Mortgage Advice Bureau (Holdings) plc

Annual Report 2017

Mortgage Advice Bureau

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

Our strategy remains focused on securing further growth through technology, lead generation and specialisation which will increase our market share and the number of mortgage completions in all market conditions, enabling us to continue to deliver strong returns to our investors.

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

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"I am delighted to report another set of excellent results. Strong growth in revenue, up 17% to £108.8m has translated into strong growth in adjusted EPS up 17% to 23.8p. Accordingly, the Board is pleased to propose the payment of an increased final dividend of 11.9p per share, making total proposed ordinary dividends for the year of 21.4p, up 17% on the prior year.

"MAB continues to deliver on its strategy in all market conditions whilst maintaining a strong financial position. Our mortgage completions increased by 18.5% and our market share increased by 13%. Achievements across the business continue to be recognised by a number of industry awards, including being named Best Mortgage Broker at the 2018 Mortgage Strategy Awards.

"MAB's strategy is very clear, and appointing Ben Thompson clearly reflects the level of ambition we have. This will be our seventh key appointment since IPO, and the first new role on the Executive Board.

"I am really looking forward to working closely with Ben to deliver our strategic objectives for the next five years and beyond. We will make a great team, and I have no doubt that we will be pushing the boundaries of what can be achieved even further than we do now."

Peter Brodnicki
Chief Executive
See review on page 04

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

Front Cover: Home movers, Derby

Mortgage Advice Bureau

Revenue

£108.8m

2016: £92.8m — +17%

Profit before exceptional gain and tax

£14.5m

2016: £12.5m — +16%

EPS before exceptional gain and tax

23.8 pence

2016: 20.3p pence — +17%

Proposed total ordinary dividends

21.4 pence per share

2016: 18.3 pence per share — +17%

Unrestricted bank balances

£13.2m

2016: £10.8m — 22%

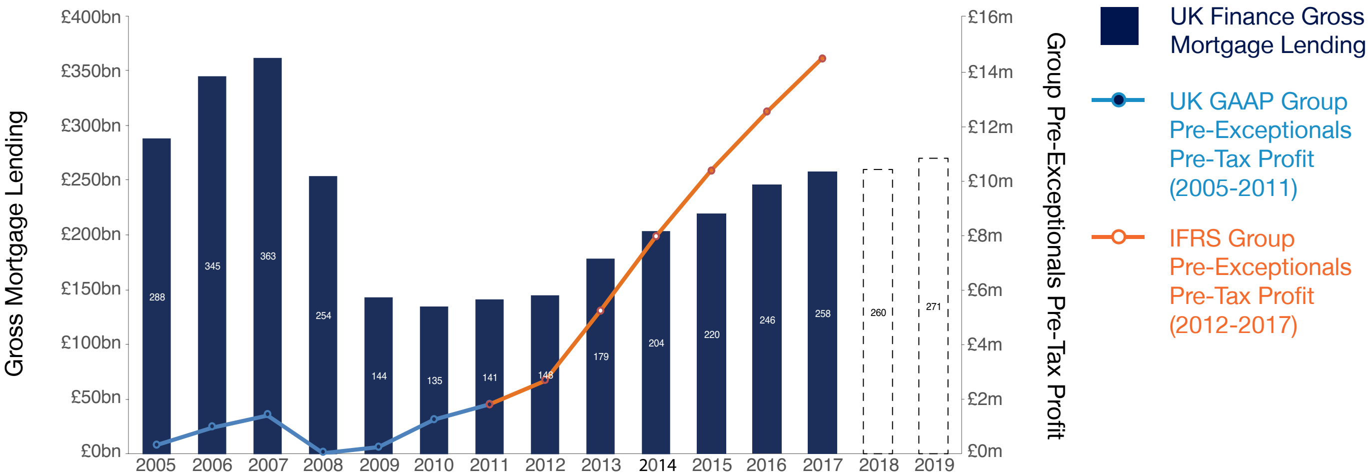
Buy-to-Let Investor, London

"We aim to continue to deliver growth in revenue and profits, and strong returns to our investors through our investments in technology and specialisation, our increase in market share and mortgage completions in all market conditions."

Katherine Innes Ker
Chairman

Dear Shareholder

I am pleased to report that MAB has delivered a third full year of strong revenue and profit growth since IPO through a 13% growth in our market share to 4.6% (2016: 4.1%) and mortgage completions increasing by 18.5% to £11.9bn, in a flat housing market.



Source: UK Finance and MAB accounts

We continue to develop and invest in our technology solutions which are designed to enable our AR partners and advisers to compete at the highest level and to enable us to deliver what our customers increasingly expect. These developments will ease the process of obtaining the finance and protection necessary to complete arguably the most important purchase our customers make, and allow our advisers to continue to provide high quality advice throughout the life of the mortgage, which is the base of our plans for 2020 and beyond.

People

Core to the way we do business is our people, and their commitment to our high standards of customer service. I would like to thank them on behalf of the Board for their hard work and dedication, enabling MAB to deliver another year of strong growth and returns to shareholders. Reflective of this quality MAB received the 'Best Mortgage Broker' award at the Mortgage Strategy 2018 Awards.

During the course of the year the management team was broadened with the creation and recruitment into two new roles of Proposition Director, Mortgages and Proposition Director, Protection.

Board Appointments

Since the year end I have been delighted to welcome Stephen Smith to the Board, as a Non-Executive Director. Stephen enjoyed a 23 year career with Legal and General Group Plc ("L&G"). As L&G's Housing Director he was responsible for digital projects in the mortgage and housing markets as well as their strategy in the insurance markets as they relate to mortgages and housing. Stephen will stand for election to the Board at the AGM in May.

At the same time Richard Verdin will be standing down as a Non-Executive Director. Richard joined the board before the IPO in 2014 and we will miss his wise counsel, deep knowledge and experience of both the mortgage and insurance markets, and good humour. We wish him well as he continues his executive career.

I am also delighted to welcome Ben Thompson[1] as Managing Director of the Group with effect from 7 June 2018. His knowledge of and experience in our markets will add to the already high quality of the management team we have built at MAB. This is a new Board role within MAB that reflects the ambitions of the Group and the considerable opportunities that lie ahead.

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

[1] Subject to Regulatory Approval

Ordinary dividends

Our dividend payout continues to be maintained at 90% whilst retaining a prudent excess over the regulatory capital required to be retained in the business. Our high cash conversion allows this return to shareholders whilst we continue to invest in growth, in our ARs, and in our technology.

The Board is pleased to recommend the payment of a final dividend for the year of 11.9 pence per ordinary share. If approved, the final dividend will be paid on 22 May 2018 to shareholders on the register at the close of business on 27 April 2018.

Outlook

UK Finance’s estimate for gross mortgage lending in 2017 of £258bn implies market growth of 5% since 2016. UK Finance recently increased its estimate for gross mortgage lending in 2018 to £260bn, as well as publishing a first estimate for 2019 of £271bn. Gross mortgage lending is therefore expected to be relatively flat for 2018 and show a 4% increase for 2019.

Adviser numbers have increased since the year end to 1,096 at 16 March 2018. We remain confident about our planned growth in adviser numbers in 2018 and beyond, both organically and from new ARs.

We are confident that our strategy, driven by our customers and their changing expectations, will continue to drive growth in MAB’s market share year on year and deliver attractive returns to investors. The Board’s expectations for the year remain unchanged.

Katherine Innes Ker
Chairman
19 March 2018

First Time Buyer, London

Introduction

I am delighted to report another period of strong revenue and profit growth, with our market share increasing by 13% to 4.6% (2016: 4.1%) and our mortgage completions increasing by 18.5% to £11.9bn. Our fintech developments are progressing well and serve to enhance our high-quality business model. Our strategy remains focused on securing further growth through technology, lead generation and specialisation which will increase our market share and the number of mortgage completions in all market conditions, enabling us to continue to deliver strong returns to our investors.

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

Peter Brodnicki
Chief Executive

Market environment

Activity overall in the housing market has remained steady over the last year and was not noticeably affected by the general election in early June. The current house purchase market remains predominantly comprised of those moving home due to non-discretionary lifestyle factors, first time buyers and serious investors. The residential remortgage market has seen 14% growth by loan value on 2016, mostly ahead of the widely anticipated increase in the Bank of England base rate and with strong competition amongst lenders for new business.

Despite increases in first time buyer transactions, housing transaction volumes overall have remained relatively flat as the number of amateur landlords has reduced. Mortgage transactions by both volume and value have increased by 4% and 5% respectively in 2017 driven by both remortgages and first time buyers. UK Finance predicts a relatively flat market for gross mortgage lending for 2018, with a 4% increase for 2019 as the Government continues to manage the UK's exit from the EU. UK Finance also predict that housing transactions will remain flat over the next two years. Intermediary market share[1] has remained broadly stable at just over 70%. MAB and its ARs growth is not directly reliant on increasing housing transactions, property prices, or intermediary market share as our continued year on year growth demonstrates.

Intermediaries previously had limited access to the product switching market, where customers change products with their existing lender. However, the vast majority of lenders now provide intermediaries with full access to their switching products. The UK Finance industry data on gross mortgage lending currently excludes product switches with the same lender, but we expect UK Finance to confirm the size of the product switching market later on this year. Whilst it is still relatively early to assess the impact of this increased access to product switches, we expect product switches will typically deliver lower overall income per transaction compared to a remortgage, with this mostly offset by switches having a much lower dropout to completion. In addition, we expect product switches to deliver banked income in a shorter timeframe.

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

Recent RICS[2] commentary on house prices suggests that on a national level, house prices have resumed a modest growth trajectory. However, the national figure conceals diverging trends across different parts of the UK, with London and, to a lesser extent, the South East, East Anglia and the North East experiencing pressure on prices, whereas house prices are quite firmly on an upward trend in other areas, including the North West, Northern Ireland and Wales.

[1] Excluding Buy-To-Let, where intermediaries have a higher market share, and product switches with the same lender.

[2] Royal Institution of Chartered Surveyors.

Delivering on our strategy

■ Fintech developments

We continue developing our technology solutions which are at the centre of our plans to further enhance our unique business model. This will enable us to increase our market share and gross mortgage completions both by delivering what our customers will rightly start to expect and by enabling our AR partners and advisers to continue competing at the highest level. These fintech developments will play an ever-increasing role in customer acquisition and conversion, as well as retention, by allowing advisers to identify future engagement opportunities with their customers more accurately and efficiently.

We are embracing fintech developments to enhance both face to face advice and our newer fast-growing and highly scalable telephony advice model. This will enable us to access a wider range of lead sources and provide greater choice to the consumer in how they research, receive advice and transact. As a result, we believe MAB's proportion of telephone advice is likely to increase, complementing the face to face advice that remains highly valued by consumers. Both these channels will continue to be supported by increasingly streamlined digital processes.

To allow us to capitalise fully upon our fintech developments we will consider investments in selected technology propositions where these can accelerate the development of our customer proposition and lead generation solutions. In addition, we expect our IT capital expenditure and IT costs to increase by a modest amount.

■ Driving income opportunities

MAB is focused on securing long term sustainable growth and providing the best possible solutions and outcomes to its customers. Against the backdrop of a changing consumer landscape, we will look to increase the range of services offered to our customers by adopting new developments in technology and working closely with lenders.

One of our key objectives is to maximise protection opportunities by achieving even higher levels and consistency of protection advice. To help facilitate this we were delighted to appoint Andy Walton to the new role of Proposition Director, Protection last year.

Our plans for direct-to-consumer marketing are progressing well, and we expect to be in a controlled testing phase during Q2 2018. Whilst MAB will use a range of media to target as many channels as possible, we expect to see the degree of digital content grow in line with the increasingly digital solutions that will be brought to all stages of the client journey.

We invested a further £0.2m in on-line conveyancing business, Sort Group Limited, towards the end of 2017, increasing our ownership from 33.25% to 43.25%. Every mortgage requires conveyancing and this further investment reflects the importance we place on technology in delivering a seamless and fully integrated end-to-end service for MAB's customers across their entire purchase and remortgage processes. Our plans with Sort Group Limited include developing a far closer association between conveyancing and mortgages to provide a more seamless service for consumers as well as enhancing lead generation. Sort Group Limited has two main trading subsidiaries, Sort Limited and Sort Legal Limited. Whilst Sort Limited had a record year and continues to grow strongly, Sort Legal Limited is a major new initiative that brings ownership of legal services into Sort Group Limited, considerably increasing its distribution and capacity. As a result of this, Sort Limited results were offset by the start-up costs in Sort Legal Limited during 2017.

Our joint venture in Australia, MAB Broker Services, is trading in line with our expectations. We continue to review progress and are in the early stages of implementation of a structure similar to our UK network partner initiative in Australia, having identified potential key partners.

MAB continually looks for where the biggest growth sectors may be for intermediaries in the future. We believe that lending into retirement represents one of the clear growth opportunities and, as such, are in the early stages of building the foundations of solutions for this market; equity release being one of these solutions, a market which is currently dominated by specialist intermediaries.

Summary

We are just over a year into our three-year plan that is focused on building solutions for the future; this will ensure MAB is able to maintain and build upon its leading position in the intermediary sector. We continue to invest in our core business model with our plans for 2020 and beyond designed to secure sustainable long-term growth whilst continuing to deliver strong results in the meantime. From a resource and technology perspective we have been focussed on being ready for GDPR for quite some time, and consider ourselves to be well positioned and prepared for GDPR.

As technology allows us to have more consistent and targeted interaction with our customers and when artificial intelligence/machine learning allows us to identify how different consumer groups behave and the services they require, this will give us opportunities in the medium and long term to identify future new revenue sources and ensure continued and diversified growth.

Having made a number of key strategic investments, MAB continues to consider further investments where there is a close alignment with our strategic objectives. Whilst our investments to date have been relatively modest in size, we will consider making larger investments to help accelerate the development of our customer proposition, lead generation and distribution. However, given our strong financial position and prospects for growth, we do not expect any such investment to adversely affect our payout ratio or the future growth in dividends.

Executive Board Appointments

We are delighted to welcome Ben Thompson[1] to the Board as Managing Director with effect from 7 June 2018. MAB's strategy is very clear, and appointing Ben clearly reflects the level of ambition we have. This will be our seventh key appointment since IPO, and the first new role on the Executive Board.

On Ben Thompson joining the Group, Peter Brodnicki will make a gift of 113,000 ordinary shares in the Group to Ben Thompson for nil consideration. On the same date, MAB will grant to Ben Thompson £370,000 of nominal cost options over ordinary shares of 0.1 pence each in the Group. These options will be granted under the Mortgage Advice Bureau Executive Share Option Plan.

Feefo®

Customer feedback is a core component in our strategy to ensure consumers receive a first class experience. In 2017 we partnered with the online review company Feefo, to give us feedback on the service our advisers provide. To date, we have received just under 2,000 reviews, achieving an average score of 4.8/5 and being accredited with the Gold Trusted Service award.

[1] Subject to Regulatory Approval

Our business model

MAB is directly authorised by the Financial Conduct Authority ("FCA") and is one of the UK's leading consumer mortgage brands and networks for mortgage intermediaries. MAB specialises in providing mortgage advice to customers, as well as advice on protection and general insurance products.

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.

The Group has a long established broad geographic spread across the United Kingdom and expanded into Northern Ireland in 2015. Following completion of the disposal of MAB's 49% stake in Capital Private Finance Limited during 2016, MAB anticipates that c.7% of the Group's revenue is derived from the London market.

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.

■ Products available through the Group

The Group's network offers advice on over 12,000 residential and buy-to-let mortgage products from over 80 lenders, including those that are only available through mortgage intermediaries.

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

■ Sector focus and specialisations

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

■ Proprietary software

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

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

The system enables MAB to respond quickly to changing consumer behaviour, most often driven by the convenience and simplicity of process that the latest technological advancements deliver. Significant upgrades have continued to take place during the last twelve months and will continue to be made as MAB embraces technology across every aspect of the business.

In summary, our proprietary software enables us to be at the forefront in driving increasingly streamlined digital processes. This, combined with our existing expertise in face to face and telephony advice solutions, gives us a market leading position.

Business review of the year

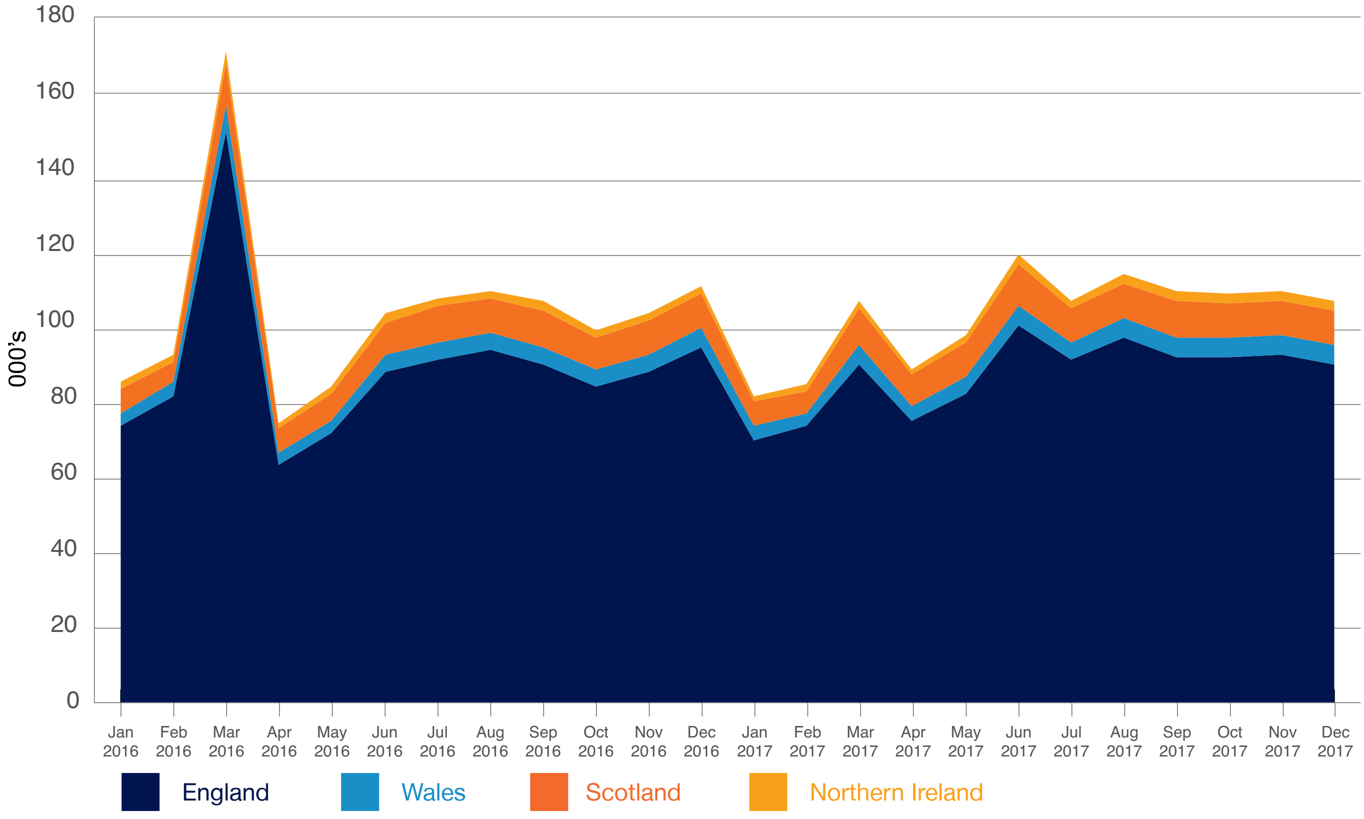
I am pleased to report further strong growth in revenue of 17% to £108.8m with profit before tax (and exceptional gain in 2016) rising by 16% to £14.5m. MAB's gross mortgage lending increased by 18.5% to £11.9bn in 2017 (2016: £10.0bn) with the average number of Advisers increasing by 14%. MAB's overall share of UK new mortgage lending increased by 13% to 4.6% (2016: 4.1%).

■ Industry data and trends

Mortgage lending activity in 2017 grew by 5% to £258bn (2016: £246bn). UK Finance recently increased its estimate for gross mortgage lending for 2018 to £260bn, as well as publishing a first estimate for 2019 of £271bn; gross mortgage lending growth is therefore expected to be relatively flat for 2018 and show a 4% increase for 2019. We are confident that our strategy, driven by our customer's future direction of travel, will continue to drive growth in our market share and mortgage completions year on year and deliver attractive returns to investors.

UK property transactions by volume for 2017 were c.1% lower than in 2016. The spike in buy-to-let ("BTL") transactions ahead of the stamp duty changes in April 2016 is evident in the graph below.

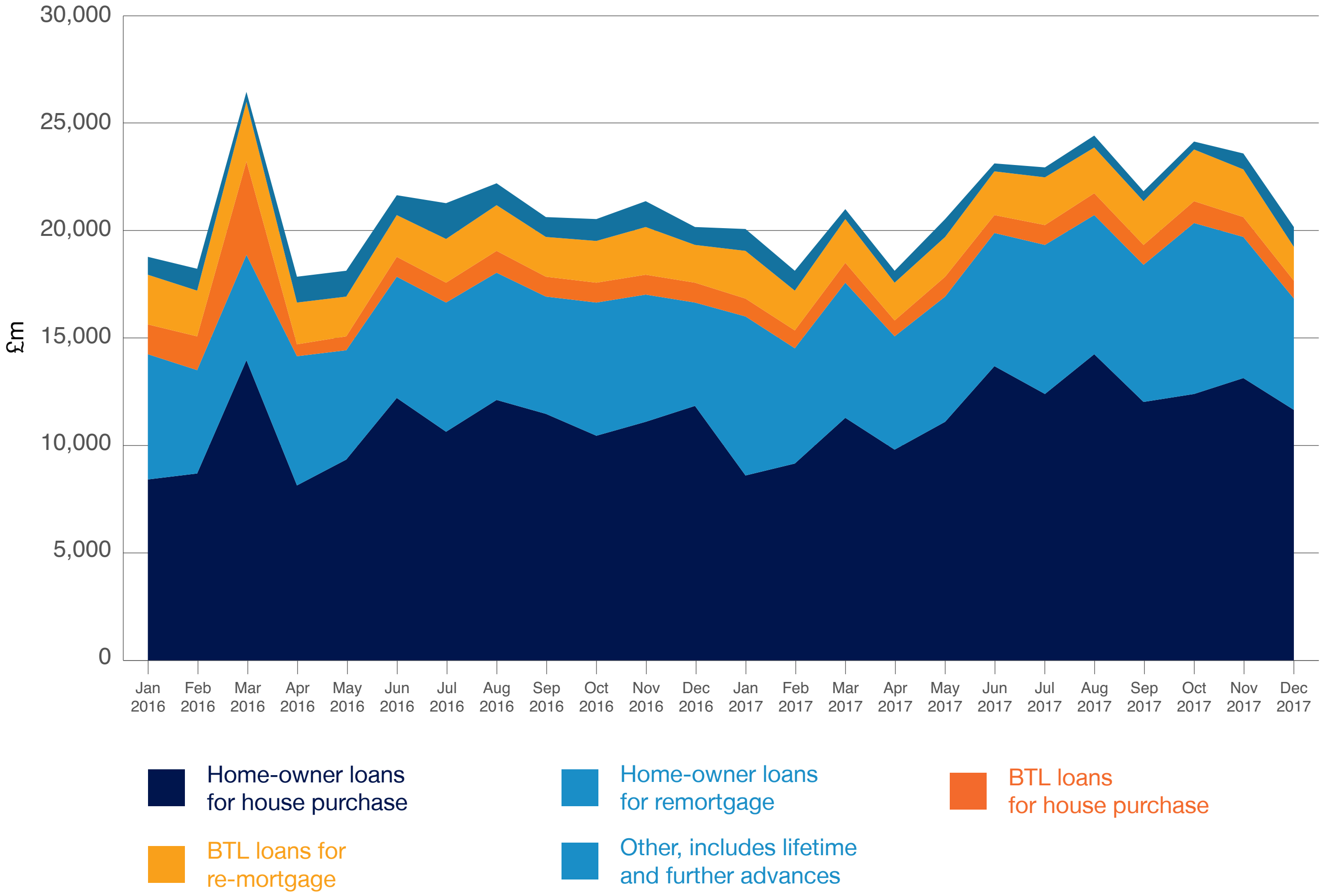
Property transactions in the UK by volume



Source: HM Revenue and Customs

UK property inflation of 4.8%[1] and an increase in remortgage volumes of 11% and first time buyer transactions of 8% more than offset the slight reduction in UK property transactions and the 10% reduction in BTL transactions, leading to an increase in UK gross mortgage lending of 5% overall, as illustrated in the graph below.

New mortgage lending by purpose of loan



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

UK gross mortgage lending in 2017 for home-owner purchases (including first time buyers) and remortgages grew by 9% and 14% respectively. UK gross mortgage lending in 2017 for BTL purchases and BTL remortgages reduced by 28% and 4% respectively.

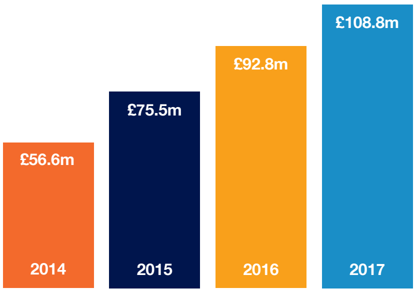
Just over 70% of UK mortgage transactions (excluding BTL, where intermediaries have a higher market share, and product switches with the same lender) were via an intermediary in 2017, which is broadly stable compared to 2016 and MAB expects intermediary market share to remain broadly stable going forward.

[1] Land Registry House Price Index.

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

Revenue

£108.8m

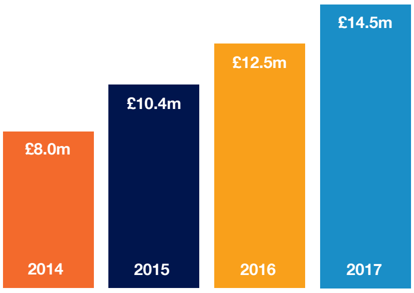


Total income from all revenue streams

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax

£14.5m

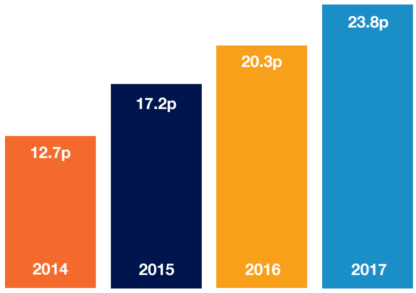


Profit before tax adjusted to add back exceptional or non-recurring items (none in 2015 or 2017)

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

23.8p

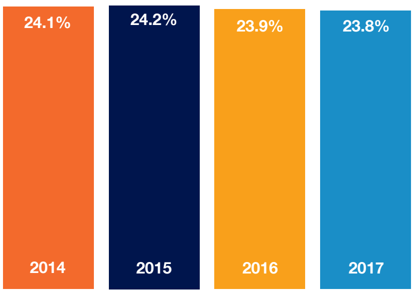


Total comprehensive income, attributable to equity holders of the Company, adjusted to add back non-recurring costs in 2014 and deduct exceptional gain in 2016, divided by the number of ordinary shares. Based on 50.5m shares to allow comparison in 2014.

Strategy/objective
Shareholder value and financial performance

Gross profit margin

23.8%

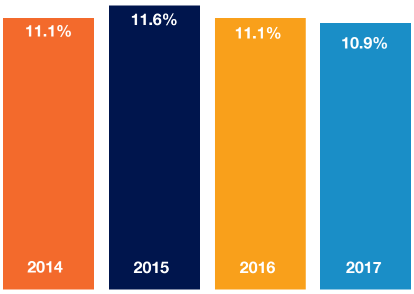


Gross profit generated as a proportion of revenue

Strategy/objective
Managing gross margins

Overheads % of revenue

10.9%

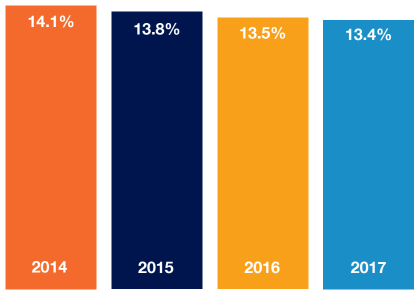


Group's administrative expenses as a proportion of revenue

Strategy/objective
Operating efficiency

Adjusted profit before tax margin

13.4%

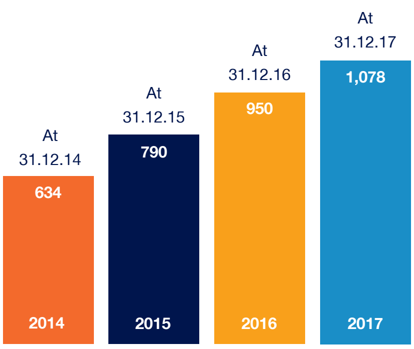


Profit before tax, adjusted to add back non-recurring items in 2014 and deduct exceptional gain in 2016, as a proportion of revenue.

Strategy/objective
Shareholder value and financial performance

Adviser numbers

1,078

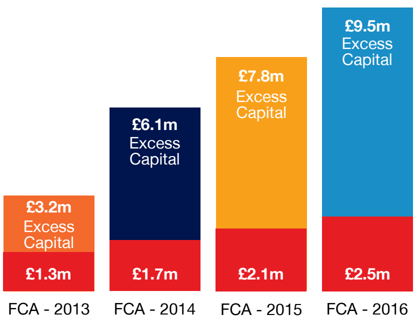


The average number of advisers in 2017 was 1,008 (2016: 888)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£9.5m

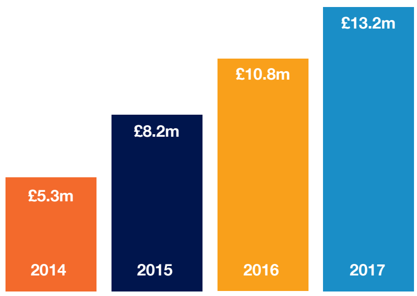


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA)

Strategy/objective
Financial stability

Unrestricted cash balances

£13.2m



Bank balances available for use in operations

Strategy/objective
Financial stability

Revenue

Revenue increased by 17% to £108.8m (2016: £92.8m). A key driver of revenue is the average number of Advisers during the period. Our business model continues to attract forward thinking ARs who are seeking to expand and grow their own market share. Average adviser numbers increased by 14% to 1,008 (2016: 888) due to a combination of expansion by existing ARs and the recruitment of new ARs.

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

Income source	2017 £m	2016 £m	Increase
Mortgage procurement fees	46.8	39.4	19%
Protection and general insurance commission	42.8	36.4	18%
Client fees	17.5	15.6	12%
Other income	1.7	1.4	22%
Total	**108.8**	**92.8**	**17%**

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

Income source	2017	2016
Mortgage procurement fees	43%	42%
Protection and general insurance commission	39%	39%
Client fees	16%	17%
Other income	2%	2%
Total	**100%**	**100%**

All income sources continued to grow strongly with the average number of Advisers in the year increasing by 14%. We have seen an increase in average revenue per adviser of 3%, demonstrating the anticipated return to growth in productivity following the lull in activity in the housing and mortgage markets surrounding the EU referendum in 2016.

With MAB's gross mortgage completions increasing by 18.5% in 2017, mortgage procurement fees increased by 19%; and protection and general insurance commission grew by 18%. Client fees, which are not linked to the mortgage value, grew by 12%, reflecting an increase in remortgaging and product switching where fees are generally lower. Looking ahead, we expect to see a broader spread of client fees on mortgage transactions, which, by their nature, are our lowest margin revenue stream.

Gross profit margin

Gross profit margin was broadly maintained at 23.8% (2016: 23.9%). The Group typically receives a slightly reduced margin as its existing ARs grow their revenue organically through increasing their Adviser numbers. In addition, larger new ARs typically join the Group on lower than average margins due to their existing scale, which therefore impacts upon the Group's gross margin.

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

Overheads

Overheads as a percentage of revenue were 10.9% (2016: 11.1%). This reduction in underlying overheads as a percentage of revenue demonstrates the scalable nature of the cost base. Certain costs, primarily those relating to compliance, which represent approximately 40% of our cost base, are closely correlated to the growth in the number of Advisers, due to the high standards we demand and the requirement to maintain regulatory spans of control. The remainder of MAB's costs typically rise at a slower rate than revenue which will, in part, counter the expected erosion of gross margin as the business continues to grow.

As a result of MAB's IT plans, we expect our amortisation on IT capital expenditure and IT costs to increase by a modest amount.

Profit before tax and margin thereon

Profit before tax rose by 16% to £14.5m (2016: £12.5m[1]) with the margin thereon being 13.4% (2016: 13.5%).

Net finance revenue

Net finance revenues of £0.04m (2016: £0.07m) reflect continued low interest rates.

Taxation

The effective rate of tax fell to 17.2% (2016: 18.4%), principally due to the tax deduction arising following the exercise of the first tranche of employee share options since IPO. Going forward we expect our effective tax rate to be marginally below the prevailing UK corporation tax rate subject to the continued availability of tax credits for MAB's research and development expenditure on our continued development of MIDAS Pro, MAB's proprietary software, and further tax deductions arising from the exercise of share options.

Earnings per share and dividend

Adjusted earnings per share rose by 17% to 23.8 pence (2016: 20.3 pence[1]).

The Board is pleased to propose a final dividend for the year ended 31 December 2017 of 11.9 pence per share (2016: 10.5 pence per share), amounting to a cash cost of £6.0m. Following payment of the dividend, the Group will continue to maintain significant surplus regulatory reserves. This proposed final dividend represents c. 90% of the Group's post-tax profits for H2 2017 and reflects our ongoing intention to distribute excess capital. MAB requires c.10% of its profit after tax to fund increased regulatory capital and other regular capital expenditure.

The record date for the final dividend is 27 April 2018 and the payment date is 22 May 2018. The ex-dividend date will be 26 April 2018.

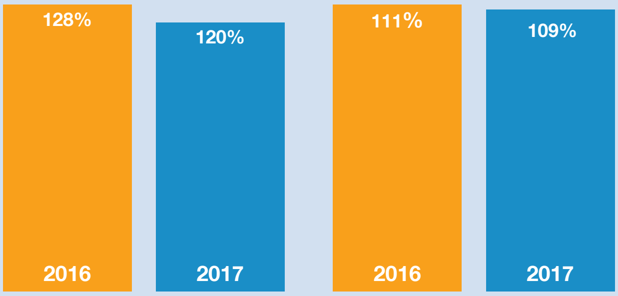
[1] Excludes the exceptional gain of £2.7m profit on disposal of 49% stake in Capital Private Finance Limited in 2016.

Cash flow and cash conversion

The Group's operations produce positive cash flow. This is reflected in the net cash inflow from operating activities of £14.5m (2016: £13.4m).

Headline cash conversion[1] was:

Adjusted cash conversion[2] was:



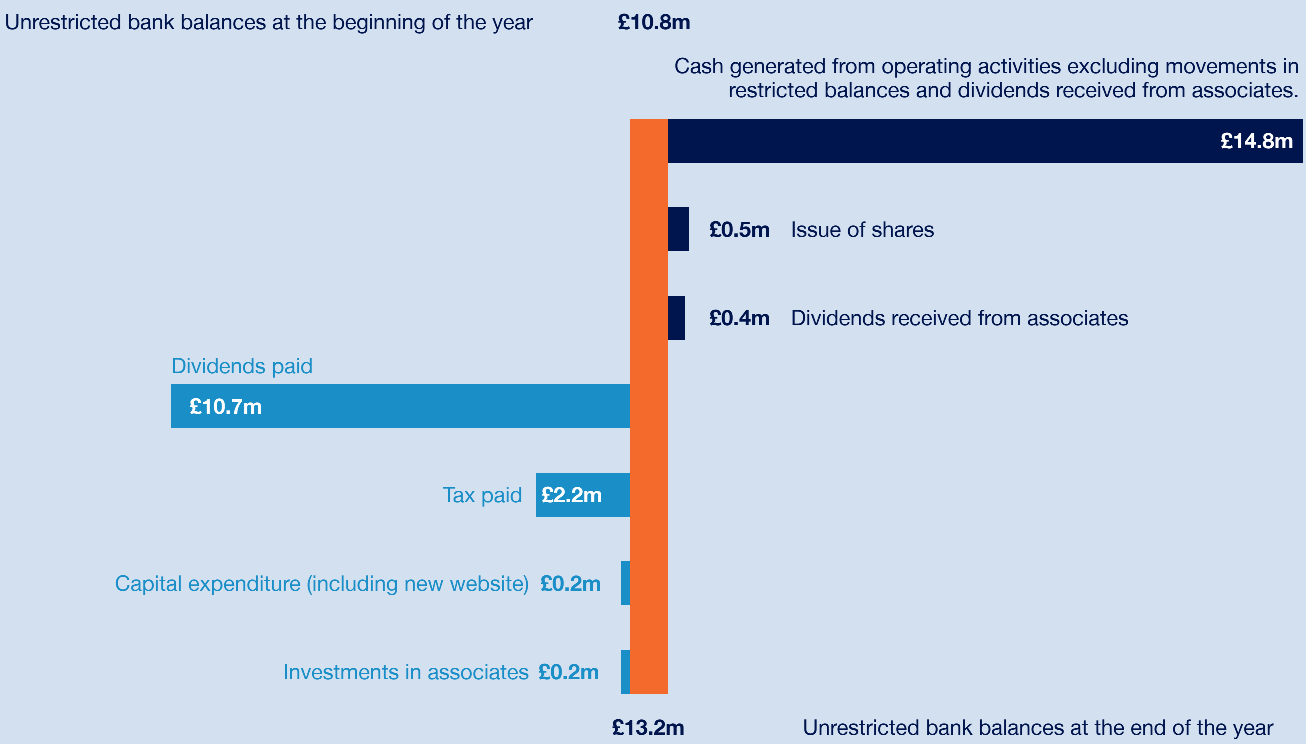
[1] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items including loans to Appointed Representative firms ("ARs") and loans to associates totalling £0.7m in 2017 (2016: £0.4m) as a percentage of operating profit.
[2] Adjusted cash conversion is headline cash conversion adjusted for increases in restricted cash balances of £1.5m in 2017 (2016: £2.1m) and additional cash balances (2017: £nil; 2016: £nil) held due to the timing of the weekly AR commission payment in relation to the period end, as a percentage of operating profit.

The Group's operations are capital light with our most significant ongoing capital investment being in computer equipment. Only £0.1m of capital expenditure on office and computer equipment was required during the period (2016: £0.3m). Group policy is not to provide company cars, and, other than on IT as indicated above, no significant capital expenditure is foreseen in the coming year. All development work on MIDAS Pro is treated as revenue expenditure.

The Group had no bank borrowings at 31 December 2017 (2016: £nil) with unrestricted bank balances of £13.2m (31 December 2016: £10.8m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 31 December 2017 this regulatory capital requirement was £2.5m (31 December 2016: £2.1m), with the Group having a surplus of £9.5m.

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



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

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.

Homemovers, Wirral

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 other intermediaries and direct lenders, and in an economic environment which may change as the UK Government manages the exit of the UK from the EU.	The Group aims to be at the forefront of providing advice to consumers, leveraging its proprietary MIDAS Pro technology, by offering its customers the choice of how they want to research, receive advice and transact. Despite increases in first time buyer transactions, housing transaction volumes overall have remained relatively flat over the last year as the number of amateur landlords has reduced. Mortgage transactions by both volume and value have increased by 4% and 5% respectively in 2017 driven by both remortgages and first time buyers. UK Finance predicts a relatively flat market for gross mortgage lending for 2018, with a 4% increase for 2019 as the Government continues to manage the UK's exit from the EU. UK Finance also predict that housing transactions will remain flat over the next two years. The Group aims to grow its market share and mortgage completions regardless of market conditions.
Availability of mortgage lending	The Group is exposed to a significant reduction in the availability of mortgage lending.	MAB's gross mortgage completions increased to £11.9bn in 2017. UK Finance forecast that gross mortgage lending will increase to £260bn in 2018 and £271bn in 2019, both years being considerably lower than the peak of £363bn in 2007.
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 ARs (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 ARs, who employ or engage the advisers.	The Group has robust compliance procedures as set out in "Regulatory Compliance" on the opposite page. Whilst the Group has ultimate regulatory responsibility, the commercial liability (eg. complaint redress) is with the ARs.
Concentration	The Group could be exposed to a significant geographic concentration, or overexposure to particular ARs or suppliers.	The Group has broad geographical coverage in the mainland UK, and widened this to Northern Ireland in 2015. A small proportion of the Group's revenue relates to the London market. The Group has no significant exposure to any single AR. Typically ARs enter five 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 there are share based incentive plans for all employees in which the majority of the Group's employees participate. 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 ARs. PI insurance is in place as required by the FCA.
Liquidity risk, including bank default	One or more banks could fail.	The Group has a highly cash generative business model so holds substantial amounts of cash on deposit with 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

19 March 2018

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

Katherine Innes Ker, Aged 57
Non-Executive Chairman

Katherine has extensive executive and non-executive director experience. She is senior independent director of The Go-Ahead Group plc and Non Executive Director of Forterra plc and of Gigaclear plc. Her experience as a chairman includes The Television Corporation, Shed Media plc, Victoria Carpets plc and Sovereign Housing Association 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 55
Chief Executive

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

David Preece, Aged 57
Chief Operating Officer

David joined MAB in 2004 as Operations Director. He has 40 years of 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.

Lucy Tilley, Aged 46
Finance Director and Company Secretary

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

Nathan Imlach, Aged 48
Senior Independent Non-Executive Director

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

Richard Verdin, Aged 53
Independent Non-Executive Director

Richard is Managing Director of RGAx EMEA, the innovation accelerator for the global life & health reinsurer RGA. 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.

Stephen Smith, Aged 60
Independent Non-Executive Director

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

Company:	**Mortgage Advice Bureau (Holdings) plc**	
Directors:	**Katherine Innes Ker**	Non-Executive Chairman
	Peter Brodnicki	Chief Executive
	David Preece	Chief Operating Officer
	Lucy Tilley	Finance Director
	Nathan Imlach	Senior Independent Non-Executive Director
	Richard Verdin	Independent Non-Executive Director
	Stephen Smith	Independent Non-Executive Director
Company secretary:	**Lucy Tilley**	
Registered office:	**Capital House** Pride Place Pride Park Derby DE24 8QR	
Registered number:	04131569	
Nominated adviser and joint broker:	**Zeus Capital Limited** 82 Kings Street Manchester M2 4WQ	
Joint 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 2017. For the purposes of this report, the expression "Company" means Mortgage Advice Bureau (Holdings) plc and the expression "Group" means the Company and its subsidiaries.

Results and business review

The principal activity of the Group continues to be the provision of financial services, in particular the provision of mortgage advice and advice on protection and general insurance products. The principal activity of the Company is that of a non-trading holding company. The review of the business, operations, principal risks and outlook are included in the Strategic report on pages 01 to 15. The financial statements set out the results of the Group on pages 30 to 61.

The Group has achieved further significant growth both in terms of revenues and underlying profitability. Group revenues increased by 17% to £108.8m. Profit before tax amounted to £14.5m, a rise of 16%[1]. Group profit for the year after taxation amounted to £12.0m, up 18%[1] on the previous year. Income tax expense for the year was £2.5m an effective rate of 17.2% (2016: 18.4%[1]).

Dividends

The Directors recommend a final dividend of 11.9 pence per share, totalling £6.0m. This represents a payout of 90% of H2 2017 profit after tax. This has not been included within the Group financial statements as no obligation existed at 31 December 2017. If approved, the final dividend will be paid on 22 May 2018 to ordinary shareholders whose names are on the register on 27 April 2018. Dividends paid during the year amounted to £10.7m and were in respect of the final dividend for the year ended 31 December 2016, the second special dividend following the disposal of MAB's 49% stake in Capital Private Finance Limited and the interim dividend for the year ended 31 December 2017.

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

There are no events after the reporting date.

Directors' indemnity

All Directors and Officers of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association and have received a deed of indemnity from the Company. The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors and Officers, although no cover exists in the event Directors or Officers are found to have acted fraudulently or dishonestly.

Share capital

Mortgage Advice Bureau (Holdings) plc is a public limited company incorporated in England and Wales and its shares are quoted on the AIM market of the London Stock Exchange plc. The Company's issued share capital during the year and as at 31 December 2017 is shown in note 21. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by section 561 of the Companies Act 2006.

Rule 9 of the City Code

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

At 31 December 2017 Peter Brodnicki held 27.9% of the Share Capital. In addition, the Panel on Takeovers and Mergers ("the Panel") considers two of the Executive Directors (Peter Brodnicki and David Preece) as persons acting in concert for the purposes of the City Code. At 31 December 2017 the Concert Party (as now constituted) held ordinary shares, in aggregate, representing 31.0% of the Share Capital. The Panel has waived the requirement for Peter Brodnicki and related parties to make a general offer to the shareholders of the Company. Except with the consent of the Panel none of the Concert Party (or their connected persons) will individually be able to acquire any additional interests in ordinary shares without triggering an obligation under Rule 9 of the City Code, other than the issue of shares to members of this Concert Party in relation to the options granted at IPO under the option scheme as disclosed in the Directors' Remuneration Report on pages 22 to 24, and which has been approved by the Panel.

[1] Comparative figures used in these calculations exclude the exceptional gain of £2.7m in 2016 on the disposal of Capital Private Finance Limited

Substantial shareholdings

At 31 December 2017, 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	14,192,160	27.94%
Liontrust Investment Partners	9,211,644	18.14%
JP Morgan Asset Management	4,993,965	9.83%
Canaccord Genuity Group	3,701,250	7.29%
Old Mutual Plc	2,855,509	5.62%
Investec	2,517,508	4.96%
Majedie	2,264,922	4.46%
David Preece	1,563,862	3.08%

Directors' interests

Directors' emoluments, beneficial interests in the shares of the Company and their options to acquire shares are disclosed in the Directors' Remuneration Report. During the period covered by this report, no Director had a material interest in a contract to which the Company or any of its subsidiaries was a party (other than their own service contract), requiring disclosure under the Companies Act 2006. There are procedures in place to deal with any Directors' conflicts of interest arising under section 175 of the Companies Act 2006 and such procedures have operated effectively.

Related party transactions

Details of related party transactions are given in note 24.

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 Directors and employees. The Group operates an Enterprise Management Incentive scheme, Unapproved Incentive Plan and Share Incentive Plan, details of which are given in the Directors' Remuneration Report and the financial statements.

The Mortgage Advice Bureau (Holdings) plc Share Incentive Plan ("the SIP") enables employees to buy shares in the Company at an effective discount to the Stock Exchange price by having an amount deducted from pre-tax salary each month. In addition, the Company grants participating employees matching shares. The Group is committed to the principle of equal opportunity in employment, regardless of a person's race, creed, colour, nationality, gender, age, marital status, sexual orientation, religion or disability. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the business.

Political donations

The Group has made no political donations during the year (2016: £nil).

Environmental

The Board believes in good environmental practices, such as the recycling of all waste from the Group's premises and has light sensors installed within its premises. Since the acquisition of the freehold of Capital House, the Group's head office, the Group has been improving the environmental impact of the building. However, due to the nature of its business generally, the Group does not have a significant environmental impact.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held on 16 May 2018. 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 pages 14 and 15. A full review of financial risk management can be seen on pages 54 and 55.

Corporate governance

A full review of Corporate governance appears on pages 20 and 21.

Auditors

BDO LLP, who were appointed as auditors during 2014, have confirmed their willingness to continue in office as auditor in accordance with Section 489 of the Companies Act 2006. The Group is satisfied that BDO LLP are independent and there are adequate safeguards in place to safeguard their objectivity. A resolution to re-appoint BDO as the Company's auditor will be proposed at the AGM on 16 May 2018.

Directors' statement as to disclosure of information to the auditor

All of the Directors who were members of the Board at the time of approving the Directors' Report have taken all the steps they might reasonably be expected to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. To the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware.

On behalf of the Board

Lucy Tilley
Finance Director

19 March 2018

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 2016 ("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 currently comprises three Executive Directors and four independent Non-Executive Directors. Richard Verdin will retire from his role as an independent Non-Executive Director of the Group and member of the Audit, Remuneration, Nomination and Risk and Compliance Committees with effect from the conclusion of the Group's Annual General Meeting to be held on 16 May 2018. Following Richard Verdin's retirement, Stephen Smith will Chair the Risk and Compliance Committee. Their biographies on page 14 demonstrate a range of experience which is key 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, Lucy Tilley, 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, Stephen Smith and Richard Verdin. Nathan Imlach is a Chartered Accountant. The Committee meets together with the Finance Director, Lucy Tilley, not less than twice a year.

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

The Committee 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 22 to 24 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, Stephen Smith, 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, Stephen Smith and David Preece. Following Richard Verdin's retirement, Stephen Smith will Chair the Risk and Compliance Committee. 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.mortgageadvicebureau.com/investor-relations).

It is intended that all Directors will attend each AGM and shareholders will be given the opportunity to ask questions at the AGM on 16 May 2018. 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 20.

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

On behalf of the Board

Lucy Tilley
Finance Director

19 March 2018

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

Salaries, fees and benefits

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

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

Short term incentive arrangements

For the year ended 31 December 2017, 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 19 April 2017, 624,599 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan, representing 1.2% of the current issued share capital. Exercise of these options is subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, these options will be exercisable three years from the date of grant. The exercise price for these options is 430.83 pence, being equal to the average of the last three business days' closing price for the ordinary shares of the Company prior to the date of grant.

On 10 July 2017, 60,324 options over ordinary shares of 0.1 pence each in the Company were granted to two senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan, representing 0.1% of the current issued share capital. Exercise of these options is subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, these options will be exercisable three years from the date of grant. The exercise price for these options is 414.42 pence, being equal to the average of the last three business days' closing price for the ordinary shares of the Company prior to the date of grant.

Service contracts

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

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

Directors' emoluments and pension contributions

Directors' remuneration payable in respect of the year ended 31 December 2017 was as follows:

Director	Basic salary and fees £	Performance related short term incentives £	Pension contributions £	Benefits[1] £	Total emoluments 2017 £	Total emoluments 2016 £
Katherine Innes Ker	71,500	–	–	–	**71,500**	69,500
Peter Brodnicki[2]	352,000	246,738	–	–	**598,738**	619,873
David Preece[2]	173,800	219,322	–	–	**393,122**	528,387
Lucy Tilley	205,000	82,246	20,500	–	**307,746**	301,958
Nathan Imlach	37,000	–	–	–	**37,000**	36,000
Richard Verdin	32,000	–	–	–	**32,000**	31,000

Notes:

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

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

Directors' interests in shares

As at 31 December 2017, the interest of the Directors in the Ordinary shares of the Company were:

Director	Ordinary shares of 0.1p	%
Katherine Innes Ker	12,382	0.02
Peter Brodnicki	14,192,160	27.94
David Preece	1,563,862	3.08
Lucy Tilley	15,914	0.03
Nathan Imlach	26,407	0.05
Richard Verdin	22,211	0.04

Notes:
Directors' shareholdings include any shareholdings of trusts or family members deemed to be connected persons.
Stephen Smith was appointed to the Board with effect from 24 January 2018.

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 2016 No.	Granted during the year No.	Exercised during the year No.	Forfeited during the year No.	At 31 Dec 2017 No.
Peter Brodnicki	**(b)**	1.60	325,000	–	81,250	–	243,750
	(c)	3.5775	173,305	–	–	–	173,305
	(e)	4.3083	–	148,550	–	–	148,550
			498,305	**148,550**	**81,250**	**–**	**565,605**
David Preece	**(a)**	1.60	156,249	–	39,062	–	117,187
	(b)	1.60	118,751	–	29,687	–	89,064
	(c)	3.5775	142,557	–	–	–	142,557
	(e)	4.3083	–	73,346	–	–	73,346
			417,557	**73,346**	**68,749**	**–**	**422,154**
Lucy Tilley	**(a)**	2.19	75,342	–	18,836	–	56,506
	(c)	3.5775	82,459	–	–	–	82,459
	(d)	3.5775	23,759	–	–	–	23,759
	(e)	4.3083	–	95,165	–	–	95,165
			181,560	**95,165**	**18,836**	**–**	**257,889**

Notes:
(a) Approved Option scheme – first date exercisable is 31 March 2017, last date exercisable is 11 November 2022 or in the case of Lucy Tilley, 19 May 2023.
(b) Unapproved Option scheme – first date exercisable is 31 March 2017, last date exercisable is 11 November 2022.
(c) Unapproved Option scheme – first date exercisable is 04 May 2019, last date exercisable is 3 May 2024.
(d) Approved Option scheme – first date exercisable is 04 May 2019, last date exercisable is 3 May 2024.
(e) Unapproved Option scheme - first date exercisable is 19 April 2020, last date exercisable is 18 April 2025.

Note 26 to the financial statements contains details of all options granted to directors and employees as at 31 December 2017. All of the share options were granted for nil consideration.

The mid-market closing price of the Company's ordinary shares at 31 December 2017 was 555 pence and the range during the financial year was 340 pence to 560 pence.

None of the Directors had an interest in any contract of significance in relation to the business of the Company or its subsidiaries at any time during the financial year.

On behalf of the Board

Katherine Innes Ker
Chairman of the Remuneration Committee

19 March 2018

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

Opinion

We have audited the financial statements of Mortgage Advice Bureau (Holdings) plc (the "parent company") and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position and the company statement of financial position, the consolidated statement of changes in equity and the company statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company'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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Key audit matter description	Audit response
Revenue recognition (Note 3)	Revenue comprises of commissions, client fees and other income. Revenue is processed in the operating system upon receipt of third party reports once transactions have been exchanged or completed and is then accounted for when it is matched with cash received in the bank on a monthly basis. Revenue recognition is considered to be a significant audit risk as it is a key driver of return to investors and there is a risk that there could be misstatement or omission of amounts recorded in the system.	We responded to this risk by performing the following procedures: • We have checked the effectiveness of the reconciliation between revenue and cash banked. • We have checked on a sample basis that the third party reports have been properly accounted for in order to verify the completeness of revenue. • Using third party reports we have recalculated the majority of the mortgage related fees independently. • We have performed cut-off tests by verifying back to third party reports. No material misstatements were detected as a result of our testing.
Clawback provision (Note 19)	The clawback provision relates to the estimated value of repaying commission received up front on life assurance policies that may lapse in a period of up to four years following inception of the policies. The clawback provision is considered to be a significant audit risk due to the management judgement and estimation applied in calculating the provision. The provision is determined using a model which 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 share of any clawback, likely future lapse rates, lapse rate history, and the success of the in-house team that focuses on preventing lapses and/or generating new income at the point of a lapse.	• We have reviewed the methodology applied by management in determining the clawback provision. • Lapse rates, recoveries and unearned indemnity commission values used in calculating the clawback provision have been agreed to system reports, third party data and historical data. • Where management applied judgements, we have performed a sensitivity analysis. No material misstatements were detected as a result of our testing.

Our application of materiality

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

Based on our professional judgement, we determined materiality for the Group to be £700,000 (2016: £790,000) which represents 5% of profit before tax. We have used profit before tax as a benchmark given the importance of profit as a measure for shareholders in assessing the performance of the Group. We have then set the performance materiality at 75% (2016:75%) due to few identified misstatements in the past.

We determined materiality for the parent to be £192,000 (2016: £165,000) which represents 5% of net assets. We have used net assets as the parent acts as a holding company only. We have then set the performance materiality at 75% (2016:75%) due no identified misstatements in the past.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £14,000 (2016: £16,000) for the Group and £4,000 (2016: £3,000) for the parent. We also agreed to report differences below these thresholds which, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

The audit of the Group was conducted by BDO LLP directly at Group level as the Group's accounting system records all transactions as a Group with each transaction marked with a company code to enable financial statements to be produced for each subsidiary when required. The audit of the parent company was conducted by BDO LLP after its financial statements were deconsolidated from the Group accounting system.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Leigh Treacy
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

London
19 March 2018

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 2017

	Note	**2017 £'000**	2016 £'000
Revenue	3	**108,847**	92,848
Cost of sales	4	**(82,945)**	(70,700)
Gross profit		**25,902**	22,148
Administrative expenses		**(11,909)**	(10,296)
Share of profit of associates	13	**500**	611
Operating profit		**14,493**	12,463
Finance income	7	**42**	73
Exceptional profit on disposal of asset held for sale	13	**–**	2,690
Profit before tax		**14,535**	15,226
Tax expense	8	**(2,494)**	(2,307)
Profit for the year attributable to equity holders of parent company		**12,041**	12,919
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on asset held for sale		**–**	2,152
Transfer to realised profit		**–**	(2,152)
Net other comprehensive income to be reclassified to profit and loss in subsequent periods net of tax		**–**	–
Other comprehensive income		**–**	–
Total comprehensive income attributable to equity holders of parent company		**12,041**	12,919
Earnings per share attributable to the owners of the parent company			
Basic	9	**23.8p**	25.6p
Diluted	9	**23.2p**	25.2p

The notes on pages 34 to 61 form part of these financial statements.

Consolidated statement of financial position
as at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**2,648**	2,720
Goodwill	12	**4,114**	4,114
Other intangible assets	12	**98**	9
Investments	13	**1,339**	1,008
Deferred tax asset	20	**925**	72
Total non-current assets		**9,124**	7,923
Current assets			
Trade and other receivables	15	**4,426**	3,256
Cash and cash equivalents	16	**22,551**	18,711
Total current assets		**26,977**	21,967
Total assets		**36,101**	29,890
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	21	**51**	51
Share premium		**3,574**	3,042
Capital redemption reserve		**20**	20
Share option reserve		**1,450**	380
Retained earnings		**13,071**	11,680
Total equity		**18,166**	15,173
Liabilities			
Non-current liabilities			
Contingent consideration	13	**–**	50
Provisions	19	**1,496**	1,219
Deferred tax liability	20	**51**	40
Total non-current liabilities		**1,547**	1,309
Current liabilities			
Trade and other payables	17	**14,999**	12,405
Corporation tax liability		**1,389**	1,003
Total current liabilities		**16,388**	13,408
Total liabilities		**17,935**	14,717
Total equity and liabilities		**36,101**	29,890

The notes on pages 34 to 61 form part of these financial statements.

The financial statements were approved by the Board of Directors on 19 March 2018.

P Brodnicki
Director

L Tilley
Director

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2016	51	3,042	20	157	9,635	12,905
Profit for the year	–	–	–	–	12,919	12,919
Total comprehensive income	–	–	–	–	12,919	12,919
Transactions with owners						
Share based payment transactions	–	–	–	223	–	223
Dividends paid	–	–	–	–	(10,874)	(10,874)
Transactions with owners	–	–	–	223	(10,874)	(10,651)
Balance at 31 December 2016 and 1 January 2017	51	3,042	20	380	11,680	15,173
Profit for the year	–	–	–	–	12,041	12,041
Total comprehensive income	–	–	–	–	12,041	12,041
Transactions with owners						
Issue of shares	–	532	–	–	–	532
Share based payment transactions	–	–	–	333	–	333
Deferred tax asset recognised in equity	–	–	–	799	–	799
Reserve transfer	–	–	–	(62)	62	–
Dividends paid	–	–	–	–	(10,712)	(10,712)
Transactions with owners	–	532	–	1,070	(10,650)	(9,048)
Balance at 31 December 2017	**51**	**3,574**	**20**	**1,450**	**13,071**	**18,166**

The notes on pages 34 to 61 form part of these financial statements

Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the year before tax		**14,535**	15,226
Adjustments for:			
Depreciation of property, plant and equipment	11	**201**	193
Amortisation of intangibles	12	**14**	18
Profit on disposal of asset held for sale		**–**	(2,690)
Share based payments		**333**	223
Share of profit from associates	13	**(500)**	(611)
Dividends received from associates	13	**353**	567
Finance income	7	**(42)**	(73)
		14,894	12,853
Changes in working capital			
Increase in trade and other receivables		**(1,159)**	(405)
Increase in trade and other payables		**2,594**	2,886
Increase in provisions		**277**	301
Cash generated from operating activities		**16,606**	15,635
Income taxes paid		**(2,151)**	(2,278)
Net cash generated from operating activities		**14,455**	13,357
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(129)**	(292)
Purchase of intangibles	12	**(103)**	–
Proceeds from sale of associate		**–**	2,694
Acquisitions of associates and investments	13	**(184)**	(203)
Deferred consideration on acquisition of associates	13	**(50)**	–
Net cash used in investing activities		**(466)**	2,199
Cash flows from financing activities			
Interest received	7	**31**	73
Issue of shares	21	**532**	–
Dividends paid	10	**(10,712)**	(10,874)
Net cash used in financing activities		**(10,149)**	(10,801)
Net increase in cash and cash equivalents		**3,840**	4,755
Cash and cash equivalents at the beginning of year		**18,711**	13,956
Cash and cash equivalents at the end of the year		**22,551**	18,711

The notes on pages 34 to 61 form part of these financial statements

1. Accounting policies

Basis of preparation

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

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

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

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

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

The Group made an operating profit of £14.5m during 2017 (2016: £12.5 million) and had net current assets of £10.5m at 31 December 2017 (31 December 2016: £8.6m) and equity attributable to owners of the Group of £18.2m (31 December 2016: £15.2m).

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Changes in accounting policies

New standards, interpretations and amendments effective for the year ended 31 December 2017

The following new standards, interpretations and amendments are effective for annual periods beginning on or after 1 January 2017 and have been applied in preparing these financial statements. None of these new standards or interpretations have a significant impact on the annual consolidated financial statements of the Group.

- **IAS 7 Disclosure Initiative – Amendments to IAS 7.** The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments has had no impact on the Group.
- **IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12.** The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. Application of the amendments has had no impact on the Group.
- **Annual Improvements Cycle – 2014-2016 Amendments to IFRS 12 – Disclosure of interest in other entities.** The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Group that is classified) as held for sale. These amendments did not affect the Group's financial statements.

1. Accounting policies (continued)

New standards, interpretations and amendments not yet effective

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

- **IFRS 9 Financial Instruments.** The Group has identified that the adoption of IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018, could impact its consolidated financial statements in one key area:

  The Group will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables and its cash and cash equivalents. This may result in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Group must consider the probability of a default occurring over the contractual life of its trade receivables on initial recognition of those assets. Under the new model applied to all trade and other receivables, the amount of impairment losses as at 31 December 2017 is not material, resulting in an immaterial increase in the impairment provision as at 1 January 2018 under IFRS 9 compared to IAS 39.

- **IFRS 15 Revenue from Contracts with Customers.** This 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 2018. 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. This standard is not expected to have any impact on the Group.

- **IFRS 2 Classification and Measurement of Share based Payment Transactions – Amendments to IFRS 2.** The IASB issued amendments to IFRS 2 Share based Payment that address three main areas: the effects of vesting conditions on the measurement of cash-settled share based payment transaction; the classification of a share based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share based payment transaction changes its classification from cash-settled to equity-settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments are not expected to have any impact on the Group.

- **IFRS 16 Leases.** IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expenses on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

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

- **IFRIC Interpretation 23 – Uncertainty over income tax treatments.** The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax basis, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances.

1. Accounting policies (continued)

- An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply this interpretation and it may affect its consolidated financial statements and the required disclosures.

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

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

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

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

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

Basis of consolidation

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

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

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

Entities that are not subsidiaries but where the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions) are accounted for as associates. The results and assets and liabilities of the associates and joint venture 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.

1. Accounting policies (continued)

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

Freehold land	not depreciated
Freehold buildings	36 years
Fixtures and fittings	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 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 the website and are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income within administrative expenses on a straight line basis over the period of the licence agreements. Assets are tested annually for impairment or more frequently if events or circumstances indicate potential impairment.

Amortisation, which is reviewed annually, is provided on licences at 16.7% per annum and the website at 33.3% 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.

Financial assets

In the consolidated statement of financial position, the Group classifies its financial assets as loans, trade receivables and cash and cash equivalents. The classification depends on the purpose for which the financial assets were acquired. Loans and trade receivables are non-derivative financial assets with fixed or determinable payments which arise principally through the Group's trading activities. These are recognised at original fair value less appropriate provision for impairment and subsequently measured at amortised cost.

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 cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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.

1. Accounting policies (continued)

Share capital

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

Revenue

Revenue comprises commissions, client fees and other income. Commissions and client fees are included at the gross 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 and client fees earned are accounted for when received or guaranteed to be received, as until received it is not possible to be certain that the transaction will be completed. 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 partly 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.

Finance income

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

Exceptional items

As permitted by IAS 1 "Presentation and disclosure" – certain items are presented separately in the income statement 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 items which may give rise to disclosure as exceptional items include asset impairments, costs associated with acquiring new businesses and profits on the disposal of investments.

1. Accounting policies (continued)

Taxation

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

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

Deferred tax 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 probable 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.

1. Accounting policies (continued)

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.

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.

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.

2. Critical accounting estimates and judgements

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

(a) Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 12.

(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 and 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 15.

(c) Clawback provision

The provision relates to the estimated value of repaying commission received up front on life assurance policies that may lapse in a period of up to four years following inception. The provision is calculated using a model that has been developed over several years. The model uses a number of factors including the total unearned commission at the point of calculation, the age profile of the commission received, the Group's proportion of any clawback, likely future lapse rates, and the success of the Group's team that focuses on preventing lapses and/or generating new income at the point of a lapse. More information is included in note 19.

(d) Freehold building

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

(e) Deferred tax assets

Deferred tax assets include temporary differences related to the issue and exercise of share options. Recognition of the deferred tax assets assigns an estimate of proportion of options likely to vest and assumes share options will have a positive value at the date of vesting, which is greater than the exercise price. The carrying amount of deferred tax assets at 31 December 2017 was £0.9m.

3. Revenue

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

	2017 £'000	2016 £'000
Mortgage related products	**64,289**	55,011
Insurance and other protection products	**42,854**	36,444
Other income	**1,704**	1,393
	108,847	92,848

4. Cost of sales

Costs of sales are as follows:

	2017 £'000	2016 £'000
Commissions paid	**81,265**	69,380
Wages and salary costs	**1,680**	1,320
	82,945	70,700

Wages and salary costs	**2017 £'000**	2016 £'000
Gross	**1,302**	1,015
Employers' National Insurance	**151**	115
Defined contribution pension costs	**48**	35
Other direct costs	**179**	155
	1,680	1,320

5. Profit from operations

Profit from operations is stated after charging the following:

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment	**201**	193
Amortisation of intangibles	**14**	18
Auditors' remuneration:		
Fees payable to the Group's auditors for the audit of the Group's financial statements	**10**	10
Fees payable to the Group's auditors for the audit of the Group's subsidiary financial statements	**32**	27

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

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

6. Staff costs

Staff costs, including executive and non-executive directors' remuneration, were as follows:

	2017 £'000	2016 £'000
Wages and salaries	**7,271**	6,410
Share based payments	**670**	315
Social security costs	**739**	712
Defined contribution pension costs	**188**	150
	8,868	7,587

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

	Number	Number
Executive Directors	**3**	3
Compliance	**59**	52
Sales and marketing	**43**	40
Operations	**52**	46
Total	**157**	141

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.

	2017 £'000	2016 £'000
Wages and salaries	**1,420**	1,568
Share based payments	**145**	86
Defined contribution pension costs	**21**	19
	1,586	1,673

During the year retirement benefits were accruing to 1 director (2016: 1) in respect of defined contribution pension schemes.

The total amount payable to the highest paid director in respect of emoluments was £598,738 (2016: £619,873). The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2016: £nil).

7. Finance income

	2017 £'000	2016 £'000
Interest income	**31**	73
Interest income accrued on loans to associates	**11**	–
	42	73

8. Income tax

	2017 £'000	2016 £'000
Current tax expense		
UK corporation tax charge on profit for the year	**2,537**	2,367
Total current tax	**2,537**	2,367
Deferred tax expense		
Origination and reversal of timing differences	**5**	(58)
Temporary difference on share based payments	**(71)**	–
Adjustment to differed tax charge in respect of prior periods	**23**	–
Effect of change in tax rate on opening liability	**–**	(2)
Total deferred tax (see note 20)	**(43)**	(60)
Total tax expense	**2,494**	2,307

The reasons for the difference between the actual charge for the year and the standard rate of corporation tax in the United Kingdom of 19.25% (2016: 20%) applied to profit for the year is as follows:

	2017 £'000	2016 £'000
Profit for the year before tax	**14,535**	15,226
Expected tax charge based on corporation tax rate	**2,798**	3,045
Expenses not deductible for tax purposes amortisation and impairment	**56**	62
Adjustment for non-taxable profit on sale of asset held for sale	**–**	(538)
Research & Development allowances	**(135)**	(148)
Tax on Share Options exercised	**(163)**	–
Adjustment to deferred tax charge in respect of prior periods	**23**	–
Profits from associates	**(96)**	(122)
Effect of lower deferred tax rate	**11**	10
Rate change on deferred tax liability	**–**	(2)
Total tax expense	**2,494**	2,307

For the year ended 31 December 2017 the deferred tax, relating to unexercised share options recognised in equity was £799,387 (2016: £nil).

Changes in the taxation rate

Legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020 has been enacted and so the deferred tax balance has been calculated at 17% (2016: 17%).

9. Earnings per share

a) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share	2017 £'000	2016 £'000
Profit for the year attributable to the owners of the parent	12,041	12,919
Weighted average number of shares in issue	50,697,207	50,461,600
Basic earnings per share (in pence per share)	23.8p	25.6p

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

Diluted earnings per share	2017 £'000	2016 £'000
Profit for the year attributable to the owners of the parent	12,041	12,919
Weighted average number of shares in issue	51,948,051	51,238,503
Basic earnings per share (in pence per share)	23.2p	25.2p

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

Weighted average number of ordinary shares	2017	2016
Issued ordinary shares at start of period	50,461,600	50,461,600
Effect of shares issued during period	235,607	–
Basic weighted average number of shares	50,697,207	50,461,600
Potential ordinary shares arising from options	1,250,844	776,903
Diluted weighted average number of shares	51,948,051	51,283,503

b) Adjusted earnings per share

	2017 £'000	2016 £'000
Profit for the year attributable to the owners of the parent	12,041	12,919
Adjusted for the following items net of tax:		
Profit on disposal of asset held for sale	–	(2,690)
Adjusted earnings net of tax	12,041	10,229
Weighted average number of shares in issue	50,697,207	50,461,600
Adjusted basic earnings per share (in pence per share)	23.8p	20.3p
Adjusted diluted earnings per share (in pence per share)	23.2p	20.0p

10. Dividends

	2017 £'000	2016 £'000
Dividends paid and declared during the year:		
Final dividend for 2016: 10.5p per share (2015: 9.5p)	**5,333**	4,794
Special dividend: 1.1p per share (2016: 4.25p)	**555**	2,145
Interim dividend for 2017: 9.5p per share (2016: 7.8p)	**4,824**	3,935
	10,712	10,874
Equity dividends on ordinary shares:		
Further special dividend: 1.1p per share	**–**	555
Proposed for approval:		
Final dividend for 2017: 11.9p per share (2016: 10.5p)	**6,044**	5,298
	6,044	5,853

The record date for the final dividend is 27 April 2018 and the payment date is 22 May 2018. The ex-dividend date will be 26 April 2018.

11. Property, plant and equipment

	Freehold land and building £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2017	2,461	435	681	3,577
Additions	–	59	70	129
At 31 December 2017	2,461	494	751	3,706
Depreciation				
At 1 January 2017	67	267	523	857
Charge for the year	55	47	99	201
At 31 December 2017	122	314	622	1,058
Net book value				
At 31 December 2017	2,339	180	129	2,648

11. Property, plant and equipment (continued)

	Freehold land and building £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2016	2,409	288	588	3,285
Additions	52	147	93	292
At 31 December 2016	**2,461**	**435**	**681**	**3,577**
Depreciation				
At 1 January 2016	13	240	411	664
Charge for the year	54	27	112	193
At 31 December 2016	**67**	**267**	**523**	**857**
Net book value				
At 31 December 2016	**2,394**	**168**	**158**	**2,720**

12. Intangible assets

Goodwill	**2017 £'000**	2016 £'000
Cost		
As at 1 January and 31 December	**4,267**	4,267
Accumulated impairment		
At 1 January	**153**	153
At 31 December	**153**	153
Net book value		
At 31 December	**4,114**	4,114

The goodwill relates to the acquisition of Talk Limited in 2012, and in particular its main operating subsidiary Mortgage Talk Limited. The goodwill is deemed to have an indefinite useful life. It is currently carried at cost and is reviewed annually for impairment.

Under IAS 36, "Impairment of assets", the Group is required to review and test its goodwill annually each year or in the event of a significant change in circumstances. The impairment review conducted at the end of 2017 concluded that there had been no impairment of goodwill.

The Board considers that it has only one operating segment and therefore one cash generating unit 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 acquisition continues to bring to the Group. The forecast ongoing profits generated by the acquisition of Mortgage Talk Limited significantly exceed the value of goodwill and therefore no impairment of the goodwill is required. A discount rate of 10% has been applied to these calculations. Management has considered forecast profits over a three year period in determining the value in use. Management believes that any possible changes to any of the key assumptions applied in determining the value in use would not cause the carrying amount of goodwill to exceed the forecast ongoing profits.

12. Intangible assets (continued)

Licences and website	Licences £'000	Website £'000	Total £'000
Cost			
At 1 January 2017	108	–	108
Additions	–	103	103
At 31 December 2017	**108**	**103**	**211**
Accumulated Amortisation			
At 1 January 2017	99	–	99
Charge for the year	9	5	14
At 31 December 2017	**108**	**5**	**113**
Net book value			
At 31 December 2017	–	98	98

	Licences £'000	Website £'000	Total £'000
Cost			
At 1 January 2016 and 31 December 2016	108	–	108
Accumulated Amortisation			
At 1 January 2016	81	–	81
Charge for the year	18	–	18
At 31 December 2016	**99**	**–**	**99**
Net book value			
At 31 December 2016	9	–	9

13. Investments in Associates and Joint Venture

	£'000
Investment in Associates and joint venture	1,339
Other Investments	–
At 31 December 2017	**1,339**
At 31 December 2016	1,008

13. Investments in Associates and Joint Venture (continued)

Investment in Associates and Joint Venture

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

Company name	Registered office	Percentage of ordinary shares held	Description
CO2 Commercial Limited	Profile House, Stores Road, Derby DE21 4BD	49	Property surveyors
MAB Wealth Management Limited	Capital House, Pride Place, Derby DE24 8QR	49	Provision of financial services
Freedom 365 Mortgage Solutions Limited	Gresley House, Ten Pound Walk, Doncaster DN4 5HX	35	Provision of financial services
Sort Group Limited	Burdsall House, London Road, Derby DE24 8UX	43.25	Conveyancing services
Buildstore Limited	Nsb & Rc Lydiard Fields, Great Western Way, Swindon SN5 8UB	25	Provision of financial services
Clear Mortgage Solutions Limited	114 Centrum House, Dundas Street Edinburgh EH3 5DQ	25	Provision of financial services
Vita Financial Limited	1st Floor Tudor House, 16 Cathedral Road, Cardiff CF11 9LJ	20	Provision of financial services
MAB Broker Services Pty Limited	Level 7, 68 Alfred Street Milsons Point, NSW 2061	45	Provision of financial services

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

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

	2017 £'000	2016 £'000
At 1 January	**1,008**	715
Additions	**184**	253
Disposals	**–**	(4)
Share of profit	**500**	611
Dividends received	**(353)**	(567)
At 31 December	**1,339**	1,008

The Group was entitled to 49% of the results for Capital Private Finance Limited up to 30 June 2016. The Group is also entitled to 49% of the results of 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 45% of the results of MAB Broker Services Pty Limited by virtue of its 45% equity stake, 35% of the results of Freedom 365 Mortgage Solutions Limited by virtue of its 35% equity stake, 25% of the results of Buildstore Limited and Clear Mortgage Solutions Limited by virtue of its 25% equity stakes and 20% of the results of Vita Financial Limited by virtue of its 20% equity stake.

On 20 November 2017, the Group acquired a further 10% equity stake in Sort Group Limited. At 31 December 2017 the Group was entitled to 43.25% of the results of Sort Group Limited by virtue of its 43.25% equity stake. Mortgage Advice Bureau Limited's effective holding in Sort Limited and Sort Technology Limited at 31 December 2017 was 30%. Mortgage Advice Bureau Limited's effective holding in Sort Limited at 31 December 2017 was 28%.

The carrying value of the Group's joint venture, MAB Broker Services Pty Limited, at 31 December 2017 is £nil (2016: £nil). In the period ended 30 June 2017, MAB Broker Services Pty Limited reported a loss of AUD0.5m.

13. Investments in Associates and Joint Venture (continued)

Acquisitions and disposals

2017
The Group acquired a further 10% interest in Sort Group Limited on 20 November 2017 at a cost of £183,817.

2016
During the year ended 31 December 2016, the Group acquired a 25% interest in Clear Mortgage Solutions Limited at a cost of £50,000 plus contingent consideration of up to £50,000 which was paid in full in 2017. Also during 2016 the Group acquired a 20% interest in Vita Financial Limited at a cost of £150,000, a 35% interest in Freedom 365 Mortgage Solutions Limited at a cost of £350 and a 45% interest in MAB Broker Services Pty Limited at a cost of £2,666 (AUD4,500).

On 31 July 2016, the Group disposed of its 49% holding in Capital Private Finance Limited for sale proceeds of £2.7m which resulted in a net profit on sale of £2.69m.

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:

	Pinnacle Surveyors (England & Wales) Limited £'000	Buildstore Limited £'000	Sort Group Limited £'000	Others £'000	2017 Total £'000
Non-current assets	30	64	719	109	922
Cash balances	594	444	619	203	1,860
Current assets	410	744	380	373	1,907
Current liabilities	(579)	(860)	(632)	(173)	(2,244)
Non-current liabilities and provisions	(6)	(60)	(2)	(217)	(285)
Revenue	3,901	3,532	3,198	3,803	14,434
Profit before taxation	971	231	32	364	1,598
Total comprehensive income	785	186	25	158	1,154
Profit attributable to Group	385	46	9	60	500
Dividends received from associates	353*	–	–	–	353

13. Investments in Associates and Joint Venture (continued)

	Pinnacle Surveyors (England & Wales) Limited £'000	Buildstore Limited £'000	Sort Group Limited £'000	Others £'000	2016 Total £'000
Non-current assets	38	100	808	146	1,092
Cash balances	378	316	631	412	1,737
Current assets	572	247	80	266	1,165
Current liabilities	(592)	(587)	(257)	(800)	(2,236)
Non-current liabilities and provisions	(2)	(10)	(2)	(142)	(156)
Revenue	3,723	3,271	3,921	2,641	13,556
Profit before taxation	1,020	176	455	148	1,799
Total comprehensive income	816	134	337	25	1,312
Profit attributable to Group	400	–	41	170	611
Dividends received from associates	357*	–	–	210	567

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

All associates prepare their financial statements in accordance with FRS 102 other than MAB Broker Services Pty Limited who prepare their financial statements in accordance with the Australian Accounting Standards. There would be no material difference to the accounts of any of the associates other than Sort Group Limited if these were prepared in accordance with IFRS. For Sort Group Limited amortisation of £86,981 (2016: £86,981) has been charged for the year on goodwill arising on consolidation, no amortisation would be charged under IFRS and goodwill instead be tested for impairment at the balance sheet date.

Other investments

Unlisted investment

The unlisted investment represents a 0.05% shareholding in Twenty7tec Group Limited, a company that licenses certain mortgage sourcing software. The net book value of the investment at 31 December 2017 was £150 (2016: £150).

14. Subsidiaries

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

Company name	Country of incorporation	Percentage of ordinary shares held	Nature of business
Mortgage Advice Bureau Limited	England and Wales	100	Provision of financial services
Mortgage Advice Bureau (Derby) Limited	England and Wales	100	Provision of financial services
Capital Protect Limited	England and Wales	100	Provision of financial services
Mortgage Talk Limited	England and Wales	100	Provision of financial services
Talk Limited	England and Wales	100	Intermediate holding company
Mortgage Advice Bureau Australia (Holdings) Pty Limited	Australia	100	Intermediate holding company
Mortgage Advice Bureau Pty Limited	Australia	100	Holding of intellectual property
MABWM Limited	England and Wales	100	Dormant
Mortgage Advice Bureau (UK) Limited	England and Wales	100	Dormant
MAB (Derby) Limited	England and Wales	100	Dormant
L&P 137 Limited	England and Wales	100	Dormant
Mortgage Talk (Partnership) Limited	England and Wales	100	Dormant
Financial Talk Limited	England and Wales	100	Dormant
Survey Talk Limited	England and Wales	100	Dormant
L&P 134 Limited	England and Wales	100	Dormant
Loan Talk Limited	England and Wales	100	Dormant
MAB1 Limited	England and Wales	100	Dormant

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

Acquisitions

On 8 December 2016 the Group acquired a 100% interest in Mortgage Advice Bureau Australia (Holdings) Pty Limited which was a newly incorporated entity. Mortgage Advice Bureau Australia (Holdings) Pty Limited has a 100% equity stake in Mortgage Advice Bureau Pty Limited and also a 45% equity stake in MAB Broker Services Pty Limited.

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

Mortgage Advice Bureau Limited holds 100% of the ordinary share capital of Mortgage Advice Bureau (Derby) Limited, Capital Protect Limited, MABWM Limited and Mortgage Advice Bureau Australia (Holdings) Pty Limited.

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

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

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

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

15. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables not past due	**1,144**	757
Trade receivables past due but not impaired	**13**	55
Trade receivables past due but impaired	**273**	481
Trade receivables	**1,430**	1,293
Less provision for impairment of trade receivables	**(273)**	(481)
Trade receivables – net	**1,157**	812
Amounts due from associates	**719**	318
Prepayments and accrued income	**2,550**	2,126
	4,426	3,256

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 include 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.

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

In light of the above, the Directors do not consider that disclosure of an aging analysis of 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 18.

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

	2017 £'000	2016 £'000
At 1 January	**481**	459
Impairment losses recognised	**–**	25
Impairment provisions no longer required	**(208)**	(3)
At 31 December	**273**	481

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 18.

No other balances are past due or impaired.

16. Cash and cash equivalents

	2017 £'000	2016 £'000
Unrestricted cash and bank balances	**13,170**	10,811
Bank balances held in relation to retained commissions	**9,381**	7,900
Cash and cash equivalents	**22,551**	18,711

Bank balances held in relation to retained commissions earned on an indemnity basis in relation to life policies are held to cover potential future lapses in Appointed Representatives' commissions. Operationally the Group does not treat these balances as available funds. An equal and opposite liability is shown within Trade and other payables as set out in note 17.

17. Trade and other payables

	2017 £'000	2016 £'000
Appointed Representatives retained commission	**9,381**	7,900
Other trade payables	**3,526**	2,655
Trade payables	**12,907**	10,555
Social security and other taxes	**315**	240
Other payables	**40**	20
Accruals	**1,737**	1,590
	14,999	12,405

Should a life policy be cancelled within four years of inception, a proportion of the original commission will be clawed back by the insurance provider. The majority of any such repayment is payable by the Appointed Representative. It is the Group's policy to retain a proportion of commission payable to the Appointed Representative to cover such potential future lapses; these sums remain a liability of the Group. This commission is held in a separate ring fenced bank account as described in note 16.

As at 31 December 2017 and 31 December 2016, the book 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.

18. Financial instruments – risk management

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

- Credit risk
- Liquidity risk
- Interest rate risk.

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

Principal financial instruments

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

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	2017 £'000	2016 £'000
Cash and cash equivalents	**22,551**	18,711
Trade and other receivables	**1,876**	1,130
Total financial assets	**24,427**	19,841

Financial liabilities	2017 £'000	2016 £'000
Trade and other payables	**14,684**	12,165
Total financial liabilities	**14,684**	12,165

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 15.

18. Financial instruments – risk management (continued)

Financial assets – maximum exposure	2017 £'000	2016 £'000
Cash and cash equivalents	**22,551**	18,711
Trade and other receivables	**1,876**	1,130
Total financial assets	**24,427**	19,841

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

Trade receivables consist of a large number of unrelated trading partners and therefore credit risk is limited. Due to the large volume of trading partners the Group does not consider that there is any significant credit risk as a result of the impact of external market factors on their trading partners. Additionally, within trade payables are amounts due to the same trading partners that are included in trade receivables; this collateral of £520,789 (2016: £509,169) significantly reduces the credit risk.

The Group's credit risk on cash and cash equivalents is limited because the Group places funds on deposit with several UK banks all of whom are A or BBB+ rated where applicable.

Interest rate risks

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

Foreign exchange risk

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

Liquidity risk

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

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

The 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.

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.

19. Provisions

Clawback provision	2017 £'000	2016 £'000
At 1 January	**1,219**	918
Charged to the statement of comprehensive income	**277**	301
At 31 December	**1,496**	1,219

The provision relates to the estimated cost of repaying commission income received upfront on life assurance policies that may lapse in the four years following issue. Provisions are held in the financial statements of two of the Group's subsidiaries: Mortgage Advice Bureau Limited and Mortgage Advice Bureau (Derby) 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 to be made.

20. Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 17% (2016: 17%). The reduction in the main rate of corporation tax as set out in note 8 has been applied to deferred tax balances which are expected to reverse in the future.

The movement in deferred tax is shown below:

	2017 £'000	2016 £'000
Deferred tax asset/(liability) – opening balance	**32**	(28)
Recognised in the statement of comprehensive income	**43**	60
Deferred tax movement recognised in equity	**799**	–
Deferred tax asset – closing balance	**874**	32

The deferred tax balance is made up as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	**(51)**	(40)
Share based payment	**925**	72
Net deferred tax asset	**874**	32

Reflected in the statement of financial position as follows:

	2017 £'000	2016 £'000
Deferred tax liability	**(51)**	(40)
Deferred tax asset	**925**	72
Deferred tax asset net	**874**	32

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

21. Share capital

Issued and fully paid	**2017 £'000**	2016 £'000
Ordinary shares of 0.1p each	**51**	51
Total share capital	**51**	51

During the year 325,745 ordinary shares of £0.001 each were issued following exercise of the first tranche of options issued at the time of the Initial Public Offering of the Company at a premium of £531,980. See also note 26.

22. Reserves

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

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

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

There is no restriction on the distribution of retained earnings.

23. 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 SIPP and amounted to £188,279 (2016: £149,400). There were no contributions payable to the fund or the SIPP at the statement of financial position date (2016: £nil).

24. Related party transactions

The following details provide the total amount of transactions that have been entered into with related parties during the year ended 31 December 2017 and 2016, as well as balances with related parties as at 31 December 2017 and 2016.

At 31 December 2017 there was a loan outstanding from Buildstore Limited, an associated company, of £30,000 (2016: £65,000) included in trade and other receivables. During the period the Group paid commissions of £1,083,970 (2016: £1,499,513) to Buildstore Limited.

During the year the Group received introducer commission from MAB Wealth Management Limited, an associated company, of £7,633 (2016: £9,345). There is no balance outstanding with MAB Wealth Management Limited at 31 December 2017 (2016: £nil).

During the year the Group received introducer commission from Sort Limited, a subsidiary of an associated company, of £329,798 (2016: £181,105). A loan of £118,288 was made to Sort Group Limited, an associated company during the year (2016: £5,195). There was an amount of £18,288 outstanding with Sort Group Limited at 31 December 2017 (2016: £nil) included in trade and other receivables.

During the year the Group paid commission to Clear Mortgage Solutions Limited, an associated company, of £2,484,296 (2016: £877,217).

24. Related party transactions (continued)

During the year the Group purchased services from Twenty7tec Group Limited, a company in which the Group holds an investment, of £25,200.

During the year the Group paid commission to Freedom 365 Mortgage Solutions Limited, an associated company, of £567,849 (2016: £5,400). At 31 December 2017 there was a loan outstanding from Freedom 365 Mortgage Solutions Limited of £455,000 included in trade and other receivables (2016: £105,000).

During the year the Group paid commission to Vita Financial Limited, an associated company, of £740,351 (2016: £208,445).

At 31 December 2017 there was a loan outstanding from MAB Broker Services Pty Limited, an associated company, of £204,987 (AUD350,000) included in trade and other receivables (2016: £148,138, AUD250,000).

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

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

	2017 £'000	2016 £'000
CO2 Commercial Limited	**353**	357
Capital Private Finance Limited	**–**	210
Total	**353**	567

Capital Private Finance Limited was sold on 31 July 2016 and ceased to be an associated company from that date.

25. Ultimate controlling party

There is no ultimate controlling party.

26. Share based payments

Mortgage Advice Bureau Executive Share Option Plan

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

For options granted at IPO and on 20 May 2015 and outstanding at 1 January 2017:

- 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.

For options granted during 2016 and outstanding at 1 January 2017:
- 100% based on performance to 31 March 2019, exercisable between that date and 3 May 2024.

For options granted during the year:
- 100% based on performance to 31 March 2020, exercisable between that date and 18 April 2025.

26. Share based payments (continued)

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

	2017 WAEP £	**2017 Number**	2016 WAEP £	2016 Number
Outstanding at 1 January	**2.32**	**2,171,822**	1.63	1,400,342
Granted during the year	**4.31**	**624,599**	3.58	771,480
Exercised	**(1.63)**	**(325,745)**	–	–
Lapsed*	**–**	**(118,658)**	–	–
Outstanding at 31 December	**2.98**	**2,352,018**	2.32	2,171,822

* Due to retirement or leaving the Group.

On 19 April 2017, 624,599 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan (the "Options"). Exercise of the Options is subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, the Options will be exercisable three years from the date of grant. The exercise price for the Options is 430.83 pence, being equal to the average of the last three business days' closing price for the ordinary shares of the Company prior to the date of grant.

On 10 July 2017, 60,324 options over ordinary shares of 0.1 pence each in the Company were granted to two senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan. Exercise of these options is subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, these options will be exercisable three years from the date of grant. The exercise price for these options is 414.42 pence, being equal to the average of the last three business days' closing price for the ordinary shares of the Company prior to the date of grant.

Options exercised in April 2017 resulted in 325,745 ordinary shares being issued at an exercise price of £1.60 and £2.19. The price of the ordinary shares at the time of exercise was £4.24 per share.

For the share options outstanding under the Mortgage Advice Bureau Executive Share Option Plan as at 31 December 2017, the weighted average remaining contractual life is 1.6 years (2016 2.0 years).

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

	2017	2016
Equity-settled		
Option pricing model – EPS	**Black-Scholes**	Black-Scholes
Option pricing model – TSR	**Stochastic**	Stochastic
Exercise price	**£4.3083**	£3.5775
Expected volatility	**30%**	30%
Expected dividend yield	**4.18%**	4.0%
Risk free interest rate	**0.15%**	0.47%

Expected volatility is a measure of an amount by which the share price is expected to fluctuate during a period. As the Company only listed in November 2014 there is insufficient historical data. We have therefore used a proxy volatility figure based on the 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 a participant does not receive the dividend income on these shares. For the share options granted during the year the historic dividend yield has been used, calculated as dividends announced in the 12 months prior to grant (excluding special dividends) calculated as a percentage of the share price on the date of grant to give a dividend yield of 4.18%.

26. Share based payments (continued)

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

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

MAB AR Option Plan

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

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

	2017 WAEP £	**2017 Number**	2016 WAEP £	2016 Number
Outstanding at 1 January	**0.01p**	**255,000**	0.01p	255,000
Granted during the year	**–**	**–**	–	–
Outstanding at 31 December	**0.01p**	**255,000**	0.01p	255,000

For the share options outstanding under the MAB AR Option Plan as at 31 December 2017, the weighted average remaining contractual life is 2.4 years (2016: 3.4 years).

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

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

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

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

26. Share based payments (continued)

Share based remuneration expense

The share based remuneration expense of £670,465 (2016: £315,223) includes the charge for the equity-settled schemes of £520,949 (2016: £221,717) and the matching element of the Group's Share Incentive Plan for all employees of £37,200 (2016: £52,506).

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

27. Contingent liabilities

The Group had no contingent liabilities at 31 December 2017 or 31 December 2016.

28. Events after the reporting date

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

Company statement of financial position

as at 31 December 2017

Registered number 04131569

The following parent entity financial statements are prepared under FRS 102 and relate to the Company and not to the Group. The statement of accounting policies which have been applied to these accounts can be found on page 64.

The Company is a non-trading holding company. As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year of £10,712,547 (2016: £10,874,476).

	Note	**2017 £'000**	2016 £'000
Fixed assets			
Investments	3	**3,077**	3,077
Current assets			
Debtors	4	**754**	222
Net assets		**3,831**	3,299
Capital and reserves			
Called up share capital	5	**51**	51
Share premium account	6	**3,574**	3,042
Capital redemption reserve	6	**20**	20
Retained earnings	6	**186**	186
		3,831	3,299

The notes on pages 64 to 67 form part of these financial statements.

The financial statements were approved by the board of directors on 19 March 2018.

P Brodnicki
Director

L Tilley
Director

Company statement of changes in equity
for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2016	51	3,042	20	186	3,299
Profit for the year	–	–	–	10,874	10,874
Total comprehensive income	–	–	–	10,874	10,874
Transactions with owners					
Dividends paid	–	–	–	(10,874)	(10,874)
Transactions with owners	–	–	–	(10,874)	(10,874)
Balance at 31 December 2016 and 1 January 2017	51	3,042	20	186	3,299
Profit for the year	–	–	–	10,712	10,712
Total comprehensive income	–	–	–	10,712	10,712
Transactions with owners					
Issues of shares	–	532	–	–	532
Dividends paid	–	–	–	(10,712)	(10,712)
Transactions with owners	–	532	–	(10,712)	(10,180)
At 31 December 2017	**51**	**3,574**	**20**	**186**	**3,831**

Notes to the Company statement of financial position
as at 31 December 2017

1. Accounting policies

Basis of preparation

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

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

Cash flow statement

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

Going concern

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

Investments

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

Share capital

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

Dividends

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

Financial Instruments

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

2. Profit for the year

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

3. Investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2017 and 31 December 2017	**3,077**
Net book value	
At 31 December 2017	**3,077**
At 31 December 2016	**3,077**

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

Company name	Country of Incorporation	Percentage of ordinary shares held	Nature of business
Mortgage Advice Bureau Limited	England and Wales	100	Provision of financial services
Mortgage Advice Bureau (Derby) Limited	England and Wales	100	Provision of financial services
Capital Protect Limited	England and Wales	100	Provision of financial services
Mortgage Talk Limited	England and Wales	100	Provision of financial services
Talk Limited	England and Wales	100	Intermediate holding company
Mortgage Advice Bureau Australia (Holdings) Pty Limited	Australia	100	Intermediate holding company
Mortgage Advice Bureau Pty Limited	Australia	100	Holding of intellectual property
MABWM Limited	England and Wales	100	Dormant
Mortgage Advice Bureau (UK) Limited	England and Wales	100	Dormant
MAB (Derby) Limited	England and Wales	100	Dormant
L&P 137 Limited	England and Wales	100	Dormant
Mortgage Talk (Partnership) Limited	England and Wales	100	Dormant
Financial Talk Limited	England and Wales	100	Dormant
Survey Talk Limited	England and Wales	100	Dormant
L&P 134 Limited	England and Wales	100	Dormant
Loan Talk Limited	England and Wales	100	Dormant
MAB1 Limited	England and Wales	100	Dormant

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

3. Investments (continued)

Acquisitions

On 8 December 2016 the Group acquired a 100% interest in Mortgage Advice Bureau Australia (Holdings) Pty Limited which was a newly incorporated entity. Mortgage Advice Bureau Australia (Holdings) Pty Limited has a 100% equity stake in Mortgage Advice Bureau Pty Limited and also a 45% equity stake in MAB Broker Services Pty Limited.

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

Mortgage Advice Bureau Limited holds 100% of the ordinary share capital of Mortgage Advice Bureau (Derby) Limited, Capital Protect Limited, MABWM Limited and Mortgage Advice Bureau Australia (Holdings) Pty Limited.

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

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

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

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

4. Debtors – amounts falling due within one year

	2017 £'000	2016 £'000
Amounts due from Group undertakings	**754**	222

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

5. Share capital

Issued and fully paid	**2017 £'000**	2016 £'000
Ordinary shares of 0.1p each	**51**	51
Total share capital	**51**	51

During the year 327,745 ordinary shares of £0.001 each were issued following exercise of the first tranche of options issued at the time of the Initial Public Offering of the Company at a premium of £531,980. See also note 26 to the financial statements for the Group.

6. Reserves

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

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

There is no restriction on the distribution of retained earnings.

7. Financial instruments and risk

The only financial asset of the company is an amount due from other Group undertakings and therefore the Company is exposed to minimal financial risks. Details of the Group's management of the financial risks to which it is exposed are set out in note 18 to the financial statements for the Group.

8. Related party transactions

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

Notes

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