Mortgage Advice Bureau (Holdings) plc

Annual Report 2018

Mortgage Advice Bureau

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

Our strategy remains focused on securing further growth through technology, lead generation and specialisation which will increase our market share and the number of mortgage completions in all market conditions, enabling us to continue to deliver strong returns to our investors. Technology is integral to our business. Importantly, we are building our new technology platform to enhance the advice process and enable more choice for our customers in terms of how they research, receive advice and transact. Our platform is designed to improve the customer and adviser experience.

We are pleased to have now completed the first development phase of our new platform, which we are testing with a number of our business partners, before rolling out to the remainder of our firms over the course of this year. Our technology developments will ensure MAB is able to maintain and build upon its leading position in the intermediary sector. We continue to invest in our core business model with our plans for 2020 and beyond designed to secure sustainable long-term growth whilst continuing to deliver strong results in the meantime.

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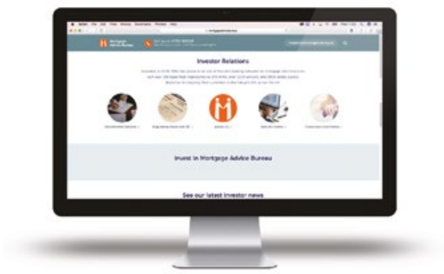
"I am delighted to report another set of strong results. Despite continued political uncertainty, we have achieved robust growth in revenue, up 13% to £123m, which has translated into strong growth in EPS up 9% to 25.9p. Accordingly, the Board is pleased to propose the payment of an increased final dividend of 12.7p per share, making total proposed ordinary dividends for the year of 23.3p, up 9% on the prior year.

"MAB continues to deliver on its strategy to grow market share in all market conditions whilst maintaining a strong financial position. Our mortgage completions increased by 18% and our market share by 10%. We are pleased to have now completed the first development phase of our new platform, which we are commencing testing with a number of our business partners, before rolling out to the remainder of our firms over the course of this year.

"We are focused on delivering sustainable long-term growth and providing the best possible solutions and outcomes for our customers. We plan to continue growing our market share and mortgage completions, whilst leading the evolution of intermediary distribution that we expect to see over the coming years."

Peter Brodnicki
Chief Executive
See review on page 04

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



Front Cover: Re-mortgage customers, Bude

Mortgage Advice Bureau

Revenue

£123.3m

2017: £108.8m

+13%

Profit before exceptional gain and tax

£15.7m

2017: £14.5m

+8%

EPS before exceptional gain and tax

25.9 pence

2017: 23.8p pence

+9%

Proposed total ordinary dividends

23.3 pence per share

2017: 21.4 pence per share

+9%

Unrestricted bank balances

£13.9m

2017: £13.2m

+5%

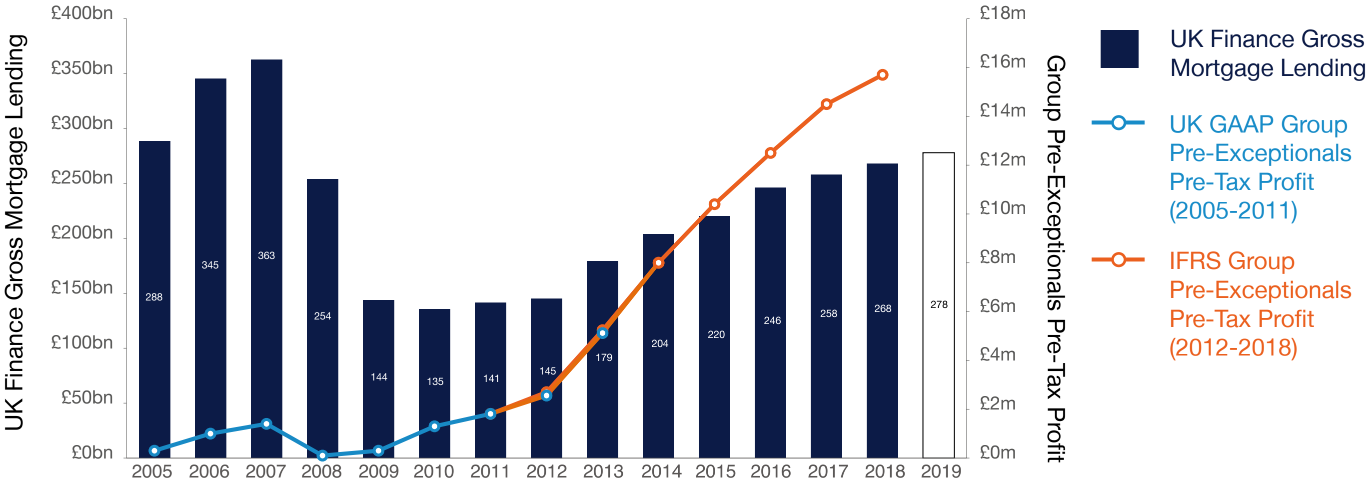
Buy to Let Investor, London

"We are confident that our strategy, driven by our customers and their changing expectations, will continue to drive growth in MAB's market share year on year and deliver attractive returns to investors."

Katherine Innes Ker
Chairman

Dear Shareholder

I am pleased to report that MAB has delivered a fourth full year of strong revenue and profit growth since IPO through a 10% growth in our market share to 4.7% (2017: 4.3%) and mortgage completions increasing by 18% to £14.0bn, in a reduced housing transaction market.



Source: UK Finance and MAB accounts

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

People

Core to the way we do business is our people, and their commitment to our high standards of customer service. I would like to thank them on behalf of the Board for their hard work and dedication, enabling MAB to deliver another year of strong growth and returns to shareholders.

Board changes

During the course of the year, we welcomed Ben Thompson as Managing Director of the Group with effect from 7 June 2018. His knowledge of and experience in our markets adds to the already high quality of the management team we have built at MAB. This is a new Board role within MAB that reflects the ambitions of the Group and the considerable opportunities that lie ahead.

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

David Preece, our Chief Operating Officer, will be retiring at the end of June 2019, at which point David will become a Non-Executive Director of the Group. David has also agreed to provide additional time over and above his Non-Executive Director responsibilities in a consultancy capacity to MAB.

David's retirement comes after a career spanning over 40 years in financial services, including the last 15 years as an Executive Director of MAB. He became part time two years ago, delegating some of his operational responsibilities to other members of MAB's senior management team. David remains a significant shareholder of the Group with a 2.98% shareholding in MAB.

I have long valued David's wise counsel, deep insights, judgement, and thoughtfulness, combined with his warm sense of humour. His commitment to MAB is evident, and I am delighted that he will remain on the Board as a Non-Executive Director upon his retirement.

Ordinary dividends

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

The Board is pleased to recommend the payment of a final dividend for the year of 12.7 pence per ordinary share. If approved, the final dividend will be paid on 24 May 2019 to shareholders on the register at the close of business on 26 April 2019.

Current trading and outlook

UK Finance predicts that new gross mortgage lending will rise to £278bn for 2019, indicating that the market is likely to be broadly similar in the near term. These figures exclude product transfers, and it has only been over the last year or so that the large lenders have engaged intermediaries to help them to retain their existing mortgage borrowers. The latest UK Finance statistics indicate that the product transfer market is likely to continue to increase from the c. £160bn for 2018.

Due to the uncertainty resulting from the extended Brexit negotiations current trading continues to be muted for our estate agency based ARs and similar to our experience towards the end of 2018. As a result we expect revenue per adviser to be broadly flat in 2019. Adviser numbers have continued to grow since the period end with the Group having 1,234 Advisers at 15 March 2019. We have good visibility that supports our anticipated growth in Adviser numbers from new ARs. The majority of our existing ARs have strong growth plans for 2019 and 2020, however those that operate primarily in the estate agency sector are tending to pause their expansion plans and delay filling vacancies. This will impact marginally upon our average Adviser figures for 2019. Due to the many initiatives that MAB has in place, we expect the growth in revenue per adviser and adviser growth to return to normal levels in 2020. These assumptions are based on no noticeable improvement in the housing market in 2019 and 2020.

When the political climate becomes clearer, we expect to see overall confidence return. At this point we should see the start of some pent-up demand in the housing market being released, and our estate agency focused AR's responding in terms of delivering adviser growth. We are confident that our strategy, driven by our customers and their changing expectations, will continue to drive growth in MAB's market share year on year and deliver attractive returns to investors.

Katherine Innes Ker
Chairman
18 March 2019

10 year fixed mortgage, Bingley

Introduction

This has been a strong performance from MAB given the current confidence level in the UK economy. Revenue and profits have continued to increase, building on our consistent track record of delivering growth.

Our growth in mortgage lending arranged is set out below:

	2018 £bn	2017 £bn	Increase
New mortgage lending	12.7	11.2	+14%
Product transfers	1.3	0.7	+79%
Gross mortgage lending	**14.0**	**11.9**	**+18%**

Total gross mortgage lending arranged (including product transfers) increased by 18% to £14.0bn (2017: £11.9bn). Gross mortgage lending arranged through new lenders[1] increased by 14% to £12.7bn (2017: £11.2bn). This growth in purchase and re-mortgage lending takes our overall share of UK new mortgage lending up 10% to 4.7%, from 4.3%[2].

This growth was achieved in a weaker house purchase market during 2018. Although one or two segments of mortgage lending have risen during the year, overall housing transactions have reduced by 2.5%, hence our full year 2018 results represent a clear outperformance against the housing market.

Our fintech developments have progressed well. We are pleased to have completed the first development phase of our new platform, which we are commencing testing with a number of our business partners, before rolling out to the remainder of our firms over the course of this year. This new agile technology platform will provide our advisers with increased and improved interaction with mortgage customers, and, most importantly, ensure that those customers receive an even better mortgage and home-moving or re-mortgaging experience. As a result, in time we expect our new technology platform to ultimately deliver improvements in adviser productivity, as well as streamline processes within MAB, thereby delivering cost efficiencies and hence increased profitability.

We believe that our innovation and investment in technology, will further differentiate us from our competitors, supporting adviser growth and improved profitability.

Peter Brodnicki
Chief Executive

Market environment

Housing transactions by volume overall for 2018 were 2.5% below 2017, having been 5% below in the prior comparative period to H1 2018. Overall house moves continue to be low versus historical averages and they remain in a flat, yet relatively stable, environment. The current house purchase market remains predominantly comprised of those moving home due to non-discretionary lifestyle factors, first time buyers and serious investors. There are multiple factors that contribute to this, including constrained affordability, increased levels of stamp duty for some, lack of available property to move to and, of course, an overall air of uncertainty caused by the current political environment.

The national picture for mortgages shows that First Time Buyer activity was slightly up over the year and home-movers slightly down, effectively cancelling each other out overall. Buy to Let purchase has continued to slow, reflecting the taxation and other changes applied to landlords over the last few years. This slowdown is mirrored in a recent UK Residential Market Survey by the Royal Institute of Chartered Surveyors (January 2019), which shows an eleventh consecutive quarter of reductions in new instructions in the lettings sector.

We expect this prolonged period of lower housing transactions to contribute to the pent-up demand that at some point will need to be released, perhaps when consumer confidence returns.

[1] 'Gross mortgage lending arranged with new lenders' means either a new mortgage in connection with a house purchase or a re-mortgage with a different lender to the customer's existing lender.

[2] 2017 figure re-stated to exclude product transfers of £0.7bn.

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

Consumer awareness and increased competition amongst lenders have been the catalysts for a higher level of re-mortgaging, with both residential and buy to let re-mortgaging showing 13% and 12% increases respectively on 2017, as well as the emergence of more product transfers as customers lock in to new deals.

The UK Finance industry data on gross new mortgage lending excludes product transfers. As intermediaries start to build their share in the growing product transfer market, the latest UK Finance statistics indicate that the product transfer market is likely to continue to increase from the c.£160bn for 2018. As anticipated, product transfers typically deliver lower overall income per transaction compared to re-mortgages, with the impact of this partially offset by product transfers having a much lower dropout to completion and delivering banked income in a shorter timeframe. Product transfers present our Advisers with new opportunities for incremental customer interaction especially as MAB has historically been predominantly a house purchase focused model. We expect activity in this area to remain strong, and MAB is well positioned to capitalise on this development and grow its market share.

In terms of the national housing outlook, it is expected that in the near term transactions will remain suppressed across almost all parts of the UK, with some of the near term pessimism linked to the lack of clarity around the timing of the departure of the UK from the EU. Housing stock for sale is set to remain at or close to record lows. The twelve month outlook for house prices on a national level remains broadly flat. With the exception of London and the South East, prices are anticipated to at least hold steady across the other UK regions over this time horizon.

UK Finance predicts a broadly similar market for gross new mortgage lending (which excludes product transfers) for 2019. Intermediary market share[1] has increased slightly to 74% for 2018. MAB and its non-estate agency based ARs' growth is not directly reliant on increasing housing transactions, property prices, or intermediary market share as our continued year on year growth demonstrates.

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

[1] Excluding Buy To Let, where intermediaries have a higher market share, and Product Transfers, where intermediaries have a lower market share.

Delivering on our strategy

■ Technology developments

Technology is integral to our business. Importantly, we are building our new technology platform to enhance the advice process and enable more choice for our customers in terms of how they research, receive advice and transact. Our platform is designed to improve the customer and adviser experience. We are designing this technology to create efficiencies for our ARs and MAB, to engage more customers earlier in the transaction process and to optimise management of national lead sources, as opposed to trying to build technology to replace advice.

We believe that full advice should and will remain of paramount importance to customers who are looking to make significant life decisions, like buying a home or protecting their home and family for example. We feel that technology should play a key role in helping customers to move home and re-mortgage more expediently.

In terms of our own technology progress, we are pleased to have completed the first development phase of our new platform, which we are commencing testing with a number of our business partners, before rolling out to the remainder of our firms over the course of this year.

Our new platform has been deliberately built to be agile, enabling us to continually evolve its overall shape, design and performance, driven by customer behaviour and expectations. We will continuously seek improvements and enhancements to the platform, thereby ensuring the adviser and customer experience can become the best it can potentially be. Our objective is to ensure we have a future proof business model that stays relevant to all customers regardless of how they want to research, receive advice and transact.

Through committing investment and focus towards this continuous project, we aim to have a platform that becomes best-of-breed in our market, enabling us to attract more firms and advisers into MAB, as well as helping customers to benefit from a more seamless and speedy home-buying and re-mortgage process.

This first phase of development is the beginning of our journey in achieving that. Some of the key benefits of this phase include supporting our lead generation and management strategy, introducing significant time saving efficiencies into the information gathering process and delivering live updates to our customers 24/7.

We expect our new technology platform to ultimately deliver improvements in adviser productivity, as well as streamline processes within MAB, thereby delivering cost efficiencies and hence increased profitability. Each phase of this new technology will further strengthen our unique business model.

Whilst we continue to prioritise, accentuate and support the value of advice from adviser to customer, we are also cognisant of wider technology changes, both in our market and in other sectors. We are alive to possible future changes in customer research and buying behaviour and need to be able to anticipate and react to change, as well as make the most of any associated new opportunities that might arise from change.

Looking to the future and new models that may emerge in the mortgage market, our technology is being built such that MAB will be agile in responding to all new models, driven by the way in which customers decide they want to research, receive advice and transact. We will be able to respond quickly and tailor solutions to their demands as well as apply these solutions cross border.

Through anticipating any potential market changes, we are positioning the business as well as we can do technologically, to capture increasing numbers of new customer-related opportunities.

■ Driving income opportunities

In a market that remains challenged, with political and perhaps wider uncertainty, it is important for us to continue our emphasis on increasing our market share as well as focusing on wider Group success and profitability through new opportunities.

Broadening our addressable market

Currently MAB typically interacts with customers aged between 35 and 65 whilst they are buying their first homes and then moving and/or re-mortgaging. Many first time buyers have previously been renting properties between the ages of 20 and 35. Through our strong estate agency relationships we intend to nurture these customers at a younger age. We will provide protection solutions to tenants who rent pre home ownership, as well as to those renting on a permanent basis.

Additionally, we are looking to serve better our customers who are aged 60 and over. There is a new market segment that is emerging relating to lending into retirement, or, so-called 'Later Life Lending'. The most specialist part of this market is "Equity Release" where no repayments of capital or interest are made. Some lenders have already expanded their mortgage portfolios to also include interest only products that help customers to borrow money at older ages, and, also to borrow that money until they are much older. This relaxation or innovation is in response to demand from an ageing population, and those that want to provide intergenerational assistance to help family members to fund university or a first home for example.

It is estimated that Later Life Lending will represent c. £80bn of additional outstanding mortgage lending by 2027[1]. It is also estimated that the housing wealth of the 'over-55s' is worth £2.5 trillion[2]. Again, the anticipated growth in this market presents MAB with incremental opportunities, as a direct result of a new and growing market segment which will be highly intermediated, with customers requiring full advice.

Extending product portfolio

Currently MAB is typically involved in the 'middle part' of the home-moving process, whereas we aim ultimately to be involved from start to finish. MAB intends to become far more involved in the home moving experience as a whole. In the medium term, we intend to expand our involvement beyond the mortgage transaction, through vertical integration with the ultimate aim of using technology to assist in the whole home moving process for a customer, and increasing the footprint of our services for homeowners as well as home movers thereby adding further customer value. We will explore how best to integrate this into our mortgage and protection process.

We continue to nurture and grow our portfolio of investments, with a view to helping them become more meaningful to MAB, both from a financial perspective and in terms of where and how they fit into the MAB business model.

For example, new business levels through our conveyancing platform business Sort Refer have continued to rise, as they also have in our surveying business Pinnacle Surveyors. We see it as increasingly important to broaden our home-moving related presence and join all elements of the customer journey together, enhancing our overall proposition and customer experience, and our investments in these two businesses echo both our desire and success in that regard.

Protection

We take pride not just in helping customers with securing their new mortgage borrowing, but importantly we seek to provide customers with appropriate and adequate protection and insurance against both unforeseen and tragic circumstances.

The consistency of protection offerings in the mortgage market can vary widely. Over the course of the last year we have been embedding protection more deeply into our technology driven processes, and have built such processes to help ensure that protection opportunities are not missed. In addition to this, we have implemented centralised internal outsourcing solutions for our customers where their needs are best served by a different MAB adviser.

Firstly, this is to ensure that all MAB customers receive a consistent experience regardless of which adviser they meet with, and secondly through making this more integral to the mortgage process, we ensure that all customers with a genuine protection need are offered the chance to take out adequate cover, thereby protecting their most important assets, namely their homes and families.

This change has helped us to maintain healthy margins over a period in time when there has been downward pressure arising from a slowdown in housing transactions and more of a move towards product transfer business.

[1] Centre for Economics and Business Research and more 2 life.

[2] Swiss Re Term and Health Watch 2017.

Product transfers and re-mortgages

Our success with product transfers lags the market average for intermediaries due to MAB historically being primarily a purchased focused model. Our technology developments this year will start to impact positively on our penetration rate of these opportunities and we expect to steadily increase our share of this market segment.

Overseas expansion

We continue to test and learn overseas, through our business in Australia. Currently, we do not use MAB's bespoke technology in this market, and we expect to launch our new technology platform in Australia in 2020. A clear strategy to escalate growth has been agreed, and the delivery of MAB's new technology platform will allow market share growth to escalate at a far faster rate in 2020 and beyond, as well as allow MAB to explore other potential cross border opportunities in the medium term.

■ Summary

This has been another strong performance from MAB given the current confidence level in the UK economy. We have a lot of positive initiatives and new processes designed to ensure that we continue to grow our market share and profitability at a time when wider market conditions remain somewhat muted and in some ways uncertain. Our investment in new technology will enable us to continue our growth through the recruitment of new partner firms and advisers. Our aim is to attract more firms, through the provision of best-of-breed technology, services and business support. We want to work with firms that want to work and grow with MAB, and provide customers with the best possible advice and experience.

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

This virtuous circle is the model we back and support, in order to continue our track record of success, with technology very much leading the way. We intend to balance investing in new technology and driving new income opportunities, whilst continuing to deliver strong financial results.

MAB has made (and continues to develop) several key strategic investments and considers new opportunities that arise, as and when they are deemed to clearly support, enhance and accelerate our agenda of increasing our market share and profitability. Whilst our investments to date have been relatively modest in size, we will consider making larger investments to help accelerate the development of our customer and adviser proposition, lead generation and distribution.

Board Changes

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

David Preece, our Chief Operating Officer, will be retiring with effect from 1 July 2019, at which point David will become a Non-Executive Director of the Group. David has also agreed to provide additional time over and above his Non-Executive Director responsibilities in a consultancy capacity to MAB.

David's retirement comes after a career spanning over 41 years in financial services, including the last 15 years as an Executive Director of MAB. He became part time two years ago, delegating some of his operational responsibilities to other members of MAB's senior management team. David remains a significant shareholder of the Group with a 2.98% shareholding in MAB.

I would like to thank David very much for his long standing commitment to MAB, he has been an extraordinary COO, Board Director, mentor, and friend. David has helped us navigate challenges with confidence and certainty, but as importantly to be pioneering, which is fundamental to MAB's DNA. His Lifetime Achievement Award at The British Mortgage Awards in 2017 demonstrates exactly how highly thought of David is, not just at MAB, but also by many across our industry. I am delighted that he will remain on the board as a Non-Executive Director, and that we will continue to benefit from his wealth of experience and passion for the business.

Feefo®

Customer feedback is a core component in our strategy to ensure consumers receive a first class experience. In 2017 we partnered with the online review company Feefo, to give us feedback on the service our advisers provide. To date, we have received just under 2,600 reviews, achieving an average score of 4.9/5 and being accredited with the Gold Trusted Service award.

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. The Group has a long established broad geographic spread across the United Kingdom.

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 that have ambition to grow both their market share and business, with the MAB brand an important USP that is adopted by the 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 of the compliance supervision on behalf of the AR firms, ensuring greater control and helping to achieve consistently high standards of consumer outcomes.

■ Relationships

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

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

■ 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 competitive advantage in terms of the customer and adviser experience. This is one of the reasons why advisers and intermediary firms decide to join MAB.

Our 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 and enhancements have been developed over the last year, in order that all parts of the Group will benefit from a more efficient all-round experience, most notably our advisers and customers.

In summary, our proprietary software enables us to be at the forefront in driving increasingly streamlined digital processes. This, combined with our existing expertise in face to face and telephony advice solutions, gives us a market leading position and a platform from which we can grow the Group further, through providing our advisers and customers with a better and more rounded mortgage and protection experience.

Business review of the year

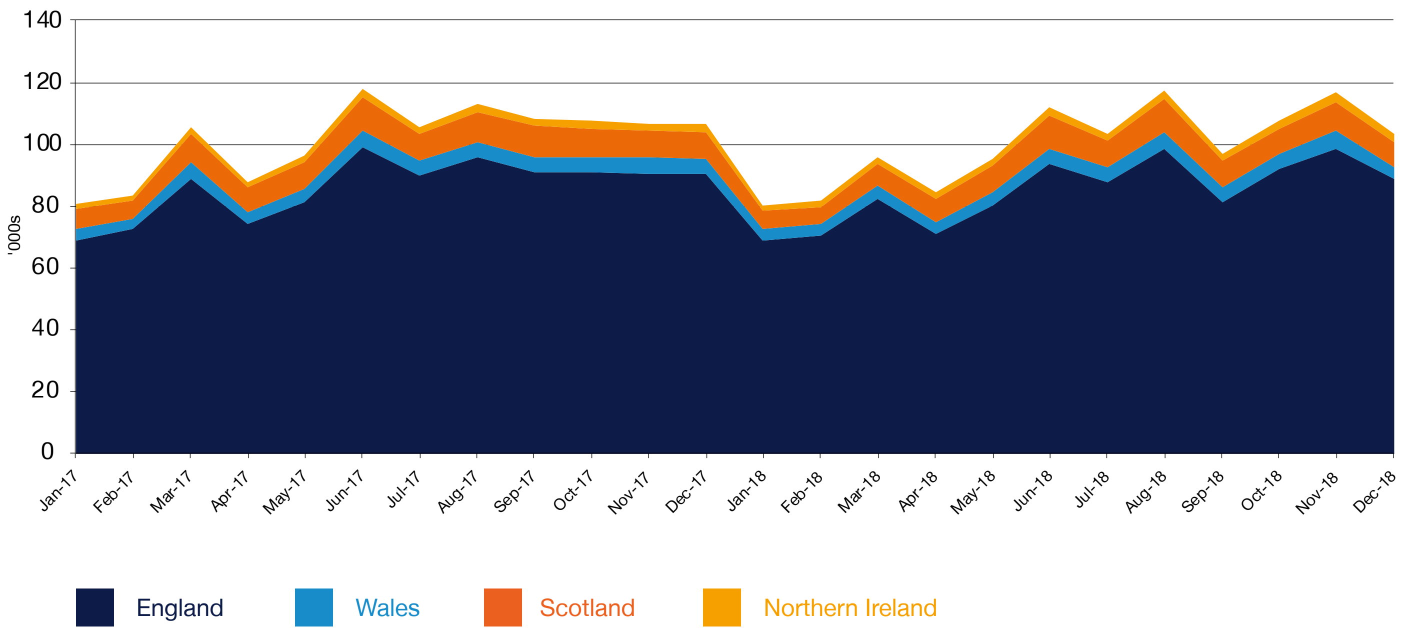
I am pleased to report further strong growth in revenue of 13% to £123.3m with profit before tax rising by 8% to £15.7m. MAB's gross mortgage lending (including product transfers) increased by 18% to £14.0bn in 2018 (2017: £11.9bn) with the average number of Advisers increasing by 12%. MAB's overall share of UK new mortgage lending increased by 10% to 4.7% (2017: 4.3%[1]).

Industry data and trends

Gross new mortgage lending activity in 2018 grew by 4% to £268bn (2017: £258bn). UK Finance estimates new mortgage lending of £278bn in 2019, indicating the market is likely to be broadly similar in the near term. The UK Finance industry data on gross new mortgage lending excludes product transfers. As intermediaries start to build their share in the growing product transfer market, the product transfer market is likely to continue to increase from the c.£160bn for 2018 indicated by the latest UK Finance statistics.

UK property transactions by volume for 2018 were c.2.5% lower than in 2017, with transactions in H1 2018 being 5% lower than H1 2017, and transactions in H2 2018 being 1% lower than H2 2017, as shown in the graph below.

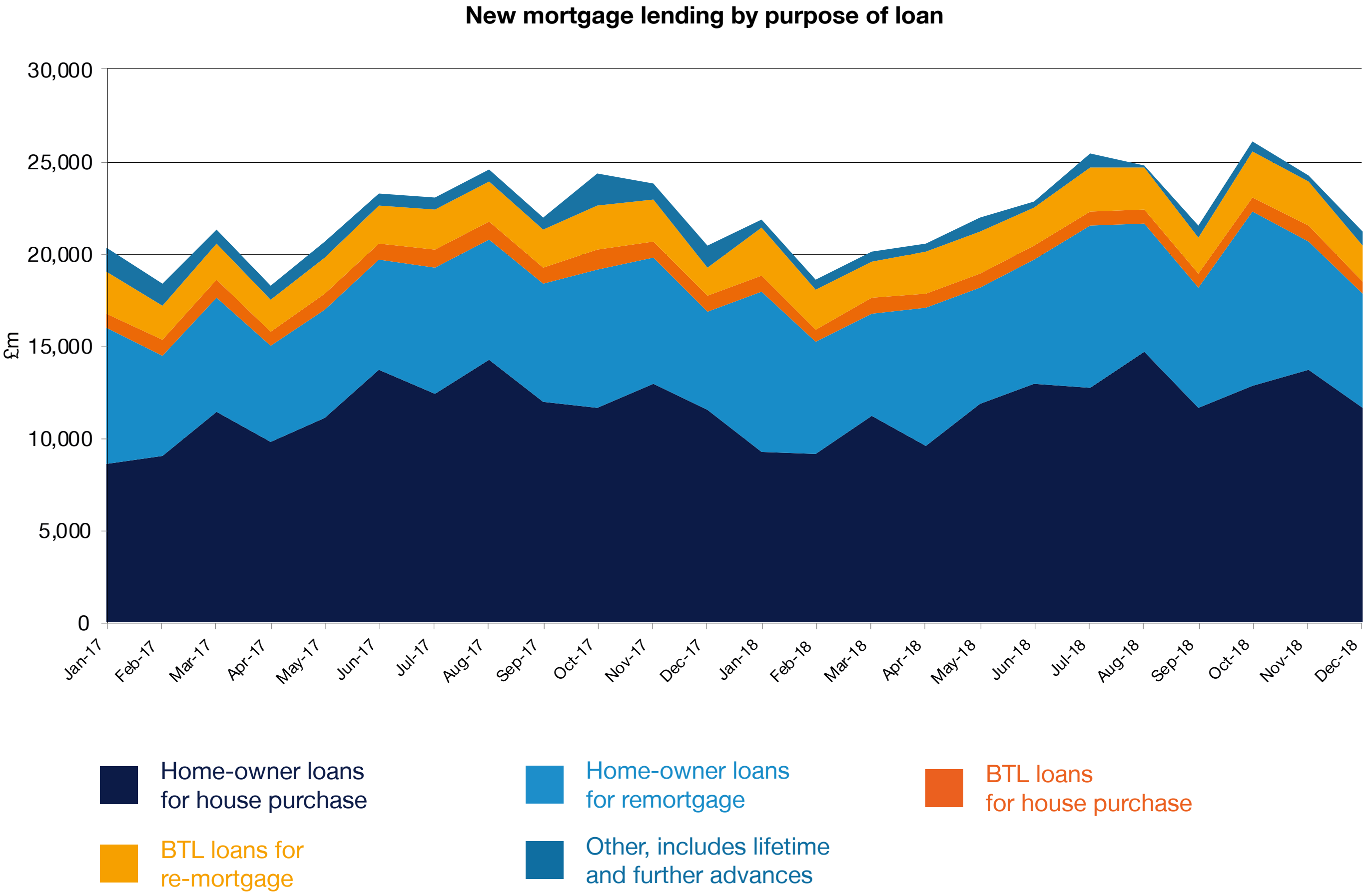
Property transactions in the UK by volume



Source: HM Revenue and Customs

[1] 2017 figure re-stated to exclude product transfers of £0.7bn.

11% increases in both residential and buy to let re-mortgage volumes combined with property inflation of 3%[1] offset the slight fall in property transactions and led to an increase in UK gross new mortgage lending for the year of 4%, as illustrated in the graph below.



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

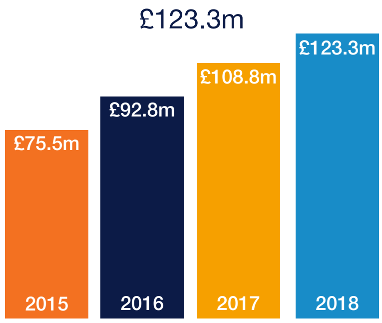
UK gross mortgage lending in 2018 for home-owner purchases (including first time buyers) and remortgages grew by 2% and 13% respectively. UK gross mortgage lending in 2018 for BTL remortgages increased by 12%, with BTL purchases reducing by 15%.

Approximately 74% of UK mortgage transactions (excluding buy to let, where intermediaries have a higher market share, and product transfers where intermediaries have a lower market share) were via an intermediary in 2018 which is materially the same as 2017. MAB expects this position to remain broadly stable going forward.

[1] Land Registry House Price Index

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

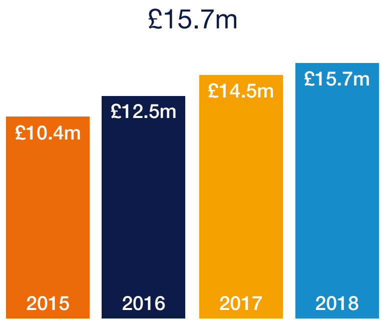
Revenue (£m)



Total income from all revenue streams.

Strategy/objective
Shareholder value and financial performance.

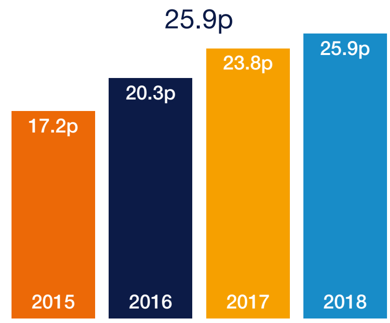
Profit before tax



Profit before exceptional items and tax (only exceptional item was in 2016).

Strategy/objective
Shareholder value and financial performance.

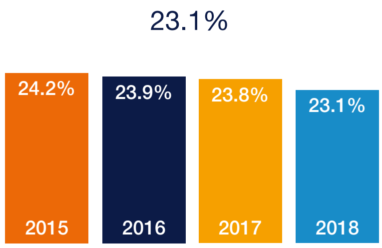
Adjusted earnings per share



Total comprehensive income attributable to equity holders of the Company, adjusted to deduct exceptional gain in 2016, divided by the weighted average number of ordinary shares.

Strategy/objective
Shareholder value and financial performance.

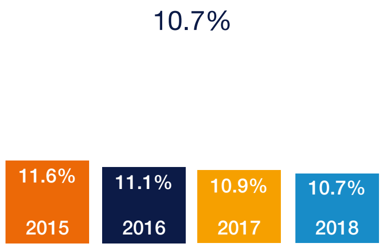
Gross profit margin



Gross profit generated as a proportion of revenue.

Strategy/objective
Managing gross margins.

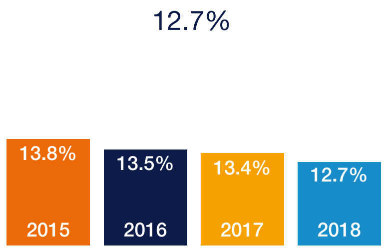
Overheads % of revenue



Group's adjusted administrative expenses as a proportion of revenue.

Strategy/objective
Operating efficiency.

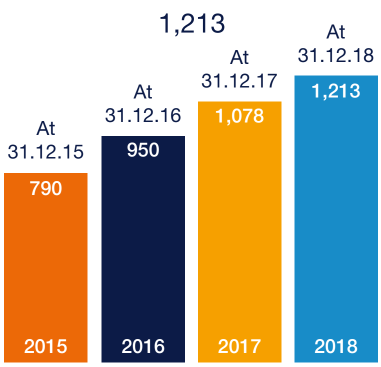
Profit before tax margin



Profit before exceptional gain and tax, as a proportion of revenue.

Strategy/objective
Shareholder value and financial performance.

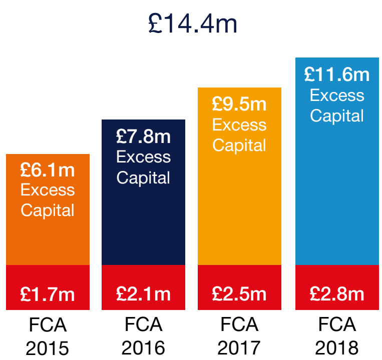
Adviser numbers



The average number of advisers in 2018 was 1,130 (2017: 1,008).

Strategy/objective
Increasing the scale of operations.

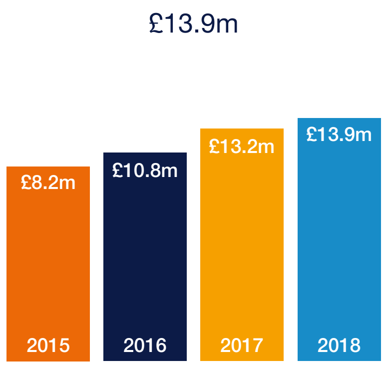
Capital adequacy (£m)



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

Strategy/objective
Financial stability.

Unrestricted cash balances



Bank balances available for use in operations.

Strategy/objective
Financial stability.

Financial performance and future developments

Revenue

Revenue increased by 13% to £123.3m (2017: £108.8m). A key driver of revenue is the average number of Advisers during the period. Our business model continues to attract forward thinking ARs who are seeking to expand and grow their own market share. Average adviser numbers increased by 12% to 1,130 (2017: 1,008) due to a combination of expansion by existing ARs and the recruitment of new ARs.

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

Income source	2018 £m	2017 £m	Increase
Mortgage procuration fees	56.2	46.8	20%
Protection and general insurance commission	47.0	42.8	10%
Client fees	18.3	17.5	5%
Other income	1.8	1.7	7%
Total	**123.3**	**108.8**	**13%**

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

Income source	2018	2017
Mortgage procuration fees	46%	43%
Protection and general insurance commission	38%	39%
Client fees	15%	16%
Other income	1%	2%
Total	**100%**	**100%**

All income sources continued to grow with the average number of Advisers in the period increasing by 12% on last year, with a 1% increase in average revenue per adviser.

With gross mortgage lending arranged (including product transfers) increasing by 18% for the year, mortgage procuration fees increased by 20%. The increase of 10% in protection and general insurance commission reflects a reduction in the proportion of our residential purchase business, resulting from reduced house purchase transactions, and an increase in re-mortgaging and product transfers which have lower protection attachment rates. Client fees rose by 5% in the year, reflecting the increase in re-mortgaging and product transfers over the comparative period, where a client fee is less likely to be charged.

The effect of increased re-mortgaging and product transfers translates into the revenue mix which has skewed more in favour of procuration fees in 2018.

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

Gross profit margin

Gross profit margin for the year was 23.1% (2017: 23.8%) partly due to the revenue mix being less in favour of protection resulting from a reduction in house purchase mortgages and an increase in re-mortgages and product transfers. The Group typically receives a slightly reduced margin as its existing ARs grow their revenue organically through increasing their Adviser numbers. In addition, larger new ARs typically join the Group on lower than average margins due to their existing scale, which therefore impacts upon the Group's gross margin.

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

Overheads

Overheads as a percentage of revenue were 10.7% (2017: 10.9%). This reduction in overheads as a percentage of revenue results from the scalable nature of the majority of the cost base as well as our regulatory costs being broadly consistent with the prior year due to a change in FSCS charging periods this year to realign with the FCA financial year, offset by increased IT costs as indicated.

Certain costs, primarily those relating to compliance personnel, which represent approximately 20% of our cost base, are closely correlated to the growth in the number of Advisers, due to the high standards we demand and the requirement to maintain regulatory spans of control. The balance of our compliance costs mainly relate to FCA and FSCS regulatory fees and charges. The FCA have now confirmed that pure protection intermediation has moved from the Life and Pensions Intermediation funding class of FSCS to the General Insurance Distribution funding class to ensure a fairer distribution of levies. Due to these changes we believe there won't be more than a modest increase in our FCA and FSCS fees in 2019. The majority of the remainder of MAB's costs typically rise at a slower rate than revenue which will, in part, counter the expected erosion of gross margin as the business continues to grow.

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

Profit before tax and margin thereon

Profit before tax rose by 8% to £15.7m (2017: £14.5m) with the margin thereon being 12.7% (2017: 13.4%).

Net finance revenue

Net finance revenues of £0.08m (2017: £0.04m) reflect continued low interest rates.

Taxation

The effective rate of tax fell to 15.9% (2017: 17.2%), principally due to the tax deduction arising following the exercise of the second tranche of employee share options since IPO. Going forward we expect our effective tax rate to be marginally below the prevailing UK corporation tax rate subject to tax credits for MAB's research and development expenditure on our continued development of MIDAS Pro, MAB's proprietary software, still being available and further tax deductions arising from the exercise of share options.

Earnings per share and dividend

Earnings per share rose by 9% to 25.9 pence (2017: 23.8 pence).

The Board is pleased to propose a final dividend for the year ended 31 December 2018 of 12.7 pence per share (2017: 11.9 pence per share), amounting to a cash cost of £6.5m. Following payment of the dividend, the Group will continue to maintain significant surplus regulatory reserves. This proposed final dividend represents c. 90% of the Group's post-tax profits for H2 2018 and reflects our ongoing intention to distribute excess capital. MAB requires c. 10% of its profit after tax to fund increased regulatory capital and other regular capital expenditure.

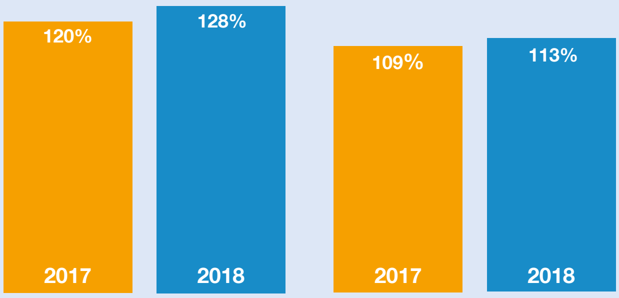
The record date for the final dividend is 26 April 2019 and the payment date is 24 May 2019. The ex-dividend date will be 25 April 2019.

Cash flow and cash conversion

The Group's operations produce positive cash flow. This is reflected in the net cash generated from operating activities of £14.9m (2017: £14.5m).

Headline cash conversion[1] was:

Adjusted cash conversion[2] was:



[1] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items including loans to Appointed Representative firms ("ARs") and loans to associates totalling £2.2m in 2018 (2017: £0.7m) as a percentage of operating profit.

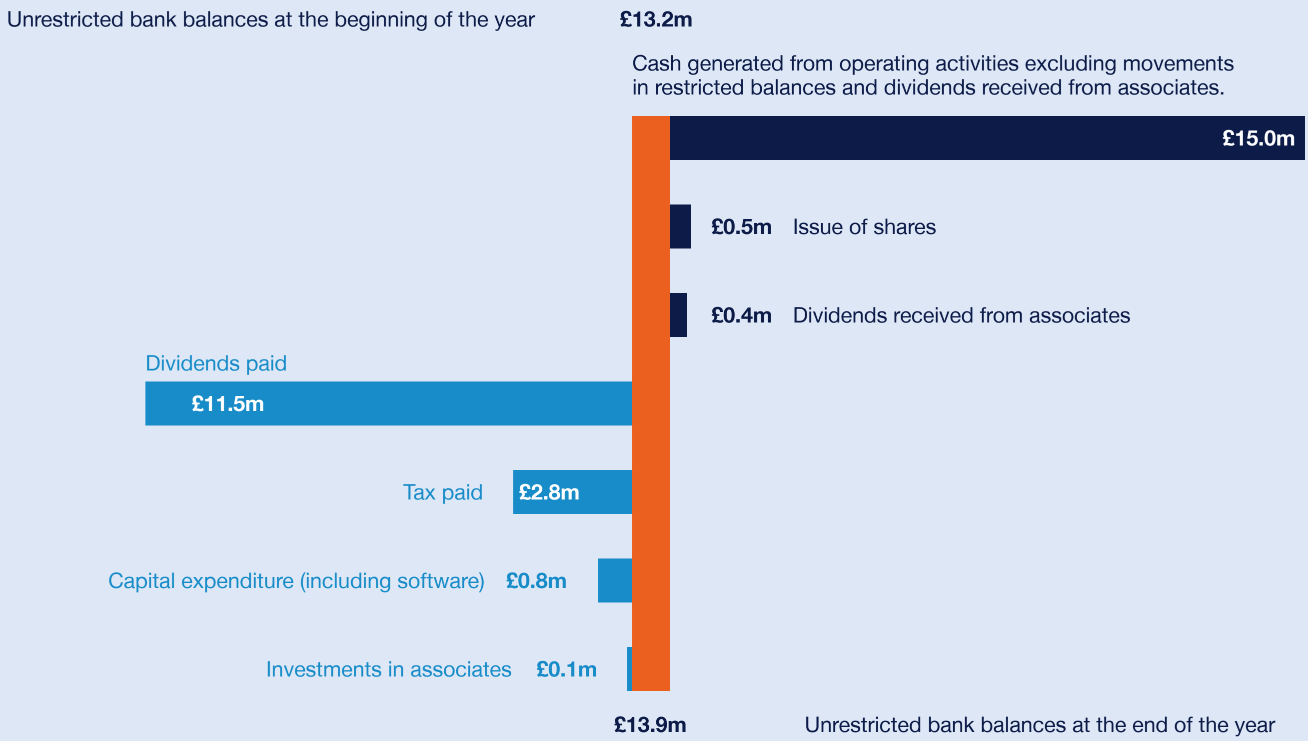
[2] Adjusted cash conversion is headline cash conversion adjusted for increases in restricted cash balances of £2.3m in 2018 (2017: £1.5m) as a percentage of operating profit.

The Group's operations are capital light with our most significant ongoing capital investment being in computer equipment. Only £0.8m of capital expenditure on office and computer equipment and software licences was required during the year (2017: £0.2m). Group policy is not to provide company cars, and, no other significant capital expenditure is foreseen in the coming year. All development work on MIDAS Pro is treated as revenue expenditure.

The Group had no bank borrowings at 31 December 2018 (2017: £nil) with unrestricted bank balances of £13.9m (31 December 2017: £13.2m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 31 December 2018 this regulatory capital requirement was £2.8m (31 December 2017: £2.5m), with the Group having a surplus of £12.0m.

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



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

Forward looking statements

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

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

Re-mortgage, Bristol

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 from lenders. The current economic environment is highly uncertain as the UK Government tries to manage its exit of the UK from the EU.	The Group aims to be at the forefront of providing advice to consumers, leveraging its proprietary MIDAS Pro technology, by offering its customers the choice of how they want to research, receive advice and transact. Despite increases in first time buyer transactions, housing transaction volumes overall have reduced slightly over the last year as the number of amateur landlords has reduced and existing homeowners sit on their hands, waiting for certainty and confidence to return. Gross new mortgage lending increased by 4% in 2018, driven by first time buyers and customers re-mortgaging. Due to the current political uncertainty, it is difficult for experts to predict activity as being anything other than broadly similar to that of 2018. However regardless of any market activity and movements the Group aims to deliver on its strategy to continue to grow its market share and mortgage completions through the deployment and promotion of its new technology platform and the rollout of a variety of other new initiatives, including the promotion of new products to a broader addressable market.
Availability of mortgage lending	The Group is exposed to a significant reduction in the availability of mortgage lending.	MAB's gross mortgage completions increased by 18% to £14bn in 2018. Since the credit crunch, banks and lenders have been required to significantly strengthen their balance sheets and capital buffers in order that they can withstand any extreme negative market downturn and reduction in liquidity. Whilst ultimate protection can never be completely assured, the regulatory and financial environment currently looks very different to that of a decade ago. Although there are obvious downsides from any possible reduction in lending availability, the Group has previously found market uncertainty to be a good time to accelerate its market share growth, as firms seek strategic support from larger, more stable mortgage networks.
Regulatory compliance	Failure to comply with current regulatory requirements could result in reputational and financial damage, including withdrawal of authorisation by the Financial Conduct Authority. Failure to anticipate and react to new legislation and regulation would also give rise to increased risk for the Group – e.g. GDPR, Senior Managers & Certification Regime, FCA mortgages market study etc.	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. The Group has governance and controls in place across the entire business and up to Board committee level, in order to ensure that it anticipates and reacts as it should do, such that it complies with the relevant prevailing regulatory and legislative requirements.

Risk category	Risk description	Mitigating factors/commentary
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 Group's IT infrastructure. All the Group's servers are currently hosted in a specialist data centre with appropriate security and systems resilience. A copy of the MIDAS database is also held at another location. The group will shortly further strengthen and re-factor its technology, as part of a new project that will ensure cloud-hosting through a leading provider of cloud-based services.
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 a long established broad geographical coverage in the UK. 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 many mortgage lenders it places its new business with, as well as with the major businesses that make up its panel of protection and insurance providers.
Key personnel	The Group could lose some key employees.	Remuneration is reviewed annually and there are share based incentive plans 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. Since the credit crunch, banks and lenders have been required to significantly strengthen their balance sheets and capital buffers in order that they can withstand any extreme negative market downturn and reduction in liquidity. Whilst ultimate protection can never be completely assured, the regulatory and financial environment currently looks very different to that of a decade ago.

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

18 March 2019

Board of Directors

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

Katherine Innes Ker, Aged 58
Non-Executive Chairman

Katherine has extensive executive and non-executive director experience. She is senior independent director of The Go-Ahead Group plc and Non Executive Director of Forterra plc and of Bovis Homes 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 56
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 58
Chief Operating Officer

David joined MAB in 2004 as Operations Director. He has over 40 years of mortgage and financial services experience, and qualified as an Associate of the Chartered Institute of Bankers. He had a 23 year career at NatWest, including a period as Senior Manager at NatWest Group Financial Control. He moved to a senior management role within the NatWest mortgage business where he spent six years, and during such time was promoted to Head of Mortgage Operations. David joined the Britannia Building Society in 2000 as Head of Membership Services, responsible for Britannia's mortgage, savings and general insurance operations, and was appointed a director of a number of Britannia subsidiaries prior to his departure in late 2003.

Ben Thompson, Aged 49
Managing Director

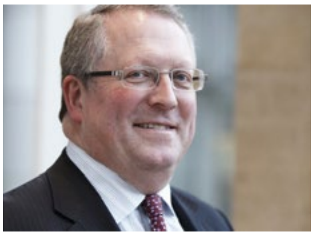
Ben was most recently Chief Executive Officer of ULS Technology plc, the provider of online B2B platforms for the UK conveyancing and financial intermediary markets. Prior to that he held senior positions at Legal & General Group Plc, where he ran their market-leading mortgage distribution business,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

Lucy Tilley, Aged 47
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 49
Senior Independent Non-Executive Director

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



Stephen Smith, Aged 61
Independent Non-Executive Director

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

Company:	**Mortgage Advice Bureau (Holdings) plc**	
Directors:	**Katherine Innes Ker**	Non-Executive Chairman
	Peter Brodnicki	Chief Executive
	Ben Thompson	Managing Director
	David Preece	Chief Operating Officer
	Lucy Tilley	Finance Director
	Nathan Imlach	Senior Independent Non-Executive Director
	Stephen Smith	Independent Non-Executive Director
Company secretary:	**Lucy Tilley**	
Registered office:	**Capital House** Pride Place Pride Park Derby DE24 8QR	
Registered number:	04131569	
Nominated adviser and broker:	**Numis Securities Limited** The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT	
Auditor:	**BDO LLP** 55 Baker Street London W1U 7EU	
Solicitors:	**Norton Rose Fulbright LLP** 3 More London Riverside London SE1 2AQ	
Principal bankers:	**NatWest Bank plc** Cumberland Place Nottingham NG1 7ZS	
Registrars:	**Equiniti Limited** Aspect House Spencer Road Lancing West Sussex BN99 6DA	

Directors' report

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2018. 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 17. The financial statements set out the results of the Group on pages 33 to 65.

The Group has achieved further significant growth both in terms of revenues and underlying profitability. Group revenues increased by 13% to £123.3m. Profit before tax amounted to £15.7m, a rise of 8%. Group profit for the year after taxation amounted to £13.2m, up 10% on the previous year. Income tax expense for the year was £2.5m an effective rate of 15.9% (2017: 17.2%).

Dividends

The Directors recommend a final dividend of 12.7 pence per share, totalling £6.5m. This represents a payout of 90% of H2 2018 profit after tax. This has not been included within the Group financial statements as no obligation existed at 31 December 2018. If approved, the final dividend will be paid on 24 May 2019 to ordinary shareholders whose names are on the register on 26 April 2019. Dividends paid during the year amounted to £11.5m and were in respect of the final dividend for the year ended 31 December 2017 and the interim dividend for the year ended 31 December 2018.

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 2018 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 2018 Peter Brodnicki held 27.4% of the Share Capital. In addition, the Panel on Takeovers and Mergers ("the Panel") considers two of the Executive Directors (Peter Brodnicki and David Preece) as persons acting in concert for the purposes of the City Code. At 31 December 2018 the Concert Party (as now constituted) held ordinary shares, in aggregate, representing 30.4% 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 25 to 27, and which has been approved by the Panel.

Substantial shareholdings

At 31 December 2018, 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	13,997,910	27.39%
Liontrust Investment Partners	10,304,902	20.16%
JP Morgan Asset Management	4,993,965	9.83%
Canaccord Genuity Group	3,701,250	7.29%
Kayne Anderson Rudnick Investment Management	2,569,250	5.03%
Majedie	2,264,922	4.46%

Subsequent to 31 December 2018, the Company has been notified on 20 March 2019 that Kayne Anderson Rudnick Investment Management holds 5,251,088 shares in the Company representing 10.27% of the Company's issued share capital and on that same date that JP Morgan Asset Management no longer has a notifiable interest in the Company. On 5 March 2019 the Company received notification that Canaccord Genuity Group holds 2,392,250 shares in the Company representing 4.68% of the Company's issued share capital.

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, MABchat 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 (2017: £nil).

Environmental

The Board believes in good environmental practices, such as the recycling of all waste from the Group's premises and has LED lighting with 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 21 May 2019. 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 16 and 17. A full review of financial risk management can be seen on pages 57 to 59.

Corporate governance

A full review of Corporate governance appears on pages 22 to 24.

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 21 May 2019.

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

18 March 2019

Introduction

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Group is required to apply a recognised corporate governance code from 28 September 2018. The Board resolved to adopt the Quoted Companies Alliance (QCA) corporate governance code, which requires the Group to apply 10 principles focused on the pursuit of medium to long-term value for shareholders and also to publish certain related disclosures.

As a Board we believe that good governance is crucial to the delivery of our strategic objectives. We aim always to remain abreast of best practice and of developments in the regulatory framework within which we operate, and in the way in which we seek to serve the needs of our customers.

Further details on MAB's corporate governance are contained in the section entitled 'Corporate Governance' on MAB's investor website (www.mortgageadvicebureau.com/investor-relations).

Board composition and independence

The Board of Directors currently comprises four Executive Directors and three independent Non-Executive Directors. Their biographies on page 18 demonstrate a range of experience which is key to the success of the Group.

The Non-Executive Directors are considered by the Board to be independent of management and free from any relationship which might materially interfere with the exercise of independent judgement. The Board does not consider the Non-Executive Directors' shareholdings to impinge on their independence. The Non-Executive Directors provide a strong independent element to the Board and bring a mix of skills and experience at a senior level of business operations and strategy. Together they bring the skills and experience which support our strategic direction and our culture. Nathan Imlach is the Senior Independent Director.

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. Any director, on appointment and throughout their service, is entitled to receive any training they consider necessary to fulfil their responsibilities effectively.

The Board meets at least six times each year, and additional meetings are held as required. The Board is the principal forum for directing the business of the Group.

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 approval of the Group's long-term objectives and commercial strategy, of the Group's business plans, operating and capital budgets, and of the interim and annual accounts. The Board considers and approves the Group's dividend policy, changes in the Group's capital and financing structure, and significant transactions including acquisitions and disposals. The Board is responsible for ensuring the maintenance of a sound system of internal control and risk management, for Board appointments and succession planning, the approval of the Remuneration Policy and remuneration arrangements for the directors and other senior managers, and for setting the terms of reference for Board Committees. 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, but no cover exists in the event that
a director is found to have acted fraudulently or dishonestly.

The agenda and papers for Board meetings are distributed by the Company Secretary on a timely basis, usually five days before each Board meeting.

The roles of Chairman and Chief Executive are distinct, and there is a clear division of responsibilities. The Chairman's role is to ensure good corporate governance, and her responsibilities include leading the Board, ensuring the effectiveness of the Board in all aspects of its role, setting the Board's agenda, ensuring that all directors participate fully in the activities and decision making of the Board, and ensuring communication with shareholders. The Chief Executive, assisted by the Executive Committee, is responsible for overseeing the development and the delivery of the strategy approved by the Board, and the day-to-day operational and commercial management of the Group by the senior executive team. The Board is committed to developing the corporate governance and management structures of the Group to ensure they continue to meet the ongoing needs of the business.

The non-executive Chairman regularly assesses the individual contributions of each of the members of the team to ensure that:
- their contribution is relevant and effective
- that they are committed
- where relevant, they have maintained their independence.

Over the next twelve months we will continue with our annual review of the performance of the Board to assess its effectiveness, taking into account the views of the Directors on composition, business leadership and other matters.

On appointment, Board members, in particular the Chairman and the Non-Executive Directors, disclose their commitments and agree to allocate such time as is necessary to the Company in order to discharge their duties effectively. The Board has considered the time commitments of each director and is comfortable that each has sufficient available capacity to carry out the required duties for the Company. Any conflicts of interest are dealt with in accordance with the Board's conflict of interest procedures. All Executive and Non-Executive Directors retire and put themselves forward for re-election annually at each Annual General Meeting and as such all Directors will stand for re-election at the 2019 Annual General Meeting.

The Board aims to lead by example and do what is in the best interests of the Company. We have a strong set of values that we constantly communicate, as fundamental to achieving good customer outcomes and promoting business success, and this is core to our culture. The board is committed to ensuring MAB has a healthy corporate culture, and conducts an annual staff survey as part of this.

Board committees

To assist in discharging its duties, the Board has delegated authority to four specialist committees: an Audit Committee, a Risk and Compliance Committee, a Remuneration Committee, and a Nominations Committee. The terms of reference of each committee are approved by the Board and kept under review. The Chairman of each committee provides a report of any meeting of that committee at the next Board meeting, and all are present at the Annual General Meeting to answer questions from shareholders.

Audit Committee

The Audit Committee comprises Nathan Imlach (Chairman), Katherine Innes Ker, and Stephen Smith.

Nathan Imlach is a Chartered Accountant and the Board is satisfied that all members of the committee have recent and relevant financial experience. The Committee meets together with the Finance Director, Lucy Tilley, not less than twice a year. The Board believes the Committee is independent, with all members being Non-Executive Directors.

The key responsibilities of the Audit Committee are:

- To review the reporting of financial and other information to the shareholders of the Company and to monitor the integrity of the financial statements, interim report, and any other announcements relating to the Group's financial performance or position, and to assess whether management have made appropriate estimates and judgements
- To review the effectiveness of the external audit process, and the independence and objectivity of the external auditors, negotiate and agree their remuneration and make recommendations to the Board in respect of their appointment
- To keep under review the adequacy and effectiveness of the Group's internal financial control and risk management systems
- To review and challenge where necessary any changes to significant accounting policies
- To monitor the effectiveness of the Group's procedures on whistleblowing, anti-bribery and corruption, and anti money-laundering
- To report to the Board how it has discharged its responsibilities.

Committee meetings are normally attended by the Finance Director and by representatives of the external auditors by invitation. The presence of other senior executives from the Group may be requested. The Committee meets with representatives of the external auditors without management present at least once 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 met twice during the year with future meetings to be structured around the financial calendar of the Company. During the year the Committee considered significant financial and audit issues, the judgements made in connection with the financial statements and reviewed the narrative within the Annual Report and the Interim Report. The Committee also reviews the effectiveness of the internal controls of the Group. Specific audit issues the Committee discussed included the disclosure of management's assessed impact of IFRS 9, IFRS 15 and IFRS 16 on the financial statements in future accounting periods.

Remuneration Committee

The Remuneration Committee comprises Katherine Innes Ker (Chairman), Nathan Imlach and Stephen Smith. The Committee meets not less than twice a year, and more frequently as required. It is responsible for determining and reviewing the Group's policy on executive remuneration and other benefits, ensuring that this is aligned to the delivery of the Group's strategic objectives, and terms of employment, including performance related bonuses and share options. The Committee administers the operation of the share option and share incentive schemes established by the Company.

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. The remuneration of the Non-Executive Directors is determined by the Executive directors of the Board. No Director is permitted to participate in decisions concerning their own remuneration.

The Committee met multiple times during the year, with key items considered including:

- The Group's remuneration policy
- Annual review of the Executive Directors' and other Senior Managers' base salaries and bonus arrangements
- Awards to be granted under the share option and share incentives schemes operated by the Company
- Vesting of options
- Trends in executive pay in the wider market.

The Committee continues to review the Group's long-term incentive plans to ensure it can continue to attract, retain and incentivise appropriately qualified staff to achieve its goals.

Further information about the Committee and the Group's remuneration policy is as set out on pages 25 to 27 in the Directors' Remuneration Report.

Nominations Committee

The Nominations Committee comprises Katherine Innes Ker (Chairman), Nathan Imlach, Stephen Smith, and Peter Brodnicki. The Committee is responsible for:

- reviewing the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board and to make recommendations to the Board with regard to any changes,
- succession planning for both Executive Directors and Non-Executive Board roles, and other Senior Executives in the Group, and
- identifying and recommending to the Board for approval candidates to fill Board and senior management vacancies where required.

The Committee works in close consultation with the Executive Directors, with its main priorities being Board structure, ensuring that we have the right skills and experience to fulfil our responsibilities, and management development and succession.

Risk and Compliance Committee

The Risk and Compliance Committee comprises Stephen Smith (Chairman), Nathan Imlach, Katherine Innes Ker, and David Preece as Chief Operating Officer. From 1 July 2019, Ben Thompson will also be a member of this Committee. The Committee meets with the Group's Compliance Director at each meeting, to discuss and review the Compliance Board report, and senior managers from other functions attend meetings as necessary.

The Risk and Compliance Committee is principally responsible for:

- monitoring anticipated risks and the effectiveness of mitigating action,
- keeping risk assessment processes under review,
- reviewing the adequacy and effectiveness of the Group's internal controls, compliance and risk management systems,
- assessing the impact of key regulatory changes on the Group, and ensuring the Group is fulfilling its regulatory responsibilities, compliance with regulatory frameworks governing the Group's operations, and
- monitoring the incidence, root cause, and handling of customer complaints.

The Groups' risk framework is designed to ensure risks are identified, managed and reported effectively. The Group has been investing in its risk management framework to meet the requirements of key regulatory changes on the Group, such as MIFID II, the GDPR and the SM&CR, implementing our Risk Profiler system, and the risk management framework remains subject to ongoing review.

Communications with shareholders

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

It is intended that all Directors will attend each AGM and shareholders will be given the opportunity to ask questions at the AGM on 21 May 2019. In addition, the Chief Executive, Managing Director, 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 is ultimately responsible 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. In accordance with the guidance of the Turnbull Committee on internal control, an ongoing process is in operation for the identifying, evaluating and managing significant risks faced by the Group. 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 pages 23 and 24.

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

18 March 2019

Remuneration Committee

The Remuneration Committee comprises Katherine Innes Ker (Chairman), Stephen Smith and Nathan Imlach. 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 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 2018, 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 10 April 2018, 103,566 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity- settled Mortgage Advice Bureau Executive Share Option Plan, representing 0.2% of the current issued share capital. Exercise of these options is subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, these options will be exercisable three years from the date of grant. The exercise price for these options is 0.1 pence, being the nominal cost of ordinary shares.

On 7 June 2018, 59,263 options over ordinary shares of 0.1 pence each in the Company were granted to Ben Thompson, Managing Director, under the equity-settled Mortgage Advice Bureau Executive Share Option Plan, representing 0.1% of the current issued share capital. Exercise of these options is subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, these options will be exercisable three years from the date of grant. The exercise price for these options is 0.1 pence, being the nominal cost of ordinary shares.

Service contracts

Executive Directors have contracts of employment that are subject to notice periods of twelve months for Peter Brodnicki, and six months for Ben Thompson 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 2018 was as follows:

Director	Basic salary and fees £	Performance related short term incentives £	Pension contributions £	Benefits[1] £	Total emoluments 2018 £	Total emoluments 2017 £
Katherine Innes Ker	74,000	–	–	–	**74,000**	71,500
Peter Brodnicki[2]	363,200	135,634	–	–	**498,834**	598,738
David Preece[2]	179,300	116,257	–	–	**295,557**	393,122
Ben Thompson	124,841	44,167	12,484	–	**181,492**	–
Lucy Tilley	212,200	58,129	21,220	–	**291,549**	307,746
Nathan Imlach	38,300	–	–	–	**38,300**	37,000
Stephen Smith	31,061	–	–	–	**31,061**	–

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 2018, the interest of the Directors in the Ordinary shares of the Company were:

Director	Ordinary shares of 0.1p	%
Katherine Innes Ker	12,307	0.02
Peter Brodnicki	13,997,910	27.39
Ben Thompson	113,000	0.22
David Preece	1,524,800	2.98
Lucy Tilley	16,736	0.03
Nathan Imlach	29,292	0.06

Notes:
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 2017 No.	Granted during the year No.	Exercised during the year No.	Forfeited during the year No.	At 31 Dec 2018 No.
Peter Brodnicki	**(b)**	1.60	243,750	–	81,250	–	162,500
	(c)	3.5775	173,305	–	–	–	173,305
	(e)	4.3083	148,550	–	–	–	148,550
	(f)	0.001	–	19,915	–	–	19,915
			565,605	**19,915**	**81,250**	**–**	**504,270**
David Preece	**(a)**	1.60	117,187	–	39,062	–	78,125
	(b)	1.60	89,064	–	29,687	–	59,377
	(c)	3.5775	142,557	–	–	–	142,557
	(e)	4.3083	73,346	–	–	–	73,346
	(f)	0.001	–	15,136	–	–	15,136
			422,154	**15,136**	**68,749**	**–**	**368,541**
Ben Thompson	**(g)**	0.001	–	59,263	–	–	59,263
Lucy Tilley	**(a)**	2.19	56,506	–	18,836	–	37,670
	(c)	3.5775	82,459	–	–	–	82,459
	(d)	3.5775	23,759	–	–	–	23,759
	(e)	4.3083	95,165	–	–	–	95,165
	(f)	0.001	–	19,915	–	–	19,915
			257,889	**19,915**	**18,836**	**–**	**258,968**

Notes:
(a) Approved Option scheme – first date exercisable is 31 March 2017, last date exercisable is 11 November 2022 or in the case of Lucy Tilley, 19 May 2023.
(b) Unapproved Option scheme – first date exercisable is 31 March 2017, last date exercisable is 11 November 2022.
(c) Unapproved Option scheme – first date exercisable is 04 May 2019, last date exercisable is 3 May 2024.
(d) Approved Option scheme – first date exercisable is 04 May 2019, last date exercisable is 3 May 2024.
(e) Unapproved Option scheme - first date exercisable is 19 April 2020, last date exercisable is 18 April 2025.
(f) Unapproved Option scheme - first date exercisable is 11 April 2021, last date exercisable is 9 April 2026.
(g) Unapproved Option scheme - first date exercisable is 8 June 2021, last date exercisable is 6 June 2026.

Note 26 to the financial statements contains details of all options granted to directors and employees as at 31 December 2018. All of the share options were granted for nil consideration.

The mid-market closing price of the Company's ordinary shares at 31 December 2018 was 515 pence and the range during the financial year was 490 pence to 720 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

18 March 2019

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.

Opinion

We have audited the financial statements of Mortgage Advice Bureau (Holdings) plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 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 financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Key audit matters	Key audit matter description	How we addressed the key audit matter in the audit
Revenue recognition (Note 3)	Revenue comprises of commissions, client fees and other income. Revenue is processed in the operating system upon receipt of third party reports once transactions have been exchanged or completed and is then accounted for when it is matched with cash received in the bank on a monthly basis. Revenue recognition is considered to be a significant audit risk as it is a key driver of return to investors and there is a risk that there could be manipulation or omission of amounts recorded in the system.	We responded to this risk by performing the following procedures: • We tested the operating effectiveness of controls in place over the reconciliation between revenue and cash banked. • We tested on a sample basis that the third party revenue reports had been properly accounted for in respect of the completeness of revenue. • Using third party reports, we recalculated the procuration fees independently. • We performed cut-off tests by verifying back to third party reports.
Clawback provision (Note 19)	The clawback provision relates to the estimated value of repaying commission received up front on life assurance policies that may lapse in a period of up to four years following inception of the policies. The clawback provision is considered a significant audit risk due to the management judgement and estimation applied in calculating the provision. The provision is determined using a model which uses a number of factors including the total unearned commission at the point of calculation, the age profile of the commission received, the Group's share of any clawback, likely future lapse rates, lapse rate history, and the success of the in-house team that focuses on preventing lapses and/or generating new income at the point of a lapse.	• We undertook a critical assessment of the calculated provision and validated all inputs and assumptions used in determining the clawback provision. • We have compared all the assumptions used in the model with third party statements.

Key audit matters	Key audit matter description	How we addressed the key audit matter in the audit
Carrying value of loans to associates (Note 13)	The Group has granted loans to its associates. These loans are held at amortised cost. The carrying value of loans to associates is considered a significant risk due to the judgements and estimates used by management in the preparation of the expected credit loss model as required by IFRS 9 together with the relevant disclosures required.	• As IFRS 9 was adopted on 1 January 2018, we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. • We ensured that the classification of the loans to associates was in line with the requirements of IFRS 9. • We reviewed the agreements for new loans granted during the year. • We reviewed the Expected Credit Loss model in respect of the loans to associates and checked if this is in compliance with IFRS 9, which involved: - critical assessment over inputs used for determination of the level of credit risk, stage allocation, exposure at default, probability of default and loss given default; and - sensitivity analysis performed on the inputs used. • We assessed the adequacy and appropriateness of disclosures for compliance accounting standards with IFRS 9 and IFRS 7.

Our application of materiality

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

We determined materiality for the Parent Company to be £218,000 (2017: £192,000) which represents 5% of net assets. We have used net assets as the Parent Company acts as a holding company only. We have then set the performance materiality at 75% (2017:75%) due to no identified misstatements in the past.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (5% of profit before tax)	Assessing whether the financial statements as a whole present a true and fair view.	• A principal consideration for members of the company in assessing the financial performance of the Group	£787,000 (31 December 2017: £700,000)
Performance materiality (75% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • No history of misstatements	£590,000 (31 December 2017: £525,000)

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £15,000 (2017: £14,000) for the Group and £4,000 (2017: £4,000) for the Parent Company. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Treacy
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

London
18 March 2019

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 2018

	Note	2018 £'000	2017 £'000
Revenue	3	**123,291**	108,847
Cost of sales	4	**(94,851)**	(82,945)
Gross profit		**28,440**	25,902
Administrative expenses		**(13,201)**	(11,909)
Share of profit of associates	13	**361**	500
Operating profit		**15,600**	14,493
Finance income	7	**82**	42
Profit before tax		**15,682**	14,535
Tax expense	8	**(2,492)**	(2,494)
Profit for the year attributable to equity holders of Parent Company		**13,190**	12,041
Total comprehensive income attributable to equity holders of Parent Company		**13,190**	12,041
Earnings per share attributable to the owners of the Parent Company			
Basic	9	**25.9p**	23.8p
Diluted	9	**25.3p**	23.2p

The notes on pages 37 to 65 form part of these financial statements.

Consolidated statement of financial position
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**2,616**	2,648
Goodwill	12	**4,114**	4,114
Other intangible assets	12	**645**	98
Investments	13	**1,573**	1,339
Other receivables	15	**2,296**	1,276
Deferred tax asset	20	**878**	925
Total non-current assets		**12,122**	10,400
Current assets			
Trade and other receivables	15	**4,603**	3,150
Cash and cash equivalents	16	**25,589**	22,551
Total current assets		**30,192**	25,701
Total assets		**42,314**	36,101
Equity and liabilities			
Equity attributable to owners of the Parent Company			
Share capital	21	**51**	51
Share premium		**4,094**	3,574
Capital redemption reserve		**20**	20
Share option reserve		**1,675**	1,450
Retained earnings		**14,829**	13,071
Total equity		**20,669**	18,166
Liabilities			
Non-current liabilities			
Provisions	19	**1,704**	1,496
Deferred tax liability	20	**54**	51
Total non-current liabilities		**1,758**	1,547
Current liabilities			
Trade and other payables	17	**18,690**	14,999
Corporation tax liability		**1,197**	1,389
Total current liabilities		**19,887**	16,388
Total liabilities		**21,645**	17,935
Total equity and liabilities		**42,314**	36,101

The notes on pages 37 to 65 form part of these financial statements.
The financial statements were approved by the Board of Directors on 18 March 2019.

P Brodnicki
Director

L Tilley
Director

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2017	51	3,042	20	380	11,680	15,173
Profit for the year	–	–	–	–	12,041	12,041
Total comprehensive income	–	–	–	–	12,041	12,041
Transactions with owners						
Issue of shares	–	532	–	–	–	532
Share based payment transactions	–	–	–	333	–	333
Deferred tax asset recognised in equity	–	–	–	799	–	799
Reserve transfer	–	–	–	(62)	62	–
Dividends paid	–	–	–	–	(10,712)	(10,712)
Transactions with owners	–	532	–	1,070	(10,650)	(9,048)
Balance at 31 December 2017 and 1 January 2018	51	3,574	20	1,450	13,071	18,166
Profit for the year	–	–	–	–	13,190	13,190
Total comprehensive income	–	–	–	–	13,190	13,190
Transactions with owners						
Issue of shares	–	520	–	–	–	520
Share based payment transactions	–	–	–	477	–	477
Deferred tax asset recognised in equity	–	–	–	(185)	–	(185)
Reserve transfer	–	–	–	(67)	67	–
Dividends paid	–	–	–	–	(11,499)	(11,499)
Transactions with owners	–	520	–	225	(11,432)	(10,687)
Balance at 31 December 2018	**51**	**4,094**	**20**	**1,675**	**14,829**	**20,669**

The notes on pages 37 to 65 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit for the year before tax		**15,682**	14,535
Adjustments for:			
Depreciation of property, plant and equipment	11	**207**	201
Amortisation of intangibles	12	**44**	14
Share based payments		**477**	333
Share of profit from associates	13	**(494)**	(500)
Dividends received from associates	13	**392**	353
Finance income	7	**(82)**	(42)
		16,226	14,894
Changes in working capital			
Increase in trade and other receivables (other than accrued interest income)	7	**(2,437)**	(1,159)
Increase in trade and other payables		**3,691**	2,594
Increase in provisions		**208**	277
Cash generated from operating activities		**17,688**	16,606
Income taxes paid		**(2,818)**	(2,151)
Net cash generated from operating activities		**14,870**	14,455
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(175)**	(129)
Purchase of intangibles	12	**(591)**	(103)
Acquisitions of associates and investments	13	**(132)**	(184)
Deferred consideration on acquisition of associates		**–**	(50)
Net cash used in investing activities		**(898)**	(466)
Cash flows from financing activities			
Interest received	7	**45**	31
Issue of shares	21	**520**	532
Dividends paid	10	**(11,499)**	(10,712)
Net cash used in financing activities		**(10,934)**	(10,149)
Net increase in cash and cash equivalents		**3,038**	3,840
Cash and cash equivalents at the beginning of year		**22,551**	18,711
Cash and cash equivalents at the end of the year		**25,589**	22,551

The notes on pages 37 to 65 form part of these financial statements.

1. Accounting policies

Basis of preparation

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

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

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out earlier in these financial statements. 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 £15.6m during 2018 (2017: £14.5m) and had net current assets of £10.3m at 31 December 2018 (31 December 2017: £9.3m) and equity attributable to owners of the Group of £20.7m (31 December 2017: £18.2m).

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

Changes in accounting policies

New standards, interpretations and amendments effective for the year ended 31 December 2018

The Group applied IFRS 9 for the first time. The nature and the effect of the changes as a result of adoption of this new accounting standard are described below.

Several other standards and interpretations apply for the first time in 2018 but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

  The Group has applied an expected credit loss model when calculating impairment losses on its trade and other receivables and its cash and cash equivalents. This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9, the Group has considered the probability of a default occurring over the contractual life of its trade and other receivables on initial recognition of those assets. Under the new model applied to all trade and other receivables, the amount of impairment losses as at 1 January 2018 was not material. In accordance with the provisions of IFRS 9, an impairment provision of £0.3m as at 31 December 2018 has been recognised in the consolidated financial statements in respect of loans to associated companies.

  The Group has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, this change has been processed at the date of initial application (i.e. 1 January 2018), and presented in the statement of changes in equity for the year to 31 December 2018.

- **IFRS 15 Revenue from Contracts with Customers.** This sets out the requirements for recognising revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments. This standard did not have any impact on the Group.

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

  Due to the nature of the revenue of the Group there is no impact on the Group.

1. Accounting policies (continued)

- **IFRS 2 Classification and Measurement of Share based Payment Transactions – Amendments to IFRS 2.** This standard addresses three main areas: the effects of vesting conditions on the measurement of a 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. These amendments did not 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.

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

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

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

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

- **Amendments to IAS 28: Long-term interests in Associates and Joint Ventures.** The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying *IAS 28 Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. The Group will apply these amendments when they become effective.

1. Accounting policies (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017)

- **IFRS 3 Business Combinations.** The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

- **IFRS 11 Joint Arrangements.** A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- **IAS 12 Income Taxes.** The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

■ Current versus non-current classification

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

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

All other assets are classified as non-current.

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

■ Basis of consolidation

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

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

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

1. Accounting policies (continued)

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint ventures

The Group accounts for its interests in joint ventures in the same manner as investments in Associates (i.e. using the equity method).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in the joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

■ 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 their expected useful lives, as follows:

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

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

■ Goodwill

Goodwill represents the excess of a cost of a business combination over the Group's interest in the fair value of identifiable assets under IFRS 3 Business Combinations.

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

■ Other intangible assets

Intangible assets other than goodwill acquired by the Group comprise licences, the website and software 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 or expected useful life of the asset and is charged once the asset is in use. Assets are tested annually for impairment or more frequently if events or circumstances indicate potential impairment.

Amortisation, which is reviewed annually, is provided on licences at 16.7% per annum and on the website and software at 33.3% per annum, calculated to write off the cost of the asset on a straight line basis over its expected useful life.

1. Accounting policies (continued)

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.

Impairment charges are included in profit or loss except to the extent that they reverse gains previously recognised in other comprehensive income. An impairment loss for goodwill is not reversed.

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, and these assets arise principally to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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

Impairment provisions for loans to associates are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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

Financial liabilities

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.

1. Accounting policies (continued)

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.

Finance income

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

Foreign exchange

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

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 substantively 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.

1. Accounting policies (continued)

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, and the Group is using the simplified approach for trade receivables within IFRS 9 using the lifetime expected credit losses. During this process judgements about the probability of the non-payment of the trade receivables are made.

In considering impairment provisions for loans to associates the forward looking expected credit loss model is used. In determining the lifetime expected credit losses for loans to associates, the Group has had to consider different scenarios for repayments of these loans and have also estimated percentage probabilities assigned to each scenario for each associate where applicable. More information is included in note 15.

(c) Clawback Provision

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

(d) Freehold building

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

(e) Deferred tax assets

Deferred tax assets include temporary differences related to the issue and exercise of share options. Recognition of the deferred tax assets assigns an estimate of proportion of options likely to vest and assumes share options will have a positive value at the date of vesting, which is greater than the exercise price. The carrying amount of deferred tax assets at 31 December 2018 was £0.8m (2017: £0.9m).

3. Revenue

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

	2018 £'000	2017 £'000
Mortgage related products	**74,453**	64,289
Insurance and other protection products	**47,021**	42,854
Other income	**1,817**	1,704
	123,291	108,847

4. Cost of sales

Costs of sales are as follows:

	2018 £'000	2017 £'000
Commissions paid	**93,088**	81,265
Wages and salary costs	**1,763**	1,680
	94,851	82,945

Wages and salary costs	2018 £'000	2017 £'000
Gross	**1,344**	1,302
Employers' National Insurance	**160**	151
Defined contribution pension costs	**61**	48
Other Direct Costs	**198**	179
	1,763	1,680

5. Profit from operations

Profit from operations is stated after charging the following:

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment	**207**	201
Amortisation of intangibles	**44**	14
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	**48**	32

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

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

6. Staff costs

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

	2018 £'000	2017 £'000
Wages and salaries	**7,692**	7,271
Share based payments	**801**	670
Social security costs	**765**	739
Defined contribution pension costs	**260**	188
	9,518	8,868

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

	Number	Number
Executive Directors	**4**	3
Compliance	**64**	59
Sales and marketing	**45**	43
Operations	**53**	52
Total	**166**	157

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.

	2018 £'000	2017 £'000
Wages and salaries	**1,233**	1,420
Share based payments	**238**	145
Defined contribution pension costs	**34**	21
	1,505	1,586

During the year retirement benefits were accruing to 2 directors (2017: 1) in respect of defined contribution pension schemes.

The total amount payable to the highest paid director in respect of emoluments was £498,834 (2017: £598,738). The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2017: £nil).

7. Finance income

	2018 £'000	2017 £'000
Interest income	**45**	31
Interest income accrued on loans to associates	**37**	11
	82	42

8. Income tax

	2018 £'000	2017 £'000
Current tax expense		
UK corporation tax charge on profit for the year	**2,627**	2,537
Total current tax	**2,627**	2,537
Deferred tax expense		
Origination and reversal of timing differences	**(64)**	5
Temporary difference on share based payments	**(71)**	(71)
Adjustment to deferred tax charge in respect of prior periods	**–**	23
Total deferred tax (see note 20)	**(135)**	(43)
Total tax expense	**2,492**	2,494

The reasons for the difference between the actual charge for the year and the standard rate of corporation tax in the United Kingdom of 19% (2017: 19.25%) applied to profit for the year is as follows:

	2018 £'000	2017 £'000
Profit for the year before tax	**15,682**	14,535
Expected tax charge based on corporation tax rate	**2,980**	2,798
Expenses not deductible for tax purposes	**72**	56
Research & Development allowances	**(212)**	(135)
Tax on share options exercised	**(269)**	(163)
Adjustment to deferred tax charge in respect of prior periods	**–**	23
Profits from associates	**(94)**	(96)
Effect of lower deferred tax rate	**15**	11
Total tax expense	**2,492**	2,494

For the year ended 31 December 2018 the deferred tax charge relating to unexercised share options, recognised in equity was £184,671 (2017: credit £799,387).

Changes in the taxation rate

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

9. 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	**2018 £'000**	2017 £'000
Profit for the year attributable to the owners of the parent	**13,190**	12,041
Weighted average number of shares in issue	**51,022,846**	50,697,207
Basic earnings per share (in pence per share)	**25.9p**	23.8p

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	**2018 £'000**	2017 £'000
Profit for the year attributable to the owners of the parent	**13,190**	12,041
Weighted average number of shares in issue	**52,201,486**	51,948,051
Basic earnings per share (in pence per share)	**25.3p**	23.2p

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

Weighted average number of ordinary shares	**2018**	2017
Issued ordinary shares at start of period	**50,787,345**	50,461,600
Effect of shares issued during period	**235,501**	235,607
Basic weighted average number of shares	**51,022,846**	50,697,207
Potential ordinary shares arising from options	**1,178,640**	1,250,844
Diluted weighted average number of shares	**52,201,486**	51,948,051

10. Dividends

	2018 £'000	2017 £'000
Dividends paid and declared during the year:		
Final dividend for 2017: 11.9p per share (2016: 10.5p)	**6,082**	5,333
Special dividend: 1.1p per share (2017: 1.1p)	**–**	555
Interim dividend for 2018: 10.6p per share (2017: 9.5p)	**5,417**	4,824
	11,499	10,712
Equity dividends on ordinary shares:		
Proposed for approval:		
Final dividend for 2018: 12.7p per share (2017: 11.9p)	**6,490**	6,044
	6,490	6,044

The record date for the final dividend is 26 April 2019 and the payment date is 24 May 2019.The ex-dividend date will be 25 April 2019.

11. Property, plant and equipment

	Freehold land and building £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2018	2,461	494	751	3,706
Additions	–	73	102	175
At 31 December 2018	2,461	567	853	3,881
Depreciation				
At 1 January 2018	122	314	622	1,058
Charge for the year	55	57	95	207
At 31 December 2018	177	371	717	1,265
Net book value				
At 31 December 2018	2,284	196	136	2,616

11. Property, plant and equipment (continued)

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

12. Intangible assets

Goodwill	**2018 £'000**	2017 £'000
Cost		
At 1 January and 31 December	**4,267**	4,267
Accumulated impairment		
At 1 January and 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 2018 concluded that there had been no impairment of goodwill.

The Board considers that it has only one operating segment and one cash-generating unit (CGU). Goodwill arose on the acquisition of Mortgage Talk Limited and has since been allocated to the single CGU of the Group. Impairment testing for the CGU is carried out by determining recoverable amount on the basis of a value in use, which is then compared to the carrying value of the assets of the CGU including goodwill. The value in use that has been determined exceeds the carrying value of the CGU and therefore no impairment of 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, website and software	Licences £'000	Website £'000	Software £'000	Total £'000
Cost				
At 1 January 2018	108	103	–	211
Additions	–	37	554	591
At 31 December 2018	**108**	**140**	**554**	**802**
Accumulated amortisation				
At 1 January 2018	108	5	–	113
Charge for the year	–	44	–	44
At 31 December 2018	**108**	**49**	**–**	**157**
Net book value				
At 31 December 2018	**–**	**91**	**554**	**645**

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

13. Investments in Associates and Joint Venture

	£'000
Investment in Associates and joint venture	1,573
Other Investments	–
At 31 December 2018	**1,573**
At 31 December 2017	1,339

Investment in Associates and Joint Venture

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

Company name	Registered office	Percentage of ordinary shares held	Description
CO2 Commercial Limited	Profile House, Stores Road, Derby DE21 4BD	49	Property surveyors
MAB Wealth Management Limited	Capital House, Pride Place, Derby DE24 8QR	49	Provision of financial services
Freedom 365 Mortgage Solutions Limited	Gresley House, Ten Pound Walk, Doncaster DN4 5HX	35	Provision of financial services
Sort Group Limited	Burdsall House, London Road, Derby DE24 8UX	43.25	Conveyancing services
Buildstore Limited	Nsb & Rc Lydiard Fields, Great Western Way, Swindon SN5 8UB	25	Provision of financial services
Clear Mortgage Solutions Limited	114 Centrum House, Dundas Street, Edinburgh EH3 5DQ	25	Provision of financial services
Vita Financial Limited	1st Floor Tudor House, 16 Cathedral Road, Cardiff CF11 9LJ	20	Provision of financial services
MAB Broker Services PTY Limited	Level 7, 68 Alfred Street, Milsons Point, NSW 2061	45	Provision of financial services
Eagle and Lion Limited	8 Mortimer Road, Clifton, Bristol, BS8 4EX	33.33	Provision of financial services

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

13. Investments in Associates and Joint Venture (continued)

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

	2018 £'000	2017 £'000
At 1 January	**1,339**	1,008
Additions	**265**	184
Credit / (charge) to the statement of comprehensive income	**133**	–
Share of profit	**494**	500
Amount written off	**(133)**	–
	361	500
Dividends received	**(392)**	(353)
At 31 December	**1,573**	1,339

The Group is 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, 20% of the results of Vita Financial Limited by virtue of its 20% equity stake, and 33.33% of the results of Eagle and Lion Limited by virtue of its 33.33% equity stake.

The Group is entitled to 43.25% of the results of Sort Group Limited by virtue of its 43.25% equity stake. Mortgage Advice Bureau Limited's effective holding in Sort Limited, Sort Legal Limited and Sort Technology Limited is now 32.5%, 36.8% and 41.1% respectively.

The carrying value of the Group's joint venture, MAB Broker Services PTY Limited, at 31 December 2018 is £nil (2017: £nil). In the period ended 30 June 2018, MAB Broker Services PTY reported a loss of AUD0.6m (2017: AUD0.5m).

Acquisitions and disposals

2018
The Group acquired a 33.33% interest in Eagle and Lion Limited on 15 October 2018 at a cost of £131,460. In accordance with IFRS 9 the Group increased the value of investments by £133,324 to reflect the present value adjustment to an interest free loan.

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

13. Investments in Associates and Joint Venture (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:

2018	**Pinnacle Surveyors (England & Wales) Limited £'000**	**Buildstore Limited £'000**	**Sort Group Limited £'000**	**Others £'000**	**2018 Total £'000**
Non-current assets	**20**	**181**	**771**	**101**	**1,073**
Cash balances	**520**	**356**	**542**	**99**	**1,517**
Current assets (excluding cash balances)	**900**	**713**	**406**	**616**	**2,635**
Current liabilities	**(749)**	**(841)**	**(1,157)**	**(263)**	**(3,010)**
Non-current liabilities and provisions	**(4)**	**–**	**(84)**	**(166)**	**(254)**
Revenue	**4,582**	**3,526**	**5,744**	**4,436**	**18,288**
Profit before taxation	**1,295**	**95**	**(52)**	**144**	**1,482**
Total comprehensive income	**1,046**	**77**	**(52)**	**(67)**	**1,004**
Profit attributable to Group	**512**	**19**	**(23)**	**(14)**	**494**
Dividends received from associates	**392***	**–**	**–**	**–**	**392**

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

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

All associates prepare their financial statements in accordance with FRS 102 other than MAB Broker Services PTY Limited who prepare their financial statements in accordance with the Australian Accounting Standards. There would be no material difference to the accounts of any of the associates if these were prepared in accordance with IFRS.

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
MABWM 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
Mortgage Advice Bureau (UK) Limited	England and Wales	100	Dormant
Mortgage Advice Bureau (Bristol) Limited	England and Wales	100	Dormant
MAB (Derby) Limited	England and Wales	100	Dormant
L&P 137 Limited	England and Wales	100	Dormant
Mortgage Talk (Partnership) Limited	England and Wales	100	Dormant
Financial Talk Limited	England and Wales	100	Dormant
Survey Talk Limited	England and Wales	100	Dormant
L&P 134 Limited	England and Wales	100	Dormant
Loan Talk Limited	England and Wales	100	Dormant
MAB1 Limited	England and Wales	100	Dormant

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

Mortgage Advice Bureau Australia (Holdings) PTY Limited has a 100% equity stake in Mortgage Advice Bureau PTY Limited and also a 45% equity stake in MAB Broker Services PTY Limited.

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

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

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

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

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

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

15. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	**2,047**	1,430
Less provision for impairment of trade receivables	**(284)**	(273)
Trade receivables – net	**1,763**	1,157
Receivables from related parties	**29**	–
Loans to related parties	**2,257**	719
Less provision for impairment of loans to related parties	**(290)**	–
Total financial assets other than cash and cash equivalents classified as amortised costs	**3,759**	1,876
Prepayments and accrued income	**3,140**	2,550
Total trade and other receivables	**6,899**	4,426
Less: non-current portion – Loans to related parties	**(1,560)**	(667)
Less non-current – Trade receivables	**(736)**	(609)
Current portion	**4,603**	3,150

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

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. At 31 December 2018 the lifetime expected loss provision for trade receivables is £0.3m. The movement in the impairment allowance for trade receivables has been included in cost of sales in the consolidated statement of comprehensive income.

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

At 31 December 2018 the lifetime expected loss provision for loans to associates is £0.3m. One of these receivables has been subject to a significant increase in credit risk since initial recognition and, consequently, lifetime expected credit losses have been recognised. For the remainder, 12 month expected credit losses have been recognised. (There are no non-current receivable balances lifetime expected credit losses.)

The movement in the impairment allowance for receivables for loans to associates has been included in cost of sales in the consolidated statement of comprehensive income.

15. Trade and other receivables (continued)

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

In light of the above, the Directors do not consider that disclosure of an aging analysis of trade and other receivables would provide useful additional information. Further information on the credit quality of financial assets is set out in note 18.

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

	2018 £'000	2017 £'000
At 1 January	**273**	481
Impairment losses recognised	**11**	–
Impairment provisions no longer required	**–**	(208)
At 31 December	**284**	273

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

	2018 £'000	2017 £'000
Unrestricted cash and bank balances	**13,878**	13,170
Bank balances held in relation to retained commissions	**11,711**	9,381
Cash and cash equivalents	**25,589**	22,551

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 and other payables (note 17).

17. Trade and other payables

	2018 £'000	2017 £'000
Appointed Representatives retained commission	**11,711**	9,381
Other trade payables	**4,658**	3,526
Trade payables	**16,369**	12,907
Social security and other taxes	**783**	315
Other payables	**42**	40
Accruals	**1,496**	1,737
	18,690	14,999

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

As at 31 December 2018 and 31 December 2017, the carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

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

18. Financial instruments – risk management

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

- Credit risk
- Liquidity risk
- Interest rate risk

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

Principal financial instruments

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

18. Financial instruments – risk management (continued)

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	**2018 £'000**	2017 £'000
Cash and cash equivalents	**25,589**	22,551
Trade and other receivables	**3,759**	1,876
Total financial assets	**29,348**	24,427

Financial liabilities	**2018 £'000**	2017 £'000
Trade and other payables	**17,194**	13,262
Total financial liabilities	**17,194**	13,262

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.

Financial assets – maximum exposure	**2018 £'000**	2017 £'000
Cash and cash equivalents	**25,589**	22,551
Trade and other receivables	**3,759**	1,876
Total financial assets	**29,348**	24,427

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

Trade receivables consist of a large number of unrelated trading partners and therefore credit risk is not concentrated. 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 £825,357 (2017: £520,789) 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.

18. Financial Instruments – risk management (continued)

Interest rate risks

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

Foreign exchange risk

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

Liquidity risk

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

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

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

Capital management

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

The Group's objectives when maintaining capital are:

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

19. Provisions

Clawback provision	**2018 £'000**	2017 £'000
At 1 January	**1,496**	1,219
Charged to the statement of comprehensive income	**208**	277
At 31 December	**1,704**	1,496

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% (2017: 17%). The reduction in the main rate of corporation tax as set out in note 8 has been applied to deferred tax balances which are expected to reverse in the future.

The movement in deferred tax is shown below:

	2018 £'000	2017 £'000
Deferred tax asset – opening balance	**874**	32
Recognised in the statement of comprehensive income	**135**	43
Deferred tax movement recognised in equity	**(185)**	799
Deferred tax asset – closing balance	**824**	874

The deferred tax balance is made up as follows:

	2018 £'000	2017 £'000
Accelerated capital allowances	**(54)**	(51)
Other timing differences	**79**	12
Share based payment	**799**	913
Net deferred tax asset	**824**	874

Reflected in the statement of financial position as follows:

	2018 £'000	2017 £'000
Deferred tax liability	**(54)**	(51)
Deferred tax asset	**878**	925
Deferred tax asset net	**824**	874

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	2018 £'000	2017 £'000
Ordinary shares of 0.1p each	**51**	51
Total share capital	**51**	51

During the year 318,363 ordinary shares of £0.001 each were issued following exercise of the second tranche of options issued at the time of the Initial Public Offering of the Company at a premium of £520,176. See also note 26.

22. Reserves

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

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

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

There is no restriction on the distribution of retained earnings.

23. Retirement benefits

The Group operates a defined contribution pension scheme for the benefit of its employees and also makes contributions to a self-invested personal pension ("SIPP"). The assets of the scheme and the SIPP are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the SIPP and amounted to £260,254 (2017: £188,279). There were no contributions payable to the fund or the SIPP at the statement of financial position date (2017: £nil).

24. Related party transactions

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

During the year the loan outstanding from Buildstore Limited, an associated company, of £30,000 was repaid in full. During the year the Group paid commissions of £681,268 (2017: £1,083,970) to Buildstore Limited.

During the year the Group received introducer commission from MAB Wealth Management Limited, an associated company of £5,463 (2017: £7,633). There is no balance outstanding with MAB Wealth Management Limited at 31 December 2018 (2017: £nil).

During the year the Group received introducer commission from Sort Limited, a subsidiary of an associated company of £699,279 (2017: £329,798). At 31 December 2018 there was an amount of £126,562 (2017: £18,288) outstanding with Sort Group Limited, an associated company and is included in trade and other receivables.

During the year the Group paid commission to Clear Mortgage Solutions Limited, an associated company, of £3,140,667 (2017: £2,484,296).

During the year the Group purchased services from Twenty7tec Group Limited, a company in which the Group holds an investment, of £43,200 (2017: £25,200).

During the year the Group paid commission to Freedom 365 Mortgage Solutions Limited, an associated company, of £849,727 (2017: £567,849). At 31 December 2018 there was a loan outstanding from Freedom 365 Mortgage Solutions Limited of £1,121,698 and is included in trade and other receivables (2017: £455,000).

During the year the Group paid commission to Vita Financial Limited, an associated company, of £879,427 (2017: £740,351). At 31 December 2018 there was a loan outstanding from Vita Financial Limited of £27,000 and is included in trade and other receivables.

At 31 December 2018 there was a loan outstanding from MAB Broker Services PTY Limited, an associated company, of £616,329 (AUD1,115,000) included in trade and other receivables (2017: £204,987, AUD350,000).

24. Related party transactions (continued)

During the year the Group paid commission to Eagle & Lion Limited, an associated company, of £80,513. At 31 December 2018 there was a loan outstanding from Eagle & Lion Limited of £365,000 and is 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 follows:

	2018 £'000	2017 £'000
CO2 Commercial Limited	**392**	353

25. Ultimate controlling party

There is no ultimate controlling party.

26. Share based payments

Mortgage Advice Bureau Executive Share Option Plan

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

For options granted at IPO and on 20 May 2015 and outstanding at 1 January 2018:

- 33.3% based on performance to 31 March 2018, exercisable between that date and 11 November 2022,
- 33.3% based on performance to 31 March 2018, exercisable between 31 March 2019 and 11 November 2022, and
- 33.3% based on performance to 31 March 2018, exercisable between 31 March 2020 and 11 November 2022.

For options granted during 2016 and outstanding at 1 January 2018:

- 100% based on performance to 31 March 2019, exercisable between 4 May 2019 and 3 May 2024

For options granted during 2017 and outstanding at 1 January 2018:

- 100% based on performance to 31 March 2020, exercisable between 19 April 2020 and 18 April 2025

For options granted during the year:

- 100% based on performance to 31 March 2021, exercisable between 11 April 2021 and 9 April 2026

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:

	2018 WAEP £	**2018 Number**	2017 WAEP £	2017 Number
Outstanding at 1 January	**3.01**	**2,412,342**	2.32	2,171,822
Granted during the year	**0.001p**	**162,829**	4.31	684,923
Exercised	**(1.63)**	**(318,363)**	(1.63)	(325,745)
Lapsed*	**–**	**(121,197)**	–	(118,658)
Outstanding at 31 December	**2.98**	**2,135,611**	3.01	2,412,342

* Due to retirement or leaving the Group.

On 10 April 2018, 103,566 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan (the "Options"). Exercise of the Options is subject to the service conditions and achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, the Options will be exercisable three years from the date of grant. The exercise price for the Options is 0.1 pence, being the nominal cost of the Ordinary Shares.

On 7 June 2018, 59,263 options over ordinary shares of 0.1 pence each in the Company were granted to Ben Thompson, Managing Director, under the equity-settled Mortgage Advice Bureau Executive Share Option Plan (the "Options"). Exercise of the Options is subject to the service conditions and achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, the Options will be exercisable three years from the date of grant. The exercise price for the Options is 0.1 pence, being the nominal cost of the Ordinary Shares.

Options exercised in April 2018 resulted in 318,363 ordinary shares being issued at an exercise price of £1.60 and £2.19. The price of the ordinary shares at the time of exercise was £6.27 per share.

For the share options outstanding under the Mortgage Advice Bureau Executive Share Option Plan as at 31 December 2018, the weighted average remaining contractual life is 0.9 years (2017 1.6 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.

	2018	2017
Equity-settled		
Option pricing model – EPS	**Black-Scholes**	Black-Scholes
Option pricing model – TSR	**Stochastic**	Stochastic
Exercise price	**£0.001**	£4.3083
Expected volatility	**38.73%**	30%
Expected dividend yield	**3.42%**	4.18%
Risk free interest rate	**0.91%**	0.15%

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.

26. Share based payments (continued)

Dividends paid on shares reduce the fair value of an award as a participant does not receive the dividend income on these shares. For the share options granted during the year the historic dividend yield has been used, calculated as dividends announced in the 12 months prior to grant (excluding special dividends) calculated as a percentage of the share price on the date of grant to give a dividend yield of 3.42%.

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

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

MAB AR Option Plan

The Group operates an equity-settled share plan, the AR Option Plan, to reward selected ARs of the Group. The AR Option Plan provides for options which have a nominal exercise price of 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:

	2018 WAEP £	**2018 Number**	2017 WAEP £	2017 Number
Outstanding at 1 January	**0.01p**	**255,000**	0.01p	255,000
Granted during the year	**–**	**–**	–	–
Outstanding at 31 December	**0.01p**	**255,000**	0.01p	255,000

For the share options outstanding under the MAB AR Option Plan as at 31 December 2018, the weighted average remaining contractual life is 1.4 years (2017: 2.4 years).

Expected volatility is a measure of an amount by which the share price is expected to fluctuate during a period. As the Company only listed in November 2014 there is insufficient historical data. We have therefore used a proxy volatility figure based on the 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 2015 the stub dividend in respect of the period from Admission to 31 December 2014 has been annualised and divided at the share price at date of grant to give a dividend yield of 7.1%.

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

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

26. Share based payments (continued)

Share based remuneration expense

The share based remuneration expense of £800,676 (2017: £670,465) includes the charge for the equity-settled schemes of £631,416 (2017: £520,949) and the matching element of the Group's Share Incentive Plan for all employees of £56,885 (2017: £37,200).

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

27. Contingent Liabilities

The Group had no contingent liabilities at 31 December 2018 or 31 December 2017.

28. Events after the reporting date

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

29. Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2018 £'000	2017 £'000
Cash at bank available on demand	**21,997**	18,982
Trade and other receivables	**3,592**	3,569
Total financial assets	**25,589**	22,551

Company statement of financial position

as at 31 December 2018

Registered number 04131569

The following parent entity financial statements are prepared under FRS 102 and relate to the Company and not to the Group. The statement of accounting policies which have been applied to these accounts can be found on page 68.

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 £11,498,746 (2017: £10,712,547).

	Note	**2018 £'000**	2017 £'000
Fixed assets			
Investments	3	**3,077**	3,077
Current assets			
Debtors	4	**1,274**	754
Net assets		**4,351**	3,831
Capital and reserves			
Called up share capital	5	**51**	51
Share premium account	6	**4,094**	3,574
Capital redemption reserve	6	**20**	20
Retained earnings	6	**186**	186
		4,351	3,831

The notes on pages 68 to 71 form part of these financial statements.

The financial statements were approved by the Board of Directors on 18 March 2019.

P Brodnicki
Director

L Tilley
Director

Company statement of changes in equity
for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2017	51	3,042	20	186	3,299
Profit for the year	–	–	–	10,712	10,712
Total comprehensive income	–	–	–	10,712	10,712
Transactions with owners					
Issue of shares	–	532	–	–	532
Dividends paid	–	–	–	(10,712)	(10,712)
Transactions with owners	–	532	–	(10,712)	(10,180)
Balance at 31 December 2017 and 1 January 2018	51	3,574	20	186	3,831
Profit for the year	–	–	–	11,499	11,499
Total comprehensive income	–	–	–	11,499	11,499
Transactions with owners					
Issue of shares	–	520	–	–	520
Dividends paid	–	–	–	(11,499)	(11,499)
Transactions with owners	–	520	–	(11,499)	(10,979)
At 31 December 2018	**51**	**4,094**	**20**	**186**	**4,351**

Notes to the Company statement of financial position
as at 31 December 2018

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 FRS 102 reduced disclosure framework has been applied and the Company meets the definition of a qualifying entity. The principal accounting policies are summarised below. They have all been consistently applied to all years presented.

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

Cash flow statement

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

Going concern

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

Investments

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

Share capital

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

Dividends

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

Financial instruments

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

2. Profit for the year

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

3. Investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2018 and 31 December 2018	**3,077**
Net book value	
At 31 December 2018	**3,077**
At 31 December 2017	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
MABWM 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
Mortgage Advice Bureau (UK) Limited	England and Wales	100	Dormant
Mortgage Advice Bureau (Bristol) 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
MAB 1 Limited	England and Wales	100	Dormant

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

3. Investments (continued)

Mortgage Advice Bureau Australia (Holdings) PTY Limited has a 100% equity stake in Mortgage Advice Bureau PTY Limited and also a 45% equity stake in MAB Broker Services PTY Limited.

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

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

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

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

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

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

4. Debtors – amounts falling due within one year

	2018 £'000	2017 £'000
Amounts due from Group undertakings	**1,274**	754

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

5. Share capital

Issued and fully paid	**2018 £'000**	2017 £'000
Ordinary shares of 0.1p each	**51**	51
Total share capital	**51**	51

During the year 318,363 ordinary shares of £0.001 each were issued following exercise of the second tranche of options issued at the time of the Initial Public Offering of the Company at a premium of £520,176. See also note 26 to the financial statements for the Group.

6. Reserves

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

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

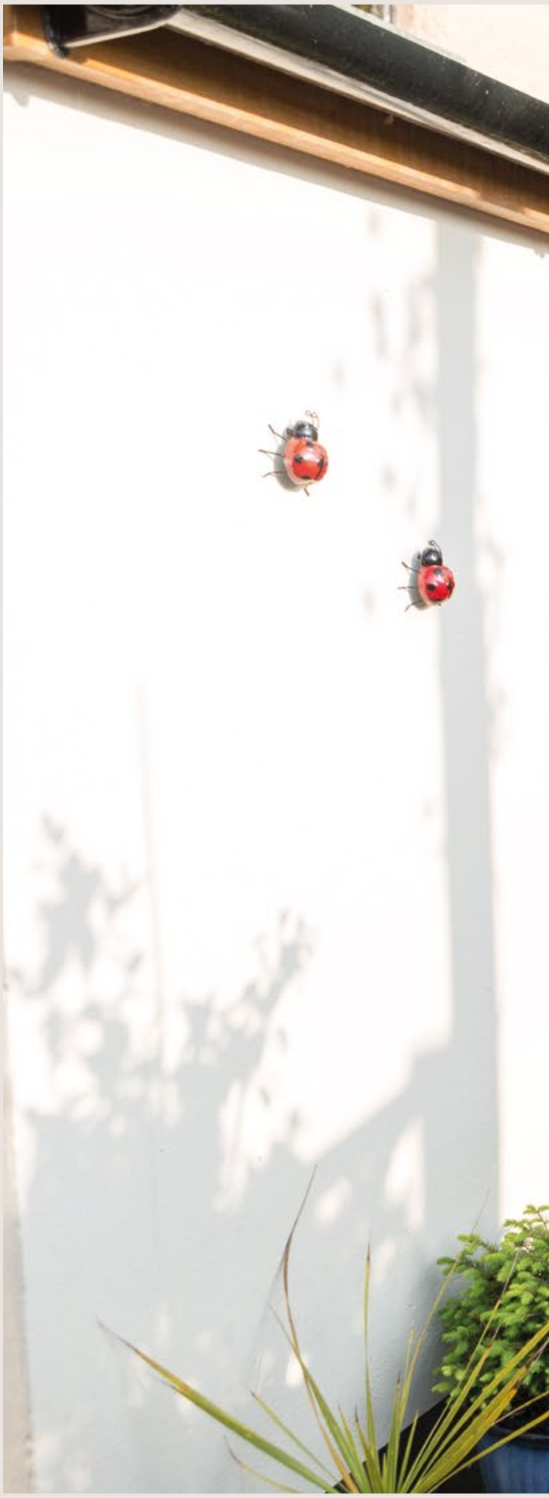
There is no restriction on the distribution of retained earnings.

7. Financial instruments and risk

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

8. Related party transactions

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



Mortgage Advice Bureau (Holdings) plc
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