Mortgage Advice Bureau (Holdings) plc

Interim Report
for the six months ended 30 June 2016

Mortgage
Advice Bureau

Our strategy is to continue to grow our market share in all market conditions and deliver strong business growth and attractive returns to investors year on year. MAB continues to build its position as both a leading UK consumer focussed intermediary brand and a specialist Appointed Representative network. Furthermore, MAB continues to seek targeted investment opportunities to build on the Group's expertise and enhance distribution.

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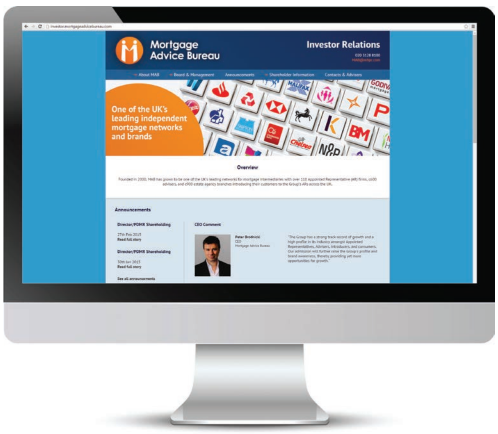
"I am pleased to report another strong set of results, with profit before tax up 34% and MAB's market share increasing by 20% compared to the same period last year. After a strong start to the year, adviser productivity eased slightly in the run up to the EU referendum. From that point, we saw the usual quieter period in the housing market over the peak summer holiday months. Since the referendum, overall written business volumes have held up well, with industry data indicating that the housing market remains relatively stable."

"House prices continue to grow and a slight softening in the number of house purchases has been partly offset by increased activity in both residential and buy-to-let remortgaging."

"Our focus remains to continue to grow our market share in all market conditions."

Peter Brodnicki
Chief Executive
See review on page 02

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



Mortgage Advice Bureau

Financial highlights

- Revenue up 38% to £43.1m (H1 2015: £31.2m)
- Gross margin of 23.1% (H1 2015: 24.3%)
- Overheads ratio of 11.7% (H1 2015: 13.0%)
- Profit before tax up 34% to £5.3m (H1 2015: £3.9m)
- Profit before tax margin of 12.3% (H1 2015: 12.6%)
- EPS up 32% to 8.6 pence (H1 2015: 6.5 pence)
- High operating profit to cash conversion[1] of 159% (H1 2015: 102%)
- Interim dividend up 59% to 7.8 pence; payout ratio: c.90% (H1 2015: 4.9 pence; payout ratio: c.75%)
- Strong financial position with significant surplus on regulatory capital requirement
- Total cash balances of £16.3m (31 Dec 2015: £14.0m)
- Unrestricted cash balances of £9.6m (31 Dec 2015: £8.2m)

Operational highlights

- Adviser numbers up 13% to 891 at 30 June 2016 (31 Dec 2015: 790)
- Average number of Advisers in six months ended 30 June 2016 up 27% to 851 (H1 2015: 671)
- Market share up 20% to 4.0% (H1 2015: 3.3%)
- Two investments completed, one a specialist telephone protection advice firm, Vita

Post period end highlights

- Adviser numbers up 30 from period end to 921 at 23 September 2016
- Sale of 49% stake in Capital Private Finance Limited completed for £2.7m, post tax profit distributed to shareholders by special dividend of 4.25 pence
- Investment in scalable telephony model, Freedom 365

	H1 2016	H1 2015	Change
Revenue	**£43.1m**	£31.2m	+38%
Gross profit	**£9.9m**	£7.6m	+31%
Gross profit margin	**23.1%**	24.3%	
Profit before tax	**£5.3m**	£3.9m	+34%
PBT margin	**12.3%**	12.6%	
EPS	**8.6p**	6.5p	+32%
Interim dividend per share	**7.8p**	4.9p	+59%
Adjusted operating profit to cash conversion[1]	**159%**	102%	

[1] Cash flow from operating activities adjusted for non-trading items including loans to Appointed Representative firms (“ARs”), loans to associates and other non-trade receivables as a % of operating profit. Due to the timing of the weekly AR commission payment, the Group held additional cash balances at 30 June 2016. Excluding these balances cash conversion would have been 136% for the period ended 30 June 2016 (2015: 102%). Furthermore, excluding increases in restricted cash balances, the cash conversion for the period ended 30 June 2016 would have been 118% (2015: 84%).

Introduction

"I am pleased to report another strong set of results, with profit before tax up 34% and MAB's market share increasing by 20% compared to the same period last year."

Peter Brodnicki
Chief Executive

Summary

I am delighted to report another period of strong revenue and profit growth as we continue to focus our strategy on our core areas of specialism and embrace technology. We have a high quality business with sustainable profitability. MAB's market share has increased to 4.0% in H1 2016, an increase of 20% over our 3.3% market share for H1 2015.

After a strong start to the year, boosted by a spike in buy-to-let ("BTL") applications as a result of the stamp duty changes in April 2016, adviser productivity eased slightly in the run up to the EU referendum. From that point, we saw the usual quieter period in the housing market over the peak summer holiday months. Since the EU referendum, overall MAB written business volumes have held up well and have been encouraging in September, though it is too early to determine how quickly adviser productivity is likely to pick back up in the short term.

Post referendum environment

Industry data post referendum to date indicates that the housing market remains relatively stable, with a slight softening in residential purchases partly offset by increased activity in remortgaging, particularly in BTL, with house prices continuing to increase. The Prudential Regulation Authority has recently been encouraging BTL lenders to tighten affordability tests and implement tougher underwriting standards. MAB's proportion of BTL lending has remained in line with the market. Intermediary market share has continued to rise and in the six months to 30 June 2016 stood at just over 71.5% (excluding BTL).

MAB's Appointed Representative ("AR") and Adviser recruitment continues to show no signs of slowing following the EU referendum. Our Advisers are focused on maximising the opportunities arising from their mortgage and protection leads. We continue to support our established ARs with their plans to grow their local market share; to date the EU referendum has had little or no impact on their organic growth plans.

Housing and mortgage transaction volumes overall have been relatively flat over the last two years, we do not expect to see a material change to that as we look ahead to the next two years or so as the Government manages the exit of the UK from the EU. MAB's strategy remains unchanged and the MAB business model continues to attract many of the intermediaries looking to increase their overall market share. These firms, just like MAB, are not directly reliant on increasing housing transactions, property prices, or intermediary market share.

Delivering on our strategy

■ Technology

MAB will always seek to be an early adopter of new and emerging technologies which will fast become a major differentiator between distributors and firms within the intermediary sector. The strong position that MAB has due to its proprietary MIDAS Pro platform will enable MAB to prioritise technology developments and roll out more robo-advice style initiatives in 2017.

As a result we expect MAB's distribution to be able to compete at the highest level with new technology led entrants, offering our customers the choice of how they want to research, receive advice and transact. Ease, speed and convenience are highly valued by customers, and those intermediaries that are in a position to deliver such a service will be in a very strong position in terms of growing their market share.

MAB also sees technology playing an ever increasing part in lead generation by enabling intermediary firms to effectively manage data, which is an area MAB is very much focused on.

■ Distribution and brand

Digital, brand and specialisation will all be a major focus for MAB as we continue to grow market share and seek to attract potential new customers earlier in the research and decision making process.

Despite developments in digital, providing consumers with a choice of how they want to research, receive advice, and transact is at the heart of the MAB proposition, and local advice through carefully positioned and professionally branded mortgage shops supports that strategy. This year we have seen further MAB mortgage shop openings, with a number of key locations already identified for further openings in 2017, which supports our plans for further increasing brand awareness.

Strategic investments

MAB's first strategic investments since IPO were in Sort Group Limited and Clear Mortgage Solutions Limited. The last few months has seen MAB make two further strategically important investments in Vita and Freedom 365 to develop our specialist protection service, improve lead generation and provide additional scalability in telephone advice.

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

MAB has also acquired a 35% interest in Freedom 365, a newly formed entity. Leveraging Freedom group's existing telephony expertise, Freedom 365 intends to build a highly scalable telephony model for national lead sources, which should further increase MAB's market share. Freedom 365 will manage data from our on-line estate agency business partners as well as other lead sources.

These investments extend our distribution and will be a key factor in delivering exceptional customer experience, whilst increasing income opportunities for our AR partners, as we support them in adapting their business models to consumers' changing requirements.

First overseas initiative

In considering opportunities for extending MAB's distribution outside the UK, we saw many similarities between the UK and Australian mortgage markets. MAB intends to establish a new joint venture in Australia, trading under the Mortgage Advice Bureau brand. The joint venture will embrace many of the proven systems and processes adopted by MAB in the UK, with centralised lead generation, and telephone and regionally based advisers combining to deliver a comprehensive service to the Australian public. We expect the new joint venture to be trading before the year end.

Summary

Our strategy is to continue to grow our market share in all market conditions and deliver strong business growth and attractive returns to investors year on year. MAB continues to build its position as both a leading UK consumer focussed intermediary brand and a specialist Appointed Representative network. Furthermore, MAB continues to seek targeted investment opportunities to build on the Group's expertise and enhance distribution.

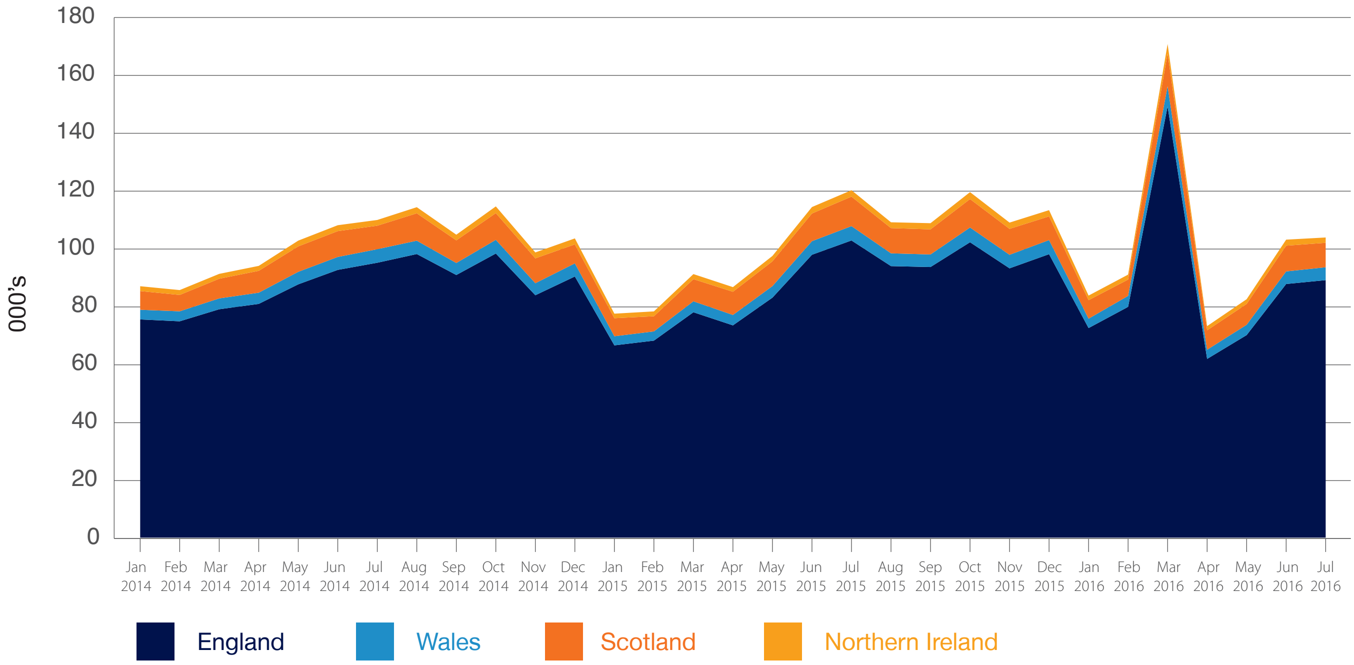
Business Review of the half year

I am pleased to report strong growth in revenue of 38% to £43.1m (H1 2015: £31.2m) and in profit before tax of 34% to £5.3m (H1 2015: £3.9m). Mortgage lending activity in H1 2016 was £120bn (H1 2015: £97bn), an increase of 24%, in part due to a slower H1 2015 owing to the impact of the general election. The Council of Mortgage Lenders' ("CML") revised estimate for gross mortgage lending in 2016 was £237bn, an increase of approximately 8% on £220bn for 2015. However, given the result of the EU referendum, the CML is cautioning against using these figures in the new economic and political landscape. MAB's gross mortgage lending increased by 49% to £4.8bn in H1 2016 (H1 2015: £3.2bn), with MAB's overall share of UK new mortgage lending increasing by 20% to 4.0% from 3.3% in H1 2015.

Industry data and trends

Housing purchase transactions by volume in the UK for H1 2016 were 11% ahead of H1 2015, as demonstrated in the graph below, with a very strong first quarter in 2016 boosted by a spike in BTL applications as a result of the stamp duty changes in April 2016, which was the most significant factor behind a 22% increase in UK mortgage lending overall for that period.

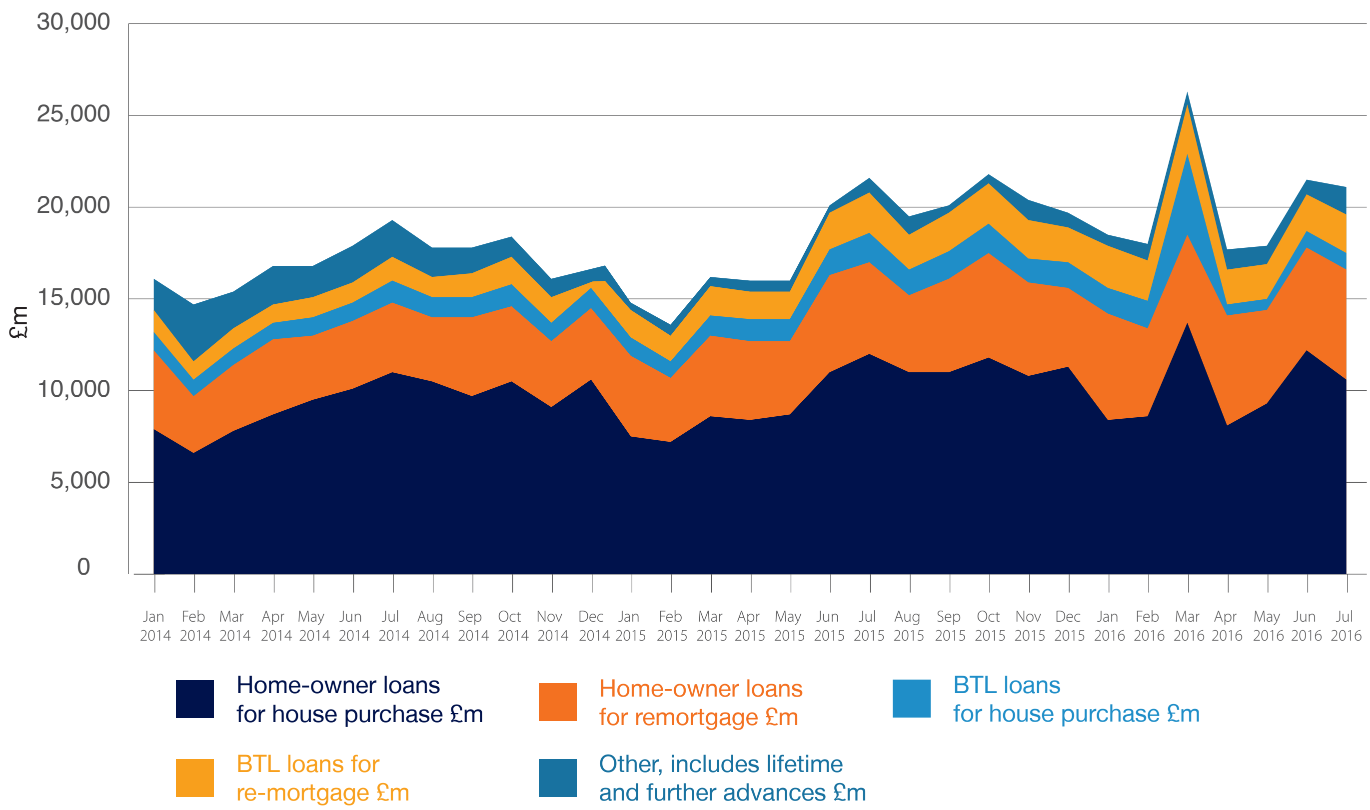
UK property transactions by volume



Source: HM Revenue and Customs

The increases in gross mortgage lending, and particularly in the remortgage market, are illustrated in the graph below.

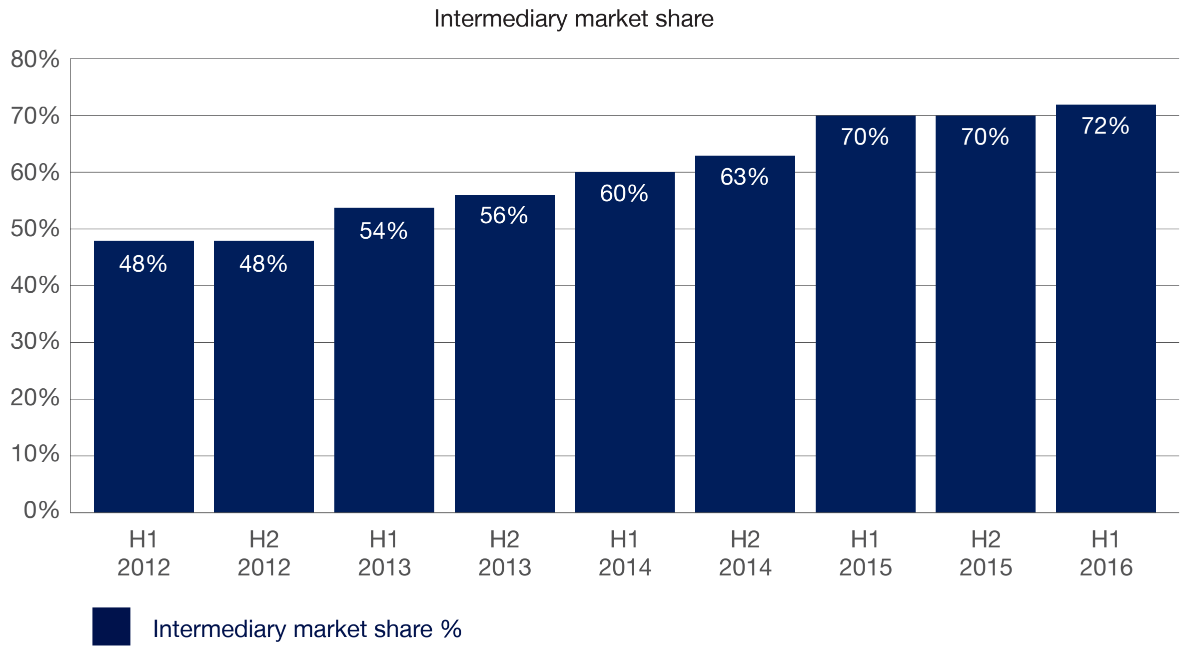
New mortgage lending by purpose of loan



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

UK gross mortgage lending in H1 2016 for home-owner purchases and remortgages grew by 18% and 25% respectively compared to the same period last year. UK gross mortgage lending in H1 2016 for BTL purchases and remortgages increased by 38% and 37% respectively.

The graph below illustrates that 71.5% of UK mortgage transactions (excluding BTL mortgages) were via an intermediary in H1 2016, up from less than 50% in 2012. MAB expects this market share to remain broadly stable at around 70% going forwards.



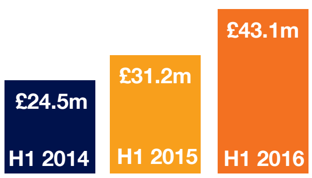
Source: Council of Mortgage Lenders' Regulated Mortgage Survey

Financial Review

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

Revenue (£m)

£43.1m

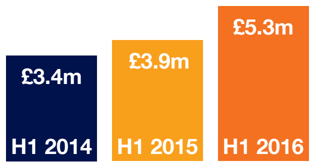


Total income from all revenue streams

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax

£5.3m

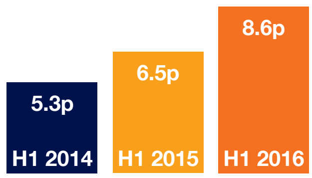


Profit before tax adjusted to add back exceptional or non-recurring items (none in 2015 or 2016)

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

8.6p

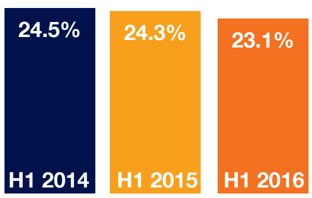


Total comprehensive income, attributable to equity holders of the Company, adjusted to add back non-recurring costs, divided by the number of ordinary shares (based on 50.5m shares in 2014 to allow comparison)

Strategy/objective
Shareholder value and financial performance

Gross profit margin

23.1%

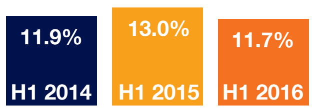


Gross profit generated as a proportion of revenue

Strategy/objective
Managing gross margins

Overheads % of revenue

11.7%

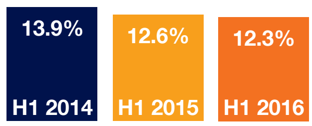


Group's administrative expenses as a proportion of revenue

Strategy/objective
Operating efficiency

Adjusted profit before tax margin

12.3%

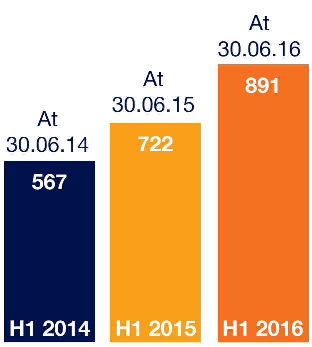


Profit before tax as a proportion of revenue (H1 2014 PBT has been adjusted for a provision against a loan of £0.35m)

Strategy/objective
Shareholder value and financial performance

Adviser numbers

891

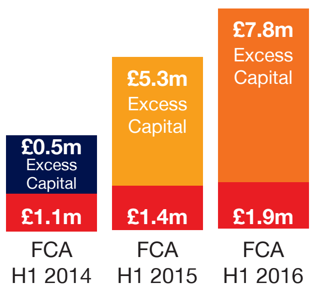


The average number of advisers over the last six months at 30.06.16 was 851 (30.06.15: 671)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£9.7m

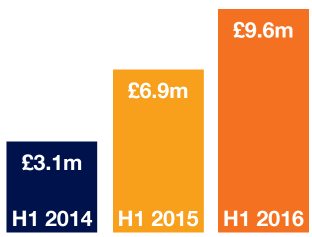


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA)

Strategy/objective
Financial stability

Unrestricted cash balances

£9.6m



Bank balances available for use in operations

Strategy/objective
Financial stability

Revenues

Revenues increased by 38% to £43.1m (H1 2015: £31.2m). A key driver of revenue is the average number of Advisers during the period. Average adviser numbers increased to 851 in the six months to 30 June 2016, representing an increase of 180 or 27% on the equivalent period last year, from both the recruitment of new ARs and the organic expansion of existing ARs.

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

Income source	H1 2016 £m	H1 2015 £m	Increase
Mortgage procuration fees	**19.0**	12.3	54%
Protection and General Insurance Commission	**16.0**	12.6	28%
Client fees	**7.4**	5.8	28%
Other income	**0.6**	0.6	17%
Total	**43.1**	**31.2**	**38%**

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

Income source	H1 2016	H1 2015
Mortgage procuration fees	**44%**	39%
Protection and General Insurance Commission	**37%**	40%
Client fees	**17%**	19%
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 27%, with average revenue per Adviser increasing by 9%. The spike in BTL applications as a result of the stamp duty changes in April 2016 and increased remortgaging have affected growth in protection revenue in H1 2016 as protection penetration is lower for BTL mortgages and remortgages.

Gross profit margin

Gross profit margin reduced to 23.1% (H1 2015: 24.3%) with the Group receiving a reduced margin as our existing ARs grow their revenue organically through increasing their Advisers. In 2016, MAB has continued to attract some larger AR firms, which has driven strong growth in Adviser numbers and revenue. These larger new ARs, however, typically join the Group on lower than average margins due to their existing scale and therefore impact upon gross margin. As previously indicated, in 2016 we also expected to see the gross margin impact of the larger businesses brought on in 2015. Furthermore, the spike in BTL applications as a result of the stamp duty changes in April 2016 and increased remortgaging have also affected gross margin in H1 2016 as protection penetration is lower for BTL mortgages and remortgages.

Going forwards we expect to see the gross profit margin remain reasonably consistent in H2 2016, with some further erosion of our gross profit margin expected in 2017 due to both the continued growth of our existing ARs and the acquisition of new larger ARs.

Overheads

Overheads as a percentage of revenue were 11.7% (H1 2015: 13.0%). 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 which will, in part, counter the expected erosion of gross margin as the business continues to grow. Going forward, we expect to see a further reduction in overheads as a proportion of revenue.

Profit before tax and margin thereon

Profit before tax rose by 34% to £5.3m (H1 2015: £3.9m). The profit before tax margin was 12.3% (H1 2015: 12.6%). As referenced earlier, since it is too early to determine the level of growth in adviser productivity, as we look to 2017 it is also too early to determine whether the scalable nature of our cost base will fully offset the effect of any erosion of our gross profit margin that derives from the growth we experience.

Net finance revenue

Net finance revenues of £0.04m (H1 2015: £0.08m) reflect continued low interest rates. The loan of £1m to HBB Bridging Loans was repaid during the second half of the year ended 31 December 2015.

Taxation

The effective rate of tax was 17.8% (H1 2015: 16.1%), higher in H1 2016 principally due to MAB's research and development claim for development on MIDAS Pro for the whole of 2014 being credited against the H1 2015 tax charge. Going forwards we would expect our effective tax rate to be marginally below the prevailing UK corporation tax rate subject to the tax legislation behind MAB's research and development claim still being in existence and available to MAB in respect of continued development on MIDAS Pro.

Earnings per share and dividend

Earnings per share amounted to 8.6 pence (2015: 6.5 pence).

The Board is pleased to confirm an interim dividend for the year ending 31 December 2016 of 7.8 pence per share, amounting to a total of £3.9m. Following payment of the dividend, the Group will continue to maintain a significant surplus on its regulatory capital requirement. This interim dividend represents c.90% of the Group's post-tax profits for H1 2016 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 7 October 2016 and the payment date is 28 October 2016. The ex-dividend date will be 6 October 2016.

Cash flow

The Group's operations produce positive cash flow. This is reflected in the net cash inflow from operating activities of £7.4m (H1 2015: £3.3m).

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

H1 2016: 159%
H1 2015: 102%

A new methodology for calculating cash conversion was introduced in MAB's results for the year ended 31 December 2015, to exclude investing activities; at this point "Dividends received from associates" were reclassified into operating activities in the cash flow statement.

The Group's operations are capital light with our most significant ongoing capital investment being in computer equipment. Only £0.05m of capital expenditure was required during the period (H1 2015: £0.07m). Group policy is not to provide company cars, and the only significant non-regular capital expenditure foreseen in the coming year is in respect of the refurbishment of the 2nd floor of Capital House totalling c.£0.2m. All development work on MIDAS Pro is treated as revenue expenditure.

The Group had no bank borrowings at 30 June 2016 (H1 2015: £nil) with unrestricted bank balances of £9.6m (31 December 2015: £8.2m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 30 June 2016 this regulatory capital requirement was £1.9m (31 December 2015: £1.7m).

1 Cash flow from operating activities adjusted for non-trading items including loans to Appointed Representative firms ("ARs"), loans to associates and other non-trade receivables as a % of operating profit. Due to the timing of the weekly AR commission payment, the Group held additional cash balances at 30 June 2016. Excluding these balances cash conversion would have been 136% for the period ended 30 June 2016 (2015: 102%). Furthermore, excluding increases in restricted cash balances, the cash conversion for the period ended 30 June 2016 would have been 118% (2015: 84%).

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

	£m
Unrestricted bank balances at the beginning of the year	8.2
Cash generated from operating activities excluding from movements in restricted balances and dividends received from associates	7.1
Dividends received from associates	0.3
Dividends paid	(4.8)
Tax paid	(0.9)
Capital expenditure	(0.1)
Investment in associates	(0.2)
Unrestricted bank balances at the end of the period	9.6

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

Current Trading and Outlook

Since the EU referendum, overall MAB written business volumes have held up well and have been encouraging in September, after the usual quieter summer period. However, it is too early to determine how quickly adviser productivity will pick back up. Adviser numbers have increased to 921 as at 23 September 2016. The Board expects the growth in revenue per Adviser to be slightly lower than originally anticipated for the year, whilst Adviser numbers are expected to be ahead of expectations for the year end. Current trading is in line with the Board's expectations.

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 2016 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 stated 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 financial 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 half-yearly financial 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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 2016 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 27 September 2016

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 2016

	Note	Six months ended 30 June **2016** **Unaudited** **£'000**	 2015 Unaudited £'000
Revenue	2	**43,074**	31,207
Cost of sales	2	**(33,138)**	(23,612)
Gross profit		**9,936**	7,595
Administrative expenses		**(5,057)**	(4,068)
Net movement in provision for impairment of receivables		**–**	15
Share of profit from associate		**375**	315
Profit from operations		**5,254**	3,857
Finance income		**37**	78
Profit before tax		**5,291**	3,935
Tax expense	3	**(942)**	(632)
Profit for the period attributable to equity holders of parent company		**4,349**	3,303
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		**6,501**	3,303
Earnings per share attributable to the owners of the parent	4		
Basic		**8.6p**	6.5p
Diluted		**8.5p**	6.4p

Interim condensed consolidated statement of financial position
as at 30 June 2016 and 31 December 2015

	Note	30 June 2016 Unaudited £'000	31 December 2015 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment		**2,584**	2,621
Goodwill	7	**4,114**	4,114
Other intangible assets		**18**	27
Investments	8	**1,020**	715
Total non-current assets		**7,736**	7,477
Current assets			
Trade and other receivables	9	**3,092**	2,852
Cash and cash equivalents	13	**16,303**	13,956
Total current assets		**19,395**	16,808
Other current financial assets			
Asset held for sale	10	**2,695**	–
Total assets		**29,826**	**24,285**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	14	**51**	51
Share premium		**3,042**	3,042
Capital redemption reserve		**20**	20
Share option reserve		**238**	157
Retained earnings		**9,190**	9,635
Asset held for sale reserve		**2,152**	–
Total equity		**14,693**	12,905
Liabilities			
Non-current liabilities			
Contingent consideration	8	**50**	–
Provisions		**1,016**	918
Deferred tax liability		**559**	28
Total non-current liabilities		**1,625**	946
Current liabilities			
Trade and other payables	11	**12,559**	9,519
Corporation tax liability		**949**	915
Total current liabilities		**13,508**	10,434
Total liabilities		**15,133**	11,380
Total equity and liabilities		**29,826**	24,285

Interim condensed consolidated statement of changes in equity
for the six months ended 30 June 2016

	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 2015	51	3,042	20	10	–	4,497	7,620
Profit for the period	–	–	–	–	–	3,303	3,303
Total comprehensive income	–	–	–	–	–	3,303	3,303
Transactions with owners							
Share based payment transactions	–	–	–	51	–	–	51
Redemption of shares	–	–	–	–	–	(38)	(38)
Dividends paid	–	–	–	–	–	(1,009)	(1,009)
Total transactions with owners	–	–	–	51	–	(1,047)	(996)
As at 30 June 2015 (unaudited)	51	3,042	20	61	–	6,753	9,927
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**

Interim condensed consolidated statement of cash flows
for the six months ended 30 June 2016

	Six months ended 30 June 2016 Unaudited £'000	2015 Unaudited £'000
Cash flows from operating activities		
Profit for the period before tax	**5,291**	3,935
Adjustments for		
Depreciation of property, plant and equipment	**87**	56
Amortisation of intangibles	**9**	9
Share based payments	**81**	51
Share of profit from associates	**(375)**	(315)
Dividends received from associates	**315**	245
Finance income	**(37)**	(78)
	5,371	3,903
Changes in working capital		
Increase in trade and other receivables	**(240)**	(381)
Increase in trade and other payables	**3,040**	118
Increase in provisions	**98**	101
Cash generated from operating activities	**8,269**	3,741
Income taxes paid	**(915)**	(446)
Net cash inflow from operating activities	**7,354**	3,295
Cash flows from investing activities		
Purchase of property, plant and equipment	**(50)**	(65)
Acquisitions of associates and investments	(200)	–
Net cash outflow from investing activities	**(250)**	**(65)**
Cash flows from financing activities		
Interest received	**37**	78
Redemption of shares	**–**	(38)
Dividends paid	**(4,794)**	(1,009)
Net cash outflow from financing activities	**(4,757)**	(969)
Increase in cash and cash equivalents	**2,347**	2,261
Cash and cash equivalents at the beginning of the period	**13,956**	9,270
Cash and cash equivalents at the end of the period	**16,303**	11,531

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 2016 were authorised for issue in accordance with a resolution of the Directors on 27 September 2016.

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 2016 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 2015 annual financial statements other than assets held for sale which is a new accounting policy.

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 2015.

The information relating to the six months ended 30 June 2016 and the six months ended 30 June 2015 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 2015 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 2015.

Changes in the presentation of the financial statements

For the 2015 annual financial statements the classification of certain amounts included in trade and other receivables and trade and other payables were changed to more accurately reflect the nature of the items. Accordingly the 31 December 2014 comparatives were restated such that the classification was consistent with the 2015 presentation and as result both trade receivables and trade payables were reduced by £344,705. The only impact of this change on these interim financial statements is on the comparative figures for increase in trade and other receivables and increase in trade and other payables in the consolidated statement of cash flows. The change had no impact on the reported results of the group in any period.

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. 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.

Assets held for Sale

Disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

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 statements present the results of 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 2016, 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 2016 Unaudited £'000	2015 Unaudited £'000
Mortgage related products	**26,393**	18,088
Insurance and other protection products	**16,033**	12,567
Other income	**648**	552
	43,074	31,207

Costs of sales are as follows:

	2016 £'000	2015 £'000
Commissions paid	**32,507**	23,099
Wages and salary costs	**631**	513
	33,138	23,612

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 2016 Unaudited £'000	2015 Unaudited £'000
Current tax expense		
UK corporation tax charge on profit for the period	**949**	742
Adjustments for over provision in prior periods	**–**	(114)
Total current tax	**949**	628
Deferred tax expense		
Origination and reversal of timing differences	**(7)**	4
Total deferred tax	**(7)**	4
Total tax expenses	**942**	632

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 periods to 30 June 2016 and 30 June 2015.

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	
	2016	2015
	Unaudited	Unaudited
Weighted average number of shares used in basic earnings per share	**50,461,600**	50,495,749
Potential ordinary shares arising from options	**671,477**	1,392,790
Weighted average number of shares used in diluted earnings per share	**51,133,077**	51,887,539

5. Components of other comprehensive income

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£'000	£'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 2016 Unaudited £'000	Six months ended 30 June 2015 Unaudited £'000	Year ended 31 December 2015 Audited £'000
Dividends paid and declared during the period:			
On ordinary shares at 9.5 pence per share (2015: 2.0 pence)	**4,794**	1,009	3,482
	4,794	1,009	3,482
Proposed for approval:			
Equity dividends on ordinary shares:			
Interim dividend for 2016: 7.8 pence per share (2015: 4.9 pence)	**3,936**	2,473	–
Final dividend for 2015: 9.5 pence per share	**–**	–	4,794
	3,936	2,473	4,794

The record date for the interim dividend is 7 October 2016 and the payment date is 28 October 2016.

7. 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 tests its goodwill annually at 31 December or in the event of a significant change in circumstances. The impairment review conducted at the end of 2015 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 2015. There are no matters which have arisen in the period to 30 June 2016 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 2016 £'000	31 December 2015 £'000
At start of the period	**715**	253
Additions	**250**	345
Disposals	**(5)**	–
Share of profit	**375**	703
Dividends received	**(315)**	(586)
At period end	**1,020**	715

8. Investments in associates and joint ventures (continued)

Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired a 25% interest in Clear Mortgage Solutions Limited at a cost of £50,000 plus contingent consideration of up to £50,000 payable after three years depending on the results of Clear Mortgage Solutions Limited. The full £50,000 contingent consideration has been provided for in these financial statements. The Group also acquired a 20% interest in Vita Financial Limited at a cost of £150,000 during the period.

On 22 March 2016, Countrywide plc exercised their call option in relation to their joint venture with Mortgage Advice Bureau Limited, Capital Private Finance Limited ("CPF"). The investment in CPF has therefore been reclassified as an asset held for sale during the period. Full details of this are given in note 10.

9. Trade and other receivables

	30 June 2016 Unaudited £'000	31 December 2015 £'000
Trade receivables not past due	**698**	564
Trade receivables past due but not impaired	**48**	49
Trade receivables past due but impaired	**467**	459
Trade receivables	**1,213**	1,072
Less provision for impairment of trade receivables	**(467)**	(459)
Trade receivables – net	**746**	613
Amounts due from associates	**95**	116
Prepayments and accrued income	**2,251**	2,123
	3,092	2,852

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

10. Other current financial assets

	30 June 2016 Unaudited £'000	31 December 2015 £'000
Asset held for sale:		
Available for sale investment	**2,695**	–
Total other current financial assets	**2,695**	–

Asset held for sale

The Group assesses at each reporting date whether there is objective evidence that there is a change in the value of a financial investment, objective evidence would include an agreed value for the sale of an investment. On 22 March 2016, Countrywide plc exercised their call option in relation to their joint venture with Mortgage Advice Bureau Limited, Capital Private Finance Limited ("CPF"). Mortgage Advice Bureau Limited held 49% of the issued share capital of CPF with Countrywide plc holding the remaining 51%. The agreed price for Mortgage Advice Bureau Limited's 49% stake was £2.7m and this transaction completed on 31 July 2016, at which point the Group no longer held significant influence over the joint venture and CPF ceased to be an Appointed Representative of the Group. Hence the asset has been reclassified as an asset held for sale and valued at fair value which is considered to be the agreed selling price less costs of sale. This instrument is a level 2 investment. This associate investment had a carrying cost in Mortgage Advice Bureau Limited's balance sheet at 31 December 2015 of £4,900.

11. Trade and other payables – current

	30 June 2016 Unaudited £'000	31 December 2015 £'000
Appointed Representatives retained commission	**6,675**	5,767
Other trade payables	**4,371**	2,224
Trade payables	**11,046**	7,991
Social security and other taxes	**221**	242
Other payables	**143**	53
Accruals and deferred income	**1,149**	1,233
	12,559	9,519

As at 30 June 2016 and 31 December 2015, the book value of trade and other payables approximates their fair value given that they are short term in nature.

12. 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 2016 Unaudited £'000	31 December 2015 £'000
Cash and cash equivalents	**16,303**	13,956
Trade and other receivables	**841**	729
Total financial assets	**17,144**	14,685

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

Trade receivables consist of a large number of unrelated trading partners and therefore 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.

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

13. Cash and cash equivalents

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

	30 June 2016 Unaudited £'000	31 December 2015 £'000
Unrestricted cash and bank balances	**9,628**	8,189
Bank balances held in relation to retained commissions	**6,675**	5,767
Cash and cash equivalents	**16,303**	13,956

Bank balances held in relation to retained commissions earned on an indemnity basis in relation to life policies are held to cover potential future lapses in Appointed Representatives commission. Operationally, the Group does not treat these balances as available funds. An equal and opposite liability is shown within Trade Payables (note 11).

14. Share capital

Issued and fully paid

	30 June 2016 Unaudited £'000	31 December 2015 £'000
Ordinary shares of £0.001 each	**51**	51
Total share capital	**51**	51

15. Related party transactions

During the period the Group made purchases of sundry insurance from Astute Insurance Solutions Limited of £13,845 (2015: £5,590), a company in which P Robinson is a director. There is no balance outstanding with Astute Insurance Solutions Limited at 30 June 2016. (2015: £nil).

During the period the loan of £16,000 outstanding from Pinnacle Surveyors (England & Wales) Limited, a subsidiary of CO2 Limited, an associated company, was repaid in full.

At 30 June 2016 there was a loan outstanding from Buildstore Limited, an associated company, of £90,000 (2015: £137,500) included in trade and other receivables.

During the year ended 31 December 2015 the loan outstanding to Client Data Systems Group Limited of £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 write off has had no impact on the accounts for the period ended 30 June 2016.

During the period the Group received introducer commission from MAB Wealth Management Limited, an associated company of £2,461 (2015: £nil). There is no balance outstanding with MAB Wealth Management Limited at 30 June 2016 (2015: £nil).

During the period the Group received introducer commission from Sort Refer Limited, an associated company of £66,522 (2015: £nil). There is a loan of £5,195 outstanding with Sort Refer Limited at 30 June 2016 (2015: £nil) included in trade and other receivables.

15. Related party transactions (continued)

The Group made purchases of £23,738 (2015: £24,723) and sales of £1,704 (2015: £1,507) to BriefYourMarket Limited. At 30 June 2016 there was an amount of £nil (2015: £2,957) included in trade and other payables due from the Group and £587 (2015: £845) included in trade receivables due to the Group from BriefYourMarket Limited, a company in which R Palmer, P Robinson and P Brodnicki are or were directors and are shareholders.

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

	2016 Unaudited £'000	2015 Unaudited £'000
CO2 Commercial Limited	**167**	98
Capital Private Finance Limited	**148**	147

16. Share based payments

On 4 May 2016, 771,480 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the Mortgage Advice Bureau Executive Share Option Plan (the "Options"). Exercise of the Options is subject to the achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, the Options will be exercisable three years from the date of grant. The exercise price for the Options is 357.75 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.

For the six months ended 30 June 2016, the Group has recognised £112,271 of share based payment expense in the statement of comprehensive income (30 June 2015: £69,335). This comprises equity-settled schemes of £80,895 and also payments of £31,376 into a Share Incentive Plan – Free Share Award.

17. Events after the reporting date

On 31 July 2016, Mortgage Advice Bureau Limited completed the sale of its stake in CPF for consideration in cash of £2.7 million.

On 22 September 2016, the Group made an equity investment of 35% in Freedom 365 Mortgage Solutions Limited, ("Freedom 365"), a new Appointed Representative of the Group. The Group has also made a loan of £175,000 (on normal commercial terms) to Freedom 365. Both the loan and the consideration of £350 are being funded out of Mortgage Advice Bureau Limited's existing cash resources.

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 Non-Executive Director
	Richard Verdin	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

28 September 2016	Announcement of interim results for the six months ended 30 June 2016
6 October 2016	Ex-dividend date for ordinary shares
7 October 2016	Record date for interim dividend
28 October 2016	Payment of interim dividend on ordinary shares
31 December 2016	2016 Financial year end

Mortgage Advice Bureau (Holdings) plc

Interim Report
for the six months ended 30 June 2016

Mortgage
Advice Bureau

Mortgage Advice Bureau (Holdings) plc
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DE24 8QR