Mortgage Advice Bureau (Holdings) plc

Annual Report 2014

Mortgage Advice Bureau

Our strategy is clear; to continue to expand our national network of high quality and ambitious mortgage broking firms to increase market share, and to further strengthen our position as a leading UK mortgage intermediary brand.

We will continue to invest to maintain our unique position in this sector and across all our areas of specialisation, ensuring MAB and its Appointed Representative partners are able to compete at the highest level, and deliver an outstanding customer experience.

Contents

Strategic report

Governance

Financial statements

"I am pleased to report that despite the obvious time commitment by senior management that went into our successful listing on AIM in November, the Group enjoyed a record year in terms of both revenues and profits."

Peter Brodnicki
Chief Executive
See review on page 04.

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

Revenue

£56.6 million

2013: £40.1 million **+41%**

Profit before exceptional items and tax

£7.97 million

2013: £5.24 million **+52%**

Adjusted EPS (based on 50.5 million 0.1p shares)

12.7 pence

2013: 8.2 pence **+55%**

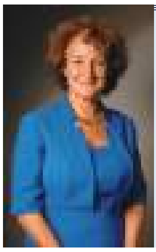
Proposed final dividend

2 pence per share

Unrestricted bank balances

£5.28 million

2013: £6.70 million **-21%**

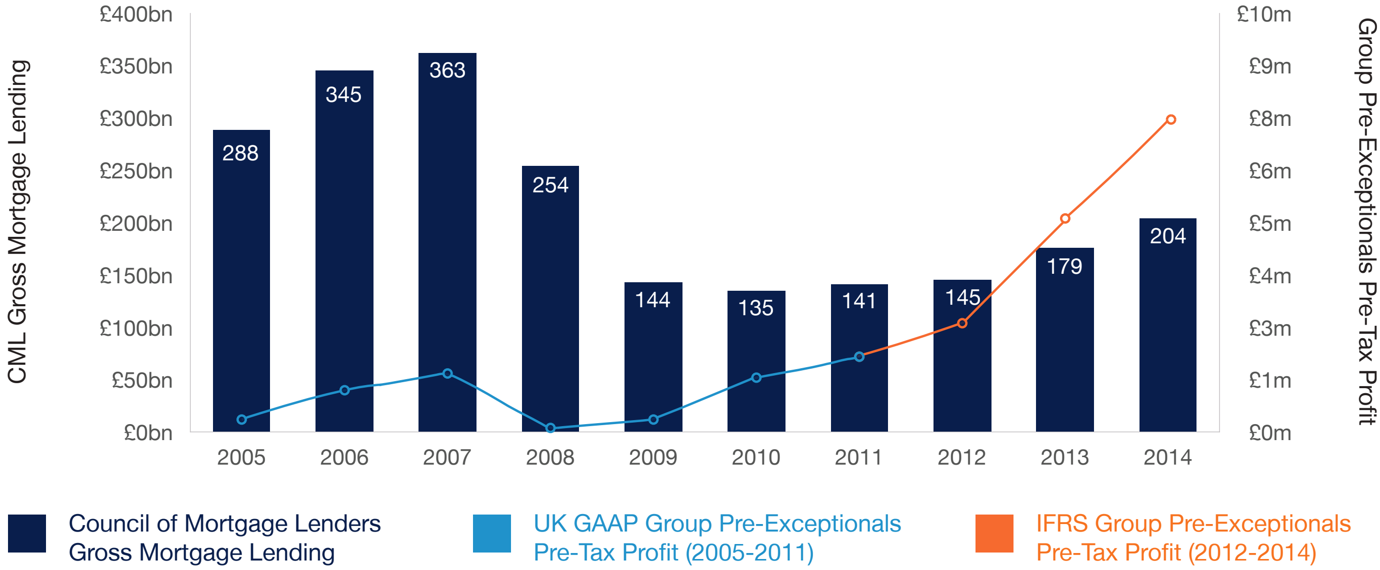


"It gives me great pleasure to present my first Chairman's statement as part of the first Annual Report following the Company's successful IPO in November 2014. We are committed to continuing the strong growth by increasing our share of the mortgage market without compromising the high standards of governance which is the hallmark of MAB."

Katherine Innes Ker
Chairman

I am pleased to report that the long track record of strong financial performance as a privately owned business has continued, with revenues and profits growing faster than the underlying mortgage market.

At the IPO, the executive team were rightly proud of remaining profitable throughout the recession, and growing profitability each year since 2008, outperforming any growth in gross mortgage lending. Despite strong growth in mortgage lending this was again the case in 2014, as can be seen by the chart below.



Board changes

As part of its preparation for life as a listed company the Company strengthened its board and demonstrated its commitment to good corporate governance by the appointment of three Non-Executive Directors, including myself as Chairman.

Lucy Tilley will be joining the Board as its new full time Finance Director, subject to regulatory approval, in line with the commitments given at the time of the IPO. It is intended that Lucy takes up her post in May 2015. The current Finance Director, Paul Robinson, will remain in the business as Company Secretary.

Dividends

The Board policy is to pay dividends in excess of 60% of its post-tax distributable profits. Due to the highly cash generative nature of our business model we intend to apply this principle to both the interim and final dividends. I believe this demonstrates our commitment to deliver value to shareholders, our confidence in the business's ability to generate positive cash flow and to release excess cash balances not required in the business.

The Board is pleased to recommend the payment of a final dividend for the year of 2.0 pence per ordinary share. This represents a 'stub' dividend for the period from listing on AIM on 14 November, to 31 December 2014.

This final dividend is broadly 100% of distributable profits for the 'stub' period, and reflects the Group's strong financial position and the capital light nature of its business.

If approved, the final dividend will be paid on 29 May 2015 to shareholders on the register at the close of business on 8 May 2015. The Board is committed to growing the dividend, while maintaining an appropriate level of regulatory and working capital.

Outlook

2015 being an election year may inevitably generate some uncertainty for the economy generally. However, I am encouraged by the political consensus around the importance of the housing market to the UK economy.

Adviser numbers have continued to grow since the year end, in part due to the Group's expansion into Northern Ireland, further diversifying the Group's geographical revenue spread. The Group had 661 advisers at 20 March 2015.

The Board remains confident of delivering further growth in 2015, and building our position as both a leading UK consumer intermediary brand and a specialist Appointed Representative Network.

Katherine Innes Ker
Chairman

25 March 2015

Introduction

"I am pleased to report that despite the obvious time commitment by senior management that went into our successful listing on AIM in November, the Group enjoyed a record year in terms of both revenues and profits."

Peter Brodnicki
Chief Executive

Our strategy

Mortgage Advice Bureau's ("MAB's") strategy is to deliver strong revenue growth and attractive returns to investors by continuing to expand its network and leverage its scalable model. The Group intends to deliver this strategy through:

- Increasing the number of advisers in existing Appointed Representatives ('ARs')
- Recruiting new ARs
- Further development of its client servicing via AR regional telephone centres

Our business model

MAB is directly authorised by the Financial Conduct Authority ("FCA") and operates an AR network which specialises in providing independent mortgage advice to customers, as well as advice on protection and general insurance products.

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

Under the MAB model almost all the advisers are engaged directly by the ARs themselves. However, MAB carries out all 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 all 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 that of a strategic business partner, with both parties benefiting from any improvement in the ARs business performance.

Sector focus and specialisations

MAB has developed bespoke support services for intermediary firms that operate in specialist sectors such as estate agency, new build, 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 businesses.

The Group has a broad geographic spread across the United Kingdom, with expansion into Northern Ireland having taken place in early 2015. Less than 10% of the Group's revenue is derived from the London market.

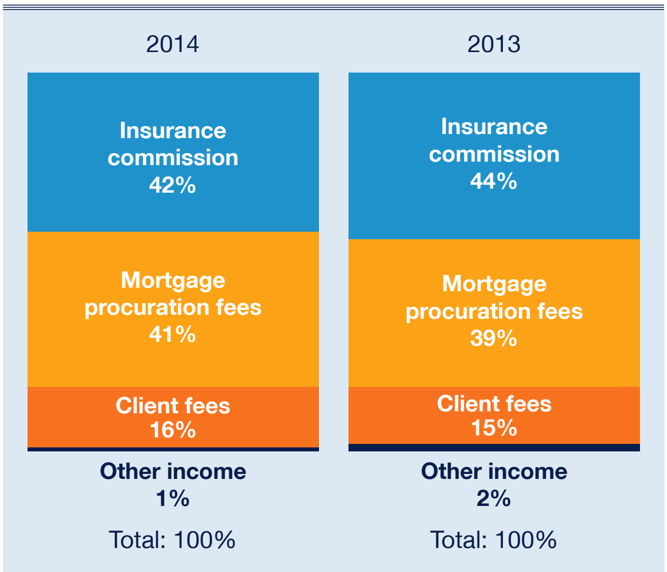
Products available through the Group

The Group's network offers advice on over 8,000 residential and buy-to-let mortgage products, 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.

The Group generates revenue from 3 core areas which can be broken down as follows:

Proportion of revenue



Proprietary software

The Group has developed its own technology system that is the trading platform for the Group and its advisers. This system, MIDAS, is a significant USP of the Group, and has seen some major enhancements released in recent months ensuring the customer and adviser experience is further improved.

Protection is a key part of the advice process, and the most recent enhancements to MIDAS will ensure a far more visual and interactive customer experience which we expect to generate an increase in insurance sales such as critical illness, income protection and life insurance.

Market trends favour intermediaries

■ Market recovery

In 2014 the UK mortgage market exceeded £200bn of gross lending for the first time since 2008. Between 2009 and 2012 gross lending varied between £135bn and £145bn per annum. 2013 saw a rise of 23% over 2012 to £179bn, whilst 2014 showed a further rise of 14% to £204bn. In December 2014 the Council for Mortgage Lenders were forecasting further increases to £222bn in 2015 and £240bn for 2016.

Whilst bank base rates are not expected to rise in the near future, rate rises will be inevitable at some point in the economic cycle.

Although the bank base rate has stayed at 0.5% for 6 years, mortgage pay rates have been falling, with fixed rates now at record low levels, with some lenders indicating that further cuts are unlikely. This makes it an opportune time for borrowers to consider remortgaging, with the mortgage intermediary in an ideal position to review the options available to their customers.

Customer reviews are a key focus for MAB, and with fixed rate mortgages at such incredibly low levels, we see the remortgage market as a major opportunity.

The government remains committed to growth in housing stock and, to further support this policy, as recently as February 2015 it was announced that a discount of up to 20% was being offered to certain first time buyers, and in the March 2015 budget a 'help to buy' ISA was announced. Housing is a core policy for all major political parties who all appear extremely committed to increasing housing stock and recognising the shortage of affordable homes.

■ Industry trends

Around 62% of UK mortgage transactions (excluding buy-to-let mortgages) were via an intermediary in 2014, up from around 55% in 2013. The share in the fourth quarter of 2014 was around 64%, and the Board expects this to grow further in 2015 with some industry commentators expecting it to reach a 75% market share in the next few years.

Individual market sectors such as buy-to-let, first time buyers and remortgaging are performing strongly; intermediaries enjoy a larger than average share of these sectors.

■ Impact of Mortgage Market Review ("MMR")

Prior to MMR, customers could obtain mortgages directly from some lenders without receiving full advice. This typically took less time than a fully-advised service such as that provided through MAB. Following MMR, all mortgage sales (with the current exception of buy-to-let), including direct sales by lenders, must be made on a fully advised basis in order to comply with the FCA's requirements.

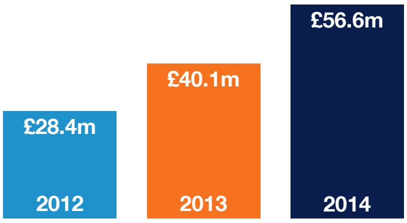
A customer who now wishes to secure a mortgage directly from a lender (and not an intermediary) may be required to repeat this more time consuming fully-advised process with each potential lender they visit. This enhances the attractiveness of the intermediary sector.

As MAB already provided a fully-advised service prior to the introduction of MMR, the Group's procedures were largely unaffected by the MMR changes.

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

Revenue (£m)

£56.6m

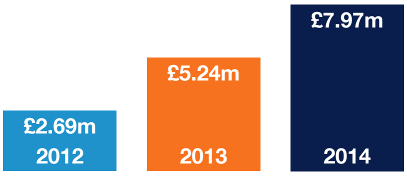


Total income from all revenue streams

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax

£7.97m



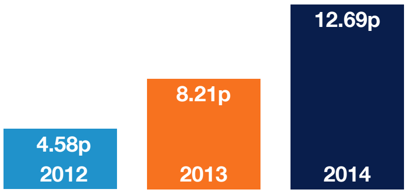
Profit before tax adjusted to add back exceptional or non-recurring items

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

Based on 50.5m shares to allow comparison

12.69p

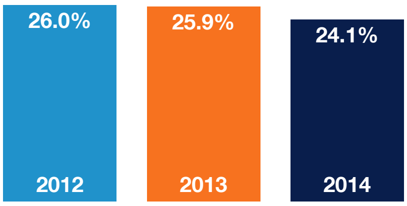


Total comprehensive income, attributable to equity holders of the Company, adjusted to add back non-recurring costs, divided by the number of ordinary shares

Strategy/objective
Shareholder value and financial performance

Gross profit margin

24.1%



Gross profit generated as a proportion of revenue

Strategy/objective
Managing gross margins

Overheads % of revenue

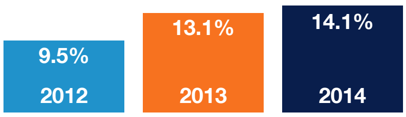
11.1%

Group's adjusted administrative expenses as a proportion of revenue

Strategy/objective
Operating efficiency

Adjusted profit before tax margin

14.1%

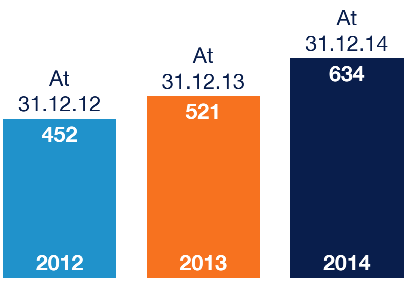


Adjusted Profit before tax as a proportion of revenue

Strategy/objective
Shareholder value and financial performance

Adviser numbers

634

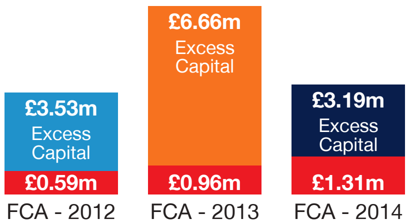


The average number of advisers in 2014 was 581 (2013: 489)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£4.50m



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

Strategy/objective
Financial stability

Unrestricted cash balances

£5.28m

Bank balances available for use in operations

Strategy/objective
Financial stability

Revenues

Revenues were up 41% to £56.6m (2013: £40.1m). A key driver of revenue is the average number of advisers in each financial year. Our business model attracts forward thinking ARs seeking to expand and grow their market share. Average adviser numbers increased by 19% to 581 (2013: 489) from a combination of the recruitment of new ARs, and the expansion of existing ARs.

Profit before exceptional items and tax

To facilitate a like-for-like comparison with prior years, the costs associated with the Company's admission to AIM in November 2014 and a one-off provision made during 2014 against a loan advanced in 2011 have been treated as exceptional costs when calculating adjusted profit before tax.

Profit before exceptional items and tax rose by 52% to £7.97m (2013: £5.24m) with the inherent scalability of MAB's model delivering a 52% increase in pre-exceptional, pre-tax profit compared with a 41% increase in revenue.

Margins

The gross profit margin fell slightly to 24.1% (2013: 25.9%). MAB has attracted, and continues to attract, ambitious ARs with actual or potential scale. Some existing ARs have achieved significant scale themselves by working alongside MAB. As the scale of an AR's business grows, the AR might be able to move to a higher commission tier which can lead to some margin erosion for the Group, and as a result we expect to see some further contraction in the gross profit margin. However, the increased revenue these growing ARs generate does leverage MAB's scalable business model and is expected to more than offset any margin erosion.

I am pleased to report that overheads as a percentage of revenue fell to 11.1% (2013: 14.3%). The Group's cost base is largely fixed in nature, and is expected to grow at a slower rate than revenue. Certain costs, primarily those relating to compliance, are closely correlated to the growth in the number of advisers, due to the requirement to maintain regulatory spans of control.

Overall, these factors resulted in an improvement in profit before exceptional items and tax as a percentage of revenue to 14.1% (2013: 13.1%).

Net finance revenue

The Group's model is highly cash generative as our income is received before we pay our ARs. This results in a negative working capital requirement. Net finance revenues of £0.12m (2013: £0.25m) reflect continued low interest rates but are a useful additional revenue stream.

Profit before tax

Unadjusted reported profit before tax increased to £6.88m (2013: £5.24m), an increase of 31%.

Taxation

The effective rate of taxation on profit before tax rose to 21.6% (2013: 20.8%) principally due to the costs of the AIM listing being disallowed for tax purposes, partly offset by reductions in the UK corporation tax rate.

Earnings per share and dividend

Adjusted EPS amounted to 12.69 pence. Comparison to 2013 is difficult as the share structure was significantly changed in preparation for the IPO. Had there been a similar number of ordinary shares in issue in 2013, adjusted EPS would have been 8.21 pence per share.

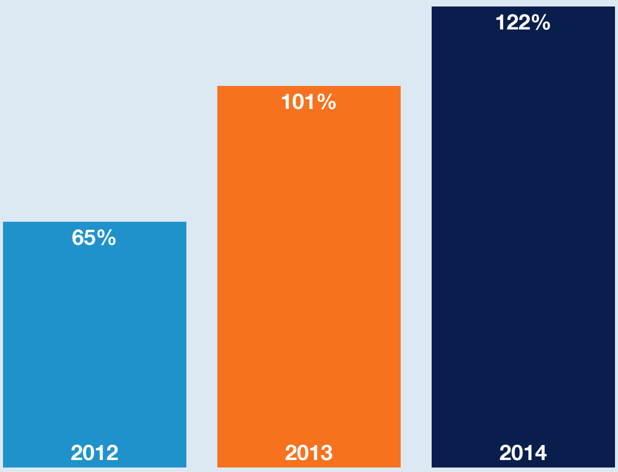
Basic EPS amounted to 9.63 pence. I am pleased to confirm a proposed final dividend for the year of 2.0 pence per share in respect of the period from Admission to AIM, amounting to a total of £1.01m.

Cash flow

The Group's operations produce positive cash flow. This is reflected in the net cash inflow from operating activities of £7.96m (2013: £4.95m).

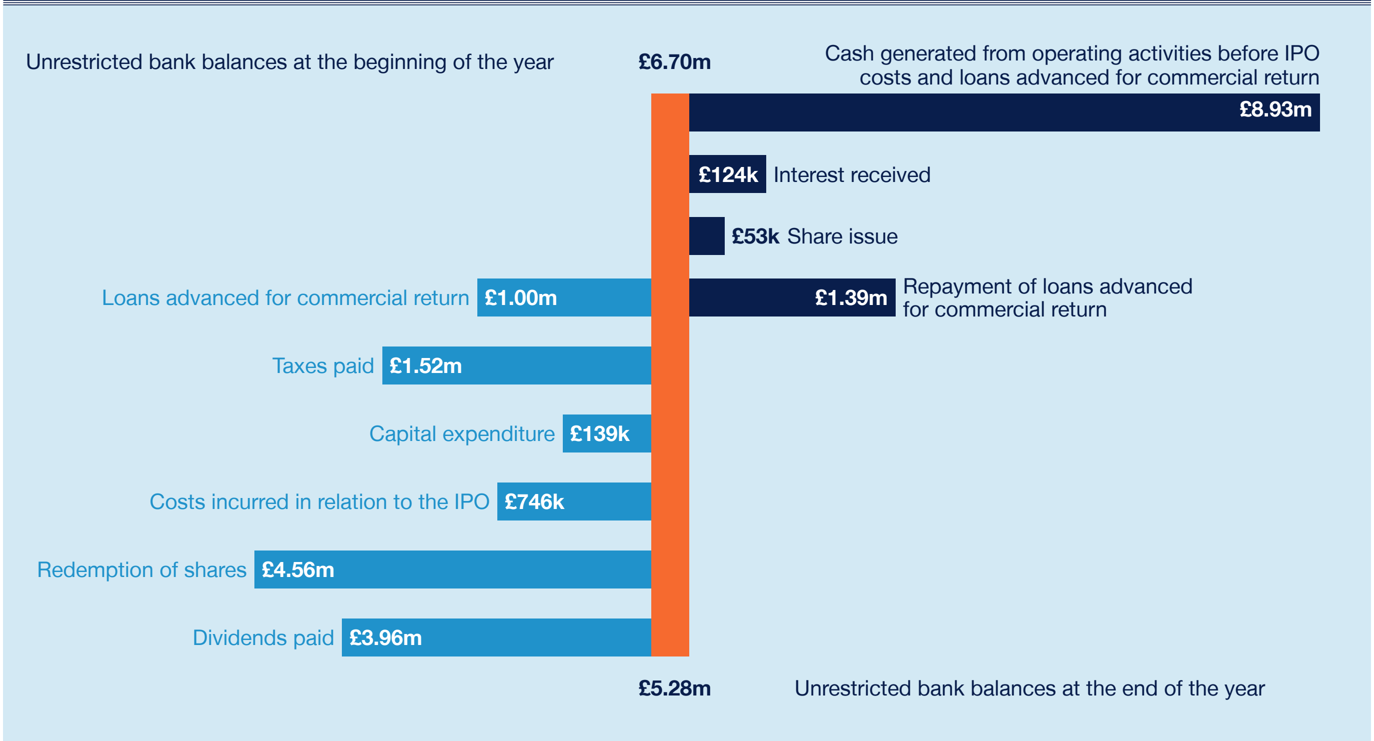
Strong cash conversion: supports dividend policy

Net cash flow from operating and investing activities as a % of operating profit.



The Group's operations are capital light with our main investment being in computer equipment. The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At the end of 2014 this regulatory capital requirement was £1.31m. Only £0.14m of capital expenditure was required during the year (2013: £0.07m). Group policy is not to provide company cars, and no significant capital expenditure is foreseen in the coming year. All development work on MIDAS is treated as revenue expenditure.

The Group had no bank borrowings at 31 December 2014 (2013: £nil) with unrestricted bank balances of £5.28m (2013: £6.70m).



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

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.

Principal risks and uncertainties

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 Risk and Compliance committee on a regular basis.

The table below outlines the most significant risk factors for the business. The risk factors mentioned 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
Changing markets	The Group operates in a highly competitive environment with competition from both other intermediaries and direct lenders.	MMR has increased the attractiveness to consumers of using an intermediary rather than going direct to lenders, which has contributed to an increased intermediary market share. The Group targets a strong online presence, including utilising social media, as it believes that consumers are increasingly using the internet for research purposes. The Group aims to be at the forefront of providing advice to consumers, leveraging its MIDAS technology.
Availability of mortgage lending	The Group is exposed to a significant reduction in the availability of mortgage lending.	Gross mortgage lending increased to over £200bn in 2014 for the first time since 2008. The Council of Mortgage Lenders forecast in December 2014 that gross mortgage lending would increase to £222bn in 2015 and £240bn in 2016, both years being considerably lower than the peak of £364bn in 2008.
Regulatory compliance	Failure to comply with regulatory requirements could result in reputational and financial damage, including withdrawal of authorisation by the Financial Conduct Authority.	Whilst almost all advisers are employed or engaged by Appointed Representatives (rather than by the Group directly), 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.
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 in recent years into the IT infrastructure. All the Group's servers are hosted in a specialist data centre with appropriate security and systems resilience. A copy of the MIDAS database is also held at another location.

Risk Category	Risk Description	Mitigating Factors/Commentary
Appointed Representative (AR) model	The Group has full regulatory responsibility for the actions of its network of AR's, who employ or engage the advisers.	The Group has robust compliance procedures as set out in "Regulatory Compliance" above. Whilst the Group has ultimate regulatory responsibility, the commercial liability (eg. complaint redress) is with the AR's.
Concentration	The Group could be exposed to a significant geographic concentration, or overexposure to particular AR's or suppliers.	The Group has broad geographical coverage in the mainland UK, and has widened this to Northern Ireland in 2015. A small proportion of the Group's revenue related to the London market. The Group has no significant exposure to any single AR. Typically AR's enter 5 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 insurers on its panel, as well as with the major lenders in the UK.
Key personnel	The Group could lose some key employees.	Remuneration is regularly reviewed, and the Group's listing on AIM in 2014 has enabled a share incentive plan to be put in place for all employees, and a LTIP for key employees. The Group has a very successful track record of retaining senior employees.
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 against it. Complaint levels are low compared to transactional volumes, and the redress from those complaints are borne by the AR's. 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 banks. The Group spreads its cash balances around a number of banking institutions.

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

25 March 2015

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

Katherine Innes Ker, aged 54
Non-Executive Chairman

Katherine has extensive executive and non-executive director experience. She is senior independent director of The Go-Ahead Group plc and of Tribal Group plc, and a non-executive director of Colt Group S.A. Her experience as a chairman includes The Television Corporation, Shed Media plc and Victoria Carpets plc and she was deputy chairman 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 a member of the Management Board of the University of Oxford Institute of Human Rights, and an independent director of the Remuneration Committee, Balliol College, Oxford.

Peter Brodnicki, aged 52
Chief Executive

Peter was one of the founders of MAB in 2000. He has over 28 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.

David Preece, aged 54
Chief Operating Officer

David joined MAB in 2004 and was appointed Operations Director. He has over 37 years mortgage and financial services experience, and qualified as an Associate of the Chartered Institute of Bankers. He had a 23 year career at NatWest, including a period as Senior Manager at NatWest Group Financial Control. He moved to a senior management role within the NatWest mortgage business where he spent six years, and during such time was promoted to Head of Mortgage Operations. David joined the Britannia Building Society in 2000 as Head of Membership Services, responsible for Britannia's mortgage, savings and general insurance operations, and was appointed a director of a number of Britannia subsidiaries prior to his departure in late 2003.

Paul Robinson, aged 59
Finance Director

Paul was one of the founders of MAB in 2000 and has been its Finance Director since then. Paul qualified as a Chartered Accountant in 1980 and joined Ernst and Young where he worked for 13 years, latterly as a Senior Audit Manager. His work involved dealing with both quoted and unquoted companies, including some in the financial services sector. Paul left Ernst & Young in 1993 to establish his own accountancy practice, offering his services as finance director to a number of small/medium sized businesses. He has advised on a number of acquisitions and disposals, provided tax advice, and has been involved in fundraising.

Nathan Imlach, aged 45
Senior Independent Non-Executive Director

Nathan is finance director of AIM listed Mattioli Woods plc. He qualified as a Chartered Accountant in 1993 with Ernst & Young, specialising in providing mergers and acquisitions advice to a broad range of quoted and unquoted clients in the UK and abroad. Nathan is also a director of Custodian Capital Limited, the discretionary investment manager of Custodian REIT plc, a property investment company listed on the main market of London Stock Exchange. 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 also a trustee of Leicester Grammar School.

Richard Verdin, aged 50
Independent Non-Executive Director

Richard is Chief Marketing Officer at RGA UK Services Limited. He has over 25 years' experience in financial services, primarily in the life insurance sector. He has held senior management positions at Legal & General and spent six years as an executive director at Direct Life, one of the UK's leading life insurance brokers. For five years until 2013, he was Protection Director at Aviva UK Life, where he was also latterly a non-executive director of Aviva's life and pensions business in Ireland. Richard has previously been Chairman of the ABI Protection Committee and chaired the Sergeant Review HMT/ABI Simple Products Protection Working Group.

Company:	**Mortgage Advice Bureau (Holdings) plc**	
Directors:	**Katherine Innes Ker**	Non-Executive Chairman
	Peter Brodnicki	Chief Executive
	David Preece	Chief Operating Officer
	Paul Robinson	Finance Director
	Nathan Imlach	Senior Non-Executive Director
	Richard Verdin	Non-Executive Director
Company secretary:	**Paul Robinson**	
Registered office:	**Capital House** Pride Place Pride Park Derby DE24 8QR	
Registered number:	4131569	
Nominated adviser and broker:	**Canaccord Genuity Limited** 88 Wood Street London EC2V 7QR	
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 2014. 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 independent 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 1 to 11. The financial statements set out the results of the Group on page 23.

The Group has achieved further significant growth both in terms of revenues and underlying profitability. Group revenues increased by 41% to £56.6m. Profit before tax and exceptional items amounted to £7.97m, a rise of 52%. Group profit for the year after taxation amounted to £5.39m, up 30% on the previous year. Income tax expense for the year was £1.49m an effective rate of 21.6% (2013: 20.8%).

Dividends

The Directors recommend a final dividend of 2.00p per share, totalling £1.01m. This will be the first dividend paid since admission to AIM. This represents a 'stub' dividend for the period from listing on AIM on 14 November to 31 December 2014. This has not been included within the Group financial statements as no obligation existed at 31 December 2014. If approved, the final dividend will be paid on 29 May 2015 to ordinary shareholders whose names are on the register on 8 May 2015. Dividends paid during the year amounted to £3.96m (all of which were paid prior to admission to AIM).

Going concern

The Directors believe the Group is well placed to manage its business risks successfully. The Group's forecasts and projections show that the Group should continue to be cash generative and is expected to continue to have no borrowing requirement. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

Events after the reporting date

On 19 March 2015 the Financial Services Compensation Scheme ("FSCS") confirmed a £20m interim levy for life and pensions intermediaries. MAB will contribute £89,449 in relation to this levy in respect of the year to 31 March 2015. No provision has been made in these financial statements for any part of this. Further details are disclosed in note 30.

Directors

A list of current serving Directors and their biographies is given on page 12. All of the Directors retire at the AGM and offer themselves for re-election. Katherine Innes Ker and Richard Verdin were appointed on 13 October 2014. Nathan Imlach was appointed on 16 October 2014. Simon Blunt and Richard Palmer both resigned on 6 January 2014. Peter Birch resigned on 10 October 2014.

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 authorised and issued share capital during the year and as at 31 December 2014 is shown in note 22. 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.

In preparation for the Company's listing on AIM, the ordinary shares of the Company were subdivided into 0.1p shares and the Company re-registered as a Public Limited Company on 3 November 2014 changing its name from Mortgage Advice Bureau (Holdings) Limited on that date. During the year a total of 19,486 ordinary shares of £1 each were cancelled for a total consideration of £4,558,168 (including stamp duty of £22,635). Further details can be found in note 22 to the accounts.

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 2014 Peter Brodnicki held 35.9% of the Share Capital. In addition, the Panel on Takeovers and Mergers ('the Panel') considers each of the Executive Directors (Peter Brodnicki, Paul Robinson, and David Preece) together with Michelle Draycott (an employee since the Company was founded and a shareholder) as persons acting in concert for the purposes of the City Code. At 31 December 2014 the Concert Party held Ordinary Shares, in aggregate, representing 48.8% 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 under the option scheme as disclosed in the Directors' Remuneration Report on pages 18 to 20, and which has been approved by the Panel.

Lock up period

As part of the process regarding admission to AIM the shareholders immediately prior to the placing undertook not to dispose of any further shares prior to the date of publication of the Company's annual report and audited accounts in respect of the year ending 31 December 2015 except with the prior written consent of Canaccord Genuity Limited and then only in exceptional circumstances.

Substantial shareholdings

At 31 December 2014, 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	18,126,400	35.9%
J P Morgan Asset Management	4,993,965	9.9%
Henderson Global Investors	3,810,000	7.5%
Investec Asset Management	3,015,000	6.0%
Majedie Asset Management	2,688,000	5.3%
David Preece	2,574,800	5.1%
Paul Robinson	2,574,400	5.1%

Directors' interests

Directors' emoluments, beneficial interests in the shares of the Company and their options to acquire shares are disclosed in the Directors' Remuneration Report. During the period covered by this report, no director had a material interest in a contract to which the Company or any of its subsidiaries was a party (other than their own service contract), requiring disclosure under the Companies Act 2006 other than as disclosed in note 26. 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 and its intranet, 'MAB Online'. The Group operates a Group Stakeholder Pension plan available to all employees and contributes to the pension schemes of certain 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. On Admission, all employees employed prior to 1 January 2014 were awarded 400 free shares, totalling 35,600 free 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.

Political donations

The Group has made no political donations during the year (2013: £nil).

Environmental

The Board believes in good environmental practices, such as the recycling of all waste from the Group's premises. 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 20 May 2015. The Notice of Meeting is included with this document and contains further information on the ordinary business to be proposed at the meeting.

Principal risks and uncertainties

The Directors' view of the principal risks and uncertainties facing the business is summarised in the Strategic report on page 10. A full review of financial risk management can be seen on page 44 to 46.

Corporate governance

A full review of Corporate Governance appears on pages 16 to 17.

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 2014 AGM.

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

Paul Robinson
Finance Director and Company Secretary

25 March 2015

Introduction

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Group is not required to comply with the provisions of the new edition of UK Corporate Governance Code (formerly the Combined Code) issued by the Financial Reporting Council in September 2012 (“the Code”). The Code has not been applied in full, however, the Board has taken into consideration the Guidance for Smaller Quoted Companies on the Code produced by the Quoted Companies Alliance, and taken steps to apply the principles of the Code in so far as it can be applied practically, given the size of the Group and the nature of its operations.

Board composition and independence

The Board of Directors comprises three Executive Directors and three independent Non-Executive Directors. Their biographies on page 12 demonstrate a range of experience which is vital to the success of the Group.

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

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed.

The Board meets regularly throughout the year as well as on an ad hoc basis, as required by time critical business needs.

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group and has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals and authorisation of major capital expenditure, setting policies for the conduct of business and approval of budgets and financial statements. 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.

Board committees

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

Audit Committee

The Audit Committee comprises Nathan Imlach (Chairman), Katherine Innes Ker, Richard Verdin and Paul Robinson. Nathan Imlach and Paul Robinson are both Chartered Accountants.

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 reviews the Interim Report and annual financial statements for compliance with accounting standards, statutory obligations and the requirements of the AIM Rules. The Committee also reviews the effectiveness of the internal controls of the Group.

Remuneration Committee

Further information about the Committee and the Group’s remuneration policy is as set out on pages 18 to 20 in the Directors Remuneration Report.

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.

Nominations Committee

The Nominations Committee comprises Katherine Innes Ker (Chairman), Nathan Imlach, Richard Verdin and Peter Brodnicki. The Committee is responsible for reviewing the size, structure and composition of the Board, establishing appropriate succession plans for the Executive Directors and other Senior Executives in the Group and for the nomination of candidates to fill Board vacancies where required. The Committee works in close consultation with the Executive Directors, with its main priorities being Board structure and management succession.

Risk and Compliance Committee

The Risk and Compliance Committee comprises Richard Verdin (Chairman), Nathan Imlach, Katherine Innes Ker, and David Preece. The Committee meets with the Group’s Compliance Director. The Committee’s principal terms of reference are to review the adequacy and effectiveness of the Group’s internal controls, compliance and risk management systems and to ensure the Group is fulfilling its regulatory responsibilities.

Communications with shareholders

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

It is intended that all Directors will attend each AGM and shareholders will be given the opportunity to ask questions at the AGM on 20 May 2015. In addition, the Chief Executive, Chief Operating Officer and Finance Director welcome dialogue with individual institutional shareholders to understand their views and feed these back to the Board. General presentations are also given to analysts and investors covering the annual and interim results.

Internal control and risk management

The Board has overall responsibility 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. 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 Risk and Compliance Committee, further details of these committees are described on page 16.

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

Paul Robinson
Finance Director and Company Secretary

25 March 2015

Remuneration Committee

The Remuneration Committee comprises Katherine Innes Ker (Chairman), Nathan Imlach, and Richard Verdin. 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 New Bridge Street ('NBS'), a trading name of Aon plc. NBS is a member of the Remuneration Consultants Group and has signed up to its Code of Conduct. NBS provides advice on remuneration and the implementation of 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 12 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 Non-Executive Directors. Individuals cannot vote on their own remuneration.

Short term incentive arrangements

For the year ended 31 December 2014, 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. Where possible, and to the limits applied by the legislation, these schemes benefit from the tax advantages under an Enterprise Management Initiative ("EMI") scheme. If they are not qualifying options (for example, because they exceed the statutory limit at the date of grant) then they will take effect as unapproved options which do not have the same tax advantages as an EMI scheme.

On admission to AIM on 14 November 2014, the Company granted options to certain of its Executive Directors and senior managers to acquire ordinary shares in the Company. The maximum entitlement of any individual was 325,000 shares, representing 0.64% of the current issued share capital. The total options granted amounted to 1,325,000 shares, representing 2.62% of the current issued share capital. The options are exercisable at £1.60 which was the AIM placing price. The options are only exercisable subject to performance conditions.

Service contracts

Executive Directors have contracts of employment that are subject to notice periods of 12 months for Peter Brodnicki and David Preece, and 6 months for Paul Robinson.

The Non-Executive Directors have been appointed for an initial period of 36 months and is subject to 3 months notice. 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 2014 was as follows:

Director	Basic salary and fees £	Performance related short term incentives £	Pension contributions £	Benefits[1] £	Total emoluments 2014 £	Total emoluments 2013 £
Katherine Innes Ker[2]	15,144	–	–	–	**15,144**	–
Peter Brodnicki[4]	199,826	337,938	2,800	–	**540,564**	573,987
David Preece[4]	167,158	304,144	–	–	**471,302**	423,041
Paul Robinson[4 5]	37,899	33,794	–	–	**71,693**	33,574
Nathan Imlach[3]	7,449	–	–	–	**7,449**	–
Richard Verdin[2]	6,731	–	–	–	**6,731**	–
Peter Birch[6]	7,005	–	–	–	**7,005**	68,880
Simon Blunt[7]	–	–	–	–	**–**	–
Richard Palmer[7]	–	–	–	–	**–**	54,363

Notes:

1 The benefit package of each Executive Director includes the provision of life assurance under a group scheme

2 Appointed 13 October 2014

3 Appointed 16 October 2014

4 Received additional basic salary in lieu of pension contributions equivalent to 10% of basic salary since the lifetime allowance had been reached

5 In addition £9,065 invoiced by Robconsult Limited, a company controlled by Paul Robinson (2013: £19,078)

6 Resigned on 10 October 2014

7 Resigned on 6 January 2014

Directors' interests in shares

As at 31 December 2014, the interest of the Directors in the Ordinary shares of the Company were:

Director	Ordinary shares of 0.1p	%
Katherine Innes Ker	6,695	0.0
Peter Brodnicki	18,126,400	35.9
David Preece	2,574,800	5.1
Paul Robinson	2,574,400	5.1
Nathan Imlach	13,487	0.0
Richard Verdin	8,032	0.0

Note:
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 2013 No.	Granted during the year No.	Granted during the year No.	Exercised during the year No.	Forfeited during the year No.	At 31Dec 2014 No.
Peter Brodnicki	**(b)**	1.60	–	–	**325,000**	–	–	**325,000**
David Preece	**(a)**	1.60	–	–	156,249	–	–	156,249
	(b)	1.60	–	–	118,751	–	–	118,751
			–	**–**	**275,000**	**–**	**–**	**275,000**
Paul Robinson	**(b)**	1.60	–	–	**100,000**	–	–	**100,000**

Notes:
(a) Approved Option scheme – First date exerciseable is 31 March 2017, last date exerciseable is 11 November 2022
(b) Unapproved Option scheme – First date exerciseable is 31 March 2017, last date exerciseable is 11 November 2022

Note 28 to the financial statements contains details of all options granted to directors and employees as at 31 December 2014. All of the share options were granted for nil consideration.

The mid-market closing price of the Company's ordinary shares at 31 December 2014 was 177.75p and the range during the financial year since Admission was 160.0p to 180.0p.

None of the Directors had an interest in any contract of significance in relation to the business of the Company or its subsidiaries at any time during the financial year, other than those disclosed in note 26 to the financial statements.

On behalf of the Board

Katherine Innes Ker
Chairman of the Remuneration Committee

25 March 2015

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.

Independent auditor's report to the members of Mortgage Advice Bureau (Holdings) plc

We have audited the financial statements of Mortgage Advice Bureau (Holdings) plc for the year ended 31 December 2014 which comprise the primary statements such as the Group statement of financial position, the parent company balance sheet, the Group statement of comprehensive income, the Group statement of cash flows, the Group statement of changes in equity and the related notes. 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 (United Kingdom Generally Accepted Accounting Practice).

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

■ Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

■ Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at **www.frc.org.uk/auditscopeukprivate.**

■ Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's and the parent company'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's 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.

■ Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

■ Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Leigh Wormald, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
25 March 2015

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 2014

	Note	2014 £	2013 £
Revenue	3	**56,577,613**	40,066,719
Cost of sales	4	**(42,932,390)**	(29,684,918)
Gross profit		**13,645,223**	10,381,801
Administrative expenses		**(6,257,174)**	(5,745,335)
Share of profit of associates	14	**458,074**	344,573
Operating profit before exceptional costs		**7,846,123**	4,981,039
Exceptional costs	8	**(1,093,944)**	–
Operating profit	5	**6,752,179**	4,981,039
Finance income	7	**124,066**	254,094
Profit before tax		**6,876,245**	5,235,133
Tax expense	9	**(1,485,042)**	(1,090,644)
Profit for the year attributable to equity holders of parent company		**5,391,203**	4,144,489
Total comprehensive income attributable to equity holders of parent company		**5,391,203**	4,144,489

Earnings per share attributable to the owners of the parent company

Basic	10	**9.626p**	5.924p
Diluted	10	**9.588p**	5.924p

The notes on pages 27 to 51 form part of these financial statements.

Consolidated statement of financial position
as at 31 December 2014

	Note	2014 £	2013 £
Assets			
Non-current assets			
Property, plant and equipment	12	**204,228**	176,832
Goodwill	13	**4,114,107**	4,114,107
Other intangible assets	13	**45,118**	63,165
Investments	14	**252,766**	198,743
Total non-current assets		**4,616,219**	4,552,847
Current assets			
Trade and other receivables	16	**3,265,224**	3,698,180
Cash and cash equivalents	17	**9,270,006**	9,388,153
Total current assets		**12,535,230**	13,086,333
Total assets		**17,151,449**	17,639,180
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	22	**50,510**	69,960
Share premium		**3,042,255**	2,988,891
Capital redemption reserve		**19,532**	46
Share option reserve		**10,553**	–
Retained earnings		**4,497,264**	7,621,981
Total equity		**7,620,114**	10,680,878
Liabilities			
Non-current liabilities			
Provisions	20	**750,679**	588,783
Deferred tax liability	21	**25,121**	18,146
Total non-current liabilities		**775,800**	606,929
Current liabilities			
Trade and other payables	18	**8,252,905**	5,805,437
Corporation tax liability		**502,630**	545,936
Total current liabilities		**8,755,535**	6,351,373
Total liabilities		**9,531,335**	6,958,302
Total equity and liabilities		**17,151,449**	17,639,180

The notes on pages 27 to 51 form part of these financial statements.

The financial statements were approved by the Board of Directors on 25 March 2015.

P Brodnicki
Director

P Robinson
Director

Consolidated statement of changes in equity
for the year ended 31 December 2014

	Share capital £	Share premium £	Capital redemption reserve £	Share option reserve £	Retained earnings £	Total Equity £
Balance at 1 January 2013	69,960	2,988,891	46	–	4,118,272	7,177,169
Profit for the year	–	–	–	–	4,144,489	4,144,489
Total comprehensive income	–	–	–	–	4,144,489	4,144,489
Transactions with owners						
Dividends paid	–	–	–	–	(640,780)	(640,780)
Transactions with owners	–	–	–	–	(640,780)	(640,780)
Balance at 31 December 2013 and 1 January 2014	69,960	2,988,891	46	–	7,621,981	10,680,878
Profit for the year	–	–	–	–	5,391,203	5,391,203
Total comprehensive income	–	–	–	–	5,391,203	5,391,203
Transactions with owners						
Share based payment transactions	–	–	–	10,553	–	10,553
Issue of new shares	36	53,364	–	–	–	53,400
Redemption of shares	(19,486)	–	19,486	–	(4,558,168)	(4,558,168)
Dividends paid	–	–	–	–	(3,957,752)	(3,957,752)
Transactions with owners	(19,450)	53,364	19,486	10,553	(8,515,920)	(8,451,967)
At 31 December 2014	**50,510**	**3,042,255**	**19,532**	**10,553**	**4,497,264**	**7,620,114**

The notes on pages 27 to 51 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2014

	Note	2014 £	2013 £
Cash flows from operating activities			
Profit for the year before tax		**6,876,245**	5,235,133
Adjustments for			
Depreciation of property, plant and equipment	12	**112,083**	74,515
Profit on disposal of property, plant and equipment		**–**	(315)
Amortisation of intangibles	13	**18,047**	20,048
Share based payments		**10,553**	–
Share of profit of associates	14	**(458,074)**	(344,573)
Finance income	7	**(124,066)**	(254,094)
		6,434,788	4,730,714
Changes in working capital			
Decrease/(increase) in trade and other receivables		**432,956**	(740,747)
Increase in trade and other payables		**2,447,419**	1,687,956
Increase/(decrease) in provisions		**161,896**	(20,961)
Cash generated from operating activities		**9,477,059**	5,656,962
Income taxes paid		**(1,521,373)**	(709,190)
Net cash inflow from operating activities		**7,955,686**	4,947,772
Cash flows from investing activities			
Purchase of property, plant and equipment		**(139,479)**	(112,537)
Proceeds from sale of property, plant and equipment	12	**–**	526
Acquisitions of associates and investments		**(150)**	(50,300)
Proceeds from disposal of associates	14	**–**	766
Dividends received from associates	14	**404,250**	245,367
Net cash inflow from investing activities	14	**264,621**	83,822
Cash flows from financing activities			
Interest received	7	**124,066**	254,094
Redemption of shares		**(4,558,168)**	–
Issue of shares		**53,400**	–
Dividends paid	11	**(3,957,752)**	(640,780)
Net cash outflow from financing activities		**(8,338,454)**	(386,686)
Net (decrease)/increase in cash and cash equivalents		**(118,147)**	4,644,908
Cash and cash equivalents at the beginning of year		**9,388,153**	4,743,245
Cash and cash equivalents at the end of the year		**9,270,006**	9,388,153

The notes on pages 27 to 51 form part of these financial statements.

Mortgage Advice Bureau

1. Accounting policies

Basis of preparation

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

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 ("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 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.

New standards, interpretations and amendments effective year ended 31 December 2014

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 but none have had a material impact upon the Group.

- IFRS 10 'Consolidated financial statements' introduces new requirements for determining which investee companies to consolidate and provides a single model to determine control aspects of investments.
- IFRS 12 'Disclosure of Interests in Other Entities' covers disclosure requirements of entities that have interests in subsidiaries, joint ventures and associates.
- Amendments to IFRS 10, 11 and 12 provide additional transition relief to IFRS 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- IAS 27 'Separate financial statements' contains disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 (revised 2011) Investments in associates and joint ventures includes the requirements for joint ventures as well as associates to be equity accounted following the issue of IFRS 11.
- IAS 32 (amendment) Financial instruments – Presentation of asset and liability offsetting clarifies some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position.
- Amendments to IAS 36, Impairment of assets, on the recoverable amount disclosures for non-financial assets removes certain disclosures of the recoverable amounts of CGUs which had been included in IAS 36 by the issue of IFRS 13.

New Standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments which will or may have an effect on the Group, are effective for annual periods beginning on or after 1 January 2015 and have not yet been applied in preparing these financial statements. None of these new standards or interpretations are expected to have a material impact on the financial statements of the Group.

- IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components (classification and measurement, impairment and hedge accounting). This standard becomes effective for accounting periods beginning on or after 1 January 2018. Its adoption may result in changes to the classification and measurement of the Group's financial instruments, including any impairment thereof.
- IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB on 28 May 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017. It sets out the requirements for recognising revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments.
- Amendments to IFRS11 "Accounting for Acquisitions of Interests in Joint Operations" provides guidance on how to account for the acquisition of joint operations that constitute a business as defined in IFRS 3 Business Combinations. It is effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation". The amendment to IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of intangible assets. It is effective for accounting periods beginning on or after 1 January 2016.

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.

1. Accounting policies (continued)

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

– The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
– Substantive potential voting rights held by the Company and by other parties
– Other contractual arrangements
– Historic patterns in voting attendance

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.

■ 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 its expected useful lives, as follows:

Fixtures and fittings	20%
Computer equipment	33%

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 the cost of a business combination over, in the case of business combinations completed prior to 1 January 2011, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. For business combinations completed after 1 January 2011, the 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.

■ Other intangible assets

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

Amortisation is provided on licences at 16.7% per annum, calculated to write off the cost of the asset on a straight line basis over its expected useful life.

■ 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.

■ Unquoted investments

Unquoted investments are shown at cost less provision for impairment.

1. Accounting policies (continued)

Financial assets

The Group classifies its financial assets as loans or receivables. The classification depends on the purpose for which the financial assets were acquired. Loans and receivables are non-derivative financial assets with fixed or determinable payments which arise principally through the provision of services (e.g. trade receivables). These are recognised at original fair value cost, less appropriate provision for impairment.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses 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.

Cash and cash equivalents

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

Trade and other payables

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

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 and fees receivable. Commissions are included at the gross amounts 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 earned are accounted for when received, as until received it is not possible to be certain that the transaction will be completed. In the case of life commissions there is a possibility for a 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 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 on an accruals basis.

Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market is shorter than the full lease term, in which case the shorter period is used.

Finance income

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

Exceptional items

As permitted by IAS 1 "Presentation and disclosure" certain items are presented separately in the statement of comprehensive income as exceptional where, in the judgement of the Directors, they need to be disclosed by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Examples of material and non-recurring costs which may give rise to disclosure as exceptional items include asset impairments and costs associated with acquiring new businesses.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that 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.

1. Accounting policies (continued)

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probably that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

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.

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 following estimates and judgements that have the most significant effect on the carrying amounts of assets and liabilities within the financial statements are discussed 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. Trade receivables are reviewed for impairment if they are past due and are not repaid within the terms of the contracts. Other receivables, which include loans, are reviewed for impairment when there are any indications that they may not be recoverable or that security held against the balance may be inadequate to fully cover the amount outstanding. A provision for impairment will be made if following review of the balances, the Group considers it unlikely that any balance will be recovered. More information is included in note 16.

(c) Clawback provision

The provision relates to the estimated cost of repaying commission received 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 20.

3. Revenue

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

	2014 £	2013 £
Mortgage related products	**32,148,696**	21,594,777
Insurance and other protection products	**23,702,415**	17,667,253
Conveyancing and survey fees and other income	**726,502**	804,689
	56,577,613	40,066,719

4. Cost of sales

Costs of sales are as follows:

	2014 £	2013 £
Commissions paid	**41,886,947**	28,159,716
Wages and salary costs	**1,045,443**	1,525,202
	42,932,390	29,684,918

5. Profit from operations

Profit from operations is stated after charging the following:

	2014 £	2013 £
Depreciation of property, plant and equipment	**112,083**	74,515
Amortisation of intangibles	**18,047**	20,048
Operating leases	**141,468**	141,468
Auditors' remuneration:		
Fees payable to the Group's auditors for the audit of the Group's financial statements.	**10,000**	3,500
Fees payable to the Group's auditors for the audit of the Group's subsidiary financial statements.	**23,000**	19,300

Other administrative expenses are incurred in the ordinary course of the business and do not include any non-recurring items.

Profit 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 Directors' remuneration, were as follows:

	2014 £	2013 £
Wages and salaries	**4,768,720**	4,641,103
Share based payments	**63,953**	–
Social security costs	**522,232**	509,957
Defined contribution pension costs	**112,123**	148,197
	5,467,028	5,299,257

The average number of people employed by the Group during the year was:	Number	Number
Executive Directors	**4**	4
Compliance	**34**	31
Sales and marketing	**27**	24
Operations	**40**	42
Employed Advisers	**9**	18
Total	**114**	119

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.

	2014 £	2013 £
Wages and salaries	**1,117,088**	1,091,082
Share based payments	**7,972**	–
Defined contribution pension costs	**2,800**	62,963
	1,127,860	1,154,045

During the year retirement benefits were accruing to 1 Director (2013-2) in respect of defined contribution pension schemes.

The total amount payable to the highest paid Director in respect of emoluments was £537,764 (2013: £565,587). The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £2,800 (2013: £8,400).

7. Finance income

	2014 £	2013 £
Interest income	**124,066**	254,094

8. Exceptional costs

The following items have been included in arriving at profit before tax:

	2014 £	2013 £
Costs incurred in relation to the IPO	**746,053**	–
Provision against loan	**347,891**	–
Total	**1,093,944**	–

In November 2014, the Group was listed on the Alternative Investment Market (“AIM”). The costs charged to the consolidated statement of comprehensive income relate to costs incurred as a result of the listing. These costs include such items as marketing expenditure and legal and professional fees relating to work performed for the listing.

At 31 December 2014 there was a loan outstanding to Client Data Systems Group Limited of £347,891 (2013: £347,891), a company in which Mortgage Advice Bureau Limited had a 7% shareholding. The loan was fully provided for in the year.

9. Income tax

	2014 £	2013 £
Current tax expense		
UK corporation tax charge on profit for the year	**1,555,390**	1,138,516
Adjustments for over provision in prior years	**(77,323)**	(62,109)
Total current tax	**1,478,067**	1,076,407
Deferred tax expense		
Origination and reversal of timing differences	**9,355**	12,522
Effect of change in tax rate on opening liability	**(2,380)**	1,715
Total Deferred Tax (see note 21)	**6,975**	14,237
Total tax expense	**1,485,042**	1,090,644

9. Income tax (continued)

The reasons for the difference between the actual charge for the year and the standard rate of corporation tax in the United Kingdom of 21.5% (2013: 23.25%) applied to profit for the year is as follows:

	2014 **£**	2013 £
Profit for the year before tax	**6,876,245**	5,235,133
Expected tax charge based on corporation tax rate	**1,478,393**	1,217,168
Expenses not deductible for tax purposes	**184,838**	14,742
Utilisation of tax losses	**–**	(5,377)
Adjustments to tax charge in respect of prior periods	**(77,323)**	(62,109)
Profits from associate	**(98,486)**	(75,495)
Rate change on deferred tax liability	**(2,380)**	1,715
Total tax expense	**1,485,042**	1,090,644

Changes in the taxation rate

The standard rate of corporation tax in the United Kingdom changed from 24% to 23% with effect from 1 April 2013 and from 23% to 21% from 1 April 2014. Further changes have also been enacted which reduced the main rate of corporation tax to 21% from 1 April 2015 and so the deferred tax balance has been calculated at that enacted rate.

10. Earnings per share

a) Basic earnings per share	2014 £	2013 £
Profit for the year attributable to the owners of the parent company	**5,391,203**	4,144,489
Weighted average number of shares in issue (see note below)	**56,009,100**	69,960,000
Basic earnings per share (in pence per share)	**9.626p**	5.924p

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

Diluted earnings per share	2014 £	2013 £
Profit for the year attributable to the owners of the parent company	**5,391,203**	4,144,489
Weighted average number of shares in issue (see note below)	**56,229,933**	69,960,000
Basic earnings per share (in pence per share)	**9.588p**	5.924p

b) Adjusted earnings per share	2014 £	2013 £
Profit for the year attributable to the owners of the parent company	**5,391,203**	4,144,489
Adjusted for the following items net of tax:		
Exceptional costs	**1,019,147**	–
Adjusted earnings net of tax	**6,410,350**	4,144,489
Weighted average number of shares in issue	**56,009,100**	69,960,000
Adjusted basic earnings per share (in pence per share)	**11.445p**	5.924p
Adjusted diluted earnings per share (in pence per share)	**11.400p**	5.924p

Until 11 November 2014 the Company's share capital comprised ordinary shares of £1 each, at which point these were subdivided into 0.1 pence shares each. To allow comparability, the weighted average has therefore been restated based on shares being 0.1 pence shares throughout both 2014 and 2013.

11. Dividends

Dividends paid during the year	2014 £	2013 £
On A ordinary shares at £nil per share (2013: £60)	**–**	240,000
On B ordinary shares at £52.078 per share (2013: £8)	**2,083,154**	320,000
On C ordinary shares at £10 per share (2013: £nil)	**24,600**	–
On D ordinary shares at 0.0p per share (2013: 0.0578p)	**–**	780
On E ordinary shares at £nil per share (2013: £8)	**–**	80,000
On ordinary shares at £36.625 per share (2013: £nil)	**1,849,998**	–
	3,957,752	640,780

12. Property, plant and equipment

	Fixtures & fittings £	Computer equipment £	Total £
Cost			
At 1 January 2014	**234,046**	**363,881**	**597,927**
Additions	**27,569**	**111,910**	**139,479**
At 31 December 2014	**261,615**	**475,791**	**737,406**
Depreciation			
At 1 January 2014	**207,836**	**213,259**	**421,095**
Charge for the year	**12,014**	**100,069**	**112,083**
At 31 December 2014	**219,850**	**313,328**	**533,178**
Net Book Value			
At 31 December 2014	**41,765**	**162,463**	**204,228**

	Fixtures & fittings £	Computer equipment £	Total £
Cost			
At 1 January 2013	231,807	381,701	613,508
Additions	2,239	110,298	112,537
Disposals	–	(128,118)	(128,118)
At 31 December 2013	234,046	363,881	597,927
Depreciation			
At 1 January 2013	196,389	278,098	474,487
Charge for the year	11,447	63,068	74,515
On disposals	–	(127,907)	(127,907)
At 31 December 2013	207,836	213,259	421,095
Net Book Value			
At 31 December 2013	26,210	150,622	176,832

13. Intangible assets

Goodwill	**2014** **£**	2013 £
Cost		
At 1 January	**4,267,453**	4,267,453
At 31 December	**4,267,453**	4,267,453
Accumulated impairment		
At 1 January	**153,346**	153,346
At 31 December	**153,346**	153,346
Net book value		
At 31 December	**4,114,107**	4,114,107

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 2014 concluded that there had been no impairment of goodwill.

The Board considers that it now has only one operating segment, so accordingly it is necessary to assess the impact of the acquisition of Mortgage Talk Limited to the Group. The value in use of Mortgage Talk Limited has therefore been estimated based on the improvements in net profits which that unit continues to bring to the Group. The forecast on-going profits generated by the acquisition of Mortgage Talk Limited significantly exceed the value of goodwill and therefore no impairment of the goodwill is required. On this basis it has not been possible to apply a discount rate to these calculations. Management has considered forecast profits over a three year period in determining the value in use. Management believes that any reasonably possible change to any of the key assumptions applied in determining the value in use would not cause the carrying amount of goodwill to exceed the forecast ongoing profits.

Licences	**2014** **£**	2013 £
Cost		
At 1 January	**108,461**	108,461
At 31 December	**108,461**	108,461
Accumulated Amortisation		
At 1 January	**45,296**	25,248
Charge for the year	**18,047**	20,048
At 31 December	**63,343**	45,296
Net book value		
At 31 December	**45,118**	63,165

14. Investments

	£
Investment in Associates	252,616
Other Investments	150
At 31 December 2014	**252,766**
At 31 December 2013	198,743

Investment in Associates

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

Company name	Reporting date	Country of incorporation	Percentage of ordinary shares held	Description
Capital Private Finance Limited	31 December	England and Wales	49	Provision of financial services
CO2 Commercial Limited	31 December	England and Wales	49	Property surveyors
Buildstore Limited	31 December	England and Wales	25	Provision of financial services
MAB Wealth Management Limited	31 December	England and Wales	49	Provision of financial services

The Group is entitled to 49% of the results for Capital Private Finance Limited, CO2 Commercial Limited, and MAB Wealth Management Limited 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 25% of the results of Buildstore Limited by virtue of its 25% equity stake.

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

	2014 **£**	2013 £
At 1 January	**198,743**	50,003
Additions	**49**	50,300
Disposals	**–**	(766)
Share of profit	**458,074**	344,573
Dividends received	**(404,250)**	(245,367)
At 31 December	**252,616**	198,743

14. Investments (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:

	2014 **£**	2013 £
Non-current assets	**19,885**	19,853
Current assets	**1,051,181**	822,755
Current liabilities	**(577,640)**	(499,261)
Provisions for liabilities	**(102,874)**	(55,339)
Revenue	**3,405,240**	3,224,195
Profit before tax	**1,198,443**	903,954
Profit after tax	**934,844**	703,209
Profit attributable to Group	**458,074**	344,573
Dividends received from associates	**404,250**	245,367

These associates prepare their financial statements using UK GAAP and there would be no material difference if these were prepared using IFRS.

Other investments

Unlisted investments	**2014** **£**	2013 £
Cost		
Additions	**150**	–
At 31 December	**150**	–
Net book value		
At 31 December	**150**	–

The investment represents a 0.05% shareholding in Twenty7tec Limited, a company that licences certain mortgage sourcing software.

15. Principal subsidiaries

The principal subsidiaries of Mortgage Advice Bureau (Holdings) plc at the reporting date have been included in the consolidated financial statements. The principal 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
MABWM Limited	England and Wales	100	Provision of financial services
Mortgage Talk Limited	England and Wales	100	Provision of financial services
Talk Limited	England and Wales	100	Provision of financial services

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 and MABWM Limited.

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

Details of other dormant subsidiaries are not disclosed on the basis that these are not material to the results of the Group.

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

16. Trade and other receivables

	2014 £	2013 £
Trade receivables not past due	**369,820**	227,466
Trade receivables past due but not impaired	**432,460**	487,143
Trade receivables past due but impaired	**96,572**	162,670
Trade receivables	**898,852**	877,279
Less provision for impairment of trade receivables	**(96,572)**	(162,670)
Trade receivables – net	**802,280**	714,609
Amounts due from associates	**132,566**	20,051
Other receivables	**1,000,000**	1,697,891
Prepayments and accrued income	**1,330,378**	1,265,629
	3,265,224	3,698,180

Trade and other receivables are all current and the book value is the same as their fair value. Trade receivables are reviewed for impairment if they are past due and are not repaid within the terms of the contracts.

Trade receivables from Appointed Representatives relate to life insurance commissions that are refundable to the Group when policy lapses 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.

Also included in trade receivables are advances granted to Appointed Representatives, which have contractual repayment terms. These advances are considered to be past due when there is a delinquency in interest or principal payments.

In light of the above, the Directors do not consider that disclosure of an aging analysis of past due but not impaired receivables would provide useful additional information. The Group has not recognised a provision for impairment of these balances because there is no objective evidence that they are impaired. Further information on the credit quality of financial assets is set out in note 17.

Other receivables are stated net of an impairment provision of £347,918 (2013: £nil).

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

	2014 £	2013 £
At 1 January	**162,670**	197,410
Impairment losses recognised	**3,507**	5,715
Impairment provisions no longer required	**(69,605)**	(40,455)
At 31 December	**96,572**	162,670

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 19.

No other balances are past due or impaired.

17. Cash and cash equivalents

	2014 £	2013 £
Unrestricted cash and bank balances	**5,281,117**	6,702,642
Bank balances held in relation to retained commissions	**3,988,889**	2,685,511
Cash and cash equivalents	**9,270,006**	9,388,153

Bank balances held in relation to retained commissions 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 18).

18. Trade and other payables

	2014 £	2013 £
Appointed Representatives retained commission	**3,988,889**	2,685,511
Other trade payables	**2,806,978**	1,981,019
Trade payables	**6,795,867**	4,666,530
Social security and other taxes	**206,342**	348,935
Other payables	**121,495**	97,436
Accruals and deferred income	**1,129,201**	692,536
	8,252,905	5,805,437

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 bank account as described in note 17.

As at 31 December 2014 and 31 December 2013, the fair value of trade and other payables approximates their fair value given that they are short term in nature.

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.

19. 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

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

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

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	**2014 £**	2013 £
Cash and cash equivalents	**9,270,006**	9,388,153
Trade and other receivables	**1,934,846**	2,432,551
Total financial assets	**11,204,852**	11,820,704

Financial liabilities	**2014 £**	2013 £
Trade and other payables	**8,252,905**	5,805,437
Total financial liabilities	**8,252,905**	5,805,437

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 16.

19. Financial Instruments – risk management (continued)

Financial assets – maximum exposure	**2014** **£**	2013 £
Cash and cash equivalents	**9,270,006**	9,388,153
Trade and other receivables	**1,934,846**	2,432,551
Total financial assets	**11,204,852**	11,820,704

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 the concentration of credit risk is limited. Due to the large spread of trading partners the Group does not consider that there is any significant sensitivity to 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 significantly reduces the credit risk.

Collateral against other receivables of £1,000,000 (2013: £1,697,891) includes personal guarantees provided in support of loans.

The Group's credit risk on cash and cash equivalents is limited because the Group places funds on deposit with several UK banks. During the year ended 31 December 2014, a provision of £347,891 was made against an amount due to the Group which was included within other receivables. The Group holds security against this balance but due to changes in market conditions the value of the security may be inadequate to cover the amount due and therefore a provision has been made.

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, it is not exposed to any foreign exchange risk.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and finance charges. 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.

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 Finance Director, at which time capital adequacy is re-assessed.

19. Financial Instruments – risk management (continued)

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.

20. Provisions

Clawback provision	**2014 £**	2013 £
At 1 January	**588,783**	609,744
Charged/(released) to the statement of comprehensive income	**161,896**	(20,961)
At 31 December	**750,679**	588,783

The provision relates to the estimated cost of repaying commission income received 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 Mortgage Talk Limited. The exact timing of any clawbacks is uncertain and the provision was based on the Directors' best estimate, using industry data where available, of the probability of clawbacks being made.

21. Deferred tax liability

Deferred tax liability is calculated in full on temporary differences under the liability method using the tax rates enacted. The reduction in the main rate of corporation tax as set out in note 9 has been applied to deferred tax balances which are expected to reverse in the future.

The movement in deferred tax is shown below:

	2014 £	2013 £
Deferred tax liability – opening balance	**18,146**	3,909
Recognised in the statement of comprehensive income	**6,975**	14,237
Deferred tax liability – closing balance	**25,121**	18,146

The deferred tax liability is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	**25,121**	18,146

Deferred tax liabilities have arisen due to capital allowances which have been received ahead of the depreciation charged in the accounts.

22. Share capital

Issued and fully paid	**2014** **£**	2013 £
A Ordinary shares of £1 each	–	4,000
B Ordinary shares of £1 each	–	40,000
C Ordinary shares of £1 each	–	2,460
D Ordinary shares of £1 each	–	13,500
E Ordinary shares of £1 each	–	10,000
Ordinary shares of 0.001p each	**50,510**	–
Total share capital	**50,510**	69,960

The holders of the A Ordinary shares were entitled to a dividend in preference to any dividend voted to any other class of share and were redeemable at the option of the Company. The A Ordinary shares were entitled to priority of proceeds upon a winding up or return of capital and carried voting rights totalling 5%.

The B Ordinary shares were not entitled to dividends other than at the discretion of the Board but not if there were any arrears on the A dividends or if there remained any A shares to be bought back after the 1 January 2019. In the event of a winding up or return of capital the proceeds were payable to the holders of the B shares after any amounts paid to the A and C shareholders. The B shares with the E shares carried voting rights totalling 65%.

The C Ordinary shares were not entitled to dividends other than at the discretion of the Board. The C shares were repayable at par upon a winding up or return of capital and did not carry voting rights.

The D Ordinary shares were not entitled to dividends other than at the discretion of the Board but not if there were any arrears on the A dividends or if there remain any A shares to be bought back after the 1 January 2019. The D shares were repayable at par upon a winding up or return of capital. The D shares carried voting rights totalling 30%.

The E Ordinary shares were not entitled to any dividends other than at the discretion of the Board but not if there were any arrears on the A dividends or if there remained any A shares to be bought back after the 1 January 2019. In the event of a winding up or return of capital the proceeds were payable to the holders of the E shares after any amounts paid to the A shareholders. The E shares with the B shares carried voting rights totalling 65%.

On 3 January 2014 all 4,000 A Ordinary shares of £1 in issue were purchased by the Company and cancelled for a total consideration of £4,521,816. On the same date 4,500 D Ordinary shares of £1 were purchased by the Company and cancelled for a total consideration of £4,500.

On 25 June 2014, 1,188 of the E Ordinary shares of £1 were redesignated as B Ordinary shares of £1 and the 2,460 C Ordinary shares of £1 were converted to B Ordinary shares of £1 at the rate of 1 B Ordinary share for every 3.56 C Ordinary shares held. On the same date the remaining 9,000 D Ordinary shares of £1 were purchased by the Company and cancelled for a total consideration of £9,000.

On 8 September 2014 217 Ordinary shares of £1 each were purchased by the Company and cancelled for a consideration of £217.

Stamp duty of £22,635 was incurred on the cancellation of the shares referred to above.

On 31 October 2014 all remaining shares were redesignated as Ordinary shares and the 50,474 Ordinary shares of £1 each were redesignated as 50,474,000 Ordinary shares of 0.001p each. All shares rank pari passu in all respects.

On 4 November 2014, 35,600 Ordinary shares of 0.1 pence were issued for a total consideration of £53,400.

23. 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.
Share option reserve	The fair value of equity instruments granted by the Company in respect of share based payment transactions.
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.

24. Leases

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	2014 **£**	2013 £
Land and buildings		
In one year or less	**141,468**	141,468
Between one and five years	**565,872**	565,872
In five years or more	**23,578**	165,046
	730,918	872,386

The lease expires in February 2020 with no provision for extension contained in the lease.

25. Retirement benefits

The Group operates a defined contribution pension scheme for the benefit of its employees and also makes contributions to a self-invested personal pension (“SIPP”).The assets of the scheme 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 fund and the SIPP and amounted to £112,123 (2013: £148,197). Contributions totalling £15,717 (2013: £12,299) were payable to the fund at the statement of financial position date and are included in other payables.

26. Related party transactions

On 3 January 2014 all 4,000 A Ordinary shares of £1 in issue were purchased by the Company and cancelled for a total consideration of £4,521,816. On the same date 4,500 D Ordinary shares of £1 were purchased by the Company and cancelled for a total consideration of £4,500. The recipients of all of this consideration were Directors of the Company at this date.

On 25 June 2014 9,000 D Ordinary shares of £1 were purchased by the Company and cancelled for a total consideration of £9,000. The recipients of £4,500 of this consideration were Directors of the Company at this date.

On 8 September 2014 217 Ordinary shares of £1 each were purchased by the Company and cancelled for a consideration of £217. The recipient of this consideration was a Director of the Company at this date.

At 31 December 2014 included in other receivables there was an amount of £1,000,000 (2013: £nil) due to the Group from HBB Bridging Loans Limited, a company in which S Blunt and D Preece are directors and shareholders. This loan is secured, by a fixed and floating charge over the assets of the Company and personal guarantees from certain directors of HBB Bridging Loans Limited. It accrues interest at a rate of 9.5% per annum above RBS bank base rate and has no fixed repayment date, although three months' notice to terminate can be given by either party.

At 31 December 2013 included in other receivables there was an amount of £906,563 due to the Group from House Buyer Bureau Limited, a company in which S Blunt is a director and shareholder. This loan was unsecured, accrued interest at a rate of 8.75% per annum and had no fixed repayment date. The loan was repaid in full in January 2014.

The Group made purchases of £45,283 (2013: £46,046) and sales of £2,606 (2013: £4,781) to BriefYourMarket Limited. At 31 December 2014 there was an amount of £521 due to the Group by BriefYourMarket Limited (2013: £488,926), and £4,627 (2013: £1,448) was due to BriefYourMarket Limited, a company in which R Palmer, P Robinson and P Brodnicki are or were directors and are shareholders. The amount due at 31 December 2013 of £488,926 included in other receivables represented an unsecured loan, which accrued interest at a rate of 8.75% per annum and had no fixed repayment date. The loan was repaid in full in January 2014.

At 31 December 2014 there was a loan outstanding by Client Data Systems Group Limited included in other receivables of £347,891 (2013: £347,891), a company in which Mortgage Advice Bureau Limited had a 7% shareholding. This loan is secured by personal guarantees and on the freehold property owned by one of the guarantors. The loan attracts interest at a rate of 10% per annum and has no fixed repayment date. The loan was fully provided for in the year.

Accounting services were provided to the Group by Robconsult Limited, a company in which P Robinson is a director and shareholder. Services supplied were on an arm's length basis and amounted to £9,065 plus VAT during the year (2013: £19,078 plus VAT). At the year-end £nil (2013: £1,813) was owing to Robconsult Limited included in trade payables in respect of these transactions.

During the year the Group made purchases from Astute Insurance Solutions Limited of £5,514 (2013: £3,535), a company in which P Robinson is a shareholder and was a director.

During the year the Group received introducer fees of £34,038 (2013: £26,267) from Capital Private Finance Limited, an associated company. At 31 December 2014 there was a balance due from Capital Private Finance Limited of £3,566 (2013: £3,410) included in trade receivables.

At 31 December 2014 there was a loan outstanding by Pinnacle Surveyors (England & Wales) Limited an associated company, of £15,000 (2013: £18,600) included in trade receivables.

At 31 December 2014, Buildstore Limited, an associated company owed £114,000 (2013: £nil) included in trade receivables. During the year the Group received dividends from associated companies as follows:

	2014 **£**	2013 £
CO2 Commercial Limited	**191,100**	117,967
Capital Private Finance Limited	**213,150**	127,400
Total	**404,250**	245,367

27. Ultimate controlling party

There is no ultimate controlling party.

28. Share based payments

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 is subject to an earnings per share ("EPS") performance condition. The options in both schemes vest as follows:

- 25% based on performance to 31 March 2017, exercisable between that date and 11 November 2022,
- 25% based on performance to 31 March 2018, exercisable between that date and 11 November 2022,
- 25% based on performance to 31 March 2018, exercisable between 31 March 2019 and 11 November 2022,
- 25% based on performance to 31 March 2018, exercisable between 31 March 2020 and 11 November 2022.

	Weighted average exercise price £	**2014 £**
Outstanding at 1 January	**–**	**–**
Granted during the year	**1.60**	**1,325,000**
Outstanding at 31 December	**1.60**	**1,325,000**

Of the total number of options outstanding at 31 December 2014, none had vested. There were no options exercised during the year. For the share options outstanding as at 31 December 2014, the weighted average remaining contractual life is 3.75 years (2013: not applicable).

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.

	2014	2013
Equity settled		
Option pricing model – EPS	**Black-Scholes**	–
Option pricing model – TSR	**Stochastic**	–
Exercise price	**£1.60**	–
Expected volatility	**30%**	–
Expected dividend yield	**5.4%**	–
Risk free interest rate	**0.81 – 1.58%**	–

28. Share based payments (continued)

Expected volatility is a measure of an amount by which the share price is expected to fluctuate during a period. As the Company has only recently listed historical data is not available. Management have therefore used a proxy volatility figure based on the median 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 participant does not receive the dividend income on these shares. For the purpose of these valuations we have used a dividend yield of 5.4%, being the dividend projected by Canaccord Genuity Limited for investors at IPO.

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 option has vesting period of 2.38, 3.38, 4.48 or 5.39 years from the date of grant and the calculation or the share based payment is based on these vesting periods.

The share-based remuneration expense comprises the equity-settled schemes of £10,553 and also a payment of £53,400 into a Share Incentive Plan - Free Share Award. The Free Share award consisted of 35,600 new ordinary shares issued on 4 November 2014 into the Share Incentive Plan for all employees. Every employee employed by the Group at 1 January 2014 and still employed by the Group on 2 December 2014 was each awarded 400 free shares.

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

29. Contingent liabilities

The Group had no contingent liabilities at 31 December 2014 or 31 December 2013.

30. Events after the reporting date

Financial Services Compensation Scheme levy

On 19 March 2015 the Financial Services Compensation Scheme ("FSCS") confirmed a £20m interim levy for life and pensions intermediaries in respect of the year to 31 March 2015, driven by an unexpected increase in the cost of claims relating to bad advice by certain financial advisers to transfer funds from existing pension schemes into self-invested personal pensions. MAB does not provide pension scheme advice, but the levy is made on the class of intermediaries to which MAB belong. This interim levy will cover the costs of compensation claims until the next annual levy becomes available in July 2015.

MAB will contribute £89,449 to the interim levy. No provision has been made in these financial statements for this or any additional FSCS levies that may be raised during the year ending 31 December 2015.

Company balance sheet
as at 31 December 2014

Registered number 4131569

The following parent entity financial statements are prepared under UK GAAP 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 53.

	Note	2014 £	2013 £
Fixed assets			
Investments	3	**3,076,733**	3,076,733
Current assets			
Debtors	4	**260,349**	–
Creditors: amounts falling due within one year	5	**–**	(13,735)
Net assets		**3,337,082**	3,062,998
Capital and reserves			
Called up share capital	6	**50,510**	69,960
Share premium account	7	**3,042,255**	2,988,891
Capital redemption reserve	7	**19,532**	46
Retained earnings	7	**224,785**	4,101
Total shareholders' funds	8	**3,337,082**	3,062,998

The notes on pages 53 to 56 form part of these financial statements.

The financial statements were approved by the Board of Directors on 25 March 2015.

P Brodnicki
Director

P Robinson
Director

1. Accounting policies

Basis of preparation

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

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 applicable United Kingdom Accounting Standards and law. The principal accounting policies are summarised below. They have all been consistently applied to all the years presented.

Related party transactions

The Company is exempt under the terms of FRS 8, Related Party Disclosures, from disclosing related party transactions with entities that are part of the Group.

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 FRS1 (revised) 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 the proceeds.

2. Profit for the year

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.

During the year its only income was dividends receivable from its subsidiaries. Its only expenditure is in respect of dividends payable. The Company reported a profit for the financial year of £8,736,604 (2013: £640,780). The auditors' remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements. Remuneration for audit of the Company financial statements are borne by a subsidiary entity.

3. Fixed asset investments

	Subsidiary undertaking £
Cost	
At 31 December 2013 and 31 December 2014	**3,076,733**
Net book value	
At 31 December 2014	**3,076,733**
At 31 December 2013	**3,076,733**

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

Company name	Country of Incorporation	Shareholding (%)	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
MABWM Limited	England and Wales	100	Dormant
Mortgage Talk Limited	England and Wales	100	Provision of financial services
Talk Limited	England and Wales	100	Intermediate holding company

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 and MABWM Limited.

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

4. Debtors

	2014 £	2013 £
Amounts due from Group undertakings	**260,349**	–

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

5. Creditors: amounts falling due within one year

	2014 £	2013 £
Amounts due to Group undertakings	–	13,735

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

6. Share capital

Issued and fully paid.	2014 £	2013 £
A Ordinary shares of £1 each	–	4,000
B Ordinary shares of £1 each	–	40,000
C Ordinary shares of £1 each	–	2,460
D Ordinary shares of £1 each	–	13,500
E Ordinary shares of £1 each	–	10,000
Ordinary shares of 0.001p each	50,510	–
Total share capital	**50,510**	69,960

The holders of the A Ordinary shares were entitled to a dividend in preference to any dividend voted to any other class of share and were redeemable at the option of the Company. The A Ordinary shares were entitled to priority of proceeds upon a winding up or return of capital and carried voting rights totalling 5%.

The B Ordinary shares were not entitled to dividends other than at the discretion of the Board but not if there were any arrears on the A dividends or if there remained any A shares to be bought back after the 1 January 2019. In the event of a winding up or return of capital the proceeds were payable to the holders of the B shares after any amounts paid to the A and C shareholders. The B shares with the E shares carried voting rights totalling 65%.

The C Ordinary shares were not entitled to dividends other than at the discretion of the Board. The C shares were repayable at par upon a winding up or return of capital and did not carry voting rights.

The D Ordinary shares were not entitled to dividends other than at the discretion of the Board but not if there were any arrears on the A dividends or if there remain any A shares to be bought back after the 1 January 2019. The D shares were repayable at par upon a winding up or return of capital. The D shares carried voting rights totalling 30%.

The E Ordinary shares were not entitled to any dividends other than at the discretion of the Board but not if there were any arrears on the A dividends or if there remained any A shares to be bought back after the 1 January 2019. In the event of a winding up or return of capital the proceeds were payable to the holders of the E shares after any amounts paid to the A shareholders. The E shares with the B shares carried voting rights totalling 65%.

On 3 January 2014 all 4,000 A Ordinary shares of £1 in issue were purchased by the Company and cancelled for a total consideration of £4,521,816. On the same date 4,500 D Ordinary shares of £1 were purchased by the Company and cancelled for a total consideration of £4,500.

On 25 June 2014, 1,188 of the E Ordinary shares of £1 were redesignated as B Ordinary shares of £1 and the 2,460 C Ordinary shares of £1 were converted to B Ordinary shares of £1 at the rate of 1 B Ordinary share for every 3.65 C Ordinary shares held. On the same date the remaining 9,000 D Ordinary shares of £1 were purchased by the Company and cancelled for a total consideration of £9,000.

On 8 September 2014 217 Ordinary shares of £1 each were purchased by the Company and cancelled for a consideration of £217. Stamp duty of £22,635 was incurred on the cancellation of the shares referred to above.

On 31 October 2014 all the remaining shares were redesignated as Ordinary shares and the Ordinary shares of £1 each were redesignated as 50,474,000 Ordinary shares of 0.001p each. All shares rank pari passu in all respects.

On 4 November 2014, 35,600 Ordinary shares of 0.1 pence were issued for a total consideration of £53,400.

7. Reserves

	Share premium account £	Capital redemption reserve £	Profit & loss account £
1 January 2014	2,988,891	46	4,101
Issued of new shares	53,364	–	–
Purchase of shares	–	19,486	(4,558,168)
Retained profit for the financial year	–	–	8,736,604
Dividends – equity capital	–	–	(3,957,752)
31 December 2014	**3,042,255**	**19,532**	**224,785**

8. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	**3,062,998**	3,062,998
Profit for the year	**8,736,604**	640,780
Dividends	**(3,957,752)**	(640,780)
Shares issued during the year	**36**	–
Purchase of shares	**(4,558,168)**	–
Share premium on shares issued (net of expenses)	**53,364**	–
Closing shareholders' funds	**3,337,082**	3,062,998

Mortgage Advice Bureau (Holdings) plc

Annual Report 2014

Mortgage Advice Bureau

Mortgage Advice Bureau (Holdings) plc
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