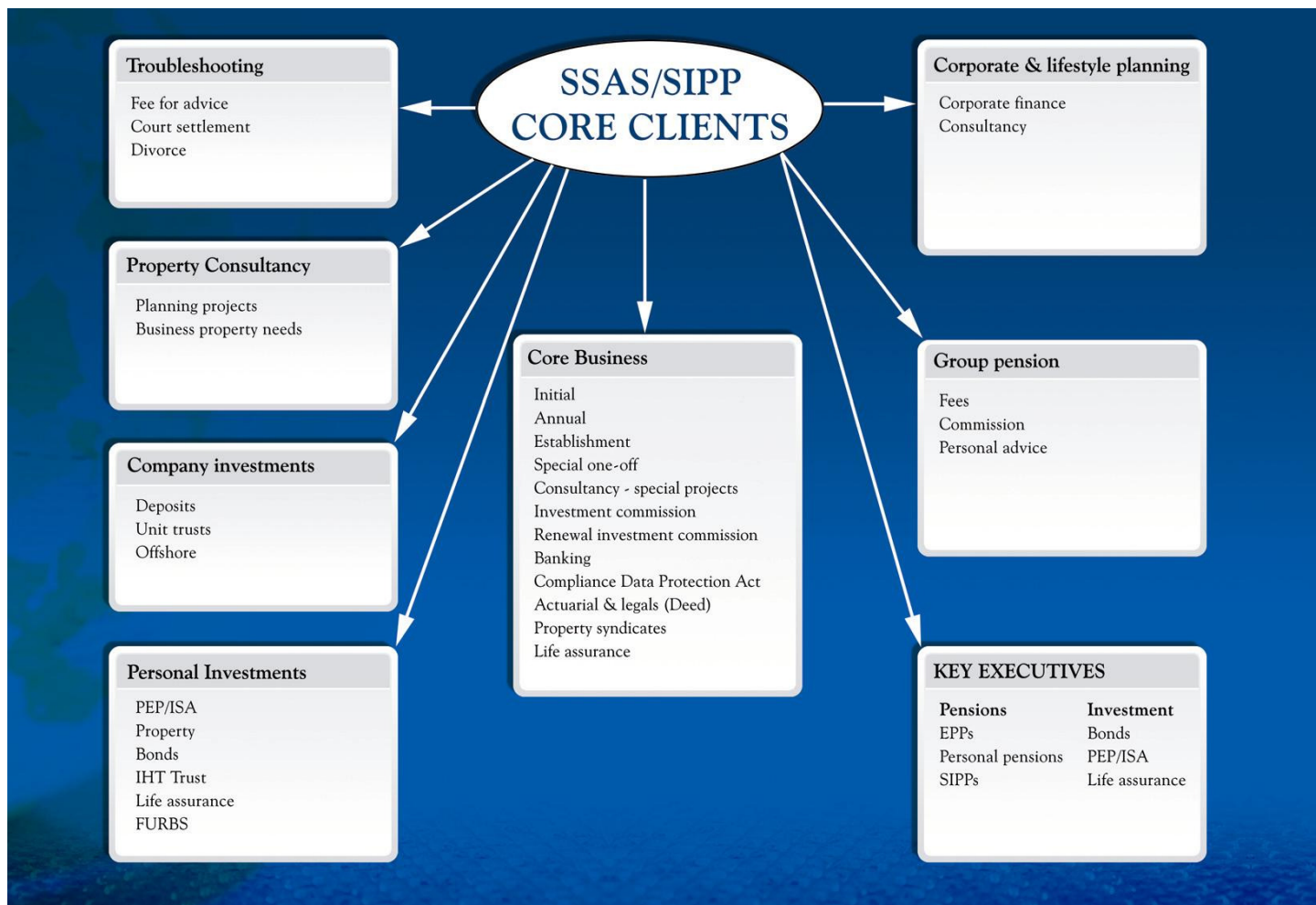
- Joined in September 2005
- Previously with Johnston Carmichael Corporate Finance and Ernst & Young
- Over 12 years' corporate finance experience

## **Murray Smith**

Sales and Marketing Director

- Appointed in 1995
- Pension transfer specialist with over 15 years' experience in financial services
- Manages consultancy team

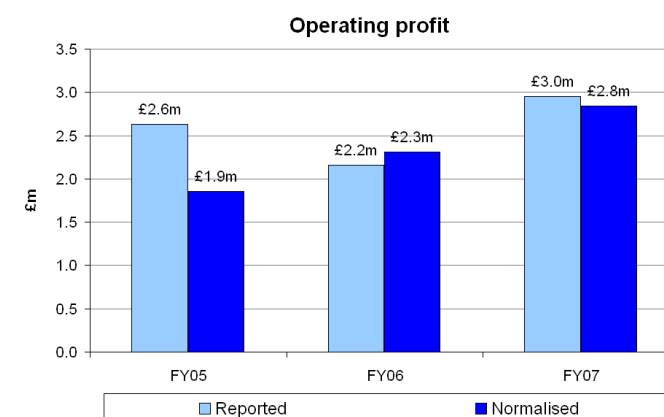
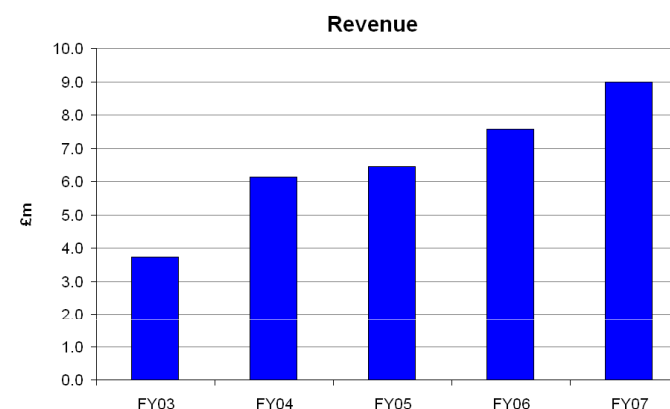
# Mattioli Woods' services



# Income statement

**PBT increased by 45.2% to £3.15m**

	2005 £000	2006 £000	2007 £000
<b>Revenue</b>	6,442	7,573	<b>8,997</b>
Employee benefits expense	(2,222)	(3,272)	<b>(4,219)</b>
Other administrative expenses	(1,454)	(1,973)	<b>(1,606)</b>
Depreciation and amortisation	(118)	(169)	<b>(214)</b>
Profit/(loss) on disposal	(13)	-	<b>(7)</b>
<b>Operating profit before financing</b>	2,635	2,159	<b>2,951</b>
Net financing income/(costs)	62	10	<b>194</b>
<b>Profit before tax</b>	2,697	2,169	<b>3,145</b>
Income tax expense	(840)	(675)	<b>(952)</b>
<b>Profit for the period</b>	1,857	1,494	<b>2,193</b>
<b>EBITDA</b>	2,753	2,328	<b>3,165</b>
<b>Earnings per ordinary share:</b>			
Basic and diluted	14.9p	10.0p	<b>12.8p</b>
<b>Proposed total dividend per share</b>	2.00p	1.40p	<b>2.55p</b>



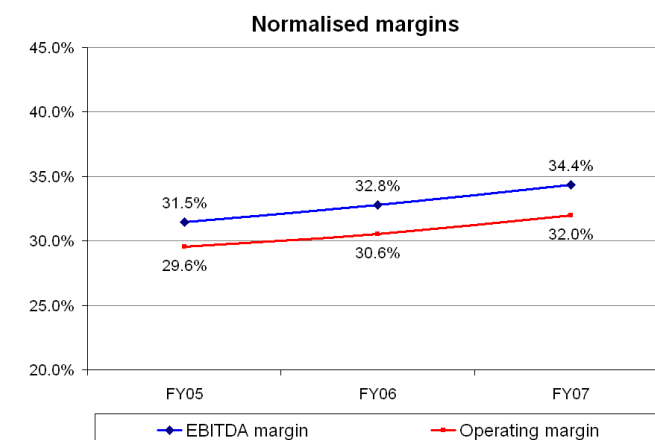
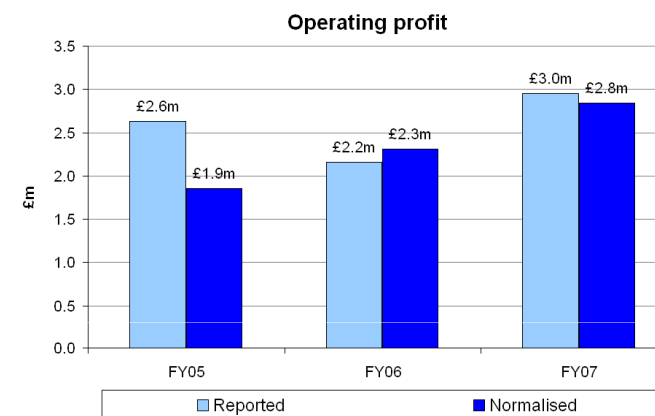
# Normalised operating profit

## Normalised operating margin increased to 32.0%

	2005 £000	2006 £000	2007 £000
<b>Reported operating profit before financing</b>	2,635	2,159	<b>2,951</b>
Adjust directors' remuneration	(619)	(63)	-
Deduct AIM costs	(70)	-	-
Exceptional commission on EPP schemes	(120)	-	-
Add back dilapidations provision	32	18	-
Add back AIM float costs	-	109	-
Add back other "one-off" costs	-	91	-
Deduct "one-off" A-Day deeds revenue	-	-	(112)
<b>Normalised operating profit before financing</b>	1,858	2,314	<b>2,839</b>

Note:

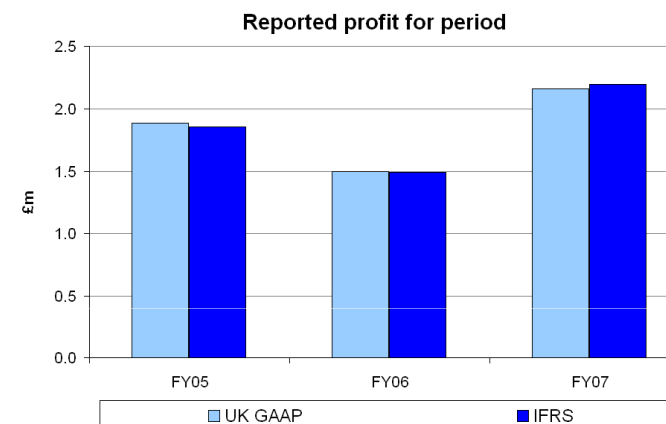
1. Normalised margins have been calculated using normalised operating profit/EBITDA and reported turnover (adjusted to eliminate the impact of one-off commission receipts in FY05 and one-off revenues from A-Day deeds in FY07).



# Transition to IFRS

## UK GAAP to IFRS reconciliation

	2005 £000	2006 £000	2007 £000
<b>UK GAAP profit for period</b>	1,883	1,495	<b>2,158</b>
IAS12 – Deferred tax credit	-	11	<b>19</b>
IAS37 – Dilapidations provision	(31)	(18)	-
IAS38 – Capitalise own software costs	5	6	<b>16</b>
<b>IFRS profit for period</b>	1,857	1,494	<b>2,193</b>



# Final salary schemes

## Withering on the vine

‘8 out of 10 Final Salary schemes have closed to new joiners’

*(Association of Consulting Actuaries - July 2007)*

‘Deficits of UK350 widened... to £93bn’ *(Mercers - January 2006)*

‘FS schemes collectively in surplus... of £99bn’ *(Pension Protection Fund - July 2007)*

‘July downturn in share prices wiped £9bn off Final Salary schemes... pushing up deficit to £13bn for top 200’ *(Personnel Today - 31st July 2007)*

‘Rising life expectancy and increasing stock market volatility threaten to plunge Britain’s fragile pension schemes back into deficit according to actuaries Lane, Clark & Peacock’

*(Daily Telegraph – 8th August 2007)*

# Final salary transfer analysis

## Enhanced benefits

- Male client in final salary scheme, age 58 attained
  - Normal retirement date at age 62
  - Re-valued pension at NRD of £45,000
  - Early retirement pension (now) £38,500
  - Widows pension 50%
- Transfer available £745,000
- Early retirement pension: assuming 6.5% annual growth, fund £960,000 at age 62
  - Maximum pension (revenue) £75,000 per annum
  - Prudent maximum pension £50,000 per annum
- NRD Pension
  - Maximum pension now (revenue) £55,000 per annum
  - Prudent maximum pension £50,000 per annum

# Final salary transfer analysis

## Benefits

- Significantly higher, level pension (with flexibility)
- Approximately 17 years until FS pension matches SIPP pension (@ RPI 3%)
- Significantly higher windows pension
- Creates “ownership” of capital – higher death benefits
- Increased tax-free cash (25% of fund) – ability to phase

## Considerations

- Investment and interest rate risk

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