Mortgage Advice Bureau (Holdings) plc

Interim Report
for the six months ended 30 June 2018

Mortgage Advice Bureau

Contents

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 technology, lead generation and specialisation which will increase our market share and the number of mortgage completions in all market conditions, enabling us to continue to deliver strong returns to our investors.

We are halfway through our three-year plan that is focused on building solutions for the future; this will ensure MAB is able to maintain and build upon its leading position in the intermediary sector. We continue to invest in our core business model with our plans for 2020 and beyond designed to secure sustainable long-term growth whilst continuing to deliver strong results in the meantime.

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

Front Cover: Home movers, Derby

Peter Brodnicki, Chief Executive commented:

"I'm very pleased with our results for the first half, with revenue up 17% and PBT up 11% on the prior year despite market headwinds. We have built upon our established track record to deliver further top and bottom line growth, with a clear outperformance against the housing market which has seen a 5% fall in the number of transactions compared to the equivalent period in 2017.

"Importantly, we continue to grow MAB's market share, with our primary focus being to support our business partners and ensure they deliver the best advice to as many customers as possible. I am delighted to report 12% growth in our share of the new mortgage lending market to 4.7%, against 4.2%[1] last year.

"UK Finance recently provided their first estimate of the value of Product Transfers[2] giving a figure of £53.7bn for the first quarter of 2018. Along with the reduction in house purchase transactions, the increase in Product Transfers has resulted in a changing sales mix in the first half and presents a considerable opportunity for MAB to increase its market share in Product Transfers alongside a greater focus on protection sales for non-purchase business.

"We have always sought to use technology to improve the way we operate and we are deliberately making technology central and integral to our business model. As we look forward, we expect to use developments in technology to directly benefit MAB advisers and customers, through improvements in efficiency, productivity, lead generation, product offering and customer experience. We are excited about how delivering this will help us to attract more advisers and customers into MAB, assisting our future growth plans."

Peter Brodnicki
Chief Executive

See review on page 02

[1] H1 2017 figure re-stated to exclude Product Transfers in that period of £0.2bn.
[2] "Product Transfers" are when customers change (switch) mortgage products with their existing lender.

Financial highlights

- Revenue up 17% to £57.9m (H1 2017: £49.6m)
- Gross profit up 9% to £13.0m (H1 2017: £12.0m)
- Gross margin of 22.5% (H1 2017: 24.1%)
- Overheads ratio of 10.9% (H1 2017: 12.0%)
- Profit before tax up 11% to £7.0m (H1 2017: £6.3m)
- Profit before tax margin of 12.0% (H1 2017: 12.7%)
- EPS up 11% to 11.7p (H1 2017: 10.6p)
- High operating profit to adjusted cash conversion[1] of 108% (H1 2017: 116%)
- Interim dividend up 12% to 10.6p (H1 2017: 9.5p)
- Strong financial position with significant surplus above regulatory capital requirement
- Unrestricted cash balances of £12.5m (31 Dec 2017: £13.2m)

Operational highlights

- Adviser numbers up 6% to 1,138 at 30 June 2018 (31 Dec 2017: 1,078)
- Average number of Advisers during the period up 13% to 1,103 (H1 2017: 974)
- Gross mortgage lending arranged (including Product Transfers) up 25% to £6.5bn (H1 2017: £5.2bn)
- Gross mortgage lending arranged with new lenders[2] up 18% to £5.9bn (H1 2017: £5.0bn[3])
- Market share of new mortgage lending up 12% to 4.7% (H1 2017: 4.2%[3])
- Ben Thompson appointed as Managing Director

Post period end

- Adviser numbers up 19 from period end to 1,157 at 21 September 2018

	H1 2018	H1 2017	Change
Revenue	**£57.9m**	£49.6m	+17%
Gross profit	**£13.0m**	£12.0m	+9%
Gross profit margin	**22.5%**	24.1%	
Profit before tax	**£7.0m**	£6.3m	+11%
PBT margin	**12.0%**	12.7%	
EPS	**11.7p**	10.6p	+11%
Interim dividend per share	**10.6p**	9.5p	+12%

[1] Adjusted 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 £0.8m in H1 2018 (H1 2017: £0.3m) and increases in restricted cash balances of £1.0m in H1 2018 (H1 2017: £0.2m), as a percentage of operating profit.

[2] 'Gross mortgage lending arranged with 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.

[3] H1 2017 figure re-stated to exclude Product Transfers in that period of £0.2bn.

Introduction

"This has been another strong period for MAB. Revenue and profits have continued to increase strongly, building on our consistent track record of delivering growth.

Our growth in mortgage lending arranged is set out below:

	H1 2018 £bn	H1 2017 £bn	Increase
New mortgage lending	**5.9**	5.0	+18%
Product Transfers	**0.6**	0.2	+196%
Gross mortgage lending	**6.5**	**5.2**	**+25%**

As set out in the table above, our total gross mortgage lending arranged (including Product Transfers) was up 25% to £6.5bn (H1 2017: £5.2bn). Gross mortgage lending arranged through new lenders[1] was up 18% to £5.9bn (H1 2017: £5.0bn). This growth in purchase and re-mortgage lending takes our overall share of UK new mortgage lending up to 4.7%, from 4.2%[2]. Product Transfers represented £0.6bn of the £6.5bn and, based on Q1 2018 UK Finance data, we estimate that our market share is c. 0.6%, which is approximately half of our natural current market share given intermediaries in total have a share of c.25-30% of this market at present. This reflects MAB being primarily a purchase-focused business and indicates the scale of our medium-term opportunity.

We are pleased that this growth was achieved in a weaker house purchase market. Although one or two segments of mortgage lending have risen slightly, overall housing transactions have reduced, with our first half results representing a clear outperformance against the housing market.

We are making good progress against our three-year plan which we are about half way through. We are now in the build phase of our new fintech developments, which are aimed at giving us an agile technology platform, that will provide our advisers with increased and improved interaction with mortgage customers, and, most importantly, ensuring that those customers receive an even better mortgage and home-moving or re-mortgaging experience.

Our innovation and investment in technology, should further differentiate us from our competitors, supporting adviser growth and improved profitability.

We are also delighted to have appointed Ben Thompson, our new Managing Director, in June. He was previously CEO of ULS Technology plc (AIM) and brings with him a wealth of relevant mortgage, conveyancing and technology experience."

Peter Brodnicki

[1] 'Gross mortgage lending arranged with 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.
[2] H1 2017 figure re-stated to exclude Product Transfers in that period of £0.2bn.

Market environment

Housing transactions over the period fell by 5%. Overall house moves are low versus historical averages and they remain in a flat, yet relatively stable, environment with the current house purchase market remaining predominantly comprised of those moving home due to non-discretionary lifestyle factors, first time buyers and serious investors. There are multiple factors that contribute to this, including constrained affordability, increased levels of stamp duty for some, lack of available property to move to and, of course, an overall air of uncertainty driven by the Brexit agenda.

However, the picture is somewhat regional or even local. Whilst London and parts of the wider South East and East Anglia have seen a slowdown, other parts of the UK are performing comparatively better (UK Residential Market Survey by the Royal Institute of Chartered Surveyors, August 2018) but are still muted.

The national picture for mortgages shows that First Time Buyer activity was slightly up over the period and home-movers slightly down, effectively cancelling each other out overall. Buy-to-let purchase has continued to slow, reflecting the taxation changes applied to landlords over the last few years. This slowdown is mirrored in a recent UK Residential Market Survey by the Royal Institute of Chartered Surveyors (July 2018), which shows an eighth consecutive quarter of reductions in new instructions in the lettings sector.

Buy-to-let in many parts of the UK no longer looks to be as attractive an investment option as it was earlier this decade. In addition, for a proportion of home-owners, it is currently easier or more appealing to improve and extend their existing homes, rather than move contributing to housing stock levels remaining at historical lows.

However, we expect this prolonged period of lower housing transactions to contribute to the pent up demand that at some point will need to be released, perhaps when consumer confidence returns, and the post Brexit landscape becomes clearer.

Mortgage rates remain at near record lows, meaning that although housing has become more expensive, servicing mortgage debt is cheap compared to previous decades. The low cost of borrowing, in conjunction with incentives for First Time Buyers such as the Help to Buy Scheme and lenders offering a wider range of products to First Time Buyers, mean that the mortgage market should continue broadly at its current run rate, regardless of the impact of the factors above.

Although interest rates are low, we have seen them rise from their lowest level. This change has been the catalyst for a higher level of re-mortgaging, with both residential and buy-to-let re-mortgaging showing mid-teen percentage increases on H1 2017, as well as the emergence of more Product Transfers as customers lock in to new deals.

Historically, lenders have offered their customers Product Transfers directly, with intermediaries having very little input into the Product Transfer market. Recently, however, many lenders have recognised the value intermediaries can bring to a customer decision and have engaged intermediaries to assist retaining existing customers through active facilitation of customer Product Transfers. MAB estimates that the intermediary market share of Product Transfers is already at c. 25-30%. This development presents incremental customer interaction and new opportunities for MAB advisers especially as MAB has traditionally been predominantly a house purchase focused model. We expect activity in this area to remain strong, and MAB is well positioned to capitalise on this development and grow its market share.

The UK Finance industry data on gross new mortgage lending excludes Product Transfers, and UK Finance has recently estimated the size of the Product Transfer market in Q1 2018 to be £53.7bn. As anticipated, Product Transfers typically deliver lower overall income per transaction compared to re-mortgages, with this partially offset by Product Transfers having a much lower dropout to completion, and delivering banked income in a shorter timeframe.

In terms of the national housing outlook, our view is that it looks overall like more of the same, i.e. both flat but also steady in terms of transactions and much the same if not marginally upwards in terms of prices, again with regional and local variations. Housing stock for sale is also set to remain at or close to record lows. UK Finance has not updated its forecasts recently, but predicts a relatively flat market for gross new mortgage lending (which excludes Product Transfers) for 2018 as a whole, with a 4% increase for 2019 as the Government continues to manage the UK's exit from the EU. Intermediary market share[1] has increased slightly to 74% for H1 2018. MAB and its ARs' growth is not directly reliant on increasing housing transactions, property prices, or intermediary market share as our continued year on year growth demonstrates.

Delivering on our strategy

■ Technology developments

We are progressing well in the build of our new technology platform, which once completed, will further strengthen our unique business model.

We are deliberately making technology central and integral to our business model, in a way that directly benefits MAB advisers and customers. We are yet to see any real technological transformation or major process change in the mortgage and home-moving process. In no small part this is due to the importance, complexity and sheer enormity of buying a home. However, the industry will inevitably see meaningful change in the medium term and MAB aims to be right at the forefront of any change, leading as opposed to following.

Put simply, we want MAB advisers to have the best and most straightforward technology tools to enable them to procure and help more customers, offer a wider range of products and services, and, most importantly, we want to use technology to design processes and provide an overall experience for customers that is second to none. A key part of this is delivering digital tools that can also be used to support a customer's research process and help them apply for a mortgage.

We are investing in this new technology and are excited about the impact that this could bring to MAB, in the shape of increased productivity and efficiency with existing advisers, as well as our ability to attract new advisers that don't currently have some of the technology that we are now building.

Telephone based advice is also becoming more prevalent, as we help our AR Firms to invest in making their businesses more productive, efficient and customer friendly.

We remain advocates of the importance of customers receiving full advice and this will continue to be our primary and most important focus. However, we will explore how customers can perhaps get the mortgage they want through more expedient means, as they increasingly seek to research in a more remote and digital way.

■ Driving income opportunities

We are consistently ensuring that our customers receive the best possible protection advice to cover their home buying and mortgage commitments. We achieve this through technology solutions, embedding the factfinding, submission and reporting into our core platform, to ensure all customers are always provided with the opportunity to fully protect their borrowings and where applicable their family.

Further initiatives will be embedded into our process by the end of the year, when we expect to see our protection strategy start to positively impact our financial performance. The increase in Product Transfer activity and reduction in house purchase mortgages in the first half has in the meantime slightly pegged back protection sales as it did in the run up to the stamp duty deadline in H1 2016, with buy-to-let also having far lower associated protection sales.

At the end of 2017 we increased our investment in Sort Group Limited ("Sort Group"), with a view to further embedding conveyancing technology into our platform and processes. Sort Group comprises the Sort Refer technology

[1] Excluding buy-to-let, where intermediaries have a higher market share, and Product Transfers where intermediaries have a lower market share.

platform, which enables the sourcing, selection, submission and tracking of conveyancing. A recent development for Sort Group is the investment it has made in Sort Legal, its own conveyancing subsidiary, to provide the Sort Refer platform with its own captive conveyancing capability.

We have also made further progress in Australia and continue to test this market to ascertain the feasibility of scaled cross border expansion.

We continue to broaden the lead sources for MAB Broker Services and the signs are encouraging against a market backdrop that in many ways is similar to that of how the UK market was over a decade ago.

Our direct to consumer marketing plans have also progressed, with the launch of a range of new marketing initiatives designed at providing lead generation to our advisers, including a TV advertising pilot that started in the summer. We are already seeing encouraging data and trends emerging and continue to explore how and where best to grow this further. This strategy differentiates MAB from its competitors and adds value to its advisers in the form of new customer acquisition opportunities.

Additionally, a new market segment that is emerging is lending into retirement, or, so-called 'Later Life Lending' as lenders introduce a far wider range of solutions for customers over 60 years of age. The most specialist part of this market, namely "Equity Release" where no repayments of capital or interest are made, although growing, will remain quite small in the overall context of the anticipated growth in Later Life Lending. Some lenders have already expanded their mortgage portfolios to also include products that help customers to borrow money at older ages, and, also to borrow that money until they are much older. This relaxation or innovation is in response to demand from an ageing population, and those that want to provide intergenerational assistance to help family members to fund university or a first home for example.

It is estimated that Later Life Lending will represent c. £80bn of additional outstanding mortgage lending by 2027[1]. It is also estimated that the housing wealth of the 'over-55s' is worth £2.5 trillion[2]. 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.

Finally, MAB will be exploring home-moving as a process in its entirety, from start to finish. Currently MAB is involved in mortgages, protection, household insurance, surveys and conveyancing. In the medium term, we intend to expand our involvement beyond the mortgage transaction, through vertical integration with the ultimate aim of using technology to control the whole home moving process for a customer and increasing the footprint of our services to ease that process and add further customer value.

[1] Centre for Economics and Business Research and more 2 life.
[2] Swiss Re Term and Health Watch 2017.

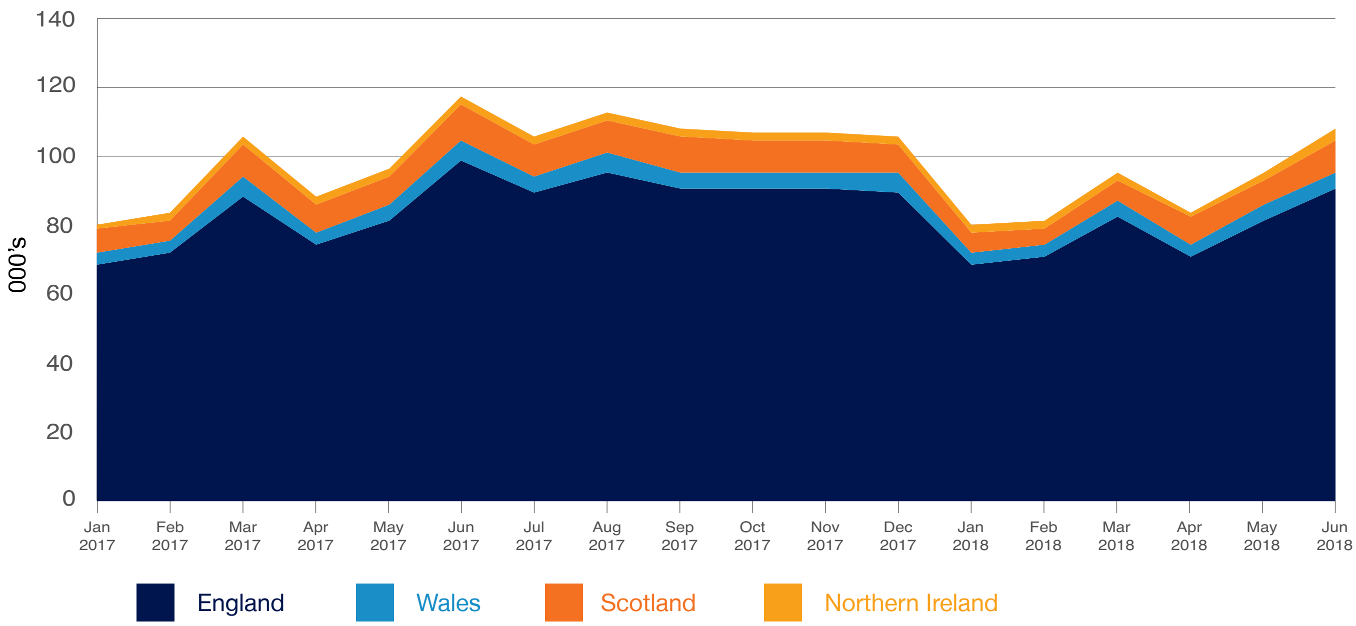
Summary

This has been another very strong performance from MAB, and one that has clearly outperformed the housing market, which has seen a reduction in the number of transactions.

We continue to invest and focus our efforts in keeping MAB at the forefront of change, especially technological change. We intend to have the best proposition for our advisers and we will continue to help our advisers to provide the best possible experience to their customers. We will also continue investing in building our MAB brand, and provide support in lead generation to help our AR firms and advisers to grow their businesses and market share further.

This virtuous circle is the model we back and support to continue our track record of success, with technology very much leading the way.

Property transactions in the UK by volume



Source: HM Revenue and Customs

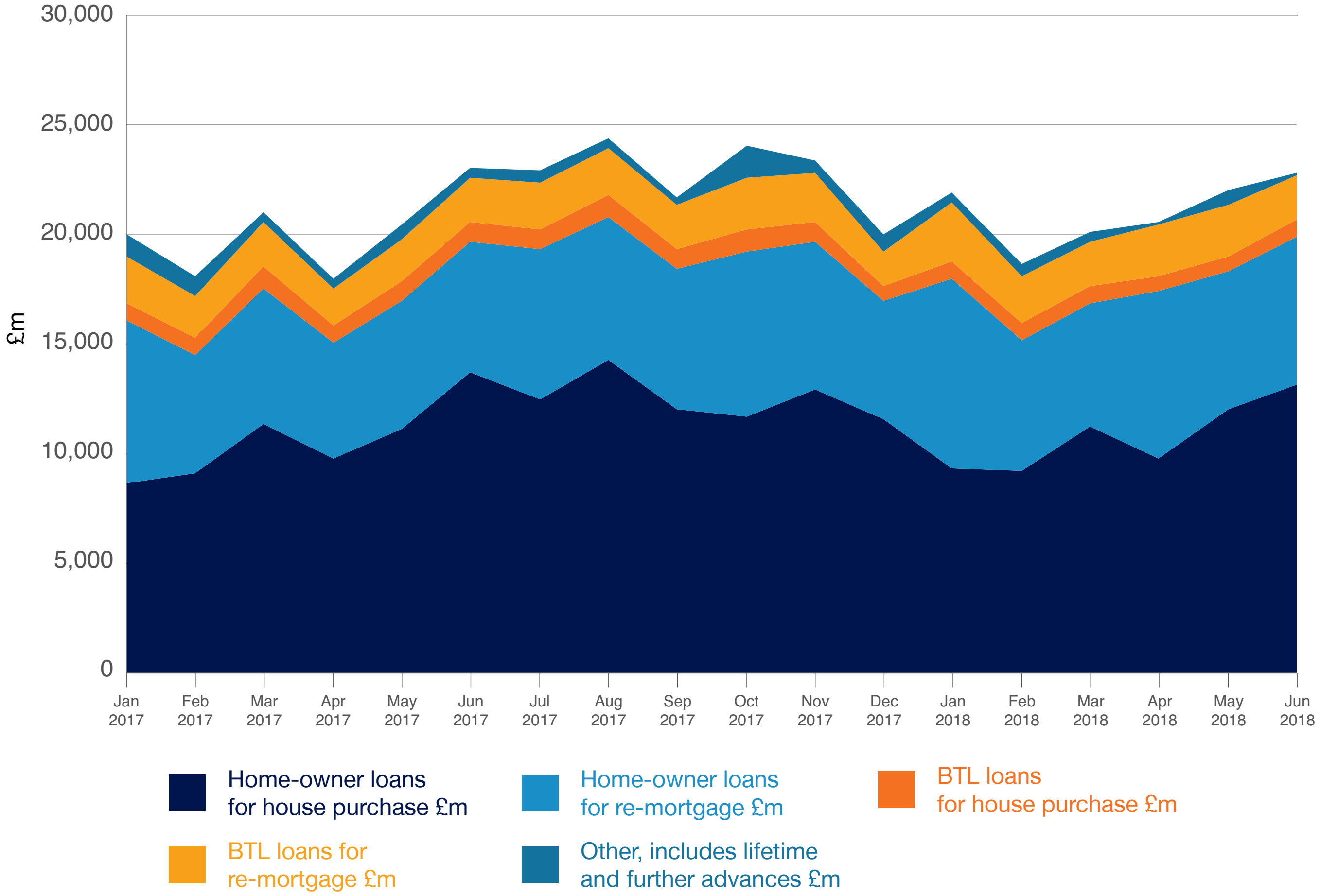
We are about halfway through our three-year plan and are pleased with our progress. We intend to balance investing in new technology and driving new income opportunities, whilst continuing to deliver strong financial results.

MAB has made (and continues to develop) several key strategic investments and will continue to consider new opportunities that arise, as and when they are deemed to clearly support, enhance and accelerate our agenda of increasing our market share and profitability. Whilst our investments to date have been relatively modest in size, we will consider making larger investments to help accelerate the development of our customer and adviser proposition, lead generation and distribution. However, given our strong financial position and prospects for growth we do not expect any such investment to adversely affect our payout ratio or the future growth in dividends.

Business Review of the half year

I am pleased to report strong growth in revenue of 17% to £57.9m with profit before tax rising by 11% to £7.0m. MAB's gross mortgage lending (including Product Transfers) increased by 25% to £6.5bn in H1 2018 (H1 2017: £5.2bn) driven primarily by a 13% increase in the average number of Advisers. MAB's overall share of UK new mortgage lending increased by 12% to 4.7% (H1 2017: 4.2%[1]).

New mortgage lending by purpose of loan



Source: UK Finance Regulated Mortgage Survey (excludes Product Transfers), Bank of England, UK Finance BTL data (used for further analysis)

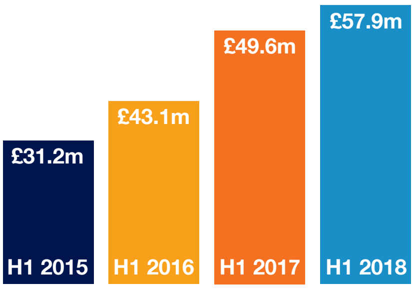
[1] H1 2017 figure restated to exclude Product Transfers in that period of £0.2bn.
[2] Land Registry House Price Index.

Financial review

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

Revenue

£57.9m

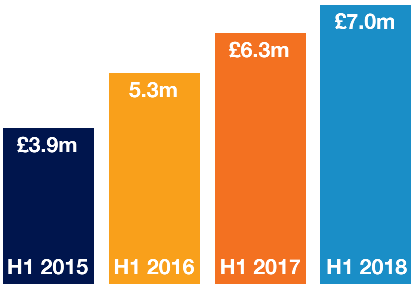


Total income from all revenue streams

Strategy/objective
Shareholder value and financial performance

Profit before tax

£7.0m

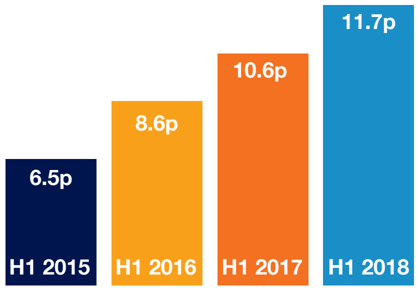


Profit before tax.

Strategy/objective
Shareholder value and financial performance

Earnings per share

11.7p

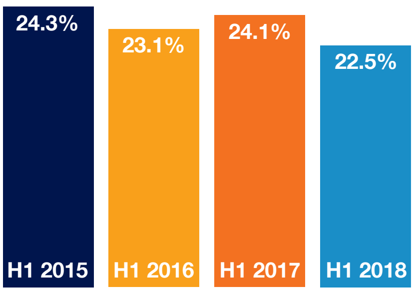


Total comprehensive income, attributable to equity holders of the Company, adjusted to add back non-recurring costs, divided by the number of ordinary shares.

Strategy/objective
Shareholder value and financial performance.

Gross profit margin

22.5%

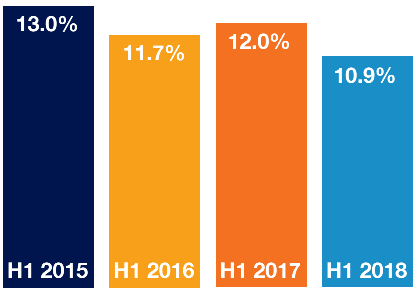


Gross profit generated as a proportion of revenue.

Strategy/objective
Managing gross margins

Overheads % of revenue

10.9%

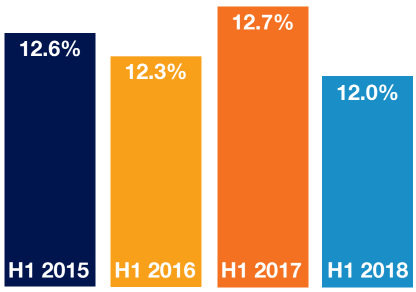


Group's administrative expenses as a proportion of revenue.

Strategy/objective
Operating efficiency.

Profit before tax margin

12.0%

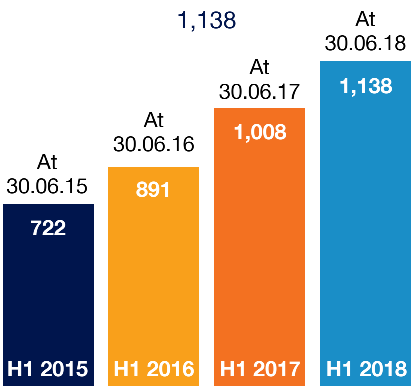


Profit before tax as a proportion of revenue.

Strategy/objective
Shareholder value and financial performance

Adviser numbers

1,138

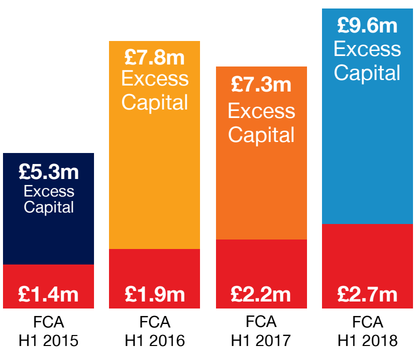


The average number of advisers over the last six months at 30.06.18 was 974 (30.06.17: 974)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£12.3m

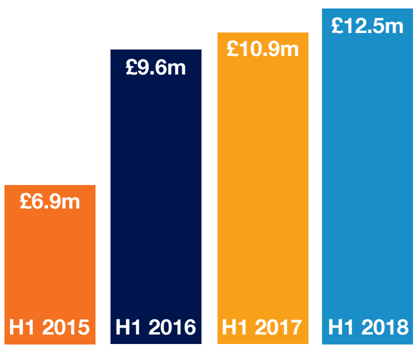


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA).

Strategy/objective
Financial stability

Unrestricted cash balances

£12.5m



Bank balances available for use in operations.

Strategy/objective
Financial stability

■ Industry data and trends

Gross new mortgage lending activity in H1 2018 increased by 6% to £126bn (H1 2017: £119bn). Although UK Finance has not recently updated its estimates for gross new mortgage lending for 2018 and 2019; the current run rate broadly supports their previous estimates of £260bn and £271bn for 2018 and 2019 respectively, indicating the market is likely to be relatively flat in the near term with a slight increase for 2019. The UK finance industry data on gross new mortgage lending excludes Product Transfers, and UK Finance has recently estimated the size of the Product Transfer market in Q1 2018 to be £53.7bn.

UK property transactions by volume for H1 2018 were 5% lower than H1 2017, as illustrated in the graph on page 4. Mid-teen percentage increases in both residential and buy-to-let re-mortgage volumes combined with property inflation of 4.0%[2] offset the fall in property transactions and led to an increase in UK gross new mortgage lending during the period of 6%, as illustrated in the graph on page 5.

UK gross new mortgage lending in H1 2018 for home-owner purchases and re-mortgages grew by 2% and 14% respectively compared to the same period last year. UK gross new mortgage lending in H1 2018 for buy-to-let purchases fell by 14% and for buy-to-let re-mortgages increased by 15%.

Approximately 74% 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 H1 2018 which is broadly stable compared to 2017. MAB expects this position to remain broadly stable going forward.

■ Revenues

Revenues increased by 17% to £57.9m (H1 2017: £49.6m). A key driver of revenue is the average number of Advisers during the period. Our business model continues to attract forward thinking ARs who are seeking to expand and grow their own market share. Average adviser numbers increased by 13% to 1,103 in the six months ended 30 June 2018 (H1 2017: 974) due to a combination of expansion by existing ARs and the recruitment of new ARs.

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

Income source	H1 2018 £m	H1 2017 £m	Increase
Mortgage procuration fees	26.8	20.5	31%
Protection and general insurance commission	21.3	19.8	8%
Client fees	8.9	8.5	5%
Other income	0.9	0.8	10%
Total	**57.9**	**49.6**	**17%**

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

Income source	H1 2018	H1 2017
Mortgage procuration fees	46%	41%
Protection and general insurance commission	37%	40%
Client fees	15%	17%
Other income	2%	2%
Total	**100%**	**100%**

All income sources continued to grow with the average number of Advisers in the period increasing by 13% on the same period last year, with a 3% increase in average revenue per adviser for the six months ended 30 June 2018.

With gross mortgage lending arranged (including Product Transfers) increasing by 25% in the period, mortgage procuration fees increased by 31%. The increase of 8% in protection and general insurance commission reflects a reduction in the proportion of our residential purchase business, resulting from reduced house purchase transactions, and an increase in re-mortgaging and Product Transfers which have lower protection penetration. Further initiatives will be embedded into our protection process by the end of the year, when we expect to see our protection strategy starting to positively impact financial performance. Client fees rose by 5% in the period, reflecting the increase in re-mortgaging and Product Transfers over the comparative period, where a client fee is less likely to be charged.

The effect of increased re-mortgaging and Product Transfers translates into the revenue mix which has skewed more in favour of procuration fees in the period.

Looking ahead, we 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.

■ Gross profit margin

Gross profit margin for the period was 22.5% (H1 2017: 24.1%) partly due to the revenue mix being less in favour of protection resulting from a reduction in house purchase mortgages and an increase in re-mortgages and Product Transfers. 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.

Going forward, we expect to see some further erosion of gross profit margin due to the continued growth of our existing ARs and the addition of new larger ARs.

■ Overheads

Overheads as a percentage of revenue were 10.9% (H1 2017: 12.0%). This reduction in overheads as a percentage of revenue results from the scalable nature of the cost base as well as our regulatory costs being broadly consistent with the prior period due to a change in FSCS charging periods this year to realign with the FCA financial year.

Certain costs, primarily those relating to compliance personnel, which represent approximately 20% of our cost base, 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, representing c. 20% of our cost base, mainly relates to FCA and FSCS regulatory fees and charges. With the FCA confirming in May 2018 that it is moving pure protection intermediation from the Life and Pensions Intermediation funding class of FSCS to the General Insurance Distribution funding class to ensure a fairer distribution of levies, we are not expecting to see any increase in the rates of these turnover based changes moving forwards. The remainder of MAB's costs typically rise at a slower rate than revenue which will, in part, counter the expected erosion of gross margin as the business continues to grow.

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

Profit before tax and margin thereon

Profit before tax rose by 11% to £7.0m (H1 2017: £6.3m) with the margin thereon being 12.0% (H1 2017: 12.7%).

Net finance revenue

Net finance revenues of £0.03m (H1 2017: £0.01m) reflect continued low interest rates.

Taxation

The effective rate of tax fell to 14.1% (H1 2017: 14.6%), principally due to the tax deduction arising following the exercise of the second tranche of employee share options since IPO. 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

Earnings per share increased to 11.7 pence (H1 2017: 10.6 pence). The Board is pleased to confirm an interim dividend for the year ending 31 December 2018 of 10.6p per share, amounting to a total of £5.4m. Following payment of the interim dividend, the Group will retain a significant surplus above its regulatory capital requirement. The interim dividend represents c. 90% of the Group's post-tax profits for H1 2018 and reflects our intention to distribute excess capital going forward. MAB typically requires c. 10% of profit after tax to fund increased regulatory capital and other capital expenditure.

The record date for the interim dividend is 5 October 2018 and the payment date is 26 October 2018. The ex-dividend date will be 4 October 2018.

Cash flow and cash conversion

The Group's operations produce positive cash flow. This is reflected in the net cash inflow from operating activities of £6.4m (H1 2017: £5.8m).

Headline cash conversion[1] was:

H1 2018: 123%
H1 2017: 119%

Adjusted cash conversion[2] was:

H1 2018: 108%
H1 2017: 116%

The Group's operations are capital light with our most significant ongoing capital investment being in computer equipment. Only £0.6m of capital expenditure on office and computer equipment and software licenses was required during the period (H1 2017: £0.06m). Group policy is not to provide company cars, and no other significant capital expenditure is foreseen in the coming year.

The Group had no bank borrowings at 30 June 2018 (H1 2017: £nil) with unrestricted bank balances of £12.5m (31 December 2017: £13.2m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 30 June 2018 this regulatory capital requirement was £2.7m (31 December 2017: £2.5m).

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

	£m
Unrestricted bank balances at the beginning of the period	13.2
Cash generated from operating activities excluding movements in restricted balances and dividends received from associates	6.6
Issue of shares	0.5
Dividends received from associates	0.2
Dividends paid	(6.0)
Tax paid	(1.4)
Capital expenditure	(0.6)
Unrestricted bank balances at the end of the period	12.5

The Group's treasury strategy is to reduce risk by spreading deposits over a number of institutions rather than to seek marginal improvements in returns.

[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 £0.8m in H1 2018 (H1 2017: £0.3m) as a percentage of operating profit.

[2] Adjusted cash conversion is headline cash adjusted for increases in restricted cash balances of £1.0m in H1 2018 (H1 2017: £0.2m) as a percentage of operating profit.

Current Trading and Outlook

Current trading is in line with the Board's expectations. Adviser numbers have continued to grow since the period end with the Group having 1,157 Advisers at 21 September 2018. We remain confident about our planned growth in adviser numbers in both the remainder of 2018 and in 2019, both organically and from new ARs.

Although UK Finance has not recently updated its estimates for gross new mortgage lending for 2018 and 2019, the current run rate broadly supports their previous estimates of £260bn and £271bn for 2018 and 2019 respectively, indicating that the market is likely to be relatively flat in the near term. These figures exclude Product Transfers, and it has only been over the last year or so that the large lenders have engaged intermediaries to help them to retain their existing mortgage borrowers. UK Finance have recently estimated that the size of this market for the first three months of 2018 was £53.7bn, indicating an annual market size of c. £200bn.

Independent review report to Mortgage Advice Bureau (Holdings) plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the interim condensed consolidated statement of financial position, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants
London
United Kingdom

24 September 2018

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

Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 Unaudited £'000	2017 Unaudited £'000
Revenue	2	**57,854**	49,593
Cost of sales	2	**(44,822)**	(37,623)
Gross profit		**13,032**	11,970
Administrative expenses		**(6,307)**	(5,936)
Share of profit from associates		**206**	230
Profit from operations		**6,931**	6,264
Finance income	3	**31**	11
Profit before tax		**6,962**	6,275
Tax expense	4	**(980)**	(915)
Profit for the period attributable to equity holders of parent company		**5,982**	5,360
Other comprehensive income		**–**	–
Total comprehensive income, net of tax		**5,982**	5,360
Earnings per share attributable to the owners of the parent	5		
Basic		**11.7p**	10.6p
Diluted		**11.3p**	10.4p

Interim condensed consolidated statement of financial position
as at 30 June 2018 and 31 December 2017

	Note	30 June 2018 Unaudited £'000	31 December 2017 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment		**2,602**	2,648
Goodwill	7	**4,114**	4,114
Other intangible assets	8	**615**	98
Investments in associates and joint ventures	9	**1,426**	1,339
Deferred tax asset		**1,259**	925
Total non-current assets		**10,016**	9,124
Current assets			
Trade and other receivables	10	**5,315**	4,426
Cash and cash equivalents	13	**22,841**	22,551
Total current assets		**28,156**	26,977
Total assets		**38,172**	36,101
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	14	**51**	51
Share premium	14	**4,094**	3,574
Capital redemption reserve		**20**	20
Share option reserve		**1,899**	1,450
Retained earnings		**13,038**	13,071
Total equity		**19,102**	18,166
Liabilities			
Non-current liabilities			
Provisions		**1,580**	1,496
Deferred tax liability		**53**	51
Total non-current liabilities		**1,633**	1,547
Current liabilities			
Trade and other payables	11	**16,425**	14,999
Corporation tax liability		**1,012**	1,389
Total current liabilities		**17,437**	16,388
Total liabilities		**19,070**	17,935
Total equity and liabilities		**38,172**	36,101

Interim condensed consolidated statement of changes in equity
for the six months ended 30 June 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 January 2017	51	3,042	20	380	11,680	15,173
Profit for the period	–	–	–	–	5,360	5,360
Total comprehensive income	–	–	–	–	5,360	5,360
Transactions with owners						
Issue of shares	–	532	–	–	–	532
Share based payment transactions	–	–	–	184	–	184
Deferred tax assets recognised in equity	–	–	–	332	–	332
Reserve transfer	–	–	–	(62)	62	–
Dividends paid	–	–	–	–	(5,888)	(5,888)
Total transactions with owners	–	532	–	454	(5,826)	(4,840)
As at 30 June 2017 (unaudited)	51	3,574	20	834	11,214	15,693
As at 1 January 2018	51	3,574	20	1,450	13,071	18,166
Profit for the period	–	–	–	–	5,982	5,982
Total comprehensive income	–	–	–	–	5,982	5,982
Transactions with owners						
Issue of shares	–	520	–	–	–	520
Share based payment transactions	–	–	–	225	–	225
Deferred tax asset recognised in equity	–	–	–	291	–	291
Reserve transfer	–	–	–	(67)	67	–
Dividends paid	–	–	–	–	(6,082)	(6,082)
Total transactions with owners	–	520	–	449	(6,015)	(5,046)
As at 30 June 2018 (unaudited)	**51**	**4,094**	**20**	**1,899**	**13,038**	**19,102**

Interim condensed consolidated statement of cash flows
for the six months ended 30 June 2018

	Six months ended 30 June	
	2018 Unaudited £'000	2017 Unaudited £'000
Cash flows from operating activities		
Profit for the period before tax	**6,962**	6,275
Adjustments for		
Depreciation of property, plant and equipment	**97**	95
Amortisation of intangibles	**20**	9
Share based payments	**225**	184
Share of profit from associates	**(263)**	(230)
Dividends received from associates	**176**	211
Finance income	**(31)**	(11)
	7,186	6,533
Changes in working capital		
Increase in trade and other receivables	**(884)**	(287)
Increase in trade and other payables	**1,426**	882
Increase in provisions	**84**	45
Cash generated from operating activities	**7,812**	7,173
Income taxes paid	**(1,398)**	(1,354)
Net cash generated from operating activities	**6,414**	5,819
Cash flows from investing activities		
Purchase of property, plant and equipment	**(51)**	(61)
Purchase of intangibles	**(537)**	(79)
Acquisitions of associates, including deferred consideration	**–**	(50)
Net cash used in investing activities	**(588)**	(190)
Cash flows from financing activities		
Interest received	**26**	11
Issue of shares	**520**	532
Dividends paid	**(6,082)**	(5,888)
Net cash used in financing activities	**(5,536)**	(5,345)
Net increase in cash and cash equivalents	**290**	284
Cash and cash equivalents at the beginning of the period	**22,551**	18,711
Cash and cash equivalents at the end of the period	**22,841**	18,995

1. Accounting policies

Corporate information

The interim condensed consolidated financial statements of Mortgage Advice Bureau (Holdings) plc and its subsidiaries (collectively, "the Group") for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 24 September 2018.

Mortgage Advice Bureau (Holdings) plc ("the Company") is a limited company incorporated and domiciled in England whose shares are publicly traded. The registered office is located at Capital House, Pride Place, Pride Park, Derby. The Group's principal activity is the provision of financial services.

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018, and will be adopted in the 2018 annual financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are noted below under "Significant accounting policies".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's IFRS financial information as at 31 December 2017.

The information relating to the six months ended 30 June 2018 and the six months ended 30 June 2017 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2017 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not draw attention to any matters by way of emphasis, or contain a statement under section 498(2) or (3) of the Companies Act 2006.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2017 except where the implementation of IFRS 9 discussed above requires a different approach to the accounting previously applied. Significant estimates and judgements that have been required for the implementation of the new standard are:

- Estimating the lifetime losses of short-term trade receivables for the purposes of IFRS 9's expected credit loss model.

Significant accounting policies

The accounting policies applied are consistent with those described in the Annual Report and Group financial statements for the year ended 31 December 2017, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018, and will be adopted in the 2018 annual financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

IFRS 9 Financial Instruments

Details of the impact this standard has had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements, namely IFRS 15 Revenue from Contracts with Customers, is not expected to impact the Group as it requires accounting which is consistent with the Group's current accounting policies.

1. Accounting policies (continued)

■ IFRS 9 Financial Instruments

The adoption of IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018 has impacted its consolidated financial statements in one key area:

The Group has applied an expected credit loss model when calculating impairment losses on its trade and other receivables and its cash and cash equivalents. This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9, the Group has considered the probability of a default occurring over the contractual life of its trade receivables on initial recognition of those assets. Under the new model applied to all trade and other receivables, the amount of impairment losses as at 1 January 2018 was not material. In accordance with the provisions of IFRS 9, an impairment provision of £79,000 as at 30 June 2018 has been recognised in the condensed consolidated interim financial statements in respect of loans to associated companies.

The Group has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, this change has been processed at the date of initial application (i.e. 1 January 2018), and presented in the statement of changes in equity for the six months to 30 June 2018.

■ Future new standards and interpretations

A number of new standards and amendments to standards and interpretations will be effective for future annual and interim periods and, therefore, have not been applied in preparing these condensed consolidated interim financial statements. At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Standard or interpretation		Periods commencing on or after
IFRS 16	Leases	1 January 2019
IFRIC Interpretation 23	Uncertainty over income tax treatments	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an Investor and its Associates or Joint Ventures	1 January 2019

IFRS 16 Leases. IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. 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 lessees – 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 be also 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 principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

This amendment is not expected to have any impact on the Group.

1. Accounting policies (continued)

■ Future new standards and interpretations (continued)

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 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 is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply this interpretation and it may affect its consolidated financial statements and the required disclosures.

In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

IFRS 17 – Insurance contracts. IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure was issued in May 2017. Once effective, IFRS 17 will replace IFRS 4. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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 or 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' interests 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.

■ 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; and
- 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.

Entities that are not subsidiaries but where the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions) are accounted for as associates. The results and assets and liabilities of the associates are included in the consolidated accounts using the equity method of accounting.

■ 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 consolidated statement of comprehensive income that is reviewed by the CODM.

During the six month period to 30 June 2018, there have been no changes from the prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

2. Revenue

The Group operates in one segment being that of the provision of financial services in the UK.

	Six months ended 30 June	
Revenue is derived as follows:	**2018 Unaudited £'000**	2017 Unaudited £'000
Mortgage related products	**35,671**	28,972
Insurance and other protection products	**21,308**	19,818
Other income	**875**	803
	57,854	49,593

Costs of sales are as follows:

	2018 Unaudited £'000	2017 Unaudited £'000
Commissions paid	**43,945**	36,860
Wages and salary costs	**877**	763
	44,822	37,623

There is no significant seasonality to income which arises fairly evenly throughout the year and therefore profits also arise fairly evenly throughout the financial year.

3. Finance income

	Six months ended 30 June	
	2018 Unaudited £'000	2017 Unaudited £'000
Interest income	**26**	11
Interest income accrued on loans to associates	**5**	–
	31	11

4. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed statements of comprehensive income are:

	Six months ended 30 June	
	2018 Unaudited £'000	2017 Unaudited £'000
Current tax expense		
UK corporation tax charge on profit for the period	**1,021**	984
Adjustments for over provision in prior periods	**–**	–
Total current tax	**1,021**	984
Deferred tax expense		
Origination and reversal of timing differences	**–**	(19)
Temporary difference on share based payments	**(41)**	(50)
Total deferred tax	**(41)**	(69)
Total tax expenses	**980**	915

For the period ended 30 June 2018, the deferred tax recognised in equity was £291,996.

5. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company, Mortgage Advice Bureau (Holdings) plc, as the numerator. No adjustments to profits were necessary during the six month period to 30 June 2018 and 30 June 2017.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Weighted average number of shares used in basic earnings per share	**50,938,611**	50,605,575
Potential ordinary shares arising from options	**1,848,634**	768,232
Weighted average number of shares used in diluted earnings per share	**52,787,245**	51,373,807

6. Dividends

	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Dividends paid and declared during the period:			
On ordinary shares at 11.9p per share (2017: 10.5p)	**6,082**	5,333	5,333
Special dividend: (2017:1.1p)	**–**	555	555
Interim dividend for 2017: 9.5p per share	**–**	–	4,824
	6,082	5,888	10,712
Equity dividends on ordinary shares:			
Declared:			
Interim dividend for 2018: 10.6p per share (2017: 9.5p)	**5,417**	4,825	–
Proposed for approval:			
Final dividend for 2017: 11.9p per share	**–**	–	6,044
	5,417	4,825	6,044

The record date for the interim dividend is 5 October 2018 and the payment date is 26 October 2018.

7. Goodwill

The goodwill relates to the acquisition of Talk Limited in 2012, and in particular its main operating subsidiary Mortgage Talk Limited. 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 2017 concluded that there had been no impairment of goodwill.

The key basis for determining that there was no impairment to the carrying value of goodwill was disclosed in the annual consolidated financial statements for the year ended 31 December 2017. There are no matters which have arisen in the period to 30 June 2018 which indicated that an impairment review was required at that date.

8. Other intangible assets

Acquisitions

During the six months ended 30 June 2018, the Group acquired intangible assets at a cost of £537,035 (2017: £nil).

9. Investments in associates and joint ventures

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

	30 June 2018 Unaudited £'000	31 December 2017 Audited £'000
At start of the period	**1,339**	1,008
Additions	**–**	184
Share of profit	**263**	500
Dividends received	**(176)**	(353)
At period end	**1,426**	1,339

10. Trade and other receivables

	30 June 2018 Unaudited £'000	31 December 2017 Audited £'000
Trade receivables not past due	**1,323**	1,144
Trade receivables past due but not impaired	**11**	13
Trade receivables past due but impaired	**278**	273
Trade receivables	**1,612**	1,430
Less provision for impairment of trade receivables	**(278)**	(273)
Trade receivables - net	**1,334**	1,157
Amounts due from associates	**1,280**	719
Prepayments and accrued income	**2,701**	2,550
	5,315	4,426

Trade and other receivables are all current and the book value is the same as their fair value. Trade receivables are impaired on an expected loss basis. Amounts due from associates include an impairment balance of £76,108 (2017: £nil).

11. Trade and other payables – current

	30 June 2018 Unaudited £'000	31 December 2017 Audited £'000
Appointed Representatives retained commission	10,387	9,381
Other trade payables	4,106	3,526
Trade payables	14,493	12,907
Social security and other taxes	292	315
Other payables	26	40
Accruals and deferred income	1,614	1,737
	16,425	14,999

As at 30 June 2018 and 31 December 2017, the book value of trade and other payables approximates their fair value given that they are short term in nature.

12. Financial Instruments – risk management activities

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 advanced loans to its trading partners which are classified as trade receivables. 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. Further disclosures regarding trade and other receivables are given in note 10.

Financial assets – maximum exposure

	30 June 2018 Unaudited £'000	31 December 2017 Audited £'000
Cash and cash equivalents	22,841	22,551
Trade and other receivables	2,614	1,876
Total financial assets	25,455	24,427

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 limited. 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 as those included in trade receivables; this collateral 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 several UK banks all of whom are A or BBB+ rated where applicable.

13. Cash and cash equivalents

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of:

	30 June 2018 Unaudited £'000	31 December 2017 Audited £'000
Unrestricted cash and bank balances	**12,454**	13,170
Bank balances held in relation to retained commissions	**10,387**	9,381
Cash and cash equivalents	**22,841**	22,551

Bank balances held in relation to retained commissions relate to commissions earned on an indemnity from life policies and are held to cover potential future lapses in Appointed Representatives commission. Operationally, the Group does not treat these balances as available funds. An equal and opposite liability is shown within Trade Payables (note 11).

14. Share capital

Issued and fully paid

	30 June 2018 Unaudited £'000	31 December 2017 £'000
Ordinary shares of 0.1p each	**51**	51
Total share capital	**51**	51

During the period 318,363 ordinary shares of 0.1p each were issued following exercise of the second tranche of options issued at the time of the Initial Public Offering of the Company at a premium of £520,176. See also note 16.

15. Related party transactions

The following details provide the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2018 and 2017, as well as balances with related parties as at 30 June 2018 and 31 December 2017.

At 30 June 2018 there was a loan outstanding from Buildstore Limited, an associated company, of £15,000 (2017: £45,000) included in trade and other receivables. During the period the Group paid commissions of £397,321 (2017: £520,807) to Buildstore Limited.

During the period the Group received introducer commission from MAB Wealth Management Limited, an associated company of £527 (2017: £5,917). There is no balance outstanding with MAB Wealth Management Limited at 30 June 2018 (2017: £nil).

During the period the Group received introducer commission from Sort Limited, a subsidiary of an associated company of £329,798 (2017: £92,743). There was an amount of £18,288 outstanding with Sort Group Limited at 30 June 2018 (2017: £18,288) included in trade and other receivables.

During the period the Group paid commission to Clear Mortgage Solutions Limited, an associated company, of £1,492,133 (2017: £975,710).

During the period the Group purchased services from Twenty7tec Group Limited, a company in which the Group holds an investment, of £21,650 (2017: £3,600).

During the period the Group paid commission to Freedom 365 Mortgage Solutions Limited, an associated company, of £401,954 (2017: £119,225). At 30 June 2018 there was a loan outstanding from Freedom 365 Mortgage Solutions Limited of £910,000 included in trade and other receivables (2017: £280,000).

15. Related party transactions (continued)

During the period the Group paid commission to Vita Financial Limited, an associated company, of £412,793 (2017: £347,784). At 30 June 2018 there was a loan outstanding of £27,000 included in trade and other receivables.

At 30 June 2018 there was a loan outstanding from MAB Broker Services PTY Limited, an associated company, of £427,226 (AUD745,000) included in trade and other receivables (2017: £148,138, AUD250,000).

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

	2018 Unaudited £'000	2017 Unaudited £'000
CO2 Commercial Limited	**176**	211

16. Share based payments

On 10 April 2018, 103,566 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.

On 7 June 2018, 59,263 options over ordinary shares of 0.1 pence each in the Company were granted to Ben Thompson, Managing Director, 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 2018 resulted in 318,363 ordinary shares being issued at an exercise price of £1.60 and £2.19. The price of the ordinary shares at the time of exercise was £6.27 per share.

For the six months ended 30 June 2018, the Group has recognised £429,988 of share based remuneration expense in the statement of comprehensive income (2017: £247,065) which includes the charge for equity-settled schemes of £357,941 (2017: £184,479) and the matching element of the Group's Share Incentive Plan for all employees of £19,485 (2017: £7,707).

17. Events after the reporting date

There are no significant events to report after the reporting date.

Company information

Company:	**Mortgage Advice Bureau (Holdings) plc**	
Directors:	**Katherine Innes Ker**	Non-Executive Chairman
	Peter Brodnicki	Chief Executive
	Ben Thompson	Managing Director
	David Preece	Chief Operating Officer
	Lucy Tilley	Finance Director
	Nathan Imlach	Senior Independent Non-Executive Director
	Stephen Smith	Independent Non-Executive Director
Company secretary:	**Lucy Tilley**	
Registered office:	**Capital House** Pride Place Pride Park Derby DE24 8QR	
Registered number:	4131569	
Nominated adviser and broker:	**Numis Securities Limited** 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	

Financial calendar

25 September 2018	Announcement of interim results for the six months ended 30 June 2018
4 October 2018	Ex-dividend date for ordinary shares
5 October 2018	Record date for interim dividend
26 October 2018	Payment of interim dividend on ordinary shares
31 December 2018	2018 Financial year end

Mortgage Advice Bureau (Holdings) plc
Capital House
Pride Place
Derby
DE24 8QR