Mortgage Advice Bureau (Holdings) plc

Interim Report
for the six months ended 30 June 2015

Mortgage Advice Bureau

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The customer experience is at the heart of MAB's strategy and delivering outstanding customer service is an integral part of this. By giving our customers expert mortgage advice through our expanding network of intermediary businesses our goal is to deliver strong revenue growth and attractive returns to investors.

We will continue to invest to maintain our unique position in this sector and across all our areas of specialisation, ensuring MAB and its Appointed Representative partners are able to compete at the highest level, and deliver an outstanding customer experience.

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"I am pleased to report strong growth in revenue of 28% to £31.2m, in profit before tax of 28% to £3.9m and in adjusted profit before tax and non-recurring items of 16% to £3.9m."

Peter Brodnicki
Chief Executive
See review on page 02.

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

Mortgage Advice Bureau

Key highlights

- Significant increase in revenue of 28% with gross margin broadly unchanged at 24.3% (H1 2014: 24.5%)
- Adjusted PBT up 16% and underlying PBT margin[1] maintained at 13.9%
- Cash conversion remains strong at 89%
- Maiden interim dividend of 4.9p representing circa 75% of post-tax profits for the six months ended 30 June 2015
- Strong financial position with significant surplus on regulatory capital
- Cash balances of £11.5m (31 Dec 2014: £9.3m) of which unrestricted cash balances were £6.9m (31 Dec 2014: £5.3m)
- Adviser numbers increased by 88 to 722 at 30 June 2015 (31 December 2014: 634), representing a 14% increase
- Average number of Advisers in the 12 months to 30 June 2015 up 20% to 638, (12 months to 30 June 2014: 529)
- Purchase of freehold of Head Office Building for £2.4m from cash resources post period end

	H1 2015	H1 2014	Change
Revenue	**£31.2m**	£24.5m	+28%
Gross profit	**£7.6m**	£6.0m	+27%
Gross profit margin	**24.3%**	24.5%	
Profit before tax	**£3.9m**	£3.0m	+28%
Adjusted PBT[1, 2]	**£3.9m**	£3.4m	+16%
Adjusted[1,2] PBT margin	**12.6%**	13.9%	
Adjusted EPS[2,3]	**6.5p**	5.3p	+24%
Interim dividend per share	**4.9p**	n/a	
Adjusted operating profit to cash conversion[4]	**89%**	92%	

1 During H1 2015 total additional costs of £0.42m, comprising costs associated with being listed of £0.26m and additional FSCS costs, over and above H1 2014, of £0.16m have been incurred (these are not treated as exceptional as the Directors consider them to be ongoing costs of the business, but did not feature in H1 2014). Excluding these costs, the underlying PBT margin in H1 2015 would have been 13.9%, the same as the PBT margin in H1 2014.

2 Before provision against loan in H1 2014 of £347,891. There are no non-recurring items in H1 2015.

3 Adjusted EPS is based on 50.5m shares being in issue throughout H1 2014 in order to allow comparability.

4 Cash flow from operating and investing activities adjusted for non-trading items as a % of adjusted operating profit[1].

Introduction

"I am pleased to report strong growth in revenue of 28% to £31.2m, in profit before tax of 28% to £3.9m and in adjusted profit before tax and non-recurring items of 16% to £3.9m."

Peter Brodnicki
Chief Executive

Business Review of the half year

I am pleased to report strong growth in revenue of 28% to £31.2m, in profit before tax of 28% to £3.9m and in adjusted profit before tax and non-recurring items of 16% to £3.9m. Mortgage lending activity slowed in the second half of last year following a pre-MMR spike in volumes, but we saw some encouraging signs of increased activity early this year despite an election looming. These have continued to build post election, with a strong end to the year expected despite overall lending volumes being only marginally above those of 2014 (£203bn). These positive trends give us confidence that the Council of Mortgage Lenders' revised estimates for gross mortgage lending in 2016 of £230bn are realistic, being an increase of approximately 10% on their latest £209bn forecast for 2015.

The customer experience is at the heart of MAB's strategy and delivering outstanding customer service is an integral part of this. By giving our customers expert mortgage advice through our expanding network of intermediary businesses our goal is to deliver strong revenue growth and attractive returns to investors.

Organic growth continues to be a key focus for the business as we work closely with our Appointed Representative firms to help them increase Adviser numbers and market share. We maintain very high standards of recruitment both when growing Adviser numbers organically and when recruiting new Appointed Representative firms. The new Appointed Representative firms that we have been recruiting are typically forward thinking and ambitious; they too will contribute to MAB's organic growth in the years to come. We have broadened our geographic footprint this year by expanding into Northern Ireland where the mortgage market is starting to show good signs of recovery.

We are also pleased to announce today that MAB has exchanged contracts to acquire the freehold of our Head Office Building in Derby from Cedar House Investments Limited for £2.4m in cash, including the costs associated with the acquisition, and with completion scheduled for 30 September 2015. This will secure additional space for expansion of our Head Office team, since we currently occupy two out of the three floors within the building. We hold significant cash on our balance sheet and using some of that cash to fund the purchase of our Head Office Building will eliminate rental costs of circa £0.2m per annum for the whole building, thereby utilising that cash better and enhancing earnings.

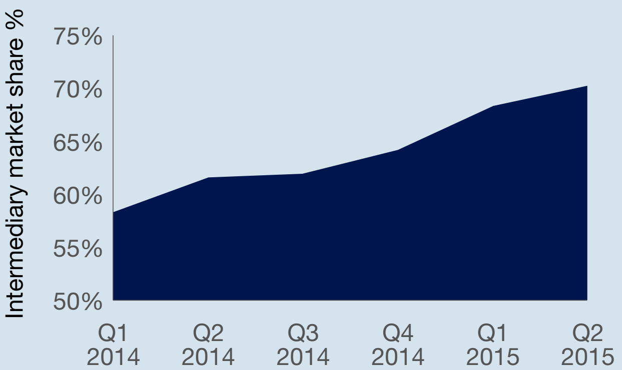
We maintain a strong focus on specialisation in terms of estate agency (including on-line), new build, mortgage shops and telephone based advice, all of which continue to have considerable growth potential, and we plan to extend that specialist approach to Buy-to-let.

The Mortgage Advice Bureau brand is a major differentiator for our business, our Appointed Representative firms and their Advisers. In a post-MMR world we see brand becoming increasingly important as, more than ever before, consumers seek out mortgage intermediaries that provide high quality customer focussed expert independent mortgage advice. Continuing to leverage the strength of our brand is an ongoing area of focus as we plan for 2016 and beyond.

Industry trends

Around 69% of UK mortgage transactions (excluding buy-to-let mortgages) were via an intermediary in H1 2015, up from around 60% in H1 2014 as shown in the graph below, with some industry commentators expecting further growth.

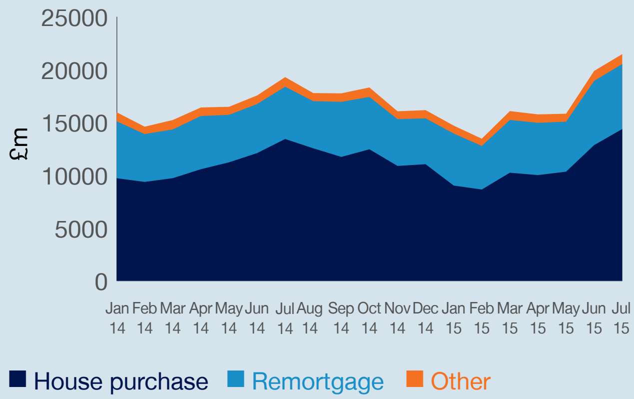
Intermediary Market Share



Source: Council of Mortgage Lenders' Regulated Mortgage Survey

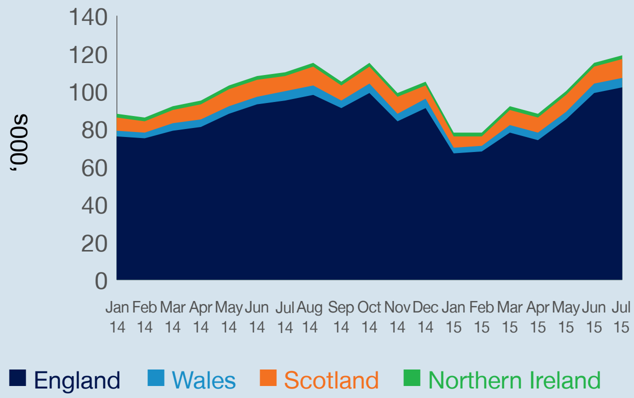
Activity in the property and mortgage market, and particularly in the remortgage market, is increasing as demonstrated in the following graphs.

New mortgage lending by purpose of loan, £m



Source: HM Revenue and Customs

Property sale transactions in UK by volume



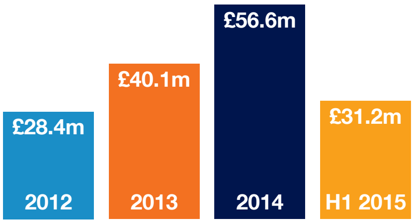
Source: Bank of England

Financial review

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

Revenue (£m)

£31.2m

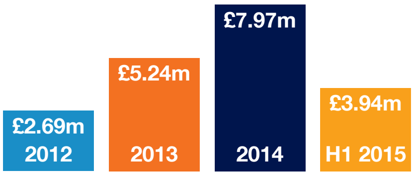


Total income from all revenue streams

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax

£3.94m



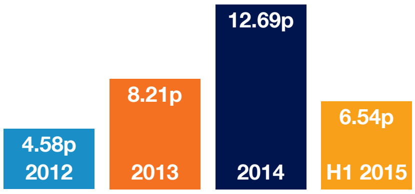
Profit before tax adjusted to add back exceptional or non-recurring items

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

Based on 50.5m shares to allow comparison

6.54p

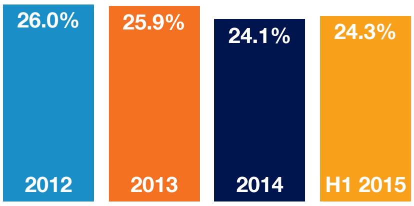


Total comprehensive income, attributable to equity holders of the Company, adjusted to add back non-recurring costs, divided by the number of ordinary shares

Strategy/objective
Shareholder value and financial performance

Gross profit margin

24.3%

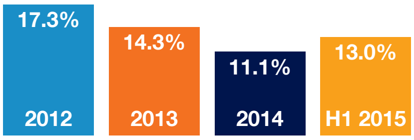


Gross profit generated as a proportion of revenue

Strategy/objective
Managing gross margins

Overheads % of revenue

13.0%

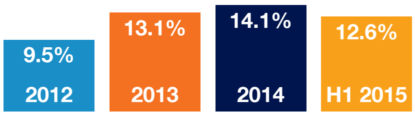


Group's adjusted administrative expenses as a proportion of revenue

Strategy/objective
Operating efficiency

Adjusted profit before tax margin

12.6%

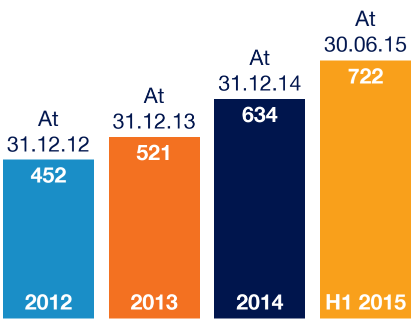


Adjusted profit before tax as a proportion of revenue

Strategy/objective
Shareholder value and financial performance

Adviser numbers

722

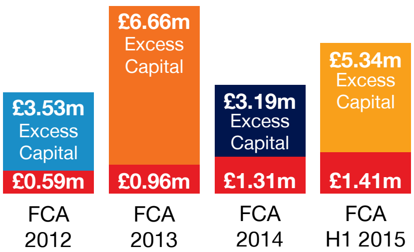


The average number of advisers over LTM at 30.06.15 was 638 (30.06.14: 529)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£6.75m

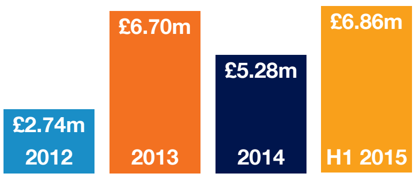


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA)

Strategy/objective
Financial stability

Unrestricted cash balances

£6.86m



Bank balances available for use in operations

Strategy/objective
Financial stability

Revenues

Revenues increased by 28% to £31.2m (2014: £24.5m). A key driver of revenue is the average number of Advisers during the period. Our business model continues to attract forward thinking mortgage intermediary firms seeking to expand and grow their market share thus increasing Adviser numbers. Average adviser numbers increased to 638 in the 12 months to 30 June 2015, an increase of 109 or 20% on the 12 months to 30 June 2014 of 529, from a combination of the recruitment of new Appointed Representatives, and the organic expansion of existing Appointed Representatives.

The Group generates revenue from 3 core areas which can be broken down as follows:

Proportion of Revenue	H1 2015	H1 2014
Insurance commission	**40%**	43%
Mortgage procuration fees	**39%**	39%
Client fees	**19%**	17%
Other income	**2%**	1%
Total	**100%**	100%

Mortgage procuration fees and client fees have increased since the implementation of the MMR in April 2014, and this has had the effect of reducing the proportion of total income attributable to insurance commission.

Gross profit margin

Gross profit margin reduced to 24.3% (2014: 24.5%) with the Group receiving a slightly reduced margin as our existing Appointed Representatives grow their revenue organically through increasing their Advisers. In 2015, MAB has continued to attract some larger Appointed Representative firms, which has driven strong growth in Adviser numbers and revenue. These larger new Appointed Representatives, however, typically join the Group on lower than average margins due to their existing scale. As a result we expect to see some erosion of our gross profit margin due to both the continued growth of our existing Appointed Representatives and the acquisition of new larger Appointed Representatives.

Overheads

Overheads as a percentage of revenue were 13.0% (2014: 11.9%). During H1 2015 total additional costs of £0.42m comprising costs associated with being listed of £0.26m and additional FSCS costs, over and above H1 2014, of £0.16m, have been incurred. These costs are not treated as exceptional as the Directors consider them to be ongoing costs of the business. Excluding these costs, overheads as a percentage of revenue would have slightly improved to 11.7%. Going forward, we would expect to continue to see a reduction in overheads as a proportion of revenue. Certain costs, primarily those relating to compliance, which represent approximately one third 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 our costs typically rise at a slower rate than revenue.

Adjusted profit before tax and margin thereon

Adjusted profit before tax rose by 16% to £3.9m (2014: £3.4m). The adjusted profit before tax margin was 12.6% (H1 2014: 13.9%). Excluding the additional costs as noted above totaling £0.42m, the underlying PBT margin in H1 2015 would be 13.9%, the same as the PBT margin in H1 2014. Going forward we would expect the effect of any erosion of our gross profit margin that derives from the growth we experience, and the scalable nature of our cost base, to broadly balance each other out.

Net finance revenue

Net finance revenues of £77,919 (2014: £44,458) reflect continued low interest rates. Notice has now been served by HBB Bridging Loans to repay their loan of £1m and we anticipate this being repaid by the year end.

Taxation

The effective rate of taxation on adjusted[1] profit before tax fell to 16.1% (2014: 19.0%) principally due to an over provision at the year end and also due to reductions in the UK corporation tax rate.

Earnings per share and dividend

Adjusted EPS[1] amounted to 6.5 pence. Comparison with H1 2014 is difficult as the share structure was significantly changed in preparation for the IPO in November 2014. Had there been a similar number of ordinary shares in issue throughout 2014, adjusted EPS[1] would have been 5.3 pence per share.

The Board is pleased to confirm a maiden interim dividend for the six months to 30 June 2015 of 4.9p per share, amounting to a total of £2.5m. Following payment the Group will still maintain significant surplus regulatory reserves. This interim dividend represents circa 75% of the Group's post-tax profits for the period and reflects our intention with regards to distributing excess capital going forward.

Cash flow

The Group's model is highly cash generative. Our income is received before we pay our Appointed Representatives. This is reflected in the net cash inflow from operating activities of £3.05m (H1 2014: £3.43m).

Net cash flow from operating and investing activities adjusted for non-trading items[2] as a % of operating profit

H1 2015	89%
H1 2014	92%

The Group's operations are capital light with our main investment being in computer equipment. The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue for each regulated group entity. At 30 June 2015 this regulatory capital requirement was £1.4m. Only £0.07m of capital expenditure was required during the period (H1 2014: £0.04m). Group policy is not to provide company cars, and no significant capital expenditure is foreseen in the coming year. All development costs on MIDAS, our proprietary operating platform, are expensed as incurred.

The Group had no bank borrowings at 30 June 2015 (31 December 2014: £nil) and had cash balances of £11.5m (31 December 2014: £9.3m) of which unrestricted cash balances were £6.9m (31 December 2014: £5.3m) providing significant surplus on regulatory capital.

The following demonstrates how cash generated from operations was applied:

Unrestricted bank balances at the beginning of the period	£5.3m
Cash generated from operating activities[3]	£2.8m
Interest received	£0.1m
Taxes paid	(£0.4m)
Capital expenditure	(£0.1m)
Redemption of shares	(£0.0m)
Dividends received from associates	£0.2m
Dividends paid	(£1.0m)
Unrestricted bank balances 30 June 2015	£6.9m

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

[1] Before provision against loan in 2014 (£347,891). There are no exceptional items in H1 2015.
[2] Movements in non-trading items including loans to ARs, loans to associates and other non-trade receivables.
[3] The increase in restricted bank balances has been eliminated as it does not affect unrestricted bank balances.

Current trading and outlook

Current trading is in line with the Board's expectations. The strong growth in Adviser numbers seen in the first half of the financial year has continued throughout the summer months, with Adviser numbers increasing to 779 as at 18 September 2015.

MAB continues to build its position as both a leading UK consumer focussed intermediary brand and a specialist Appointed Representative network and is well positioned to deliver further growth over the coming months. Furthermore, MAB continues to seek targeted investment opportunities to build on the Group's expertise and enhance distribution.

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 2015 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.

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 Auditing Practices Board 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 Ireland) 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 2015 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

Location
United Kingdom
Date 23 September 2015

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 2015

	Note	2015 Unaudited £	2014 Unaudited £
Revenue	2	**31,206,705**	24,468,382
Cost of sales	2	**(23,611,468)**	(18,472,110)
Gross profit		**7,595,237**	5,996,272
Administrative expenses		**(4,067,812)**	(2,906,075)
Net movement in provision for impairment of receivables		**14,660**	(326,437)
Share of profit from associate		**315,422**	236,435
Profit from operations		**3,857,507**	3,000,195
Finance income		**77,919**	44,458
Profit before tax		**3,935,426**	3,044,653
Tax expense	3	**(632,342)**	(645,890)
Profit for the period attributable to equity holders of parent company		**3,303,084**	2,398,763
Earnings per share attributable to the owners of the parent	4		
Basic		**6.541p**	3.897p
Diluted		**6.366p**	3.897p

Mortgage Advice Bureau

Interim condensed consolidated statement of financial position

as at 30 June 2015 and 31 December 2014

	Note	30 June 2015 Unaudited £	31 December 2014 Audited £
Assets			
Non-current assets			
Property, plant and equipment		**214,153**	204,228
Goodwill	6	**4,114,107**	4,114,107
Other intangible assets		**36,096**	45,118
Investments		**322,762**	252,766
Total non-current assets		**4,687,118**	4,616,219
Current assets			
Trade and other receivables	7	**3,666,751**	3,265,224
Cash and cash equivalents	10	**11,531,342**	9,270,006
Total current assets		**15,198,093**	12,535,230
Total assets		**19,885,211**	17,151,449
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	11	**50,462**	50,510
Share premium		**3,042,255**	3,042,255
Capital redemption reserve		**19,580**	19,532
Share option reserve		**61,258**	10,553
Retained earnings		**6,753,269**	4,497,264
Total equity		**9,926,824**	7,620,114
Liabilities			
Non-current liabilities			
Provisions		**851,852**	750,679
Deferred tax liability		**28,926**	25,121
Total non-current liabilities		**880,778**	775,800
Current liabilities			
Trade and other payables	8	**8,392,076**	8,252,905
Corporation tax liability		**685,533**	502,630
Total current liabilities		**9,077,609**	8,755,535
Total liabilities		**9,958,387**	9,531,335
Total equity and liabilities		**19,885,211**	17,151,449

Interim condensed consolidated statement of changes in equity
for the six months ended 30 June 2015

	Share capital £	Share premium £	Capital redemption reserve £	Share option reserve £	Retained earnings £	Total Equity £
As at 1 January 2014	69,960	2,988,891	46	–	7,621,981	10,680,878
Profit for the period	–	–	–	–	2,398,763	2,398,763
Total comprehensive income	–	–	–	–	2,398,763	2,398,763
Transactions with owners						
Redemption of shares	(19,269)	–	19,269	–	(4,557,951)	(4,557,951)
Dividends paid	–	–	–	–	(2,107,754)	(2,107,754)
Total transactions with owners	(19,269)	–	19,269	–	(6,665,705)	(6,665,705)
As at 30 June 2014 (unaudited)	50,691	2,988,891	19,315	–	3,355,039	6,413,936
As at 1 January 2015	50,510	3,042,255	19,532	10,553	4,497,264	7,620,114
Profit for the period	–	–	–	–	3,303,084	3,303,084
Total comprehensive income	–	–	–	–	3,303,084	3,303,084
Transactions with owners						
Share based payment transaction	–	–	–	50,705	–	50,705
Redemption of shares	(48)	–	48	–	(37,847)	(37,847)
Dividends paid	–	–	–	–	(1,009,232)	(1,009,232)
Total transactions with owners	(48)	–	48	50,705	(1,047,079)	(996,374)
As at 30 June 2015 (unaudited)	**50,462**	**3,042,255**	**19,580**	**61,258**	**6,753,269**	**9,926,824**

Interim condensed consolidated statement of cash flows
for the six months ended 30 June 2015

	30 June 2015 Unaudited £	30 June 2014 Unaudited £
Cash flows from operating activities		
Profit for the year before tax	**3,935,426**	3,044,653
Adjustments for		
Depreciation of property, plant and equipment	**55,813**	51,612
Amortisation of intangibles	**9,024**	9,021
Share based payments	**50,705**	–
Share of profit from associates	**(315,422)**	(236,435)
Finance income	**(77,919)**	(44,458)
	3,657,627	2,824,393
Changes in working capital		
(Increase)/decrease in trade and other receivables	**(401,527)**	634,049
Increase in trade and other payables	**139,171**	469,640
Increase in provisions	**101,173**	55,891
Cash generated from operating activities	**3,496,444**	3,983,973
Income taxes paid	**(445,634)**	(557,841)
Net cash inflow from operating activities	**3,050,810**	3,426,132
Cash flows from investing activities		
Purchase of property, plant and equipment	**(65,740)**	(41,135)
Acquisitions of associates and investments	**–**	(150)
Dividends received from associates	**245,426**	159,250
Net cash inflow from investing activities	**179,686**	117,965
Cash flows from financing activities		
Interest received	**77,919**	44,458
Redemption of shares	**(37,847)**	(4,548,951)
Dividends paid	**(1,009,232)**	(2,116,754)
Net cash (outflow) from financing activities	**(969,160)**	(6,621,247)
Increase/(decrease) in cash and cash equivalents	**2,261,336**	(3,077,150)
Cash and cash equivalents at the beginning of the period	**9,270,006**	9,388,153
Cash and cash equivalents at the end of the period	**11,531,342**	6,311,003

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 2015 were authorised for issue in accordance with a resolution of the directors on 23 September 2015.

Mortgage Advice Bureau (Holdings) Plc (the Company) is a limited company incorporated and domiciled in England whose shares are publicly traded. 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 2015 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 2014 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 2014.

The information relating to the six months ended 30 June 2015 and the six months ended 30 June 2014 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 2014 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 2014.

New standards, interpretations and amendments effective six months ended 30 June 2015

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial information for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

The following new standards, interpretations and amendments are effective for annual periods beginning on or after 1 January 2015 and have been applied in preparing these financial statements. None of these new standards or interpretations have a significant impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

1. Accounting policies (continued)

■ Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial information 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 purchase method of accounting is used to account for acquisitions and the cost of the acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair value at the acquisition date. Acquisition costs are written off to the statement of comprehensive income. The accounting policies of subsidiaries are changed where necessary to ensure consistency with policies operated by the Group if this would have a material impact on the results of the Group.

Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses equals or exceeds its interest in the associate the Group does not recognise further losses except to the extent that it has incurred obligations or made payments on behalf of the associate. Accounting policies of associates are aligned where necessary to ensure consistency with policies operated by the Group if this would have a material impact on the results of the Group.

■ Segment Reporting

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

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

During the six month period to 30 June 2015, 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 2015 Unaudited £	Six months ended 30 June 2014 Unaudited £
Mortgage related products	**18,088,165**	13,722,928
Insurance and other protection products	**12,566,545**	10,273,288
Other income	**551,995**	472,166
	31,206,705	24,468,382

Costs of sales are as follows:

	2015 £	2014 £
Commissions paid	**23,098,963**	17,830,705
Wages and salary costs	**512,505**	641,405
	23,611,468	18,472,110

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 2015 Unaudited £	Six months ended 30 June 2014 Unaudited £
Current tax expense		
UK corporation tax charge on profit for the period	**742,490**	645,890
Adjustments for over provision in prior periods	**(113,953)**	–
Total current tax	**628,537**	645,890
Deferred tax expense		
Origination and reversal of timing differences	**3,805**	–
Effect of increased tax rate on opening liability	**–**	–
Total deferred tax	**3,805**	–
Total tax expenses	**632,342**	645,890

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, i.e. no adjustments to profits were necessary during the six month periods to 30 June 2015 and 30 June 2014.

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 2015 Unaudited £	Six months ended 30 June 2014 Unaudited £
Weighted average number of shares used in basic earnings per share	**50,494,749**	61,553,923
Potential ordinary shares arising from options	**1,391,790**	–
Weighted average number of shares used in diluted earnings per share	**51,886,539**	61,553,923

At 30 June 2014, the Company's share capital comprised ordinary shares of £1 each which were sub-divided into 0.1 pence shares each on 11 November 2014. To allow comparability, the weighted average has therefore been restated based on shares being 0.1 pence shares throughout the six months ended 30 June 2014.

5. Dividends

	Six months ended 30 June 2015 Unaudited £	Six months ended 30 June 2014 Unaudited £	Year ended 31 December 2014 Audited £
Dividends paid and declared during the period:			
On B ordinary shares at £nil per share (2014: £52.078)	**–**	2,083,154	2,083,154
On C ordinary shares at £nil per share (2014: £10)	**–**	24,600	24,600
On ordinary shares at 2.0p per share (2014: £0)	**1,009,232**	–	1,849,998
	1,009,232	2,107,754	3,957,752
Proposed for approval:			
Equity dividends on ordinary shares:			
Interim dividend for 2015: 4.9p per share (2014: £0)	**2,472,618**	–	–
Final dividend for 2014: 2.0p per share (2013: £0)	**–**	–	1,009,232
	2,472,618	–	1,009,232

The record date for the interim dividend is 2 October 2015 and the payment date is 30 October 2015.

6. Goodwill

Goodwill relates to the acquisition of Talk Limited, and its subsidiaries, in 2012. 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 reviews and test its goodwill annually at 31 December or in the event of a significant change in circumstances. The impairment review conducted at the end of 2014 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 2014. There are no matters which have arisen in the period to 30 June 2015 which indicated that an impairment review was required at that date.

7. Trade and other receivables

	30 June 2015 Unaudited £	31 December 2014 £
Trade receivables not past due	**468,741**	369,820
Trade receivables past due but not impaired	**391,376**	432,460
Trade receivables past due but impaired	**80,653**	96,572
Trade receivables	**940,770**	898,852
Less provision for impairment of trade receivables	**(80,653)**	(96,572)
Trade receivables – net	**860,117**	802,280
Amounts due from associates	**180,596**	132,566
Other receivables	**1,000,000**	1,000,000
Prepayments and accrued income	**1,626,038**	1,330,378
	3,666,751	3,265,224

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.

Other receivables are stated net of provision for impairment of £nil (2014: £ 347,891).

8. Trade and other payables – current

	30 June 2015 Unaudited £	31 December 2014 £
Appointed Representatives retained commission	**4,675,988**	3,988,889
Other trade payables	**2,555,761**	2,806,978
Trade payables	**7,231,749**	6,795,867
Social security and other taxes	**197,838**	206,342
Other payables	**108,635**	121,495
Accruals and deferred income	**853,854**	1,129,201
	8,392,076	8,252,905

As at 30 June 2015 and 31 December 2014, the fair value of trade and other payables approximates their fair value given that they are short term in nature.

9. 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 7.

Financial assets – maximum exposure

	30 June 2015 Unaudited £	31 December 2014 £
Cash and cash equivalents	**11,531,342**	9,270,006
Trade and other receivables	**2,040,713**	1,934,846
Total financial assets	**13,572,055**	11,204,852

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

Collateral against other receivables of £1,000,000 (2014: £1,000,000) includes personal guarantees provided in support of loans.

The Group's credit risk on cash and cash equivalents is limited because the Group places funds on deposit with several UK banks.

10. Cash and cash equivalents

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

	30 June 2015 Unaudited £	31 December 2014 £
Unrestricted cash and bank balances	**6,855,354**	5,281,117
Bank balances held in relation to retained commissions	**4,675,988**	3,988,889
Cash and cash equivalents	**11,531,342**	9,270,006

Bank balances held in relation to retained commissions 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 8).

11. Share Capital

Issued and fully paid

	30 June 2015 Unaudited £	31 December 2014 £
Ordinary shares of £0.001 each	**50,462**	50,510
Total share capital	**50,462**	50,510

On 6 May 2015, 48,000 ordinary shares of 0.001p each were purchased by the Company and cancelled for a consideration of £37,847.

12. Related Party Transactions

At 30 June 2015 included in other receivables there was an amount of £1,000,000 (2014: £1,000,000) due to the Group from HBB Bridging Loans Limited, a company in which S Blunt and D Preece are directors and shareholders. This loan is secured, by a fixed and floating charge over the assets of the company and personal guarantees from certain directors of HBB Bridging Loans Limited. It accrues interest at a rate of 9.5% per annum above RBS bank base rate and had no fixed repayment date, although three months' notice to terminate can be given by either party. Notice has now been served by HBB Bridging Loans Limited to repay the loan.

During the period the Group made purchases of sundry insurance from Astute Insurance Solutions Limited of £5,950 (2014: £2,730), a company in which P Robinson is a director.

During the period the Group received introducer fees of £13,596 (2014: £13,575) from Capital Private Finance Limited, an associated company. At 30 June 2015 there was a balance due from Capital Private Finance Limited of £3,096 (2014: £3,566).

At 30 June 2015 there was a loan outstanding to Pinnacle Surveyors (England & Wales) Limited, a subsidiary of CO2 Limited, an associated company, of £40,000 (2014: £15,000).

At 30 June 2015 there was a loan outstanding to Buildstore Limited, an associated company, of £137,500 (2014: £114,000).

During the period ended 30 June 2015 the loan outstanding to Client Data Systems Group Limited of £347,891 (2014: £347,891), a company in which Mortgage Advice Bureau Limited has a 7% shareholding was written off as it is not considered recoverable in the short term but recovery of the loan will continue to be pursued. The loan was fully provided for in the year to 31 December 2014 and therefore the write off has had no impact on the accounts for the period ended 30 June 2015.

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

	2015 Unaudited £	2014 Unaudited £
CO2 Commercial Limited	**98,000**	83,300
Capital Private Finance Limited	**147,000**	75,950

13. Share based payments

On 20 May 2015, 75,342 options over ordinary shares of 0.1 pence each in the Company were granted to Lucy Tilley, Finance Director, under the Mortgage Advice Bureau Executive Share Option Plan. The exercise price of the options of 219p, is equal to the average of the last three business days' closing price for the ordinary shares of the Company at the date of grant. The options are subject to the achievement of the performance conditions as set out in the Company's Admission Document dated 11 November 2014.

On 21 May 2015, 255,000 options over ordinary shares of 0.1 pence each in the Company were granted to a number of its Appointed Representatives. The Options were granted under the MAB AR Option Plan, as set out in the Company's Admission Document dated 11 November 2014. The exercise price for the Options is 0.01 pence per ordinary share (or, for any individual AR, not less than £1 on each occasion of exercise).

For the six months ended 30 June 2015, the Group has recognised £69,335 of share based payment expense in the statement of comprehensive income (30 June 2014: £Nil). This comprises equity-settled schemes of £50,705 and also payments of £18,630 into a Share Incentive Plan – Free Share Award.

14. Events after the reporting date

On 24 September 2015, the Group announced the purchase of the freehold of its premises, Capital House, Pride Park, Derby for a consideration of £2.4m.

Company information

Directors:	Katherine Innes Ker – Non-executive Chairman Peter Brodnicki – Chief Executive David Preece – Chief Operating Officer Lucy Tilley – Finance Director Nathan Imlach – Non-Executive Director Richard Verdin – Non-Executive Director	
Company secretary:	Paul Robinson	
Registered office:	Capital House Pride Place Pride Park Derby DE24 8QR	
Company website:	www.investor.mortgageadvicebureau.com	
Nominated adviser and 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	
Registrars:	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	

Financial calendar

24 September 2015	Announcement of interim results for the six months ended 30 June 2015
1 October 2015	Ex-interim dividend date for ordinary shares
2 October 2015	Record date for interim dividend
30 October 2015	Payment of interim dividend on ordinary shares

Mortgage Advice Bureau (Holdings) plc
Interim Report
for the six months ended 30 June 2015

Mortgage Advice Bureau

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