Mortgage Advice Bureau (Holdings) plc
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Annual Report 2019

Mortgage Advice Bureau

Introduction

Mortgage Advice Bureau is one of the UK's leading consumer intermediary brands and specialist appointed representative networks for mortgage intermediaries. MAB's advisers specialise in providing mortgage advice to customers, as well as advice on protection and general insurance products. Providing customers with the right advice is at the heart of everything we do.

Our strategy remains focused on securing further growth through initiatives such as technology developments, lead generation and specialisation. This gives us a competitive advantage which will drive further market share increases in all market conditions and enable us to continue to deliver strong returns to our investors.

Technology is integral to our business. We are building our new technology platform to enhance the advice process and enable more choice for our customers in terms of how they research, receive advice and transact. Our platform is designed to improve the customer and adviser experience through making the process of applying for a mortgage more straightforward and efficient.

Our competitive advantage helps us attract the best firms into our Appointed Representative ("AR") network. Last year, we completed the acquisition of 80% of First Mortgage Direct Limited, one of the UK's leading mortgage brokers with a strong presence in Scotland, an excellent reputation, and an omni-channel strategy that complements our own. This acquisition was a real success for the Group, and we look forward to delivering further growth opportunities.

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"I am pleased to report this strong set of results. Although the political uncertainty persisted throughout 2019, we achieved strong revenue growth of 17% to £143.7m and strong earnings growth, with adjusted EPS up 17% to 30.1 pence per share. The Board had intended to propose an increased final dividend of 12.8 pence per share, making total dividends for the year of 23.9 pence per share, up 2.6% on the previous year, in line with our policy of paying out a minimum of 75% of adjusted earnings as announced on the acquisition of First Mortgage Direct Limited ("First Mortgage"). However, in view of the severity of the Coronavirus pandemic, we now propose a final dividend of 6.4 pence per share, with the intention to pay a further 6.4 pence when the Board considers it prudent to do so.

"MAB has always had a clear strategy of pursuing and delivering long-term sustainable growth in market share, regardless of mortgage and housing market conditions. In 2019 we increased our market share of new mortgage lending to 5.7%, a strong increase of 20% versus the prior year. Mortgage completions from MAB advisers grew 20% to £16.7bn.

"Technology continues to be an important growth enabler for MAB. We started piloting the first part of our new platform at the end of 2019 and we have now commenced a programme of implementation of new technology-led processes.

"I am also very pleased with the acquisition of First Mortgage, which is now fully integrated into the Group. First Mortgage is a business of exceptional quality which is highly complementary to MAB. We look forward to enhancing its strong growth track record through the deployment and rollout of our technology platform and our support structure."

Peter Brodnicki
Chief Executive
See review on page 05

For more information please visit our website
www.mortgageadvicebureau.com/investor-relations

Revenue

£143.7m

2018: £123.3m

+17%

Profit before tax and acquisition related costs

£18.7m

2018: £15.7m

+19%

Adjusted EPS

30.1 pence

2018: 25.9 pence

+17%

Proposed total ordinary dividends

17.5 pence per share[1]

2018: 23.3 pence per share

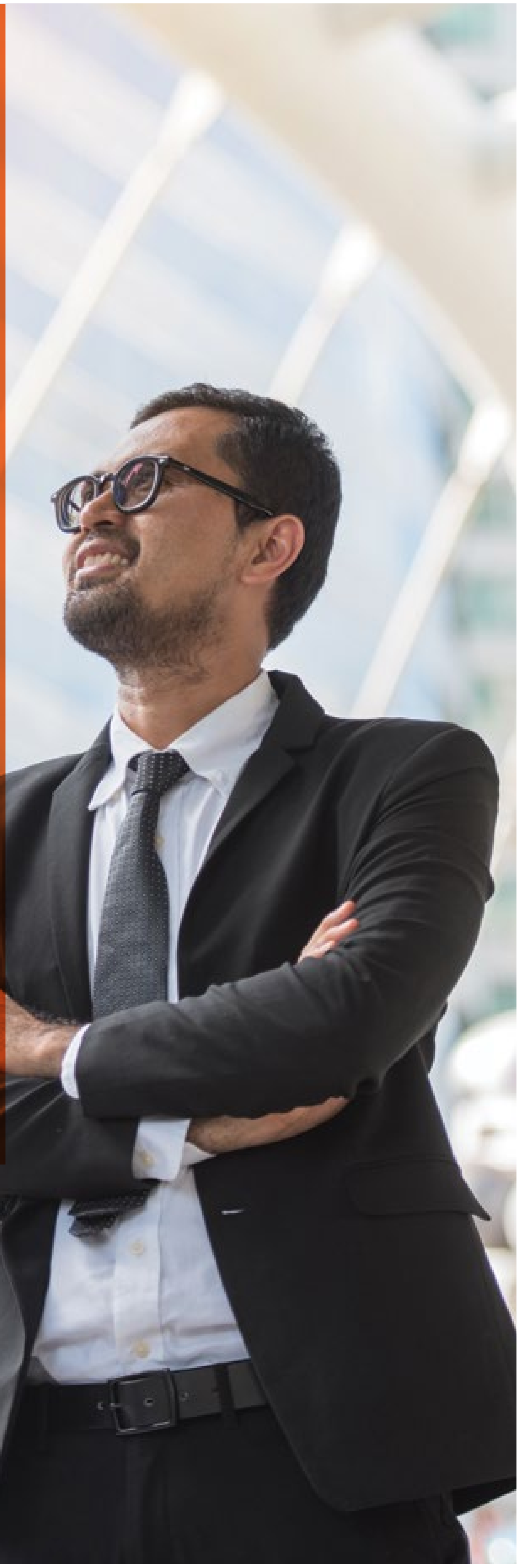
–25%

Gross mortgage completions

£16.7bn

2018: £14.0bn

+20%

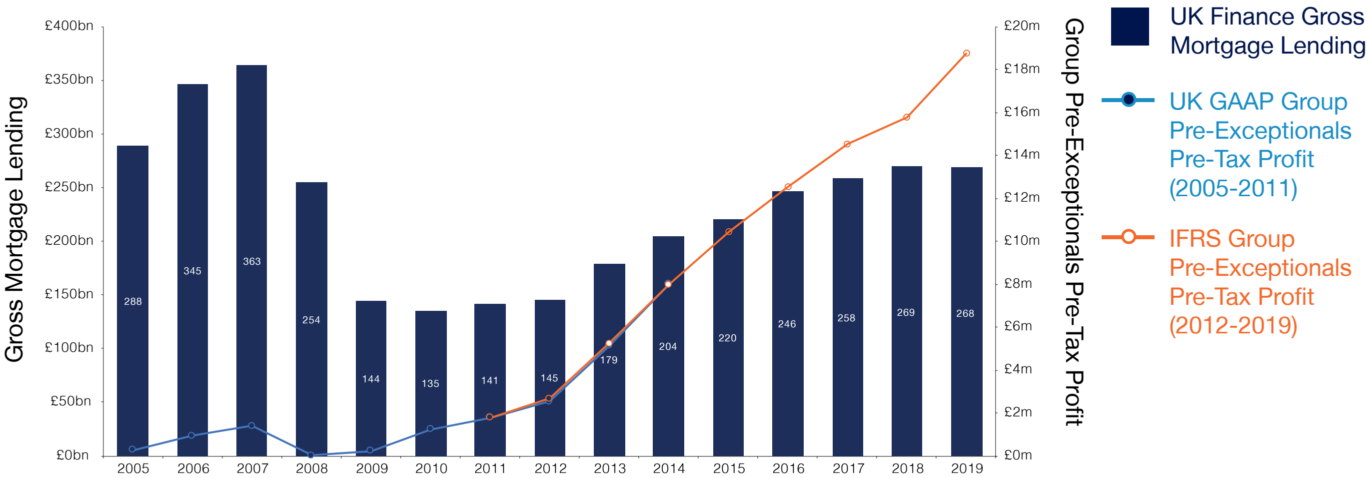


[1] In view of the severity of the Coronavirus pandemic, the Board proposes a final dividend of 6.4 pence per share, with the intention to pay a further 6.4 pence when the Board considers it prudent to do so.

> "We are confident that our strategy, driven by our customers and their changing expectations, will continue to drive growth in MAB's market share year on year and deliver attractive returns to investors. Our response to the Coronavirus pandemic has been to ensure our customers can continue to access high quality advice in these challenging times, whilst ensuring that the health and well-being of our employees is protected."
>
> **Katherine Innes Ker**
> Chair

Dear Shareholder

I am pleased to report that MAB has delivered a fifth full year of strong revenue and profit growth since IPO through a 20% growth in our market share to 5.7% (2018: 4.7%) and mortgage completions increasing by 20% to £16.7bn, in a reduced housing transaction market.



Source: UK Finance and MAB accounts

Our technology platform has progressed well and is designed to enable our AR partners and advisers to compete at the highest level and to enable us to deliver what our customers increasingly expect. These developments will ease the process of obtaining the finance and protection necessary to complete arguably the most important purchase our customers make, and allow our advisers to continue to provide high quality advice throughout the life of the mortgage.

Acquisition of First Mortgage Direct Limited

The acquisition of 80% of First Mortgage Direct Limited ("First Mortgage" or "FMD") in July 2019 for £16.5m was our first substantial acquisition since the IPO in 2014. First Mortgage is one of the UK's leading mortgage brokers with a strong presence in Scotland, an excellent reputation, and an omni-channel growth strategy, particularly in telephony, that complements our own. First Mortgage is now fully integrated into the Group and its strong growth track record will be further enhanced with MAB's technology platform and support structure.

Board changes

With effect from 1 July 2019, Ben Thompson, formerly Managing Director, became Deputy Chief Executive Officer; Lucy Tilley, formerly Finance Director, became Chief Financial Officer; and David Preece, formerly Chief Operating Officer, became a Non-Executive Director. I congratulate them on their new roles and look forward to continuing working with them.

Coronavirus pandemic

The MAB team has responded quickly and efficiently to the Coronavirus pandemic, by redeploying the Group's resources to focus on telephone advice and remote working, as well as driving lead generation opportunities available in the current market.

Whilst it is too early to predict the impact on the Group, we remain very optimistic about MAB's growth prospects and intend to be in a strong position to take full advantage of the opportunities that will present themselves in the future.

Stakeholder engagement

Part of our ethos is to actively engage with all our stakeholders in order to ensure that the best decisions are taken and to secure sustainable growth. Our stakeholders include our employees, our Appointed Representatives, their Advisers, our suppliers, and our shareholders. We are proud to report on how we have had regard to, and have engaged with, all our stakeholders this year in accordance with Section 172 of the Companies Act 2006 and other requirements.

In particular, core to the way we do business is our employees, and their commitment to our high standards of customer service. I would like to thank them on behalf of the Board for their exceptional attitude, hard work and dedication, especially during this unprecedented time.

Ordinary dividends

The Board had intended to propose an increased final dividend of 12.8 pence per share, making total dividends for the year of 23.9 pence per share, up 2.6% on the previous year, in line with our policy of paying out a minimum of 75% of adjusted earnings as announced on the acquisition of First Mortgage. However, in view of the escalating severity of the current Coronavirus pandemic, we now propose a final dividend of 6.4 pence per share, with the intention to pay a further 6.4 pence when the Board considers it prudent to do so.

If approved at the AGM on 26 May 2020, the final dividend will be paid on 29 May 2020 to shareholders on the register at the close of business on 1 May 2020.

Current trading and outlook

A clear change in customer sentiment following the General Election in early December 2019 led to much improved activity in the housing market from the start of 2020, giving our AR firms and their advisers a strong start to the year in terms of new business levels and productivity. This marked increase in activity remained strong up to the end of March 2020, despite increasing concerns about the Coronavirus pandemic.

The Government imposed lockdown has had the effect of calling a halt on most house purchase transactions, with key elements such as physical viewings and valuations ruled out for the period of the lockdown. Consequently, after the strong start to the year, we have seen a significant reduction in purchase related activity. This has already impacted both Adviser numbers and productivity.

MAB's growth in Adviser numbers started to slow down from early March 2020, as AR firms temporarily put their recruitment plans on hold. As at 17 April 2020, Adviser numbers were 1,473, including 196 Advisers currently furloughed. The furloughed Advisers relate mostly to ARs that have strong links to estate agencies or the new build sector. Some Adviser attrition has also occurred among the lower performing Advisers and it is unlikely any of those advisers will be replaced until the purchase market fully recovers.

As expected, focus and demand has increased in the re-mortgage and product transfer markets, which together represented around 65% of the value of all UK mortgage transactions last year. The MAB team and our ARs have prioritised resources to optimising opportunities in this sector and early results are very encouraging. Re-mortgage opportunities cannot be fully optimised at present due to loan to value restrictions that are currently in place as a result of many lenders experiencing processing capacity issues and the limitations of automated valuations in higher loan to value mortgages, but product transfers have significantly increased in recent weeks. By the time Government restrictions are lifted, our typically purchase focused AR firms will have improved their procedures for servicing existing clients in this sector, and we expect that increased efficiency to be maintained once purchase activity starts to return.

Although we expect protection sales to reduce in line with purchase activity, the escalation of the Coronavirus pandemic has resulted in a heightened awareness of the importance of such products amongst customers. Alongside our realignment of resources to re-mortgage and product transfer transactions, is our immediate opportunity to have a meaningful impact on the lower protection attachment rates seen on non-purchase mortgages. Plans are already in place to ensure the improvements we are seeing are maintained and built upon when advisers become busier again.

All elements of the mortgage and protection advice process can be transacted by telephone. Over the last month or so this has become the only option for our customers. Telephone advice was already a fast-growing area of our business, both through strong growth in specialist telephone Advisers, as well as an increasing number of telephone appointments being conducted by traditionally face-to-face Advisers. MAB has been providing new guidance and tools to support a seamless transition to telephone advice across our distribution network, ensuring business continuity for advisers and customers across all purchase, product transfer and re-mortgage transactions.

All our systems and processes were robustly tested pre lockdown to allow MAB's head office and field-based teams to work effectively from home, ensuring continued and tailored support for our distribution channels. We have also reviewed our cost base to a level where it is now appropriate for the current circumstances, and importantly we have ensured that our ARs and Advisers are fully supported through this very difficult time in their new ways of working, including redirecting certain allocated budgets to other areas of spend where it is optimal to do so.

In response to the challenging environment, MAB, our AR firms and their advisers have a heightened focus on business efficiency and ensuring no opportunities are missed. We have commenced the implementation of new technology-led processes and efficiencies to optimise working practices, customer engagement and income generation, which we expect to deliver long lasting benefits.

The changes in the circumstances and priorities for consumers has led us to design new campaigns and initiatives as part of our communication strategy. These include a free mortgage support helpline dedicated to the financial wellbeing of homeowners worried about paying their mortgage. In addition, all our online, social media, and existing client communications, which now feature in this free service, have also been tailored to reflect a heightened awareness of protection and refinancing.

The Government has announced a strong package of measures to ensure lenders can continue to lend to mortgage borrowers as usual, including access to new, significant and cost-effective funding and reduced regulatory capital buffer requirements in this period of exceptional challenge. As referenced above, there are however some loan to value restrictions currently in place.

In addition, the Bank of England recently reduced its base rate to a record low of 0.1%, allowing the cost of mortgages to be reduced even further. This has triggered a higher level of interest in re-mortgages and product transfers as well as benefited all those buying a new house or moving home when restrictions are lifted and they are able to continue proceeding with their transactions. Wider measures, including increased investment in all types of housing, should ensure the medium to long term outlook for our market remains very positive.

MAB is also actively engaged in lobbying key stakeholders in the Government for specific actions to be taken to ensure a speedier recovery in the UK housing market when restrictions are lifted.

Over 20 years we have built a high-quality distribution network, a leading consumer brand, and an exceptional management team that continues to adapt quickly and efficiently to our new ways of working. The Group has a strong balance sheet, is cash generative and enjoys a healthy surplus over its regulatory capital requirement. To give ourselves additional flexibility to capitalise on potential opportunities quickly, we drew down our full £12m Revolving Credit Facility on 20 March 2020. We are in a stronger position than many to deal with the challenges that we face over the coming months and are confident in our ability to continue growing our market share, with a specific additional focus on re-mortgages and product transfers.

MAB has a clear strategy and we continue to strengthen our proposition. During this pandemic our priority is to redeploy our resources where possible to focus on lead generation, telephone advice and remote working. It is too early to predict the extent of the disruption to trading in the coming months and the associated impact on our results for the full year, though we expect to see a reduction in revenue and profit. However, we remain very optimistic about MAB's growth prospects. The quality and level of support that MAB provides is really standing out at a time when our AR firms and advisers need that support more than ever. In the months ahead, AR firms will look back at how their network supported them during these times and this will be a great opportunity for MAB to capitalise upon as we look to resume our growth plans and build on the positives that have come from these challenging times.

Katherine Innes Ker
Chair
1 May 2020

Overview of 2019

This has been a particularly strong performance from MAB given the reduced level of consumer confidence that we have seen, caused by the protracted political uncertainty with regard to Brexit and the General Election at the end of 2019.

Our revenue and profits have continued to increase, building on our consistent track record of delivering growth.

Our growth in mortgage completions is set out below:

	2019 £bn	2018 £bn	Increase
New mortgage lending	**15.2**	12.7	+20%
Product Transfers	**1.5**	1.3	+18%
Gross mortgage lending	**16.7**	**14.0**	**+20%**

MAB's total gross mortgage completions (including Product Transfers) increased by 20% to £16.7bn (2018: £14.0bn). Gross mortgage completions through new lenders[1] increased by 20% to £15.2bn (2018: £12.7bn). This growth in purchase and re-mortgage lending takes our overall share of UK new mortgage lending up 20% to 5.7%, from 4.7%.

This growth was achieved in a slightly softer housing transaction and mortgage lending market. Hence, our 2019 results, as with previous years, represent a clear outperformance against both the overall UK housing and the new mortgage lending markets.

I am also particularly pleased with our growth in new advisers over the last year, especially since as predicted, the subdued housing market led to very limited growth from the circa 40% of our AR firms that are linked to estate agents. Our Adviser numbers grew 20% to 1,457 (2018: 1,213) at the year end, and 13% excluding the 82 Advisers at First Mortgage, now fully integrated into the MAB Group.

Technology continues to be an important growth enabler for MAB. We started piloting the first part of our new platform at the end of 2019 and we have now commenced a programme of implementation of new technology-led processes.

Peter Brodnicki
Chief Executive

Market environment

Housing transactions by volume overall for 2019 were 1% below 2018, which had also been a relatively subdued year. Overall house moves in 2019 continued to be muted compared to longer-term average levels. In all likelihood this was because many consumers were not sufficiently confident to commit to larger transactions such as moving home given the wider political uncertainty. In addition there continued to be multiple factors that contributed to a quieter market, including affordability, the increases in stamp duty and lower levels of housing stock available for sale.

Overall, the new mortgage market was generally flat. The number of First Time Buyers (FTBs) showed a modest increase as they benefitted from record low mortgage rates, and purchase finance assistance from the Help to Buy Equity Loan scheme and Shared Ownership scheme, and as low property price inflation offset affordability and moderate wage inflation. The number of home-movers continued to be broadly flat.

[1] 'Gross mortgage completions through new lenders' means either a new mortgage in connection with a house purchase or a re-mortgage with a different lender to the customer's existing lender.

New mortgages for buy to let purchases continued to fall, carrying on a downward trend seen over recent years as taxation changes impacted the activity in the market.

The re-mortgaging market remained steady, although owner occupier re-mortgaging activity showed a slight decline year-on-year, with buy to let re-mortgages partly countering this.

Mortgage rates again remained at or near record lows, as the Base Rate remained at 0.75% though 2019. The low cost of borrowing, the Help to Buy Equity Loan and Shared Ownership schemes, and a highly competitive lending market supported activity in the mortgage market.

The £267.6bn UK Finance gross new mortgage lending figure for 2019 excludes product transfers. In 2019, product transfers represented £167bn of mortgage lending, a 5% increase compared to 2018. The latest UK Finance statistics indicated that the product transfer market is likely to increase slightly from current levels, but flatten off in the medium term. These have not as yet been updated since the start of the Coronavirus pandemic.

The first quarter of 2020 saw a strong pick-up in activity in the housing market. The February 2020 RICS Residential Market Survey pointed to a lift in new buyer enquiries, agreed sales and new listings across all regions. However, the Coronavirus pandemic and the Government imposed lockdown has changed this significantly in the short term. The period for which these restrictions will remain in place and the impact on consumer confidence and market activity are currently uncertain.

Delivering our strategy

■ Growth in Advisers

2019 was again a strong year for our Adviser growth, with our adviser base growing by 20% to 1,457 (13% to 1,375 excluding First Mortgage). This is especially pleasing given how uncertain the economic and political climate was throughout the year and reflects our success at attracting new Advisers and AR firms into MAB. This was achieved in a year where approximately 40% of our total AR firms (mostly those with direct links to estate agents) did not recruit new advisers due to the subdued housing market.

Despite the impact of the Coronavirus pandemic on current Adviser numbers, we expect our market share to continue to grow, and this will be assisted by continued momentum in the rollout of our technology developments through 2020 and beyond. Technology developments are important both in optimising customer experience and enhancing our Adviser proposition. We are committed to ensuring that technology becomes a differentiating factor for MAB and contributes to attracting and retaining ARs, Advisers and customers.

■ Acquisition of First Mortgage Direct Limited ("First Mortgage")

On 2 July 2019, MAB acquired an 80% stake in First Mortgage for a consideration of £16.5m. First Mortgage is one of the UK's leading mortgage brokers, employing 82 highly productive mortgage and protection Advisers as at 31 December 2019.

First Mortgage's strong presence in Scotland, as well as its omni-channel growth strategy, particularly in telephony, are highly complementary to MAB's offering. As a result of the acquisition, MAB is now strongly represented through the two leading mortgage intermediary brands in Scotland.

Like MAB, First Mortgage focuses on ensuring that it meets customers' protection needs and approximately half of its revenues are derived from protection products, hence driving strong margins.

Under the direction of its highly regarded management team, First Mortgage has developed strong direct to consumer lead generation expertise. The business also acquires over half of its new customers via referrals from its existing customer base and enjoys outstanding repeat business levels. Both factors have driven its highly reputable brand presence which is substantiated by very impressive customer reviews.

First Mortgage contributed revenues of £8.1m and profit before tax of £1.9m (including £0.5m of revenue synergies) to the Group for the period from 2 July 2019 to 31 December 2019. We are very pleased with this acquisition, and the business is now fully integrated into MAB. We look forward to leveraging the strengths of the business and further enhancing its strong growth track record through the planned deployment and rollout of our technology platform and our support structure.

■ Technology developments: the transformation programme has commenced

Technology is integral to our business, and we believe it plays a key role in helping customers to move home and re-mortgage more expediently. Importantly, we are building our technology platform specifically to help with the following:

- Customers – deliver more choice and convenience for our customers in terms of how they research, receive advice and transact.
- Lead Generation – capture and nurture customers at an earlier point in their home-moving process, and optimise the ingestion, management and distribution of lead sources.
- Advisers – enhance Adviser experience, efficiency and performance through simplifying and shortening the advice and mortgage application process.
- MAB / our AR Firms – optimise business efficiency and profitability for our AR firms and the Group.
- Lenders – deliver seamless two-way integration to ensure simplified application and faster mortgage approvals.

We believe that advice should and will remain of paramount importance to customers who are looking to make significant life decisions such as buying a home or protecting their home and family.

Looking at the future and new models that may emerge in the mortgage market, we have deliberately built our technology platform to be agile, enabling us to continually evolve its overall shape, design and performance, driven by customer behaviour and expectations. Our objective is to ensure we have a future-proof business model that stays relevant to all customers regardless of how they want to research, receive advice and transact.

We will further develop all parts of the new platform through 2020 and continue our planned rollout, paying special attention to customer interaction and process efficiencies.

Customer interaction

In February 2020 MAB's principal regulator, The Financial Conduct Authority (FCA), issued its final rules relating to the Mortgages Market Study and its revision of Mortgage Advice and Selling Standards. One change implemented by the FCA aims to make it easier for lenders to offer "execution only" sales channels.

We already provide our customers with a tailored and value-added advice service, by giving them autonomy and the ability to choose how and when to interact with our Advisers depending on their confidence and circumstances. We have been deliberately building our technology platform to enhance customer engagement in the expectation that regulation would make execution only faster and easier for customers.

Lenders value the advice given to customers as this assists them in their underwriting process. Moreover, not all lenders will want to take part in execution only developments which will likely result in more limited choices for consumers. As a result, we can deliver both convenience and speed of execution without sacrificing choice and invaluable advice.

Process efficiencies

We have been focusing on this area most recently (with our mortgage technology partner Twenty7Tec) through opening up connectivity directly to our lending partners. This will remove elements of keying and duplication, thereby improving Adviser productivity and ensuring a faster and more seamless application process.

We have now established seven direct to lender submission routes for mortgage applications and are delighted to report that we have been piloting this with one of the UK's largest lenders. This first group of lenders have set the agenda for others to follow. Whilst these developments have taken longer to put in place than lenders originally anticipated due to the magnitude of technology development required within lenders, there is now a firm commitment across the lending industry to deliver this.

■ Driving income opportunities

Broadening our addressable market

- Older and younger customers

Currently MAB typically interacts with customers aged between 35 and 65 whilst they are buying their first homes and then moving and/or re-mortgaging. The proportion of first time buyers living in privately rented accommodation continues to increase (from 39% in 1995-96 to 66% in 2015-16[1]). Through our extensive estate agency and lettings relationships we intend to nurture these future home buyers from a younger age. We also offer protection solutions to tenants who rent pre home ownership, as well as to those renting on a permanent basis.

We have also been looking at ways to better serve our customers who are aged 60 or over, or the so-called "Later Life Lending" market. Typically these customers want to use mortgages to release equity to boost their retirement income or pay for a better lifestyle, to help their children through university, buy a home or pay for weddings, or to roll over an interest only mortgage for a longer term. Other reasons also include avoiding downsizing, carrying out home improvements and discharging any remaining unsecured or other secured debt.

The most specialist part of this market is Lifetime Mortgages where no repayments of capital or interest are made. Both lenders and the regulator are responding to the innovation required in this market and some lenders have already expanded their mortgage portfolios to also include interest only products that help customers to borrow money at older ages, and, also to borrow that money until they are much older. This innovation is in response to demand from an ageing population.

It is estimated that the Later Life Lending market will almost double over the next decade, from about £295bn in 2019 to £548bn in 2029[2]. It is also estimated that the housing wealth of the 'over-55s' is worth £2.5trillion[3]. Again, the anticipated growth in this market presents MAB with incremental opportunities, as a direct result of a new and growing market segment which will be highly intermediated, with customers very much relying on advice.

This is a highly intermediated and growing sector and over the last year we have been developing a leading proposition to enter this market. We look forward to announcing our launch into this market as soon as it is appropriate to do so.

- Expanding into the broader home-moving process

We have continued to explore and introduce solutions that provide more assistance and value to our customers in the home moving process. We have now successfully piloted with a number of our AR firms a process for helping mortgage customers with a wider range of services including energy and other utilities. We have proven the concept and demonstrated that MAB is well positioned to help busy mortgage customers in organising their wider home-moving products and services. We intend to extend this pilot once the current Government restrictions are lifted and the conditions have started to normalise, and enhance this new development via technology in 2021.

(1) English Housing Survey 2015 to 2016: first time buyers.
(2) Centre for Economics and Business Research and more 2 life, 2019.
(3) Swiss Re Term and Health Watch 2017.

Protection

We take pride not just in helping customers with securing their new mortgage borrowing, but importantly we seek to provide customers with appropriate and adequate protection and insurance against both unforeseen and tragic circumstances. Protection is becoming increasingly a more specialist area thereby delivering consistency of offerings and optimal customer outcomes.

Over the course of the last year we have successfully embedded protection more deeply into our technology driven processes and have built such processes to help ensure that protection opportunities are not missed. These initiatives are in addition to our centralised internal outsourcing solutions for our customers where their needs are best served by a specialist protection Adviser. Many of our protection initiatives have helped to increase protection attachment rates despite our lending mix being less in favour of purchase business over the last three years.

Lead generation

A key part of our current focus is continuing to leverage our unique business model and digital expertise to secure new lead sources so that we can capture and nurture customers earlier in the home moving process.

We have over the last year successfully built the technology that enables us to receive, ingest, distribute, fulfil and report on new customer-led introductions from a wide variety and scale of business and affinity partners.

This new capability, along with our omni-channel choice for customers and fully national scale, means we are very well placed to win new customer leads into MAB.

This has been a deliberate part of our technology and proposition design, and represents a real value add in terms of our proposition in what we can offer our existing and prospective AR firms, thus further enhancing our offering to both consumers and our AR partners.

The partnership announced with Charles Cameron in 2019 is expected to gain good momentum this year, and other lead generation activity is progressing well.

■ Summary

Our 2019 performance was very strong despite our continued investment in our team and technology. Our Adviser base and market share grew steadily despite a subdued housing market. Growing our market share in all market conditions remains an integral part of the strategy that we have continued to successfully deliver.

The acquisition of First Mortgage, our first substantial transaction since listing in 2014, brings many exciting opportunities to MAB as a Group. We are really pleased with how well their entire team has worked with MAB to become successfully integrated into our Group as an AR firm. We look forward to leveraging the strengths of the business and further enhancing its strong growth track record through MAB's technology platform and support structure.

Broadening our addressable market and becoming more involved in the home-moving process means we will reach new customers and help them in more ways than we have previously, thereby ensuring we continue to grow and diversify as a Group, and become more prominent and relevant in home-moving generally.

In terms of employees and culture, we successfully completed our initial pre-deadline work under the new Senior Managers & Certification Regime (SM&CR). This new FCA regulatory requirement changes the way that financial services firms are regulated. MAB has always operated with the highest integrity. We embrace this new regulation and are pleased that improved quality control will be enforced across the whole mortgage intermediary sector. Ultimately, this new way of working has been embedded into MAB to further strengthen our culture and integrity, and to ensure that we always strive to do the right thing, thereby minimising or ideally eliminating any potential customer harm or detriment.

We will roll out the various changes through 2020 and also continue to work on our company values and culture, well beyond the minimum standards that regulation enforces.

We will strive to continue to develop the best technology in our sector, thereby driving efficiencies and growth across the business and ensuring that we can achieve all of our objectives, including Adviser productivity gains, lead generation, and customer retention.

Whilst, with the exception of First Mortgage, our investments to date have been relatively modest in size, we will continue to consider investments into larger and more profitable companies to help accelerate our growth plans or bring additional skills into the Group, and ensure we remain highly competitive and at the forefront of the changing intermediary landscape.

Following clear evidence of market improvement in the first quarter of 2020, the Coronavirus pandemic has created significant disruption, particularly in the purchase market with key elements such as physical viewings and valuations ruled out for the period of the Government imposed lockdown. It is too early to predict the extent of the disruption to trading in the coming months and the associated impact on our results for the full year, though we do expect to see a reduction in revenue and profit.

We have reacted quickly and efficiently to the pandemic, by redeploying the Group's resources to focus on telephone advice and remote working, as well as driving lead generation opportunities available in the current market.

We do note positively the package of measures announced in the March budget. These measures, along with the reduction in base rate, have reduced the cost of mortgage borrowing most likely to record lows and boosted the availability of funding for all mortgage lenders. This, combined with the additional funding dedicated to long term increases in the construction of new houses should ensure the medium to long term outlook for our market remains very positive.

MAB has a very clear strategy, and we continue to invest significantly in our proposition and team. We are in a stronger position than many to deal with the current environment and are confident in our ability to continue growing our market share with a specific focus on re-mortgages and product transfers. We remain very optimistic about our growth prospects.

Board Changes

With effect from 1 July 2019, Ben Thompson, formerly Managing Director, became Deputy Chief Executive Officer and Lucy Tilley, formerly Finance Director, became Chief Financial Officer.

David Preece, formerly Chief Operating Officer, retired with effect from 1 July 2019, at which point he became a Non-Executive Director of the Group. David's retirement came after a career spanning over 41 years in financial services, including the last 15 years as an Executive Director of MAB. David provides additional time over and above his Non-Executive Director responsibilities in a consultancy capacity to MAB.

Customer satisfaction

Customer feedback is a core component in our strategy to ensure consumers receive a first-class experience. We have partnered with the online review company Feefo, to give us feedback on the service our Advisers provide. To date, we have received just under 8,000 reviews, achieving an average score of 4.9/5 and are accredited with the Gold Trusted Service award.

Employee engagement

Our employees are a key ingredient to our success and their knowledge, skills and experience are vital to ensuring we maintain the high standards of customer service and satisfaction which underpins the provision of quality advice.

Although our head office is based in Derby, we employ people from across the country who are dedicated to supporting our Adviser network.

To create a sustainable company where growth is achieved successfully year-on-year, we focus heavily on creating a working environment that people thrive in and where our core values are communicated effectively. We hold regular management briefings and encourage staff feedback through employee surveys.

In 2019 we set up a Values & Culture Committee whereby staff representatives from each team within the business collectively think of ways to improve our processes, procedures and the general culture of the Company so that our customers can ultimately benefit from these changes.

Staff recruitment, retention and reward are critical. Outstanding performance is recognised in our annual awards and we have a low staff turnover rate compared to the national average. We also run a mentoring programme to enable our employees to fulfil their potential.

We have a strong set of values and having regard to our employees' interests is paramount. In 2019 we made positive changes to our working environment by setting up a number of initiatives led by the Values & Culture Committee. Those included a new cycle to work scheme; fresh fruit available to all employees to encourage healthy living; a new garden area to take time away from computer screens; and financial well-being sessions. We also held a mental health awareness week with various activities ranging from grow-your-own-flower and jogging sessions to a mindfulness coaching session and a positivity wall.

In recognition of our training Academy, which is available to all our Advisers from our AR firms, we became in 2019 just one of 44 UK companies to achieve the City & Guilds Princess Royal Training Award. The award is an honour for UK employers across all industries that have created lasting impact by successfully linking their skills development needs to business performance. It is no mean feat to achieve this standard and we are very proud of it.

Section 172(1) statement

The Directors of MAB consider that they have acted in the way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole, having regard to matters set out in s172(1)(a-f) of the Companies Act 2006, in the decisions taken during the year ended 31 December 2019. In particular:

(a) Likely consequences of any decision in the long-term

Our core business model and strategy are designed to secure sustainable long-term growth whilst continuing to deliver strong results in the meantime.

More details on strategic developments can be found on pages 6 to 8.

(b) The interests of the Company's employees

Our employees are fundamental to the delivery of our strategy. We encourage employee participation and have worked hard on improving MAB's working environment. More details on how we have regard for their interests and how this has shaped our decisions can be found on page 10.

(c) The need to foster the Company's business relationships with suppliers, customers and others

Engaging with our stakeholders is very much a part of our ethos as it strengthens our relationships and helps us make better business decisions. More details on how we have regard for the interests of our suppliers and customers and how this has shaped our decisions can be found on pages 27 and 28.

(d) The impact of the Company's operations on the community and the environment

We are proud to support our local community. Across 2018 and 2019, as part of our Corporate Social Responsibility (CSR) programme to support local communities, we raised nearly £60,000 for Macmillan Cancer Support. This money will:

- pay for a Macmillan nurse for a whole year;
- enable grants to more than 30 local people who are struggling with the financial impact of cancer; and
- cover the costs of an Information and Support Assistant at a specialist unit for six weeks.

We partnered with our ARs in a Company and network-wide effort and participated in multiple fundraising events including a golf day; a 26-mile hike through the Peak District; as well as Christmas jumper days and Macmillan coffee mornings.

We have introduced a number of initiatives to minimise our impact on the environment, including energy saving lighting and heating at our premises and a cycle to work scheme open to all our employees. We have also replaced all of our single use plastic drinking cups with recyclable paper ones, and have donated some of our old office furniture to charity for reuse.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct

The Board is committed to achieving and maintaining high standards of business conduct, corporate governance, integrity and business ethics.

A key to maintaining our reputation for high standards is to treat our customers, partners and employees fairly at all times, and our approach to conducting our business is focused on this outcome. We have designed a Risk Management Framework that is both robust and acts as an enabler to our business, ensuring that advisers receive the support and education they need to provide their customers with good advice and the best customer experience. This gives the Board confidence that the Company's strategic and growth objectives can be met within our risk and business conduct framework.

More details on our risk and internal controls can be found on pages 29 to 32.

Our training Academy has been a huge success, and in 2019 we became just one of 44 UK companies to achieve the City & Guilds Princess Royal Training Award.

MAB operates well beyond the minimum standards required by regulation. We have embraced the new Senior Managers & Certification Regime (SM&CR) and are pleased that this regime will be enforced across the industry, thereby improving quality control across the whole mortgage intermediary sector.

In 2019, we also engaged with the regulator on topics such as vulnerable customers and kept an active role in industry-wide discussions on how best to meet diverse customer segment needs.

We measure customer satisfaction through the online review platform Feefo. We are a Gold-rated Feefo member with a score of 4.9 out of 5 from almost 8,000 reviews.

(f) The need to act fairly as between members of the Company.

The Board is committed to openly engaging with our shareholders. We recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. Further details on how we engage with our shareholders can be found on page 32.

Our business model

MAB is directly authorised by the Financial Conduct Authority ("FCA") and is one of the UK's leading consumer mortgage brands and networks for mortgage intermediaries. MAB specialises in providing mortgage advice to customers, as well as advice on protection and general insurance products. The Group has a long established and broad geographic spread across the United Kingdom.

MAB seeks to develop long term strategic relationships withits AR firms so that there is a close alignment of interests. Our proposition appeals most to multiple adviser firms that have ambition to grow both their market share and business, with the MAB brand an important USP that is adopted by the majority of our AR partners.

Aside from our subsidiary, First Mortgage, almost all the Advisers are engaged directly by the ARs themselves. However, MAB carries out all of the compliance supervision on behalf of the AR firms, ensuring greater control and helping to achieve consistently high standards of consumer outcomes.

■ Relationships

The Group's performance and value to our shareholders is influenced by other stakeholders, principally our employees, our ARs (and their Advisers), our customers and our suppliers. Our approach to engaging with all of these parties is founded on the principle of open and honest dialogue, based on a mutual understanding of needs and objectives.

Our relationship with our ARs is fundamental to the success of MAB, and is based on strategic alignment of interests, with both parties benefiting from any improvement in the ARs business performance.

■ Products available through the Group

The Group's network offers advice on over 12,000 residential and buy to let mortgage products from circa 100 lenders, including those that are only available through mortgage intermediaries.

The Group's network also offers advice on a range of both protection and general insurance products, which are sourced from a panel of insurers.

■ Revenue model

The Company has 3 core revenue streams:

1. Mortgage procuration fees paid to MAB by lenders via the L&G Mortgage Club.
2. Insurance commission from advised sales of protection and general insurance policies.
3. Client fees paid by the underlying customer for the provision of mortgage advice. These can be split between application fee, and mortgage offer or completion fee.

Contractually, these income streams are paid to the Company. The AR Agreements set out the arrangements under which income from products sold by the Advisers of the Appointed Representatives is split between the Company and the relevant AR. MAB retains its revenue share from each of the above core income streams and then passes the balance onto its AR firms. The average number of Advisers in each financial year is one of the key drivers of revenue.

■ Sector focus and specialisations

MAB has developed bespoke support services for intermediary firms that operate in specialist sectors such as estate agency (including on-line), new build, buy-to-let, mortgage shops and telephone-based mortgage advice. These specialist sectors are typically rich in generating new customers and sales, and offer intermediaries the greatest opportunity to grow their business.

■ Proprietary software

Technology is an increasingly important differentiator in the intermediary sector, and unlike the vast majority of other networks, MAB has developed its technology in-house, providing the business with a major competitive advantage in terms of the customer and adviser experience. This is one of the reasons why advisers and intermediary firms decide to join MAB.

Our proprietary software MIDAS Pro gives us the flexibility to deliver bespoke solutions in all our areas of specialisation, and is playing an increasingly important role in managing data to generate more leads, increasing Adviser capacity/efficiency, as well as cross sales, customer retention and repeat sales.

Our proprietary software enables us to be at the forefront of responding to changing consumer behaviours and driving increasingly streamlined digital processes. This, combined with our existing expertise in face-to-face and telephony advice solutions, gives us a market leading position and a platform from which we can grow the Group further, through providing our Advisers and customers with a better and more rounded mortgage and protection experience.

Business review of the year

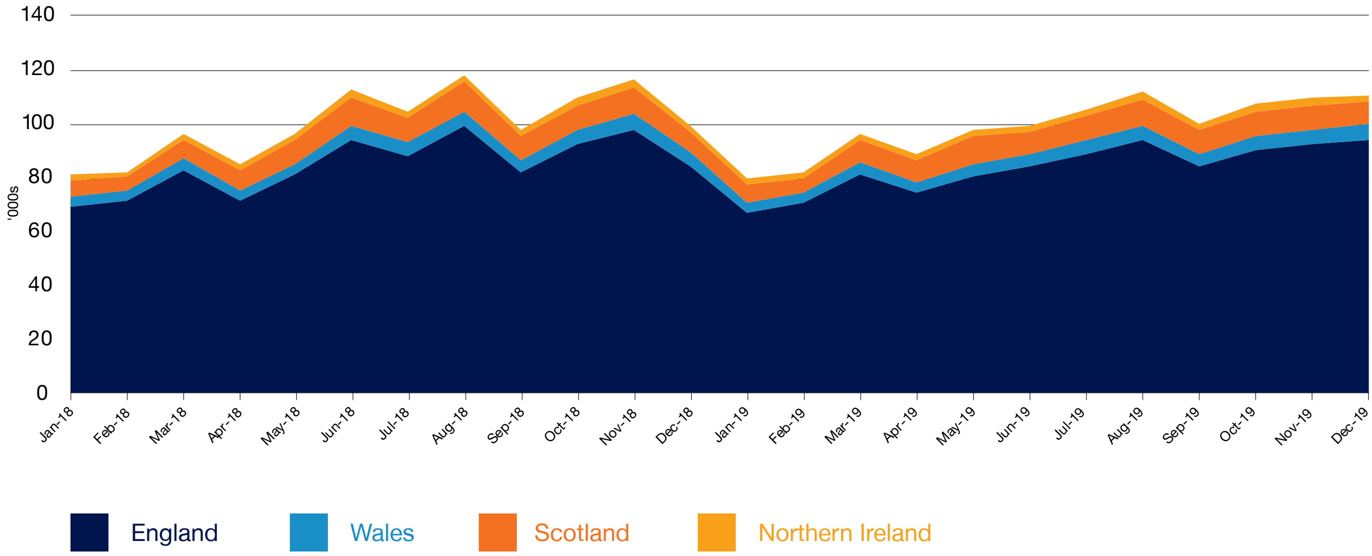
I am pleased to report further strong growth in revenue of 17% to £143.7m with profit before tax and exceptional costs relating to the acquisition of First Mortgage rising by 19% to £18.7m. MAB's gross mortgage lending (including product transfers) increased by 20% to £16.7bn in 2019 (2018: £14.0bn). MAB's overall share of UK gross new mortgage lending increased by 20% to 5.7% (2018: 4.7%).

Industry data and trends

Gross new mortgage lending activity in 2019 was broadly flat year-on-year at £267.6bn (2018: £268.7bn[(1)]). The Intermediary Mortgage Lenders Association's (IMLA) current estimates (published post the General Election and pre Coronavirus pandemic) are £268bn for gross new mortgage lending in 2020, indicating the market was anticipated to be broadly similar in the near term. The UK Finance industry data on gross new mortgage lending excludes Product Transfers. The latest UK Finance statistics indicate that the product transfer market is likely to continue to slightly increase from current levels, but flatten off in the medium term, much as anticipated. These have not as yet been updated since the start of the Coronavirus pandemic.

UK property transactions by volume for 2019 were 1% lower than in 2018, with monthly transactions shown in the graph below.

Property transactions in the UK by volume

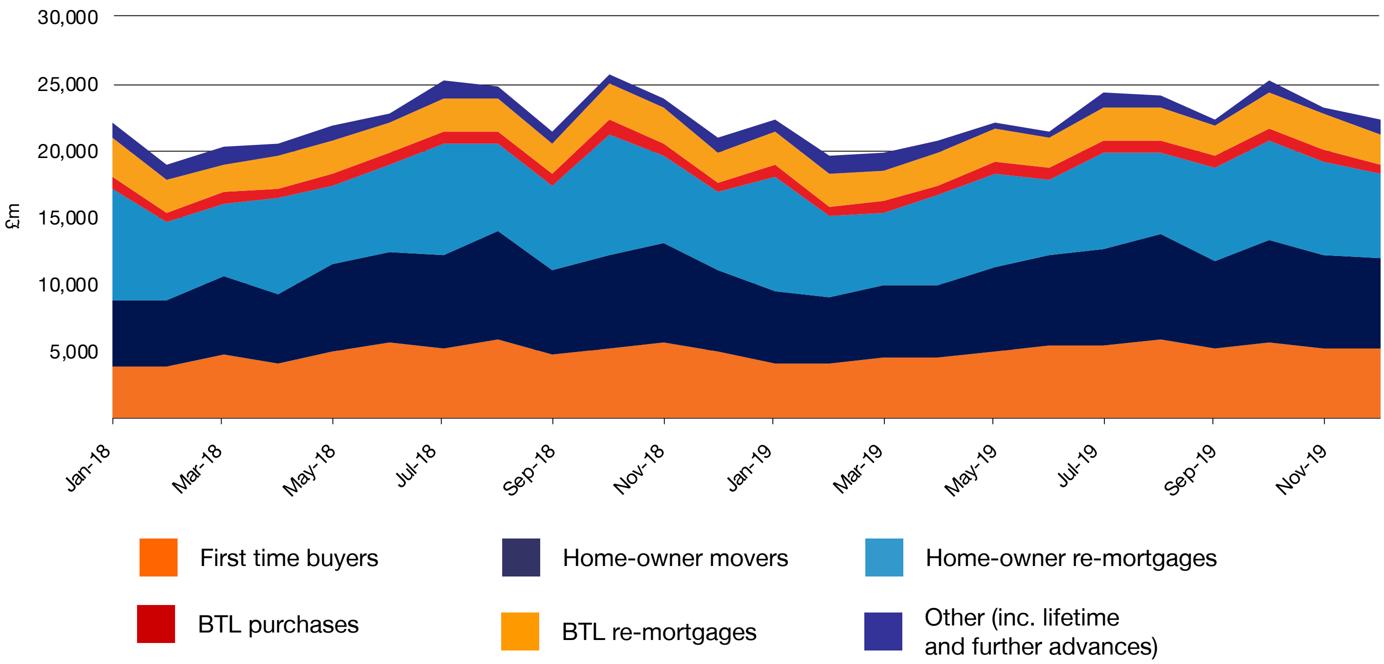


Source: HM Revenue and Customs

[(1)] UK Finance regularly updates its estimates. MAB previously reported £268bn for 2018 but this figure has slightly increased since.

Low property inflation[1] of circa 1% during 2019 did not quite offset the slight reduction in volumes across all new mortgage lending in the year, leading to a reduction in UK gross new mortgage lending for the year of 1%, as set out in the graph below.

New mortgage lending by purpose of loan



Source: UK Finance Regulated Mortgage Survey (excludes product transfers with the same lender), Bank of England, UK Finance BTL data (used for further analysis)

UK gross mortgage lending in 2019 for first time buyers and home-owner movers grew by 2% and 1% respectively, whereas home-owner re-mortgages reduced by 2%. UK gross mortgage lending in 2019 for BTL re-mortgages increased by 1%, with BTL purchases reducing by 5%.

Approximately 77% of UK mortgage transactions (excluding buy to let, where intermediaries have a higher market share, and Product Transfers where intermediaries have a lower market share) were via an intermediary in 2019 which is slightly higher than in 2018.

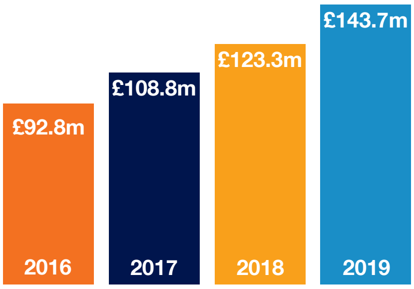
[1] Land Registry House Price Index.

Mortgage Advice Bureau

■ We measure the development, performance and position of our business against a number of key indicators:

Revenue

£143.7m

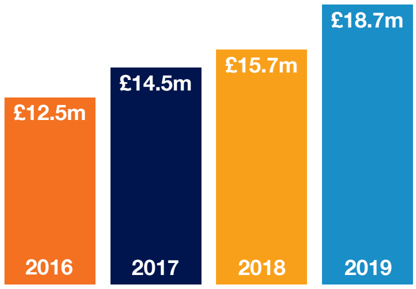


Total income from all revenue streams.

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax

£18.7m

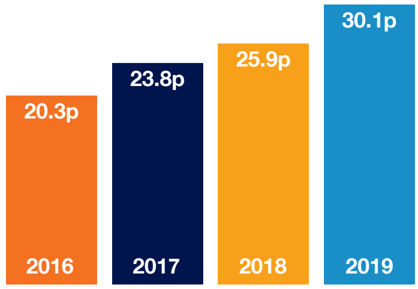


Profit before exceptional items and tax. Adjustments include an exceptional gain of £2.7m in 2016 and £1.0m of acquisition expenses in 2019.

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

30.1p

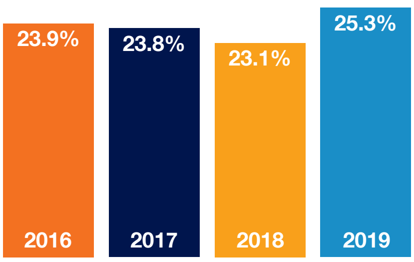


Total comprehensive income, attributable to equity holders of the Company, adjusted to deduct an exceptional gain in 2016 and acquisition related expenses in 2019.

Strategy/objective
Shareholder value and financial performance

Gross profit margin

25.3%

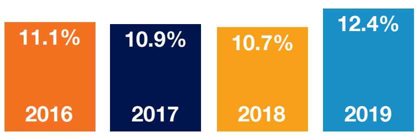


Gross profit generated as a proportion of revenue.

Strategy/objective
Managing gross margins

Overheads % of revenue

12.4%

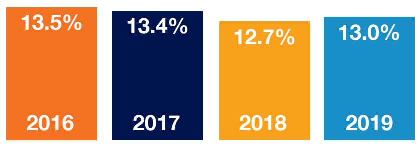


Group's adjusted administrative expenses as a proportion of revenue. Adjustments are for exceptional items.

Strategy/objective
Operating efficiency

Profit before tax margin

13.0%

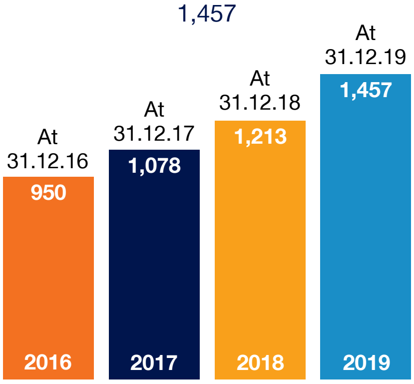


Group's adjusted profit before tax as a proportion of revenue.

Strategy/objective
Shareholder value and financial performance

Adviser numbers

1,457

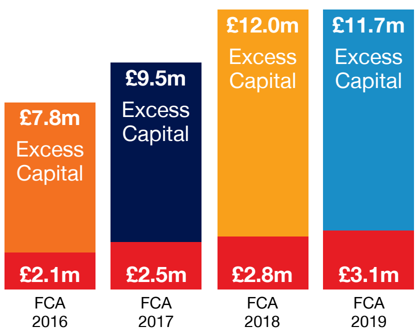


The average number of advisers in 2019 was 1,341 (2018: 1,130).

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£11.7m

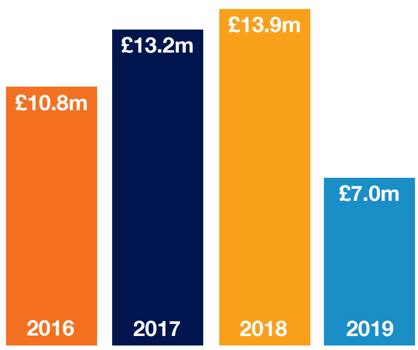


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA).

Strategy/objective
Financial stability

Unrestricted cash balances

£7.0m



Bank balances at 31 December available for use in operations.

Strategy/objective
Financial stability

Revenue

Revenue increased by 17% to £143.7m (2018: £123.3m). A key driver of revenue is the average number of Advisers during the period. MAB delivered strong organic revenue growth of 10% (12% on an underlying basis[1]) to £135.6m, driven by a 14% increase (excluding First Mortgage) in the average number of MAB Advisers for the year to 1,293 (2018: 1,130) due to a combination of expansion by existing ARs and the recruitment of new ARs. First Mortgage, which was acquired on 2 July 2019, added another 82 Advisers to the Group as at 31 December 2019, and contributed an additional £8.1m of revenue. Our business model continues to attract forward thinking ARs who are seeking to expand and grow their own market share.

The Group generates revenue from three core areas, summarised as follows:

Income source	2019 £m	2018 £m	Increase
Mortgage procuration fees	64.3	56.2	15%
Protection and general insurance commission	56.2	47.0	20%
Client fees	20.2	18.3	10%
Other income	3.0	1.8	66%
Total	**143.7**	**123.3**	**17%**

Excluding First Mortgage, MAB generated revenue from three core areas, summarised as follows:

Income source	2019 £m	2018 £m	Increase
Mortgage procuration fees	60.6	56.2	8%
Protection and general insurance commission	52.3	47.0	11%
Client fees	20.2	18.3	10%
Other income	2.5	1.8	41%
Total	**135.6**	**123.3**	**10%**

All income sources continued to grow with the average number of Advisers in the period increasing by 14% on last year. Activity in the housing market in 2019 was impacted by the continuing political and economic uncertainties associated with Brexit, particularly in the earlier part of the year. The Group's underlying average revenue per adviser[1] was flat for the year (2% down excluding FMD), and we saw improving productivity through H2 2019 relative to H1 2019.

First Mortgage contributed revenue generated from two core areas summarised as follows:

Income source	2 July 2019 – 31 Dec 2019
Mortgage procuration fees	3.8
Protection and general insurance commission	3.9
Other income	0.4
Total	**8.1**

MAB's revenue, in terms of proportion, is split as follows:

Income source	2019 %	2018 %
Mortgage procuration fees	45	46
Protection and general insurance commission	39	38
Client fees	14	15
Other income	2	1
Total	**100**	**100**

With gross mortgage completions (including Product Transfers) increasing by 20% for the year, mortgage procuration fees increased by 15% (18% on an underlying basis[1]). Excluding FMD, gross mortgage completions (including Product Transfers) increased by 11% for the year, with mortgage procuration fees increasing by 8% (11% on an underlying basis[1]). Protection and general insurance commission increased by 20% (11% excluding FMD), and client fees rose by 10%, in line with expectations. First Mortgage does not charge client fees.

Looking ahead, we continue to expect client fees to become increasingly dependent upon the type and complexity of the mortgage transaction, as well as the delivery channel. This will lead to a broader spread of client fees on mortgage transactions, which, by their nature, are our lowest margin revenue stream.

[1] Underlying basis excludes a one-off adjustment in H1 2018 of £1.7m for procuration fees awaiting processing.

■ Gross profit margin

Gross profit margin for the year was 25.3% (2018: 23.1%) reflecting the anticipated increase due to the acquisition of First Mortgage. First Mortgage naturally has a higher gross margin than MAB of circa 65% as its advisers are directly employed. Excluding FMD, gross profit margin was 23.1% (2018: 23.1%). The Group typically receives a slightly reduced margin as its existing ARs grow their revenue organically through increasing their Adviser numbers. In addition, larger new ARs typically join the Group on lower than average margins due to their existing scale, which therefore impacts upon the Group's gross margin.

■ Overheads

Overheads as a percentage of revenue were 13.1% (2018: 10.7%). Excluding one-off acquisition costs, additional costs relating to MAB's option to acquire the remaining 20% of First Mortgage and amortisation of acquired intangibles, totalling £1.0m, overheads as a percentage of revenue were 12.4% (2018: 10.7%). This increase in overheads as a percentage of revenue results from First Mortgage having a higher overheads ratio than that of MAB due to its operating model. Excluding FMD, overheads as a percentage of underlying revenue were 10.8% (2018: 10.7%). MAB continues to benefit from the scalable nature of the majority of its cost base as well as our regulatory costs being below that of the prior year due to Pure Protection Intermediation moving from the Life and Pensions Intermediation funding class of FSCS to the General Insurance Distribution funding class, though this has been mostly offset by increased IT costs.

Certain costs, primarily those relating to compliance personnel, are closely correlated to the growth in the number of Advisers, due to the high standards we demand and the requirement to maintain regulatory spans of control. The balance of our compliance costs mainly relate to FCA and FSCS regulatory fees and charges. The majority of the remainder of MAB's costs typically rise at a slower rate than revenue which will, in part, counter the expected erosion of MAB's underlying gross margin as the business continues to grow.

As a result of MAB's IT plans and capital expenditure, as previously indicated, we expect our IT costs and our amortisation on IT capital expenditure to increase by a modest amount. All development work on MIDAS Pro and our new platform technology are treated as revenue expenditure.

■ Profit before tax and margin thereon

Statutory profit before tax rose by 13% to £17.7m (2018: £15.7m) with the margin thereon being 12.3% (2018: 12.7%). Excluding one-off acquisition costs, additional non-cash costs relating to MAB's option to acquire the remaining 20% of First Mortgage and amortisation of acquired intangibles, totalling £1.0m, adjusted profit before tax was £18.7m with the margin thereon being 13.0% (2018: 12.7%).

■ Finance income and finance expenses

Finance income of £0.1m (2018: £0.1m) reflects continued low interest rates and interest income accrued on loans to associates. Finance expenses of £0.1m (2018: nil) relate to interest paid on drawdowns and non-utilisation charges on MAB's revolving credit facility with National Westminster Bank Plc that was put in place at the time of the acquisition of First Mortgage to part finance the acquisition (and had been repaid by 31 December 2019) and allow MAB to capitalise on potential opportunities.

■ Taxation

The effective rate of tax on statutory profit before tax increased slightly to 16.8% (2018: 15.9%) mainly as a result of disallowable expenses incurred in connection with the acquisition of First Mortgage. Going forward we expect our effective tax rate to be marginally below the prevailing UK corporation tax rate subject to tax credits for MAB's research and development expenditure on our continued development of MIDAS Pro, MAB's proprietary software, still being available and further tax deductions arising from the exercise of share options.

■ Earnings per share and dividend

Basic earnings per share rose by 9% to 28.2 pence (2018: 25.9 pence). Adjusted earnings per share rose by 17% to 30.1 pence (2018: 25.9 pence).

In line with our dividend policy following the First Mortgage acquisition of paying out a minimum of 75% of our adjusted earnings, the Board intended to propose the payment of an increased final dividend of 12.8 pence per share, up 1% from the previous year, making total ordinary dividends for the year of 23.9 pence per share, which would have been up 2.6% from the previous year. However, in view of the severity of the Coronavirus pandemic and the impact of the Government imposed lockdown, we now propose a final dividend of 6.4 pence per share, with the intention to pay a further 6.4 pence per share when the Board considers it prudent to do so.

The proposed final dividend of 6.4 pence per share represents a cash outlay of £3.3m. Following payment of the dividend, the Group will continue to maintain significant surplus regulatory reserves. This proposed final dividend represents circa 38% of the Group's adjusted[1] post-tax and minority interest profits for H2 2019 and reflects our ongoing intention to distribute excess capital.

The record date for the final dividend will be 1 May 2020 and the payment date 29 May 2020. The ex-dividend date will be 30 April 2020.

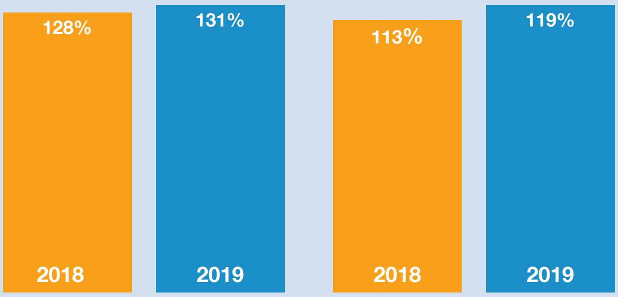
[1] Adjusted for non-cash exceptional items of £0.6m.

■ Cash flow and cash conversion

The Group's net cash generated from operating activities increased 38% to £20.4m (2018: £14.9m).

Headline cash conversion[1] was:

Adjusted cash conversion[2] was:



[1] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items including loans to Appointed Representative firms ("ARs") and loans to associates totalling £0.9m in 2019 (2018: £2.2m) as a percentage of operating profit.
[2] Adjusted cash conversion is headline cash conversion adjusted for increases in restricted cash balances of £2.2m in 2019 (2018: £2.3m) as a percentage of operating profit.

The Group's operations are capital light with our most significant ongoing capital investment being in computer equipment. Only £0.2m of capital expenditure on office and computer equipment and software licences was required during the period (2018: £0.8m). Group policy is not to provide company cars, and no other significant capital expenditure is foreseen in the coming year. All development work on MIDAS Pro is treated as revenue expenditure.

In connection with the acquisition of First Mortgage, MAB entered into an agreement with NatWest in respect of a new revolving credit facility for £12m. The Group had no bank borrowings at 31 December 2019 (2018: £nil) with unrestricted bank balances of £7.0m (31 December 2018: £13.9m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 31 December 2019 this regulatory capital requirement was £3.1m (31 December 2018: £2.8m), with the Group having a surplus of £11.7m (31 December 2018: £12.0m).

The following table demonstrates how cash generated from operations was applied:

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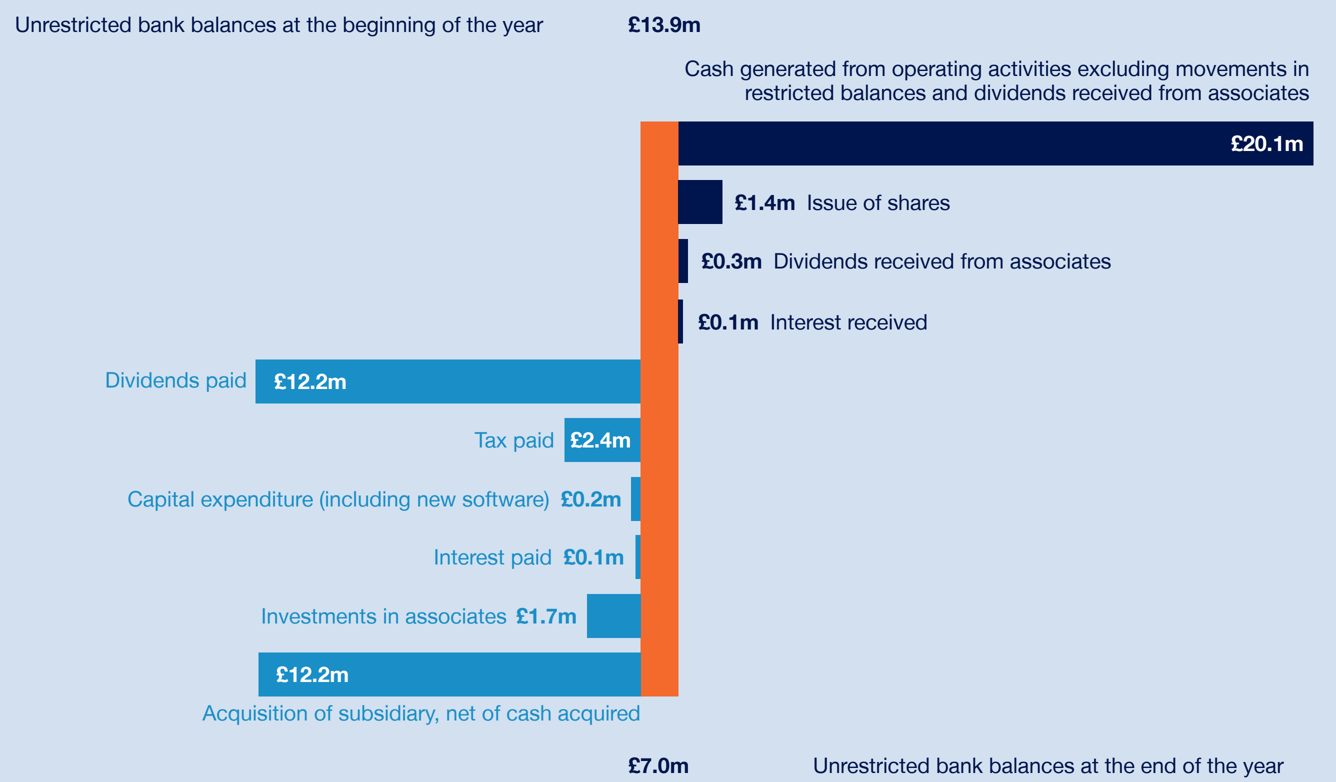


■ Post period end

The Group is financially very resilient, with a strong balance sheet, a healthy surplus capital over its regulatory capital requirement and a robust model generating strong cash flows, enabling us to deal with the impact of the current Government lockdown on property and lending markets during the Coronavirus pandemic. The Group has implemented cost cutting measures, including the furloughing of some staff, and all remaining staff are currently working remotely on a reduced salary. In order to give ourselves additional flexibility to react quickly in this environment and capitalise on potential opportunities, we have drawn down the full amount on our Revolving Credit Facility with National Westminster Bank Plc on 20 March 2020, amounting to £12m.

■ Dividends paid in prior years

Whilst the individual entity of Mortgage Advice Bureau (Holdings) plc has always had sufficient reserves to pay its dividends, the Company has not filed interim balance sheets as required under s838 of the Companies Act 2006. A resolution will be put to shareholders at the AGM to release current and past directors and shareholders from any liabilities potentially resultant from this inadvertent and technical infringement in relation to prior dividends. More details will be set out in the notice of AGM.

■ Current trading and outlook

A clear change in customer sentiment following the General Election in early December 2019 led to much improved activity in the housing market from the start of 2020, giving our AR firms and their Advisers a strong start to the year in terms of new business levels and productivity. This marked increase in activity remained strong up to the end of March 2020, despite increasing concerns about the Coronavirus pandemic.

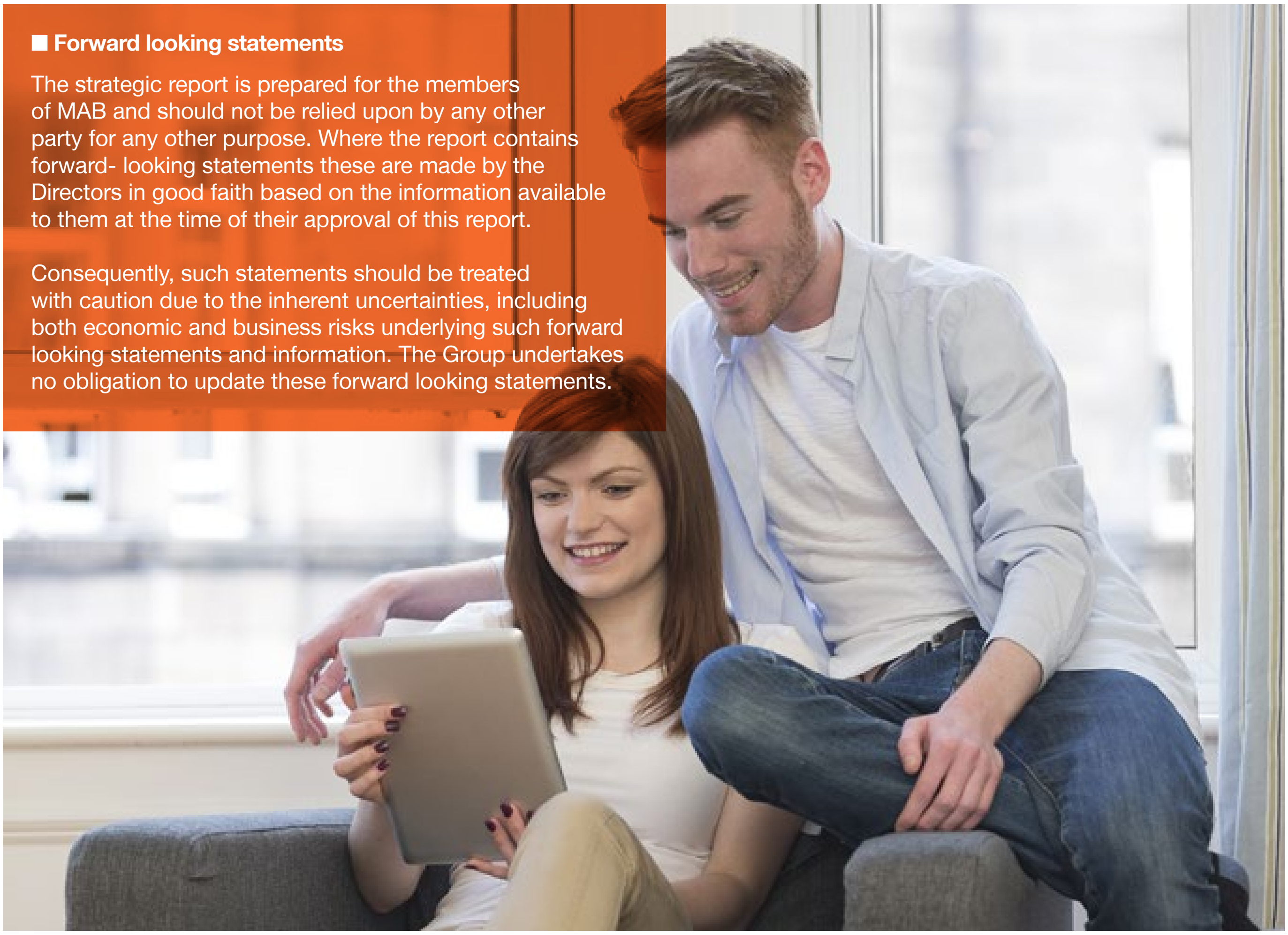
The Government imposed lockdown has had the effect of calling a halt on most house purchase transactions, with key elements such as physical viewings and valuations ruled out for the period of the lockdown. Consequently, after the strong start to the year, we have seen a significant reduction in purchase related activity. This has already impacted both Adviser numbers and productivity.

MAB's growth in Adviser numbers started to slow down from early March 2020, as AR firms temporarily put their recruitment plans on hold. As at 17 April 2020, Adviser numbers were 1,473, including 196 Advisers currently furloughed. The furloughed Advisers relate mostly to ARs that have strong links to estate agencies or the new build sector. Some Adviser attrition has also occurred among the lower performing Advisers and it is unlikely any of those Advisers will be replaced until the purchase market fully recovers.

■ Forward looking statements

The strategic report is prepared for the members of MAB 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.



■ Current trading and outlook (continued)

As expected, focus and demand has increased in the re-mortgage and product transfer markets, which together represented around 65% of the value of all UK mortgage transactions last year. The MAB team and our ARs have prioritised resources to optimising opportunities in this sector and early results are very encouraging. Re-mortgage opportunities cannot be fully optimised at present due to loan to value restrictions that are currently in place as a result of many lenders experiencing processing capacity issues and the limitations of automated valuations in higher loan to value mortgages, but product transfers have significantly increased in recent weeks. By the time Government restrictions are lifted, our typically purchase focused AR firms will have improved their procedures for servicing existing clients in this sector, and we expect that increased efficiency to be maintained once purchase activity starts to return.

Although we expect protection sales to reduce in line with purchase activity, the escalation of the Coronavirus pandemic has resulted in a heightened awareness of the importance of such products amongst customers. Alongside our realignment of resources to re-mortgage and product transfer transactions, is our immediate opportunity to have a meaningful impact on the lower protection attachment rates seen on non-purchase mortgages. Plans are already in place to ensure the improvements we are seeing are maintained and built upon when Advisers become busier again.

All elements of the mortgage and protection advice process can be transacted by telephone. Over the last month or so this has become the only option for our customers. Telephone advice was already a fast-growing area of our business, both through strong growth in specialist telephone advisers, as well as an increasing number of telephone appointments being conducted by traditionally face-to-face Advisers. MAB has been providing new guidance and tools to support a seamless transition to telephone advice across our distribution network, ensuring business continuity for Advisers and customers across all, product transfer purchase and re-mortgage transactions.

All our systems and processes were robustly tested pre lockdown to allow MAB's head office and field-based teams to work effectively from home, ensuring continued and tailored support for our distribution channels. We have also reviewed our cost base to a level where it is now appropriate for the current circumstances, and importantly we have ensured that our ARs and Advisers are fully supported through this very difficult time in their new ways of working, including redirecting certain allocated budgets to other areas of spend where it is optimal to do so.

In response to the challenging environment, MAB, our AR firms and their Advisers have a heightened focus on business efficiency and ensuring no opportunities are missed. We have commenced the implementation of new technology-led processes and efficiencies to optimise working practices, customer engagement and income generation, which we expect to deliver long lasting benefits.

The changes in the circumstances and priorities for consumers has led us to design new campaigns and initiatives as part of our communication strategy. These include a free mortgage support helpline dedicated to help the financial wellbeing of homeowners worried about paying their mortgage. In addition, all our online, social media, and existing client communications, which now feature in this free service, have also been tailored to reflect a heightened awareness of protection and refinancing.

The Government has announced a strong package of measures to ensure lenders can continue to lend to mortgage borrowers as usual, including access to new, significant and cost-effective funding and reduced regulatory capital buffer requirements in this period of exceptional challenge. As referenced above, there are however some loan to value restrictions currently in place.

In addition, the Bank of England recently reduced its base rate to a record low of 0.1%, allowing the cost of mortgages to be reduced even further. This has triggered a higher level of interest in re-mortgages and product transfers as well as benefited all those buying a new house or moving home when restrictions are lifted and they are able to proceed with their transactions. Wider measures, including increased investment in all types of housing, should ensure the medium to long term outlook for our market remains very positive.

MAB is also actively engaged in lobbying key stakeholders in the Government for specific actions to be taken to ensure a speedier recovery in the UK housing market when restrictions are lifted.

Over 20 years we have built a high-quality distribution network, a leading consumer brand, and an exceptional management team that continues to adapt quickly and efficiently to our new ways of working. The Group has a strong balance sheet, is cash generative and enjoys a healthy surplus over its regulatory capital requirement. To give ourselves additional flexibility to capitalise on potential opportunities quickly, we drew down our full £12m Revolving Credit Facility on 20 March 2020. We are in a stronger position than many to deal with the challenges that we face over the coming months and are confident in our ability to continue growing our market share, with a specific additional focus on re-mortgages and product transfers.

MAB has a clear strategy and we continue to strengthen our proposition. During this pandemic our priority is to redeploy our resources where possible to focus on lead generation, telephone advice and remote working. It is too early to predict the extent of the disruption to trading in the coming months and the associated impact on our results for the full year, though we do expect to see a reduction in revenue and profit. However, we remain very optimistic about MAB's growth prospects. The quality and level of support that MAB provides is really standing out at a time when our AR firms and advisers need that support more than ever. In the months ahead, AR firms will look back at how their network supported them during these times and this will be a great opportunity for MAB to capitalise upon as we look to resume our growth plans and build on the positives that have come from these challenging times.

There are a number of potential risks which could hinder the implementation of our strategy and have a material impact on our long-term performance. These arise from internal or external events, acts or omissions which could pose a threat to the Group. The Group maintains a risk register, and this is reviewed by the Group Risk and Compliance Committee on a regular basis.

The table below outlines the most significant risk factors for the business. The risk factors set out below 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.

Risk category	Risk description	Mitigating factors/commentary
Sector resilience	The Group operates in a highly competitive environment with competition from other intermediaries and from lenders.	The Group aims to be at the forefront of providing advice to consumers, leveraging its proprietary MIDAS Pro technology, by offering its customers the choice of how they want to research information, receive advice and transact. MAB offers access to circa 100 lenders and thousands of mortgage products, ensuring customers have access to a wide choice, coupled with the best advice to meet their mortgage and protection needs.
Availability of mortgage lending	The Group is exposed to a significant reduction in the availability of mortgage lending.	UK gross new mortgage lending was broadly flat in 2019 versus the previous year. MAB's gross mortgage completions increased by 20% to £16.7bn in 2019. Since the Global Financial Crisis (GFC) in 2008, banks and lenders have significantly strengthened their balance sheets and capital adequacy. Regulation of the mortgage market has tightened the criteria for lending to consumers. The cost of debt remains at historic lows and lenders maintain strict affordability tests. In 2019, MAB's mortgages were spread across circa 100 lenders, meaning that even if there was a noticeable reduction in specialist, non-bank lenders, the Group's mortgage proposition would remain adequately comprehensive and competitive.
Regulatory compliance	Failure to comply with current regulatory requirements could result in reputational and financial damage, including withdrawal of authorisation by the Financial Conduct Authority and the additional powers of the Information Commissioner's Office following the implementation of GDPR. Failure to anticipate, react and embed new legislation and regulation (e.g. Senior Managers & Certification Regime, IR35 and FCA Mortgage Advice and Selling Standards) would also give rise to increased risk for the Group.	The majority of Advisers are directly employed or engaged by ARs (rather than by the Group), and all compliance monitoring and supervision is undertaken by the Group's own specialist compliance team. The quality of consumer outcomes is central to our compliance strategy. The Risk and Compliance Committee reviews the adequacy and effectiveness of the Group's internal controls, compliance and risk management systems to ensure the Group is fulfilling its regulatory responsibilities. The Group maintains open and effective relationships with regulators and relevant industry associations in addition to having a governance structure and controls in place across the entire business and up to Board committee level, in order to ensure that it complies with the relevant prevailing regulatory and legislative requirements and that it can anticipate change quickly.
Infrastructure and IT systems	The Group's performance would be adversely impacted if the availability and security of the Group's proprietary MIDAS system, and other IT infrastructure was compromised.	There has been significant investment into the Group's IT infrastructure. All the Group's servers are currently hosted in a specialist data centre with appropriate security and systems resilience. A copy of the MIDAS database is also held at another location. The group will shortly further strengthen and re-factor its technology, as part of a new project that will ensure cloud-hosting through a leading provider of cloud-based services.

Risk category	Risk description	Mitigating factors/commentary
Appointed Representative ("AR") model	The Group has full regulatory responsibility for the actions of its network of ARs, who employ or engage the Advisers. The Group could be exposed should large ARs fail.	The Group has robust compliance procedures stated above. Whilst the Group has ultimate regulatory responsibility, the commercial liability (e.g. complaint redress) remains with the ARs. The Group maintains strong relationships with its ARs to ensure it is able to provide appropriate support for the continued growth of the Group and its ARs and it is aware of key risks posed to the Group within its AR Model.
Concentration	The Group could be exposed to a significant geographic concentration, or overexposure to particular ARs or suppliers.	The Group has a broad geographical spread in the UK. The Group has no significant exposure to any single AR. Typically ARs enter into five or ten year contracts with the Group, and the renewal dates for these contracts are fairly evenly spread between calendar years. The Group enjoys strong relationships with the many mortgage lenders it places its new business with, as well as with the major businesses that make up its panel of protection and insurance providers.
Key personnel	The Group could lose some key employees.	Remuneration is reviewed annually and a large proportion of the Group's employees participate in the Group's share-based incentive plans. The Group has a successful track record of retaining senior employees and the recruitment of additional key personnel provide assurance that there is appropriate breadth of management and appropriate span of control. Succession planning is assessed annually by the Nomination committee.
Litigation and complaints	The Group could be subject to litigation or complaints not covered by insurance.	The Group has not been subject to any actual or threatened material litigation. Complaint levels are low compared to transactional volumes, and the redress from those complaints are borne by the ARs. PI insurance is in place as required by the FCA.
Liquidity risk, including bank default	One or more banks could fail.	The Group has a highly cash generative business model so holds substantial amounts of cash on deposit with its principal bank. The stringent capital adequacy tests imposed on the banks after the GFC should enable them to better withstand extreme negative market downturn and reduction in liquidity.
Coronavirus - Operational Resilience	The occurrence of Coronavirus (COVID-19) presents potentially unprecedented risks to businesses within the UK including the potential impact to staff and the subsequent impact on the wider economy and the mortgage and protection markets. The impact of Coronavirus presents operational challenges to the Group's product suppliers (e.g. mortgage lenders and insurance companies), as well as to surveyors and conveyancing firms. There is a risk in terms of operational shutdown, as well as a risk to the payment of fees and commission to MAB.	The Group has successfully implemented all aspects of its business continuity plan, requiring all staff to work remotely. The Group's IT platform is well adapted to maintain operations on this basis for as long as is required. While Government decisions are out of the Group's control, the Group is confident in its infrastructure and plans to maintain operational resilience and business continuity. Whilst the purchase market will be largely halted, with elements such as physical viewings and valuations ruled out for the period of the lock down, all of the Group's product providers have their own business continuity plans in place and as such most if not all are required and able to operate remotely, ensuring that in these extreme circumstances, MAB can rely on business continuing, albeit on a reduced or slower basis.

Risk category	Risk description	Mitigating factors/commentary
Political Environment	The current economic environment is highly uncertain as the UK Government tries to manage its exit of the UK from the EU.	Political uncertainty within the UK is still prevalent due to Brexit and the potential of a second Independence Referendum in Scotland. However, regardless of any market activity and movements, the Group aims to deliver its strategy to continue to grow its market share and mortgage completions through the deployment of its new technology platform and the rollout of a variety of other new initiatives, including the promotion of new products to a broader addressable market.
Technological advancements	The continued development of technology increases somewhat the likelihood of existing and new competitors emerging, for example to serve Execution Only mortgages online directly with consumers.	The Group has an internal IT function and while the development of new technologies means the landscape in which the Group operates continues to change, the development of new technologies is seen as an opportunity for the Group in potentially increasing its market share. The Group already provides its customers with a tailored and value-added advice service, by giving them autonomy and the ability to choose how and when to interact with Advisers depending on their confidence and circumstances. The Group has been deliberately building its technology platform to enhance customer engagement in the expectation that regulation would make Execution Only faster and easier for customers.
Third party dependency risk	The Group is dependent on a number of third parties to provide services to enable us to carry out our business. There is an operational and financial risk of third parties increasing the costs of services or withdrawing the service.	The Group Risk Committee regularly monitors and controls our risk exposure to third parties and considers the possibility of contingency arrangements. Appropriate due diligence is conducted before entering into any agreements with third parties, and reporting and notification requirements from third parties to the Group are defined in contractual documents. These documents include performance targets to assess the adequacy of service provision. The Group maintains good relationships with its third party service providers.
Fraud	The Group is potentially exposed to fraudulent activity from any of its AR firms or Advisers	The Group has embedded controls at all process levels to mitigate this risk and these are periodically reviewed by our Group Risk and Compliance Committee. The Group has a robust compliance function. Our compliance team runs regular compliance workshops for each AR firm, and has a network of field compliance managers to monitor the performance and behaviour of each Adviser against the Group's internal procedures and systems. This ensures that we are fulfilling our regulatory responsibilities and that our AR firms' and Advisers' knowledge of potential risks and how to deal with them is always kept fully up to date.

Approval

The strategic report in its entirety has been approved by the Board of Directors and signed on its behalf by:

Peter Brodnicki
Chief Executive

1 May 2020

The Board comprises three Executive and four Non-Executive Directors. A short biography of each Director is set out below:

Katherine Innes Ker, Aged 59
Non-Executive Chair

Katherine has extensive executive and non-executive director experience. She is Senior Independent Director of Forterra plc and Non-Executive Director of Go-Ahead Group plc and Vistry Group plc. Her experience as a chair includes The Television Corporation, Shed Media plc, Victoria Carpets plc and Sovereign Housing Association and she was deputy chair of Marine Farms S.A. She has been a non-executive director of, amongst others, St Modwen Properties plc, Taylor Wimpey plc, Taylor Woodrow plc, Fibernet plc, Williams Lea plc, S&U plc and Gyrus Group plc. She is chair of the Remuneration Committee, Balliol College, Oxford.

Peter Brodnicki, Aged 57
Chief Executive Officer

Peter was one of the founders of MAB in 2000. He has over 30 years' mortgage and financial services experience. Immediately prior to founding MAB, he was with Legal & General for five years where he held the position of Head of the Estate Agency Network, and also latterly as Recruitment Director. Peter's experience prior to Legal & General includes sales and management roles at Albany Life, before which Peter was at John Charcol. Peter has received a number of industry awards in recent years, including Business Leader of the Year (three consecutive years), Mortgage Strategist of the Year (two consecutive years), and the Industry's Most Influential Person.

Ben Thompson, Aged 50
Deputy Chief Executive Officer

Ben was previously Chief Executive Officer of ULS Technology plc, the AIM-listed provider of online B2B platforms for the UK conveyancing and financial intermediary markets. Prior to that he held senior positions at Legal & General Group Plc, where he ran their market-leading mortgage distribution business, as well as the banking division.

Lucy Tilley, Aged 48
Chief Financial Officer and Company Secretary

Lucy joined MAB in May 2015 as Finance Director and became Chief Financial Officer in July 2019. She qualified as a Chartered Accountant in 1996 with KPMG. Prior to joining MAB, Lucy was most recently a director in the corporate broking team at Canaccord Genuity Limited and was part of the team that worked on MAB's admission to AIM in November 2014. At Canaccord Genuity Limited she advised numerous quoted and unquoted companies predominantly in the financial services sector.

Nathan Imlach, Aged 50
Senior Independent Non-Executive Director

Nathan is Chief Financial Officer of AIM listed Mattioli Woods plc. He qualified as a Chartered Accountant with Ernst & Young, specialising in providing mergers and acquisitions advice to a broad range of quoted and unquoted clients in the UK and abroad. He is a Fellow of the Chartered Institute for Securities & Investment and holds the Corporate Finance qualification from the Institute of Chartered Accountants in England and Wales. Nathan is a director of Custodian Capital and Company Secretary to Custodian REIT plc. Nathan is also a trustee of Leicester Grammar School Trust.

Stephen Smith, Aged 62
Non-Executive Director

Stephen Smith has worked in the financial services market for nearly 40 years and was most recently responsible for Legal & General's award winning Mortgage Club, estate agency and technology operations, before retiring at the end of 2017. He is a former deputy chairman of The Association of Mortgage Intermediaries and served on its board for 14 years. He is a Fellow of the Chartered Institute of Bankers and holds a number of non-executive directorships with companies operating in the mortgage and surveying markets.

David Preece, Aged 59
Non-Executive Director

David joined MAB as an Executive Director in 2004 and retired as Chief Operating Officer in 2019, remaining on the Board as a Non-Executive Director. He has over 40 years of experience in financial services and is an Associate of the Chartered Institute of Bankers. Prior to joining MAB, roles included Senior Manager at NatWest Group Financial Control, Head of Mortgage Operations at NatWest and Head of Membership Services at the Britannia Building Society. David holds non-executive director positions, as well as acting in an advisory capacity, with companies in the financial services sector.

Company:	**Mortgage Advice Bureau (Holdings) plc**	
Directors:	**Katherine Innes Ker**	Non-Executive Chair
	Peter Brodnicki	Chief Executive Officer
	Ben Thompson	Deputy Chief Executive Officer
	Lucy Tilley	Chief Financial Officer
	Nathan Imlach	Senior Independent Non-Executive Director
	Stephen Smith	Independent Non-Executive Director
	David Preece	Non-Executive Director
Company secretary:	**Lucy Tilley**	
Registered office:	**Capital House** Pride Place Pride Park Derby DE24 8QR	
Registered number:	04131569	
Nominated adviser and broker:	**Numis Securities Limited** The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT	
Auditor:	**BDO LLP** 55 Baker Street London W1U 7EU	
Solicitors:	**Norton Rose Fulbright LLP** 3 More London Riverside London SE1 2AQ	
Principal bankers:	**NatWest Bank plc** Cumberland Place Nottingham NG1 7ZS	
Registrars:	**Equiniti Limited** Aspect House Spencer Road Lancing West Sussex BN99 6DA	

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2019. For the purposes of this report, the expression "Company" means Mortgage Advice Bureau (Holdings) plc and the expression "Group" means the Company and its subsidiaries.

Results and business review

The principal activity of the Group continues to be the provision of financial services, in particular the provision of mortgage advice and advice on protection and general insurance products. The principal activity of the Company is that of a non-trading holding company. The review of the business, operations, principal risks and outlook are included in the Strategic report on pages 01 to 23. The financial statements set out the results of the Group on pages 43 to 84.

The Group has achieved further significant growth both in terms of revenues and underlying profitability. Group revenues increased by 17% to £143.7m. Profit before tax and acquisition related costs amounted to £18.7m, a rise of 19%. Group profit for the year after taxation amounted to £14.7m, up 12% on the previous year. Income tax expense for the year was £3.0m, an effective rate of 16.8% (2018: 15.9%).

Dividends

In line with the Group's dividend policy following the First Mortgage acquisition of paying out a minimum of 75% of its adjusted earnings, the Board intended to propose the payment of an increased final dividend of 12.8 pence per share, up 1% from the previous year. However, in view of the Coronavirus pandemic, the Directors now recommend a final dividend of 6.4 pence per share, totalling £3.3m. This represents a payout of 38% of the Group's adjusted post tax and minority interest profit for H2 2019. The Board intends to pay a further 6.4 pence per share when it considers it prudent to do so.

This has not been included within the Group financial statements as no obligation existed at 31 December 2019. If approved, the final dividend will be paid on 29 May 2020 to ordinary shareholders whose names are on the register on 1 May 2020. Dividends paid during the year amounted to £12.2m and were in respect of the final dividend for the year ended 31 December 2018 and the interim dividend for the year ended 31 December 2019.

Going concern

The Directors have assessed the Group's prospects until the end of 2021, taking into consideration the current operating environment, including the impact of the Government imposed lockdown due to the Coronavirus pandemic on property and lending markets. To give the Group additional flexibility to react quickly in this environment and capitalise on potential opportunities the Group drew down its Revolving Credit Facility of £12m in full in March 2020. The Group has implemented cost cutting measures, including the furloughing of some staff, and all remaining staff are currently working remotely on a reduced salary.

The Directors' financial modelling considers the Group's profit, cash flows, regulatory capital requirements, borrowing covenants and other key financial metrics over the period. These metrics are subject to sensitivity analysis, which involves flexing a number of key assumptions underlying the projections, including the duration of the Government imposed lockdown and its impact on the UK property market and the Group's revenue mix, which the Directors consider to be severe but plausible stress tests on the Group's cash position, banking covenants and regulatory capital adequacy. The Group's financial modelling shows that the Group should continue to be cash generative, maintain a surplus on its regulatory capital requirements and be able to operate within its current financing arrangements. Based on the results of the financial modelling, the Directors expect that the Group will be able to continue in operation and meet its liabilities as they fall due over this period. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

Events after the reporting date

Due to the current global Coronavirus pandemic, in order to provide additional flexibility and to capitalise on potential opportunities quickly, the Group drew down the full amount on its Revolving Credit Facility with National Westminster Bank Plc on 20 March 2020, amounting to £12m. Whilst the Group is expecting an impact on mortgages relating to house purchase activity, it cannot estimate the length of time that this situation will continue and hence cannot estimate its financial effect on the Group, however the Group remains in a strong financial position.

Directors' indemnity

All Directors and Officers of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association and have received a deed of indemnity from the Company. The Group also purchased and maintained throughout the financial year 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.

Share capital

Mortgage Advice Bureau (Holdings) plc is a public limited company incorporated in England and Wales and its shares are quoted on the AIM market of the London Stock Exchange plc. The Company's issued share capital during the year and as at 31 December 2019 is shown in note 23. 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.

Rule 9 of the City Code

Under rule 9 of the City Code, where any person acquires an interest in shares which carry 30% or more of the voting rights that person is normally required to make a general offer to all remaining shareholders of the Company to acquire their shares.

At 31 December 2019 Peter Brodnicki held 27.1% of the Share Capital. In addition, the Panel on Takeovers and Mergers ("the Panel") considers two of the Directors (Peter Brodnicki and David Preece) as persons acting in concert for the purposes of the City Code. At 31 December 2019 the Concert Party (as now constituted) held ordinary shares, in aggregate, representing 30.1% of the Share Capital. The Panel has waived the requirement for Peter Brodnicki and related parties to make a general offer to the shareholders of the Company. Except with the consent of the Panel none of the Concert Party (or their connected persons) will individually be able to acquire any additional interests in ordinary shares without triggering an obligation under Rule 9 of the City Code, other than the issue of shares to members of this Concert Party in relation to the options granted at IPO under the option scheme as disclosed in the Directors' Remuneration Report on pages 33 to 35, and which has been approved by the Panel.

Substantial shareholdings

At 31 December 2019, 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
Peter Brodnicki	13,997,910	27.12%
Liontrust Investment Partners	10,301,372	19.96%
Kayne Anderson Rudnick Investment Management	7,724,429	14.97%
M&G Investment Management	2,857,414	5.54%

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. 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.

Related party transactions

Details of related party transactions are given in note 26.

Employee involvement

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, MABchat and its intranet, "MAB Online". The Group operates a WorkSave Pension Plan available to all employees and contributes to the pension schemes of Directors and employees. The Group operates an Enterprise Management Incentive scheme, Unapproved Incentive Plan and Share Incentive Plan, details of which are given in the Directors' Remuneration Report and the financial statements.

The Mortgage Advice Bureau (Holdings) 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 grants participating employees matching shares. 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.

More details on our employees and how we engage with our employees can be found on page 10.

Engagement with customers and suppliers

Engaging with our stakeholders is very much a part of our ethos as it strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of customers, suppliers and shareholders' insights into the issues that matter most to them and our business.

In particular, maintaining an active dialogue with our ARs is key to our business. We use a collaborative approach in operational matters such as setting goals and objectives and hold regular review meetings with each AR firm. We also work with specialist ARs and providers to explore new ideas and growing markets.

We aim to be at the forefront of providing good advice to consumers, leveraging our proprietary MIDAS Pro software platform, by offering our customers the choice of how they want to transact whilst giving our ARs the tools to improve their productivity. ARs input regularly into MIDAS Pro for instance through the Regular User Group that we have set up.

We run educational events for the continuing professional development of our Advisers. These events supplement our content-rich MAB Online platform which is used across our network. Approximately 300 Advisers have graduated from our training Academy. In 2019 we became just one of 44 UK companies to achieve the City & Guilds Princess Royal Training Award. The award is an honour for UK employers across all industries that have created lasting impact by successfully linking their skills development needs to business performance.

Engagement with customers and suppliers (continued)

The quality of consumer outcomes is central to our culture, which is reflected in our compliance strategy. We run regular compliance workshops for each AR firm, and have put in place a network of field compliance managers to monitor the performance of each Adviser against our internal procedures and systems to ensure we are fulfilling our regulatory responsibilities.

Strong and sustainable relationships with our product providers are also fundamental to our success. We hold regular roundtable events with them where topics such as business process improvements are discussed as a group. This open dialogue has for instance contributed to the implementation by our technology team of a more seamless mortgage submission process. We have also established seven direct to lender submission routes for mortgage applications and have been piloting this with one of our providers.

Political donations

The Group has made no political donations during the year (2018: £nil).

Environmental

The Board believes in good environmental practices. We have introduced a number of initiatives to minimise our impact on the environment, including energy saving lighting and heating at our premises and a cycle to work scheme open to all our employees. We have also replaced all of our single use plastic drinking cups with recyclable paper ones, and have donated some of our old office furniture to charity for reuse. Since the acquisition of the freehold of Capital House, the Group's head office, the Group has been improving the environmental impact of the building. However, due to the nature of its business generally, the Group does not have a significant environmental impact.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held on 26 May 2020. The notice of meeting is included with this document and contains further information on the ordinary business to be proposed at the meeting.

Whilst in normal circumstances the Board values very highly the opportunity to meet shareholders in person at the AGM and listen and respond to their questions, at the time of approval of this Annual Report, compulsory Government measures are in force that prohibit public gatherings of more than two people and require that people do not make unnecessary journeys. As a consequence of these measures, it is not possible to hold our AGM in the usual format without risking exposure to attendees, the Board, the Company and employees. The Board has made the difficult decision that the AGM will be a closed meeting. More details on this year's AGM arrangements are included in the notice of meeting.

Principal risks and uncertainties

The Directors' view of the principal risks and uncertainties facing the business is summarised in the Strategic report on pages 21 to 23. A full review of financial risk management can be seen on pages 73 to 75.

Corporate governance

A full review of Corporate governance appears on pages 29 to 32.

Auditors

BDO LLP, who were appointed as auditors during 2014, have confirmed their willingness to continue in office as auditor in accordance with Section 489 of the Companies Act 2006. The Group is satisfied that BDO LLP are independent and there are adequate safeguards in place to safeguard their objectivity. A resolution to re-appoint BDO as the Company's auditor will be proposed at the AGM on 26 May 2020.

Directors' statement as to disclosure of information to the auditor

All of the Directors who were members of the Board at the time of approving the Directors' Report have 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. To the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware.

On behalf of the Board

Lucy Tilley
Chief Financial Officer

1 May 2020

Mortgage Advice Bureau

Introduction

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Group is required to apply a recognised corporate governance. The Board resolved to adopt the Quoted Companies Alliance (QCA) corporate governance 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.

As a Board we believe that good governance is crucial to the delivery of our strategic objectives. We aim always to remain abreast of best practice and of developments in the regulatory framework within which we operate, and in the way in which we seek to serve the needs of our customers.

Further details on MAB's corporate governance are contained in the section entitled 'Corporate Governance' on MAB's investor website (www.mortgageadvicebureau.com/investor-relations).

Board composition and independence

The Board of Directors currently comprises three Executive Directors, three independent Non-Executive Directors and one other Non-Executive Director. Their biographies on page 24 demonstrate a range of experience which is key to the success of the Group.

The three independent 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 independent Non-Executive Directors' shareholdings to impinge on their independence. The independent Non-Executive Directors provide a strong independent element to the Board and bring a mix of skills and experience at a senior level of business operations and strategy. Together they bring the skills and experience which support our strategic direction and our culture. Nathan Imlach is the Senior Independent Director.

All Directors have access to the Company Secretary, Lucy Tilley, 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 at least seven times each year, and additional meetings are held as required. The Board is the principal forum for directing the business of the Group.

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 approval of the Group's long-term objectives and commercial strategy, of the Group's business plans, operating and capital budgets, and of the interim and annual accounts.

The Board considers and approves the Group's dividend policy, changes in the Group's capital and financing structure, and significant transactions including acquisitions and disposals. The Board is responsible for ensuring the maintenance of a sound system of internal control and risk management, for Board appointments and succession planning, the approval of the Remuneration Policy and remuneration arrangements for the Directors and other senior managers, and for setting the terms of reference for Board Committees. Other matters are delegated to management, 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 papers for Board meetings are distributed by the Company Secretary on a timely basis, usually five days before each Board meeting.

The roles of Chair and Chief Executive Officer are distinct with clear division of responsibilities. The Chair's role is to ensure good corporate governance, and her responsibilities include leading the Board, ensuring the effectiveness of the Board in all aspects of its role, setting the Board's agenda, ensuring that all directors participate fully in the activities and decision making of the Board, and ensuring communication with shareholders. As part of the Senior Managers and Certification Regime (SM&CR) which applies to the Company as an FCA-regulated firm, the Chief Executive Officer, Deputy Chief Executive Officer and Chief Financial Officer each have a specific role clearly set out in a statement of responsibilities. Together, they are responsible for overseeing the development and the delivery of the strategy approved by the Board, and the day-to-day operational and commercial management of the Group by the senior executive team. The Board is committed to developing the corporate governance and management structures of the Group to ensure they continue to meet the ongoing needs of the business.

As required by SM&CR, the non-executive Chair regularly assesses the continuing fitness and propriety of each Board member and their individual contributions to ensure amongst other things that:

- their contribution is relevant and effective;
- they are committed; and
- where relevant, they have maintained their independence.

Over the next twelve months we will continue with our annual review of the performance of the Board to assess its effectiveness, taking into account the views of the Directors on composition, business leadership and other matters.

■ Operation of the Board (continued)

All the Directors keep abreast of key issues and developments pertaining to industry, financial, regulatory and governance matters. The Directors regularly attend briefing seminars, conferences and/or industry forums, read trade publications and undertake training courses or online learning to keep up-to-date on relevant matters. Where appropriate, the Board receives presentations from industry and professional experts. The Chief Executive Officer and Deputy Chief Executive Officer are regular participants at a number of industry specific conferences, and the Chief Financial Officer and Company Secretary regularly participates in seminars on accounting, other financial and governance matters. In addition, the Non-Executive Directors hold other directorships and continually add to their skillset through those connections. Regular and open communication ensures that relevant information is disseminated effectively to the Board as a whole.

On appointment, Board members, in particular the Chair and the independent Non-Executive Directors, disclose their commitments and agree to allocate such time as is necessary to the Company in order to discharge their duties effectively. 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 the Company. Any conflicts of interest are dealt with in accordance with the Board's conflict of interest procedures.

All Executive and Non-Executive Directors retire and put themselves forward for re-election annually at each Annual General Meeting and as such all Directors will stand for re-election at the 2020 Annual General Meeting.

The Board aims to lead by example and do what is in the best interests of the Company. We have a strong set of values that we constantly communicate, as fundamental to achieving good customer outcomes and promoting business success, and this is core to our culture. The board is committed to ensuring MAB has a healthy corporate culture, and conducts an annual staff survey as part of this.

■ Board committees

To assist in discharging its duties, the Board has delegated authority to four specialist committees: an Audit Committee, a Group Risk Committee, a Remuneration Committee, and a Nominations Committee. The terms of reference of each committee are approved by the Board and kept under review. The Chair of each committee provides a report of any meeting of that committee at the next Board meeting, and all are present at the Annual General Meeting to answer questions from shareholders.

■ Audit Committee

The Audit Committee comprises Nathan Imlach (Chair), Katherine Innes Ker, David Preece and Stephen Smith.

Nathan Imlach is a Chartered Accountant and the Board is satisfied that all members of the committee have recent and relevant financial experience. The Committee meets together with the Chief Financial Officer, Lucy Tilley, not less than twice a year. 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, interim report, and any other announcements relating to the Group's financial performance or position, and to assess whether management have made appropriate estimates and judgements
- To review the effectiveness of the external audit process, and the independence and objectivity of the external auditors, negotiate and agree their remuneration and make recommendations to the Board in respect of their appointment
- To keep under review the adequacy and effectiveness of the Group's internal financial control and risk management systems
- To review and challenge where necessary any changes to significant accounting policies
- To monitor the effectiveness of the Group's procedures on whistleblowing, anti-bribery and corruption, and anti money-laundering
- To report to the Board how it has discharged its responsibilities.

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

The Committee is responsible for ensuring the financial performance of the Group is properly reported on and monitored. The Committee considers the appointment of, and fees payable to, the external auditor and discusses with them the scope of the annual audit. The Committee also reviews the external auditor's management letter and detailed presentations are made to the Committee by the Company's auditor at least once a year. 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 5 to the financial statements. The Company is satisfied the external auditor remains independent in the discharge of their audit responsibilities.

The Committee met twice during the year with future meetings to be structured around the financial calendar of the Company. During the year the Committee considered 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.

The Committee also reviews the effectiveness of the internal controls of the Group. Specific audit issues the Committee discussed included the Group's accounting for the acquisition of First Mortgage Direct Limited.

■ Remuneration Committee

The Remuneration Committee comprises Katherine Innes Ker (Chair), Nathan Imlach, David Preece and Stephen Smith. The Committee meets not less than twice a year, and more frequently as required. It is responsible for determining and reviewing the Group's policy on executive remuneration and other benefits, ensuring that this is aligned to the delivery of the Group's strategic objectives and terms of employment, including performance-related bonuses and share options. The Committee 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 Executive Directors of the Board. No Director is permitted to participate in decisions concerning their own remuneration.

The Committee met multiple times during the year, with key items considered including:

- The Group's remuneration policy
- Annual review of the Executive Directors' and other Senior Managers' base salaries and bonus arrangements
- Awards to be granted under the share option and share incentives schemes operated by the Company
- Vesting of options
- Trends in executive pay in the wider market.

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.

Further information about the Committee and the Group's remuneration policy is as set out on pages 33 to 35 in the Directors' Remuneration Report.

■ Nominations Committee

The Nominations Committee comprises Katherine Innes Ker (Chair), Nathan Imlach, David Preece, Stephen Smith, and Peter Brodnicki. The Committee is responsible for:

- reviewing the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board and to make recommendations to the Board with regard to any changes,
- succession planning for both Executive Directors and Non-Executive Board roles, and other Senior Executives in the Group, and
- identifying and recommending to the Board for approval candidates to fill Board and senior management vacancies where required.

The Committee works in close consultation with the Executive Directors, with its main priorities being Board structure, ensuring that we have the right skills and experience to fulfil our responsibilities, and management development and succession.

■ Group Risk Committee, and Risk and Compliance Committee

The Group Risk Committee (GRC) comprises Stephen Smith (Chair), Katherine Innes Ker, Nathan Imlach, and David Preece. The GRC meets five times per annum to review and discuss the following:

- all major Group-related existing and potential risks, including a review of the Group Risk Register and any RCC escalations,
- Senior Managers and Certification Regime (SM&CR),
- General Data Protection Regulation (GDPR),
- operational resilience,
- Environmental, Social and Governance (ESG), vulnerable clients, diversity, and any other relevant regulatory themes, and
- other major risk considerations and relevant upcoming legislation.

The Risk and Compliance Committee (RCC) reports to the GRC and meets on a monthly basis to review the adequacy and effectiveness of the Company's internal controls, compliance and risk management systems (including conduct risk), ensuring that it is fulfilling its regulatory responsibilities. This ensures at least two independent risk and compliance reviews. As and when required, the RCC escalates major risk events to the GRC.

The Group's risk framework is designed to ensure that 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 on the Group, such as MIFID II, the GDPR and the SM&CR, as well as implementing its own Risk Profiler system. The Group's risk management framework remains subject to ongoing review.

Communications with shareholders

The Board is committed to maintaining communication 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.mortgageadvicebureau.com/investor-relations).

All Directors will normally attend each AGM and shareholders are given the opportunity to ask questions. In addition, the Chief Executive, Deputy Chief Executive and Chief Financial Officer 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.

Whilst in normal circumstances the Board values very highly the opportunity to meet shareholders in person at the AGM and listen and respond to their questions, at the time of approval of this document, compulsory Government measures are in force that prohibit public gatherings of more than two people and require that people do not make unnecessary journeys. As a consequence of these measures, it is not possible to hold our AGM in the usual format without risking exposure to attendees, the Board, the Company and employees. The Board has therefore made the difficult decision that the AGM will be a closed meeting. More details can be found in the notice of AGM.

Internal control and risk management

The Board is ultimately responsible for the Group's system 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.

The Directors believe that the Group has internal control procedures in place appropriate to the size and nature of the business. In accordance with the guidance of the Turnbull Committee on internal control, an ongoing process is in operation for the identifying, evaluating and managing significant risks faced by the Group. The Board routinely reviews the effectiveness of the system of internal control and risk management to ensure controls react to changes in the nature of the Group's operations. There are two Board committees that review various risks: the Audit Committee and the Group Risk Committee. Further details of these committees are described on pages 30 and 31.

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

On behalf of the Board

Lucy Tilley
Chief Financial Officer

1 May 2020

Mortgage Advice Bureau

Remuneration Committee

The Remuneration Committee comprises Katherine Innes Ker (Chair), Nathan Imlach, David Preece and Stephen Smith. 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, including the Appointed Representative option scheme.

Remuneration policy

The policy of the Remuneration Committee is to set basic salaries at a level which is competitive with that of comparable businesses, with a substantial proportion of the overall remuneration package being linked to performance through participation in short term and long term incentive schemes. The objective of the overall remuneration package is to be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhance shareholder value.

During the year the Committee has taken advice from Aon Hewitt Limited ("Aon Hewitt"), a trading division of Aon plc. Aon Hewitt is a member of the Remuneration Consultants Group. Aon Hewitt provides guidance on the share incentive plans and does not provide any other services to the Group.

Salaries, fees and benefits

Salaries for Executive Directors are determined by the Remuneration Committee and are reviewed annually, taking into account individual performance over the previous twelve months and external benchmark salary data. The Executive Directors also receive other customary benefits such as holidays, pension contributions, death in service insurance and sick pay.

Fees for the Non-Executive Directors are determined by the Board, having regard to fees paid to Non-Executive Directors in other UK quoted companies of a similar scale, the time commitment and responsibilities of the role. No options are held by the independent Non-Executive Directors. Individuals cannot vote on their own remuneration.

Short term incentive arrangements

For the year ended 31 December 2019, the short-term incentive arrangements for the Executive Directors' comprised a bonus based on actual profit achieved compared to the highest previous profit achieved by the Group, a "high watermark scheme". The maximum award as a percentage of salary under the scheme is 200% of basic salary for any individual Executive Director.

Long term incentives

The Group has adopted the Mortgage Advice Bureau Executive Option Plan to incentivise certain of its senior employees and directors.

On 2 July 2019, 175,547 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity- settled Mortgage Advice Bureau Executive Share Option Plan, representing 0.3% of the current issued share capital. Exercise of these options is subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, these options will be exercisable three years from the date of grant. The exercise price for these options is 0.1 pence, being the nominal cost of ordinary shares.

Service contracts

Executive Directors have contracts of employment that are subject to notice periods of twelve months for Peter Brodnicki, and six months for Ben Thompson and Lucy Tilley.

The Non-Executive Directors were appointed for an initial period of 36 months and are subject to a three-month notice period. The remuneration of Non-Executive Directors takes the form of a base fee.

Directors' emoluments and pension contributions

Directors' remuneration payable in respect of the year ended 31 December 2019 was as follows:

Director	Basic salary and fees £	Performance related short term incentives £	Pension contributions £	Benefits[(1)] £	Total emoluments 2019 £	Total emoluments 2018 £
Katherine Innes Ker	77,000	–	–	–	**77,000**	74,000
Peter Brodnicki	377,080	289,755	–	–	**666,835**	498,834
David Preece[(2)]	160,960	144,877	–	–	**305,837**	295,557
Ben Thompson	242,925	285,280	12,020	–	**540,225**	181,492
Lucy Tilley	236,560	193,170	5,000	–	**434,730**	291,549
Nathan Imlach	40,000	–	–	–	**40,000**	38,300
Stephen Smith	35,000	–	–	–	**35,000**	31,061

Notes:

(1) The benefit package of each Executive Director includes the provision of life assurance under a Group scheme.

(2) Includes a basic salary and fees of £93,060 as an Executive Director (from 1 January 2019 until 1 July 2019), £17,500 as a Non-Executive Director (from 2 July 2019), and an additional consultancy fee of £50,400. The performance related short term incentives corresponds to the time as an Executive Director.

Directors' interests in shares

As at 31 December 2019, the interest of the Directors in the Ordinary shares of the Company were:

Director	Ordinary shares of 0.1p	%
Katherine Innes Ker	13,227	0.03
Peter Brodnicki	13,997,910	27.12
Ben Thompson	113,086	0.22
David Preece	1,524,800	2.95
Lucy Tilley	17,477	0.03
Nathan Imlach	32,292	0.06

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

Interest in options

The Group operates the Mortgage Advice Bureau Executive Option Plan by which certain of the Executive Directors and other Senior Executives are able to subscribe for ordinary shares in the Company. All options were measured at fair value at the date of grant. The interests of the Directors were as follows:

Director		Exercise price £	At 31 Dec 2018 No.	Granted during the year No.	Exercised during the year No.	Forfeited/ Not vested during the year No.	At 31 Dec 2019 No.
Peter Brodnicki	**(b)**	1.60	162,500	–	–	–	162,500
	(c)	3.5775	173,305	–	–	16,239	157,066
	(e)	4.3083	148,550	–	–	–	148,550
	(f)	0.001	19,915	–	–	–	19,915
	(h)	0.001	–	37,396	–	–	37,396
			504,270	**37,396**	**–**	**16,239**	**525,427**
David Preece	**(a)**	1.60	78,125	–	72,665	5,460	–
	(b)	1.60	59,377	–	–	4,149	55,228
	(c)	3.5775	142,557	–	–	13,358	129,199
	(e)	4.3083	73,346	–	–	19,608	53,738
	(f)	0.001	15,136	–	–	8,977	6,159
			368,541	**–**	**72,665**	**51,552**	**244,324**
Ben Thompson	**(g)**	0.001	59,263	–	–	–	59,263
	(h)	0.001	–	37,396	–	–	37,396
			–	**37,396**	**–**	**–**	**96,659**
Lucy Tilley	**(a)**	2.19	37,670	–	18,836	–	18,834
	(c)	3.5775	82,459	–	–	7,727	74,732
	(d)	3.5775	23,759	–	–	2,227	21,532
	(e)	4.3083	95,165	–	–	–	95,165
	(f)	0.001	19,915	–	–	–	19,915
	(h)	0.001	–	29,085	–	–	29,085
			258,968	**29,085**	**18,836**	**9,954**	**259,263**

Notes:
(a) Approved Option scheme – first date exercisable is 31 March 2017, last date exercisable is 11 November 2022 or in the case of Lucy Tilley, 19 May 2023.
(b) Unapproved Option scheme – first date exercisable is 31 March 2017, last date exercisable is 11 November 2022.
(c) Unapproved Option scheme – first date exercisable is 04 May 2019, last date exercisable is 3 May 2024.
(d) Approved Option scheme – first date exercisable is 04 May 2019, last date exercisable is 3 May 2024.
(e) Unapproved Option scheme – first date exercisable is 19 April 2020, last date exercisable is 18 April 2025.
(f) Unapproved Option scheme – first date exercisable is 11 April 2021, last date exercisable is 9 April 2026.
(g) Unapproved Option scheme – first date exercisable is 8 June 2021, last date exercisable is 6 June 2026.
(h) Unapproved Option scheme - first date exercisable is 1 July 2022, last date exercisable is 1 July 2027.

Note 28 to the financial statements contains details of all options granted to directors and employees as at 31 December 2019. All of the share options were granted for nil consideration.

The mid-market closing price of the Company's ordinary shares at 31 December 2019 was 774 pence and the range during the financial year was 515 pence to 795 pence.

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.

On behalf of the Board

Katherine Innes Ker
Chairman of the Remuneration Committee

1 May 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.

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 ensuring the annual report and the financial statements are made available on a website. The maintenance and integrity of the corporate and financial information included on the Group's website is the responsibility of the Directors. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion

We have audited the financial statements of Mortgage Advice Bureau (Holdings) plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, consolidated and Parent Company statement of financial position, consolidated and company statement of changes in equity, consolidated statement of cash flows, notes to the financial statements and notes to the company statement of financial position, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements 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 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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 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.

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) we identified, including 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.

Key audit matter description	How we addressed the key audit matter in the audit
Revenue recognition The Group's revenue comprises of commissions (including procuration fees), client fees and other income. Revenue recognition is considered to be a significant audit risk as it is a key driver of return to investors and there is a risk that there could be manipulation or omission of amounts recorded in the system. Management's associated accounting policies are detailed on page 54.	We responded to this risk by performing the following procedures: • We tested that revenue is recognised in line with approved policies that are in accordance with IFRS 15. • We tested the operating effectiveness of the reconciliation controls in place between revenue and cash banked. • For commission income we obtained the third reports and tested a sample back to cash receipts. • Using third party reports, we recalculated all the procuration fees independently. • For other income we agreed a sample to third party statements and cash receipts. • We agreed a sample of other income to third party support. Key observations: There were no matters arising from performing these procedures.
Clawback provision The clawback provision relates to the estimated value of repaying commission received up front on life assurance policies that may lapse in a period of up to four years following inception of the policies. The clawback provision is considered a significant audit risk due to the management judgement and estimation applied in calculating the provision and we therefore considered this to be a key audit matter. Management's associated accounting policies are detailed on page 54 with detail about judgements in applying accounting policies and critical accounting estimates on page 56 and Note 21.	We responded to this risk by performing the following procedures: • We compared the relevant assumptions e.g. unearned commission, likely future lapse rate, lapse rate history, used in the model with third party reports. • For other assumptions e.g. age profile of the commission received, the Group's share of any clawback, and the success of the in-house team that focuses on preventing lapses and/or generating new income at the point of a lapse we validated these to management's supporting analysis which is based the Group's actual experience. • We tested the arithmetical accuracy of the spreadsheet model. Key observations: There were no matters arising from performing these procedures.

Key audit matter description	How we addressed the key audit matter in the audit
Carrying value of loans to associates The Group has granted loans to its associates. These loans are held at amortised cost. The carrying value of loans to associates is considered a significant risk due to the judgements and estimates used by management in the preparation of the expected credit loss model as required by IFRS 9. Management's associated accounting policies are detailed on page 54 with detail about judgements in applying accounting policies and critical accounting estimates on page 56.	We responded to this risk by performing the following procedures: • We assessed the design and implementation of key controls by undertaking a walk-through. • We ensured that the classification of the loans to associates was in line with the requirements of IFRS 9 by checking that they meet the requirements to be held at amortised cost. • We reviewed agreements to test for any movement in loan balances in the year. • We reviewed the Expected Credit Loss model in respect of the loans to associates and checked if this is in compliance with IFRS 9, which involved: - Agreeing to management's analysis and where relevant external specific loan documentation, the key inputs including the level of credit risk, stage allocation, exposure at default, probability of default and loss given default; and - Performing sensitivity analysis on the probability of defaults and the credit risk staging. Key observations: There were no matters arising from performing these procedures.
Acquisition of First Mortgage Direct Limited (FMD) During 2019 Mortgage Advice Bureau Limited acquired an 80% shareholding in First Mortgage Direct Limited for a consideration of £16.5m. The Group has entered into an option agreement to acquire the remaining 20% shareholding. As per IFRS 3, the group has measured the identifiable assets acquired and the liabilities assumed at the acquisition date at fair value. The valuation of the acquired assets and liabilities as well as accounting and valuation of the option was a complex exercise which involved a significant level of management judgement. We also identified this as an area for potential management bias in the assumptions. Management's associated accounting policies are detailed on page 53 and in Note 29.	We responded to this risk by performing the following procedures: • We tested that the accounting treatment of the intangible assets is in accordance with IFRS. • We engaged our internal valuation expert to review the purchase price allocation that was performed for management by an accounting firm. This included considering the key estimates within the intangible asset valuation methodology including the weighted average cost of capital and the useful economic life judgements. • We performed substantive procedures on FMD's net assets as at 2 July 2019 by agreeing the balances to supporting documentation to obtain assurance on the net assets brought in at date of acquisition. • Management used an accounting firm to consider the accounting treatment of the option (comprising the put and the call option) over the remaining 20% of the issued share capital of FMD. We engaged our internal technical specialist to consider this accounting treatment. This considered the terms included in the purchase agreements and the requirements of IAS 19 and IFRS 2. • We agreed the term of the option to signed agreements and the discount rate to third party support. Key observations: As a result of our procedures we considered that management's identification of separate intangible assets was appropriate and that the acquisition and option had been appropriately accounted for.

Key audit matter description	How we addressed the key audit matter in the audit
Going concern **COVID-19 and post balance sheet event** When preparing financial statements, management are required to make an assessment to support the going concern basis of preparation. An entity is a going concern unless management either intends to cease trading, or has no realistic alternative but to do so. Following the year end, the COVID-19 virus is having a significant impact on businesses and the economy in the UK and Globally. In assessing whether the entity is a going concern management is required to take into account all available information about the future including the implications of COVID-19 effects on their operations, for a period of at least 12 months from the date when the financial statements are authorised for issue. Management has concluded that there is no material uncertainty in relation to the entity's ability to continue as a going concern. Management's associated consideration is in the Directors' report on page 26. Given the uncertainty regarding the impact of COVID-19 on the economy we considered this to be a key audit matter.	In responding to this risk, our audit procedures included assessing the reasonableness of the assumptions within management's forecasts for liquidity and profitability for a period of 12 months from the signing of these accounts. In particular: • We considered the base and stress scenarios testing undertaken by management to support the going concern assessment which included assumptions about the potential impact this could have on revenue (mainly from purchase mortgages) and possible cost saving measures and consider these assumptions plausible. We focused on the cash and capital position during this period; • The Group has an undrawn revolving credit facility in place of £12m at year end, which was then drawn post year end. We validated that the Group has at the date of signing the accounts fully drawn the credit facility and have validated to bank statements the Group's cash position at 20 April 2020; and • We have also considered the Group's ability to comply with the covenants attached to the banking facility during this period.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

We determined materiality for the Parent Company to be £285,000 (2018: £218,000) which represents 5% of net assets. We have used net assets as the Parent Company acts as a holding company only. We have then set the performance materiality at 75% (2018: 75%) due to no identified misstatements in the past.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (5% of profit before tax)	Assessing whether the financial statements as a whole present a true and fair view.	• A principal consideration for members of the company in assessing the financial performance of the Group	£885,000 (31 December 2018: £787,000)
Performance materiality (70% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • No history of misstatements	£620,000 (31 December 2018: £590,000)

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £17,000 (2018: £15,000) for the Group and £5,000 (2018: £4,000) for the Parent Company. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was scoped by obtaining an understanding of the Group's activities, the key functions undertaken by the Board and the overall control environment. Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement at a Group level.

The audit of the Group was conducted by BDO LLP directly at Group level as all transactions are recorded in a common accounting system, except for those of First Mortgage Direct Limited, which has been consolidated within the Group and was identified as a significant component. The materiality used for the audit of First Mortgage Direct Limited as a component of the Group has been set at £140,000. The audit of the Group and all entities were conducted by BDO LLP.

The audit of the Group, including First Mortgage Direct Limited, accounted for 100% of the Group's net assets, 100% of the Group's revenue and 100% of the Group's profit before tax.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the report and financial statements, 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 this regard.

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors during 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the year ended 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ariel Grosberg
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London
22 April 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	**143,741**	123,291
Cost of sales	4	**(107,316)**	(94,851)
Gross profit		**36,425**	28,440
Administrative expenses		**(18,877)**	(13,201)
Share of profit of associates, net of tax	14	**88**	361
Operating profit		**17,636**	15,600
Analysed as:			
Operating profit before charging		**18,623**	15,600
Acquisition costs	29	**(987)**	
Operating profit		**17,636**	15,600
Finance income	7	**147**	82
Finance expense	7	**(86)**	–
Profit before tax		**17,697**	15,682
Tax expense	8	**(2,968)**	(2,492)
Profit for the year		**14,729**	13,190
Total comprehensive income		**14,729**	13,190
Profit is attributable to:			
Equity owners of parent company		**14,499**	13,190
Non-controlling interests		**230**	–
		14,729	13,190
Earnings per share attributable to the owners of the parent company			
Basic	9	**28.2p**	25.9p
Diluted	9	**27.7p**	25.3p

All amounts shown relate to continuing activities.

The notes on page 47 to 84 form part of these financial statements

Consolidated statement of financial position
as at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**2,924**	2,616
Right of use assets	12	**2,907**	–
Goodwill	13	**15,155**	4,114
Other intangible assets	13	**3,862**	645
Investments in associates and joint venture	14	**3,133**	1,573
Investments in non-listed equity shares	15	**75**	–
Other receivables	17	**3,330**	2,296
Deferred tax asset	22	**1,517**	878
Total non-current assets		**32,903**	12,122
Current assets			
Trade and other receivables	17	**4,959**	4,603
Cash and cash equivalents	18	**20,867**	25,589
Total current assets		**25,826**	30,192
Total assets		**58,729**	42,314
Equity and liabilities			
Share capital	23	**52**	51
Share premium		**5,451**	4,094
Capital redemption reserve		**20**	20
Share option reserve		**2,799**	1,675
Retained earnings		**17,272**	14,829
Equity attributable to owners of the Parent Company		**25,594**	20,669
Non-controlling interests		**1,595**	–
Total equity		**27,189**	20,669
Liabilities			
Non-current liabilities			
Provisions	21	**3,735**	1,704
Lease liabilities	12	**2,645**	–
Deferred tax liability	22	**651**	54
Total non-current liabilities		**7,031**	1,758
Current liabilities			
Trade and other payables	19	**22,371**	18,690
Lease liabilities	12	**334**	–
Corporation tax liability		**1,804**	1,197
Total current liabilities		**24,509**	19,887
Total liabilities		**31,540**	21,645
Total equity and liabilities		**58,729**	42,314

The notes on page 47 to 84 form part of these financial statements.

The financial statements were approved by the Board of Directors on 22 April 2020.

P Brodnicki
Director

L Tilley
Director

Mortgage Advice Bureau

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Attributable to the holders of the Parent Company							
	Share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Share option reserve £'000**	**Retained earnings £'000**	**Total £'000**	**Non-controlling interests £'000**	**Total Equity £'000**
Balance at 1 January 2018	51	3,574	20	1,450	13,071	18,166	–	18,166
Profit for the year	–	–	–	–	13,190	13,190	–	13,190
Total comprehensive income	–	–	–	–	13,190	13,190	–	13,190
Transactions with owners								
Issue of shares	–	520	–	–	–	520	–	520
Share based payment transactions	–	–	–	477	–	477	–	477
Deferred tax asset recognised in equity	–	–	–	(185)	–	(185)	–	(185)
Reserve transfer	–	–	–	(67)	67	–	–	–
Dividends paid	–	–	–	–	(11,499)	(11,499)	–	(11,499)
Transactions with owners	–	520	–	225	(11,432)	(10,687)	–	(10,687)
Balance at 31 December 2018 and 1 January 2019	51	4,094	20	1,675	14,829	20,669	–	20,669
Profit for the year	–	–	–	–	14,499	14,499	230	14,729
Total comprehensive income	–	–	–	–	14,499	14,499	230	14,729
Transactions with owners			–					
Issue of shares	1	1,357	–	–	–	1,358	–	1,358
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	–	1,365	1,365
Share based payment transactions	–	–	–	760	–	760	–	760
Deferred tax asset recognised in equity	–	–	–	544	–	544	–	544
Reserve transfer	–	–	–	(180)	180	–	–	–
Dividends paid	–	–	–	–	(12,236)	(12,236)	–	(12,236)
Transactions with owners	1	1,357	–	1,124	(12,056)	(9,574)	1,365	(8,209)
Balance at 31 December 2019	**52**	**5,451**	**20**	**2,799**	**17,272**	**25,594**	**1,595**	**27,189**

The notes on page 47 to 84 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the year before tax		**17,697**	15,682
Adjustments for:			
Depreciation of property, plant and equipment	11	**303**	207
Depreciation of right of use assets	12	**187**	–
Amortisation of intangibles	13	**249**	44
Share based payments		**760**	477
Share of profit from associates	14	**(280)**	(494)
Dividends received from associates	14	**311**	392
Finance income	7	**(147)**	(82)
Finance expense	7	**86**	–
		19,166	16,226
Changes in working capital			
Decrease/(increase) in trade and other receivables (other than accrued interest income)		**446**	(2,437)
Increase in trade and other payables		**2,566**	3,691
Increase in provisions		**586**	208
Cash generated from operating activities		**22,764**	17,688
Income taxes paid		**(2,360)**	(2,818)
Net cash generated from operating activities		**20,404**	14,870
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		**(12,223)**	–
Purchase of property, plant and equipment	11	**(186)**	(175)
Purchase of intangibles	13	**(1)**	(591)
Acquisitions of associates and investments	14	**(1,591)**	(132)
Acquisition of investments in non-listed equity shares	15	**(75)**	–
Net cash used in investing activities		**(14,076)**	(898)
Cash flows from financing activities			
Interest received	7	**77**	45
Interest paid	7	**(86)**	–
Principal element of lease payments		**(163)**	–
Issue of shares	23	**1,358**	520
Dividends paid	10	**(12,236)**	(11,499)
Net cash used in financing activities		**(11,050)**	(10,934)
Net increase in cash and cash equivalents		**(4,722)**	3,038
Cash and cash equivalents at the beginning of year		**25,589**	22,551
Cash and cash equivalents at the end of the year		**20,867**	25,589

The notes on page 47 to 84 form part of these financial statements.

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented.

The consolidated financial statements are presented in Great British Pounds, which is also the Group's functional currency. All amounts are rounded to the relevant thousands, unless otherwise stated.

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) (EU "adopted IFRSs") and with those parts of the Companies Act 2006 that are applicable to companies that prepare financial statements in accordance with IFRSs.

The preparation of financial statements in compliance with adopted EU IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report as set out earlier in these financial statements. The financial position of the Group, its cash flows and liquidity position are described in these financial statements.

The Group made an operating profit of £17.6m during 2019 (2018: £15.6m) and had net current assets of £1.3m at 31 December 2019 (31 December 2018: £10.3m) and equity attributable to owners of the Group of £25.6m (31 December 2018: £20.7m).

The Directors have assessed the Group's prospects until the end of 2021, taking into consideration the current operating environment, including the impact of the Government imposed "lockdown" due to the coronavirus pandemic on property and lending markets. To give the Group additional flexibility to react quickly in this environment and capitalise on potential opportunities the Group drew down its Revolving Credit Facility of £12m in full in March 2020. The Group has implemented cost cutting measures, including the furloughing of some staff, and all remaining staff are currently working remotely on a reduced salary. The Directors' financial modelling considers the Group's profit, cash flows, regulatory capital requirements, borrowing covenants and other key financial metrics over the period. These metrics are subject to sensitivity analysis, which involves flexing a number of key assumptions underlying the projections, including the duration of the Government imposed lockdown and its impact on the UK property market and the Group's revenue mix, which the Directors consider to be severe but plausible stress tests on the Group's cash position, banking covenants and regulatory capital adequacy. The Group's financial modelling shows that the Group should continue to be cash generative, maintain a surplus on its regulatory capital requirements and be able to operate within its current financing arrangements. Based on the results of the financial modelling, the Directors expect that the Group will be able to continue in operation and meet its liabilities as they fall due over this period. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

Changes in accounting policies

New standards, interpretations and amendments effective for the year ended 31 December 2019

New standards, interpretations and amendments applied for the first time

The Group applied IFRS 3 (amendment) and IFRS 16 for the first time. The nature and the effect of the changes as a result of adoption of these new accounting standards are described below.

Several other standards and interpretations apply for the first time in 2019 but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- **IFRS 16 Leases.** The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for leases – leases of "low value" assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right of use asset). Lessees will be required to separately recognise the interest expenses on the lease liability and the depreciation expense on the right of use asset.

- Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

  Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principles as in IAS 17 and distinguish between two types of leases: operating and finance leases.

1. Accounting policies (continued)

Changes in accounting policies (continued)

New standards, interpretations and amendments effective for the year ended 31 December 2019 (continued)

New standards, interpretations and amendments applied for the first time (continued)

This amendment has been applied to new leases in the year. There were no other leases held recently by the Group.

- **IFRS 3 Business Combinations.** The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on all business combinations of the Group.

New standards with no impact on the Group

- **IFRIC Interpretation 23.** Uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 (Income taxes) and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- **IFRS 11 Joint Arrangements.** A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- **IAS 12 Income Taxes.** The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, there has been no effect on its consolidated financial statements.

1. Accounting policies (continued)

■ Changes in accounting policies (continued)

New standards, interpretations and amendments not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- **Amendments to IFRS 10 and IAS 28: Sale or contribution of Assets between an investor and its Associate or Joint Venture.** The amendments address the conflict between IFRS 10, Consolidated Financial Statements and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain and loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interest in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

- **Amendments to IFRS 3: Definition of a business.** The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than the ability to create outputs.

  The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entitles do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

- **Amendments to IAS I and IAS 8: Definition of material.** In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

  An entity must apply these amendments for annual reporting periods beginning on or after 1 January 2020. The amendments must be applied prospectively. Early application is permitted and must be disclosed.

- **The Conceptual Framework of Financial Reporting.** The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

■ Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting date.

All other assets are classified as non-current.

Assets included in current assets which are expected to be realised within twelve months after the reporting date are measured at fair value which is their book value. Fair value for investments in unquoted equity shares is the net proceeds that would be received for the sale of the asset where this can be reasonably determined.

1. Accounting policies (continued)

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Associates

Where the Group has the power to participate in, but not control the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint ventures

The Group accounts for its interests in joint ventures in the same manner as investments in Associates (i.e. using the equity method).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in the joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment at rates calculated to write off the cost of each asset on a straight line basis over their expected useful lives, as follows:

Freehold land	not depreciated
Freehold buildings	36 years
Fixtures and fittings	5 years
Computer equipment	3 years

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. The Directors reassess the useful economic life of the assets annually.

Goodwill

Goodwill represents the excess of a cost of a business combination over the Group's interest in the fair value of identifiable assets under IFRS 3 Business Combinations.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

1. Accounting policies (continued)

Other intangible assets

Intangible assets other than goodwill acquired by the Group comprise licences, the website and software and are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income within administrative expenses on a straight line basis over the period of the licence agreements or expected useful life of the asset and is charged once the asset is in use. Assets are tested annually for impairment or more frequently if events or circumstances indicate potential impairment.

Amortisation, which is reviewed annually, is provided on intangible assets to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

Licences	6 years
Website and Software	3 years
Customer contracts	9 years
Trademarks	10 years

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows, its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss except to the extent that they reverse gains previously recognised in other comprehensive income. An impairment loss for goodwill is not reversed.

Financial assets

In the consolidated statement of financial position, the Group classifies its financial assets as loans, trade receivables and cash and cash equivalents. The classification depends on the purpose for which the financial assets were acquired. Loans and trade receivables are non-derivative financial assets with fixed or determinable payments which arise principally through the Group's trading activities, and these assets arise principally to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for loans to associates are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents include cash in hand and deposits held at call with banks with an original maturity of three months or less.

Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently carried at amortised cost.

1. Accounting policies (continued)

Leases

The Group's leasing activities and how they are accounted for

The Group leases a number of properties from which it operates. Rental contracts are typically made for fixed periods of five to ten years, with break clauses negotiated for some of these.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Until the end of 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. Under the transitional approach the comparatives have not been adjusted. Therefore, the Group has adopted the modified retrospective transition approach.

From 1 January 2019, all leases are accounted for by recognising a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

Payments associated with short-term leases and leases of low value assets will continue to be recognised on a straight-line basis as an expense in the statement of comprehensive income. Low value assets within the Group comprise of IT equipment.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- where it does not have recent third party financing, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs.

Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group does not revalue its land and buildings that are presented within property, plant and equipment, and has chosen not to do so for the right of use buildings held by the Group.

1. Accounting policies (continued)

■ Leases (continued)

Variable lease payments

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Some property leases contain variable lease payments linked to current market rental from August 2023. A 1% fluctuation in market rent would impact total annual lease payments by approximately £16,000.

Extension and termination options

Termination options are included in a number of the leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of property, the following factors are normally the most relevant:

- If there are significant penalties to terminate, the Group is typically reasonably certain not to terminate
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to not terminate
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

At 31 December 2019, the carrying amounts of lease liabilities are not reduced by amount of payments that would be avoided from exercising a break clause because it was considered reasonably certain that the Group would not exercise its right to break the lease. Total lease payments of £0.6m are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

■ Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Where goodwill has been allocated to the Group's cash-generating unit (CGU) and part of the operation within the unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

1. Accounting policies (continued)

Business Combinations and Goodwill (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the subsequent acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Where a business combination is for less than the entire issued share capital of the acquiree and there is an option for the acquirer to purchase the remainder of the issued share capital of the business and/or for the vendor to sell the rest of the entire issued share capital of the business to the acquirer, then the acquirer will assess whether a non-controlling interest exists and also whether the instrument(s) fall within the scope of IFRS 9 Financial Instruments and is/are measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Options that are not within the scope of IFRS 9 and are linked to service will be accounted for under IAS 19 Employee Benefits and/or IFRS 2 Share Based Payments as appropriate.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

Revenue

Revenue comprises commissions, client fees and other income. Commissions and client fees are included at the gross amount's receivable by the Group in respect of all services provided. Commissions payable to trading partners in respect of their share of the commissions earned are included in cost of sales.

Commissions and client fees earned are accounted for when received or guaranteed to be received, as until received it is not possible to be certain that the transaction will be completed. When commissions and client fees are received this confirms that the performance obligation has been satisfied. In the case of life commissions there is a possibility for a four year period after the inception of the policy that part of the commission earned may have to be repaid if the policy is cancelled during this period. A clawback provision is made for the expected level of commissions repayable.

Other income comprises income from ancillary services such as survey and conveyancing fees and is credited to the statement of comprehensive income when received or guaranteed to be received.

Finance income

Finance income comprises interest receivable on cash at bank and interest recognised on loans to associates. Interest income is recognised in the statement of comprehensive income as it accrues.

Foreign exchange

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss other than if it relates to items recognised in other comprehensive income in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted by the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are recognised for all taxable temporary differences, except for when;

- The difference arises from the initial recognition of goodwill or 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.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

1. Accounting policies (continued)

Taxation (continued)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company, or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Sales taxes

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

- When 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.
- When receivables and payables 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.

Segment reporting

An operating segment is a distinguishable segment of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the entity’s chief operating decision maker (CODM). The Board reviews the Group’s operations and financial position as a whole and therefore considers that it has only one operating segment, being the provision of financial services operating solely within the UK. The information presented to the CODM directly reflects that presented in the financial statements and they review the performance of the Group by reference to the results of the operating segment against budget.

Operating profit is the profit measure, as disclosed on the face of the combined income statement that is reviewed by the CODM.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Where options are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of the options at the date of the grant over the vesting period.

2. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The Directors consider that the estimates and judgements that have the most significant effect on the carrying amounts of assets and liabilities within the financial statements are set out below.

(a) Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 13.

(b) Impairment of trade and other receivables

Judgement is required when determining if there is any impairment to the trade and other receivable balances, and the Group is using the simplified approach for trade receivables within IFRS 9 using the lifetime expected credit losses. During this process judgements about the probability of the non-payment of the trade receivables are made.

In considering impairment provisions for loans to associates the forward looking expected credit loss model used. In determining the lifetime expected credit losses for loans to associates, the Group has had to consider different scenarios for repayments of these loans and have also estimated percentage probabilities assigned to each scenario for each associate where applicable. More information is included in note 17.

(c) Clawback provision

The provision relates to the estimated value of repaying commission received up front on life assurance policies that may lapse in a period of up to four years following inception. The provision is calculated using a model that has been developed over several years. The model uses a number of factors including the total unearned commission at the point of calculation, the age profile of the commission received, the Group's proportion of any clawback, likely future lapse rates, and the success of the Group's team that focuses on preventing lapses and/or generating new income at the point of a lapse. More information is included in note 21.

(d) Freehold building

The freehold building is depreciated over its useful life. The useful life is based on management's estimate of the period that the asset will generate revenue and will be reviewed annually for continued appropriateness. The carrying value will be tested for impairment when there is an indication that the value of the asset might be impaired. When carrying out an impairment test this would be based on future cash flow forecasts and these forecasts would be based on management judgement. No such indication of impairment has been noted.

(e) Deferred tax assets

Deferred tax assets include temporary differences related to the issue and exercise of share options. Recognition of the deferred tax assets assigns an estimate of proportion of options likely to vest, an estimate of share price at vesting and assumes share options will have a positive value at the date of vesting, which is greater than the exercise price. The carrying amount of deferred tax assets relating to share options at 31 December 2019 was £1.5m (2018: £0.8m).

3. Revenue

The Group operates in one segment being that of the provision of financial services in the UK. Revenue is derived as follows:

	2019 £'000	2018 £'000
Mortgage related products	**84,542**	74,453
Insurance and other protection products	**56,220**	47,021
Other income	**2,979**	1,817
	143,741	123,291

4. Cost of sales

Costs of sales are as follows:

	2019 £'000	2018 £'000
Commissions paid	**102,380**	93,088
Wages and salary costs	**4,936**	1,763
	107,316	94,851

Wages and salary costs	2019 £'000	2018 £'000
Gross	**4,006**	1,344
Employers' National Insurance	**470**	160
Defined contribution pension costs	**214**	61
Other direct costs	**246**	198
	4,936	1,763

5. Profit from operations

Profit from operations is stated after charging the following:

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	**303**	207
Depreciation of right of use assets	**187**	–
Amortisation of intangibles	**249**	44
Auditor remuneration:		
Fees payable to the Group's auditor for the audit of the Group's financial statements	**10**	10
Fees payable to the Group's auditor for the audit of the Group's subsidiary financial statements	**90**	48

Other administrative expenses are incurred in the ordinary course of the business and in 2019 include £1.0m of costs relating to the acquisition of First Mortgage Direct Limited, of which £0.4m is non-recurring.

Profits from associates are disclosed as part of the operating profit as this is the operational nature of the Group.

6. Staff costs

Staff costs, including Executive and Non-Executive Directors' remuneration, were as follows:

	2019 £'000	2018 £'000
Wages and salaries	**13,636**	7,692
Share based payments (see note 28)	**1,289**	801
Social security costs	**1,428**	765
Defined contribution pension costs	**671**	260
Other employee benefits (see note 29)	**202**	–
	17,226	9,518

Included within share based payments is £0.2m relating to the option to purchase the remaining 20% of First Mortgage Direct Ltd (see note 29).

The average number of people employed by the Group during the year was:

	2019 Number	2018 Number
Executive Directors	**3**	4
Advisers	**49**	–
Compliance	**74**	64
Sales and marketing	**57**	45
Operations	**104**	53
Total	**287**	166

6. Staff costs (continued)

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. These are the directors of Mortgage Advice Bureau (Holdings) plc.

	2019 £'000	2018 £'000
Wages and salaries	**2,083**	1,233
Share based payments	**285**	238
Defined contribution pension costs	**17**	34
	2,385	1,505

During the year retirement benefits were accruing to 2 directors (2018: 2) in respect of defined contribution pension schemes.

The total amount payable to the highest paid director in respect of emoluments was £666,835 (2018: £498,834). The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2018: £nil).

7. Finance income and expense

Finance income	2019 £'000	2018 £'000
Interest income	**77**	45
Interest income accrued on loans to associates	**70**	37
	147	82

Finance expense	2019 £'000	2018 £'000
Interest expense	**51**	–
Interest expense on lease liabilities	**35**	–
	86	–

8. Income tax

	2019 £'000	2018 £'000
Current tax expense		
UK corporation tax charge on profit for the year	**3,170**	2,627
Adjustment to charge in respect of prior periods	**(62)**	–
Total current tax	**3,108**	2,627
Deferred tax expense		
Origination and reversal of timing differences	**(69)**	(64)
Temporary difference on share based payments	**(127)**	(71)
Adjustment to deferred tax charge in respect of prior periods	**56**	–
Total deferred tax (see note 22)	**(140)**	(135)
Total tax expense	**2,968**	2,492

The reasons for the difference between the actual charge for the year and the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%) applied to profit for the year is as follows:

	2019 £'000	2018 £'000
Profit for the year before tax	**17,697**	15,682
Expected tax charge based on corporation tax rate	**3,363**	2,980
Expenses not deductible for tax purposes	**188**	72
Research & Development allowances	**(285)**	(212)
Tax on share options exercised	**(263)**	(269)
Adjustment to deferred tax charge in respect of prior periods	**56**	–
Adjustment to corporation tax charge in respect of prior periods	**(62)**	–
Profits from associates	**(53)**	(94)
Effect of lower deferred tax rate	**24**	15
Total tax expense	**2,968**	2,492

For the year ended 31 December 2019 the deferred tax charge relating to unexercised share options, recognised in equity was (£544,179) (2018: £184,671).

9. Earnings per share

Basic earnings per share 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.

Basic earnings per share	2019 £'000	2018 £'000
Profit for the year attributable to the owners of the parent	14,499	13,190
Weighted average number of shares in issue	51,413,922	51,022,846
Basic earnings per share (in pence per share)	28.2 p	25.9p

For diluted earnings per share, the weighted average number of ordinary shares in existence is adjusted to include potential ordinary shares arising from share options.

Diluted earnings per share	2019 £'000	2018 £'000
Profit for the year attributable to the owners of the parent	14,499	13,190
Weighted average number of shares in issue	52,434,259	52,201,486
Diluted earnings per share (in pence per share)	27.7p	25.3p

The share data used in the basic and diluted earnings per share computations are as follows:

Weighted average number of ordinary shares	2019	2018
Issued ordinary shares at start of period	51,105,708	50,787,345
Effect of shares issued during period	308,214	235,501
Basic weighted average number of shares	51,413,922	51,022,846
Potential ordinary shares arising from options	1,020,337	1,178,640
Diluted weighted average number of shares	52,434,259	52,201,486

Adjusted earnings per ordinary share is also presented to eliminate the effects of acquisition costs, £374,000 of which are non-recurring costs. This presentation shows the trend in earnings per ordinary share that is attributable to the underlying trading activities of the Group.

The reconciliation between the basic and adjusted figures is as follows:

	2019 £'000	2018 £'000	2019 Basic earnings per share pence	2018 Basic earnings per share pence	2019 Diluted earnings per share pence	2018 Diluted earnings per share pence
Profit for the period	14,499	13,190	28.2	25.9	27.7	25.3
Adjustments:						
Acquisition costs	987	–	1.9	–	1.8	–
Tax effect of adjustments	–	–	–	–	–	–
Adjusted earnings	15,486	13,190	30.1	25.9	29.5	25.3

The Group uses adjusted results as key performance indicators, as the Directors believe that these provide a more consistent measure of operating performance. Adjusted profit is therefore stated before one-off acquisition costs.

10. Dividends

	2019 £'000	2018 £'000
Dividends paid and declared during the year:		
Final dividend for 2018: 12.7p per share (2017: 11.9p)	**6,507**	6,082
Interim dividend for 2019: 11.1p per share (2018: 10.6p)	**5,729**	5,417
	12,236	11,499
Equity dividends on ordinary shares:		
Proposed for approval:		
Final dividend for 2019: 6.4p per share (2018: 12.7p)	**3,305**	6,490
	7,470	6,490

The record date for the final dividend is 1 May 2020 and the payment date is 29 May 2020. The ex-dividend date will be 30 April 2020. The Company statement of changes in equity shows that the Company has positive reserves of £414,000. There are sufficient distributable reserves in subsidiary companies to pass up to Mortgage Advice Bureau (Holdings) plc in order to pay the proposed final dividend.

Prior to the payment of previous dividends since listing, reserves have been passed up from subsidiary companies which ensured that the Company had sufficient distributable reserves to pay these dividends at the relevant time. However, due to an administrative oversight interim accounts showing that there were sufficient distributable reserves in the Company were not filed with the Register of Companies as required by s838(6) Companies Act 2006 and, as a result these dividends could be considered to have been unlawful distributions.

On becoming aware of this technical failure, the Board has taken steps to rectify this position and at the forthcoming Annual General Meeting on 26 May 2020 shareholders will be asked to consider a special resolution, which if passed, will:

a) Release shareholders from claims by the Company in relation to the unlawful dividends and direct the Company to enter into a deed poll in respect of the same;
b) Release past and present Directors from claims in relation to the unlawful dividends and direct the Company to enter into a deed of release in respect of the same.

The Directors have no reason to believe that the above resolution will not be passed at the Annual General Meeting.

11. Property, plant and equipment

	Freehold land and building £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2019	2,461	567	853	3,881
Acquisition of subsidiary	75	308	42	425
Additions	–	44	142	186
At 31 December 2019	**2,536**	**919**	**1,037**	**4,492**
Depreciation				
At 1 January 2019	177	371	717	1,265
Charge for the year	57	132	114	303
At 31 December 2019	**234**	**503**	**831**	**1,568**
Net book value				
At 31 December 2019	**2,302**	**416**	**206**	**2,924**

	Freehold land and building £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2018	2,461	494	751	3,706
Additions	–	73	102	175
At 31 December 2018	**2,461**	**567**	**853**	**3,881**
Depreciation				
At 1 January 2018	122	314	622	1,058
Charge for the year	55	57	95	207
At 31 December 2018	**177**	**371**	**717**	**1,265**
Net book value				
At 31 December 2018	**2,284**	**196**	**136**	**2,616**

12. Right of use assets

Leases

This note provides information for leases where the group is a lessee.

The balance sheet shows the following amounts to leases:

Right of use assets	Land and Buildings £'000	Total £'000
At 1 January 2019	–	–
On acquisition of subsidiary	3,094	3,094
Depreciation	(187)	(187)
At 31 December 2019	**2,907**	**2,907**

Lease liabilities	Land and Buildings £'000	Total £'000
At 1 January 2019	–	–
On acquisition of subsidiary	3,142	3,142
Interest expense	35	35
Lease payments	(198)	(198)
At 31 December 2019	**2,979**	**2,979**

All additions during 2019 related to the acquisition of First Mortgage Direct Ltd.

The present value of the lease liabilities is as follows:

31 December 2019	Within 1 year	1-2 years	2-5 years	After 5 years	Total
Lease payments (undiscounted)	399	389	1,142	1,355	3,285
Finance charges	(64)	(57)	(124)	(61)	(306)
Net present values	**335**	**332**	**1,018**	**1,294**	**2,979**

The statement of comprehensive income shows the following amounts relating to leases:

	2019 £'000
Depreciation charge of right of use assets	**187**
Interest expense	**35**
Low value lease expense	**3**

13. Intangible assets

Goodwill	2019 £'000	2018 £'000
Cost		
As at 1 January	**4,267**	4,267
Acquisition of business (note 29)	**11,041**	–
At 31 December	**15,308**	4,267
Accumulated impairment		
At 1 January and 31 December	**153**	153
Net book value		
At 31 December	**15,155**	4,114

The goodwill relates to the acquisition of Talk Limited in 2012, and in particular its main operating subsidiary Mortgage Talk Limited and the acquisition of First Mortgage Direct Limited ("FMD") in the year (see note 29). The goodwill is deemed to have an indefinite useful life. It is currently carried at cost and is reviewed annually for impairment.

Under IAS 36, "Impairment of assets", the Group is required to review and test its goodwill annually each year or in the event of a significant change in circumstances. The impairment review conducted at the end of 2018 concluded that there had been no impairment of goodwill.

The Board considers that it has only one operating segment and following the acquisition of FMD, now has two cash-generating units (CGUs). Goodwill arose on the acquisition of Mortgage Talk Limited and has since been allocated to the CGU of the Group excluding FMD. Impairment testing for this CGU is carried out by determining recoverable amount on the basis of a value in use, which is then compared to the carrying value of the assets of the CGU including goodwill. The value in use that has been determined exceeds the carrying value of this CGU and therefore no impairment of goodwill is required. Management has estimated future cash flows over a five year period and applied a discount rate of 11% and then applied a terminal value calculation, which assumes a growth rate of 5% in future cashflows, in order to estimate the present value of those cash flows in determining the value in use. Management believes that any possible changes to any of the key assumptions applied in determining the value in use would not cause the carrying amount of goodwill to exceed the present value of the estimated future cashflows.

13. Intangible assets (continued)

Other intangible assets

	Licences £'000	Website £'000	Software £'000	Customer contracts £'000	Trademarks £'000	Total £'000
Cost						
At 1 January 2019	108	140	554	–	–	802
Acquisition of subsidiary	–	–	15	1,980	1,470	3,465
Additions	–	–	1	–	–	1
At 31 December 2019	**108**	**140**	**570**	**1,980**	**1,470**	**4,268**
Accumulated amortisation						
At 1 January 2019	108	49	–	–	–	157
Charge for the year	–	47	18	110	74	249
At 31 December 2019	**108**	**96**	**18**	**110**	**74**	**406**
Net book value						
At 31 December 2019	**–**	**44**	**552**	**1,870**	**1,396**	**3,862**

	Licences £'000	Website £'000	Software £'000	Customer contracts £'000	Trademarks £'000	Total £'000
Cost						
At 1 January 2018	108	103	–	–	–	211
Additions	–	37	554	–	–	591
At 31 December 2018	**108**	**140**	**554**	**–**	**–**	**802**
Accumulated amortisation						
At 1 January 2018	108	5	–	–	–	113
Charge for the year	–	44	–	–	–	44
At 31 December 2018	**108**	**49**	**–**	**–**	**–**	**157**
Net book value						
At 31 December 2018	–	91	554	–	–	645

14. Investments in associates and joint venture

The Group holds investments in associates and a joint venture, all of which are accounted for under the equity method, as follows:

Company name	Registered office	Percentage of ordinary shares held	Description
CO2 Commercial Limited	Profile House, Stores Road, Derby DE21 4BD	49	Property surveyors
Lifetime FS Limited[(1)]	Capital House, Pride Place, Derby DE24 8QR	49	Provision of financial services
Freedom 365 Mortgage Solutions Limited	Gresley House, Ten Pound Walk, Doncaster DN4 5HX	35	Provision of financial services
Sort Group Limited	Burdsall House, London Road, Derby DE24 8UX	43.25	Conveyancing services
Sort Limited	Burdsall House, London Road, Derby, DE24 8UX	10.52	Conveyancing services
Buildstore Limited	Nsb & Rc Lydiard Fields, Great Western Way, Swindon SN5 8UB	25	Provision of financial services
Clear Mortgage Solutions Limited	114 Centrum House, Dundas Street, Edinburgh EH3 5DQ	25	Provision of financial services
Vita Financial Limited	1st Floor Tudor House, 16 Cathedral Road, Cardiff CF11 9LJ	20	Provision of financial services
MAB Broker Services PTY Limited	Level 7, 68 Alfred Street, Milsons Point, NSW 2061	45	Provision of financial services
Eagle and Lion Limited	8 Mortimer Road, Clifton, Bristol, BS8 4EX	49	Provision of financial services
The Mortgage Broker Group Limited	The Granary Crowhill Farm, Ravensden Road, MK44 2QS	25	Provision of financial services

The reporting date for the Group's associates, as listed in the table above, is 31 December and their country of incorporation is England and Wales. The reporting date for the Group's joint venture, MAB Broker Services PTY Limited, is 30 June and its country of incorporation is Australia.

(1) MAB Wealth Management Limited changed its name to Lifetime FS Limited on 31 December 2019

14. Investments in associates and joint venture (continued)

The investment in associates and the joint venture at the reporting date is as follows:

	2019 £'000	2018 £'000
At 1 January	**1,573**	1,339
Additions	**1,783**	265
Credit/(charge) to the statement of comprehensive income		
Share of profit	**280**	494
Amount written off	**(192)**	(133)
	88	361
Dividends received	**(311)**	(392)
At 31 December	**3,133**	1,573

The Group is entitled to 49% of the results of CO2 Commercial Limited, and Lifetime FS by virtue of its 49% equity stakes. CO2 Commercial Limited is a dormant holding company, and trades through its wholly owned subsidiary, Pinnacle Surveyors (England & Wales) Limited. The Group is entitled to 45% of the results of MAB Broker Services PTY Limited by virtue of its 45% equity stake, 35% of the results of Freedom 365 Mortgage Solutions Limited by virtue of its 35% equity stake, 25% of the results of Buildstore Limited, Clear Mortgage Solutions Limited and The Mortgage Broker Group Limited by virtue of its 25% equity stakes, 20% of the results of Vita Financial Limited by virtue of its 20% equity stake, and 49% of the results of Eagle and Lion Limited by virtue of its 49% equity stake.

The Group is entitled to 43.25% of the results of Sort Group Limited by virtue of its 43.25% equity stake. Additionally, the Group is entitled to 10.52% of the results of Sort Limited by virtue of its 10.52% equity stake. Mortgage Advice Bureau Limited's effective holding in Sort Limited, Sort Legal Limited and Sort Technology Limited is now 43.25%, 43.25% and 41.09% respectively.

The carrying value of the Group's joint venture, MAB Broker Services PTY Limited, at 31 December 2019 is £nil (2018: £nil). In the period ended 30 June 2019, MAB Broker Services PTY reported a loss of AUD0.9m (2018: AUD0.6m).

Acquisitions and disposals

2018

The Group acquired a 33.33% interest in Eagle and Lion Limited on 15 October 2018 at a cost of £131,460. In accordance with IFRS 9 the Group increased the value of investments by £133,324 to reflect the present value adjustment to an interest free loan, to an associate.

2019

The Group acquired a 25% interest in The Mortgage Broker Group Ltd on 20 May 2019 at a cost of £1,250,000.
The Group acquired a further 15.67% interest in Eagle and Lion Limited on 29 July 2019 for nil consideration. The Group acquired a 6% interest in Sort Ltd on 31July 2019 at a cost of £161,000. The Group acquired a further 5% interest in Sort Ltd on 29 November 2019 at a cost of £180,000. In accordance with IFRS 9 the Group increased the value of investments by £192,340 to reflect the present value adjustment to a group interest free loan to an associate.

14. Investments in associates and joint venture (continued)

As the associates are private companies published share prices are not available. The aggregate amounts of certain financial information of the associates is summarised as follows:

2019	**Pinnacle Surveyors (England & Wales) Limited £'000**	**Buildstore Limited £'000**	**Sort Group Limited £'000**	**Clear £'000**	**Others £'000**	**2019 Total £'000**
Non-current assets	**14**	**226**	**219**	**89**	**333**	**881**
Cash balances	**170**	**455**	**778**	**70**	**296**	**1,769**
Current assets (excluding cash balances)	**917**	**1,737**	**1,137**	**321**	**572**	**4,684**
Current liabilities	**(581)**	**(1,881)**	**(1,838)**	**(300)**	**(248)**	**(4,848)**
Non-current liabilities and provisions	**(3)**	**(32)**	**(41)**	**(22)**	**(1,260)**	**(1,358)**
Revenue	**3,911**	**3,894**	**7,868**	**4,717**	**3,949**	**24,339**
Profit before taxation	**555**	**101**	**454**	**265**	**(253)**	**1,122**
Total comprehensive income (PAT)	**450**	**82**	**458**	**52**	**(411)**	**631**
Profit attributable to Group	**220**	**18**	**132**	**13**	**(103)**	**280**
Dividends received from associates	**311***	**–**	**–**	**–**	**–**	**311**

2018	Pinnacle Surveyors (England & Wales) Limited £'000	Buildstore Limited £'000	Sort Group Limited £'000	Clear £'000	Others £'000	2018 Total £'000
Non-current assets	20	181	771	81	20	1,073
Cash balances	520	356	542	(18)	117	1,517
Current assets (excluding cash balances)	900	713	406	190	426	2,635
Current liabilities	(749)	(841)	(1,157)	(131)	(132)	(3,010)
Non-current liabilities and provisions	(4)	–	(84)	(3)	(163)	(254)
Revenue	4,582	3,526	5,744	2,934	1,502	18,288
Profit before taxation	1,295	95	(52)	48	96	1,482
Total comprehensive income	1,046	77	(52)	(148)	81	1,004
Profit attributable to Group	512	19	(23)	(28)	14	494
Dividends received from associates	392*	–	–	–	–	392

* These dividends are received from CO2 Commercial Limited, the parent undertaking of Pinnacle Surveyors (England & Wales) Limited. All other information disclosed above relates to Pinnacle Surveyors (England & Wales) Limited.

All associates prepare their financial statements in accordance with FRS 102 other than MAB Broker Services PTY Limited who prepare their financial statements in accordance with the Australian Accounting Standards. There would be no material difference to the profit attributable to the Group if the accounts of any of the associates were prepared in accordance with IFRS.

15. Investments in non-listed equity shares

	£'000
At 1 January 2019	–
Additions	75
At 31 December 2019	**75**

The Group acquired a 3.33% interest in YourKeys Technology Limited on 5 February 2019 at a cost of £75,000.

16. Subsidiaries

The subsidiaries of Mortgage Advice Bureau (Holdings) plc at the reporting date have been included in the consolidated financial statements. The subsidiaries are as follows:

Company name	Country of Incorporation	Percentage of ordinary shares held	Nature of business
Mortgage Advice Bureau Limited	England and Wales	100	Provision of financial services
Mortgage Advice Bureau (Derby) Limited	England and Wales	100	Provision of financial services
Capital Protect Limited	England and Wales	100	Provision of financial services
Mortgage Talk Limited	England and Wales	100	Provision of financial services
MABWM Limited	England and Wales	100	Provision of financial services
First Mortgage Direct Limited	Scotland	80	Provision of financial services
First Mortgage Limited	Scotland	80	Provision of financial services
Property Law Centre Limited	Scotland	80	Provision of financial services
Talk Limited	England and Wales	100	Intermediate holding company
Mortgage Advice Bureau Australia (Holdings) PTY Limited	Australia	100	Intermediate holding company
Mortgage Advice Bureau PTY Limited	Australia	100	Holding of intellectual property
Mortgage Advice Bureau (UK) Limited	England and Wales	100	Dormant
Mortgage Advice Bureau (Bristol) Limited	England and Wales	100	Dormant
MAB (Derby) Limited	England and Wales	100	Dormant
L&P 137 Limited	England and Wales	100	Dormant
Mortgage Talk (Partnership) Limited	England and Wales	100	Dormant
Financial Talk Limited	England and Wales	100	Dormant
Survey Talk Limited	England and Wales	100	Dormant
L&P 134 Limited	England and Wales	100	Dormant
Loan Talk Limited	England and Wales	100	Dormant
MAB1 Limited	England and Wales	100	Dormant
First Mortgage Shop Limited	Scotland	80	Dormant
First Mortgages Limited	Scotland	80	Dormant
Fresh Start Finance Limited	Scotland	80	Dormant

16. Subsidiaries (continued)

The registered office for all of the subsidiaries of Mortgage Advice Bureau (Holdings) plc, as listed in the table above, is Capital House, Pride Place, Pride Park, Derby, DE24 8QR, United Kingdom, other than for the two subsidiaries incorporated in Australia for which the registered office is Norton Rose Fulbright, Level 18, 225 George Street, Sydney, NSW 2000, Australia and First Mortgage Direct Limited and its subsidiaries for which the registered office is 30 Walker Street, Edinburgh, EH3 7HR.

Mortgage Advice Bureau Australia (Holdings) PTY Limited has a 100% equity stake in Mortgage Advice Bureau PTY Limited and also a 45% equity stake in MAB Broker Services PTY Limited.

Mortgage Advice Bureau (Holdings) plc holds 100% of the ordinary share capital of Mortgage Advice Bureau Limited and Talk Limited.

Mortgage Advice Bureau Limited holds 100% of the ordinary share capital of Mortgage Advice Bureau (Derby) Limited, Capital Protect Limited, MABWM Limited and Mortgage Advice Bureau Australia (Holdings) PTY Limited. On 2 July 2019, Mortgage Advice Bureau Limited acquired 80% of the ordinary share capital of First Mortgage Direct Limited. Details of the acquisition are given in note 29.

First Mortgage Direct Limited holds 100% of the ordinary share capital of First Mortgage Limited, Property Law Centre Limited, First Mortgages Limited, First Mortgage Shop Limited and Fresh Start Finance Limited.

Talk Limited holds 100% of the ordinary share capital of Mortgage Talk Limited, L&P 137 Limited, Mortgage Talk (Partnership) Limited, Financial Talk Limited and Survey Talk Limited.

Mortgage Talk Limited holds 100% of the ordinary share capital of Loan Talk Limited.

L&P 137 Limited holds 100% of the ordinary share capital of L&P 134 Limited.

There are no restrictions regarding the utilisation of cash or other resources held by any subsidiary.

17. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**1,936**	2,047
Less provision for impairment of trade receivables	**(363)**	(284)
Trade receivables – net	**1,573**	1,763
Receivables from related parties	**15**	29
Loans to related parties	**3,124**	2,257
Less provision for impairment of loans to related parties	**(171)**	(290)
Total financial assets other than cash and cash equivalents classified as at amortised costs	**4,541**	3,759
Prepayments and accrued income	**3,748**	3,140
Total trade and other receivables	**8,289**	6,899
Less: non-current portion – Loans to related parties	**(2,832)**	(1,560)
Less non-current – Trade receivables	**(498)**	(736)
Current portion	**(4,959)**	4,603

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

17. Trade and other receivables (continued)

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. At 31 December 2019 the lifetime expected loss provision for trade receivables is £0.4m (2018: £0.3m). The movement in the impairment allowance for trade receivables has been included in cost of sales in the consolidated statement of comprehensive income.

Impairment provisions for loans to associates are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. In determining the lifetime expected credit losses for loans to associates, the Directors have considered different scenarios for repayments of these loans and have applied percentage probabilities to each scenario for each associate where applicable.

At 31 December 2019 the lifetime expected loss provision for loans to associates is £0.2m (2018: £0.3m). One of these receivables has previously been subject to a significant increase in credit risk since initial recognition and, consequently, lifetime expected credit losses have been recognised. For the remainder, 12 month expected credit losses have been recognised.

The movement in the impairment allowance for receivables for loans to associates has been included in cost of sales in the consolidated statement of comprehensive income.

Also included in trade receivables are amounts due from Appointed Representatives relating to commissions that are refundable to the Group when policy lapses or other reclaims exceed new business. As these balances have no credit terms, the Board of Directors consider these to be past due if they are not received within seven days. In the management of these balances, the Directors can recover them from subsequent new business entered into with the Appointed Representative or utilise payables that are owed to the same counterparties and included within payables as the Group has the legally enforceable right of set off in such circumstances. These payables are considered sufficient by the Directors to recover receivable balances should they default, and, accordingly, credit risk in this respect is minimal.

In light of the above, the Directors do not consider that disclosure of an aging analysis of trade and other receivables would provide useful additional information. Further information on the credit quality of financial assets is set out in note 20.

A summary of the movement in the provision for the impairment of receivables is as follows:

	2019 £'000	2018 £'000
At 1 January	**284**	273
New provisions for impairment losses	**70**	11
Increases in existing provisions for impairment losses	**11**	
Impairment provisions no longer required	**(2)**	–
At 31 December	**363**	284

A summary of the movement in the provision for the impairment of loans to related parties is as follows:

	2019 £'000	2018 £'000
At 1 January	**290**	–
New provisions for impairment losses	**–**	290
Increases in existing provisions for impairment losses	**2**	–
Impairment provisions no longer required	**(121)**	–
At 31 December	**171**	290

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above less collateral held as security. Details of security held are given in note 20.

18. Cash and cash equivalents

	2019 £'000	2018 £'000
Unrestricted cash and bank balances	**6,987**	13,878
Bank balances held in relation to retained commissions	**13,880**	11,711
Cash and cash equivalents	**20,867**	25,589

Bank balances held in relation to retained commissions earned on an indemnity basis in relation to life policies are held to cover potential future lapses in Appointed Representatives' commissions. Operationally the Group does not treat these balances as available funds. An equal and opposite liability is shown within Trade and other payables (note 19).

19. Trade and other payables

	2019 £'000	2018 £'000
Appointed Representatives retained commission	**13,880**	11,711
Other trade payables	**4,542**	4,658
Trade payables	**18,422**	16,369
Social security and other taxes	**642**	783
Other payables	**203**	42
Accruals	**3,104**	1,496
	22,371	18,690

Should a life policy be cancelled within four years of inception, a proportion of the original commission will be clawed back by the insurance provider. The majority of any such repayment is payable by the Appointed Representative. It is the Group's policy to retain a proportion of commission payable to the Appointed Representative to cover such potential future lapses; these sums remain a liability of the Group. This commission is held in a separate ring fenced bank account as described in note 18.

As at 31 December 2019 and 31 December 2018, the carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Appointed Representatives retained commission is expected to be payable after more than one year. Other trade payables normally fall due within 30 to 60 days.

20. Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

20. Financial instruments – risk management (continued)

The Group does not issue or use financial instruments of a speculative nature. A summary of financial instruments held by category is provided below:

Financial assets	2019 £'000	2018 £'000
Cash and cash equivalents	**20,867**	25,589
Trade and other receivables	**4,541**	3,759
Total financial assets	**25,408**	29,348

Financial liabilities	2019 £'000	2018 £'000
Trade and other payables	**19,267**	17,194
Accruals	**3,104**	1,496
Lease liabilities	**3,235**	–
Total financial liabilities	**25,606**	18,690

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and designs and operates processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board sets guidelines to the finance team and monitors adherence to its guidelines on a monthly basis.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss to the Group if a trading partner or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from loans to its trading partners. It is Group policy to assess the credit risk of trading partners before advancing loans or other credit facilities. Assessment of credit risk utilises external credit rating agencies. Personal guarantees are generally obtained from the directors of its trading partners.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables are given in note 17.

Financial assets – maximum exposure	2019 £'000	2018 £'000
Cash and cash equivalents	**20,867**	25,589
Trade and other receivables	**4,541**	3,759
Total financial assets	**25,408**	29,348

The carrying amounts stated above represent the Group's maximum exposure to credit risk for trade and other receivables. An element of this risk is mitigated by collateral held by the Group for amounts due to them.

Trade receivables consist of a large number of unrelated trading partners and therefore credit risk is not concentrated. Due to the large volume of trading partners the Group does not consider that there is any significant credit risk as a result of the impact of external market factors on their trading partners. Additionally, within trade payables are amounts due to the same trading partners that are included in trade receivables; this collateral of £795,534 (2018: £825,357) significantly reduces the credit risk.

The Group's credit risk on cash and cash equivalents is limited because the Group places funds on deposit with National Westminster Bank Plc and Bank of Scotland Plc which are A/A+ and A+ rated respectively.

20. Financial instruments – risk management (continued)

Interest rate risks

The Group's interest rate risk arises from cash on deposit. The Group aims to maximise its return on cash on deposit whilst ensuring that cash is available to meet liabilities as they fall due. Current market deposit interest rates are minimal and therefore any fall in these rates is unlikely to have a significant impact on the results of the Group.

Foreign exchange risk

As the Group does not operate outside of the United Kingdom and has only one investment outside the UK, it is not exposed to any material foreign exchange risk.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group's trade and other payables are repayable within one year from the reporting date and the contractual undiscounted cash flow analysis for the Group's trade and other payables is the same as their carrying value. The contractual maturities of financial liabilities are as follows:

31 December 2019	Within 1 year	1-2 years	2-5 years	After 5 years	Total
Trade and other payables	5,387	–	–	–	5,387
Accruals	2,817	64	21	202	3,104
Lease liabilities	399	389	1,105	1,342	3,235
Total	**8,603**	**453**	**1,126**	**1,544**	**11,726**

The appointed representatives retained commissions balance of £13.9m has been excluded from the maturity analysis due to there being an equal cash balance held within cash and cash equivalents. There is therefore no liquidity risk relating to this balance.

The Board receives annual 12 month cash flow projections based on working capital modelling as well as information regarding cash balances monthly. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. Additionally, the Group has financial resource requirements set by its regulator, the Financial Conduct Authority. The Board has set a policy to ensure that adequate capital is maintained to ensure that these externally set financial resource requirements are exceeded at all times. Quarterly reports are made to the Financial Conduct Authority and submission is authorised by the Chief Financial Officer, at which time capital adequacy is re-assessed.

Capital management

The Group monitors its capital which consists of all components of equity (i.e. share capital, share premium, capital redemption reserve, share option reserve and retained earnings).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- To ensure that capital is maintained at all times to ensure that financial resource requirements set by its regulator, the Financial Conduct Authority, are exceeded at all times
- To ensure the Group has the cash available to develop the services provided by the Group to provide an adequate return to shareholders.

21. Provisions

Clawback provision	2019 £'000	2018 £'000
At 1 January	**1,704**	1,496
Acquisition of subsidiary	**1,445**	–
Charged to the statement of comprehensive income	**586**	208
At 31 December	**3,735**	1,704

The provision relates to the estimated cost of repaying commission income received upfront on life assurance policies that may lapse in the four years following issue. Provisions are held in the financial statements of three of the Group's subsidiaries: Mortgage Advice Bureau Limited, Mortgage Advice Bureau (Derby) Limited and First Mortgage Direct Limited. The exact timing of any future clawbacks within the four year period is uncertain and the provision was based on the Directors' best estimate, using industry data where available, of the probability of clawbacks to be made.

22. Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 19% (2018: 17%). The reduction in the main rate of corporation tax as set out in note 8 has been applied to deferred tax balances which are expected to reverse in the future.

The movement in deferred tax is shown below:

	2019 £'000	2018 £'000
Deferred tax asset – opening balance	**824**	874
Recognised in the statement of comprehensive income	**140**	135
Transfer in on acquisition of subsidiary	**(642)**	–
Deferred tax movement recognised in equity	**544**	(185)
Deferred tax asset – closing balance	**866**	824

The deferred tax balance is made up as follows:

	2019 £'000	2018 £'000
Accelerated capital allowances	**(651)**	(54)
Other timing differences	**47**	79
Share-based payment	**1,470**	799
Net deferred tax asset	**866**	824

Reflected in the statement of financial position as follows:

	2019 £'000	2018 £'000
Deferred tax liability	**(651)**	(54)
Deferred tax asset	**1,517**	878
Deferred tax asset net	**866**	824

Deferred tax liabilities have arisen due to capital allowances which have been received ahead of the depreciation charged in the accounts. A change to the corporation tax rate was substantively enacted on 17 March 2020 to remain at 19% rather than the previously enacted reduction to 17%. The impact of this has been estimated to be £60,000.

23. Share capital

Issued and fully paid	**2019 £'000**	2018 £'000
Ordinary shares of 0.1p each	**52**	51
Total share capital	**52**	51

During the year 506,499 ordinary shares of 0.1p each were issued following partial exercise of the third and fourth tranche of options issued at the time of the Initial Public Offering of the Company and partial exercise of options issued in May 2016 at a total premium of £1.4m. See also note 28.

24. Reserves

The Group's policy is to maintain an appropriate capital base and comply with its externally imposed capital requirements whilst providing maximum shareholder value.

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	The capital redemption reserve represents the cancellation of part of the original share capital premium of the company at par value of any shares repurchased.
Share option reserve	The fair value of equity instruments granted by the Company in respect of share based payment transactions and deferred tax recognised in equity.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

There is no restriction on the distribution of retained earnings.

25. Retirement benefits

The Group operates defined contribution pension schemes for the benefit of its employees and also makes contributions to a self-invested personal pension ("SIPP"). The assets of the schemes and the SIPP are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the SIPP and amounted to £671,404 (2018: £260,254). There were no contributions payable to the funds or the SIPP at the statement of financial position date (2018: £nil).

26. Related party transactions

The following details provide the total amount of transactions that have been entered into with related parties during the year ended 31 December 2019 and 2018, as well as balances with related parties as at 31 December 2019 and 2018.

During the year the Group paid commission of £921,508 (2018: £725,301) to Buildstore Limited, an associated company. There was a balance of £47,932 (2018: £46,757) of retained commission to cover future lapses. At 31 December 2019, there was a loan outstanding from Buildstore Limited £36,565 (2018: £nil).

During the year the Group received no introducer commission from Lifetime FS, an associated company (2018: £5,462). There is no balance outstanding with MAB Wealth Management Limited at 31 December 2018 (2017: £nil).

During the year the Group received introducer commission from Sort Limited, an associated company of £885,470 (2018: £679,279). At 31 December 2019 there was a loan outstanding of £220,575 (2018: £126,562) with Sort Group Limited, an associated company.

During the year the Group paid commission to Clear Mortgage Solutions Limited, an associated company, of £4,735,028 (2018: £3,062,915). There was a balance of £265,992 (2018: £161,425) of retained commission to cover future lapses.

During the year the Group purchased services from Twenty7tec Group Limited, a company in which the Group holds an investment, of £7,200 (2018: £43,200).

26. Related party transactions (continued)

During the year the Group paid commission to Freedom 365 Mortgage Solutions Limited, an associated company, of £595,017 (2018: £778,203). There was a balance of £133,090 (2018: £100,934) of retained commission to cover future lapses. At 31 December 2019 there was a loan outstanding from Freedom 365 Mortgage Solutions Limited of £1,202,453 (2018: £850,568).

During the year the Group paid commission to Vita Financial Limited, an associated company, of £982,091 (2018: £850,568). There was a balance of £86,589 (2018: £107,489) of retained commission to cover future lapses. During the year the loan outstanding from Vita Financial Limited of £27,000 was repaid in full.

At 31 December 2019 there was a loan outstanding from MAB Broker Services PTY Limited, an associated company, of £1,014,535 (AUD1,900,000) (2018: £616,328 (AUD1,115,000)).

During the year the Group paid commission to Eagle & Lion Limited, an associated company, of £280,829 (2018: £78,265). There was a balance of £10,982 (2018: £2,785) of retained commission to cover future lapses. At 31 December 2019 there was a loan outstanding from Eagle & Lion Limited of £565,000 (2018: £365,000).

During the year the Group paid commission to The Mortgage Broker Limited, an associated company, of £1,354,386 (2018: £nil). There was a balance of £72,081 (2018: £nil) of retained commission to cover future lapses. At 31 December 2019, there was a loan outstanding from The Mortgage Broker Limited of £84,705 (2018: £nil).

The Group's related party transactions in the year include the remuneration of the Directors' emoluments, pension entitlements and share-based payments disclosed in note 6 of the financial statements.

During the year the Group received dividends from associated companies as follow:

	2019 £'000	2018 £'000
CO2 Commercial Limited	**311**	392

27. Ultimate controlling party

There is no ultimate controlling party.

28. Share based payments

Mortgage Advice Bureau Executive Share Option Plan

The Group operates two equity-settled share based remuneration schemes for Executive Directors and certain senior management, one being an approved scheme, the other unapproved, but with similar terms. Half of the options are subject to a total shareholder return (TSR) performance condition and the remaining half are subject to an earnings per share (EPS) performance condition. The outstanding options in both schemes vest as follows:

For options granted at IPO and on 20 May 2015 and outstanding at 1 January 2019:
- 50% based on performance to 31 March 2018, exercisable between 31 March 2019 and 11 November 2022, vesting of 100% was achieved.

- 50% based on performance to 31 March 2018, exercisable between 31 March 2020 and 11 November 2022, vesting of 100% was achieved.

For options granted during 2016 and outstanding at 1 January 2019:
- 100% based on performance to 31 March 2019, exercisable between 4 May 2019 and 3 May 2024, vesting of 90.6% was achieved.

For options granted during 2017 and outstanding at 1 January 2019:
- 100% based on performance to 31 March 2020, exercisable between 19 April 2020 and 18 April 2025, vesting of 88.7% was achieved.

For options granted during 2018 and outstanding at 1 January 2019
- 100% based on performance to 31 March 2021, exercisable between 11 April 2021 and 9 April 2026.

For options granted during the year:
- 100% based on performance to 31 March 2022, exercisable between 1 July 2022 and 1 July 2027.

28. Share based payments (continued)

Mortgage Advice Bureau Executive Share Option Plan (continued)

The number and weighted average exercise prices (WAEP) of, and movements in, share options during the year for the Mortgage Advice Bureau Executive Share Option Plan:

	2019 WAEP £	**2019 Number**	2018 WAEP £	2018 Number
Outstanding at 1 January	**2.98**	**2,187,810**	3.01	2,371,335
Granted during the year	**0.001**	**175,547**	0.001	162,829
Exercised	**2.68**	**(506,498)**	(1.63)	(318,363)
Lapsed*	**–**	**(148,991)**	–	(27,991)
Outstanding at 31 December	**2.74**	**1,707,868**	2.98	2,187,810

* Due to not fully vesting, retirement or leaving the Group.

At 31 December 2019, 550,674 options over ordinary shares of 0.1 pence each in the Company were exercisable with a weighted average exercise price of £3.09.

On 1 July 2019, 175,547 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan (the "Options"). Exercise of the Options is subject to the service conditions and achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, the Options will be exercisable three years from the date of grant. The exercise price for the Options is 0.1 pence, being the nominal cost of the Ordinary Shares.

Options exercised in April 2019 resulted in 128,315 ordinary shares being issued at an exercise price of £1.60. The price of the ordinary shares at the time of exercise was £5.50 per share.

Options exercised in May 2019 resulted in 220,394 ordinary shares being issued at an exercise price of £3.58. The price of ordinary shares at the time of exercise was £5.82.

Options exercised in July 2019 resulted in 157,790 ordinary shares being issued at exercise prices of £1.60, £2.19 and £3.58. The price of the ordinary shares at the time of exercise was £5.90.

For the share options outstanding under the Mortgage Advice Bureau Executive Share Option Plan as at 31 December 2019, the weighted average remaining contractual life is 0.5 years (2018 0.9 years).

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration scheme operated by the Group.

	2019	2018
Equity-settled		
Option pricing model – EPS	**Black-Scholes**	Black-Scholes
Option pricing model – TSR	**Stochastic**	Stochastic
Exercise price	**£0.001**	£0.001
Expected volatility	**31.22%**	38.73%
Expected dividend yield	**3.76%**	3.42%
Risk free interest rate	**0.58%**	0.91%

Expected volatility is a measure of an amount by which the share price is expected to fluctuate during a period. Dividends paid on shares reduce the fair value of an award as a participant does not receive the dividend income on these shares. For the share options granted during the year the historic dividend yield has been used, calculated as dividends announced in the 12 months prior to grant (excluding special dividends) calculated as a percentage of the share price on the date of grant to give a dividend yield of 3.76%.

28. Share based payments (continued)

Mortgage Advice Bureau Executive Share Option Plan (continued)

The Options offer participants the opportunity to benefit from increasing per share value without risking the current per share price. The risk-free rate used is the rate of interest obtainable from UK government securities as at the date of grant over the expected terms.

The options granted this year have vesting periods of 3.0 years from the date of grant and the calculation of the share based payment is based on these vesting periods.

MAB AR Option Plan

The Group operates an equity-settled share plan, the AR Option Plan, to reward selected ARs of the Group. The AR Option Plan provides for options which have a nominal exercise price of price of 0.01 pence per Share (or, for any individual AR, not less than £1 on each occasion of exercise) to acquire Ordinary Shares subject to performance conditions. Certain criteria must be met in order for ARs to be eligible, including using the Mortgage Advice Bureau brand and being party to an AR Agreement which provides for an initial contract term of at least five years at the date of grant. The AR Options will normally become exercisable following the fifth anniversary of grant subject to the satisfaction of performance conditions based on financial and other targets, including quality of consumer outcomes, compliance standards and continued use of the Mortgage Advice Bureau brand.

The number and weighted average exercise prices (WAEP) of, and movements in, share options during the year for the MAB AR Option Plan:

	2019 WAEP £	**2019 Number**	2018 WAEP £	2018 Number
Outstanding at 1 January	**0.01p**	**255,000**	0.01p	255,000
Granted during the year	**–**	**–**	–	–
Outstanding at 31 December	**0.01p**	**255,000**	0.01p	255,000

For the share options outstanding under the MAB AR Option Plan as at 31 December 2019, the weighted average remaining contractual life is 0.4 years (2018: 1.4 years).

Expected volatility is a measure of an amount by which the share price is expected to fluctuate during a period. As the Company only listed in November 2014 there is insufficient historical data. We have therefore used a proxy volatility figure based on the medium volatilities, of dividend paying FTSE AIM 100 companies over each of the expected terms.

Dividends paid on shares reduce the fair value of an award as a participant does not receive the dividend income on these shares. For the share options granted during 2015 the stub dividend in respect of the period from Admission to 31 December 2014 has been annualised and divided at the share price at date of grant to give a dividend yield of 7.1%.

The options offer participants the opportunity to benefit from increasing per share value without risking the current per share price. The risk-free rate used is the rate of interest obtainable from UK government securities as at the date of the grant over the expected terms.

The options granted in 2015 have a vesting period of 5 years from the date of grant and calculation of the share-based payment is based on these vesting periods.

Share-based remuneration expense

The share-based remuneration expense of £1,288,860 (2018: £800,676) includes the charge for the equity-settled schemes of £830,340 (2018: £631,416), the matching element of the Group's Share Incentive Plan for all employees of £62,565 (2018: £56,885) and £227,968 (2018: nil) in respect of the option relating to First Mortgage Direct Limited (see note 29).

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

29. Business combinations

On 2 July 2019 Mortgage Advice Bureau (Holdings) plc acquired 80 per cent. of the entire issued share capital of First Mortgage Direct Limited ("First Mortgage" or the "Business") for cash consideration of £16.5m (the "Acquisition"), valuing the Business at £20.6m. First Mortgage is an omni-channel mortgage broker, with a particularly strong presence in Scotland.

The Acquisition will provide significant additional growth opportunities and enable the Group to further grow its adviser numbers and market share and will also add another highly respected and leading mortgage broker to the Group.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	£'000
Cash paid	16,500
Total purchase consideration	16,500

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Cash	4,277	–	4,277
Trade and other debtors	1,907	–	1,907
Right of use assets	3,094	–	3,094
Plant, equipment and intangibles	440	–	440
Intangible assets: customer contracts	–	1,980	1,980
Intangible assets: trademarks	–	1,470	1,470
Trade and other payables	(1,115)	–	(1,115)
Lease liability	(3,142)	–	(3,142)
Deferred tax liability	(56)	(586)	(642)
Provisions	(1,445)	–	(1,445)
Net identifiable assets acquired	3,960	2,864	6,824
Less: non-controlling interests			(1,365)
Add: goodwill			11,041
Consideration paid			**16,500**

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

There were no acquisitions in the year ending 31 December 2018.

29. Business combinations (continued)

Revenue and profit contributions

First Mortgage contributed revenues of £7.6m and net profit of £1.1m to the Group for the period from 2 July 2019 to 31 December 2019.

If the acquisition had occurred on 1 January 2019, the consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been £152.4m and £15.7m respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

Purchase consideration – cash outflow	**2019 £'000**	2018 £'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**16,500**	–
Less: Balances acquired		
Cash	**(4,277)**	–
Net outflow of cash – investing activities	**12,223**	–

The Group funded the cash consideration from a mix of its own cash resources and a partial drawdown on its new revolving credit facility with National Westminster Bank Plc for £12m. As at 31 December 2019 the Group had no draw down on this facility.

Acquisition-related costs

Acquisition-related costs of £987,000 that were not directly attributable to the acquired shares are included in administrative expenses in the statement of profit and loss. £374,000 of these costs are non-recurring and are included in operating cash flows in the statement of cash flows and £613,000 of these costs are recurring non-cash items.

Option accounting

The option (comprising the put and the call option) over the remaining 20% of the issued share capital of First Mortgage has been accounted for under IAS 19 Employee Benefits and IFRS 2 Share Based Payments due to its link to the service of First Mortgage's Managing Director. In accordance with IAS 19, £0.2m has been included within administrative costs under staff costs (see note 6), and in accordance with IFRS 2, a further £0.2m has been included within administrative costs under share based payments (see note 28).

30. Non-controlling interests (NCI)

Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in First Mortgage, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 1 for the Group's accounting policies for business combinations.

Set out below is summarised financial information for each subsidiary that has non-controlling interest that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	First Mortgage £000's
Current assets	7,953
Current liabilities	(1,766)
Current net assets	**6,187**
Non-current assets	3,295
Non-current liabilities	(4,372)
Non-current net liabilities	**(1,077)**
Net assets	5,110
Accumulated NCI	1,595

Summarised statement of comprehensive income	£000's
Revenue	15,638
Profit for the period and total comprehensive income	2,199
Profit allocated to NCI	230
Dividends paid to NCI	–

Summarised statement of comprehensive income	£000's
Cash flows from operating activities	(2,257)
Cash flows from investing activities	(14)
Cash flows from financing activities	–
Net decrease in cash & cash equivalents	(2,270)

During the period £5.6m of cash was transferred into the Group's accounts to be managed centrally. This is included in operating activities above.

31. Contingent liabilities

The group had no contingent liabilities at 31 December 2019 or 31 December 2018.

32. Events after the reporting date

Due to the current coronavirus pandemic, the Group drew down the full amount on its Revolving Credit Facility with National Westminster Bank Plc on 20 March 2020, amounting to £12m in order to give the Group additional flexibility to react quickly in this environment and capitalise on potential opportunities. The Government imposed lockdown has had the effect of calling a halt on most house purchase transactions and as a result the Group is experiencing a significant reduction in mortgages relating to house purchase activity which will lead to a reduction in revenue and profit. The Group cannot estimate the length of time that this situation will continue and hence cannot estimate its financial effect on the Group, however the Group remains in a strong financial position.

33. Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2019 £'000	2018 £'000
Cash at bank available on demand	**6,987**	10,287
Bank balances held in relation to retained commissions	**13,880**	11,711
Short term deposits	**–**	3,592
Total cash and cash equivalents	**20,867**	25,589

Company statement of financial position

as at 31 December 2019

Registered number 04131569

The following parent entity financial statements are prepared under FRS 102 and relate to the Company and not to the Group. The statement of accounting policies which have been applied to these accounts can be found on page 87.

The Company is a non-trading holding company. As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year of £12,235,509 (2018: £11,498,746).

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	3	**3,305**	3,077
Current assets			
Debtors	4	**2,632**	1,274
Net assets		**5,937**	4,351
Capital and reserves			
Called up share capital	5	**52**	51
Share premium account	6	**5,451**	4,094
Capital redemption reserve	6	**20**	20
Retained earnings	6	**414**	186
		5,937	4,351

The notes on pages 87 to 90 form part of these financial statements.

The financial statements were approved by the board of directors on 22 April 2020.

P Brodnicki
Director

L Tilley
Director

Company statement of changes in equity
for the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2018	51	3,574	20	186	3,831
Profit for the year	–	–	–	11,499	11,499
Total comprehensive income	–	–	–	11,499	11,499
Transactions with owners					
Issue of shares	–	520	–	–	520
Dividends paid	–	–	–	(11,499)	(11,499)
Transactions with owners	–	520	–	(11,499)	(10,979)
Balance at 31 December 2018 and 1 January 2019	**51**	**4,094**	**20**	**186**	**4,351**
Profit for the year	–	–	–	12,236	12,236
Total comprehensive income	–	–	–	12,236	12,236
Transactions with owners					
Issue of shares	1	1,357	–	–	1,358
Share based payments	–	–	–	228	228
Dividends paid	–	–	–	(12,236)	(12,236)
Transactions with owners	1	1,357	–	(12,008)	(10,650)
At 31 December 2019	**52**	**5,451**	**20**	**414**	**5,937**

1. Accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The FRS 102 reduced disclosure framework has been applied and the Company meets the definition of a qualifying entity. The principal accounting policies are summarised below. They have all been consistently applied to all years presented.

The preparation of financial statements in accordance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Given the nature of the company's business there are no critical accounting estimates or areas of judgement required in the preparation of the financial statements.

Cash flow statement

The cash flows of the Company are included in the consolidated cash flow statement of Mortgage Advice Bureau (Holdings) plc which is included in this annual report. Consequently, the Company is exempt under the terms of FRS 102 from publishing a cash flow statement.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the accounts.

Investments

Investments in subsidiaries are held at historical cost less provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from proceeds.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders.

Financial Instruments

The Company makes little use of financial instruments other than intercompany balances and so its exposure to credit risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit of the Company.

The Directors consider that there is no credit risk on intercompany balances.

2. Profit for the year

During the year its only income was dividends receivable from its subsidiaries. Its only expenditure is in respect of dividends payable. The auditors' remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements for the Group. Remuneration for the audit of the Company financial statements is borne by a subsidiary entity.

3. Investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2019 and 31 December 2019	**3,077**
Additions	**228**
Net book value	
At 31 December 2019	**3,305**
At 31 December 2018	3,077

The subsidiaries of Mortgage Advice Bureau (Holdings) plc at each reporting date are as follows:

Company name	Country of Incorporation	Percentage of ordinary shares held	Nature of business
Mortgage Advice Bureau Limited	England and Wales	100	Provision of financial services
Mortgage Advice Bureau (Derby) Limited	England and Wales	100	Provision of financial services
Capital Protect Limited	England and Wales	100	Provision of financial services
Mortgage Talk Limited	England and Wales	100	Provision of financial services
MABWM Limited	England and Wales	100	Provision of financialservices
First Mortgage Direct Limited	Scotland	80	Provision of financial services
First Mortgage Limited	Scotland	80	Provision of financial services
Property Law Centre Limited	Scotland	80	Provision of financial services
Talk Limited	England and Wales	100	Intermediate holding company
Mortgage Advice Bureau Australia (Holdings) PTY Limited	Australia	100	Intermediate holding company
Mortgage Advice Bureau PTY Limited	Australia	100	Holding of intellectual property
Mortgage Advice Bureau (UK) Limited	England and Wales	100	Dormant
Mortgage Advice Bureau (Bristol) Limited	England and Wales	100	Dormant
MAB (Derby) Limited	England and Wales	100	Dormant
L&P 137 Limited	England and Wales	100	Dormant
Mortgage Talk (Partnership) Limited	England and Wales	100	Dormant
Financial Talk Limited	England and Wales	100	Dormant
Survey Talk Limited	England and Wales	100	Dormant
L&P 134 Limited	England and Wales	100	Dormant
Loan Talk Limited	England and Wales	100	Dormant
MAB1 Limited	England and Wales	100	Dormant
First Mortgage Shop Limited	Scotland	80	Dormant
First Mortgages Limited	Scotland	80	Dormant
Fresh Start Finance Limited	Scotland	80	Dormant

3. Investments (continued)

The registered office for all of the subsidiaries of Mortgage Advice Bureau (Holdings) plc, as listed in the table above, is Capital House, Pride Place, Pride Park, Derby, DE24 8QR, United Kingdom, other than for the two subsidiaries incorporated in Australia for which the registered office is Norton Rose Fulbright, Level 18, 225 George Street, Sydney, NSW 2000, Australia and First Mortgage Direct Limited and its subsidiaries for which the registered office is 30 Walker Street, Edinburgh, EH3 7HR.

Mortgage Advice Bureau Australia (Holdings) PTY Limited has a 100% equity stake in Mortgage Advice Bureau PTY Limited and also a 45% equity stake in MAB Broker Services PTY Limited.

Mortgage Advice Bureau (Holdings) plc holds 100% of the ordinary share capital of Mortgage Advice Bureau Limited and Talk Limited.

Mortgage Advice Bureau Limited holds 100% of the ordinary share capital of Mortgage Advice Bureau (Derby) Limited, Capital Protect Limited, MABWM Limited and Mortgage Advice Bureau Australia (Holdings) PTY Limited. On 2 July 2019, Mortgage Advice Bureau Limited acquired 80% of the ordinary share capital of First Mortgage Direct Limited. Details of the acquisition are given in note 29 to the financial statements for the Group.

First Mortgage Direct Limited holds 100% of the ordinary share capital of First Mortgage Limited, Property Law Centre Limited, First Mortgages Limited, First Mortgage Shop Limited and Fresh Start Finance Limited.

Mortgage Talk Limited holds 100% of the ordinary share capital of Loan Talk Limited.

L&P 137 Limited holds 100% of the ordinary share capital of L&P 134 Limited.

There are no restrictions regarding the utilisation of cash or other resources held by any subsidiary.

4. Debtors – amounts falling due within one year

	2019 £'000	2018 £'000
Amounts due from Group undertakings	**2,632**	1,274

Amounts due from Group undertakings are unsecured, interest free and have no fixed repayment term.

5. Share capital

Issued and fully paid	**2019 £'000**	2018 £'000
Ordinary shares of 0.1p each	**52**	51
Total share capital	**52**	51

During the period 506,499 ordinary shares of 0.1p each were issued following partial exercise of the third tranche of options issued at the time of the Initial Public Offering of the Company and partial exercise of options issued in May 2016 at a total premium of £1.4m. See also note 28 to the financial statements for the Group.

6. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	The capital redemption reserve represents the cancellation of part of the original share capital premium of the Company at par value of any shares repurchased.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

There is no restriction on the distribution of retained earnings.

7. Financial instruments and risk

The only financial asset of the company is an amount due from other Group undertakings and therefore the Company is exposed to minimal financial risks. Details of the Group's management of the financial risks to which it is exposed are set out in note 20 to the financial statements for the Group.

8. Related party transactions

The Company has taken advantage of the exemption in s33.1A of FRS102, not to disclose transactions with group companies which are 100% owned.

Appointed Representative, AR, or AR firm	An intermediary firm or person who is party to an agreement with a FCA regulated firm permitting them to carry out certain regulated activities
AR Agreement	Agreement governing the terms of the commercial relationship between MAB and an AR firm, and setting out how income from products sold by Advisers of the AR is split between MAB and the AR
Adviser	A person employed or engaged by an AR firm, carrying out mortgage and/or general or protection insurance advisory services to customers
Base Rate	The Bank of England base rate is the interest rate that the Bank of England charges banks for secured overnight lending. It is the UK Government's key interest rate for enacting its monetary policy
Clawbacks	The right of insurers to reclaim some or all of the commission paid to an intermediary in the event premiums are not paid by the policy holder in the period during which the policy holder pays monthly premiums, typically 48 months for protection products for MAB
Client fee	A fee paid by the consumer to the intermediary who has arranged the consumer's mortgage with a lender
Corporate Social Responsibility	A type of business self-regulation that aims to contribute to societal goals by engaging in or supporting ethically-oriented practices (e.g. fundraising for charity)
Directly Authorised	An entity that is directly authorised by the FCA to carry out regulated activities
Execution only	Refers to a customer entering into a regulated mortgage contract without being given advice, or where the advice given by a firm has been rejected. This is effectively a self-service process
FCA	Financial Conduct Authority
FSCS	The Financial Services Compensation Scheme (FSCS) is the UK's statutory deposit insurance and investors compensation scheme for customers of authorised financial services firms
FTB	First Time Buyer
GDPR	The General Data Protection Regulation, a regulation in EU law on data protection and privacy
General insurance	Buildings and contents insurance and certain other non-life insurance products but excluding protection
Gross mortgage lending	New mortgage lending and product transfers
Help-to-Buy	UK Government incentives that aim to help first time buyers and those looking to move homes purchase a residential property. Help-to-Buy schemes include Equity Loans and Shared Ownership schemes
Intermediary, intermediary firm, or mortgage intermediary	A firm or individual who arranges mortgages with lenders on behalf of customers, (as opposed to a lender that the customer approaches directly). An intermediary is either directly authorised by the FCA or is an appointed representative of a directly authorised firm
IMLA	The Intermediary Mortgage Lenders Association is a trade association that represents the views and interests of UK mortgage lenders who are involved in the generation of mortgage business via professional financial intermediaries
Insurance or insurance products	Includes protection and general insurance
IR35	The UK's anti-avoidance tax legislation designed to tax disguised employment at a rate similar to employment
Later Life Lending	Refers to mortgage products aimed at those approaching or already in retirement, who are looking to release some of the equity in their home for a variety of reasons

Lifetime Mortgage	A type of Later Life Lending whereby no capital or interest repayments are made. Compounded interest is added to the capital throughout the term of the loan, which is then repaid by selling the property when the borrower dies or moves out
Mortgage Advice and Selling Standards	Policy statement issued by the FCA in February 2020 which sets out a package of remedies aiming to help consumers make better informed choices with regard to mortgages
Mortgages Market Study	Market study conducted by the FCA in 2019 as a precursor to the Mortgage Advice and Selling Standards policy statement
Mortgage panel or lender panel	A panel of mortgage lenders used by intermediaries
New build	Encompasses properties built by developers, custom build, self-build and affordable housing
New mortgage lending	Lending resulting from a mortgage completion in connection with a house purchase or a re-mortgage with a different lender to the customer's existing lender
Procuration fee, or Mortgage procuration fee	A fee paid by a lender to the intermediary who has arranged a mortgage with the lender
Product transfer	The process of switching an existing mortgage product to a new one with the same lender
Protection insurance	Life insurance (including critical illness), family income protection and certain other insurance products (but excluding general insurance)
Service centres or telephone centres	MAB's regional telephone service centres operated by certain AR firms. The services provided by these centres include reviews of mortgage and related insurance products on an on-going basis with replacement or new products offered to customers, as appropriate
SM&CR	The Senior Manager and Certification Regime, a regime that aims to raise standards of governance, increase individual accountability and help restore confidence in the financial services sector

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