MORTGAGE ADVICE BUREAU (HOLDINGS) PLC

("MAB" or "the Group")

28 September 2021

Interim Results for the six months ended 30 June 2021

Mortgage Advice Bureau (Holdings) Plc (AIM: MAB1.L) is pleased to announce its interim results for the six months ended 30 June 2021.

Financial highlights

	H1 2021	H1 2020	H1 2019	Change vs 2020	Change vs 2019
Revenue	£92.4m	£63.5m	£60.9m	+46%	+52%
Gross profit	£24.6m	£17.2m	£14.2m	+43%	+74%
Gross profit margin	26.7%	27.2%	23.3%	-0.5pp(1)	+3.4pp
Adjusted overheads ratio(2)	14.8%	14.9%	11.2%	-0.1pp	+3.6pp
Adjusted profit before tax(3)	£11.6m	£7.9m	£7.4m	+47%	+56%
Statutory profit before tax	£10.8m	£6.1m	£7.2m	+77%	+50%
Adjusted profit before tax margin(3)	12.5%	12.4%	12.2%	+0.1pp	+0.3pp
Adjusted profit before tax as a percentage of net revenue(4)	41%	39%	49%	+2pp	-8pp
Reported profit before tax margin	11.7%	9.6%	11.8%	+2.1pp	-0.1pp
Adjusted(3) EPS	17.9p	13.2p	12.3p	+36%	+46%
Basic EPS	16.5p	10.1p	11.9p	+63%	+38%
Operating profit to adjusted cash conversion(5)	120%	97%	99%	+23pp	+21pp
Interim dividend(6)	13.4p	Nil	11.1p	-	+21%

Operational highlights

- Adviser numbers up 7% to 1,694[7] at 30 June 2021 (31 December 2020: 1,580)
- Average number of mainstream advisers[8] up 13% to 1,584 (H1 2020: 1,396)
- Revenue per mainstream adviser up 28%[9]
- Gross mortgage completions (including product transfers) up 48% to £11.0bn (H1 2020: £7.5bn)
- Gross new mortgage completions (excluding product transfers) up 50% to £9.6bn (H1 2020: £6.4bn)
- Market share of new mortgage lending at 6.0%[10] (H1 2020: 5.9%)
- Proportion of revenue from refinancing at 24% (H1 2020: 38%)
- Acquisition of a 25% stake in M & R FM Ltd by First Mortgage Direct Ltd
- Investment in, and strategic relationship with, Boomin, the next generation property portal
- Commercial agreements with Boomin, The Nottingham Building Society and Moneybox represent significant progress in lead generation and early customer capture strategy

Post period end

- Adviser numbers increased to 1,800[7] at 24 September 2021
- Acquisition of a 49% stake in Evolve FS Ltd ("Evolve"), a leading specialist new build mortgage broker
- Moneysupermarket.com secured as major new lead source in our fast-growing lead generation capability

Peter Brodnicki, Chief Executive, commented:

"I am delighted to report a strong set of results where we achieved revenue growth of 46% to £92.4m, and adjusted EPS growth of 36% to 17.9p. Our mortgage completions increased by 48% in a favourable market fuelled by strong customer demand as well as the stamp duty holiday. Accordingly, the Board is pleased to declare an interim dividend of 13.4p per share.

"Our strategic progress has been excellent during the period, in particular with regards to our lead generation initiatives. We have secured significant new lead sources, including a long-term agreement with Moneysupermarket. We also achieved a 7% growth in adviser numbers to 1,694 despite the delay in recruitment pipeline conversion due to the UK lockdown and restrictions for much of H1. We expect to see a significant increase in adviser numbers in H2 and moving into 2022.

"I am confident the recent developments in lead generation and continued enhancements to our technology platform put MAB in an ever-stronger position to accelerate the pace of its growth."

Current Trading and Outlook

Whilst the start of the second half of the year saw the expected softening in activity compared to H1 2021 following the tapering down of the stamp duty holiday, the underlying fundamentals driving levels of consumer demand for housing and mortgage products remain strong. Current trading is in line with the Board's expectations for the 2021 financial year.

With the current pace of growth and momentum in the business, derived from maturing and new growth drivers, the Group is well-positioned to meet the Board's recently revised expectations for 2022 and beyond.

For further information please contact:

Mortgage Advice Bureau (Holdings) Plc Tel: +44 (0) 1332 525007
Peter Brodnicki - Chief Executive Officer
Ben Thompson - Deputy Chief Executive Officer
Lucy Tilley - Chief Financial Officer

Numis Securities Limited Tel: +44 (0)20 7260 1000

Stephen Westgate / Hugo Rubinstein / Laura White

Media Enquiries: investor.relations@mab.org.uk

Analyst presentation

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

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

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

[1] Percentage points.

[2] MAB uses adjusted results as key performance indicators as the Directors believe that these provide a more consistent measure of operating performance by adjusting for acquisition related charges and significant one-off or non-cash items. Adjusted overheads ratio is stated before £0.2m amortisation of acquired intangibles in H1 2020 and H1 2021 and £0.6m of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage in H1 2021 (H1 2020: £0.4m). In H1 2019, adjusted overheads ratio is stated before £0.2m of costs associated with the acquisition of First Mortgage.

[3] Adjusted profit before tax is stated before the items in (2) above and the loan write off and loan provision totalling £1.7m and £0.5m of Government grant income (net £1.2m) in H1 2020. Adjusted earnings per share is stated before the items in (2) above and the loan write off and loan provision totalling £1.7m and £0.5m of Government grant income (net £1.2m) in H1 2020, net of any associated tax effects.

[4] Net revenue is revenue less commissions paid. MAB acquired First Mortgage in H2 2019. As the Group retains 100% of revenue for First Mortgage, this calculation is rebased thereafter.

[5] Adjusted cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £(0.9)m in H1 2021 (H1 2020: £0.3m; H1 2019: £1.6m),

£(0.2)m of Government grant income received in H1 2020, and increases in restricted cash balances of £1.2m in H1 2021 (H1 2020: £0.3m; H1 2019: £1.0m), as a percentage of adjusted operating profit.

[6] Payout ratio of 75% of adjusted profit after tax post minority interests in H1 2021 (H1 2019: 90%).

[7] Includes a total of 52 advisers at 30 June 2021 and 53 advisers at 24 September 2021 who are either directly authorised or later life advisers. The directly authorised advisers are employees of a firm previously authorised under an Appointed Representative agreement with MAB until 7 December 2020. MAB continues to provide services to this firm, which is now directly authorised by the FCA. For both later life and directly authorised advisers the fees received by MAB represent the net income received by MAB as there are no commission payouts made by MAB. The 24 September 2021 number also includes 46 advisers from associates, who are in the process of being onboarded under MAB's AR arrangements. These advisers will shortly become mainstream advisers. Until these 46 advisers become onboarded fully as mainstream advisers, MAB currently only recognises its share of profit after tax from these associates.

[8] Excludes directly authorised advisers, later life advisers, and advisers from associates in the process of being onboarded under MAB's AR arrangements. In H1 2020 advisers on furlough were not included.

[9] Based on average number of mainstream advisers.

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

Chief Executive's Review

I am very pleased with MAB's performance in the first half of this financial year. The Group achieved revenue of £92.4m for the period, a 46% increase on H1 2020 (£63.5m), which was heavily affected by the Covid-19 pandemic, and a 52% increase compared to H1 2019. The Group's adjusted PBT rose 47% to £11.6m compared to H1 2020 (£7.9m) and 56% compared to H1 2019 (£7.4m).

Our growth in mortgage completions is set out below:

	H1 2021 £bn	H1 2020 £bn	H1 2019 £bn	Increase vs 2020	Increase vs 2019
New mortgage lending	9.6	6.4	6.3	+50%	+52%
Product Transfers	1.4	1.1	0.6	+27%	+133%
Gross mortgage lending	**11.0**	**7.5**	**6.9**	**+48%**	**+59%**

Despite the Government-imposed restrictions and national lockdown that lasted for much of the first half, housing market activity was fuelled by strong consumer demand following the re-opening of the housing market last year as well as the stamp duty holiday. The Group achieved record levels of mortgage applications and completions per adviser during the period.

UK gross new mortgage lending activity (excluding product transfers) in H1 2021 rose by 58% to £169.9bn compared to H1 2020, which was heavily affected by the closure of the housing market in Q2 2020, and by 34% compared to H1 2019. The increase in home-mover activity was particularly pronounced, largely driven by changing working and living patterns. The 30 June 2021 stamp duty holiday deadline in England, Wales and Northern Ireland generated record completion activity levels in June 2021.

Our gross mortgage completions (including product transfers) rose to £11.0bn, a 48% increase compared to H1 2020, and a 59% increase compared to H1 2019. Our market share of UK new mortgage lending was broadly flat for the period, rising slightly to 6.0% for the first seven months of the year (H1 2020: 5.9%, H1 2019: 5.0%).

Adviser numbers grew by 7% to 1,694 during the period. With restrictions starting to slowly lift from mid-April 2021, most of the recruitment discussions that were paused because of the lockdown and social restrictions have now completed. We expect to see a significant increase in adviser numbers in H2 2021 that will extend into 2022.

During the period, we achieved excellent progress on our strategic initiatives. Our lead generation capability continues to build strongly, and significant new lead sources, including most recently a long-term agreement with Moneysupermarket.com Ltd, were secured during the period. These developments, together with the continued enhancements to our technology platform, will further strengthen our leading position in the mortgage intermediary market.

Since the end of the half year, the Group has acquired a 49% stake in Evolve FS Limited, a leading 32 adviser new build telephone advice firm based in Ipswich. This is another strategically important addition to the MAB New Homes proposition as the Group looks to achieve an even stronger market presence in this specialist sector.

Delivering our growth strategy

Recruitment of advisers

The recruitment of new advisers progressed well despite being hampered by the UK lockdown and restrictions for much of H1. By 30 June 2021, the Group's adviser numbers had risen to 1,694(1), a 7% increase compared to 31 December 2020 (1,580).

With restrictions having been gradually lifted from mid-April 2021, face-to-face meetings that had temporarily been put on hold quickly resumed through the remainder of Q2. The current pipeline of ARs and advisers is very strong, and we expect to see a significant increase in adviser numbers throughout the remainder of 2021 and into 2022. On 24 September 2021, adviser numbers had grown to 1,800, a 14% increase compared to 31 December 2020.

Lead generation

Lead generation is a key area of focus for MAB, which combined with technology developments will become an ever more significant driver of adviser growth and productivity, as well as AR recruitment and adviser retention.

During the period MAB secured a range of high calibre new lead sources. Under the new long-term relationship with The Nottingham Building Society, MAB is servicing a fast-growing customer base of over 50,000 Lifetime ISA online savers through the Beehive Money app. Helping these future first-time buyers to secure their first homes will increase MAB's market share in this core sector. This follows the recently launched commercial relationship with Moneybox, another example of MAB's early customer capture strategy and proven ability to integrate with an increasing number of digital platforms.

During the period, we entered into a strategic relationship with, and invested in, Boomin, the next generation property portal. Boomin differentiates itself with many unique features that appeal to aspiring first time buyers and home movers, but also to the much larger audience of currently passive customers who are at an earlier stage of their home buying journey. MAB will provide mortgage services across various parts of the Boomin portal, with the opportunity to engage and nurture passive consumers in a meaningful way as they move to becoming active buyers.

This week, MAB will also launch its new relationship with Moneysupermarket.com Ltd, the leading UK price comparison site. Under this new long-term agreement, the Group will help its ARs to provide mortgages to the many first-time buyers and home-movers that Moneysupermarket attracts. This is another significant development in our lead generation strategy.

As customers adapt their ways of researching and buying mortgage products and services, MAB intends to be at the forefront of this change and increasingly drive a meaningful flow of quality leads through AR firms, thereby ensuring both their and the Group's future growth and success. We are pleased with the progress achieved to date and expect this area to continue to gain significant momentum.

Technology

The development of our technology platform continues at pace. MAB has built new foundations and functionality for lead generation into its platform that assists customer engagement, including helping a large number of potential future customers who are currently in the early research phase of buying a home and therefore not yet ready to receive advice. Early customer capture and nurture is a central pillar of our lead generation strategy, allowing MAB to significantly widen the number and variety of lead sources to help ensure increasingly more secure and consistent lead flow to MAB advisers regardless of market conditions. The technology encompasses everything required from initial engagement with a customer, through to helping them to become purchase and advice ready, and lead distribution and management across the MAB network.

The significant and increased investment in the development of our platform will continue over the remainder of this year and throughout next year, enabling MAB to further its competitive advantage.

Broadening our addressable market

Using our technology developments to proactively engage and help an increasing number of aspiring first time buyers, especially those in an early research phase, enables MAB to broaden its addressable market and therefore its market share of this sector.

This strategy has helped form new lead generation relationships with Lifetime ISA savings platforms such as Beehive and Moneybox, that provide MAB with access to large numbers of future first time buyers who are using these apps to help save for their deposit. Further foundations for success in this area will come from strategic relationships such as Boomin, whose strategy includes proactively engaging with and adding value to the broad audience of visitors that are at various stages of their research process including first time buyers.

Investment strategy

We continue to make strategic investments in new distribution partners or to enhance our specialism in key markets. In H1 2021, we entered into a strategic relationship with, and invested £2.5m in, Boomin, the next generation property portal. This is a significant development in our lead generation capability which will enable us to reach a very broad audience of consumers across the spectrum from early stage customers to active buyers.

In July 2021, the Group acquired a 49% stake in Evolve FS Ltd, a 32 adviser, leading new build telephone advice firm based in Ipswich. This is another important addition to the MAB New Homes proposition, and follows last year's investment in new build specialist firm Meridian Holdings Group Ltd, which went on to acquire shared-ownership broker Metro Finance Brokers Ltd. During the period, our subsidiary First Mortgage Direct Ltd also acquired a 25% stake in M & R FM Ltd, a fast-growing broker based in Gateshead that had previously been operating under the First Mortgage franchise.

We are pleased with the overall performance of our portfolio of investments. Their share of profit, net of tax, amounted to over £0.7m during the first half of the year (H1 2020: £0.1m). This is a very good result and the start of what we believe will be a positive trend. We are confident in our strategy of investing in high quality distribution, as well as in other key strategic areas, and expect the contribution from our investments to continue to increase.

Summary

MAB has performed strongly in a period that saw high demand for property and mortgages. The lockdown impacted new AR recruitment for the first four months of the year, but activity resumed immediately when restrictions were lifted, and as a result we expect to finish the year strongly, with that accelerated growth expected to continue into next year.

Adviser growth and productivity will be boosted moving forward by securing major and strategically important lead sources. Significant progress has already been made this year thanks to MAB's unique distribution model, our technology developments in customer capture, nurture, and distribution, and the strength of our consumer brand.

Great progress has also been seen in terms of our investments, with those now maturing starting to contribute to our profit growth. More recent investments will be making an immediate contribution, and will form a key part of our growth plans.

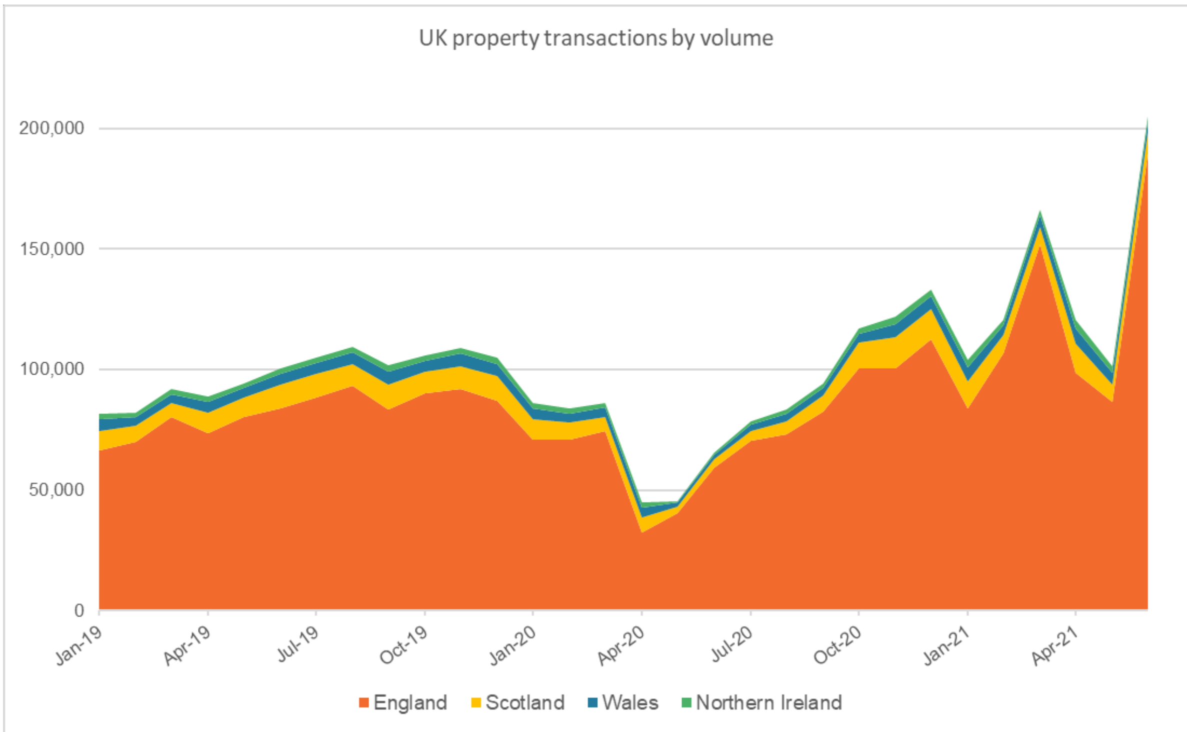
Although the current housing market activity has understandably softened in H2, underlying demand remains strong and market conditions are forecast to remain healthy and stable, which enables our AR firms to plan their growth with more certainty.

[1] Includes a total of 52 advisers who are either directly authorised or later life advisers. The directly authorised advisers are employees of a firm previously authorised under an Appointed Representative agreement with MAB until 7 December 2020. MAB continues to provide services to this firm, which is now directly authorised by the FCA. For both later life and directly authorised advisers the fees received by MAB represent the net income received by MAB as there are no commission payouts made by MAB.

Market review

Strong consumer demand coupled with the stamp duty holiday generated a surge in the housing market and stimulated the demand for mortgages during the period. The increase in home-mover activity was particularly pronounced, largely driven by changing working and living patterns.

Overall, gross new mortgage lending activity (excluding product transfers) in H1 2021 rose by 58% to £169.9bn compared to H1 2020, which was heavily affected by the closure of the housing market in Q2 2020, and 34% compared to H1 2019. UK housing transactions increased by 103% and 52% versus the comparative periods in 2020 and 2019 respectively, as illustrated in the graph below. The 30 June 2021 stamp duty holiday deadline generated record activity levels in June 2021.

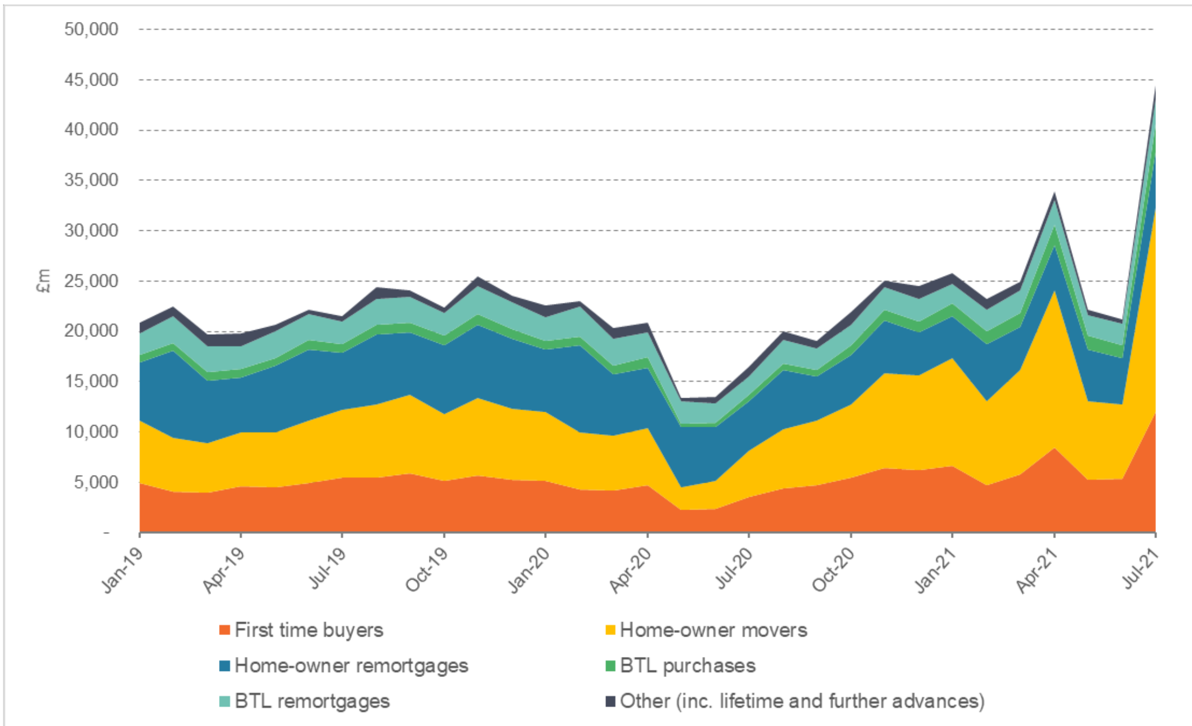


Source: HM Revenue and Customs

At the same time as the surge in home-mover activity, buy-to-let purchase lending values also saw significant growth of 140% and 106% compared to H1 2020 and H1 2019 respectively, with the stamp duty holiday providing a compelling stimulus in that segment. The demand from first time buyers was also strong, with mortgage lending increasing by 95% and 52% compared to H1 2020 and H1 2019 respectively in that segment.

Re-financing activity remained steady, driven by product transfers. Product transfer lending values increased by 8% and 13% compared to H1 2020 and H1 2019 respectively. External re-mortgaging lending values decreased by 15% and 21% compared to H1 2020 and H1 2019, as lenders and intermediaries applied maximum focus towards the exceptionally busy housing market. The increase in average house prices in H1 2021 was 10% compared to H1 2020 and 12% compared to H1 2019, although house price increases did not fully feed through to higher average new mortgage values due to the lack of availability of high loan to value mortgages through much of this period.

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



Source: UK Finance

Approximately 79% of UK residential 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 intermediaries in H1 2021 (H1 2020: 79%). MAB expects this position to remain broadly stable in the near term.

We are confident that the underlying fundamentals of consumer demand for housing and mortgages remain strong and will continue to drive sustained transaction activity in the mortgage market.

[1] Land Registry House Price Index

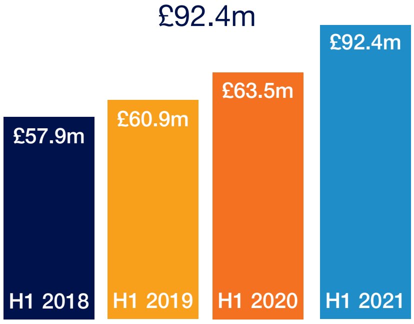
Financial review

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

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

Revenue (£m)

£92.4m

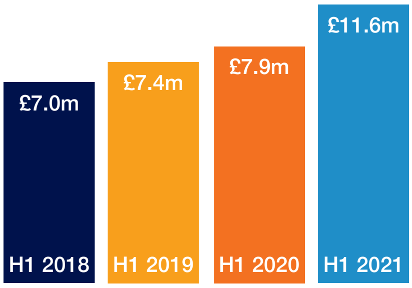


Total income from all revenue streams.

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax (£m)

£11.6m

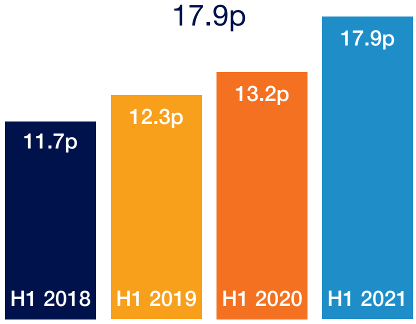


Profit before exceptional items[2] and tax.

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

17.9p

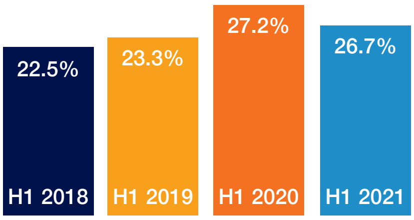


Total comprehensive income attributable to equity holders of the Company, adjusted for exceptional items[2], divided by total number of ordinary shares.

Strategy/objective
Shareholder value and financial performance

Gross profit margin

26.7%

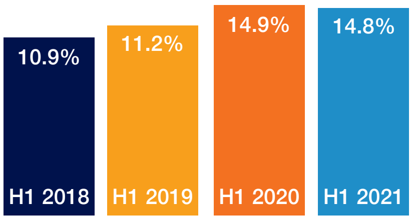


Gross profit generated as a proportion of revenue.

Strategy/objective
Managing gross margins

Adjusted overheads % of revenue

14.8%

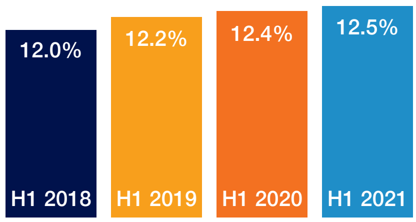


Group's administrative expenses[1] as a proportion of revenue.

Strategy/objective
Operating efficiency

Adjusted profit before tax margin

12.5%

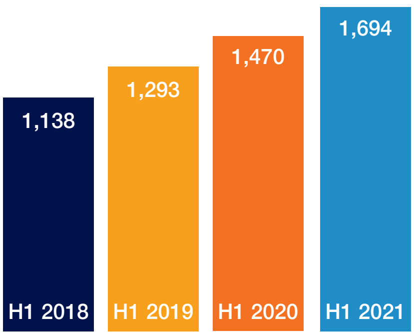


Group's adjusted profit before tax[2] as a proportion of revenue.

Strategy/objective
Shareholder value and financial performance

Adviser numbers

1,694

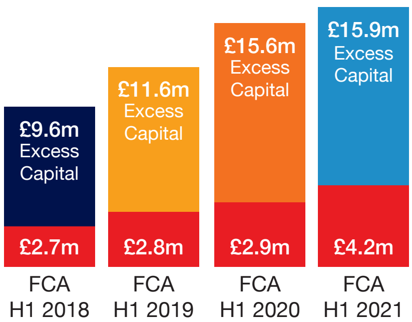


The average number of mainstream advisers[3] for H1 2021 was 1,584 (H1 2020: 1,396)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£15.9m

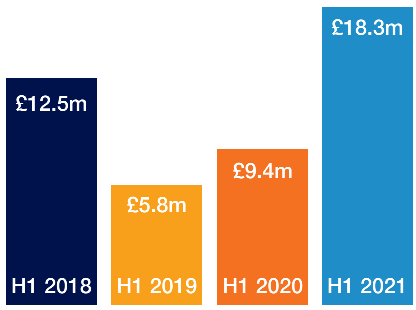


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA).

Strategy/objective
Financial stability

Unrestricted cash balances (£m)

£18.3m



Bank balances at 30 June available for use in operations.

Strategy/objective
Financial stability

[1] Adjusted in H1 2021 for £0.2m (H1 2020 £0.2m) amortisation of acquired intangibles and £0.6m (H1 2020 £0.4m) of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage. In H1 2019, £0.2m of one off costs associated with the acquisition of First Mortgage were also adjusted.

[2] Adjusted profit before tax is stated before the items in (1) above and the loan write off and loan provision totalling £1.7m and £0.5m of Government grant income in H1 2020 (net £1.2m). Adjusted earnings per share is stated before the items in (1) above and the loan write off and loan provision totalling £1.7m and £0.5m of Government grant income in H1 2020 (net £1.2m), net of any associated tax.

[3] Based on average number of mainstream advisers for the period. Mainstream advisers exclude directly authorised advisers, later life advisers, and advisers from associates in the process of being onboarded. In H1 2020 this did not include advisers on furlough.

Revenue

The Group achieved revenue of £92.4m for the six months ended 30 June 2021. This represents a 46% increase on H1 2020 (£63.5m), and a 52% increase compared to H1 2019. The increase in revenue since H1 2019 is driven by the combination of a 28% increase in the average number of mainstream advisers[(1)] to 1,584 over the two-year period (H1 2019: 1,242) and a 19% increase in revenue per mainstream adviser.

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

	Group				
Income source	**H1 2021**	**H1 2020**	**H1 2019**	**Change vs 2020**	**Change vs 2019**
	£m	£m	£m	%	%
Mortgage Procurement Fees	42.7	27.6	26.7	+55	+60
Protection and General Insurance Commission	35.8	26.3	23.6	+36	+52
Client Fees	11.6	8.1	9.7	+43	+20
Other Income	2.3	1.5	0.9	+56	+155
Total	92.4	63.5	60.9	+46	+52

All key income sources continued to grow strongly, with the average number of mainstream active advisers in the period increasing by 13% on last year.

During the period, MAB's banked mortgage mix saw a higher proportion of purchase business compared to the prior year, and versus H1 2019. Strong underlying demand, heightened by the impending stamp duty changes on 1 July 2021, were in marked contrast to the prior year, when the first national lockdown severely restricted the completion of purchase transactions in that period. Mortgage procuration fees increased by 55% with gross mortgage completions increasing by 48%. MAB's average mortgage size increased by 8% compared to prior year, driven by the increase in house prices in the period. However, the average mortgage in the period did not rise at an equivalent level to house price growth due to the lack of availability of high loan to value mortgages through much of this period.

The comparatively lower increase of 36% in protection and general insurance commission for the Group mainly reflects the faster banking profile of protection income that we saw in the unusual prior period. As expected, we are seeing this normalise through 2021.

Client fees increased by 43% in the period with gross mortgage completions increasing by 48%; client fees typically bank in a shorter timeframe compared to other income sources.

MAB's overall revenue from refinancing (including both re-mortgages and product transfers) represented circa 24% (H1 2020: 38%, H1 2019: 32%) of total revenue for the period with a particularly high level of purchase transactions completing in H1 2021.

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

Income source	**H1 2021**	**H1 2020**	**H1 2019**
Mortgage Procurement Fees	46%	44%	44%

Protection and General Insurance Commission	39%	41%	39%
Client Fees	13%	13%	16%
Other Income	2%	2%	1%
Total	100%	100%	100%

The slight comparative increase in the proportion of mortgage procuration fees reflects the run up to the stamp duty deadline. 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.

Government grant income

No government grant income was received during H1 2021. During H1 2020, Government grant income of £0.5m was received due to some employees being placed on furlough during the months of April, May, and June 2020. These amounts were repaid in full in December 2020.

Gross profit margin

Gross profit margin for the period was 26.7% (H1 2020: 27.2%), a slight reduction on the prior year due to the skew towards higher margin protection income in the comparative period as a direct result of actions the Group took during the first national lockdown. The Group typically receives a slightly reduced margin (revenue share) 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, hence we expect to see a degree of erosion of our underlying gross profit margin due to the continued growth of our existing ARs and the addition of new larger ARs.

Overheads

Overheads in the period increased by £4.4m to £14.4m compared to prior year, mainly because of the salary cuts implemented in Q2 2020 as the pandemic escalated, but also increased IT costs and bonuses accrued in H1 2021 (in H1 2020 only adviser bonuses were accrued). MAB has been investing in its technology platform and its marketing team to drive lead generation opportunities as it continues to extend its business model. All development work on our technology platform is expensed.

Overheads as a percentage of revenue, before £0.2m (H1 2020: £0.2m) of amortisation of acquired intangibles and £0.6m (H1 2020: £0.4m) of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage, were 14.8% (H1 2020: 14.9%).

Our FCA and FSCS regulatory fees and charges are usually closely correlated to growth in revenue. MAB expects its FSCS levy cost for the period from 1 April 2021 to 31 March 2022 to now be c.£1m higher than in the prior year.

MAB continues to benefit from the scalable nature of most of its cost base, where those costs typically rise at a slower rate than revenue, which will, in part, counter the expected erosion of MAB’s underlying gross margin as the business continues to grow.

Associates and investments

MAB's share of profits from associates was £0.7m (H1 2020: £0.1m) with the majority of the Group's associates performing strongly during the period. In addition, we realised our minority investment in the sales progression platform Yourkeys Technology Ltd and further impaired the value of the investment in The Mortgage Broker Group Limited by £0.4m.

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

Profit before tax and margin thereon

Adjusted(2) profit before tax rose by 47% to £11.6m (H1 2020: £7.9m), with the margin thereon broadly stable at 12.5% (H1 2020: 12.4%). Statutory profit before tax rose by 77% to £10.8m (H1 2020: £6.1m) with the margin thereon being 11.7% (H1 2020: 9.6%).

Adjusted(2) profit before tax as a percentage of net revenue(3) was 41% (H1 2020: 39%).

Finance revenue

Finance income of £0.03m (H1 2020: £0.08m) reflects continued low interest rates and interest income accrued or received on loans to associates. Finance expense of £0.07m (H1 2020: £0.12m) reflects the non-utilisation fee payable on MAB's Revolving Credit Facility of £12m, which was repaid in December 2020, and interest expense on lease liabilities.

Taxation

The effective rate of tax increased to 16.8% (H1 2020: 12.4%), as the prior year saw a lower effective rate principally due to the higher tax deduction arising from the exercise of employee and Appointed Representative share options than in the current period. We expect our effective tax rate to continue to be marginally below the prevailing UK corporation tax rate, subject to tax credits for MAB's research and development expenditure on the continued development of MIDAS Platform, MAB's proprietary software, still being available and further tax deductions arising from the exercise of employee share options.

Earnings per share and dividend

Adjusted(2) earnings per share rose by 36% to 17.9 pence (H1 2020: 13.2 pence). Basic earnings per share increased by 63% to 16.5 pence (H1 2020: 10.1 pence).

The Board is pleased to confirm an interim dividend for the year ending 31 December 2021 of 13.4 pence per share (H1 2020: nil pence per share), amounting to a cash outlay of £7.1m. Due to the uncertainty arising from the pandemic, the Board did not pay an interim dividend relating to H1 2020 in the year ending 31 December 2020. Following payment of the dividend, the Group will continue to maintain significant surplus regulatory reserves. This interim dividend represents circa 75% of the Group's post-tax adjusted profits for H1 2021. MAB requires circa 10% of its profit after tax to fund increased regulatory capital and other regular capital expenditure.

The record date for the interim dividend is 1 October 2021 and the payment date is 29 October 2021. The ex-dividend date will be 30 September 2021.

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 £14.7m (H1 2020: £5.9m).

Headline cash conversion(4) was:

H1 2021	130%
H1 2020	101%
Adjusted cash conversion(5) was:	
H1 2021	120%
H1 2020	97%

The Group's operations are capital-light with the most significant ongoing capital investment being in computer equipment. Only £0.1m of capital expenditure on office and computer equipment was required during the period (H1 2020: £0.2m). Group policy is not to provide company cars, and no other significant capital expenditure is foreseen in the coming year.

The Group had no bank borrowings at 30 June 2021 (31 December 2020: £nil). The Group had unrestricted bank balances of £18.3m at 30 June 2021 (31 December 2020: £18.6m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 30 June 2021 this regulatory capital requirement was £4.2m (31 December 2020: £3.4m), with the Group having a surplus of £15.9m.

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

	£m
Unrestricted bank balances at the beginning of the year	18.6
Cash generated from operating activities excluding movements in restricted balances and dividends received from associates	14.3
Dividends received from associates	0.1
Dividends paid	(10.5)
Tax paid	(0.9)
Investment in associates	(0.8)
Disposal of unlisted investment	0.3
Acquisition of unlisted investment	(2.5)
Net interest paid and principal element of lease payments	(0.2)
Capital expenditure	(0.1)
Unrestricted bank balances at the end of the period	18.3

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

[2] In H1 2021 and H1 2020 adjusted for £0.2m amortisation of acquired intangibles. In H1 2021, adjusted for £0.6m of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First

Mortgage (H1 2020: £0.4m). In H1 2020 also adjusted for the loan write off and loan provision totalling £1.7m, and £0.5m of Government grant income (resulting in a £1.2m net adjustment in H1 2020).

[3] Net revenue is revenue less commissions paid.

[4] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £(0.9)m in H1 2021 (H1 2020: £0.3m), and £(0.2)m of government grant income received in H1 2020 resulting in a £(0.2)m net adjustment, as a percentage of adjusted operating profit.

[5] Adjusted cash conversion is headline cash conversion adjusted for increases in restricted cash balances of £1.2m in H1 2021 (H1 2020: £0.3m) as a percentage of adjusted operating profit.

INDEPENDENT REVIEW REPORT TO MORTGAGE ADVICE BUREAU (HOLDINGS) PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the interim condensed consolidated statement of financial position, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

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

BDO LLP

Chartered Accountants

London

United Kingdom

27 September 2021

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

Interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited £'000	 2020 Unaudited £'000
Revenue	2	**92,432**	63,464
Cost of sales	2	**(67,783)**	(46,220)
Gross profit		**24,649**	17,244
Government grant income		**-**	513
Administrative expenses		**(14,392)**	(10,033)
Impairment of loans to related parties	11	**(14)**	(1,656)
Share of profit from associates, net of tax	9	**723**	88
Impairment of associate	9	**(400)**	-
Operating profit		**10,566**	6,156
Analysed as:			
Operating profit before:		**11,313**	7,898
Government grant income		**-**	513
Amortisation of acquired intangibles	3	**(183)**	(183)
Costs relating to the First Mortgage option	3	**(550)**	(416)
Impairment of loans to related parties	11	**(14)**	(1,656)
Operating profit		**10,566**	6,156
Finance income	4	**27**	75
Finance expense	4	**(67)**	(117)
Profit on sale of investment	10	**309**	-
Profit before tax		**10,835**	6,114
Tax expense	5	**(1,820)**	(759)
Profit for the period		**9,015**	5,355
Total comprehensive income		**9,015**	5,355
Profit is attributable to:			
Equity owners of Parent Company		**8,763**	5,244
Non-controlling interests		**252**	111
		9,015	5,355
Earnings per share attributable to the owners of the Parent Company			
Basic	6	**16.5p**	10.1p
Diluted	6	**16.4p**	10.0p

Interim condensed consolidated statement of financial position as at 30 June 2021 and 31 December 2020

	Note	**30 June 2021 Unaudited £‘000**	31 Dec 2020 Audited £’000
Assets			
Non-current assets			
Property, plant and equipment		**2,771**	2,847
Right of use assets		**2,414**	2,590
Goodwill	8	**15,155**	15,155
Other intangible assets		**2,983**	3,262
Investments in associates and joint venture	9	**5,940**	4,883
Investments in non-listed equity shares	10	**2,500**	75
Other receivables	11	**1,349**	806
Deferred tax asset	5	**1,739**	822
Total non-current assets		**34,851**	30,440
Current assets			
Trade and other receivables	11	**11,332**	5,603
Cash and cash equivalents	14	**33,949**	32,981
Total current assets		**45,281**	38,584
Total assets		**80,132**	69,024

Interim condensed consolidated statement of financial position as at 30 June 2021 and 31 December 2020 (continued)

	Note	**30 June 2021 Unaudited £'000**	31 Dec 2020 Audited £'000
Equity and liabilities			
Share capital	15	**53**	53
Share premium		**9,778**	9,778
Capital redemption reserve		**20**	20
Share option reserve		**3,074**	1,807
Retained earnings		**22,578**	23,882
Equity attributable to owners of Parent Company		**35,503**	35,540
Non-controlling interests		**1,907**	1,908
Total equity		**37,410**	37,448
Liabilities			
Non-current liabilities			
Provisions		**5,269**	4,576
Lease liabilities		**2,192**	2,352
Deferred tax liability		**726**	643
Total non-current liabilities		**8,187**	7,571
Current liabilities			
Trade and other payables	12	**33,648**	23,662
Lease liabilities		**341**	343
Corporation tax liability		**546**	-
Total current liabilities		**34,535**	24,005
Total liabilities		**42,722**	31,576
Total equity and liabilities		**80,132**	69,024

Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2021

	Attributable to the holders of the Parent Company							
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000	Non-controlling Interest £'000	Total equity £'000
Balance at 1 January 2020	**52**	**5,451**	**20**	**2,799**	**17,272**	**25,594**	**1,595**	**27,189**
Profit for the period	-	-	-	-	5,244	5,244	111	5,355
Total comprehensive income	-	-	-	-	5,244	5,244	111	5,355
Transactions with owners								
Issue of shares	-	601	-	-	-	601	-	601
Share based payment transactions	-	-	-	430	-	430	-	430
Deferred tax assets recognised in equity	-	-	-	(423)	-	(423)	-	(423)
Reserve transfer	-	-	-	(438)	438	-	-	-
Dividends paid	-	-	-	-	(3,311)	(3,311)	(86)	(3,397)
Total transactions with owners	-	601	-	(431)	(2,873)	(2,703)	(8	(2,789)
Balance at 30 June 2020 (unaudited)	**52**	**6,052**	**20**	**2,368**	**19,643**	**28,135**	**1,620**	**29,755**
Balance at 1 January 2021	**53**	**9,778**	**20**	**1,807**	**23,882**	**35,540**	**1,908**	**37,448**
Profit for the period	-	-	-	-	8,763	8,763	252	9,015
Total comprehensive income	-	-	-	-	8,763	8,763	252	9,015
Transactions with owners								
Issue of shares	-	-	-	-	-	-	-	-
Share based payment transactions	-	-	-	693	-	693	-	693
Deferred tax asset recognised in equity	-	-	-	717	-	717	-	717
Reserve transfer	-	-	-	(143)	143	-	-	-
Dividends paid	-	-	-	-	(10,210)	(10,210)	(253)	(10,463)
Total transactions with owners	-	-	-	1,267	(10,067)	(8,800)	(253)	(9,053)
Balance at 30 June 2021 (unaudited)	**53**	**9,778**	**20**	**3,074**	**22,578**	**35,503**	**1,907**	**37,410**

Interim condensed consolidated statement of cash flows for the six months ended 30 June 2021

	Six months ended 30 June	
	2021 Unaudited £'000	2020 Unaudited £'000
Cash flows from operating activities		
Profit for the period before tax	**10,835**	6,114
Adjustments for		
Depreciation of property, plant and equipment	**185**	189
Depreciation of rights of use assets	**191**	185
Amortisation of intangibles	**279**	302
Profit on disposal of unlisted investment	**(309)**	-
Share based payments	**693**	430
Share of profit from associates	**(723)**	(88)
Impairment of associate	**400**	-
Dividends received from associates	**88**	58
Finance income	**(27)**	(75)
Finance expense	**67**	117
	11,679	7,232
Changes in working capital		
(Increase)/Decrease in trade and other receivables	**(6,730)**	1,148
Increase/(Decrease) in trade and other payables	**9,986**	(703)
Increase in provisions	**693**	242
Cash generated from operating activities	**15,628**	7,919
Income taxes paid	**(892)**	(1,993)
Net cash generated from operating activities	**14,736**	5,926
Cash flows from investing activities		
Purchase of property, plant and equipment	**(109)**	(188)
Purchase of Intangibles	**-**	(1)
Acquisition of associates	**(822)**	-
Disposal of unlisted investment	**329**	-
Acquisition of unlisted investment	**(2,500)**	-
Net cash used in investing activities	**(3,102)**	(189)
Cash flows from financing activities		
Proceeds from borrowings	**-**	12,000
Interest received	**41**	46
Interest paid	**(67)**	(34)
Principal element of lease payments	**(177)**	(185)
Issue of shares	**-**	601
Dividends paid	**(10,210)**	(3,311)
Dividends paid to minority interest	**(253)**	(86)
Net cash (used)/generated in financing activities	**(10,666)**	9,031
Net Increase in cash and cash equivalents	**968**	14,768
Cash and cash equivalents at the beginning of the period	**32,981**	20,867
Cash and cash equivalents at the end of the period	**33,949**	35,635

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2021

1 Accounting policies

Corporate information

The interim condensed consolidated financial statements of Mortgage Advice Bureau (Holdings) Plc and its subsidiaries (collectively, “the Group”) for the six months ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 27 September 2021.

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

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition.

These condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 ‘Interim financial reporting’ and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. They do not include all of the information required for full annual financial statements and should be read in conjunction with the 2020 Annual Report and Accounts, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The comparative figures for the six months ended 30 June 2020 are not the Group’s statutory accounts for that financial period. The accounts for the year ended 31 December 2020 have been reported on by the Group’s auditors and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going Concern

The Directors have assessed the Group’s prospects until 31 December 2022, taking into consideration the current operating environment, including the impact of the coronavirus pandemic on property and lending markets. The Directors’ financial modelling considers the Group’s profit, cash flows, regulatory capital requirements, borrowing covenants and other key financial metrics over the period.

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

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

Significant estimates and judgements

Other than as set out below, the judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2020. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

The Group has been able to enhance its revenue recognition procedures in relation to estimates made on accrued income.

Significant accounting policies

The accounting policies applied are consistent with those described in the Annual Report and Group financial statements for the year ended 31 December 2020. New or amended standards effective in the period have not had a material impact on the condensed consolidated interim financial statements.

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

New standards with no impact on the Group

- **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform – Phase 2.** Under the detailed rules of IFRS 9 Financial Instruments, modifying a financial contract can require recognition of a significant gain or loss in the income statement. However, the amendments introduce a practical expedient if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. The Group does not have any interest rate hedge relationships.

- **Amendments to IFR16 – Covid 19 related rent concessions beyond 30 June 2021.** In March 2021, the IASB amended IFRS 16 Leases, extending the practical expedient to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted. The Group did not receive any rent concessions beyond 30 June 2021.

Future new standards and interpretations

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

Standard or Interpretation	Periods commencing on or after
Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 1	1 January 2022

Amendments to IAS 1 and IAS 8 on classification of liabilities, disclosure of accounting policies and definition of accounting estimates.	1 January 2023
Amendments to IFRS 17, IFRS 4 and IAS 12	1 January 2023

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; and
- held primarily for the purpose of trading; and
- 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 amortised cost which may equate to fair value. Fair value for investments in unquoted equity shares is the net proceeds that would be received for the sale of the asset where this can be reasonably determined.

Basis of consolidation

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

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

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

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

Segment Reporting

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

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

During the six month period to 30 June 2021, there have been no changes from the prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

2 Revenue

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

Revenue is derived as follows:

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	£'000	£'000
Mortgage procuration fees	**42,721**	27,606
Client fees	**11,624**	8,122
Insurance and other protection products	**35,803**	26,271
Other income	**2,284**	1,465
	92,432	63,464

Costs of sales are as follows:

	2021	2020
	Unaudited	Unaudited
	£'000	£'000
Commissions paid	**63,924**	43,355
Impairment of trade receivables	**(5)**	4
Wages and salary costs	**3,864**	2,861
	67,783	46,220

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

3 Acquisition costs

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

Costs relating to the amortisation of acquired intangibles amounted to £183,000 in the six months ended 30 June 2021 and 2020. The option (comprising the put and the call option) over the remaining 20% of the issued share capital of First Mortgage has been accounted for under IAS 19 Employee Benefits and IFRS 2 Share Based Payments due to its link to the service of First Mortgage's Managing Director. In accordance with IAS 19, £212,303 (2020: £188,000) has been included within administrative expenses under staff costs, and in accordance with IFRS 2, a further £338,118 (2020 - £227,968) has been included within administrative expense under share based payments (see note 17).

4 Finance income and expense

Finance income	Six months ended 30 June **2021** **Unaudited** **£'000**	 2020 Unaudited £'000
Interest income	**18**	46
Interest income accrued on loans to associates	**9**	29
	27	75
Finance expenses		
Interest expense	**37**	84
Interest expenses on lease liabilities	**30**	33
	67	117

5 Income tax

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

	Six months ended 30 June **2021** **Unaudited** **£'000**	 2020 Unaudited £'000
Current tax expense		
UK corporation tax charge on profit for the period	**1,937**	826
Total current tax	**1,937**	826
Deferred tax expense		
Origination and reversal of timing differences	**(30)**	(62)
Temporary difference on share based payments	**(170)**	(44)
Adjustment due to rate change	**83**	39
Total deferred tax	**(117)**	(67)
Total tax expenses	**1,820**	759

For the period ended 30 June 2021, the deferred tax recognised in equity was £717,160 (2020: £423,000). A change to the corporation tax rate was substantively enacted on 24 May 2021 to increase it to 25% from 1 April 2023 rather than the previously enacted 19%. The impact of this in the year has been to increase the tax charge by £82,925.

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

6 Earnings per share

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

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

	Six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Weighted average number of shares used in basic earnings per share	**53,165,081**	51,896,090
Potential ordinary shares arising from options	**349,327**	701,335
Weighted average number of shares used in diluted earnings per share	**53,514,408**	52,597,425

The Group uses adjusted results as key performance indicators, as the Directors believe that these provide a more consistent measure of operating performance. Adjusted profit is therefore stated before Government grant income, one-off acquisition costs, ongoing non-cash items relating to the acquisition of First Mortgage Direct Limited and impairment of loans to related parties, net of tax.

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

	Six months ended 30 June		Six months ended 30 June			
	2021 Unaudited £'000	2020 Unaudited £'000	**2021 Basic earnings per share pence**	2020 Basic earnings per share pence	**2021 Diluted earnings per share pence**	2020 Diluted earnings per share pence
Profit for the period	**8,763**	5,244	**16.5**	10.1	**16.4**	10.0
Adjustments:						
Government grant income	**-**	(447)	**-**	(0.9)	**-**	(0.9)
Amortisation of acquired intangibles	**183**	183	**0.4**	0.4	**0.4**	0.3
Costs relating to the First Mortgage option	**550**	416	**1.0**	0.8	**1.0**	0.8
Impairment of loans to related parties	**14**	1,656	**0.0**	3.2	**0.0**	3.1
Tax effect of adjustments	**(3)**	(230)	**0.0**	(0.4)	**0.0**	(0.4)
Adjusted earnings	**9,507**	6,822	**17.9**	13.2	**17.8**	12.9

In the period ended 30 June 2020, the Government grant income of £447,414 represented amounts attributable to the equity owner of the parent company and excludes £65,735 attributable to non-controlling interests included in the amounts shown in the consolidated statement of comprehensive income.

7 Dividends

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	Year ended 31 December 2020 Audited £'000
Dividends paid and declared during the period:			
On ordinary shares at 19.2p per share (2020: 6.4p)	**10,210**	3,311	3,311
Interim dividend for 2020: 6.4p per share	**-**	-	3,401
	10,210	3,311	6,712
Equity dividends on ordinary shares:			
Declared:			
Interim dividend for 2021: 13.4p per share (2020: nil)	**7,129**	-	-
Proposed for approval:			
Final dividend for 2020: 19.2p per share	**-**	-	10,205
	7,129	-	10.205

8 Goodwill

The goodwill relates to the acquisition of Talk Limited in 2012, and in particular its main operating subsidiary Mortgage Talk Limited, and the acquisition of First Mortgage Direct Limited ("FMD") in 2019. The goodwill is deemed to have an indefinite useful life. It is currently carried at cost and is reviewed annually for impairment.

Under IAS 36, "Impairment of assets", the Group is required to review and test its goodwill annually each year or in the event of a significant change in circumstances. The impairment reviews conducted at the end of 2020 concluded that there had been no impairment of goodwill.

The key basis for determining that there was no impairment to the carrying value of goodwill was disclosed in the annual consolidated financial statements for the year ended 31 December 2020. There are no matters which have arisen in the period to 30 June 2021 which indicated that an impairment was required at that date.

9 Investments in associates and joint ventures

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

	30 June 2021 Unaudited £'000	31 December 2020 Audited £'000
At start of the period	**4,883**	3,133
Additions	**822**	2,345
Credit to statement of comprehensive income		
Share of profit	**723**	36
Impairment	**(400)**	(473)
	323	(437)
Dividends received	**(88)**	(158)
At period end	**5,940**	4,883

Acquisitions and disposals

2021: On 12 January 2021, First Mortgage Direct Limited, an 80% owned subsidiary of the Group acquired a 25% stake in M&R FM Ltd, for an initial cash consideration of £663,400. On 13 January 2021, the Group ceased to have an investment in Freedom 365 Mortgage Solutions Limited, having entered into a deed of termination. The Group acquired a further 29% interest in Vita Financial on 28 May 2021 for an initial cash consideration of £159,081. In accordance with IAS28 the Group impaired the value of the investment in The Mortgage Broker Group Limited by £400,000 (2020: £472,850).

2020: The Group acquired a 40% interest in Meridian Holdings Group Limited on 12 October 2020 at a cost of £1,340,000. The Group acquired a further 24% interest in Clear Mortgage Solutions Limited on 17 December 2020 at an initial consideration of £461,593. In connection with Australian Finance Group Ltd becoming the Group's new joint venture partner for MAB Broker Services PTY Ltd, the Group increased its investment in MAB Broker Services PTY Limited by 3.05% on 30 October 2020 at a cost of £543,095 (AUD1,000,000). In accordance with IAS28 the Group impaired the value of the investment in The Mortgage Broker Group Limited by £472,850.

10 Investments in non-listed equity shares

	30 June 2021 Unaudited £'000	31 December 2020 Audited £'000
At start of the period	**75**	75
Disposals	**(75)**	-

Additions	**2,500**	-
At period end	**2,500**	75

The investment at the start of the year represented a 2.23% interest in Yourkeys. This was sold on 23 April 2021 for initial consideration of £329,000 with estimated total proceeds (including deferred consideration) of £384,000.

On 9 April 2021, the Group acquired a 3.17% stake in the property portal Boomin for a cash consideration of £2,500,000. The price of this recent transaction was verified based on the current facts and circumstances, including changes in the market. Based on this, the price of the recent transaction is deemed fair value as at 30 June 2021. This investment is classified as Level 3 for the purpose of disclosure in the fair value hierarchy.

11 Trade and other receivables

	30 June 2021 Unaudited £'000	31 December 2020 Audited £'000
Trade receivables	**1,421**	1,460
Less provision for impairment of trade receivables	**(373)**	(379)
Trade receivables - net	**1,048**	1,081
Receivables from related parties	**-**	12
Corporation tax	**-**	499
Other receivables	**457**	468
Loans to related parties	**1,519**	1,919
Less provision for impairment of loans to related parties	**(628)**	(614)
Less amounts written off loans to related parties	**-**	(1,069)
Total financial assets other than cash and cash equivalents classified at amortised costs	**2,396**	2,296
Prepayments and accrued income	**10,285**	4,113
Total trade and other receivables	**12,681**	6,409
Less: non-current portion – Loans to related parties	**(658)**	(220)
Less: non-current – Trade receivables	**(691)**	(586)
Current portion	**11,332**	5,603

Reconciliation of movement in trade and other receivables to cash flow	**30 June 2021 Unaudited £'000**	30 June 2020 Unaudited £'000
Movement per trade and other receivables	**6,272**	(1,119)

Corporation tax	**499**	-
Accrual of deferred consideration for Yourkeys disposal	**(55)**	-
Accrued interest movement	**14**	29
Total movement per cash flow	**6,730**	(1,148)

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

Included within trade receivables are operational business development loans to Appointed Representatives. The non-current trade receivables balance is comprised of loans to Appointed Representatives.

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 13.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. At 30 June 2021 the lifetime expected loss provision for trade receivables is £0.4m (2020: £0.4m) The movement in the impairment allowance for trade receivables has been included in cost of sales in the consolidated statement of comprehensive income.

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

At 30 June 2021 the lifetime expected loss provision for loans to associates is £0.6m. One associate, Eagle and Lion Limited, has been subject to a significant increase in credit risk since initial recognition and, consequently lifetime expected credit losses of £0.6m were recognised in the six month period ended 30 June 2020 which accounted for the vast majority of the lifetime expected loss provision for loans to associates. For the remainder, 12 month expected credit losses have been recognised. The movement in the impairment allowance for receivables for loans to associates has been included in impairment of loans to related parties in the consolidated statement of comprehensive income. During the six months ended 30 June 2020, £1.1m was written off in respect of a loan to Freedom 365 Mortgage Solutions Limited which represented the principal loan balance write off and release of expected credit losses already recognised.

12 Trade and other payables

	30 June 2021 Unaudited £'000	31 December 2020 Audited £'000
Appointed Representatives retained commission	**15,620**	14,431
Other trade payables	**12,257**	5,447
Trade payables	**27,877**	19,878
Social security and other taxes	**1,527**	1,289
Other payables	**97**	154
Accruals and deferred income	**4,147**	2,341
	33,648	23,662

Should a protection policy be cancelled within four years of inception, a proportion of the original commission will be clawed back by the insurance provider. The majority of any such repayment is payable by the Appointed Representative. It is the Group's policy to retain a proportion of commission payable to the Appointed Representative to cover such potential future lapses; these sums remain a liability of the Group. This commission is held in a separate ring fenced bank account as described in note 14.

As at 30 June 2021 and 31 December 2020, the carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

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

13 Financial instruments – risk management activities

Credit risk

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

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables are given in note 11.

Financial assets - maximum exposure

	30 June 2021 Unaudited £'000	31 December 2020 Audited £'000
Cash and cash equivalents	**33,949**	32,961
Trade and other receivables	**2,396**	2,296
Total financial assets	**36,345**	35,277

Financial liabilities

	30 June 2021 Unaudited £'000	31 December 2020 Audited £'000
Trade and other payables	**29,501**	21,321
Accruals and deferred income	**4,147**	2,341
Lease liabilities	**2,533**	2,695
Total financial liabilities	**36,181**	26,357

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

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

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

14 Cash and cash equivalents

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

	30 June 2021 Unaudited £'000	31 December 2020 Audited £'000
Unrestricted cash and bank balances	**18,329**	18,550
Bank balances held in relation to retained commissions	**15,620**	14,431
Cash and cash equivalents	**33,949**	32,981

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 commission.

Operationally, the Group does not treat these balances as available funds. An equal and opposite liability is shown within trade and other payables (note 12).

15 Share capital

Issued and fully paid

	30 June 2021 Unaudited £'000	31 December 2020 Audited £'000
Ordinary shares of 0.1p each	**53**	53
Total share capital	**53**	53

16 Related Party Transactions

The following details provide the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2021 and 2020, as well as balances with related parties as at 30 June 2021 and 31 December 2020.

During the period the Group paid commission of £400,942 (2020: £530,102) to Buildstore Limited, an associated company. There was a balance of £9,213 (2020: £21,213) of retained commission to cover future lapses. At 30 June 2021, there was a loan outstanding from Buildstore Limited of £10,226 (2020: £17,757).

During the period the Group received introducer commission from Sort Limited, a subsidiary of an associated company of £587,958 (2020: £422,997). At 30 June 2021, there was a net loan outstanding of £218,369 outstanding with Sort Group Limited (2020: £218,369).

During the period the Group paid commission of £2,392,199 (2020: £1,864,044) to Clear Mortgage Solutions Limited, an associated company. There was a balance of £475,799 (2020: £414,563) of retained commission to cover future lapses.

During the period up to and including 13 January 2021 when the Group ceased to have an investment in Freedom 365 Mortgage Solutions, the Group paid commissions of £2,067 (2020: £138,252). At the point of termination on 13 January 2021, there was a balance of £78,402 (2020: £78,402) of retained commission to cover future lapses. At the point of termination on 13 January 2021, there was no loan outstanding from Freedom 365 Mortgage Solutions Limited (2020: £nil).

During the period the Group paid commission of £870,209 (2020: £590,787) to Vita Financial Limited, an associated company. There was a balance of £203,806 (2020: £159,113) of retained commission to cover future lapses.

During the period the Group paid commission of £nil (2020: £182,083) to Eagle & Lion Limited, an associated company. There was a balance of £nil (2020: £nil) of retained commission to cover future lapses. At 30 June 2021, there was a loan outstanding from Eagle & Lion Limited of £625,259 (2020: £611,385) which has been fully impaired due to a significant increase in expected credit losses leaving a net balance of £nil (2020: £nil).

During the period the Group paid commission of £795,434 (2020: £678,928) to The Mortgage Broker Group Limited, an associated company. There was a balance of £66,783 (2020: £66,781) of retained commission to cover future lapses.

During the period the Group paid commission of £1,981,588 (to Meridian Holdings Group Limited, which became an associated company on 12 October 2020. There was a balance of £545,589 (2020: £545,578) of retained commission to cover future lapses. At 30 June 2021, there was a loan outstanding from Meridian Holdings Group Limited of £662,786 (2020: £nil).

During the period the Group paid commission of £156,524 to M&R FM Ltd, which became an associated company on 12 January 2021. There was a balance of £4,041 (2020: £nil) of retained commission to cover future lapses.

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

	Six months ended 30 June	
	2021	2020
	Unaudited £'000	Unaudited £'000
CO2 Commercial Limited	**88**	58

17 Share based payments

On 1 April 2021, 115,502 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.

Options exercised in April 2021 resulted in 21,802 ordinary shares being issued at an exercise price of nominal value. The price of the ordinary shares at the time of exercise was £12.40 per share.

Options exercised in June 2021 resulted in 29,631 ordinary shares being issued at an exercise price at nominal value. The price of the ordinary shares at the time of exercise was £12.05 per share.

For the six months ended 30 June 2021, the Group recognised £1,033,913 of share based remuneration expense in the statement of comprehensive income (2020: £603,189) which includes the charge for equity-settled schemes of £540,476 (2020: £212,690) and the matching element of the Group's Share Incentive Plan for all employees of £63,624 (2020: £28,281). This also includes £338,118 relating to the IFRS2 charge of the First Mortgage option (2020: £227,968).

18 Events after the reporting date

On 20 July 2021, the Group acquired a 49% stake in Evolve FS Ltd for an initial cash consideration of £2.2m. Evolve FS Ltd is a leading new build specialist mortgage broker based in Ipswich, previously directly authorised by the FCA.