MORTGAGE ADVICE BUREAU (HOLDINGS) PLC

("MAB" or "the Group")

27 September 2022

Interim Results for the six months ended 30 June 2022

Mortgage Advice Bureau (Holdings) Plc (AIM: MAB1.L) is pleased to announce its interim results for the six months ended 30 June 2022.

Financial highlights

	H1 2022	H1 2021	Change vs 2021
Revenue	£96.5m	£92.4m	+4%
Gross profit	£25.4m	£24.6m	+3%
Gross profit margin	26.4%	26.7%	-0.3pp[(1)]
Adjusted overheads ratio[(2)]	14.7%	14.8%	-0.1pp[(1)]
Adjusted profit before tax[(3)]	£11.5m	£11.6m	-
Statutory profit before tax	£10.1m	£10.8m	-6%
Adjusted profit before tax margin[(3)]	12.0%	12.5%	-0.5pp[(1)]
Adjusted profit before tax as a percentage of net revenue[(4)]	39%	41%	-2pp[(1)]
Reported profit before tax margin	10.5%	11.7%	-1.2pp[(1)]
Adjusted[(3)] EPS	16.4p	17.9p	-8%
Basic EPS	14.0p	16.5p	-15%
Operating profit to adjusted cash conversion[(5)]	124%	120%	+4pp[(1)]
Interim dividend[(6)]	13.4p	13.4p	-

Operational highlights

- Adviser numbers up 8% to 2,034 [7] at 30 June 2022 (31 December 2021: 1,885)
- Average number of mainstream advisers[8] up 19% to 1,890 (H1 2021: 1,584)
- Revenue per mainstream adviser down 13%[9] with pipelines taking longer to convert and against a very strong comparative in H1 2021 as a result of stamp duty holiday changes accelerating house purchase mortgage completions in that year
- Gross mortgage completions (including product transfers) up 11% to £12.2bn (H1 2021: £11.0bn)
- Gross new mortgage completions (excluding product transfers) up 7% to £10.3bn (H1 2021: £9.6bn)
- Market share of new mortgage lending up 13% to 6.8% (H1 2021: 6.0%[10])
- Proportion of revenue from re-financing at 30% (H1 2021: 24%)

Post period end

- Completed the acquisition of The Fluent Money Group, which is transformational for the Group's lead generation strategy
- Increased stake in leading protection and general insurance advice firm Vita Financial Ltd from 49% to 75%
- 2,160[7] advisers at 23 September 2022, including 156[11] advisers from The Fluent Money Group

Peter Brodnicki, Chief Executive, commented:

"This is a strong set of results when compared to the exceptional results reported for the same period last year, particularly given the increasingly difficult macro environment that developed during the period. I am especially pleased that we have delivered a large gain in market share during the first half.

"The integration of Fluent is progressing very well. Lead flow has been growing strongly, ahead of our expectations, and we expect it to continue to do so despite the purchase market starting to slow. Accordingly, recruiting new advisers to ensure this strong consumer demand is met remains a high priority for Fluent.

"The well documented congestion of property and mortgage pipelines has resulted in transactions taking a month longer to complete than in H1 2021, with the anticipated improvement still to materialise. A more cautious market outlook typically leads to broker firms seeking a partner that can help them optimise income and support continued business growth. Our pipeline of new appointed representatives ("AR") and adviser recruitment remains strong, and MAB is well positioned to attract those firms focused on achieving growth in an increasingly challenging economic climate."

Current Trading and Outlook

Due to extended completion timeframes, the Group started the second half with a pipeline of written new business that was over 30% higher than expected, allowing for adviser growth, compared to the start of the year. Re-financing activity continues to increase, as advisers, lenders, and customers focus on making the most of securing new mortgage deals as mortgage rates rise. Whilst consumer demand has cooled a little, housing transaction levels are expected to remain steady. It remains clear that those who have built up strong savings and equity over recent years are sufficiently well positioned and confident to move home. In addition, mortgage lenders are well capitalised with ample liquidity, meaning product availability and price competition for mortgages is very strong despite the increasing interest rate environment. In this increasing interest rate environment, advisers have experienced constant change in mortgage products as well as short notice withdrawal of those products, and we expect this to continue whilst interest rate uncertainty continues.

A continuation of slow pipeline conversion, a further softening of purchase activity, and an increasingly cautious approach to recruitment by some ARs is likely to lead to a slight reduction in the Group's financial result for the year against previous expectations.

We expect the recent mini budget to support the housing and mortgage markets. The Stamp Duty changes that help aspiring first time buyers are particularly welcome, demonstrating the Government's ongoing commitment towards maintaining a healthy and active housing market.

We were delighted to complete the acquisition of The Fluent Money Group on 12 July 2022. The acquisition is expected to be significantly earnings accretive in 2023 and will allow the enlarged Group to rapidly benefit from a far greater level of national lead generation. Since Q2 2022, Fluent has delivered faster than expected lead growth in its mortgage division, requiring additional investment in the recruitment of new advisers and associated administrative staff to handle the strong consumer demand. This reinforces our confidence in the outlook for 2023 and beyond.

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Analyst presentation

There will be an analyst presentation to discuss the results at 9:30am today.

Those analysts wishing to attend are asked to contact investor.relations@mab.org.uk

Copies of this interim results announcement are available at www.mortgageadvicebureau.com/investor-relations

[1] Percentage points.

[2] MAB uses adjusted results as key performance indicators as the Directors believe that these provide a more consistent measure of operating performance by adjusting for acquisition related charges and significant one-off or non-cash items. Adjusted overheads ratio is stated before £1.5m (H1 2021: £nil) of costs relating to the acquisition of The Fluent Money Group, £0.4m (H1 2021: £0.6m) of costs relating to the First Mortgage option, and £0.2m (H1 2021: £0.2m) of amortisation of acquired intangibles.

[3] Adjusted profit before tax is stated before the items in (2) above and £0.7m of net fair value gains on deferred considerations (H1 2021: £nil), and £0.03m (H1 2021: £nil) of net fair value losses on derivative financial instruments. Adjusted earnings per share is stated on the same basis, net of any associated tax effects.

[4] Net revenue is revenue less commissions paid.

[5] Adjusted cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £(0.3)m in H1 2022 (H1 2021: £(0.9)m), and increases in restricted cash balances of £0.5m in H1 2022 (H1 2021: £1.2m), as a percentage of adjusted operating profit.

[6] Dividend policy based on a minimum payout ratio of 75% of annual adjusted profit after tax post minority interests.

[7] Includes a total of 67 advisers at 30 June 2022 and 73 advisers at 23 September 2022 who are either directly authorised or later life advisers. The directly authorised advisers are employees of a firm previously authorised under an Appointed Representative agreement with MAB until 7 December 2020. MAB continues to provide services to this firm, which is now directly authorised by the FCA. For both later life and directly authorised advisers the fees received by MAB represent the net income received by MAB as there are no commission payouts made by MAB. The 30 June 2022 and 23 September 2022 figures also include 14 advisers from associates, who are in the process of being onboarded under MAB's AR arrangements. These advisers will shortly become mainstream advisers. Until these 14 advisers become onboarded fully as mainstream advisers, MAB currently only recognises its share of profit after tax from these associates.

[8] Excludes directly authorised advisers, later life advisers, and advisers from associates in the process of being onboarded under MAB's AR arrangements.

[9] Based on average number of mainstream advisers.

[10] For H1 2021, market share stated for the seven months ended 31 July 2021 due to the distortion effect around 30 June 2021 with the tapering of the stamp duty holiday thereafter.

[11] Fluent's 156 advisers as at 23 September 2022 include 78 advisers in the first charge mortgages division, 60 in the secured personal loans division, 13 in the later life division, and 5 in the bridging finance division.

Chief Executive's Review

Despite a 29% drop in UK housing transactions in the period compared to H1 2021, when stamp duty holiday changes accelerated house purchase completions, the Group grew its revenue by 4% to £96.5m (H1 2021: £92.4m), its mortgage completions by 11% to £12.2bn (H1 2021: £11.0bn), and its market share by 13% to 6.8% (H1 2021: 6.0%). This once again demonstrates the strength and resilience of the Group's business model, with adjusted profit before tax in line with the prior period at £11.5m (H1 2021: £11.6m).

Our growth in mortgage completions is analysed as follows:

	H1 2022	H1 2021	Increase
	£bn	£bn	vs 2021
New mortgage lending	10.3	9.6	+7%
Product Transfers	1.9	1.4	+36%
Gross mortgage lending	**12.2**	**11.0**	**+11%**

UK mortgage lending activity returned to more normal levels during the first half of this year, after the unprecedented surge seen in H1 2021. In addition, the time taken to complete a property purchase increased by approximately one month compared to the equivalent period last year, adversely impacting the number of mortgage completions. Compared to H1 2021, UK mortgage completions in the purchase segment saw a 30% drop. UK gross mortgage completions as a whole were down 10% at £151.4bn (H1 2021: £168.5bn[(1)]), and up 20% compared to pre-Covid-19 levels in 2019 (H1 2019: £126.2bn).

A number of factors are delaying property transactions and mortgage pipelines, including conveyancing backlogs, local authority capacity constraints, and also expiring mortgage offers that need to be reconsidered and reissued by lenders due to the frequency of UK base rate increases in the period. Consequently, our pipeline of written but unbanked business has grown to larger than usual levels.

Delivering our growth strategy

Adviser growth

Adviser growth continues to be a major focus for the Group, boosted by the need to service new lead flow whilst using technology to help maximise opportunities from existing customers and lead sources.

Adviser numbers grew by 8% to 2,034 during the period. Every year, MAB helps its ARs replace 300+ advisers, and overall growth in adviser numbers is derived from organic growth in these existing firms and also new ARs being onboarded with their existing advisers. Over the summer months, MAB saw a significant fall in the number of new advisers onboarded with a far higher than usual summer holiday slowdown experienced. This is an unfortunate break in strong momentum in adviser growth this year, which has now resumed and is expected to remain strong for the remainder of the year. As a result, adviser numbers were 2,160 as at 23 September 2022, including 156 Fluent advisers.

We have a strong pipeline of new advisers and ARs and, combined with Fluent's rapidly growing adviser base in the Mortgage division, we expect to continue to deliver further adviser growth.

As trading conditions are likely to become more challenging, some existing firms will take a more cautious view on organic growth whilst others, including newly onboarded growth-focussed firms, expect to continue with their plans for adviser and market share growth.

With increasing expectations and even higher standards expected from the regulator, more directly authorised firms are seeking greater support from a strategic partner like MAB. We expect the recruitment of growth-driven firms to remain strong, supported by the continued development of our technology platform.

Investment strategy

The acquisition of Fluent has further strengthened our portfolio of invested-in businesses[2]. These businesses are integral to the future success of the Group as we pursue a greater level of adviser productivity, primarily based on a clear and strong lead generation strategy.

The average productivity of advisers in our invested-in businesses is circa 25% greater than our other ARs' advisers, and recent investments have increased that differential further. This includes the acquisition of Fluent, which is a leader in the provision of centralised telephone-based mortgage advice and is delivering high levels of adviser performance by combining strong and reliable lead flow with streamlined technology-driven processes.

Fluent has formed relationships with leading third-party brands including aggregators and other national lead sources. Fluent helps customers to access Mortgages, Secured Personal Loans, Later Life Lending and Bridging Finance, and broadens the Group's revenue mix and customer proposition. Since the acquisition, Fluent has experienced strong growth in lead flow and adviser numbers in its fast-growing mortgage division, providing a rapid scale-up of the Group's adviser base and fulfilment capability.

Separately, MAB has also targeted the fast-growing national lead source sector and has already formed a number of strong relationships. Combined, MAB and Fluent can grow this new market share opportunity quickly and effectively, complementing the local/regional strategy delivered by the rest of the Group's growing distribution.

If activity in the housing market was to fall from current levels, this lead supply would further support revenue and profit growth despite more challenging trading conditions.

Although the contribution from some of our smaller early-stage investments has taken time to build, these are now starting to mature. Our investment strategy in the last few years has increasingly focused on established and profitable firms, strengthening our new build proposition and market share, in addition to ensuring we have the expertise and scale to establish a market leading position in the national lead source sector.

We expect the additional lead flow that MAB can generate for its invested-in businesses, combined with their existing growth trajectory, strong protection success, and growing productivity per adviser, will contribute significant profit growth over the next five years.

Vita Financial Ltd ("Vita") has performed exceptionally well in supporting MAB's AR firms who wish to outsource some of their protection or general insurance leads. As part of MAB's wider protection strategy, we intend to extend Vita's proposition into a wider addressable market to fully leverage its expertise. Accordingly, we have acquired a further 26% stake in Vita, increasing our overall stake to 75%.

Customer lead generation

In our sector, securing a quality and reliable lead flow underpins both the growth and stability of every firm, and gives more predictability and control over trading. This is why MAB has focused technology developments and prioritised investments in this area.

MAB is already a leader in local lead generation through estate agencies and builders, and new technology developments will help us optimise lead flow in these two key sectors. The addition of Fluent, which has rapidly achieved a dominant position with national lead sources, has given the enlarged Group a market leading proposition in the three largest lead source sectors. Driven by this acquisition and the fulfilment capacity of the Group, we are now in an even stronger position to secure additional national lead generation partners to support further productivity and adviser growth in 2023 and beyond.

Significant upside can also be achieved through improved customer retention. This has been a major strategic focus for the Group and we will be launching new initiatives and technology in Q4 2022 to help optimise these opportunities at a time when consumers are highly focused on managing their expenditure.

In addition, capturing and nurturing customers who are in the early research stages of their home buying journey is also a new and integral part of the Group's strategy. This gives us access to a new and wider group of lead sources.

Summary

MAB's market share model has delivered year-on-year growth in all market conditions and is better positioned than ever to keep doing so.

Our management team has strengthened further this year, and MAB's technology investments and lead generation strategy have progressed very well. We continue to onboard recent investments following FCA approval, and our invested-in businesses are set to perform strongly, benefitting from lead generation and streamlined processes.

Our acquisition of Fluent will bring significant earnings enhancement to the Group, derived in part from the delivery of commercial synergies. We will also help Fluent to accelerate growth through sharing best practice, primarily in customer retention and the provision of protection and general insurance.

2022 has proved to be a difficult year for advisers, due to a constant withdrawal and re-pricing of mortgage rates at short notice. Combined with a significant fall in, and delays to housing transactions and completions compared to H1 2021, productivity has understandably been affected.

The longer-term fundamentals for the property and mortgage markets look very strong, and there is also scope for further growth through setting higher standards and helping firms with the important new regulatory requirements being introduced by the FCA.

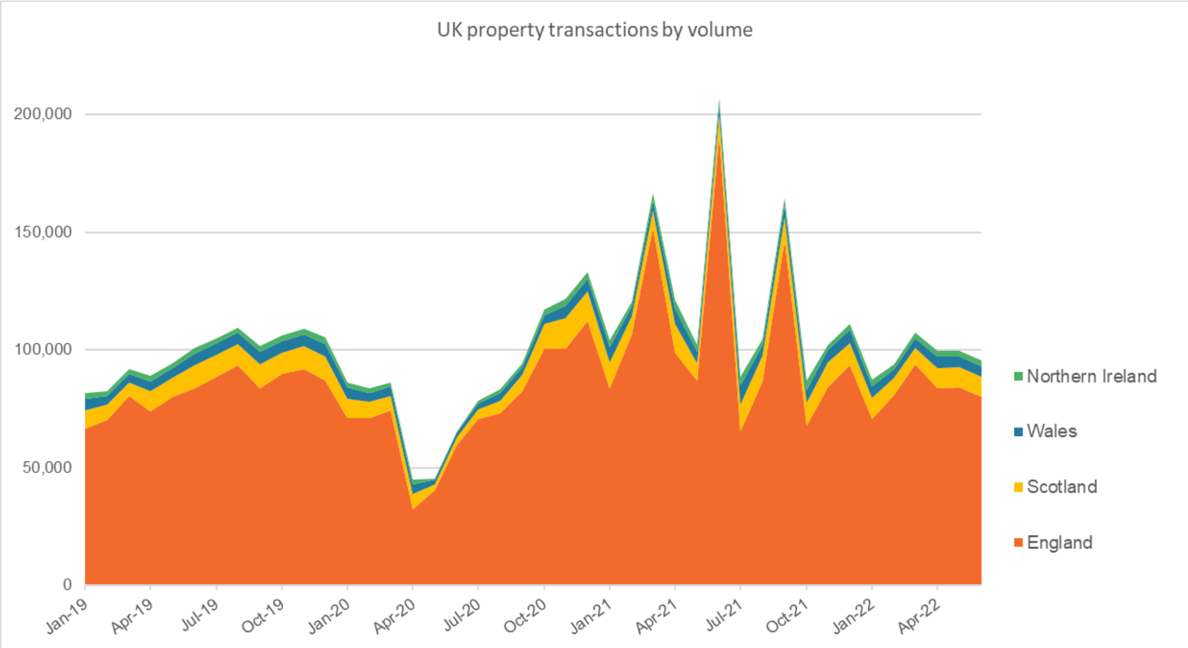
Our strategy underpins our confidence in the outlook for 2023 and beyond.

[1] MAB previously reported £169.9bn of gross new mortgage completions in H1 2021, in line with UK Finance estimates at the time. UK Finance regularly updates its estimates.

[2] Invested-in businesses include the Group's associate companies, First Mortgage, The Fluent Money Group and Vita Financial.

Market review

During the period, the housing market returned to more normal levels after an unprecedented surge in house purchase activity last year driven by the stamp duty holiday. Compared to H1 2021, the number of property transactions fell by 29%. However, property transactions still trended above pre-Covid-19 levels, having grown by 8% compared to H1 2019, as illustrated in the following graph.



Source: HM Revenue and Customs

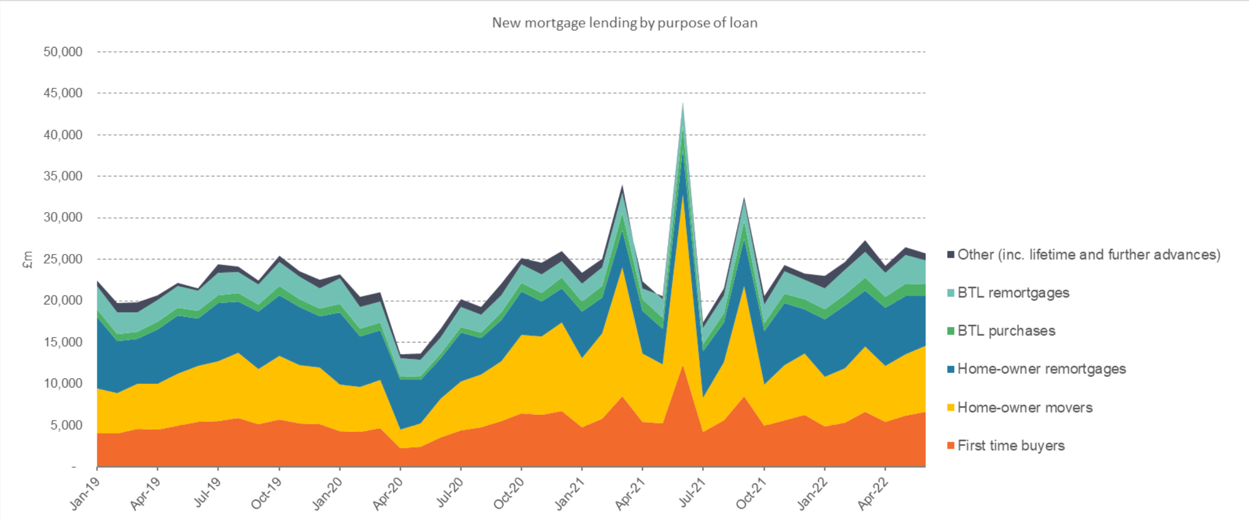
Gross new mortgage lending activity in the purchase segment experienced a similar trend during the period, falling by 30% compared to H1 2021 but increasing by 28% compared to H1 2019. The drop in home-owner mover activity was the sharpest (-39% compared to H1 2021, +24% compared to H1 2019) as a result of the exceptional peak in that segment last year. First-time buyer activity was down by a more modest 17% compared to the peak in H1 2021, but up 27% compared to pre-Covid-19 levels in H1 2019.

Re-financing activity in H1 2022 showed strong year-on-year growth. External re-mortgage lending values increased by 37% compared to H1 2021, reflecting the exceptionally busy housing market last year, and 7% compared to H1 2019. Whilst product transfers values decreased by 4% in H1 2022 compared to H1 2021, they increased by 12% compared to H1 2019. We expect re-financing activity to continue to be strong, as consumers seek better mortgages rates in a rising interest rate environment and high levels of fixed rate mortgages arriving at maturity in the near term.

Buy-to-let activity was steady during the period largely driven by buy-to-let re-mortgage activity. Buy-to-let values increased by 9% compared to H1 2021 and 26% compared to H1 2019.

Overall, gross new mortgage lending (excluding product transfers) in H1 2022 decreased by 10% compared to H1 2021 and increased by 20% compared to pre-Covid-19 levels in H1 2019.

The trends in gross new mortgage lending are illustrated in the graph below.



Source: UK Finance

During the period, average house prices increased by 10% year-on-year, similar to the increases seen throughout 2021. This is likely to start slowing in the coming months due to fears of recession and the rising cost of living.

The share of UK residential mortgage transactions via intermediaries (excluding buy to let, where intermediaries have a higher market share, and product transfers where intermediaries have a lower market share) grew to 84% (H1 2021: 79%), with the expected increase reflecting how consumers increasingly want choice, advice, and support in making major financial decisions. The increase in intermediary market share also reflects the lower footfall in bank and building society branches, a change that was accelerated in part by Covid-19. We expect this increased intermediary market share to remain stable in the short term.

Despite inflationary pressures and further national and geopolitical uncertainty, the level of consumer demand for housing remains strong, supported by UK full employment, high levels of household savings, and, for those who are subsequent movers, rising housing equity levels over recent years. Lenders also have strong liquidity levels, meaning mortgage availability is now close to pre-pandemic highs, thereby helping market activity to remain healthy.

Although interest rates have risen and will most likely continue to rise over the next 12 months, current interest rates remain near historical lows. We expect this to continue to stimulate re-financing activity. We are confident that this, coupled with strong demand for housing, will continue to drive sustained transaction activity in the mortgage market.

[1] Land Registry House Price Index

Financial review

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

Revenue

Group revenue for the six months ended 30 June 2022 increased to £96.5m (H1 2021: £92.4m), up 4% on a comparative period in which house purchase mortgage completions were boosted by the stamp duty holiday changes at the end of March and June 2021. In addition, H1 2022 revenue was negatively impacted by delays in the conversion of pipeline to completions and a change in mortgage mix with an increase in re-financing compared to the prior period.

The average number of mainstream advisers(1) during the period increased by 19% to 1,890 (H1 2021: 1,584), with lower average revenue per mainstream adviser of £51,041 (H1 2021: £58,451) as a consequence of the factors set out above.

The Group continued to generate revenue from three core areas, summarised as follows:

	Group		
Income source	**H1 2022**	**H1 2021**	**Change vs 2021**
	£m	£m	%
Mortgage Procuration Fees	44.9	42.7	+5
Protection and General Insurance Commission	37.2	35.8	+4
Client Fees	11.8	11.6	+2
Other Income	2.6	2.3	+13
Total	96.5	92.4	+4

MAB's banked mortgage mix saw a lower proportion of house purchase business compared to the prior year with an increase in re-financing. In particular, the proportion of product transfer completions, which have a lower average procuration fee and see lower protection, general insurance and client fee attachment rates, increased to 18% (H1 2021: 14%). Consequently, while the Group's gross mortgage completions increased by 6%(2), mortgage procuration fees increased by 5%, protection and general insurance commissions increased by 4% and client fees increased by 2%.

MAB's average mortgage size increased by 2% compared to the prior period, with average house prices increasing by 10% year-on-year, reflecting the increased proportion of re-financing completions where the average mortgage size is lower than for purchase transactions.

MAB's overall revenue from re-financing (including both re-mortgages and product transfers) represented circa 30% of total revenue (H1 2021: 24%, H1 2019: 32%), with the prior period reflecting a particularly high level of purchase transactions in H1 2021.

The proportion of revenue derived from each of the Group's core revenue streams has remained relatively stable, with small movements reflecting the change in banked mortgage mix during the period illustrated as follows:

Income source	H1 2022	H1 2021
Mortgage Procuration Fees	47%	46%
Protection and General Insurance Commission	38%	39%
Client Fees	12%	13%
Other Income	3%	2%
Total	100%	100%

Gross profit margin

Gross profit margin was 26.4% (H1 2021: 26.7%), with the slight fall during the period reflecting the increased proportion of re-financing transactions and the slightly reduced margin received by the Group (revenue share) as existing ARs grow their revenue organically by increasing their adviser numbers. In addition, larger new ARs typically join the Group on lower-than-average margins due to their existing scale, hence we expect to see a degree of erosion of our underlying gross profit margin (prior to the impact of the Fluent acquisition) due to the continued growth of our existing ARs and the addition of new larger ARs.

Looking ahead, before the impact of the Fluent acquisition (as set out below), we expect any further erosion in underlying gross margin to be offset by a reduction in the Group's overheads ratio through economies of scale.

Administrative expenses

Administrative expenses in the period increased by £0.5m (+4%) to £14.2m. MAB has continued to invest in its technology platform and marketing team to drive lead generation opportunities. All development work on our technology platform is expensed.

Administrative expenses as a percentage of revenue remained stable at 14.7% (H1 2021: 14.8%). This excludes £1.5m (H1 2021: £nil) of costs associated with the acquisition of The Fluent Money Group, £0.2m (H1 2021: £0.2m) of amortisation of acquired intangibles and £0.4m (H1 2021: £0.6m) of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage.

Prior to the impact of the acquisition of Fluent as set out below, MAB continues to benefit from the scalable nature of most of its cost base, where those costs typically rise at a slower rate than revenue, which will, in part, counter the expected erosion of MAB's underlying gross margin as the business continues to grow. In recognition of the current inflationary environment MAB awarded pay rises effective from 1 July 2022 to a number of staff to help with the increasing costs of living.

Associates and investments

MAB's share of profits from associates was £0.3m (H1 2021: £0.7m) with a slower start to the year for a number of the Group's associates resulting primarily from delays in conversion of pipeline to completion. MAB also realised a further £0.1m profit on the sale of its minority investment in the sales progression platform Yourkeys Technology Ltd.

MAB considers the value of a number of these investments exceeds their balance sheet value as accounted for using the equity accounting method under IAS 28.

Profit before tax and margin thereon

Adjusted[3] profit before tax as a percentage of net revenue[4] reduced to 39% (H1 2021: 41%), primarily due to the change in banked mortgage mix.

Adjusted[3] profit before tax was £11.5m (H1 2021: £11.6m), with the margin thereon being 12.0% (H1 2021: 12.5%). Statutory profit before tax was £10.1m (H1 2021: £10.8m) with the margin thereon being 10.5% (H1 2021: 11.7%).

Finance income and expense

Finance income of £0.04m (H1 2021: £0.03m) reflects continued low interest rates and interest income accrued or received on loans to associates. Finance expense of £0.1m (H1 2021: £0.1m) reflects the non-utilisation fee payable on a Revolving Credit Facility ("RCF") of £12m repaid in December 2020, interest expense on lease liabilities and commitment fees on the new debt facilities as set out below.

On 28 March 2022 MAB entered into new four-year debt facilities with NatWest, comprising a £20m Term Loan (the "Term Loan") and a £15m RCF (the "New RCF") to be used in connection with the acquisition of Fluent. The New RCF is also available for general corporate purposes. There is an option to extend the New RCF and the Term Loan for a further year.

Taxation

The effective rate of tax increased to 21.9% (H1 2021: 16.8%), primarily due to costs associated with the acquisition of Fluent being disallowable for tax purposes, no share option exercises in the period and a lower tax credit on research and development expenditure on the continued development of MAB's proprietary software platform, MIDAS. We expect the effective tax rate in future years to be materially in line with the prevailing UK corporation tax rate.

Issue of new ordinary shares, earnings per share and dividend

On 28 March 2022 the Group placed 3,809,524 new ordinary shares with investors, raising £40m to part fund the acquisition of The Fluent Money Group (the "Placing"), representing a 7% increase in the Group's issued share capital. The new ordinary shares were issued at £10.50 per ordinary share. The share premium recognised was £38.4m after deduction of £1.6m of costs directly associated with the Placing.

Adjusted[3] earnings per share was 16.4 pence (H1 2021: 17.9 pence) reflecting the dilutive impact of the Placing throughout Q2 2022 while the acquisition did not complete until after the period end, so that no earnings from Fluent were recognised in H1 2022. Basic earnings per share was 14.0 pence (H1 2021: 16.5 pence).

The Board is pleased to confirm an interim dividend for the year ending 31 December 2022 of 13.4 pence per share (H1 2021: 13.4 pence per share), reflecting the Group's dividend policy based on a minimum payout ratio of 75% of the Group's annual adjusted[3] post-tax and minority interest profits. This represents a cash outlay of £7.6m (H1 2021: £7.1m). MAB requires circa 10% of its profit after tax to fund increased regulatory capital and other regular capital expenditure. Following payment of the dividend, the Group will continue to maintain significant surplus regulatory reserves.

The record date for the interim dividend is 7 October 2022 and the payment date is 4 November 2022. The ex-dividend date will be 6 October 2022.

Cash flow and cash conversion

The Group's operations produce positive cash flow. This is reflected in the net cash generated from operating activities of £11.5m (H1 2021: £14.7m).

Headline cash conversion[5] was:

H1 2022	128%
H1 2021	130%
Adjusted cash conversion[6] was:	
H1 2022	124%
H1 2021	120%

The Group's operations are typically capital-light, with the 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 (H1 2021: £0.1m). Group policy is not to provide company cars. The Group is currently undertaking a refurbishment of its head office in Derby, which it anticipates will cost c. £3m. No other significant capital expenditure is foreseen in the coming year.

The Group had no bank borrowings at 30 June 2022 (31 December 2021: £nil). The Group had adjusted unrestricted bank balances[7] of £19.0m at 30 June 2022 (31 December 2021: £17.5m).

On 11 July 2022 MAB drew down the £20m Term Loan and £5.3m under the New RCF to part-fund the acquisition of Fluent.

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 30 June 2022 this regulatory capital requirement was £4.3m (31 December 2021: £4.3m), with the Group having a surplus of £20.1m (31 December 2021: £18.9m).

The following table demonstrates how cash generated by the Group was applied:

	£m
Unrestricted bank balances at the beginning of the year	17.5
Cash generated from operating activities excluding movements in restricted balances and dividends received from associates	12.6
Dividends received from associates	0.6
Dividends paid	(8.8)
Tax paid	(2.1)
Investment in associates	(0.5)
Disposal of unlisted investment	0.1
Issue of shares (net of expenses)	38.4
Net interest paid and principal element of lease payments	(0.2)
Capital expenditure	(0.2)
Unrestricted bank balances at the end of the period	57.4

Financial effects of the acquisition of The Fluent Money Group

Fluent has a higher gross margin than MAB of c.35% because it directly employs its advisers. However, overheads as a proportion of revenue are also higher than MAB's, resulting in Fluent's profit before tax margin being slightly above that of MAB's. The effect of Fluent's operating model on the enlarged Group will be to slightly increase gross profit margin, which will be partially offset by an increase in overheads as a proportion of revenue.

MAB entered into the Term Loan and New RCF in part to fund the acquisition of Fluent. MAB plans to repay approximately half of the Term Loan over the next four years with the remainder repayable at maturity. There is an option to extend the New RCF and the Term Loan for a further year. There will be no change to MAB's dividend policy.

[1] Excludes directly authorised advisers, later life advisers, and advisers from associates in the process of being onboarded under MAB's AR arrangements.

[2] Stated before completions from associates in the process of being onboarded under MAB's AR arrangements to produce more appropriate comparisons against revenue metrics.

[3] Adjusted profit before tax is stated before £0.6m (H1 2021: £0.7m) of costs associated with the acquisition of First Mortgage, £1.5m (H1 2021: £nil) of costs relating to the acquisition of The Fluent Money Group, £0.4m (H1 2021: £0.6m) of costs relating to the First Mortgage option, £0.2m (H1 2021: £0.2m) of amortisation of acquired intangibles, £0.7m of net fair value gains on deferred considerations (H1 2021: £nil), and £0.03m (H1 2021: £nil) of net fair value losses on derivative financial instruments. Adjusted earnings per share is stated on the same basis, net of any associated tax effects.

[4] Net revenue is revenue less commissions paid.

[5] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £(0.3) in H1 2022 (H1 2021: £(0.9)m), as a percentage of adjusted operating profit.

[6] Adjusted cash conversion is headline cash conversion adjusted for increases in restricted cash balances of £0.5m in H1 2022 (H1 2021: £1.2m) as a percentage of adjusted operating profit.

[7] Unrestricted cash balance at 30 June 22 excludes net proceeds from the £40m equity placing (£38.4m net of expenses) to part fund the acquisition of The Fluent Money Group that completed 12 July 2022.

INDEPENDENT REVIEW REPORT TO MORTGAGE ADVICE BUREAU (HOLDINGS) PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the London Stock Exchange AIM Rules for Companies.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the interim condensed consolidated statement of financial position, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows.

Basis for conclusion

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with

the London Stock Exchange AIM Rules for Companies which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

In preparing the half-yearly financial report, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

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

BDO LLP

Chartered Accountants

London

United Kingdom

26 September 2022

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

Interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 Unaudited £'000	 2021 Unaudited £'000
Revenue	2	**96,468**	92,432
Cost of sales	3	**(71,032)**	(67,783)
Gross profit		**25,436**	24,649
Administrative expenses		**(14,214)**	(13,659)
Costs relating to the First Mortgage option	4	**(423)**	(550)
Amortisation of acquired intangibles	4	**(183)**	(183)
Costs relating to the acquisition of The Fluent Money Group	4	**(1,453)**	-
Impairment of loans to related parties		**-**	(14)
Net fair value gains on deferred consideration	10	**650**	-
Net fair value losses on derivative financial instruments	10	**(25)**	-
Share of profit from associates, net of tax	10	**314**	723
Profit on sale of non-listed equity investment	11	**59**	309
Impairment of associate	10	**-**	(400)
Operating profit		**10,161**	10,875
Finance income	5	**42**	27
Finance expense	5	**(96)**	(67)
Profit before tax		**10,107**	10,835
Tax expense	6	**(2,214)**	(1,820)
Profit for the period		**7,893**	**9,015**
Total comprehensive income		**7,893**	9,015
Profit is attributable to:			
Equity owners of Parent Company		**7,698**	8,763
Non-controlling interests		**195**	252
		7,893	9,015
Earnings per share attributable to the owners of the Parent Company			
Basic	7	**14.0p**	16.5p
Diluted	7	**13.8p**	16.4p

Interim condensed consolidated statement of financial position as at 30 June 2022 and 31 December 2021

	Note	30 June 2022 Unaudited £'000	31 Dec 2021 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment		**2,569**	2,667
Right of use assets		**2,259**	2,457
Goodwill	9	**15,155**	15,155
Other intangible assets		**2,573**	2,704
Investments in associates and joint venture	10	**12,147**	12,433
Investments in non-listed equity shares	11	**2,783**	2,783
Derivative financial instruments		**170**	220
Other receivables	12	**1,197**	1,098
Deferred tax asset		**1,726**	1,871
Total non-current assets		**40,579**	41,388
Current assets			
Trade and other receivables	12	**7,284**	6,341
Derivative financial instruments		**134**	142
Cash and cash equivalents	13	**74,743**	34,411
Total current assets		**82,161**	40,894
Total assets		**122,740**	82,282

Interim condensed consolidated statement of financial position as at 30 June 2022 and 31 December 2021 (continued)

	Note	**30 June 2022 Unaudited £'000**	31 Dec 2021 Audited £'000
Equity and liabilities			
Share capital	17	**57**	53
Share premium		**48,155**	9,778
Capital redemption reserve		**20**	20
Share option reserve		**4,080**	3,523
Retained earnings		**24,724**	25,408
Equity attributable to owners of Parent Company		**77,036**	38,782
Non-controlling interests		**1,985**	2,205
Total equity		**79,021**	40,987
Liabilities			
Non-current liabilities			
Provisions		**6,403**	5,716
Lease liabilities		**1,997**	2,202
Derivative financial instruments		**1**	34
Deferred tax liability		**672**	757
Total non-current liabilities		**9,073**	8,709
Current liabilities			
Trade and other payables	14	**33,986**	31,925
Lease liabilities		**403**	394
Corporation tax liability		**257**	267
Total current liabilities		**34,646**	32,586
Total liabilities		**43,719**	41,295
Total equity and liabilities		**122,740**	82,282

Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2022

	Attributable to the holders of the Parent Company							
	Share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Share option reserve £'000**	**Retained earnings £'000**	**Total £'000**	**Non-controlling Interest £'000**	**Total equity £'000**
Balance at 1 January 2021	**53**	**9,778**	**20**	**1,807**	**23,882**	**35,540**	**1,908**	**37,448**
Profit for the period	-	-	-	-	8,763	8,763	252	9,015
Total comprehensive income	-	-	-	-	8,763	8,763	252	9,015
Transactions with owners								
Issue of shares	-	-	-	-	-	-	-	-
Share based payment transactions	-	-	-	693	-	693	-	693
Deferred tax assets recognised in equity	-	-	-	717	-	717	-	717
Reserve transfer	-	-	-	(143)	143	-	-	-
Dividends paid	-	-	-	-	(10,210)	(10,210)	(253)	(10,463)
Total transactions with owners	-	-	-	1,267	(10,067)	(8,800)	(253)	(9,053)
Balance at 30 June 2021 (unaudited)	**53**	**9,778**	**20**	**3,074**	**22,578**	**35,503**	**1,907**	**37,410**
Balance at 1 January 2022	**53**	**9,778**	**20**	**3,523**	**25,408**	**38,782**	**2,205**	**40,987**
Profit for the period	-	-	-	-	7,698	7,698	195	7,893
Total comprehensive income	-	-	-	-	7,698	7,698	195	7,893
Transactions with owners								
Issue of shares	4	38,377	-	-	-	38,381	-	38,381
Share based payment transactions	-	-	-	532	-	532	-	532
Deferred tax asset recognised in equity	-	-	-	25	-	25	-	25
Reserve transfer	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	(8,382)	(8,382)	(415)	(8,797)
Total transactions with owners	4	38,377	-	557	(8,382)	30,556	(415)	30,141
Balance at 30 June 2022 (unaudited)	**57**	**48,155**	**20**	**4,080**	**24,724**	**77,036**	**1,985**	**79,021**

Interim condensed consolidated statement of cash flows for the six months ended 30 June 2022

	Note	Six months ended 30 June **2022 Unaudited £'000**	2021 Unaudited £'000
Cash flows from operating activities			
Profit for the period before tax		**10,107**	10,835
Adjustments for			
Depreciation of property, plant and equipment		**175**	185
Depreciation of rights of use assets		**198**	191
Amortisation of intangibles		**282**	279
Profit on sale of non-listed equity investment	**11**	**(59)**	(309)
Share based payments		**532**	693
Share of profit from associates, net of tax	**10**	**(314)**	(723)
Impairment of associate	**10**	**-**	400
Dividends received from associates	**10**	**600**	88
Net fair value gains on deferred consideration	**10**	**(650)**	-
Net fair value losses on derivative financial instruments	**10**	**25**	-
Finance income	**5**	**(42)**	(27)
Finance expense	**5**	**96**	67
		10,950	11,679
Changes in working capital			
(Increase) in trade and other receivables	**12**	**(1,086)**	(6,730)
Increase in trade and other payables	**14**	**3,120**	9,986
Increase in provisions		**687**	694
Cash generated from operating activities		**13,671**	15,629
Income taxes paid		**(2,141)**	(893)
Net cash generated from operating activities		**11,530**	14,736
Cash flows from investing activities			
Purchase of property, plant and equipment		**(77)**	(109)
Purchase of Intangibles		**(151)**	-
Acquisition of associates	**10**	**(457)**	(822)
Disposal of non-listed equity investment	**11**	**114**	329
Acquisition of non-listed equity investment		**-**	(2,500)
Net cash used in investing activities		**(571)**	(3,102)
Cash flows from financing activities			
Interest received	**5**	**32**	41
Interest paid	**5**	**(48)**	(67)
Principal element of lease payments		**(195)**	(177)
Issue of shares	**17**	**40,000**	-
Costs relating to the issue of shares	**17**	**(1,619)**	-
Dividends paid	**8**	**(8,382)**	(10,210)
Dividends paid to minority interest		**(415)**	(253)
Net cash generated/(used) in financing activities		**29,373**	(10,666)
Net Increase in cash and cash equivalents		**40,332**	968
Cash and cash equivalents at the beginning of the period		**34,411**	32,981
Cash and cash equivalents at the end of the period		**74,743**	33,949

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2022

1 Accounting policies

Corporate information

The interim condensed consolidated financial statements of Mortgage Advice Bureau (Holdings) plc and its subsidiaries (collectively, "the Group") for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 26 September 2022.

Mortgage Advice Bureau (Holdings) plc ("the Company") is a limited company incorporated and domiciled in England whose shares are publicly traded on the Alternative Investment Market ("AIM"). The registered office is located at Capital House, Pride Place, Pride Park, Derby, DE24 8QR. The Group's principal activity is the provision of financial services.

Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 'Interim financial reporting' and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. They do not include all of the information required for full annual financial statements and should be read in conjunction with the 2021 Annual Report and Accounts, which were prepared in accordance with UK – adopted international accounting standards.

The comparative figures for the six months ended 30 June 2021 are not the Group's statutory accounts for that financial period. The accounts for the year ended 31 December 2021 have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Directors have assessed the Enlarged Group's prospects until 31 December 2023, taking into consideration the current operating environment, including the impact of geopolitical and macroeconomic uncertainty and inflationary pressures on property and lending markets. The Directors' financial modelling considers the Enlarged Group's profit, cash flows, regulatory capital requirements, borrowing covenants and other key financial metrics over the period.

These metrics are subject to sensitivity analysis, which involves flexing a number of key assumptions underlying the projections, including the effect of geopolitical and macroeconomic uncertainty and inflationary pressures and their impact on the UK property and lending markets and the Group's revenue mix, which the Directors consider to be severe but plausible stress tests on the Enlarged Group's cash position, banking covenants and regulatory capital adequacy. The Group's financial modelling shows that the Enlarged Group should continue to be cash generative, maintain a surplus on its regulatory capital requirements and be able to operate within its current financing arrangements.

Based on the results of the financial modelling, the Directors expect that the Enlarged Group will be able to continue in operation and meet its liabilities as they fall due over the 12 months from the approval of the financial statements. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

Significant estimates and judgements

Other than as set out below, the judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2021. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

Significant accounting policies

The accounting policies applied are consistent with those described in the Annual Report and Group financial statements for the year ended 31 December 2021. New or amended standards effective in the period have not had a material impact on the condensed consolidated interim financial statements.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards with no impact on the Group

- **Annual improvements 18-20 cycle amending IFRS 1, IFRS 9, IAS 41.** In May 2020, the IASB made minor amendments to IFRS 1, IFRS 9 and IAS 41 as part of their annual improvement cycle. The amendment to IFRS 1 permits first time adopting subsidiaries to measure cumulative translation differences using amounts reported by its parent. The amendment to IFRS 9 clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the original financial liability. Amendments to IAS 41 removed a requirement to exclude cashflows for taxation when measuring the fair value of biological assets. These amendments were applicable for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

- **Amendments to IAS 37 Onerous contracts – Cost of fulfilling a contract.** In May 2020, the IASB amended IAS 37 Onerous contracts to further specify the costs that are considered to be directly related to a contract when assessing for onerous or loss-making contracts. This amendment is applicable for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

- **Amendments to IAS 16 Property, plant and equipment – Proceeds before intended use.** In May 2020, the IASB amended IAS 16 Property, plant and equipment, to prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This amendment is applicable for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

- **Amendments to IFRS 3 – Reference to the conceptual framework.** In May 2020, the IASB amended IFRS 3 Business combinations to update references to the current IASB conceptual framework, as well as add an exception to the recognition principle for gains or losses on acquired liabilities and contingent liabilities in a business combination. The amendment also clarified the recognition criteria of contingent assets on acquisition under IFRS 3. This amendment is applicable for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

Future new standards and interpretations

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

Standard or Interpretation	**Periods commencing on or after**
IFRS 17 – Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023
Amendments to IAS 8 – Definition of accounting estimates	1 January 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 1 Presentation of financial statements – On classification of liabilities	1 January 2023

Other than to expand certain disclosures within the Financial Statements, the Directors do not expect the adoption of these standards and interpretations listed above to have a material impact on the Financial Statements of the Group in future periods.

Basis of consolidation

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

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

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

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

Segment reporting

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

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

During the six month period to 30 June 2022, there have been no changes from the prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

2 Revenue

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

Revenue is derived as follows:

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	£'000	£'000
Mortgage procuration fees	**44,928**	42,721
Protection and general insurance commission	**37,197**	35,803
Client fees	**11,766**	11,624
Other income	**2,577**	2,284
	96,468	92,432

3 Cost of sales

Costs of sales are as follows:

	2022	2021
	Unaudited	Unaudited
	£'000	£'000
Commission paid	**66,573**	63,924
Impairment of trade receivables	**9**	(5)
Wages and salary costs	**4,450**	3,864
	71,032	67,783

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

4 Acquisition costs

<u>Costs relating to current year acquisitions</u>

<u>The Fluent Money Group Limited</u>

On 28 March 2022 Mortgage Advice Bureau (Holdings) plc announced that it had agreed to acquire 75.4% of Project Finland Topco Limited, which indirectly owns 100% of The Fluent Money Group Limited ("Fluent" or the "Business"), from its shareholders including Beech Tree Private Equity and founders for a total cash consideration of £72.7 million (the "Acquisition"). The Acquisition completed on 12 July 2022 and the cash consideration was funded from the

Company's existing cash resources, a drawdown on new debt facilities of £25 million and the proceeds of a proposed placing of new ordinary shares in the Company, conducted on 28 March 2022, which raised £40 million gross, and £38.4 million net of expenses directly associated with the placing.

Other costs incurred in the period in relation to the Acquisition amounted to £1,452,721.

Costs relating to prior year acquisitions

First Mortgage Direct Limited

On 2 July 2019 Mortgage Advice Bureau (Holdings) Plc acquired 80 per cent of the entire issued share capital of First Mortgage Direct Limited ("First Mortgage" or the "Business").

Costs relating to the amortisation of acquired intangibles amounted to £183,000 in the six months ended 30 June 2022 and 2021. The option (comprising the put and the call option) over the remaining 20% of the issued share capital of First Mortgage has been accounted for under IAS 19 Employee Benefits and IFRS 2 Share Based Payments due to its link to the service of First Mortgage's Managing Director. In accordance with IAS 19, £217,936 (2021: £212,303) has been included within costs relating to the First Mortgage Option, and in accordance with IFRS 2, £204,726 (2021 - £338,118) of share-based payments costs has also been included within costs relating to the First Mortgage Option (see note 19).

5 Finance income and expense

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Finance income	**£'000**	£'000
Interest income	**32**	18
Interest income accrued on loans to associates	**10**	9
	42	27
Finance expenses		
Interest expense	**68**	37
Interest expense on lease liabilities	**28**	30
	96	67

Included within interest expense is interest accrued on the Group's Revolving Credit Facility (which has been replaced by the Group's new facilities (see note 15)) of £48,000 (2021: £nil). During the period, interest accrued on loans to associates in previous years of £nil was received (2021: £23,602).

6 Income tax

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

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	£'000	£'000
Current tax expense		
UK corporation tax charge on profit for the period	**2,129**	1,937
Total current tax	**2,129**	1,937
Deferred tax expense		
Origination and reversal of timing differences	**(95)**	(30)
Temporary difference on share based payments	**180**	(170)
Adjustment due to rate change	**-**	83
Total deferred tax	**85**	(117)
Total tax expenses	**2,214**	1,820

For the period ended 30 June 2022, the deferred tax recognised in equity was £24,513 (2021: £717,160). A change to the corporation tax rate was substantively enacted on 24 May 2021 to increase it to 25% from 1 April 2023 rather than the previously enacted 19%.

The deferred tax asset is recognised after being assessed as recoverable on the basis of available evidence including projected profits, capital and liquidity position. The deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

7 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company, Mortgage Advice Bureau (Holdings) plc, as the numerator.

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

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Weighted average number of shares used in basic earnings per share	**55,140,943**	53,165,081
Potential ordinary shares arising from options	**456,243**	349,327
Weighted average number of shares used in diluted earnings per share	**55,597,186**	53,514,408

The Group uses adjusted results as key performance indicators, as the Directors believe that these provide a more consistent measure of operating performance. Adjusted profit is therefore stated before one-off acquisition costs relating to the acquisition of The Fluent Money Group, ongoing non-cash items relating to the option in connection with the acquisition of First Mortgage Direct Limited and amortisation of acquired intangibles. Adjusted profit is also stated before net fair value gains on deferred consideration paid and estimated to be paid to Associate businesses, net fair value losses on financial instruments relating to options to increase shareholdings in Associate businesses, and impairment of loans to related parties, net of tax.

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

	Six months ended 30 June		Six months ended 30 June			
	2022 Unaudited £'000	2021 Unaudited £'000	**2022 Basic earnings per share pence**	2021 Basic earnings per share pence	**2022 Diluted earnings per share pence**	2021 Diluted earnings per share pence
Profit for the period	**7,698**	8,763	**14.0**	16.5	**13.8**	16.4
Adjustments:						
Amortisation of acquired intangibles	**183**	183	**0.3**	0.4	**0.3**	0.4
Costs relating to the First Mortgage option	**423**	550	**0.8**	1.0	**0.8**	1.0
Costs relating acquisition of The Fluent Money Group	**1,453**	-	**2.6**	-	**2.6**	-
Impairment of loans to related parties	**-**	14	**-**	0.0	**-**	0.0
Net fair value gains on deferred consideration	**(657)**	-	**(1.2)**	-	**(1.2)**	-
Net fair value losses on derivative financial instruments	**25**	-	**0.0**	-	**0.0**	-
Tax effect of adjustments	**(70)**	(3)	**(0.1)**	0.0	**(0.1)**	0.0
Adjusted earnings	**9,055**	9,507	**16.4**	17.9	**16.2**	17.8

Net fair value gains on deferred consideration of £656,794 represents amounts attributable to the equity owner of the parent company and excludes £6,581 attributable to non-controlling interests included in the amounts shown in the consolidated statement of comprehensive income.

8 Dividends

	Six months ended 30 June 2022 Unaudited £'000	Six months ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Dividends paid and declared during the period:			
On ordinary shares at 14.7p per share (2021: 19.2p)	**8,382**	10,210	10,210
Interim dividend for 2021: 13.4p per share	**-**	-	7,129
	8,382	10,210	17,339

Equity dividends on ordinary shares:

Declared:

Interim dividend for 2022: 13.4p per share (2021: 13.4p)	**7,642**	7,129	-
Proposed for approval:			
Final dividend for 2021: 14.7p per share	**-**	-	7,821
	7,642	7,129	7,821

On 28 March 2022 the Group issued 3,809,524 new ordinary shares in an equity placing in connection with the acquisition of The Fluent Money Group which completed on 12 July 2022.

9 Goodwill

The goodwill relates to the acquisition of Talk Limited in 2012, and in particular its main operating subsidiary Mortgage Talk Limited, and the acquisition of First Mortgage Direct Limited ("FMD") in 2019. 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 reviews conducted at the end of 2021 concluded that there had been no impairment of goodwill.

The key basis for determining that there was no impairment to the carrying value of goodwill was disclosed in the annual consolidated financial statements for the year ended 31 December 2021. There are no matters which have arisen in the period to 30 June 2022 which indicated that an impairment was required at that date.

10 Investments in associates and joint ventures

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

	30 June 2022 Unaudited £'000	31 December 2021 Audited £'000
At start of the period	**12,433**	4,883
Additions	**-**	7,222
Credit / (charge) to statement of comprehensive income		
Share of profit	**314**	1,011
Impairment	**-**	(408)
	314	603
Dividends received	**(600)**	(275)
At period end	**12,147**	12,433

Acquisitions and disposals

2022

Following the finalisation of Vita Financial Limited's ("Vita") 2021 audited accounts, a deferred consideration of £179,252 was paid in relation to the 29% interest that was acquired on 28

May 2021. The actual deferred consideration paid in respect of Vita was £7,572 lower than the original amount estimated.

During the period, the fair value of deferred consideration payable upon finalisation of Vita's 31 December 2022 audited accounts was revalued to £nil which was £201,007 lower than the original amount estimated.

Following the finalisation of Heron Financial Limited's ("Heron") 2021 audited accounts, a deferred consideration of £277,600 was paid in relation to the 49% interest that was acquired on 30 November 2021. The actual deferred consideration paid in respect of Heron was £130,512 lower than originally estimated.

During the period, the fair value of deferred consideration payable upon finalisation of Heron's 31 December 2022 audited accounts was revalued to £234,428 which was £293,878 lower than the original amount estimated.

Following the finalisation of M & R FM Ltd's ("M&R FM") 2021 audited accounts, a deferred consideration of £244,858 was paid on 15 July 2022 in relation to the 25% interest that was acquired by First Mortgage Direct Limited on 12 January 2021. The actual deferred consideration paid in respect of M&R FM was £32,906 higher than originally estimated.

Following the finalisation of Evolve FS Ltd's ("Evolve") 2021 audited accounts, a deferred consideration of £625,567 was paid on 21 July 2022 in relation to the 49% interest that was acquired on 20 July 2021. The actual deferred consideration paid in respect of Evolve was £50,150 lower than originally estimated.

A total net gain of £650,213 has been recognised in the consolidated statement of comprehensive income in respect of the actual deferred consideration paid or expected to be paid on the above associate businesses.

2021

On 12 January 2021, First Mortgage Direct Limited, an 80% owned subsidiary of the Group acquired a 25% stake in M & R FM Ltd ("M&R FM"), for an initial cash consideration of £663,400. Estimated deferred consideration of £0.2m is payable following finalisation of M&R FM's audit for the year ended 31 December 2021.

On 13 January 2021, the Group ceased to have an investment in Freedom 365 Mortgage Solutions Limited, having entered into a deed of termination.

The Group acquired a further 29% interest in Vita Financial Limited ("Vita") on 28 May 2021 at an initial cash consideration of £159,081. Estimated deferred consideration of £0.2m and £0.2m is payable following the finalisation of Vita's audits for the year ended 31 December 2021 and 31 December 2022 respectively.

The Group acquired a 49% stake in Evolve FS Ltd ("Evolve") plus an option over a further 31% of the ordinary share capital of Evolve on 20 July 2021 at an initial cash consideration of £2,316,290. Estimated consideration of £0.7m is payable following finalisation of Evolve's audit for the year ended 31 December 2021.

The Group acquired a 49% stake in Heron Financial Limited ("Heron") plus an option over the remaining ordinary share capital of Heron on 30 November 2021 for an initial cash consideration of £1,600,000. Estimated deferred consideration of £0.4m is payable following finalisation of Heron's audit for the year ended 31 December 2021 with further estimated deferred consideration of £0.5m payable following finalisation of Heron's audit for the year ending 31 December 2022.

In accordance with IAS28 the Group impaired further the value of the investment in The Mortgage Broker Group Limited by £400,000 due to its performance. The investment in The Mortgage Broker Group Limited is classified as Level 3 for the purposes of disclosure in the fair value hierarchy. The recoverable amount of the asset is its fair value less costs of disposal and the market approach has been determined as the most appropriate method of estimating the fair value of this investment.

On 30 September 2021, the Group paid a further £271,183 in deferred consideration in respect of its acquisition of a further 24% interest in Clear Mortgage Solutions Limited in December 2020.

On 16 July 2021, as part of a shareholding restructure in Sort Group Limited, in which Sort Group Limited increased its stake in Sort Limited to 100% (previously 75.68%), the Group disposed of its 10.52% shareholding in Sort Limited for £nil cash consideration. The Group now holds 43.25% of Sort Group Limited which is equal to the previous effective interest prior to the shareholding restructure held through separate investments in Sort Group Limited, Sort Limited and Sort Technology Limited. With no change in effective interest, the carrying value of the investment in Sort Limited has been transferred to Sort Group Ltd.

Derivative financial instruments

The fair value of the call option at 30 June 2022 for Evolve is £67,746 (31 December 2021: £124,055). The fair value of the call option and put option at 30 June 2022 for Heron is £102,620 (31 December 2021: £95,455) and £1,358 (31 December 2021: £34,235) respectively. The fair value of the call option and put option at 30 June 2022 for Meridian are £134,035 (31 December 2021: £142,895) and £nil (31 December 2021 2021: £7) respectively.

Derivative financial instruments (continued)

A total net loss of £25,120 has been recognised in the consolidated statement of comprehensive income in respect of fair value movements on derivative financial instruments since 31 December 2021.

The fair values of the option contracts have been calculated using either stochastic or Black Scholes models as appropriate in the option valuations. The key assumptions used to value the options in the model are the value of shares in the associate, the anticipated growth of the business, the option exercise price, the expected life of the option, the expected share price volatility of similar businesses, forecast dividends and the risk-free interest rate. The gain relating to the derivative financial instruments is included within 'operating profit'. These financial instruments are categorised as Level 3 within the fair value hierarchy.

11 Investments in non-listed equity shares

	30 June 2022 Unaudited £'000	31 December 2021 Audited £'000
At start of the period	**2,783**	75
Additions		2,500
Revaluation	**-**	283
Disposals	**-**	(75)
At period end	**2,783**	2,783

<u>2022</u>

At 30 June 2022, the Group had a shareholding of 2.92% in PD Innovations Limited, trading as Boomin, at a value of £2,783,000. In determining the fair value at 30 June 2022, the market approach was used with reference to recent transactions, and there was no change in value since there had been no

material change in circumstances. This investment continues to be classified as Level 3 for the purpose of disclosure in the fair value hierarchy.

2021

The investment at the start of 2021 represented a 2.23% interest in Yourkeys Technology Ltd. This was sold on 23 April 2021 for initial consideration of £329,000 with estimated further consideration of £55,000. Final consideration of £113,541 was received on 1 April 2022 leading to a further profit on disposal of £58,541.

On 9 April 2021, the Group acquired a 3.17% stake in PD Innovations Limited, trading as the property portal Boomin for a cash consideration of £2,500,000. The increase in value of £283,000 since investment was recognised in the consolidated statement of comprehensive income during 2021. This investment is classified as Level 3 for the purpose of disclosure in the fair value hierarchy, with any fair value movements taken to the consolidated statement of comprehensive income. The Group has determined that using the market approach is an appropriate method of estimating the fair value of this financial instrument.

12 Trade and other receivables

	30 June 2022 Unaudited £'000	31 December 2021 Audited £'000
Trade receivables	**1,586**	1,741
Less provision for impairment of trade receivables	**(383)**	(374)
Trade receivables - net	**1,203**	1,367
Other receivables	**450**	448
Loans to related parties	**678**	1,398
Less provision for impairment of loans to related parties	**(2)**	(2)
Less amounts written off loans to related parties	**-**	(628)
Total financial assets other than cash and cash equivalents classified at amortised costs	**2,329**	2,583
Prepayments and accrued income	**6,152**	4,856
Total trade and other receivables	**8,481**	7,439
Less: non-current portion – Loans to related parties	**(436)**	(541)
Less: non-current – Trade receivables	**(761)**	(557)
Current portion	**7,284**	6,341

Reconciliation of movement in trade and other receivables to cash flow	**30 June 2022 Unaudited £'000**	30 June 2021 Unaudited £'000
Movement per trade and other receivables (current and non-current)	**1,042**	6,272
Corporation tax	**-**	499
Accrual of deferred consideration for Yourkeys disposal	**55**	(55)
Accrued interest movement	**(11)**	14

Total movement per cash flow	**1,086**	6,730

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

Included within trade receivables are £1.2m (2021: £1.4m) of operational business development loans to the Group's Appointed Representatives. The non-current trade receivables balance is comprised solely of a proportion of these loans.

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

In light of the above, the Directors do not consider that disclosure of an aging analysis of trade and other receivables would provide useful additional information. Further information on the credit quality of financial assets is set out in note 16.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. At 30 June 2022 the lifetime expected loss provision for trade receivables is £0.4m (2021: £0.4m) The movement in the impairment allowance for trade receivables has been included in cost of sales in the consolidated statement of comprehensive income.

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

13 Cash and cash equivalents

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

	30 June 2022 Unaudited £'000	31 December 2021 Audited £'000
Unrestricted cash and bank balances	**57,397**	17,548
Bank balances held in relation to retained commissions	**17,346**	16,863
Cash and cash equivalents	**74,743**	34,411

Bank balances held in relation to retained commissions earned on an indemnity basis from protection policies are held to cover potential future lapses in Appointed Representatives commission. Operationally, the Group does not treat these balances as available funds. An equal and opposite liability is shown within trade and other payables (note 14).

Unrestricted cash and bank balances increased considerably during the period as the Group undertook an equity placing of new shares on 28 March 2022 that raised £40 million prior to expenses in order to part fund the acquisition of Fluent Money Group that completed on 12 July 2022, this being the date on which the consideration was paid.

14 Trade and other payables

	30 June 2022 Unaudited £'000	31 December 2021 Audited £'000
Appointed Representatives retained commission	**17,346**	16,863
Other trade payables	**9,971**	6,255
Trade payables	**27,317**	23,118
Social security and other taxes	**1,408**	1,305
Other payables	**55**	70
Deferred consideration	**1,105**	2,212
Accruals and deferred income	**4,101**	5,220
Total trade and other payables	**33,986**	31,925

Reconciliation of movement in trade and other payables to cash flow	30 June 2022 Unaudited £'000	30 June 2021 Unaudited £'000
Movement per trade and other payables	**2,061**	9,986
Deferred consideration cash payment	**457**	-
Deferred consideration non-cash movement	**650**	-
RCF interest accrual	**(48)**	-
Total movement per cash flow	**3,120**	9,986

Should a protection 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 13.

As at 30 June 2022 and 31 December 2021, the carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

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

15 Loans and borrowings

MAB entered into a new facilities agreement with NatWest on 28 March 2022 (the "Facilities Agreement") in respect of a new term loan for £20m and a new revolving credit facility for £15m, in order to part fund the cash consideration payable in relation to the acquisition of The Fluent Money Group announced on the same day. MAB drew down on the new facilities post period end as the acquisition competed on 12 July 2022. It is MAB's intention to repay the drawn down proportion of the revolving element of this debt facility as soon as practicable. MAB's practice over recent years has been to pay out approximately 75% of its adjusted profit after tax and minority interests as dividends and MAB intends to keep that level of pay out. In respect of the new facilities, the Group has given security to NatWest in the form of fixed and floating charges over the assets of Mortgage Advice Bureau Limited, Mortgage Advice Bureau (Derby) Limited, Mortgage Advice Bureau (Holdings) plc, First Mortgage Direct Limited, First Mortgage Limited, Project Finland Bidco Limited, Fluent Money Limited and Fluent Mortgages Limited.

Loan covenants

Under the terms of the Facilities Agreement, the Group is required to comply with the following financial covenants:

- Interest cover shall not be less than 5:1
- Adjusted leverage shall not exceed 2:1

The Group has complied with these covenants throughout the reporting period.

16 Financial instruments – risk management activities

Credit risk

Credit risk is the risk of financial loss to the Group if a trading partner or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from 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 12.

Financial assets - maximum exposure

	30 June 2022 Unaudited	31 December 2021 Audited
	£'000	£'000

Cash and cash equivalents	**74,743**	34,411
Investments in non-listed equity shares (FVTPL)	**2,783**	2,783
Trade and other receivables (Amortised cost)	**2,329**	2,583
Derivative financial instruments (FVTPL)	**304**	362
Total financial assets	**80,159**	40,139

Financial liabilities

	30 June 2022 Unaudited £'000	31 December 2021 Audited £'000
Trade and other payables	**28,780**	24,493
Deferred consideration	**1,105**	2,212
Accruals	**4,101**	5,220
Lease liabilities	**2,400**	2,596
Derivative financial instruments	**1**	34
Total financial liabilities	**36,387**	34,555

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

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

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

17 Share capital

Issued and fully paid

	30 June 2022 Unaudited £'000	31 December 2021 Audited £'000
Ordinary shares of 0.1p each	**57**	53
Total share capital	**57**	53

In connection with the acquisition of Fluent Money Group, the Group issued 3,809,524 new ordinary shares in an equity placing on 28 March 2022 to raise £40 million gross to part fund the consideration for the acquisition. The new ordinary shares were issued at £10.50 per ordinary share. The share premium recognised was £38.4 million after deduction of £1.6 million of costs directly associated with the equity placing.

18 Related Party Transactions

The following details provide the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2022 and 2021, as well as balances with related parties as at 30 June 2022 and 31 December 2021.

During the period the Group paid commission of £467,573 (2021: £400,942) to Buildstore Limited, an associated company. There was a balance of £13,136 (2021: £10,443) of retained commission to cover future lapses.

During the period the Group received introducer commission from Sort Limited, a subsidiary of an associated company of £747,598 (2021: £587,958). At 30 June 2022, there was a net loan outstanding from Sort Group Limited of £218,369 (2021: £218,369).

During the period the Group paid commission of £2,228,815 (2021: £2,392,199) to Clear Mortgage Solutions Limited, an associated company. There was a balance of £599,088 (2021: £542,290) of retained commission to cover future lapses.

During the period the Group paid commission of £783,150 (2021: £nil) to Evolve FS Ltd, an associated company. There was a balance of £20,144 (2021: £nil) of retained commission to cover future lapses.

During the period the Group paid commission of £869,886 (2021: £870,209) to Vita Financial Limited, an associated company. There was a balance of £298,725 (2021: £253,948) of retained commission to cover future lapses.

During the period the Group paid commission of £820,042 (2021: £795,434) to The Mortgage Broker Limited, an associated company. There was a balance of £66,791 (2021: £66,785) of retained commission to cover future lapses. At 30 June 2022, there was a loan outstanding from The Mortgage Broker Limited of £22,000 (2021: £nil).

During the period the Group paid commission of £1,982,972 (2021: £1,981,588) to Meridian Holdings Group Ltd, an associated company. There was a balance of £545,656 (2021: £545,605) of retained commission to cover future lapses. At 30 June 2022, there was a loan outstanding from Meridian Holdings Group Ltd of £435,461 (2021: £550,069).

During the period the Group paid commission of £1,166,714 (2021: £156,524) to M & R FM Ltd, an associated company. There was a balance of £64,416 (2021: £34,598) of retained commission to cover future lapses.

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

	Six months ended 30 June	
	2022	2021
	Unaudited £'000	Unaudited £'000
CO2 Commercial Limited	**167**	88
Evolve FS Ltd	**245**	-
M & R FM Ltd	**188**	-
Total dividends	**600**	88

19 Share based payments

On 6 June 2022, 154,850 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan (the "Options"). Exercise of the Options is subject to the service conditions and achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, the Options will be exercisable 34 months from the date of grant. The exercise price for the Options is 0.1 pence, being the nominal cost of the Ordinary Shares.

Included in administrative expenses are share-based remuneration expenses of £601,865 (2021: £695,795) which comprises the charge for the equity-settled schemes of £327,057 (2021: £355,255) and related employer's National Insurance Contributions of £168,986 (2021: £185,221). Also included are the matching element of the Group's Share Incentive Plan for all employees of £58,889 (2021: £63,624) and costs for free shares awarded to employees of £46,933 (2021: £91,695). Further share-based payments costs of £204,726 (2021: £338,118) in respect of the option relating to First Mortgage Direct Limited are shown separately (note 4).

20 Events after the reporting date

The Fluent Money Group Limited

On 28 March 2022 Mortgage Advice Bureau (Holdings) plc announced that it had agreed to acquire 75.4% of Project Finland Topco Limited, which indirectly owns 100% of The Fluent Money Group Limited ("Fluent" or the "Business") from its shareholders including Beech Tree Private Equity and founders for a total cash consideration of £72.7 million (the "Acquisition"). The Acquisition completed on 12 July 2022 and the cash consideration was funded from the Company's existing cash resources, a drawdown on new debt facilities of £25 million and the proceeds of the placing of new ordinary shares in the Company, conducted on 28 March 2022 which raised £40 million gross, and £38.4 million net of expenses directly associated with the placing.

MAB also entered into a shareholders' agreement with Fluent's founders and senior management who have retained 24.6% of the issued share capital of Fluent. This sets out the terms of the put and call option for MAB to acquire this remaining stake after six years at a valuation subject to performance criteria relating to future growth and profitability to align with MAB's growth objectives. The total consideration for the above put and call option and a put and call option over certain growth shares that have been issued to Fluent's wider management team is capped at £118 million and will be determined on the basis of future financial performance. MAB will, at its discretion, be able to satisfy up to 50% of the exercise consideration for the above put and call options in ordinary shares and such shares will be subject to a 12 month orderly market undertaking upon issue.

Fluent is a fast-growing telephone advice mortgage and specialist lending intermediary that has formed relationships with a range of third party brands, including aggregators and other national lead sources operating across first charge, second charge, lifetime mortgages and bridging loan product areas. MAB has also targeted this fast-growing sector. Combined, MAB and Fluent can grow this new market share opportunity quickly and effectively, complementing the local/regional strategy delivered by the rest of the Group's growing distribution.

At the date of authorisation of these interim financial statements it has not yet been possible to complete a detailed assessment of the fair value of the identifiable net assets.

Fair value of consideration paid	**£'000**
Cash	72,691

Vita Financial Limited

On 12 July 2022 the Group increased its stake from 49% to 75% in Vita Financial Limited, a leading protection and general insurance advice firm. This is a strategically important step for the Group as we look to achieve an even stronger market presence in this area.

At the date of authorisation of these interim financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

Fair value of consideration paid	**£'000**
Cash	460

There were no other material events after the reporting period, which have a bearing on the understanding of the consolidated interim financial statements.

Investment in non-listed equity shares

PD Innovations Limited, trading as Boomin, is in the process of raising capital and an update as to the implications for the valuation of MAB's shareholding will be provided in due course.

Head Office refurbishment project

In September 2022, the Group made a capital commitment for c.£3 million to refurbish its head office premises located in Derby.

There were no other material events after the reporting period, which have a bearing on the understanding of the consolidated interim financial statements.