Mortgage Advice Bureau

Mortgage Advice Bureau (Holdings) plc

Interim Report
for the six months ended 30 June 2017

Putting our customers first

MAB's direction of travel is very clear. The business has never been better positioned in terms of the quality of distribution that we continue to attract, the calibre and breadth of the management team that we have strengthened, and the fast pace of fintech developments that we are achieving.

Our strategy is designed to deliver speed, ease and convenience which will further enhance our customer, AR, and adviser propositions. In an ever-evolving world of digitisation, MAB's goal is to combine the very best of digital customer solutions, telephony and face to face advice with the customer in control of how they research, receive advice and transact. This will enable us to continue to grow our market share, whilst leading the evolution of intermediary distribution that we expect to see over the next five years.

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"I am delighted to report another set of excellent results, with profit before tax up 19%, improved margins and market share increasing by 10% compared to the same period last year. We also continue to enjoy a strong financial position."

"MAB has never been better positioned in terms of the quality of distribution that we continue to attract, the calibre and breadth of the management team that we have strengthened, and the fast pace of fintech developments that we are achieving."

"Our strategy is designed to deliver speed, ease and convenience which will further enhance our customer, AR, and adviser propositions. In an ever-evolving world of digitisation, MAB's goal is to combine the very best of digital customer solutions, telephony and face to face advice with the customer in control of how they research, receive advice and transact. This will enable us to continue growing our market share, whilst leading the evolution of intermediary distribution that we expect to see over the next five years."

Peter Brodnicki
Chief Executive
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For more information please visit our website
www.investor.mortgageadvicebureau.com

Front Cover: First Time Buyers, Bristol

Highlights

Financial highlights

- Revenue up 15% to £49.6m (H1 2016: £43.1m)
- Gross profit up 20% to £12.0m (H1 2016: £9.9m)
- Gross margin increase to 24.1% (H1 2016: 23.1%)
- Underlying[1] overheads ratio of 11.5% (H1 2016: 11.7%)
- Profit before tax up 19% to £6.3m (H1 2016: £5.3m)
- Profit before tax margin increase to 12.7% (H1 2016: 12.3%)
- EPS up 23% to 10.6p (H1 2016: 8.6p)
- High operating profit to headline cash conversion[2] of 119% (H1 2016: 159%)
- High operating profit to adjusted cash conversion[3] of 116% (H1 2016: 118%)
- Interim dividend up 22% to 9.5p (H1 2016: 7.8p)
- Strong financial position with significant surplus on regulatory capital requirement
- Total cash balances of £19.0m (31 Dec 2016: £18.7m)
- Unrestricted cash balances of £10.9m (31 Dec 2016: £10.8m)

Operational highlights

- Adviser numbers up 6% to 1,008 at 30 June 2017 (31 Dec 2016: 950)
- Average number of Advisers during the period up 14% to 974 (H1 2016: 851)
- Market share up 10% to 4.4% (H1 2016: 4.0%)
- Gross mortgage lending up 9% to £5.2bn (H1 2016: £4.8bn)

Post period end highlights

- Adviser numbers up 38 from period end to 1,046 at 22 September 2017
- Two new Proposition Directors, one for Mortgages and one for Protection, join the senior management team

	H1 2017	H1 2016	Change
Revenue	**£49.6m**	£43.1m	+15%
Gross profit	**£12.0m**	£9.9m	+20%
Gross profit margin	**24.1%**	23.1%	
Profit before tax	**£6.3m**	£5.3m	+19%
PBT margin	**12.7%**	12.3%	
EPS	**10.6p**	8.6p	+23%
Interim dividend per share	**9.5p**	7.8p	+22%
Operating profit to headline cash conversion[2]	**119%**	159%	
Operating profit to adjusted cash conversion[3]	**116%**	118%	

[1] Before additional FSCS levy costs of £0.2m (H1 2016: £nil).
[2] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items including loans to Appointed Representative firms ("ARs"), and loans to associates totalling £0.3m in H1 2017 (H1 2016: £0.1m) as a percentage of operating profit.
[3] Adjusted cash conversion is headline cash adjusted for increases in restricted cash balances of £0.2m in H1 2017 (H1 2016: £0.9m) and additional cash balances (H1 2017: £nil; H1 2016: £1.2m) held due to the timing of the weekly AR commission payment in relation to the period end, as a percentage of operating profit.

Buy-to-Let Investor, London

Introduction

"I am delighted to report another period of strong revenue and profit growth, with our market share increasing by 10% to 4.4% (H1 2016: 4.0%). Our fintech developments continue to progress well and serve to enhance our high quality business model. Our strategy remains focused on securing further growth through technology and specialisation, increasing our market share in all conditions and delivering strong returns for our investors."

Peter Brodnicki
Chief Executive

Market environment

Activity overall in the housing market has remained steady and was not noticeably affected by the general election in early June. The current house purchase market is predominantly comprised of those moving home due to non-discretionary lifestyle factors, first time buyers and serious investors, with first time buyers being the only consistently growing element at c. 10% by loan value since H1 2016 as the number of amateur landlords reduces. The residential remortgage market has seen c.12% growth by loan value on H1 2016, with strong competition amongst lenders for new business.

Housing transaction volumes and mortgage transactions by both volume and value have been relatively flat overall since the beginning of 2016, and are predicted to remain so throughout the rest of 2017 and 2018 as the UK Government continues to manage the exit of the UK from the EU. Intermediary market share[1] has remained broadly stable and in the six months ended 30 June 2017 reached 73%. MAB and its ARs growth is not directly reliant on increasing housing transactions, property prices, or intermediary market share.

Intermediaries previously had limited access to the product switching market, where customers change products with their existing lender. However, more and more lenders are providing intermediaries with full access to the product switching market that is estimated to be of equivalent size to the c.£90bn remortgage market for 2016. The UK Finance industry data excludes product switches with the same lender. Currently it is too early to assess the impact of this increased access to the product switching market.

Recent RICS commentary on house prices suggests that house prices overall could remain flat for the remainder of the year. The national figure conceals diverging trends across parts of the UK, with London and, to a lesser extent, the South East experiencing pressure on activity and prices, whereas house prices remain quite firmly on an upward trend in some areas, led by Northern Ireland, the North West, Scotland and the South West.

Delivering on our strategy

■ Fintech developments

Rapidly evolving technology solutions are at the centre of our plans to further increase our market share both by delivering what our customers will rightly start to expect and by enabling our AR partners and advisers to compete at the highest level. These fintech developments will play an ever-increasing role in customer acquisition and conversion, as well as retention by allowing advisers to identify more accurately and efficiently future engagement opportunities with their customers.

Our current fintech developments include building a scalable data management and telephone advice model, in order to access a wider range of lead sources, and provide greater choice to the consumer in how they research, receive advice and transact. As a result, MAB's proportion of telephone advice is likely to increase, complementing face to face advice which remains highly valued by consumers, and both will continue to be supported by increasingly streamlined digital processes.

■ Brand strategy

Our plans for direct to consumer marketing are progressing well, and we expect to be in test phase by the end of the year. We expect our fintech developments to enable MAB to maximise the short and long-term opportunities generated as our direct to consumer strategy evolves.

■ Driving income opportunities

MAB is focused on adopting developments in technology to increase the range of services offered to its customers. Our primary objective is to maximise protection opportunities by achieving even higher levels and consistency of protection advice, and in May we were delighted to announce the new role within MAB of Proposition Director, Protection.

Our investment in Sort Group Limited reflects our belief in the importance of technology in delivering a seamless and fully integrated end to end service for MAB's customers across their entire purchase and remortgage processes. We expect to increase both conveyancing instructions and mortgage leads by linking these two services together for clients of estate agents.

Our joint venture in Australia is trading in line with expectations and will have a full protection solution in place by the year end. We continue to review progress and are planning the implementation of a structure similar to our UK network partner initiative in Australia.

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

Summary

Having made a number of key strategic investments last year, the business has been strengthened still further in the first half of this financial year through two very high calibre appointments to the important new roles of Proposition Director, Mortgages, and Proposition Director, Protection. MAB continues to consider further investments where there is a close alignment with our strategic objectives.

MAB's direction of travel is very clear. The business has never been better positioned in terms of the quality of distribution that we continue to attract, the calibre and breadth of the management team that we have strengthened, and the fast pace of fintech developments that we are achieving.

Our strategy is designed to deliver speed, ease and convenience which will further enhance our customer, AR, and adviser propositions. In an ever-evolving world of digitisation, MAB's goal is to combine the very best of digital customer solutions, telephony and face to face advice with the customer in control of how they research, receive advice and transact. This will enable us to continue to grow our market share, whilst leading the evolution of intermediary distribution that we expect to see over the next five years.

Business review of the half year

I am pleased to report strong growth in revenue of 15% to £49.6m with profit before tax rising by 19% to £6.3m. MAB's gross mortgage lending increased by 9% to £5.2bn in H1 2017 (H1 2016: £4.8bn) with the impact of an increase in average Advisers of 14% partially offset by the comparative period last year including a spike in Buy-To-Let ("BTL") lending ahead of stamp duty changes in April 2016. MAB's overall share of UK new mortgage lending increased by 10% to 4.4% (H1 2016: 4.0%).

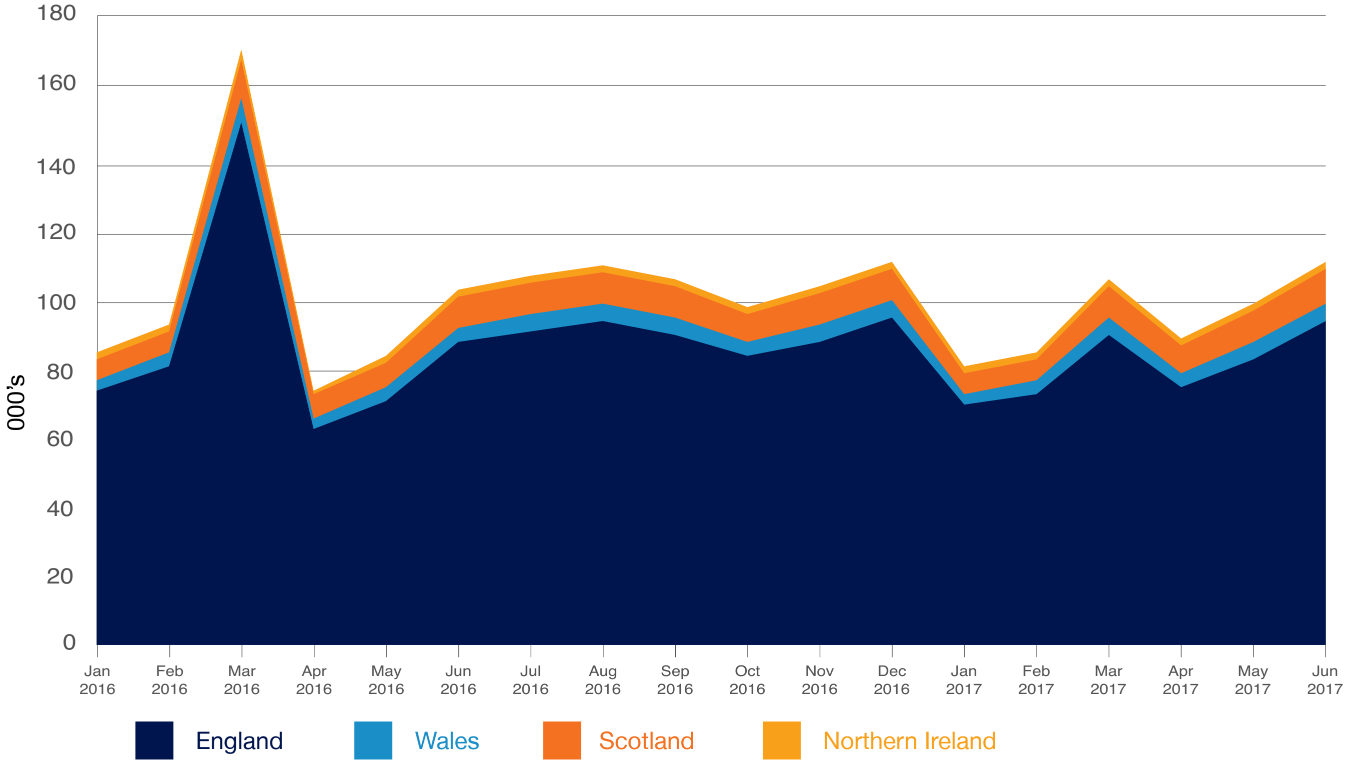
Industry data and trends

Mortgage lending activity in H1 2017 was broadly flat at £119bn (H1 2016: £120bn) despite the spike in BTL lending ahead of the stamp duty changes in April 2016. Although UK Finance[1] has not recently updated its estimates for gross mortgage lending for 2017 and 2018; the current run rate broadly supports their previous estimates of £248bn and £252bn for 2017 and 2018 respectively, therefore indicating the market is likely to be relatively flat in the near term. We are confident that our strategy, driven by our customer's future direction of travel, will continue to drive growth in our market share year on year and deliver attractive returns to investors.

UK property transactions by volume for H1 2017 were 6% lower than H1 2016, with the spike in BTL transactions ahead of the stamp duty changes in April 2016 illustrated in the graph below.

[1] UK Finance has been recently created by combining most of the activities of the Council of Mortgage Lenders ("CML"), the Asset Based Finance Association, the British Bankers' Association, Financial Fraud Action UK, Payments UK and the UK Cards Association.

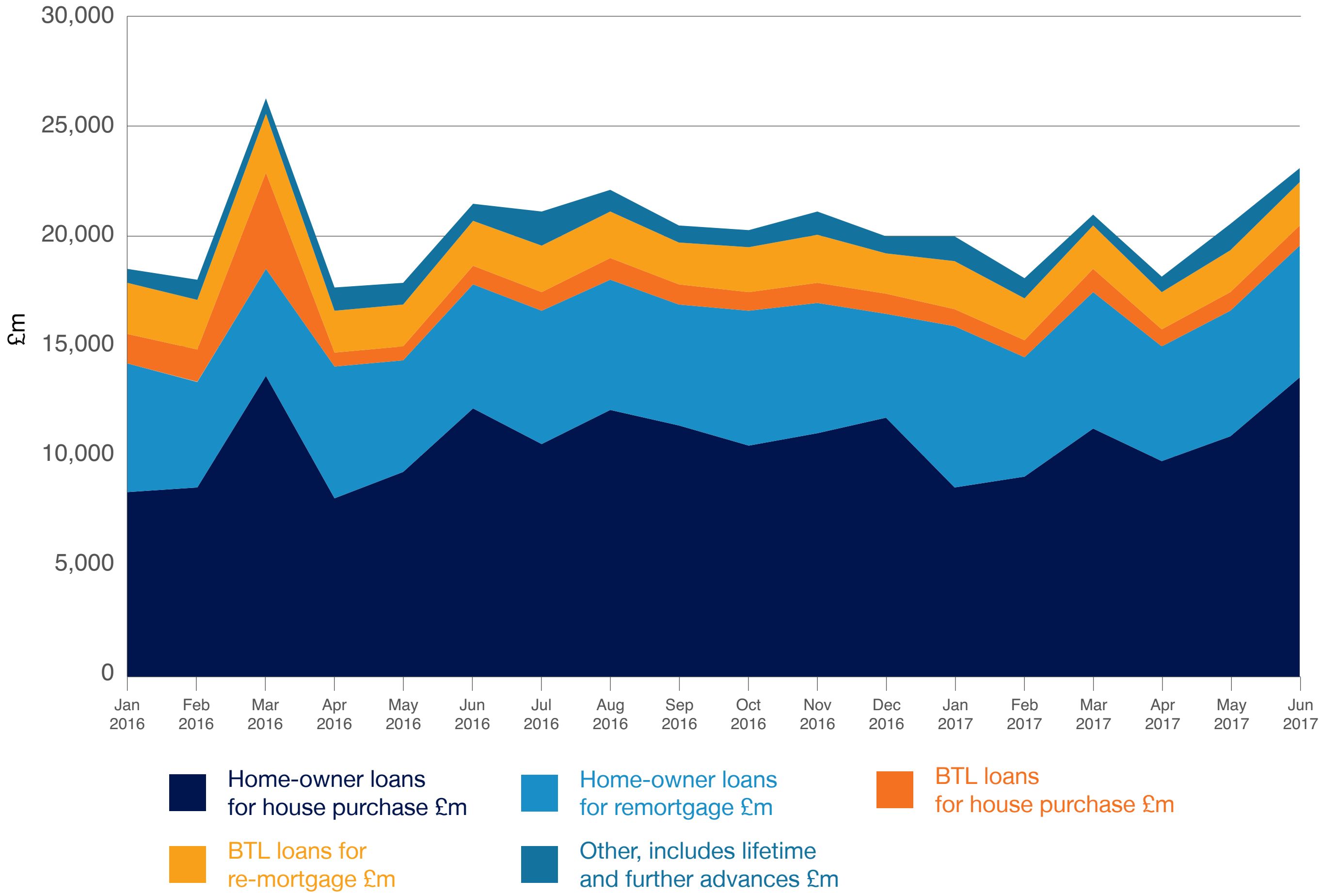
Property transactions in the UK by volume



Source: HM Revenue and Customs

Property inflation of 4.0%[1] and an increase in remortgage volumes of 10% offset the fall in transactions to leave UK mortgage lending during the period flat overall, as illustrated in the graph below.

New mortgage lending by purpose of loan



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

UK gross mortgage lending in H1 2017 for home-owner purchases and remortgages grew by 5% and 12% respectively compared to the same period last year. UK gross mortgage lending in H1 2017 for BTL purchases and BTL remortgages reduced by 45% and 10% respectively.

Approximately 73% of UK mortgage transactions (excluding BTL, where intermediaries have a higher market share, and product switches with the same lender) were via an intermediary in H1 2017 which is broadly stable compared to 2016. MAB expects this position to remain broadly stable going forward.

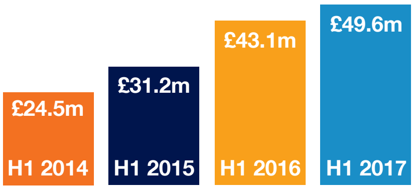
[1] Land Registry House Price Index.

Financial review

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

Revenue

£49.6m

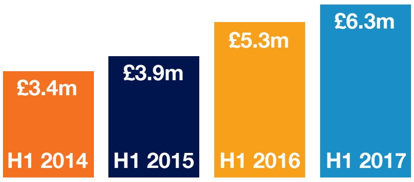


Total income from all revenue streams

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax

£6.3m

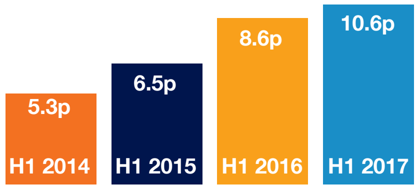


Profit before tax, adjusted in 2014 to add back exceptional or non-recurring items.

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

10.6p

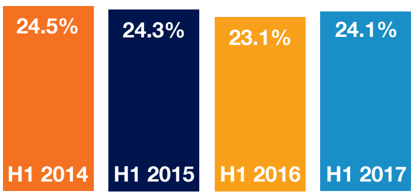


Total comprehensive income, attributable to equity holders of the Company, adjusted to add back non-recurring costs, divided by the number of ordinary shares (based on 50.5m shares in 2014 to allow comparison)

Strategy/objective
Shareholder value and financial performance

Gross profit margin

24.1%

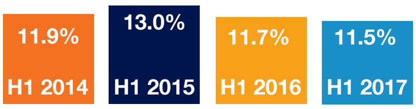


Gross profit generated as a proportion of revenue

Strategy/objective
Managing gross margins

Overheads % of revenue

11.5%

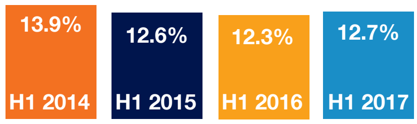


Group's administrative expenses as a proportion of revenue. H1 2017 reflects underlying overheads before additional FSCS levy costs of £0.2m.

Strategy/objective
Operating efficiency

Adjusted profit before tax margin

12.7%

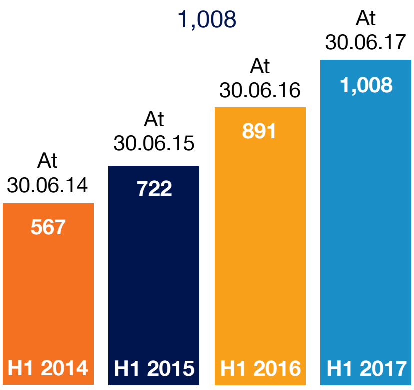


Profit before tax as a proportion of revenue (H1 2014 PBT has been adjusted for a provision against a loan of £0.35m)

Strategy/objective
Shareholder value and financial performance

Adviser numbers

1,008

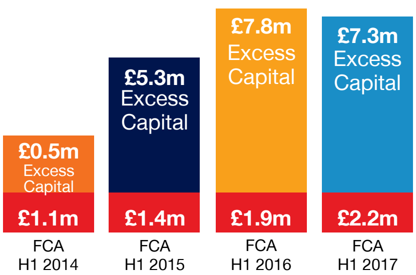


The average number of advisers over the last six months at 30.06.17 was 974 (30.06.16: 851)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£9.5m

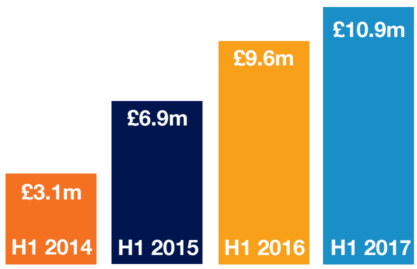


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA)

Strategy/objective
Financial stability

Unrestricted cash balances

£10.9m



Bank balances available for use in operations

Strategy/objective
Financial stability

Revenues

Revenues increased by 15% to £49.6m (H1 2016: £43.1m). A key driver of revenue is the average number of Advisers during the period. Our business model continues to attract forward thinking ARs who are seeking to expand and grow their own market share. Average adviser numbers increased by 14% to 974 in the six months ended 30 June 2017 (H1 2016: 851) 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	H1 2017 £m	H1 2016 £m	Increase
Mortgage procuration fees	20.5	19.0	8%
Protection and general insurance commission	19.8	16.0	24%
Client fees	8.5	7.4	14%
Other income	0.8	0.7	24%
Total	**49.6**	**43.1**	**15%**

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

Income source	H1 2017	H1 2016
Mortgage procuration fees	41%	44%
Protection and general insurance commission	40%	37%
Client fees	17%	17%
Other income	2%	2%
Total	**100%**	**100%**

All income sources continued to grow strongly with the average number of Advisers in the period increasing by 14% on the same period last year, with modest growth in productivity in the six months ended 30 June 2017. This followed a 9% increase in average revenue per Adviser in H1 2016 due to the spike in BTL lending ahead of April 2016. A more informative figure is provided by MAB's compound annual growth rate over the last two years for average revenue per Adviser of 5%.

With gross mortgage lending increasing by 9% in the period, mortgage procuration fees increased by 8%; this reflects the change in gross mortgage lending mix since H1 2016 (where MAB's gross mortgage lending had a higher proportion of BTL mortgages than usual) as a slightly higher procuration fee is earned on BTL mortgages. The strong increase of 24% in protection and general insurance commission reflects the lower proportion of protection in H1 2016 resulting from protection penetration being lower for BTL mortgages.

The effects of the spike in BTL lending ahead of April 2016 distort comparison against the prior period. More informative figures are provided by MAB's compound annual growth rate over the last two years for mortgage procuration fees and protection and general insurance commission being 29% and 25% respectively, with average Advisers having a compound annual growth rate of 20%.

With the spike in BTL lending also affecting the revenue mix in H1 2016, this had the effect of increasing the proportion of mortgage procuration fees and reducing the proportion of protection revenues due to the lower protection penetration for BTL mortgages. As expected, the revenue mix has now rebalanced to more typical levels in H1 2017.

Gross profit margin

Gross profit margin increased to 24.1% (H1 2016: 23.1%) as a result of the revenue mix rebalancing following the spike in BTL lending in H1 2016. 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

Underlying overheads as a percentage of revenue were 11.5% (H1 2016: 11.7%). This reduction in underlying overheads as a percentage of revenue demonstrates the scalable nature of the cost base. Including additional FSCS levy costs of £0.2m incurred in H1 2017 (H1 2016: £nil), overheads as a percentage of revenue were 12.0%.

Certain costs, primarily those relating to compliance, which represent approximately 40% of our cost base, are closely correlated to the growth in the number of Advisers, due to the high standards we demand and the requirement to maintain regulatory spans of control. The remainder of MAB's costs typically rise at a slower rate than revenue which will, in part, counter the expected erosion of gross margin as the business continues to grow. Going forward, we expect to see a further reduction in underlying overheads as a proportion of revenue.

Profit before tax and margin thereon

Profit before tax rose by 19% to £6.3m (H1 2016: £5.3m) with the margin thereon being 12.7% (H1 2016: 12.3%).

Net finance revenue

Net finance revenues of £0.01m (H1 2016: £0.04m) reflect continued low interest rates.

Taxation

The effective rate of tax fell to 14.6% (H1 2016: 17.8%), principally due to the tax deduction arising following the exercise of the first tranche of employee share options since IPO. Going forward we expect our effective tax rate to be marginally below the prevailing UK corporation tax rate subject to 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 increased to 10.6 pence (H1 2016: 8.6 pence).

The Board is pleased to confirm an interim dividend for the year ending 31 December 2017 of 9.5p per share, amounting to a total of £4.8m. Following payment of the interim dividend, the Group will retain a significant surplus on its regulatory capital requirement. The interim dividend represents c. 90% of the Group's post-tax profits for H1 2017 and reflects our intention to distribute excess capital going forward. MAB typically requires c. 10% of profit after tax to fund increased regulatory capital and other capital expenditure.

The record date for the interim dividend is 6 October 2017 and the payment date is 27 October 2017. The ex-dividend date will be 5 October 2017.

Cash flow and cash conversion

The Group's operations produce positive cash flow. This is reflected in the net cash inflow from operating activities of £5.8m (H1 2016: £7.4m).

Headline cash conversion[1] was:

H1 2017: 119%
H1 2016: 159%

Adjusted cash conversion[2] was:

H1 2017: 116%
H1 2016: 118%

The Group's operations are capital light with our most significant ongoing capital investment being in computer equipment. Only £0.06m of capital expenditure was required during the period (H1 2016: £0.05m). 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 30 June 2017 (H1 2016: £nil) with unrestricted bank balances of £10.9m (31 December 2016: £10.8m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 30 June 2017 this regulatory capital requirement was £2.2m (31 December 2016: £2.1m).

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

	£m
Unrestricted bank balances at the beginning of the year	10.8
Cash generated from operating activities excluding movements in restricted balances and dividends received from associates	6.8
Issue of shares	0.5
Dividends received from associates	0.2
Dividends paid	(5.9)
Tax paid	(1.3)
Capital expenditure	(0.1)
Investments in associates	(0.1)
Unrestricted bank balances at the end of the period	10.9

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.

Current trading and outlook

Current trading is in line with the Board's expectations. Adviser numbers have continued to grow since the period end with the Group having 1,046 Advisers at 22 September 2017, and we remain confident about our planned growth in adviser numbers in both the remainder of 2017 and 2018, both organically and from new ARs.

Although UK Finance[3] has not recently updated its estimates for gross mortgage lending for 2017 and 2018, the current run rate broadly supports their previous estimates of £248bn and £252bn for 2017 and 2018 respectively, indicating the market is likely to be relatively flat in the near term. We are confident that our strategy, driven by our customers' future direction of travel, will continue to drive growth in MAB's market share year on year and deliver attractive returns to investors.

[1] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items including loans to Appointed Representative firms ("ARs") and loans to associates totalling £0.3m in H1 2017 (H1 2016: £0.1m) as a percentage of operating profit.

[2] Adjusted cash conversion is headline cash adjusted for increases in restricted cash balances of £0.2m in H1 2017 (H1 2016: £0.9m) and additional cash balances (H1 2017: £nil; H1 2016: £1.2m) held due to the timing of the weekly AR commission payment in relation to the period end, as a percentage of operating profit.

[3] UK Finance has been recently created by combining most of the activities of the Council of Mortgage Lenders ("CML"), the Asset Based Finance Association, the British Bankers' Association, Financial Fraud Action UK, Payments UK and the UK Cards Association.

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 2017 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 half-yearly 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.

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.

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 2017 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

25 September 2017

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 2017

	Note	Six months ended 30 June 2017 Unaudited £'000	2016 Unaudited £'000
Revenue	2	**49,593**	43,074
Cost of sales	2	**(37,623)**	(33,138)
Gross profit		**11,970**	9,936
Administrative expenses		**(5,936)**	(5,057)
Share of profit from associate		**230**	375
Profit from operations		**6,264**	5,254
Finance income		**11**	37
Profit before tax		**6,275**	5,291
Tax expense	3	**(915)**	(942)
Profit for the period attributable to equity holders of parent company		**5,360**	4,349
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on asset held for sale	5	**–**	2,152
Net other comprehensive income to be reclassified to profit and loss in subsequent periods net of tax		**–**	2,152
Other comprehensive income, net of tax		**–**	2,152
Total comprehensive income, net of tax		**5,360**	6,501
Earnings per share attributable to the owners of the parent	4		
Basic		**10.6p**	8.6p
Diluted		**10.4p**	8.5p

Interim condensed consolidated statement of financial position
as at 30 June 2017 and 31 December 2016

	Note	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment		**2,686**	2,720
Goodwill	7	**4,114**	4,114
Other intangible assets		**79**	9
Investments	8	**1,027**	1,008
Deferred tax asset		**480**	72
Total non-current assets		**8,386**	7,923
Current assets			
Trade and other receivables	9	**3,543**	3,256
Cash and cash equivalents	12	**18,995**	18,711
Total current assets		**22,538**	21,967
Total assets		**30,924**	29,890
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	13	**51**	51
Share premium	13	**3,574**	3,042
Capital redemption reserve		**20**	20
Share option reserve		**834**	380
Retained earnings		**11,214**	11,680
Total equity		**15,693**	15,173
Liabilities			
Non-current liabilities			
Contingent consideration		**–**	50
Provisions		**1,264**	1,219
Deferred tax liability		**48**	40
Total non-current liabilities		**1,312**	1,309
Current liabilities			
Trade and other payables	10	**13,287**	12,405
Corporation tax liability		**632**	1,003
Total current liabilities		**13,919**	13,408
Total liabilities		**15,231**	14,717
Total equity and liabilities		**30,924**	29,890

Interim condensed consolidated statement of changes in equity
for the six months ended 30 June 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Asset held for sale reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 January 2016	51	3,042	20	157	–	9,635	12,905
Profit for the period	–	–	–	–	–	4,349	4,349
Other comprehensive income	–	–	–	–	2,152	–	2,152
Total comprehensive income	–	–	–	–	2,152	4,349	6,501
Transactions with owners							
Share based payment transactions	–	–	–	81	–	–	81
Dividends paid	–	–	–	–	–	(4,794)	(4,794)
Total transactions with owners	–	–	–	81	–	(4,794)	(4,713)
As at 30 June 2016 (unaudited)	51	3,042	20	238	2,152	9,190	14,693
As at 1 January 2017	51	3,042	20	380	–	11,680	15,173
Profit for the period	–	–	–	–	–	5,360	5,360
Total comprehensive income	–	–	–	–	–	5,360	5,360
Transactions with owners							
Issue of shares	–	532	–	–	–	–	532
Share based payment transactions	–	–	–	184	–	–	184
Deferred tax asset recognised in equity	–	–	–	332	–	–	332
Reserve transfer	–	–	–	(62)	–	62	–
Dividends paid	–	–	–	–	–	(5,888)	(5,888)
Total transactions with owners	–	532	–	454	–	(5,826)	(4,840)
As at 30 June 2017 (unaudited)	**51**	**3,574**	**20**	**834**	**–**	**11,214**	**15,693**

Interim condensed consolidated statement of cash flows
for the six months ended 30 June 2017

	Six months ended 30 June 2017 Unaudited £'000	2016 Unaudited £'000
Cash flows from operating activities		
Profit for the period before tax	**6,275**	5,291
Adjustments for		
Depreciation of property, plant and equipment	**95**	87
Amortisation of intangibles	**9**	9
Share based payments	**184**	81
Share of profit from associates	**(230)**	(375)
Dividends received from associates	**211**	315
Finance income	**(11)**	(37)
	6,533	5,371
Changes in working capital		
Increase in trade and other receivables	**(287)**	(240)
Increase in trade and other payables	**882**	3,040
Increase in provisions	**45**	98
Cash generated from operating activities	**7,173**	8,269
Income taxes paid	**(1,354)**	(915)
Net cash inflow from operating activities	**5,819**	7,354
Cash flows from investing activities		
Purchase of property, plant and equipment	**(61)**	(50)
Purchase of intangibles	**(79)**	–
Acquisitions of associates, including deferred consideration	**(50)**	(200)
Net cash outflow from investing activities	**(190)**	(250)
Cash flows from financing activities		
Interest received	**11**	37
Issue of shares	**532**	–
Dividends paid	**(5,888)**	(4,794)
Net cash outflow from financing activities	**(5,345)**	(4,757)
Increase in cash and cash equivalents	**284**	2,347
Cash and cash equivalents at the beginning of the period	**18,711**	13,956
Cash and cash equivalents at the end of the period	**18,995**	16,303

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 2017 were authorised for issue in accordance with a resolution of the directors on 25 September 2017.

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

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2016 annual financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's IFRS financial information as at 31 December 2016.

The information relating to the six months ended 30 June 2017 and the six months ended 30 June 2016 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2016 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not draw attention to any matters by way of emphasis, or contain a statement under section 498(2) or (3) of the Companies Act 2006.

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 2016.

Significant accounting policies

The accounting policies applied are consistent with those described in the Annual Report and Group financial statements 2016. There are no new or amended standards effective in the period which have had a material impact on the condensed consolidated interim financial statements.

Future new standards and interpretations

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

Standard or interpretation		Periods commencing on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 9 Financial Instruments. This will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components (classification and measurement, impairment and hedge accounting). This standard becomes effective for accounting periods beginning on or after 1 January 2018. Its adoption may result in changes to the classification and measurements of the Group's financial instruments, including any impairment thereof.

1. Accounting policies (continued)

■ Future new standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers. This was issued by the IASB on 28 May 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. It sets out the requirements for recognising revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments. This standard is not expected to have any impact on the Group.

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

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

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

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

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

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

1. Accounting policies (continued)

■ Current versus non-current classification

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

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

All other assets are classified as non-current.

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

■ Basis of consolidation

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

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

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

Entities that are not subsidiaries but where the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions) are accounted for as associates. The results and assets and liabilities of the associates 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 2017, 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	
	2017	2016
	Unaudited	Unaudited
	£'000	£'000
Mortgage related products	**28,972**	26,393
Insurance and other protection products	**19,818**	16,033
Other income	**803**	648
	49,593	43,074

Costs of sales are as follows:

	2017	2016
	Unaudited	Unaudited
	£'000	£'000
Commissions paid	**36,860**	32,507
Wages and salary costs	**763**	631
	37,623	33,138

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. 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	
	2017 Unaudited £'000	2016 Unaudited £'000
Current tax expense		
UK corporation tax charge on profit for the period	**984**	949
Adjustments for over provision in prior periods	**–**	–
Total current tax	**984**	949
Deferred tax expense		
Origination and reversal of timing differences	**(19)**	(7)
Temporary difference on share based payments	**(50)**	–
Total deferred tax	**(69)**	(7)
Total tax expenses	**915**	942

For the period ended 30 June 2017, the deferred tax recognised in equity was £331,973.

4. 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. No adjustments to profits were necessary during the six month period to 30 June 2017 and 30 June 2016.

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	
	2017 Unaudited	2016 Unaudited
Weighted average number of shares used in basic earnings per share	**50,605,575**	50,461,600
Potential ordinary shares arising from options	**768,232**	671,477
Weighted average number of shares used in diluted earnings per share	**51,373,807**	51,133,077

5. Components of other comprehensive income

	Six months ended 30 June 2017 Unaudited £'000	2016 Unaudited £'000
Asset held for sale:		
Gains arising during the period	–	2,690
Deferred tax on gain arising in the period	–	(538)
Gains arising during the period (net of tax)	–	2,152

6. Dividends

	Six months ended 30 June 2017 Unaudited £'000	Six months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Dividends paid and declared during the period:			
On ordinary shares at 10.5p per share (2016: 9.5p)	5,333	4,794	4,794
Special dividend: 1.1p per share (2016:4.25p)	555	–	2,145
Interim dividend for 2016: 7.8p per share	–	–	3,935
	5,888	4,794	10,874
Equity dividends on ordinary shares:			
Further special dividend: 1.1p per share	–	–	555
Proposed for approval:			
Interim dividend for 2017: 9.5p per share (2016: 7.8p)	4,825	3,935	–
Final dividend for 2016: 10.5p per share	–	–	5,298
	4,825	3,935	5,853

The record date for the interim dividend is 6 October 2017 and the payment date is 27 October 2017.

7. Goodwill

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

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

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 2016. There are no matters which have arisen in the period to 30 June 2017 which indicated that an impairment review was required at that date.

8. Investments in associates and joint ventures

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

	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
At start of the period	**1,008**	715
Additions	**–**	253
Disposals	**–**	(4)
Share of profit	**230**	611
Dividends received	**(211)**	(567)
At period end	**1,027**	1,008

9. Trade and other receivables

	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
Trade receivables not past due	**876**	757
Trade receivables past due but not impaired	**11**	55
Trade receivables past due but impaired	**269**	481
Trade receivables	**1,156**	1,293
Less provision for impairment of trade receivables	**(269)**	(481)
Trade receivables – net	**887**	812
Amounts due from associates	**491**	318
Prepayments and accrued income	**2,165**	2,126
	3,543	3,256

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

10. Trade and Other Payables – current

	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
Appointed Representatives retained commission	**8,126**	7,900
Other trade payables	**3,436**	2,655
Trade payables	**11,562**	10,555
Social security and other taxes	**257**	240
Other payables	**154**	20
Accruals	**1,314**	1,590
	13,287	12,405

As at 30 June 2017 and 31 December 2016, the book value of trade and other payables approximates their fair value given that they are short term in nature.

11. 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 advanced loans to its trading partners which are classified as trade receivables. 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. Further disclosures regarding trade and other receivables are given in note 9.

Financial assets – maximum exposure

	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
Cash and cash equivalents	**18,995**	18,711
Trade and other receivables	**1,378**	1,130
Total financial assets	**20,373**	19,841

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

Trade receivables consist of a large number of unrelated trading partners and therefore credit risk is limited. Due to the large volume of trading partners the Group does not consider that there is any significant credit risk as a result of the impact of external market factors on their trading partners. Additionally, within trade payables are amounts due to the same trading partners 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 several UK banks all of whom are A or BBB+ rated where applicable.

12. Cash and cash equivalents

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

	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
Unrestricted cash and bank balances	**10,869**	10,811
Bank balances held in relation to retained commissions	**8,126**	7,900
Cash and cash equivalents	**18,995**	18,711

Bank balances held in relation to retained commissions earned on an indemnity basis in relation to life policies are held to cover potential future lapses in Appointed Representatives commission. Operationally, the Group does not treat these balances as available funds. An equal and opposite liability is shown within Trade Payables (note 10).

13. Share capital

Issued and fully paid

	30 June 2017 Unaudited £'000	31 December 2016 Audited £'000
Ordinary shares of £0.001 each	**51**	51
Total share capital	**51**	51

During the period 327,745 ordinary shares of £0.001 each were issued following exercise of the first tranche of options issued at the time of the Initial Public Offering of the Company at a premium of £531,980. See also note 15.

14. 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 2017 and 2016, as well as balances with related parties as at 30 June 2017 and 31 December 2016.

At 30 June 2017 there was a loan outstanding from Buildstore Limited, an associated company, of £45,000 (2016: £65,000) included in trade and other receivables. During the period the Group paid commissions of £520,807 (2016: £714,427) to Buildstore Limited.

During the period the Group received introducer commission from MAB Wealth Management Limited, an associated company of £5,917 (2016: £2,461). There is no balance outstanding with MAB Wealth Management Limited at 30 June 2017 (2016: £nil).

During the period the Group received introducer commission from Sort Limited, a subsidiary of an associated company of £92,743 (2016: £66,522). A loan of £118,288 was made to Sort Group Limited, an associated company during the period (2016: £5,195). There was an amount of £18,288 outstanding with Sort Group Limited at 30 June 2017 (2016: £nil) included in trade and other receivables.

During the period the Group paid commission to Clear Mortgage Solutions Limited, an associated company, of £975,710 (2016: £194,951).

During the period the Group purchased services from Mortgage 27 Limited, an associated company, of £3,600.

During the period the Group paid commission to Freedom 365 Mortgage Solutions Limited, an associated company, of £119,225 (2016: £nil). At 30 June 2017 there was a loan outstanding from Freedom 365 Mortgage Solutions Limited of £280,000 included in trade and other receivables (2016: £105,000).

14. Related party transactions (continued)

During the period the Group paid commission to Vita Financial Limited, an associated company, of £347,784.

At 30 June 2017 there was a loan outstanding from MAB Broker Services Pty Limited, an associated company, of £148,138 (AUD250,000) included in trade and other receivables (2016: £148,138, AUD250,000).

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

	2017 Unaudited £'000	2016 Unaudited £'000
CO2 Commercial Limited	**211**	167
Capital Private Finance Limited	**–**	148
Total	**211**	315

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

15. Share based payments

On 19 April 2017, 624,599 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan (the "Options"). Exercise of the Options is subject to the 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 430.83 pence, being equal to the average of the last three business days' closing price for the ordinary shares of the Company prior to the date of grant.

Options exercised in April 2017 resulted in 327,745 ordinary shares being issued at an exercise price of £1.60 and £2.19. The price of the ordinary shares at the time of exercise was £4.24 per share.

For the six months ended 30 June 2017, the Group has recognised £247,065 of share based remuneration expense in the statement of comprehensive income (30 June 2016: £112,271) which includes the charge for equity-settled schemes of £184,479 and the matching element of the Group's Share Incentive Plan for all employees of £7,707.

Company information

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

Financial calendar

26 September 2017	Announcement of interim results for the six months ended 30 June 2017
5 October 2017	Ex-dividend date for ordinary shares
6 October 2017	Record date for interim dividend
27 October 2017	Payment of interim dividend on ordinary shares
31 December 2017	2017 Financial year end

Mortgage Advice Bureau (Holdings) plc

Interim Report

for the six months ended 30 June 2017

Mortgage Advice Bureau

Mortgage Advice Bureau (Holdings) plc
Capital House
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