Mortgage Advice Bureau

Mortgage Advice Bureau (Holdings) plc

Annual Report 2016

Putting our customers first

Introduction

Our strategy is clear: to continue to grow our market share and deliver strong revenue growth and attractive returns to investors year on year. Our specialist and technology led approach across our entire business continues to differentiate MAB, and helps us attract many of the UK's leading firms and advisers. We are committed to high standards of customer service and providing our customers with the right advice is at the heart of everything we do.

The strategic investments we made in 2016 form part of our longer term planning to maintain year on year market share growth and further strengthen MAB's overall market position. It is our customers' future direction of travel that drives our strategic priorities for 2017 and beyond.

Contents

Strategic report

Financial highlights	01.
Chairman's statement	02.
Chief Executive's review	04.
■ Delivering on our strategy	04.
■ Our business model	05.
■ Business review of 2016	06.
■ How we performed	08.
■ Financial performance and future developments	09.
■ Principal risks and uncertainties	12.

Governance

Board of Directors	14.
Company information	15.
Directors' report	16.
Corporate governance	18.
Directors' remuneration report	20.
Directors' responsibilities for the financial statements	23.
Independent auditor's report	24.

Financial statements

Consolidated statement of comprehensive income	25.
Consolidated statement of financial position	26.
Consolidated statement of changes in equity	27.
Consolidated statement of cash flows	28.
Notes to the consolidated financial statements	29.
Company statement of financial position	57.
Company statement of changes in equity	58.
Notes to the Company statement of financial position	59.

"I am delighted to report that MAB has yet again delivered an excellent set of results, with our eighth consecutive year of strong revenue and profit growth, despite the obvious headwinds in 2016. Revenue was up 23% to £92.8m with MAB's overall share of UK new mortgage lending increasing by 14% to 4.1%."

"We continue to enjoy a strong financial position following the four strategic investments we made in 2016, which are a key part of our strategy to maintain year on year market share growth and further strengthen MAB's overall market position."

"At MAB we continue to pride ourselves on understanding our customers' needs as delivering the right advice to our customers is at the heart of everything we do."

Peter Brodnicki
Chief Executive
See review on page 04

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

Front Cover: First Time Buyers, Bristol

Mortgage Advice Bureau

Revenue

£92.8m

2015: £75.5m +23%

Profit before exceptional gain and tax

£12.5m

2015: £10.4m +20%

EPS before exceptional gain and tax

20.3 pence

2015: 17.2 pence +18%

Proposed final dividend

10.5 pence per share

2015: 9.5 pence per share +11%

Unrestricted bank balances

£10.8m

2015: £8.2m +32%

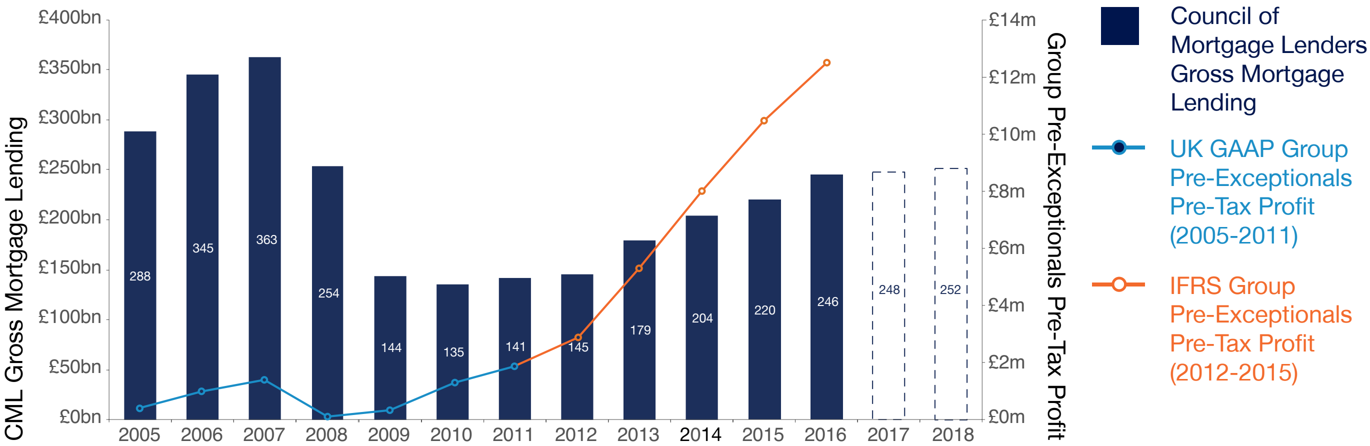
Buy-to-Let Investor, London

"It gives me great pleasure to present my Chairman's statement. We are committed to providing expert advice to our customers and delivering strong revenue growth and attractive returns to our investors. This will be achieved by continuing to increase our share of the mortgage market without compromising our high standards of governance."

Katherine Innes Ker
Chairman

Dear Shareholder

I am pleased to report that MAB continued to deliver a strong financial performance in a year when there were significant challenges and uncertainties both leading up to and following the vote to leave the EU. Despite this both revenue and profits grew faster than the underlying mortgage market and cash conversion remained high.



Source: Council of Mortgage Lenders and MAB accounts

Investments

Four strategic investments were made during the course of the year, in companies that support our market share growth strategy.

The investments were: in Clear Mortgage Solutions to establish a Regional Network Partner in Scotland; in protection specialist Vita to enhance our protection service proposition; in Freedom 365 to establish a highly scalable telephony model for national lead sources; and in our Australian joint venture MAB Broker Services, to deliver a comprehensive mortgage and protection service based in Sydney, our first venture in expanding our distribution outside the UK.

These investments are intended to deliver longer term solutions and income streams for MAB and its partner firms and advisers.

Our people

Maintaining high standards of customer service is core to the way we do business and this is only possible because of the quality, commitment, hard work and dedication of our staff. I would like to express the Board's appreciation and thanks to all our employees for their contribution for another successful year for the Group.

We encourage and facilitate employee share ownership through our share based incentive plans and the Board are encouraged to continue to offer these plans which see a majority of eligible staff participating. The first of the LTIP awards made at the time of the IPO will vest during the current financial year and we anticipate full vesting, rewarding the hard work underlying the excellent performance since IPO.

Ordinary and special dividends

Our interim dividend payout at 90% of post-tax distributable profits was consistent with the rate adopted at the end of 2015, and reflects our intention to grow the dividend by distributing excess capital whilst retaining a prudent excess over the regulatory capital required to be retained in the business.

Special dividends of 5.35 pence per ordinary share were paid following the sale of the stake in Capital Private Finance Limited, being the full amount of the consideration received of £2.7m. Again this demonstrates our intention to make distributions to shareholders of excess capital.

The Board is pleased to recommend the payment of a final dividend for the year of 10.5 pence per ordinary share. If approved, the final dividend will be paid on 31 May 2017 to shareholders on the register at the close of business on 5 May 2017.

We value the support and engagement of our shareholders and we continue to seek and maintain a regular and constructive dialogue with you, of which this report forms part.

Outlook

Adviser numbers have continued to grow since the year end with the Group reporting 976 Advisers at 24 March 2017, and we remain confident about our planned growth in adviser numbers in 2017 and 2018, both organically and from new ARs.

We believe continued specialisation, whether applied to lead generation, customer acquisition, the advice process or the expertise provided by the MAB team, will deliver better customer outcomes and enhanced business performance. The technology-focused businesses in which we have recently invested bring significant additional expertise in protection, telephone sales, lead generation and conveyancing. These investments extend our distribution and will be a key factor in increasing income opportunities for our AR partners, as we support them in adapting their business models to consumers' changing requirements.

The Council of Mortgage Lenders ("CML") recently published revised estimates for gross mortgage lending for 2016 and 2017 of £246bn and £248bn respectively, as well as publishing its first estimate for 2018 of £252bn. Regardless of the CML's prediction that gross mortgage lending growth will be relatively flat in 2017 and 2018, we are confident that with our strategy driven by our customer's future direction of travel, we can continue to grow our market share year on year and deliver attractive returns to investors.

Katherine Innes Ker
Chairman
27 March 2017

First Time Buyer, Nottingham

Introduction

"I am delighted to report that 2016 was our eighth consecutive year of strong revenue and profit growth despite the uncertainty that the EU referendum brought to the housing and mortgage markets last summer. We continue to focus our strategy on growth through specialisation increasing our market share in all conditions and delivering strong returns for our investors."

Peter Brodnicki
Chief Executive

Market environment

Housing transaction volumes overall have been relatively flat over the last three years, with a slight increase in mortgage transaction volumes. Both are predicted to be flat as we look ahead through 2017 and 2018 as the UK Government manages the exit of the UK from the EU. Intermediary market share has continued to rise and in the year ended 31 December 2016 reached 72% (excluding Buy-To-Let, where intermediaries have a higher market share, and product switches with the same lender).

Intermediaries previously had limited access to the product switching market in which customers change products with their existing lender. However, more lenders have started providing intermediaries with full access to this market which is estimated to be equal in size to the remortgage market which was c.£90bn in 2016. The CML industry data excludes product switches with the same lender.

In the most recent RICS housing forecast for 2017, house prices in the UK are predicted to see an average increase of 3% over the course of 2017 as the number of transactions stabilises.

Delivering on our strategy

■ Technology

MAB will always seek to be an early adopter of new and emerging technologies which is fast becoming a major differentiator within the intermediary sector. The strong position that MAB has built as a result of its proprietary MIDAS Pro platform and its in-house development team enables MAB to prioritise technology developments and will enable it to roll out robo-advice style initiatives throughout 2017/18.

As a result we expect MAB's distribution to be able to compete at the highest level with new robo-advice led entrants, whilst retaining the clear advantage of offering our customers the choice of how they want to research, receive advice and transact. Ease, speed and convenience are highly valued by customers and, by delivering such a service, MAB will be in a strong position to further grow its market share.

MAB also sees technology playing an ever increasing part in lead generation through highly effective data management and customer profiling, both of which are major areas of focus for the business.

■ Brand and distribution

Digital, brand and specialisation are major focuses for MAB as we continue to grow our market share and seek to attract potential new customers earlier in the research and decision making process. Within the next few years we expect to start to leverage our brand to support direct to consumer lead generation.

Developments in digital complement our strategy of providing consumers with a choice of how they want to research, receive advice and transact, which is at the heart of the MAB proposition. Telephone advice is likely to increase, complementing face to face advice which remains highly valued by consumers, and will continue to be supported by increasingly streamlined digital processes. MAB Regional Network Partners and carefully positioned and professionally branded mortgage shops further support this strategy.

■ Strategic investments and joint ventures

MAB only invests in companies that support our market share growth strategy and that are intended to deliver longer term solutions and income streams for MAB and its partner firms and advisers.

MAB's first strategic investment following IPO was in Sort Group Limited[1] ("Sort") in December 2015. Four further strategic investments have been made in 2016.

In March 2016, MAB acquired a 25% interest in Clear Mortgage Solutions Limited ("Clear"), to establish a Regional Network Partner in Scotland.

In June 2016, MAB acquired a 20% interest in protection specialists Vita Financial Limited ("Vita"), further enhancing MAB's protection service proposition. Having researched the market for the best specialists in protection, Vita stood out as the ideal partner for MAB. MAB is helping the business scale whilst maintaining Vita's extremely high quality customer service and performance levels. Although MAB advisers perform strongly overall in terms of protection, MAB's partnership with Vita is helping the Group deliver even higher levels and consistency of protection advice across the Group, and we expect to see a positive impact on adviser productivity over the next few years.

In September 2016, MAB acquired a 35% interest in Freedom 365 Mortgage Solutions Ltd ("Freedom 365"), a newly formed entity, which started trading in that month.

[1] The Group invested in Sort Limited on 10 December 2015. On 11 January 2016 a new holding company, Sort Group Limited, was put in place.

Leveraging the Freedom group's existing telephony expertise, Freedom 365 is building a highly scalable data management and telephony model for national lead sources, including on-line estate agency business partners, which should further increase MAB's market share.

In considering opportunities for extending MAB's distribution outside the UK, we saw many similarities between the UK and Australian mortgage markets. In December 2016, MAB entered into a new joint venture, MAB Broker Services Pty Limited ("MAB Broker Services"), with Mortgageport Management Pty Limited, a mortgage manager and mortgage broker based in Sydney. MAB Broker Services started trading in that month under the Mortgage Advice Bureau brand. The joint venture will embrace many of the proven systems and processes adopted by MAB in the UK, with centralised lead generation, and telephone and regionally based advisers combining to deliver a comprehensive service to the Australian public.

■ Summary

Our market share strategy is clear and consistent and it is our customer's future direction of travel that drives our strategic priorities for 2017 and beyond. At MAB, specialisation is a major driver of strategy, whether applied to lead generation, customer acquisition, the advice process or the expertise provided by the MAB team, as we believe this delivers better customer outcomes as well as enhanced business performance.

Businesses in which we have recently invested bring significant additional expertise in protection, telephone sales, lead generation, and conveyancing with each being very much consumer and technology-focused. These investments extend our distribution and will be a key factor in delivering an exceptional customer experience, whilst further increasing income opportunities for our AR partners, as we support them in adapting their business models to consumers' changing requirements. This, along with our increasing investment in the MAB brand and additional key appointments, will enable us to lead from the front and drive the forthcoming changes in our industry.

Our business model

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

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

Under the MAB model almost all the advisers are engaged directly by the ARs themselves. However, MAB carries out all the compliance supervision on behalf of the AR firms, ensuring greater control and helping to achieve consistently high standards of consumer outcomes.

■ Relationships

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

The Group has a long established broad geographic spread across the United Kingdom and expanded into Northern Ireland in 2015. Following completion of the disposal of MAB's 49% stake in Capital Private Finance Limited during 2016, MAB anticipates that c.6% of the Group's revenue is derived from the London market.

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

■ Products available through the Group

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

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

■ Sector focus and specialisations

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

■ Proprietary software

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

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

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

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

Business review of 2016

I am pleased to report strong growth in revenue of 23% to £92.8m with profit before exceptional gain and tax rising by 20% to £12.5m. MAB's gross mortgage lending increased by 28% to £10.0bn in 2016, with MAB's overall share of UK new mortgage lending increasing by 14% to 4.1%.

■ Sale of 49% stake in Capital Private Finance Limited ("CPF")

In August 2016 MAB announced that it had completed the sale of its 49% stake in CPF for consideration in cash of £2.7m. Following confirmation that the Substantial Shareholding Exemption applied to the capital gain arising on MAB's sale of its stake in CPF, so that no corporation tax was payable on the capital gain, MAB has now distributed the post-tax profit on disposal of £2.7m to shareholders in full by way of special dividends. MAB's exposure to the London market reduced to c.6% in terms of revenue as a result of the disposal.

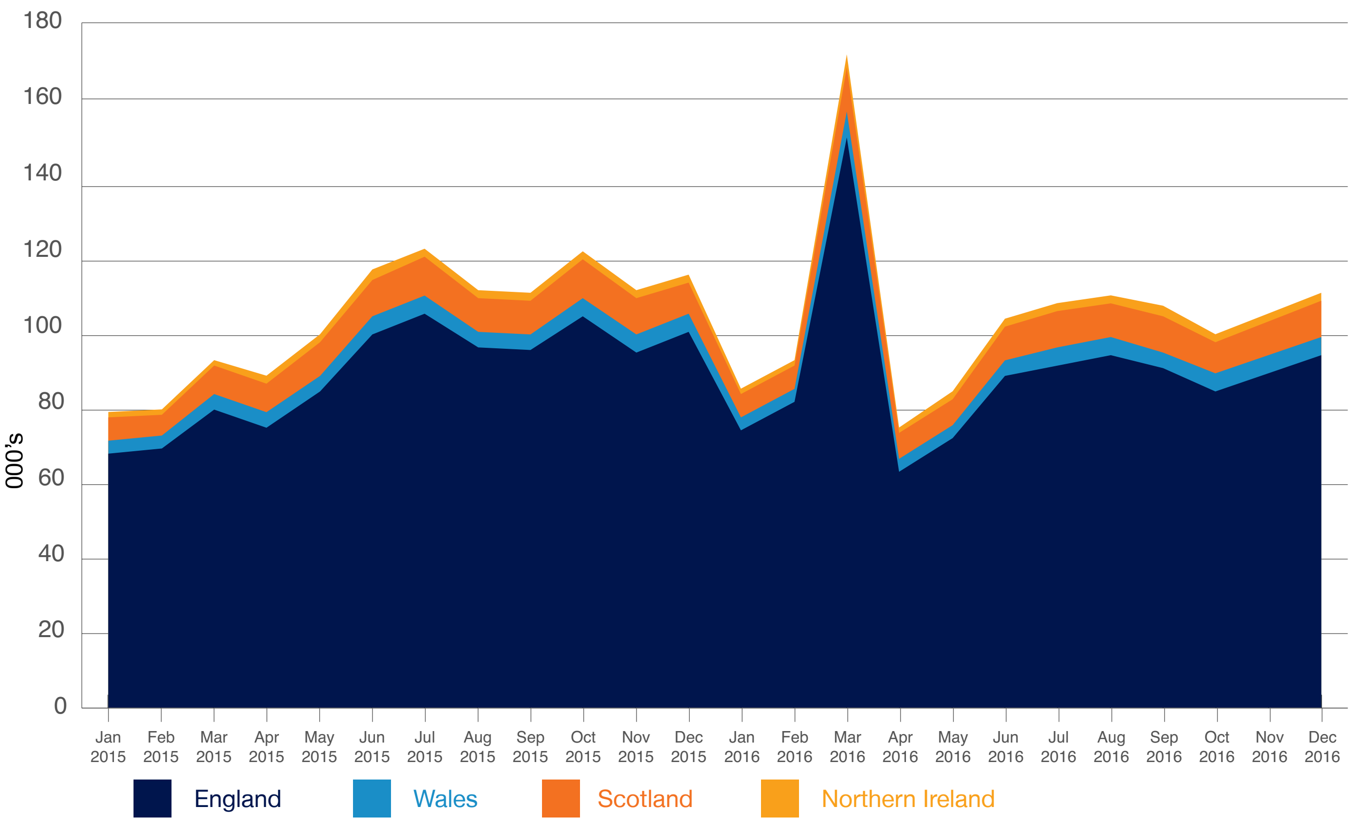
■ Regulatory changes

On 21 March 2016 the EU Mortgage Credit Directive ("EU MCD") came into effect. EU MCD applies to all first and second charge brokers and lenders, who were all required to follow the same regulatory regime from that date. MAB has adapted its procedures to ensure it is fully compliant with EU MCD.

■ Industry data and trends

Housing purchase transactions by volume in the UK for the whole of 2016 were broadly flat compared with 2015, as demonstrated in the graph below, with property inflation of 7.5%[1] being the primary factor that accounted for the increase of 12% in UK mortgage lending overall. The spike in March 2016 ahead of stamp duty changes in April 2016 is evident from the graph below.

Property transactions in the UK by volume

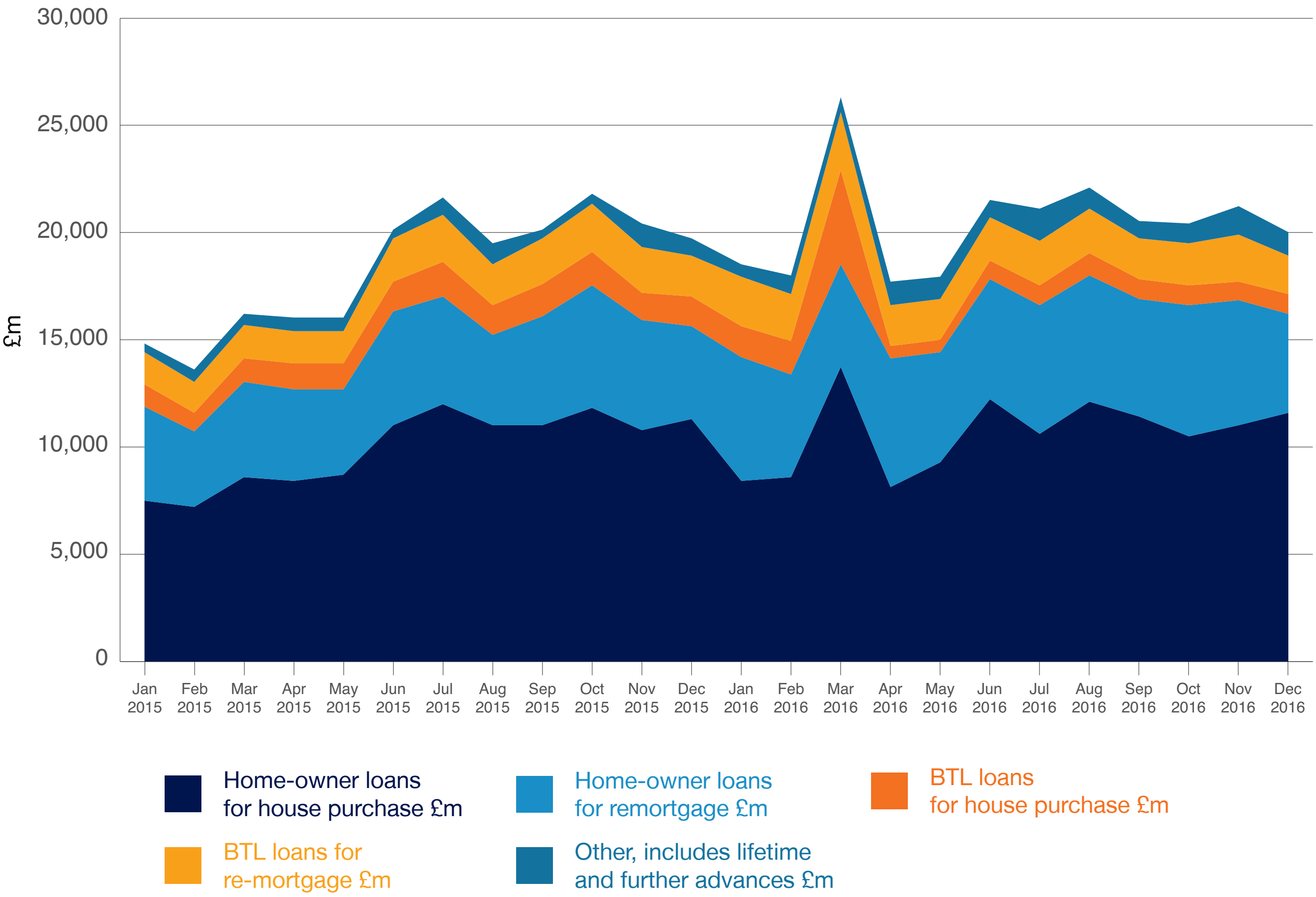


Source: HM Revenue and Customs

[1] Land Registry House Price Index.

The increases in gross mortgage lending are illustrated in the graph below. UK gross mortgage lending in 2016 for home-owner purchases and remortgages grew by 7% and 19% respectively. UK gross mortgage lending in 2016 for BTL purchases reduced by 4% whereas UK gross mortgage lending for BTL remortgages increased by 15%.

New mortgage lending by purpose of loan



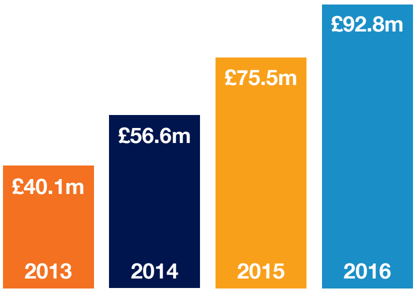
Source: Council of Mortgage Lenders; IMLA (IMLA data has been used to further analyse CML data)

Approximately 72% of UK mortgage transactions (excluding Buy-To-Let, where intermediaries have a higher market share, and product switches with the same lender) were via an intermediary in 2016, up from less than 50% in 2012. MAB expects this intermediary market share to remain broadly stable going forward.

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

Revenue

£92.8m

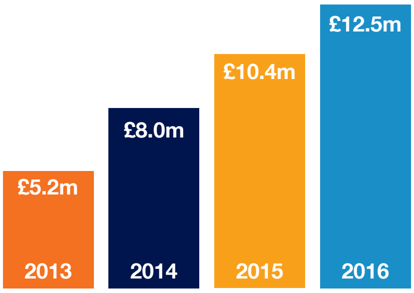


Total income from all revenue streams

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax

£12.5m

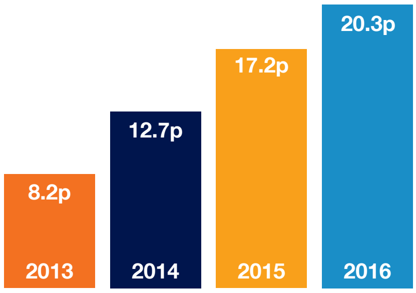


Profit before tax adjusted to add back exceptional or non-recurring items (none in 2015)

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

20.3p

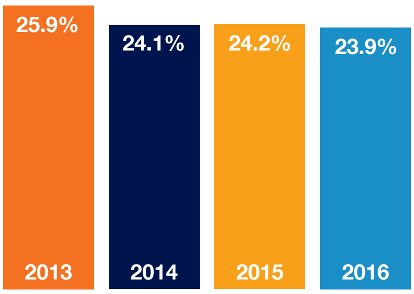


Total comprehensive income, attributable to equity holders of the Company, adjusted to add back non-recurring costs and exclude exceptional gains, divided by the number of ordinary shares. Based on 50.5m shares to allow comparison in 2013 and 2014.

Strategy/objective
Shareholder value and financial performance

Gross profit margin

23.9%

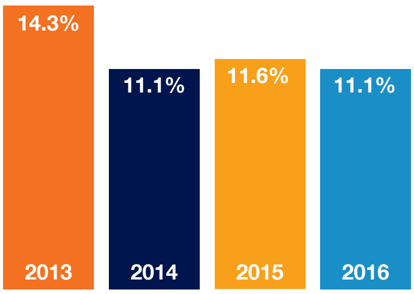


Gross profit generated as a proportion of revenue

Strategy/objective
Managing gross margins

Overheads % of revenue

11.1%

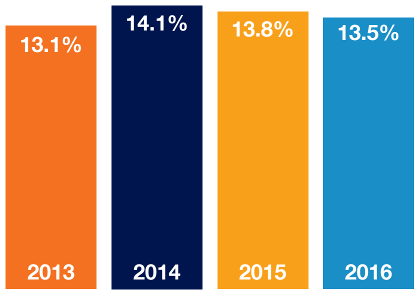


Group's adjusted administrative expenses as a proportion of revenue

Strategy/objective
Operating efficiency

Adjusted profit before tax margin

13.5%

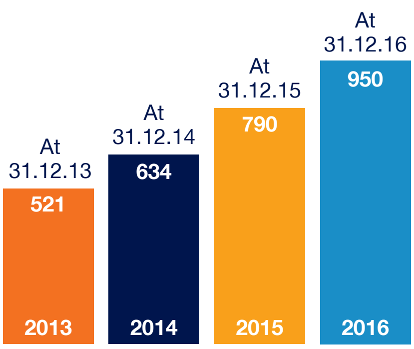


Profit before exceptional gain and tax, adjusted to add back non-recurring items in 2014, as a proportion of revenue

Strategy/objective
Shareholder value and financial performance

Adviser numbers

950

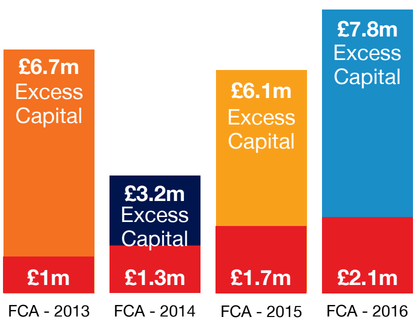


The average number of advisers in 2016 was 888 (2015: 720)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£9.9m

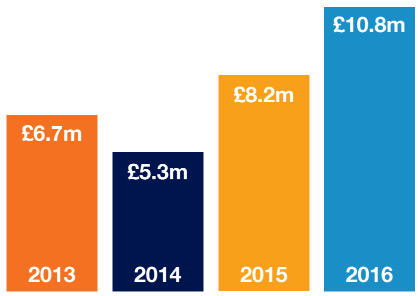


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA)

Strategy/objective
Financial stability

Unrestricted cash balances

£10.8m



Bank balances available for use in operations

Strategy/objective
Financial stability

Revenues

Revenues were up 23% to £92.8m (2015: £75.5m). A key driver of revenue is the average number of Advisers in each financial year. Our business model continues to attract forward thinking ARs who are seeking to expand and grow their market share. Average Adviser numbers increased by 23% to 888 (2015: 720) during the period from a combination of the recruitment of new ARs and the expansion of existing ARs.

The Group generates revenue from three core areas which can be summarised as follows:

Income source	2016 £m	2015 £m	Increase
Mortgage procurement fees	39.4	31.0	27%
Protection and general insurance commission	36.4	30.4	20%
Client fees	15.6	12.8	22%
Other income	1.4	1.3	11%
Total	**92.8**	**75.5**	**23%**

MAB's revenue mix is as follows:

Income source	2016	2015
Mortgage procurement fees	42%	41%
Protection and general insurance commission	39%	40%
Client fees	17%	17%
Other income	2%	2%
Total	**100%**	**100%**

All income sources continued to grow strongly, although average revenue per adviser was flat due to the impact of a lull in activity in the housing and mortgage market driven by uncertainty surrounding the EU referendum. The spike in BTL applications as a result of the stamp duty changes in April 2016 and increased remortgaging affected growth in protection revenue in H1 2016 owing to lower penetration of protection products for BTL mortgages and remortgages, but this has rebalanced for the year as a whole.

Gross profit margin

Gross profit margin was broadly maintained at 23.9% (2015: 24.2%). The Group receives a slightly reduced margin as our existing ARs grow their revenue organically through increasing their Advisers. During the year, MAB continued to attract some larger AR firms, which has driven strong growth in Adviser numbers and revenue. These larger new ARs, however, typically join the Group on lower than average margins due to their existing scale which therefore impacts upon gross margin.

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

Overheads

Following absorption of £0.4m of FSCS supplementary levies in the year ended 31 December 2016 (which the FSCS announced following the year end), overheads as a percentage of revenue were 11.1% (2015: 11.6%). This reduction in overheads as a percentage of revenue demonstrates the scalable nature of the cost base. Certain costs, primarily those relating to compliance, which represent approximately 40% of our cost base, are closely correlated to the growth in the number of Advisers, due to the high standards we demand and the requirement to maintain regulatory spans of control. The remainder of MAB's costs typically rise at a slower rate than revenue which will, in part, counter the expected erosion of gross margin as the business continues to grow. Going forward, we expect to see a further reduction in overheads as a proportion of revenue.

Profit before exceptional gain and tax and margin thereon

Profit before exceptional gain and tax rose by 20% to £12.5m (2015: £10.4m) with the margin thereon being 13.5% (2015: 13.8%). Reported profit before tax, which includes the exceptional gain of £2.7m arising on the disposal of MAB's 49% stake in Capital Private Finance Limited, increased by 46% to £15.2m (2015: £10.4m).

Net finance revenue

Net finance revenues of £0.07m (2015: £0.14m) reflect continued low interest rates.

Taxation

The effective rate of tax increased to 18.4% (2015: 16.9%) principally due to MAB's research and development claim for development on MIDAS Pro during 2014 and 2015 both being credited against the 2015 tax charge. Going forward, we would expect our effective tax rate to be marginally below the prevailing UK corporation tax rate subject to the tax credits for MAB's research and development expenditure still being available in respect of our continued development on MIDAS Pro.

Earnings per share and dividend

EPS before exceptional gain[1] rose by 18% to 20.3 pence (2015:17.2 pence).

The Board is pleased to propose a final dividend for the year ended 31 December 2016 of 10.5 pence per share (2015: 9.5 pence per share), amounting to a cash cost of £5.3m. Following payment of the dividend, the Group will continue to maintain significant surplus regulatory reserves. This final dividend represents c.90% of the Group's post-tax profits for H2 2016 and reflects our ongoing intention to distribute excess capital. MAB requires c.10% of its profit after tax to fund increased regulatory capital and other capital expenditure.

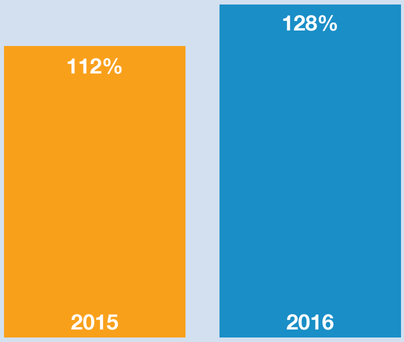
The record date for the final dividend is 5 May 2017 and the payment date is 31 May 2017. The ex-dividend date will be 4 May 2017.

[1] £2.7m profit on disposal of 49% stake in Capital Private Finance Limited.

Cash flow

The Group's operations produce positive cash flow, with net cash inflow from operating activities of £13.4m (2015: £11.0m).

Adjusted cash flow[1] from operating activities as a % of operating profit



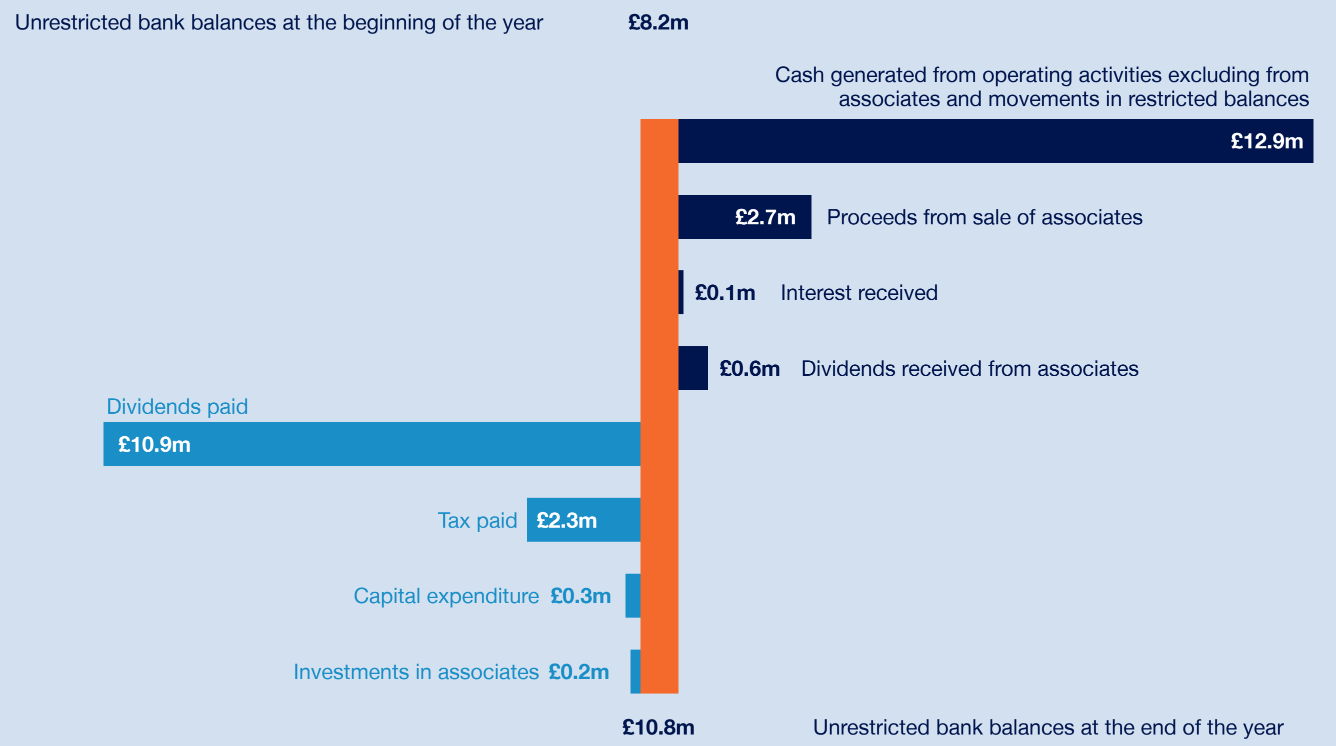
[1] Cash flow from operating activities adjusted for movements in non-trading items including loans to ARs, loans to associates and other non-trade receivables as a % of operating profit. This is now calculated using cash flow before income taxes paid as a fairer representation of cash conversion as a % of operating profit. Excluding increases in restricted cash balances of £2.1m, cash conversion for the year ended 31 December 2016 would have been 111% (2015: 95%).

The Group's operations are capital light with its most significant ongoing capital investment being in computer equipment. Only £0.3m of capital expenditure was required during the year (2015: £0.1m). Group policy is not to provide company cars, and no significant capital expenditure is foreseen in the coming year. All development work on MIDAS Pro is treated as revenue expenditure.

The Group had no bank borrowings as at 31 December 2016 (2015: £nil) with unrestricted bank balances of £10.8m (2015: £8.2m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At the end of 2016 this regulatory capital requirement was £2.1m (2015: £1.7m).

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



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

Forward looking statements

The strategic report is prepared for the members of MAB and should not be relied upon by any other party for any other purpose. Where the report contains forward-looking statements these are made by the Directors in good faith based on the information available to them at the time of their approval of this report.

Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risks underlying such forward looking statements and information. The Group undertakes no obligation to update these forward looking statements.

Homemovers, Derby

Principal risks and uncertainties

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

The table below outlines the most significant risk factors for the business. The risk factors mentioned below do not purport to be exhaustive as there may be additional risks that materialise over time that the Group has not yet identified or deemed to have a potentially material adverse effect on the business:

Risk category	Risk description	Mitigating factors/commentary
Changing markets	The Group operates in a highly competitive environment with competition from other intermediaries and direct lenders, and in an economic environment which may change as the UK Government manages the exit of the UK from the EU.	The Group aims to be at the forefront of providing advice to consumers, leveraging its proprietary MIDAS Pro technology, by offering its customers the choice of how they want to research, receive advice and transact. Housing transaction volumes have been relatively flat over the last three years; with a slight increase in mortgage transaction volumes. Both are predicted to be flat through 2017 and 2018 as the UK Government manages the exit of the UK from the EU. The Group aims to grow its market share, regardless of market conditions.
Availability of mortgage lending	The Group is exposed to a significant reduction in the availability of mortgage lending.	Gross mortgage lending increased to £10.0bn in 2016. The Council of Mortgage Lenders forecast in December 2016 that gross mortgage lending would increase to £248bn in 2017 and £252bn in 2018, both years being considerably lower than the peak of £363bn in 2007.
Regulatory compliance	Failure to comply with regulatory requirements could result in reputational and financial damage, including withdrawal of authorisation by the Financial Conduct Authority.	Whilst almost all advisers are employed or engaged by ARs (rather than by the Group directly), all compliance monitoring and supervision is undertaken by the Group's own specialist compliance team. The quality of consumer outcomes is central to our compliance strategy. The Risk and Compliance Committee reviews the adequacy and effectiveness of the Group's internal controls, compliance and risk management systems to ensure the Group is fulfilling its regulatory responsibilities.
Infrastructure and IT systems	The Group's performance would be adversely impacted if the availability and security of the Group's proprietary MIDAS system, and other IT infrastructure was compromised.	There has been significant investment in recent years into the IT infrastructure. All the Group's servers are hosted in a specialist data centre with appropriate security and systems resilience. A copy of the MIDAS database is also held at another location.

Risk category	Risk description	Mitigating factors/commentary
Appointed Representative (AR) model	The Group has full regulatory responsibility for the actions of its network of ARs, who employ or engage the advisers.	The Group has robust compliance procedures as set out in "Regulatory Compliance" on the opposite page. Whilst the Group has ultimate regulatory responsibility, the commercial liability (eg. complaint redress) is with the ARs.
Concentration	The Group could be exposed to a significant geographic concentration, or overexposure to particular ARs or suppliers.	The Group has broad geographical coverage in the mainland UK, and widened this to Northern Ireland in 2015. A small proportion of the Group's revenue relates to the London market. The Group has no significant exposure to any single AR. Typically ARs enter five year contracts with the Group, and the renewal dates for these contracts are fairly evenly spread between calendar years. The Group enjoys strong relationships with the insurers on its panel, as well as with the major lenders in the UK.
Key personnel	The Group could lose some key employees.	Remuneration is regularly reviewed and there are share based incentive plans for all employees in which the majority of the Group's employees participate. The Group has a very successful track record of retaining senior employees.
Litigation and complaints	The Group could be subject to litigation or complaints not covered by insurance.	The Group has not been subject to any actual or threatened material litigation against it. Complaint levels are low compared to transactional volumes, and the redress from those complaints are borne by the ARs. PI insurance is in place as required by the FCA.
Liquidity risk, including bank default	One or more banks could fail.	The Group has a highly cash generative business model so holds substantial amounts of cash on deposit with banks. The Group spreads its cash balances around a number of banking institutions.

Approval

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

Peter Brodnicki
Chief Executive

27 March 2017

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

Katherine Innes Ker, aged 56
Non-Executive Chairman

Katherine has extensive executive and non-executive director experience. She is senior independent director of The Go-Ahead Group plc. Her experience as a chairman includes The Television Corporation, Shed Media plc, Victoria Carpets plc and Sovereign Housing Association and she was deputy chairman of Marine Farms S.A. She has been a non-executive director of, amongst others, St Modwen Properties Plc, Taylor Wimpey plc, Taylor Woodrow plc, Fibernet plc, Williams Lea plc, S&U plc and Gyrus Group plc. She is a member of the Management Board of the University of Oxford Institute of Human Rights, and an independent director of the Remuneration Committee, Balliol College, Oxford.

Peter Brodnicki, aged 54
Chief Executive

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

David Preece, aged 56
Chief Operating Officer

David joined MAB in 2004 and was appointed Operations Director. He has over 39 years' mortgage and financial services experience, and qualified as an Associate of the Chartered Institute of Bankers. He had a 23 year career at NatWest, including a period as Senior Manager at NatWest Group Financial Control. He moved to a senior management role within the NatWest mortgage business where he spent six years, and during such time was promoted to Head of Mortgage Operations. David joined the Britannia Building Society in 2000 as Head of Membership Services, responsible for Britannia's mortgage, savings and general insurance operations, and was appointed a director of a number of Britannia subsidiaries prior to his departure in late 2003.

Lucy Tilley, aged 45
Finance Director and Company Secretary

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

Nathan Imlach, aged 47
Senior Independent Non-Executive Director

Nathan is Chief Financial Officer of AIM listed Mattioli Woods plc. He qualified as a Chartered Accountant in 1993 with Ernst & Young, specialising in providing mergers and acquisitions advice to a broad range of quoted and unquoted clients in the UK and abroad. Nathan is also a director of Custodian Capital Limited, the discretionary investment manager of Custodian REIT plc, a property investment company listed on the main market of the London Stock Exchange. He is a Fellow of the Chartered Institute for Securities & Investment and holds the Corporate Finance qualification from the Institute of Chartered Accountants in England and Wales.

Richard Verdin, aged 52
Independent Non-Executive Director

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

Company:	**Mortgage Advice Bureau (Holdings) plc**	
Directors:	**Katherine Innes Ker**	Non-Executive Chairman
	Peter Brodnicki	Chief Executive
	David Preece	Chief Operating Officer
	Lucy Tilley	Finance Director
	Nathan Imlach	Senior Independent Non-Executive Director
	Richard Verdin	Independent Non-Executive Director
Company secretary:	**Lucy Tilley**	
Registered office:	**Capital House** Pride Place Pride Park Derby DE24 8QR	
Registered number:	4131569	
Nominated adviser and joint broker:	**Zeus Capital Limited** 82 Kings Street Manchester M2 4WQ	
Joint broker:	**Canaccord Genuity Limited** 88 Wood Street London EC2V 7QR	
Auditor:	**BDO LLP** 55 Baker Street London W1U 7EU	
Solicitors:	**Norton Rose Fulbright LLP** 3 More London Riverside London SE1 2AQ	
Principal bankers:	**NatWest Bank plc** Cumberland Place Nottingham NG1 7ZS	
Registrars:	**Equiniti Limited** Aspect House Spencer Road Lancing West Sussex BN99 6DA	

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2016. For the purposes of this report, the expression "Company" means Mortgage Advice Bureau (Holdings) plc and the expression "Group" means the Company and its subsidiaries.

Results and business review

The principal activity of the Group continues to be the provision of financial services, in particular the provision of mortgage advice and advice on protection and general insurance products. The principal activity of the Company is that of a non-trading holding company. The review of the business, operations, principal risks and outlook are included in the Strategic report on pages 01 to 13. The financial statements set out the results of the Group on page 25.

The Group has achieved further significant growth both in terms of revenues and underlying profitability. Group revenues increased by 23% to £92.8m. Profit before exceptional gain and tax amounted to £12.5m, a rise of 20%. Group profit for the year after taxation (and including exceptional gain) amounted to £12.9m, up 49% on the previous year. Income tax expense for the year was £2.3m an effective rate, pre exceptional gain, of 18.4% (2015: 16.9%).

Dividends

The Directors recommend a final dividend of 10.5 pence per share, totalling £5.3m. This represents a payout of 90% of H2 2016 profit after tax. This has not been included within the Group financial statements as no obligation existed at 31 December 2016. If approved, the final dividend will be paid on 31 May 2017 to ordinary shareholders whose names are on the register on 5 May 2017. Dividends paid during the year amounted to £10.9m and were in respect of the final dividend for the year ended 31 December 2015, the first special dividend following the disposal of MAB's 49% stake in Capital Private Finance Limited and the interim dividend for 2016.

Going concern

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

Events after the reporting date

There are no events after the reporting date.

Directors' indemnity

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

Share capital

Mortgage Advice Bureau (Holdings) plc is a public limited company incorporated in England and Wales and its shares are quoted on the AIM market of the London Stock Exchange plc. The Company's issued share capital during the year and as at 31 December 2016 is shown in note 21. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by section 561 of the Companies Act 2006.

Rule 9 of the City Code

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

At 31 December 2016 Peter Brodnicki held 27.9% of the Share Capital. In addition, the Panel on Takeovers and Mergers ("the Panel") considers two of the Executive Directors (Peter Brodnicki and David Preece) together with Paul Robinson, former Company Secretary who left the Group on 27 May 2016, as persons acting in concert for the purposes of the City Code. At 31 December 2016 the Concert Party (as now constituted) held ordinary shares, in aggregate, representing 32.5% of the Share Capital. The Panel has waived the requirement for Peter Brodnicki and related parties to make a general offer to the shareholders of the Company. Except with the consent of the Panel none of the Concert Party (or their connected persons) will individually be able to acquire any additional interests in ordinary shares without triggering an obligation under Rule 9 of the City Code, other than the issue of shares to members of this Concert Party in relation to the options granted at IPO under the option scheme as disclosed in the Directors' Remuneration Report on pages 20 to 22, and which has been approved by the Panel.

Lock up period

Following completion of the placing of existing ordinary shares on 4 May 2016, the selling shareholders, comprising Peter Brodnicki, David Preece, Paul Robinson and certain other shareholders have agreed with Zeus Capital Limited and Canaccord Genuity Limited (subject to certain limited exceptions including transfers to connected persons (within the meaning of section 252 of the Companies Act 2006) or to trustees for their benefit and disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) not to directly or indirectly, dispose or agree to dispose of any remaining shares (or any economic interest in them) held or controlled by them for a period of 12 months from 4 May 2016 without the prior written consent of Zeus Capital Limited and Canaccord Genuity Limited.

Substantial shareholdings

At 31 December 2016, the Company had been notified of the following interests representing 3% or more of its issued share capital:

Shareholder	Number of ordinary shares	Percentage holding
Peter Brodnicki	14,110,910	27.96%
Liontrust Investment Partners	6,964,945	13.80%
JPM	4,993,965	9.90%
Old Mutual Plc	3,043,609	6.03%
Hargreave Hale Limited	2,682,750	5.32%
Investec	2,517,508	4.99%
Majedie	2,264,922	4.49%
David Preece	1,524,800	3.02%

Directors' interests

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

Related party transactions

Details of related party transactions are given in note 24.

Employee involvement

The Group continues to involve its staff in the future development of the business. Information is provided to employees through briefing sessions, the Group's website and its intranet, "MAB Online". The Group operates a Group Stakeholder Pension plan available to all employees and contributes to the pension schemes of Directors and employees. The Group operates an Enterprise Management Incentive scheme, Unapproved Incentive Plan and Share Incentive Plan, details of which are given in the Directors' Remuneration Report and the financial statements.

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

Political donations

The Group has made no political donations during the year (2015: £nil).

Environmental

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

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held on 24 May 2017. The Notice of Meeting is included with this document and contains further information on the ordinary business to be proposed at the meeting.

Principal risks and uncertainties

The Directors' view of the principal risks and uncertainties facing the business is summarised in the Strategic report on pages 12 and 13. A full review of financial risk management can be seen on pages 49 and 50.

Corporate governance

A full review of Corporate governance appears on pages 18 and 19.

Auditors

BDO LLP, who were appointed as auditors during 2014, have confirmed their willingness to continue in office as auditor in accordance with Section 489 of the Companies Act 2006. The Group is satisfied that BDO LLP are independent and there are adequate safeguards in place to safeguard their objectivity. A resolution to re-appoint BDO as the Company's auditor will be proposed at the AGM on 24 May 2017.

Directors' statement as to disclosure of information to the auditor

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

On behalf of the Board

Lucy Tilley
Finance Director

27 March 2017

Introduction

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

Board composition and independence

The Board of Directors comprises three Executive Directors and three independent Non-Executive Directors. Their biographies on page 14 demonstrate a range of experience which is vital to the success of the Group.

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

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

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

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group and has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals and authorisation of major capital expenditure, setting policies for the conduct of business and approval of budgets and financial statements. Other matters are delegated to management, supported by policies for reporting to the Board. The Company maintains appropriate insurance cover in respect of legal action against the Company's Directors.

Board committees

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

Audit Committee

The Audit Committee comprises Nathan Imlach (Chairman), Katherine Innes Ker and Richard Verdin. Nathan Imlach is a Chartered Accountant. The Committee meets together with the Finance Director, Lucy Tilley, not less than twice a year.

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

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

Remuneration Committee

Further information about the Committee and the Group's remuneration policy is as set out on pages 20 to 22 in the Directors' Remuneration Report.

The members of the Remuneration Committee have no personal interest in the outcome of their decisions and seek to serve the interests of shareholders to ensure the continuing success of the Company.

Nominations Committee

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

Risk and Compliance Committee

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

Communications with shareholders

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

It is intended that all Directors will attend each AGM and shareholders will be given the opportunity to ask questions at the AGM on 24 May 2017. In addition, the Chief Executive, Chief Operating Officer and Finance Director welcome dialogue with individual institutional shareholders to understand their views and feed these back to the Board. General presentations are also given to analysts and investors covering the annual and interim results.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can only provide reasonable not absolute assurance against material misstatement or loss.

The Directors believe that the Group has internal control procedures in place appropriate to the size and nature of the business. The Board routinely reviews the effectiveness of the system of internal control and risk management to ensure controls react to changes in the nature of the Group's operations. There are two Board committees that review various risks; the Audit Committee and the Risk and Compliance Committee, further details of these committees are described on page 18.

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

On behalf of the Board

Lucy Tilley
Finance Director

27 March 2017

Remuneration Committee

The Remuneration Committee comprises Katherine Innes Ker (Chairman), Nathan Imlach, and Richard Verdin. It is responsible for determining and reviewing the Group's policy on executive remuneration and other benefits and terms of employment, including performance related bonuses and share options. The Committee also administers the operation of the share option and share incentive schemes established by the Company, including the Appointed Representative option scheme.

Remuneration policy

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

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

Salaries, fees and benefits

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

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

Short term incentive arrangements

For the year ended 31 December 2016, the short term incentive arrangements for the Executive Directors' comprised a bonus based on actual profit achieved compared to the highest previous profit achieved by the Group, a "high watermark scheme". The maximum award as a percentage of salary under the scheme is 200% of basic salary for any individual Executive Director.

Long term incentives

The Group has adopted the Mortgage Advice Bureau Executive Option Plan to incentivise certain of its senior employees and directors. Where possible, and to the limits applied by the legislation, these schemes benefit from the tax advantages under an Enterprise Management Initiative ("EMI") scheme. If they are not qualifying options (for example, because they exceed the statutory limit at the date of grant) then they will take effect as unapproved options which do not have the same tax advantages as an EMI scheme.

On 4 May 2016, 771,480 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives under the Mortgage Advice Bureau Executive Share Option Plan, representing 1.5% of the current issued share capital. The exercise price of the options of 357.75 pence is equal to the average of the last three business days' closing price for the ordinary shares of the Company at the date of grant. The options are subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria.

Service contracts

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

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

Directors' emoluments and pension contributions

Directors' remuneration payable in respect of the year ended 31 December 2016 was as follows:

Director	Basic salary and fees £	Performance related short term incentives £	Pension contributions £	Benefits[1] £	Total emoluments 2016 £	Total emoluments 2015 £
Katherine Innes Ker	69,500	–	–	–	**69,500**	67,500
Peter Brodnicki[2]	341,000	278,873	–	–	**619,873**	653,217
David Preece[2]	280,500	247,887	–	–	**528,387**	555,570
Lucy Tilley	190,000	92,958	19,000	–	**301,958**	167,380
Nathan Imlach	36,000	–	–	–	**36,000**	35,000
Richard Verdin	31,000	–	–	–	**31,000**	30,000

Notes:

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

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

Directors' interests in shares

As at 31 December 2016, the interest of the Directors in the Ordinary shares of the Company were:

Director	Ordinary shares of 0.1p	%
Katherine Innes Ker	12,382	0.02
Peter Brodnicki	14,110,910	27.96
David Preece	1,524,800	3.02
Lucy Tilley	5,793	0.01
Nathan Imlach	22,660	0.05
Richard Verdin	18,862	0.04

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

Interest in options

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

Director		Exercise price £	At 31 Dec 2015 No.	Granted during the year No.	Exercised during the year No.	Forfeited during the year No.	At 31 Dec 2016 No.
Peter Brodnicki	**(b)**	1.60	325,000	–	–	–	325,000
	(c)	3.5775	–	173,305	–	–	173,305
			325,000	**173,305**	**–**	**–**	**498,305**
David Preece	**(a)**	1.60	156,249	–	–	–	156,249
	(b)	1.60	118,751	–	–	–	118,751
	(c)	3.5775	–	142,557	–	–	142,557
			275,000	**142,557**	**–**	**–**	**417,557**
Lucy Tilley	**(a)**	2.19	75,342	–	–	–	75,342
	(c)	3.5775	–	82,459	–	–	82,459
	(d)	3.5775	–	23,759	–	–	23,759
			75,342	**106,218**	**–**	**–**	**181,560**

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

Note 26 to the financial statements contains details of all options granted to directors and employees as at 31 December 2016. All of the share options were granted for nil consideration.

The mid-market closing price of the Company's ordinary shares at 31 December 2016 was 345 pence and the range during the financial year was 206 pence to 399 pence.

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

On behalf of the Board

Katherine Innes Ker
Chairman of the Remuneration Committee

27 March 2017

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Directors' report, strategic report and the financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

We have audited the financial statements of Mortgage Advice Bureau (Holdings) plc for the year ended 31 December 2016 which comprise the group statement of financial position and company balance sheet, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Leigh Treacy (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London

27 March 2017

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

Consolidated statement of comprehensive income
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	3	**92,848**	75,466
Cost of sales	4	**(70,700)**	(57,173)
Gross profit		**22,148**	18,293
Administrative expenses		**(10,296)**	(8,722)
Share of profit of associates	13	**611**	703
Operating profit		**12,463**	10,274
Finance income	7	**73**	143
Exceptional profit on disposal of asset held for sale	13	**2,690**	–
Profit before tax		**15,226**	10,417
Tax expense	8	**(2,307)**	(1,759)
Profit for the year attributable to equity holders of parent company		**12,919**	8,658
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on asset held for sale		**2,152**	–
Transfer to realised profit		**(2,152)**	–
Net other comprehensive income to be reclassified to profit and loss in subsequent periods net of tax		**–**	–
Other comprehensive income		**–**	–
Total comprehensive income attributable to equity holders of parent company		**12,919**	8,658
Earnings per share attributable to the owners of the parent company			
Basic	9	**25.6p**	17.2p
Diluted	9	**25.2p**	16.7p

The notes on pages 29 to 56 form part of these financial statements.

Consolidated statement of financial position
as at 31 December 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**2,720**	2,621
Goodwill	12	**4,114**	4,114
Other intangible assets	12	**9**	27
Investments	13	**1,008**	715
Deferred tax asset	20	**72**	–
Total non-current assets		**7,923**	7,477
Current assets			
Trade and other receivables	15	**3,256**	2,852
Cash and cash equivalents	16	**18,711**	13,956
Total current assets		**21,967**	16,808
Total assets		**29,890**	24,285
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	21	**51**	51
Share premium		**3,042**	3,042
Capital redemption reserve		**20**	20
Share option reserve		**380**	157
Retained earnings		**11,680**	9,635
Total equity		**15,173**	12,905
Liabilities			
Non-current liabilities			
Contingent consideration	13	**50**	–
Provisions	19	**1,219**	918
Deferred tax liability	20	**40**	28
Total non-current liabilities		**1,309**	946
Current liabilities			
Trade and other payables	17	**12,405**	9,519
Corporation tax liability		**1,003**	915
Total current liabilities		**13,408**	10,434
Total liabilities		**14,717**	11,380
Total equity and liabilities		**29,890**	24,285

The notes on pages 29 to 56 form part of these financial statements.

The financial statements were approved by the Board of Directors on 27 March 2017.

P Brodnicki
Director

L Tilley
Director

Consolidated statement of changes in equity
for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2015	51	3,042	20	11	4,497	7,621
Profit for the year	–	–	–	–	8,658	8,658
Total comprehensive income	–	–	–	–	8,658	8,658
Transactions with owners						
Share based payment transactions	–	–	–	146	–	146
Redemption of shares	–	–	–	–	(38)	(38)
Dividends paid	–	–	–	–	(3,482)	(3,482)
Transactions with owners	–	–	–	146	(3,520)	(3,374)
Balance at 31 December 2015 and 1 January 2016	51	3,042	20	157	9,635	12,905
Profit for the year	–	–	–	–	12,919	12,919
Total comprehensive income	–	–	–	–	12,919	12,919
Transactions with owners						
Share based payment transactions	–	–	–	223	–	223
Dividends paid	–	–	–	–	(10,874)	(10,874)
Transactions with owners	–	–	–	223	(10,874)	(10,651)
At 31 December 2016	**51**	**3,042**	**20**	**380**	**11,680**	**15,173**

The notes on pages 29 to 56 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit for the year before tax		**15,226**	10,417
Adjustments for			
Depreciation of property, plant and equipment	11	**193**	131
Amortisation of intangibles	12	**18**	18
Profit on disposal of asset held for sale		**(2,690)**	–
Share based payments		**223**	146
Share of profit from associates	13	**(611)**	(703)
Dividends received from associates	13	**567**	586
Finance income	7	**(73)**	(143)
		12,853	10,452
Changes in working capital			
(Increase)/decrease in trade and other receivables		**(405)**	69
Increase in trade and other payables		**2,886**	1,611
Increase in provisions		**301**	167
Cash generated from operating activities		**15,635**	12,299
Income taxes paid		**(2,278)**	(1,343)
Net cash inflow from operating activities		**13,357**	10,956
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(292)**	(2,548)
Proceeds from sale of associate		**2,694**	–
Acquisitions of associates and investments	13	**(203)**	(345)
Net cash inflow/(outflow) from investing activities		**2,199**	(2,893)
Cash flows from financing activities			
Interest received	7	**73**	143
Redemption of shares		**–**	(38)
Dividends paid	10	**(10,874)**	(3,482)
Net cash outflow from financing activities		**(10,801)**	(3,377)
Net increase in cash and cash equivalents		**4,755**	4,686
Cash and cash equivalents at the beginning of year		**13,956**	9,270
Cash and cash equivalents at the end of the year		**18,711**	13,956

The notes on pages 29 to 56 form part of these financial statements.

1. Accounting policies

Basis of preparation

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

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

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

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

The Group made an operating profit of £12.5m during 2016 (2015: £10.3m) and had net current assets of £8.6m at 31 December 2016 (31 December 2015: £6.4m) and equity attributable to owners of the Group of £15.2m (31 December 2015: £12.9m).

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

Changes in accounting policies

New standards, interpretations and amendments effective year ended 31 December 2016

The following new standards, interpretations and amendments are effective for annual periods beginning on or after 1 January 2016 and have been applied in preparing these financial statements. None of these new standards or interpretations have a significant impact on the annual consolidated financial statements of the Group.

- **Amendments to IFRS11 "Accounting for Acquisitions of Interests in Joint Operations".** This provides guidance on how to account for the acquisition of joint operations that constitute a business as defined in IFRS 3 Business Combinations. It is effective for accounting periods beginning on or after 1 January 2016.

- **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation".** The amendment to IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of intangible assets. It is effective for accounting periods beginning on or after 1 January 2016. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- **Amendments to IAS 27 "Equity Method in Separate Financial Statements".** The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments are effective for annual periods beginning on or after 1 January 2016. These amendments will not have any impact on the Group's consolidated financial statements.

- **Amendments to IAS 1 Disclosure Initiative.** The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of comprehensive income.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any material impact on the Group.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.** The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

1. Accounting policies (continued)

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

■ Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.** Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

- **IFRS 7 Financial Instruments: Disclosures**

  (i) *Servicing contracts*
  The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement set out in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosure need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

  (ii) *Applicability of the amendments to IFRS 7 to condensed interim financial statements*
  The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

- **IAS 19 Employee Benefits.** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

- **IAS 34 Interim Financial Reporting.** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Group.

New standards, interpretations and amendments not yet effective

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

- **IAS 7 Disclosure Initiative – Amendments to IAS 7.** The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

- **IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12.** The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

1. Accounting policies (continued)

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

- **IFRS 9 Financial Instruments.** This will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components (classification and measurement, impairment and hedge accounting). This standard becomes effective for accounting periods beginning on or after 1 January 2018. Its adoption may result in changes to the classification and measurements of the Group's financial instruments, including any impairment thereof.
- **IFRS 15 Revenue from Contracts with Customers.** This was issued by the IASB on 28 May 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. It sets out the requirements for recognising revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments. This amendment is not expected to have any impact on the Group.
- **IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2.** The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.
- **IFRS 16 Leases.** IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expenses on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

These amendments are not expected to have any impact on the Group.

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

1. Accounting policies (continued)

Basis of consolidation

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

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

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

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

The results and assets and liabilities of the associates are included in the consolidated accounts using the equity method of accounting.

Property, plant and equipment

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

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

Freehold land	not depreciated
Freehold buildings	36 years
Fixtures and fittings	20%
Computer equipment	33%

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

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2011, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. For business combinations completed after 1 January 2011, the goodwill represents the excess of a cost of a business combination over the Group's interest in the fair value of identifiable assets under IFRS 3 Business Combinations.

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

Other intangible assets

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

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

Impairment of non-financial assets

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

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

Unquoted investments

Unquoted investments are shown at cost less provision for impairment.

1. Accounting policies (continued)

Financial assets

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

Trade and other payables

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

Retirement benefits: Defined contribution schemes

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

Provisions

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

Share capital

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

Revenue

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

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

Other income comprises income from ancillary services such as survey and conveyancing fees and is credited to the statement of comprehensive income partly on an accruals basis.

Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

Finance income

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

Exceptional items

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

1. Accounting policies (continued)

Taxation

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

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

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

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

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

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

Segment reporting

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

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

Dividends

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

Share-based payments

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

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

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

2. Critical accounting estimates and judgements

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

(a) Impairment of goodwill

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

(b) Impairment of trade and other receivables

Judgement is required when determining if there is any impairment to the trade and other receivable balances. Trade receivables are reviewed for impairment if they are past due and are not repaid within the terms of the contracts. Other receivables, which include loans, are reviewed for impairment when there are any indications that they may not be recoverable and that security held against the balance may be inadequate to fully cover the amount outstanding. A provision for impairment will be made if following review of the balances, the Group considers it unlikely that any balance will be recovered. More information is included in note 15.

(c) Clawback provision

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

(d) Freehold building

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

3. Revenue

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

	2016 £'000	2015 £'000
Mortgage related products	**55,011**	43,794
Insurance and other protection products	**36,444**	30,412
Other income	**1,393**	1,260
	92,848	75,466

4. Cost of sales

Costs of sales are as follows:

	2016 £'000	2015 £'000
Commissions paid	**69,380**	56,148
Wages and salary costs	**1,320**	1,025
	70,700	57,173

Wages and salary costs	2016 £'000	2015 £'000
Gross	**1,015**	800
Employers' National Insurance	**115**	83
Pension	**35**	21
Other direct costs	**155**	121
	1,320	1,025

5. Profit from operations

Profit from operations is stated after charging the following:

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment	**193**	131
Amortisation of intangibles	**18**	18
Operating leases	**–**	106
Auditors' remuneration:		
Fees payable to the Group's auditors for the audit of the Group's financial statements.	**10**	10
Fees payable to the Group's auditors for the audit of the Group's subsidiary financial statements.	**27**	24

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

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

6. Staff costs

Staff costs, including Directors' remuneration, were as follows:

	2016 £'000	2015 £'000
Wages and salaries	**6,410**	5,629
Share based payments	**315**	250
Social security costs	**712**	618
Defined contribution pension costs	**150**	113
	7,587	6,610

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

	Number	Number
Executive Directors	**3**	3
Compliance	**52**	42
Sales and marketing	**40**	34
Operations	**46**	44
Total	**141**	123

Key management compensation

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

	2016 £'000	2015 £'000
Wages and salaries	**1,568**	1,540
Share based payments	**86**	39
Defined contribution pension costs	**19**	11
	1,673	1,590

During the year retirement benefits were accruing to 1 Director (2015: 1) in respect of defined contribution pension schemes.

The total amount payable to the highest paid Director in respect of emoluments was £619,873 (2015: £653,217). The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (2015: £nil).

7. Finance income

	2016 £'000	2015 £'000
Interest income	**73**	143

8. Income tax

	2016 £'000	2015 £'000
Current tax expense		
UK corporation tax charge on profit for the year	**2,367**	1,870
Adjustments for over provision in prior years	**–**	(114)
Total current tax	**2,367**	1,756
Deferred tax expense		
Origination and reversal of timing differences	**(58)**	6
Adjustment for over provision in prior years	**–**	(1)
Effect of change in tax rate on opening liability	**(2)**	(2)
Total deferred tax (see note 20)	**(60)**	3
Total tax expense	**2,307**	1,759

The reasons for the difference between the actual charge for the year and the standard rate of corporation tax in the United Kingdom of 20% (2015: 20.25%) applied to profit for the year is as follows:

	2016 £'000	2015 £'000
Profit for the year before tax	**15,226**	10,417
Expected tax charge based on corporation tax rate	**3,045**	2,109
Expenses not deductible for tax purposes amortisation and impairment	**62**	38
Adjustment for non-taxable profit on sale of asset held for sale	**(538)**	–
Research & Development allowances	**(148)**	(129)
Adjustments to tax charge in respect of prior periods	**–**	(114)
Adjustment to deferred tax charge in respect of prior periods	**–**	(1)
Profits from associates	**(122)**	(142)
Effect of lower deferred tax rate	**10**	–
Rate change on deferred tax liability	**(2)**	(2)
Total tax expense	**2,307**	1,759

Changes in the taxation rate

Legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020 had been enacted and so the deferred tax balance has been calculated at 17% (2015: 18%).

9. Earnings per share

a) Earnings per share

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

Basic earnings per share	**2016 £'000**	2015 £'000
Profit for the year attributable to the owners of the parent	**12,919**	8,658
Weighted average number of shares in issue	**50,461,600**	50,478,038
Basic earnings per share (in pence per share)	**25.6p**	17.2p

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

Diluted earnings per share	**2016 £'000**	2015 £'000
Profit for the year attributable to the owners of the parent	**12,919**	8,658
Weighted average number of shares in issue	**51,238,503**	51,987,564
Diluted earnings per share (in pence per share)	**25.2p**	16.7p

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

Weighted average number of ordinary shares	**2016**	2015
Issued ordinary shares at start of period	**50,461,600**	50,509,600
Effect of shares purchased during period	**–**	(31,562)
Basic weighted average number of shares	**50,461,600**	50,478,038
Potential ordinary shares arising from options	**776,903**	1,509,526
Diluted weighted average number of shares	**51,238,503**	51,987,564

b) Adjusted earnings per share

	2016 £'000	2015 £'000
Profit for the year attributable to the owners of the parent	**12,919**	8,658
Adjusted for the following items net of tax:		
Profit on disposal of asset held for sale	**(2,690)**	–
Adjusted earnings net of tax	**10,229**	8,658
Weighted average number of shares in issue	**50,461,600**	50,478,038
Adjusted basic earnings per share (in pence per share)	**20.3p**	17.2p
Adjusted diluted earnings per share (in pence per share)	**20.0p**	16.7p

10. Dividends

	2016 £'000	2015 £'000
Dividends paid and declared during the year:		
Final dividend for 2015: 9.5p per share (2014: 2.0p)	**4,794**	1,009
Special dividend: 4.25p per share	**2,145**	–
Interim dividend for 2016: 7.8p per share (2015: 4.9p)	**3,935**	2,473
	10,874	3,482
Equity dividends on ordinary shares:		
Further special dividend: 1.1p per share	**555**	–
Proposed for approval:		
Final dividend for 2016: 10.5p per share (2015: 9.5p)	**5,298**	4,794
	5,853	4,794

The record date for the final dividend is 5 May 2017 and the payment date is 31 May 2017.The ex-dividend date will be 4 May 2017.

11. Property, plant and equipment

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

11. Property, plant and equipment (continued)

	Freehold land and building £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2015	–	262	475	737
Additions	2,409	26	113	2,548
At 31 December 2015	2,409	288	588	3,285
Depreciation				
At 1 January 2015	–	220	313	533
Charge for the year	13	20	98	131
At 31 December 2015	13	240	411	664
Net book value				
At 31 December 2015	2,396	48	177	2,621

12. Intangible assets

Goodwill	**2016 £'000**	2015 £'000
Cost		
As at 1 January and 31 December	**4,267**	4,267
Accumulated impairment		
At 1 January	**153**	153
At 31 December	**153**	153
Net book value		
At 31 December	**4,114**	4,114

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

Under IAS 36, "Impairment of assets", the Group is required to review and test its goodwill annually each year or in the event of a significant change in circumstances. The impairment review conducted at the end of 2016 concluded that there had been no impairment of goodwill and the recoverable amount is in excess of £16m.

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

12. Intangible assets (continued)

Licences	**2016 £'000**	2015 £'000
Cost		
As at 1 January and 31 December	**108**	108
Accumulated Amortisation		
At 1 January	**81**	63
Charge for the year	**18**	18
At 31 December	**99**	81
Net book value		
At 31 December	**9**	27

13. Investments

	£'000
Investment in Associates	1,008
Other Investments	–
At 31 December 2016	**1,008**
At 31 December 2015	715

Investment in Associates

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

Company name	Reporting date	Country of incorporation	Percentage of ordinary shares held	Description
CO2 Commercial Limited	31 December	England and Wales	49	Property surveyors
MAB Wealth Management Limited	31 December	England and Wales	49	Provision of financial services
Freedom 365 Mortgage Solutions Limited	31 December	England and Wales	35	Provision of financial services
Sort Group Limited	31 December	England and Wales	33.25	Conveyancing and software development services
Buildstore Limited	31 December	England and Wales	25	Provision of financial services
Clear Mortgage Solutions Limited	31 December	England and Wales	25	Provision of financial services
Vita Financial Limited	31 December	England and Wales	20	Provision of financial services
MAB Broker Services Pty Limited	30 June	Australia	45	Provision of financial services

13. Investments (continued)

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

	2016 £'000	2015 £'000
At 1 January	**715**	253
Additions	**253**	345
Disposals	**(4)**	–
Share of profit	**611**	703
Dividends received	**(567)**	(586)
At 31 December	**1,008**	715

The Group was entitled to 49% of the results for Capital Private Finance Limited up to 30 June 2016. The Group is also entitled to 49% of the results of CO2 Commercial Limited, and MAB Wealth Management Limited by virtue of its 49% equity stakes. CO2 Commercial Limited is a dormant holding company, and trades through its wholly owned subsidiary, Pinnacle Surveyors (England & Wales) Limited. The Group is entitled to 45% of the results of MAB Broker Services Pty Limited by virtue of its 45% equity stake, 35% of the results of Freedom 365 Mortgage Solutions Limited by virtue of its 35% equity stake, 25% of the results of Buildstore Limited and Clear Mortgage Solutions Limited by virtue of its 25% equity stakes and 20% of the results of Vita Financial Limited by virtue of its 20% equity stake.

On 11 January 2016 a new holding company, Sort Group Limited, was put in place such that Mortgage Advice Bureau Limited now owns 33.25% of Sort Group Limited and Sort Group Limited in turn owns 69.18% of Sort Limited and also 69.18% of Sort Technology Limited. Mortgage Advice Bureau Limited's effective holding in Sort Limited did not change as a result of this and remains at 23%. Mortgage Advice Bureau Limited also has an effective holding of 23% in Sort Technology Limited. The Group is entitled to 33.25% of the results of Sort Group Limited by virtue of its 33.25% equity stake.

Acquisitions and disposals during the year

The Group acquired a 25% interest in Clear Mortgage Solutions Limited on 18 March 2016 at a cost of £50,000 plus contingent consideration of up to £50,000 payable in 2017 depending on the audited results of Clear Mortgage Solutions Limited for the financial year ended 31 December 2016. The full £50,000 contingent consideration has been provided for in these financial statements. Also during the year the Group acquired a 20% interest in Vita Financial Limited on 30 June 2016 at a cost of £150,000, a 35% interest in Freedom 365 Mortgage Solutions Limited on 22 September 2016 at a cost of £350 and a 45% interest in MAB Broker Services Pty Limited on 9 December 2016 at a cost of £2,666 (AUD4,500).

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

13. Investments (continued)

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

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

	Pinnacle Surveyors (England & Wales) Limited £'000	Capital Private Finance Limited £'000	Others £'000	2015 Total £'000
Non-current assets	12	3	228	243
Cash balances	270	479	739	1,488
Current assets	532	68	321	921
Current liabilities	(497)	(257)	(760)	(1,514)
Non-current liabilities and provisions	(2)	(87)	(200)	(289)
Revenue	2,978	1,983	5,734	10,695
Profit before taxation	765	897	726	2,388
Total comprehensive income	607	715	617	1,939
Profit attributable to Group	298	350	55	703
Dividends received from associates	257*	329	–	586

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

13. Investments (continued)

The details of Capital Private Finance Limited for the period up to the date of disposal were as follows:

	£'000
Non-current assets	2
Cash balances	394
Current assets	110
Current liabilities	(292)
Non-current liabilities and provisions	(79)
Revenue	664
Profit before taxation	289
Total comprehensive income	231
Profit attributable to Group	118
Dividends received from associates	210

The amounts disclosed for revenue, profit before tax, total comprehensive income, profit attributable to Group and dividends received are included in the amounts disclosed in the figures for "Others" in the table for 2016 as set out above. The balance sheet details are not included in the table above.

All associates prepare their financial statements in accordance with FRS 102 other than Clear Mortgage Solutions Limited who prepare their financial statements in accordance with UK GAAP and MAB Broker Services Pty Limited who prepare their financial statements in accordance with the Australian Accounting Standards. There would be no material difference to the accounts of any of the associates other than Sort Group Limited if these were prepared in accordance with IFRS. For Sort Group Limited amortisation of £86,981 has been charged for the year on goodwill arising on consolidation, no amortisation would be charged under IFRS.

Other investments

Unlisted investment

The unlisted investment represents a 0.05% shareholding in Twenty7tec Limited, a company that licenses certain mortgage sourcing software. The net book value of the investment at 31 December 2016 was £150 (2015: £150).

14. Subsidiaries

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

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

Acquisitions

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

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

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

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

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

Mortgage Advice Bureau Australia (Holdings) Pty Limited holds 100% of the ordinary share capital of Mortgage Advice Bureau Pty Limited.

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

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

15. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables not past due	**757**	564
Trade receivables past due but not impaired	**55**	49
Trade receivables past due but impaired	**481**	459
Trade receivables	**1,293**	1,072
Less provision for impairment of trade receivables	**(481)**	(459)
Trade receivables – net	**812**	613
Amounts due from associates	**318**	116
Prepayments and accrued income	**2,126**	2,123
	3,256	2,852

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

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

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

In light of the above, the Directors do not consider that disclosure of an aging analysis of past due but not impaired receivables would provide useful additional information. The Group has not recognised a provision for impairment of these balances because there is no objective evidence that they are impaired. Further information on the credit quality of financial assets is set out in note 18.

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

	2016 £'000	2015 £'000
At 1 January	**459**	441
Impairment losses recognised	**25**	20
Impairment provisions no longer required	**(3)**	(2)
At 31 December	**481**	459

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above less collateral held as security. Details of security held are given in note 18.

No other balances are past due or impaired.

16. Cash and cash equivalents

	2016 £'000	2015 £'000
Unrestricted cash and bank balances	**10,811**	8,189
Bank balances held in relation to retained commissions	**7,900**	5,767
Cash and cash equivalents	**18,711**	13,956

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

17. Trade and other payables

	2016 £'000	2015 £'000
Appointed Representatives retained commission	**7,900**	5,767
Other trade payables	**2,655**	2,224
Trade payables	**10,555**	7,991
Social security and other taxes	**240**	242
Other payables	**20**	53
Accruals	**1,590**	1,233
	12,405	9,519

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

As at 31 December 2016 and 31 December 2015, the book value of trade and other payables approximates their fair value given that they are short term in nature.

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

18. Financial instruments – risk management

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

- Credit risk
- Liquidity risk
- Interest rate risk

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

Principal financial instruments

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

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

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

Financial assets	**2016 £'000**	2015 £'000
Cash and cash equivalents	**18,711**	13,956
Trade and other receivables	**1,130**	729
Total financial assets	**19,841**	14,685

Financial liabilities	**2016 £'000**	2015 £'000
Trade and other payables	**12,405**	9,519
Total financial liabilities	**12,405**	9,519

General objectives, policies and processes

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

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

Credit risk

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

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables are given in note 15.

18. Financial instruments – risk management (continued)

Financial assets – maximum exposure	**2016 £'000**	2015 £'000
Cash and cash equivalents	**18,711**	13,956
Trade and other receivables	**1,130**	729
Total financial assets	**19,841**	14,685

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

Trade receivables consist of a large number of unrelated trading partners and therefore credit risk is limited. Due to the large volume of trading partners the Group does not consider that there is any significant credit risk as a result of the impact of external market factors on their trading partners. Additionally, within trade payables are amounts due to the same trading partners that are included in trade receivables; this collateral of £509,169 (2015: £398,480) significantly reduces the credit risk.

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

Interest rate risks

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

Foreign exchange risk

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

Liquidity risk

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

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group's trade and other payables are repayable within one year from the reporting date.

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

Capital management

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

The Group's objectives when maintaining capital are:

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

19. Provisions

Clawback provision	**2016 £'000**	2015 £'000
At 1 January	**918**	751
Charged to the statement of comprehensive income	**301**	167
At 31 December	**1,219**	918

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

20. Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 17% (2015: 18%). The reduction in the main rate of corporation tax as set out in note 8 has been applied to deferred tax balances which are expected to reverse in the future.

The movement in deferred tax is shown below:

	2016 £'000	2015 £'000
Deferred tax liability – opening balance	**(28)**	(25)
Recognised in the statement of comprehensive income	**60**	(3)
Deferred tax asset/(liability) – closing balance	**32**	(28)

The deferred tax balance is made up as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	**(40)**	(28)
Share-based payment	**72**	–
Net deferred tax asset/(liabilities)	**32**	(28)

Reflected in the statement of financial position as follows:

	2016 £'000	2015 £'000
Deferred tax liability	**(40)**	(28)
Deferred tax asset	**72**	–
Deferred tax asset/(liabilities) net	**32**	(28)

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

21. Share capital

Issued and fully paid	2016 £'000	2015 £'000
Ordinary shares of 0.1p each	**51**	51
Total share capital	**51**	51

22. Reserves

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

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

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

There is no restriction on the distribution of retained earnings.

23. Retirement benefits

The Group operates a defined contribution pension scheme for the benefit of its employees and also makes contributions to a self-invested personal pension ("SIPP"). The assets of the scheme and the SIPP are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the SIPP and amounted to £149,400 (2015: £112,658). There were no contributions payable to the fund or the SIPP at the statement of financial position date (2015: £20,023, included in other payables).

24. Related party transactions

At 31 December 2015 there was a loan outstanding from Pinnacle Surveyors (England & Wales) Limited a subsidiary of an associated company, of £16,000 included in trade and other receivables. The loan was repaid in full during the year ended 31 December 2016.

At 31 December 2016 there was a loan outstanding from Buildstore Limited, an associated company, of £65,000 (2015: £100,000) included in trade and other receivables. During the year the Group paid commissions of £1,499,513 (2015: £1,364,453) to Buildstore Limited.

During the year the Group received introducer commission from MAB Wealth Management Limited, an associated company of £9,345 (2015: £6,147). There is no balance outstanding with MAB Wealth Management Limited at 31 December 2016 (2015: £nil).

During the year the Group received introducer commission from Sort Limited, a subsidiary of an associated company of £181,105 (2015: £12,758). A loan of £5,195 was made to Sort Group Limited, an associated company during the year but this was repaid by 31 December 2016. There is no balance outstanding with Sort Group Limited at 31 December 2016 (2015: £nil).

During the year the Group paid commission to Clear Mortgage Solutions Limited, an associated company of £877,217.

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

24. Related party transactions (continued)

During the year the Group paid commission to Vita Financial Limited, an associated company of £208,445.

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

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

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

	2016 £'000	2015 £'000
CO2 Commercial Limited	**357**	257
Capital Private Finance Limited	**210**	329
Total	**567**	586

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

25. Ultimate controlling party

There is no ultimate controlling party.

26. Share based payments

Mortgage Advice Bureau Executive Share Option Plan

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

For options outstanding at 1 January 2016:

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

For options granted during the year:

- 100% based on performance to 31 March 2019, exercisable between that date and 3 May 2024.

26. Share based payments (continued)

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

	2016 WAEP £	**2016 Number**	2015 WAEP £	2015 Number
Outstanding at 1 January	**1.63**	**1,400,342**	1.60	1,325,000
Granted during the year	**3.58**	**771,480**	2.19	75,342
Outstanding at 31 December	**2.32**	**2,171,822**	1.63	1,400,342

On 4 May 2016, 771,480 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives under the Mortgage Advice Bureau Executive Share Option Plan. The exercise price of the options of 357.75p is equal to the average of the last three business days' closing price for the ordinary shares of the Company at the date of grant. The options are subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria.

For the share options outstanding under the Mortgage Advice Bureau Executive Share Option Plan as at 31 December 2016, the weighted average remaining contractual life is 1.96 years (2015: 2.75 years).

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

	2016	2015
Equity-settled		
Option pricing model – EPS	**Black-Scholes**	Black-Scholes
Option pricing model – TSR	**Stochastic**	Stochastic
Exercise price	**£3.5775**	£2.19
Expected volatility	**30%**	30%
Expected dividend yield	**4.0%**	7.2%
Risk free interest rate	**0.47%**	0.6% – 1.29%

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

Dividends paid on shares reduce the fair value of an award as a participant does not receive the dividend income on these shares. For the share options granted during the year the historic dividend yield has been used, calculated as dividends announced in the 12 months prior to grant calculated as a percentage of the share price on the date of grant to give a dividend yield of 4.0%.

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

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

26. Share based payments (continued)

MAB AR Option Plan

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

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

	2016 WAEP £	**2016 Number**	2015 WAEP £	2015 Number
Outstanding at 1 January	**0.01p**	**255,000**	–	–
Granted during the year	**–**	**–**	0.01p	255,000
Outstanding at 31 December	**0.01p**	**255,000**	0.01p	255,000

For the share options outstanding under the MAB AR Option Plan as at 31 December 2016, the weighted average remaining contractual life is 3.4 years (2015: 4.4 years).

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

	2016	2015
Equity-settled		
Option pricing model	**–**	Black-Scholes
Exercise price	**–**	0.01p
Expected volatility	**–**	30%
Expected dividend yield	**–**	7.1%
Risk free interest rate	**–**	1.33%

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

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

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

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

26. Share based payments (continued)

Share-based remuneration expense

The share-based remuneration expense of £315,223 (2015: £250,167) includes the charge for the equity-settled schemes of £221,717 (2015: £146,717) and the matching element of the Group's Share Incentive Plan for all employees of £52,506 (2015: £47,312).

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

27. Contingent Liabilities

The Group had no contingent liabilities at 31 December 2016 or 31 December 2015.

Company statement of financial position

as at 31 December 2016

Mortgage Advice Bureau

Registered number 4131569

The following parent entity financial statements are prepared under FRS 102 and relate to the Company and not to the Group. The statement of accounting policies which have been applied to these accounts can be found on page 59.

The Company is a non-trading holding company. As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year of £10,874,476 (2015: £3,481,850).

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments	3	**3,077**	3,077
Current assets			
Debtors	4	**222**	222
Net assets		**3,299**	3,299
Capital and reserves			
Called up share capital	5	**51**	51
Share premium account	6	**3,042**	3,042
Capital redemption reserve	6	**20**	20
Retained earnings	6	**186**	186
		3,299	3,299

The notes on pages 59 to 62 form part of these financial statements.

The financial statements were approved by the Board of Directors on 27 March 2017.

P Brodnicki
Director

L Tilley
Director

Company statement of changes in equity
for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2015	51	3,042	20	224	3,337
Profit for the year	–	–	–	3,482	3,482
Total comprehensive income	–	–	–	3,482	3,482
Transactions with owners					
Redemption of shares	–	–	–	(38)	(38)
Dividends paid	–	–	–	(3,482)	(3,482)
Transactions with owners	–	–	–	(3,520)	(3,520)
Balance at 31 December 2015 and 1 January 2016	51	3,042	20	186	3,299
Profit for the year	–	–	–	10,874	10,874
Total comprehensive income	–	–	–	10,874	10,874
Transactions with owners					
Dividends paid	–	–	–	(10,874)	(10,874)
Transactions with owners	–	–	–	(10,874)	(10,874)
At 31 December 2016	**51**	**3,042**	**20**	**186**	**3,299**

1. Accounting policies

Basis of preparation

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

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

Cash flow statement

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

Going concern

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

Investments

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

Share capital

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

Dividends

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

Financial Instruments

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

2. Profit for the year

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

3. Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2016 and 31 December 2016	**3,077**
Net book value	
At 31 December 2016	**3,077**
At 31 December 2015	**3,077**

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

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

3. Fixed asset investments (continued)

Acquisitions

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

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

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

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

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

Mortgage Advice Bureau Australia (Holdings) Pty Limited holds 100% of the ordinary share capital of Mortgage Advice Bureau Pty Limited.

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

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

4. Debtors – amounts falling due within one year

	2016 £'000	2015 £'000
Amounts due from Group undertakings	**222**	222

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

5. Share capital

Issued and fully paid	**2016 £'000**	2015 £'000
Ordinary shares of 0.1p each	**51**	51
Total share capital	**51**	51

6. Reserves

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

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

There is no restriction on the distribution of retained earnings.

7. Financial instruments and risk

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

8. Related party transactions

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

Mortgage Advice Bureau (Holdings) plc

Annual Report 2016

Mortgage Advice Bureau

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