MORTGAGE ADVICE BUREAU (HOLDINGS) PLC

("MAB" or "the Group")

29 September 2020

Interim Results for the six months ended 30 June 2020

Mortgage Advice Bureau (Holdings) PLC (AIM: MAB1.L) is pleased to announce its interim results for the six months ended 30 June 2020.

Financial highlights

- Revenue up 4% to £63.5m (H1 2019: £60.9m), including £6.1m of revenue generated by First Mortgage, acquired in July 2019
- Gross profit up 22% to £17.2m (H1 2019: £14.2m)
- Gross margin of 27.2% (H1 2019: 23.3%)
- Adjusted overheads ratio(1) of 14.9% (H1 2019: 11.2%)
- Adjusted profit before tax(2) up 6% to £7.9m (H1 2019: £7.4m)
- Statutory profit before tax down 15% to £6.1m (H1 2019: £7.2m)
- Adjusted profit before tax margin(2) of 12.4% (H1 2019: 12.2%)
- Reported profit before tax margin of 9.6% (H1 2019: 11.8%)
- Adjusted(2) EPS up 7% to 13.2p (H1 2019: 12.3p)
- Basic EPS down 15% to 10.1p (H1 2019: 11.9p)
- Continued high operating profit to adjusted cash conversion(3) of 97% (H1 2019: 99%)

Operational highlights

- Adviser numbers remained stable over the period, with 1,470 Advisers at 30 June 2020 (including 101 furloughed Advisers) (31 December 2019: 1,457)
- Average number of active Advisers(4) up 12% to 1,396 (H1 2019: 1,242)
- Revenue per active Adviser down 7%(5)
- Gross mortgage completions (including product transfers) up 8% to £7.5bn (H1 2019: £6.9bn)
- Gross mortgage completions with new lenders up 2% to £6.4bn (H1 2019: £6.3bn)
- Market share of new mortgage lending up 17% to 5.9% (H1 2019: 5.0%(6))
- Launch of “MAB Later Life”, a new proposition in the specialist later life lending market

Post period end

- Continued strong trading since the re-opening of the housing market, with MAB new mortgage applications at record levels
- Adviser numbers increased to 1,523 at 25 September 2020
- Australian Finance Group Ltd (ASX: AFG) becomes our new joint venture partner in Australia
- Agreement to acquire a 40% stake in Meridian Holdings Group Ltd ("Meridian"), our leading new build AR

Peter Brodnicki, Chief Executive, commented:

"These results illustrate the resilience of our operating model and the quality and dedication of our management team and staff throughout the Covid-19 pandemic. By reacting quickly and redeploying our resources to capture all possible opportunities during the pandemic, we ensured that our H1 performance remained strong.

"Against an exceptionally challenging market where housing transactions were 25% lower than in H1 2019, we grew our revenue by 4% to £63.5m (H1 2019: £60.9m), including £6.1m of revenue generated by our subsidiary First Mortgage, acquired in July 2019. Gross mortgage completions grew by 8%, and our market share by 17%, delivering on our strategy to grow market share in all market conditions whilst maintaining a strong financial position.

"Adjusted earnings per share rose by 7% to 13.2 pence (H1 2019: 12.3 pence), while basic earnings per share decreased by 15% to 10.1 pence (H1 2019: 11.9 pence), with the adverse revenue impact of the reduction in mortgage completions being partially offset by the Board and MAB's non-furloughed employees taking a 20% paycut in Q2 2020 as the pandemic escalated.

"I am very pleased with the progress we have achieved during the period and as a result of our strong trading since the period end, the Board has approved the reimbursement of these paycuts, which will increase staff costs by a total of £0.8m in the second half. Subject to this strong performance continuing throughout the remainder of the second half, and in the absence of any new restrictions being imposed that significantly adversely impact the housing market in the remainder of this year, we also intend to repay the £0.5m of Government grant income the Group has received.

"The Group is currently trading strongly and, in the absence of any such new restrictions, we expect adjusted profit before tax for the full year to be significantly ahead of the market's current expectations. However, due to the uncertainty arising from the pandemic, the Board intends to only pay a final dividend in respect of the year ending 31 December 2020. As previously announced, the Board remains committed to paying a further 6.4 pence per share.

"The planned roll out of our new platform has continued and at pace, with the crisis accelerating our development of new technology projects in many areas of the business, particularly those critical to supporting the new ways of working adopted by our Appointed Representatives ("ARs") during the lockdown.

"We have also launched 'MAB Later Life', a new and unique proposition in the later life market developed in partnership with a leading integrated provider of later life lending products. This is an exciting opportunity to broaden our addressable market in a highly intermediated segment where specialist advice is a key differentiator. Entering the later life market with a best in class proposition will enable MAB to attract the highest quality advisers in this sector which will help us build market share.

"In addition, Australian Finance Group Ltd ("AFG") becomes our new joint venture partner to roll out our well established and successful UK model in Australia. Listed on the Australian Stock Exchange, AFG is a leading Australian mortgage network with extensive distribution channels and a strong broker proposition. This new joint venture is an exciting development and a real step change for our Australian operations, that will allow us to scale by attracting the best brokers into our differentiated model.

"Despite the economic challenges that lie ahead, the strong factors that underpin housing demand, combined with existing and future Government support, cause us to be optimistic about the outlook.

"We continue to deliver sustainable long-term growth by providing the best solutions and outcomes for our ARs and customers driven by our significant focus on technology developments. We plan to continue growing our market share and mortgage completions, whilst leading the evolution of intermediary distribution."

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

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

[3] Adjusted cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £0.3m in H1 2020 (H1 2019: £1.6m), £(0.2)m of Government grant income received (H1 2019: nil), and increases in restricted cash balances of £0.3m in H1 2020 (H1 2019: £1.0m), as a percentage of adjusted operating profit.

[4] An active Adviser is an Adviser who has not been furloughed, and is therefore able to write business.

[5] Based on average number of active Advisers.

[6] UK Finance regularly updates its estimates. MAB previously reported a 5.1% market share in H1 2019 based on overall gross new mortgage lending of £125.1bn, but that figure has slightly increased since, causing our actual market share to be 5.0% in H1 2019.

Current Trading and Outlook

Since the re-opening of the housing market (initially in England on 13 May and then in Scotland, Wales and Northern Ireland at the end of June), there has been a sharp increase in purchase-related mortgage activity, despite the highly restricted availability of higher loan to value mortgages. Advisers continue to engage remotely with customers, with the number of mortgage applications across the network reaching record levels.

Recruitment activity has also picked up strongly, both in terms of organic growth and new ARs. All the Advisers who were furloughed are now back at work, and as at 25 September 2020 our Adviser number was 1,523. We believe that until the longer-term picture becomes more certain, some of our AR firms will remain cautious on Adviser recruitment, but will look to strengthen their teams where required in terms of Adviser quality.

The Group is currently trading strongly and, in the absence of any new restrictions being imposed that significantly adversely impact the housing market in the remainder of this year, we expect adjusted profit before tax for the full year to be significantly ahead of the market's current expectations. However, due to the uncertainty arising from the pandemic, the Board intends to only pay a final dividend in respect of the year ending 31 December 2020. As previously announced, the Board remains committed to paying a further 6.4 pence per share when it considers it prudent to do so.

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Analyst presentation

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

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

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

Chief Executive's Review

I am very pleased with MAB's performance in the first half of this financial year given the exceptionally challenging market conditions. Once again, we outperformed the wider market and managed to continue to grow both our revenue and market share in a market that contracted heavily despite the strong start to the year.

Our growth in mortgage completions arranged is set out below:

	H1 2020	H1 2019	Increase
	£bn	£bn	
New mortgage lending	6.4	6.3	+2%
Product Transfers	1.1	0.6	+65%
Gross mortgage lending	**7.5**	**6.9**	**+8%**

In terms of the wider market, Q1 saw a year-on-year improvement with a 5% increase in UK gross new mortgage lending activity (excluding product transfers). However, the lockdown led to a dramatic fall in mortgage activity in Q2, with April and May housing transactions down 58% and 53% year-on-year and UK gross new mortgage lending (excluding product transfers) down 33% and 37% respectively.

Purchase mortgages were the hardest hit, with year-on-year residential purchase mortgage lending volumes decreasing by 46% in Q2 and buy-to-let purchase mortgage lending volumes decreasing by 44%. Re-financing activity held up better, partially driven by the strength in product transfers. Home-owner and buy-to-let re-mortgage lending volumes decreased by 15% and 21% respectively in Q2, whilst product transfer lending volumes grew by 4% year-on-year.

Against this negative backdrop, our total gross mortgage completions (including product transfers) increased by 8% to £7.5 billion (H1 2019: £6.9 billion), including £0.7 billion of mortgage completions by First Mortgage. Gross mortgage completions arranged through new lenders(1) (excluding product transfers) increased by 2% to £6.4 billion (H1 2019: £6.3 billion).

Our growth in new mortgage lending combined with the overall contraction of the mortgage market led to an increase in our share of UK new mortgage lending by 17% from 5.0%(2) to 5.9%, despite the housing market in Scotland, where MAB has a particularly strong presence, remaining closed for seven weeks longer than in England.

MAB responded quickly and effectively to the pandemic, prioritising the health and safety of staff and ensuring our resources were deployed where our Advisers needed them most. We rolled out more than 40 new campaigns and initiatives to our AR network in April and May alone, supporting Advisers to optimise the many re-financing and protection opportunities.

Our decisive response to the pandemic also allowed us to capitalise on the increase in product transfer numbers, achieving a 65% increase in product transfer completions during the period.

Whilst lenders were facing major operational and capacity issues, MAB launched a national contact campaign and helpline to support new and existing customers who were addressing their own financial challenges brought about by the pandemic. This resulted in customer relationships being further strengthened, and new business opportunities being identified.

Our AR firms were quick to adapt their business models and adopt new ways of working. During the lockdown, the transition to full telephony advice, already an important and fast-growing area of the business, was seamless. An increasing number of Advisers continue to engage remotely with customers and we are working closely with our AR partners to ensure that the increased levels of existing customer focus and business efficiency remain, now that purchase transaction levels have recovered to more normal levels.

Progressing our technology initiatives remained a priority throughout the period to ensure key projects relating to increased operational efficiency, lead generation and productivity are delivered to plan. Additional technology enhancements in support of the new ways of working adopted by our ARs have also been accelerated.

Covid-19 has made securing a mortgage more challenging and complex, as lenders have struggled with significant operational challenges, including the high number of payment holidays taken up by borrowers and the need to consistently apply lending policies. As a result, consumer reliance on mortgage intermediaries has increased, with intermediary market share strengthening as a result. In addition, execution-only sales by lenders have not progressed during the period.

Overall, Adviser numbers remained stable during the period. As at 20 March 2020, Adviser numbers had grown to 1,484 (31 December 2019: 1,457) despite a noticeable pandemic-related slowdown in the run-up to that date. During the lockdown, we understandably saw normal levels of attrition in Adviser numbers and very limited recruitment of new Advisers. At 30 June 2020, Adviser count stood at 1,470 (including 101 Advisers remaining furloughed). Since the re-opening of the housing market and the relaxing of social distancing, our pipeline of new AR firms has grown substantially. Our existing firms have now started to strengthen their teams where required in terms of Adviser quality, with those who planned organic growth in 2020 recommencing those plans.

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

[2] UK Finance regularly updates its estimates. MAB previously reported a 5.1% market share in H1 2019 based on overall gross new mortgage lending of £125.1bn, but that figure has slightly increased since, causing our actual market share to be 5.0% in H1 2019.

Delivering our strategy

Recruitment of Advisers

During Q2 2020, we saw normal levels of attrition in Adviser numbers with our AR firms also placing around 245 Advisers on furlough at the height of the crisis. Recruitment of new Advisers was however very limited, and although discussions with potential new ARs continued, no new firms were added over this quarter.

Subsequently, recruitment activity has picked up strongly, both in terms of organic growth and new ARs. As at 30 June 2020, our Adviser number was 1,470 including 101 furloughed Advisers. All the Advisers who were furloughed are now back at work, and as at 25 September 2020, our Adviser number was 1,523. We believe that until the longer-term picture becomes more certain, some AR firms will remain cautious about Adviser recruitment, but will look to strengthen their teams where required in terms of Adviser quality.

The speed, level and quality of support delivered to our ARs and their Advisers during such unprecedented times was exceptional, bringing us even closer together and more aligned than ever.

However, the lack of meaningful support received during the pandemic by many AR firms outside of MAB has led these firms to review their existing network relationships. This is creating opportunities that MAB is already capitalising on, with AR recruitment activity building very strongly.

Technology

Following the successful conclusion of our testing and pilot periods we are now rolling out our new technology platform to all ARs, with the aim of having this concluded by the end of Q1 2021.

The first release of our platform has focused on lead generation and client retention, which are both key drivers in terms of Adviser growth and our plans to increase productivity.

Further developments will quickly follow, delivering greater Adviser efficiency and simplifying mortgage application processes, as well as providing better tools for customers in terms of how they research, receive advice and transact.

Throughout the period we accelerated the development of many technology projects critical to supporting the new ways of working adopted as a result of the pandemic. This included bringing forward our commitment to strengthen our compliance proposition to ARs. Recognising the impact of remote working, we have built and rolled out a new compliance platform which will bring about significant efficiencies in our operations and risk management.

Lead Generation

Customer lead generation is a key area of focus for MAB, which combined with technology developments will drive Adviser growth and productivity. Consequently, we have widened our focus on additional ways of acquiring customers cost effectively and at scale.

Our ARs generate their own leads primarily from builders, estate agents and their existing customer base and this continues to be a major focus for them. In addition, MAB is combining significant technology developments, data profiling and marketing initiatives to engage with customers online and capture missed opportunities across these three primary lead sources, whilst also widening reach through digital lead generation from a far greater and diverse audience. This includes courting potential customers a great deal earlier than they are currently, such as those starting to research their first home or next purchase, and then nurturing them through the process and helping them become “purchase ready”.

We are very pleased with the progress we have made and expect this initiative to gain real momentum in 2021, building to become a major contributor to our future growth.

Broadening our addressable market

During the period we launched the first phase of "MAB Later Life", a new initiative in partnership with a leading, specialist provider of later life lending. Broadening our addressable market to include products for over 55s is an important part of our strategy to extend our proposition.

The later life market is an important growth segment which is highly intermediated, with customers needing comprehensive financial advice and appropriate solutions to release equity, often to supplement inadequate pension provision or provide inter-generational assistance to their family.

The first phase of this strategic alliance has seen the distribution of later life mortgage products through a group of existing specialist MAB advisers working under the MAB Later Life brand. We are now extending this new opportunity to firms currently outside of MAB that are looking for a best in class proposition to capitalise on their specialism in this sector.

Investment strategy

We continue to make strategic investments in new and existing distribution partners. Earlier this month we agreed to acquire a 40% investment in Meridian, our leading new build AR. Meridian will have a key role to play in our plans to achieve even stronger market share growth in this specialist sector.

As announced today, AFG becomes our new joint venture partner to roll out our model in Australia. AFG is a leading mortgage network in Australia with extensive distribution channels and a strong broker proposition. This new joint venture is an exciting development and a real step change for our Australian operations, that will allow us to attract the best brokers into our differentiated model.

Summary

This period has again proved how MAB can weather adverse market conditions and perform strongly. MAB consistently outperforms the market, and our response to the Covid-19 pandemic could not have been more decisive and effective.

Despite the significant disruption to the housing market and to mortgage lending, we are capitalising on the opportunities that have arisen from these challenging times to achieve our growth and performance objectives.

The immediate and comprehensive support MAB provided to our AR firms in response to the pandemic stood out relative to some other operators in our sector. This further differentiation has positively contributed to our pipeline of potential new AR firms, which has been building rapidly since certain social distancing measures have been relaxed.

There have been no delays to our planned technology developments as a result of Covid-19. In addition, our team successfully re-prioritised developments to respond to an overnight change in how Advisers needed to engage with customers and support the heightened focus required to maximise the opportunities outside of house purchase transactions.

We also strengthened the management team during the period with the addition of a Head of Partnerships, a Chief Commercial Officer and a new Chief Information Officer. These are all key new roles focused on lead generation, the performance of our investments, and the delivery of our technology developments.

Our new MAB Later Life initiative provides MAB with a unique, best in class proposition to broaden our addressable market and drive additional adviser growth. In addition, our new joint venture with AFG provides the optimal platform for growth in Australia, with our UK model now adapted, tested and proven in this market.

Our investment in Meridian will be an important part of our plans to increase market share in the specialist new build sector. We continue to consider investments that will enhance our proposition and deliver strong additional profit growth.

Despite a turbulent year to date and the continued uncertainty arising from the pandemic, we have continued to strengthen MAB's proposition and our ability to deliver continued year-on-year market share growth, increased efficiency and profitability. We remain very positive about what we can achieve in 2021 and beyond.

Business Review of the year

I am pleased to report further growth in revenue of 4% to £63.5m, including £6.1m from our First Mortgage subsidiary acquired in July 2019. MAB's gross mortgage completions (including product transfers) increased by 8% to £7.4bn (H1 2019: £6.9bn). Excluding product transfers, our gross new mortgage completions increased by 2% and this, together with a 13% contraction of the overall new mortgage lending market, led to a 17% increase in our share of UK gross new mortgage lending to 5.9% (H1 2019: 5.0%[(1)]).

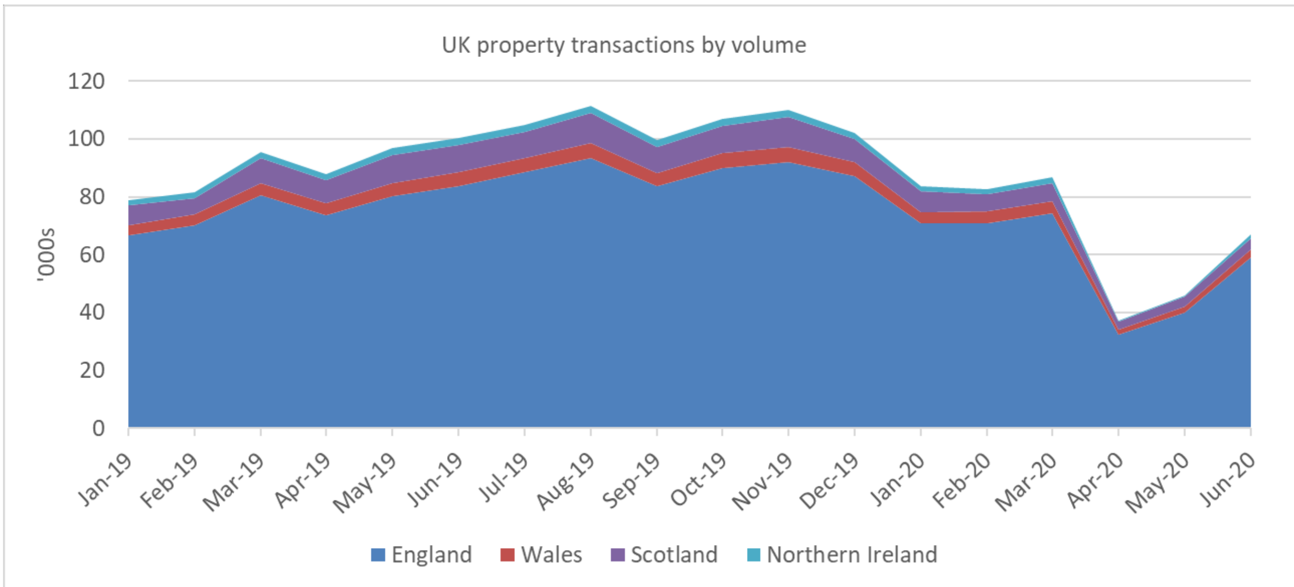
Market environment

In Q1 2020, gross new mortgage lending activity (excluding product transfers) increased by 5%, as consumer confidence strengthened post the December 2019 UK General Election. UK housing transaction volumes were relatively flat over this quarter, with a 1% decrease year-on-year.

In Q2 2020, the closure of the housing market during lockdown led to a dramatic 30% fall in gross new mortgage lending compared to Q2 2019, with housing transactions down 47% over the same period.

Overall, gross new mortgage lending activity in H1 2020 fell by 13% to £109.7bn (H1 2019: £126.0bn[(1)]), excluding product transfers. UK housing transactions fell by 25% over the reporting period versus the comparative period in 2019 as illustrated in the graph below.

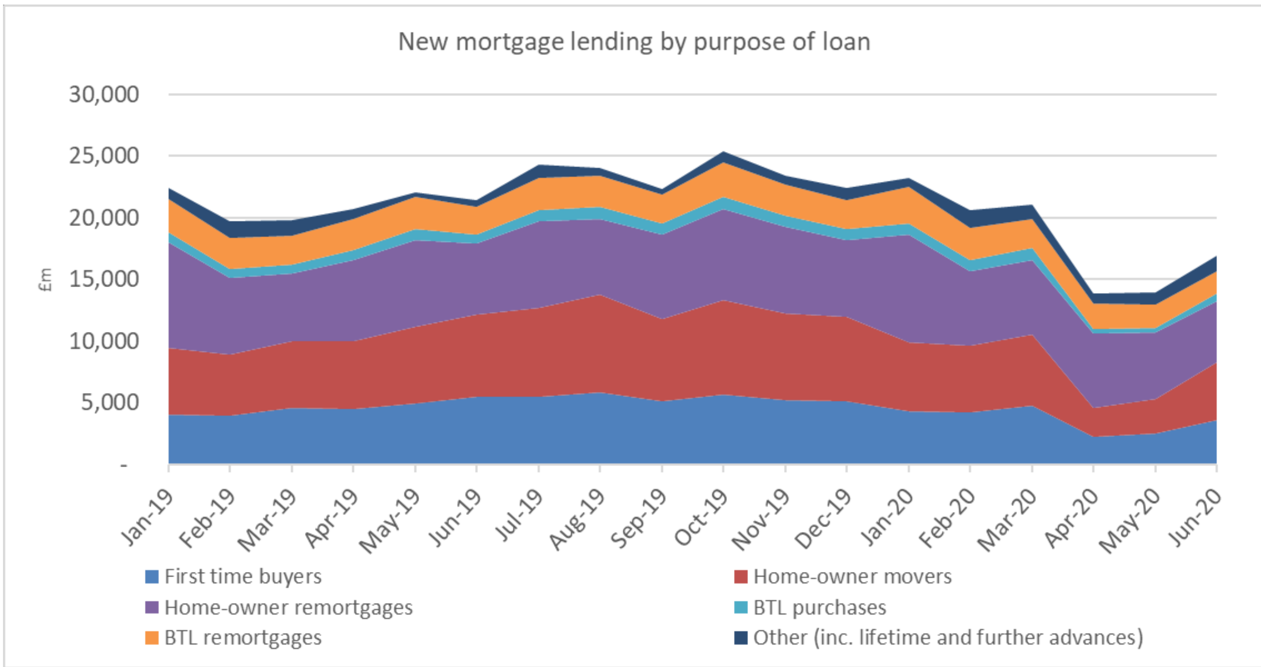
Due to the current uncertainty, UK Finance has not updated its estimates of gross new mortgage lending for the full year.



Source: HM Revenue and Customs

In terms of segmental breakdown, residential purchase lending volumes increased by 6% in Q1 2020, whilst home-owner re-mortgage lending volumes increased by 3%. In Q2 2020, purchase transactions were the hardest hit as a result of the lockdown, with year-on-year residential and buy-to-let purchase lending volumes falling by 46% and 44% respectively. Re-financing activity was less adversely impacted, with a shift towards product transfers due to the ease with which they can be transacted even in lockdown conditions and the reduced availability of re-financing products. Product transfer lending volumes grew by 4% year-on-year in Q2 2020, partially offsetting more significant declines in other types of re-financing, with home-owner and buy-to-let re-mortgage lending volumes decreasing by 15% and 21% respectively.

As illustrated in the graph below, for the first six months of the year residential and buy-to-let purchase lending volumes fell by 22% and 13% respectively. Re-mortgage lending volumes were less affected, with home-owner and buy-to-let re-mortgage lending volumes decreasing by 6% and 7% respectively. Product transfers lending volumes increased by 4% in the period.



Source: UK Finance

Approximately 79% of UK residential mortgage transactions (excluding buy to let, where intermediaries have a higher market share, and product transfers where intermediaries have a lower market share) were via intermediaries in H1 2020 (H1 2019: 77%). MAB expects this position to remain broadly stable in the near term.

In response to the crisis, the Government and the Bank of England announced a strong package of temporary measures in support of both mortgage lenders and borrowers, including reduced capital buffer requirements for banks, in addition to helping them cut lending rates by setting the Bank of England base rate at a record low of 0.1%. The increase in the stamp duty threshold is likely to further support the housing market recovery in the short term, as will wider Government measures including increased housing investment and the continued availability of the Help to Buy Equity Loan and Shared Ownership schemes.

[1] UK Finance regularly updates its estimates. MAB previously reported £125.1bn for H1 2019 but this figure has slightly increased to £126.0bn since, causing our actual market share to be 5.0% in H1 2019.

Financial review

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

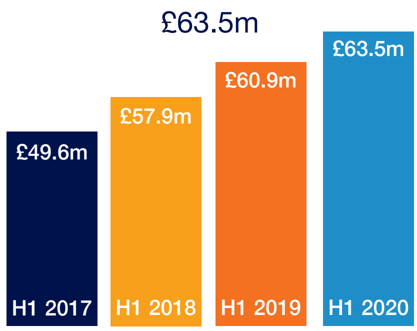
Revenue

Group revenue increased by 4% to £63.5m (H1 2019: £60.9m), including £6.1m of revenue generated by First Mortgage, with strong growth in Q1 2020 offset by the adverse impact of the national lockdown in Q2 2020. Normally, a key driver of revenue is the average number of Advisers during the period. However, in Q2 2020 a number of Advisers were furloughed by ARs and the productivity of active Advisers[(1)] was adversely impacted by the closure of

Financial review

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

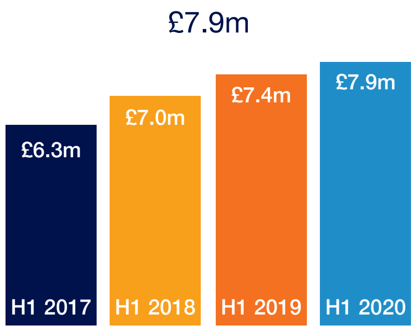
Revenue (£m)



Total income from all revenue streams.

Strategy/objective
Shareholder value and financial performance.

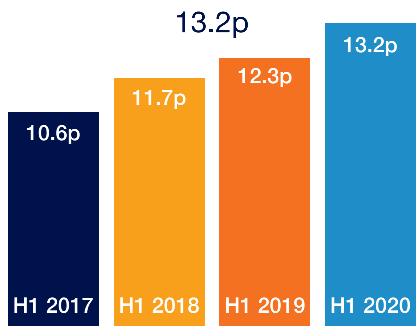
Adjusted profit before tax



Profit before exceptional items[2] and tax.

Strategy/objective
Shareholder value and financial performance.

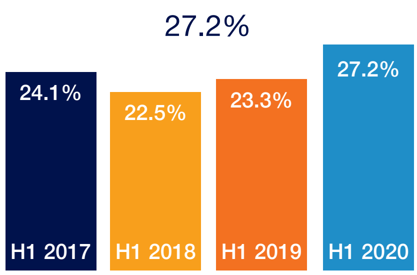
Adjusted earnings per share



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

Strategy/objective
Shareholder value and financial performance.

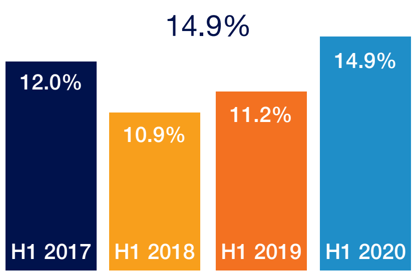
Gross profit margin



Gross profit generated as a proportion of revenue.

Strategy/objective
Managing gross margins.

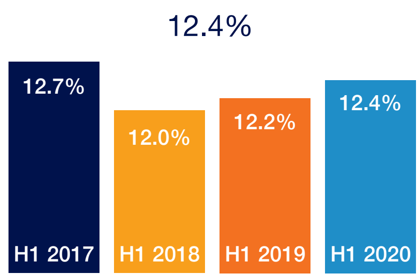
Adjusted overheads % of revenue



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

Strategy/objective
Operating efficiency.

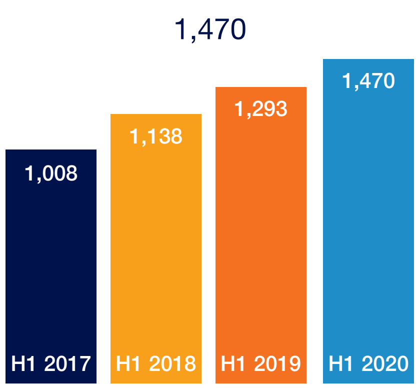
Adjusted profit before tax margin



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

Strategy/objective
Shareholder value and financial performance.

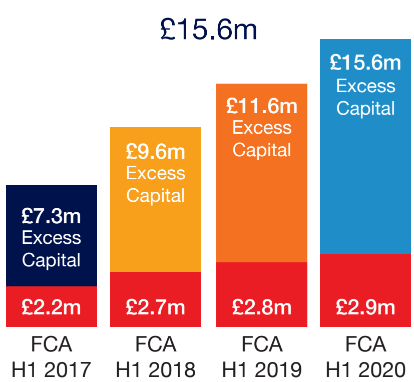
Adviser numbers



The average number of active advisers[3] for H1 2020 was 1,396. At 30.06.20, there were 101 advisers on furlough.

Strategy/objective
Increasing the scale of operations.

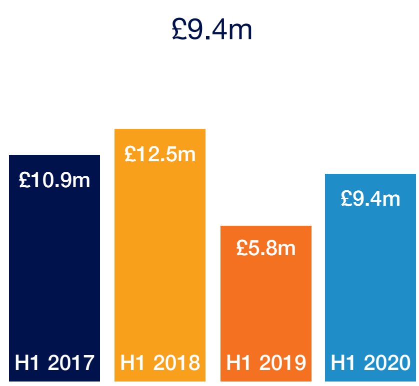
Capital adequacy (£m)



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

Strategy/objective
Financial stability.

Unrestricted net cash balances



Bank balances at 30 June available for use in operations[4].

Strategy/objective
Financial stability.

1. Adjusted for £0.2m amortisation of acquired intangibles and £0.4m of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage in H1 2020 and one off costs associated with the acquisition of First Mortgage of £0.2m in H1 2019.
2. Adjusted for items in note (1) above, the loan write off and loan provision totalling £1.7m and £0.5m of Government grant income in H1 2020, resulting in a £1.8m net adjustment in H1 2020.
3. An active adviser is an adviser who is not on furlough and is therefore able to write business.
4. Excludes £5.5m held in escrow at 30 June 2019 ahead of completion of acquisition of First Mortgage post period end, and £12m NatWest Revolving Credit Facility drawn down in March 2020.

the housing market during lockdown, resulting in a £3.5m (6%) reduction in organic revenue for the first half.

In Q1 2020, revenue was up 25% on the prior year (14% excluding First Mortgage), with average Adviser numbers up 19% (13% excluding First Mortgage) and average revenue per Adviser up 5% (1% excluding First Mortgage), reflecting the start of the impact of improving market conditions and change in customer sentiment post the UK General Election, as well as the success of our growth strategy.

This trend was reversed in Q2 2020 as the adverse impact of lockdown on mortgage completions started to bite, with revenue down 14% (22% excluding First Mortgage) compared to the prior year. Average active Adviser(1) numbers were up 7% (1% excluding First Mortgage) and average revenue per active Adviser(1) decreased by 19% (23% excluding First Mortgage).

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

	Group			**Excluding First Mortgage**		
Income source	**H1 2020**	**H1 2019**	**Change %**	**H1 2020**	**H1 2019**	**Change %**
	£m	£m		£m	£m	
Mortgage Procuration Fees	27.6	26.7	+3	25.1	26.7	-6
Protection and General Insurance Commission	26.3	23.6	+11	22.9	23.6	-3
Client Fees	8.1	9.7	-16	8.1	9.7	-16
Other Income	1.5	0.9	+63	1.2	0.9	+37
Total	63.5	60.9	+4	57.4	60.9	-6

Despite the adverse impact of the pandemic in Q2 2020, all key income sources, other than client fees, continued to grow as a result of the positive contribution from First Mortgage.

During the period, MAB's mortgage mix saw a higher proportion of re-mortgage and product transfer business as lockdown severely restricted the completion of purchase transactions. Product transfers generate a lower procuration fee than re-mortgages and purchase mortgages. As a result of the change in mix and delays in the progression of housing transactions, mortgage procuration fees increased by only 3% despite gross mortgage completions (including product transfers) increasing by 8%.

Excluding First Mortgage, gross mortgage completions (including product transfers) decreased by 3% with mortgage procuration fees reducing by 6% as a result of the change in mix.

Client fees reduced by 16% in the period resulting from a considerable reduction in the attachment rate of client fees and the change in the mortgage mix in Q2 2020 for MAB excluding First Mortgage, which does not charge client fees.

The increase of 11% in protection and general insurance commission for the Group reflects both the impact of the First Mortgage acquisition and the increase in protection attachment rates and freestanding protection sales in Q2 2020 after the Group prioritised resources in this area. For the Group excluding First Mortgage, protection and general insurance commission decreased by 3% with improved attachment rates and freestanding protection sales in Q2 2020 mitigating in part the 6% reduction in mortgage procuration fees.

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

Income source	**H1 2020**	**H1 2019**
Mortgage Procuration Fees	44%	44%
Protection and General Insurance Commission	41%	39%
Client Fees	13%	16%
Other Income	2%	1%
Total	100%	100%

The slight increase in the proportion of protection and general insurance commission reflects the increase in protection attachment rates and in freestanding protection sales in Q2 2020. As anticipated, the proportion of client fees fell following the acquisition of First Mortgage, but this change in revenue mix was made more pronounced by the considerable reduction in the attachment rate of client fees and the change of mortgage mix in Q2 2020 for MAB excluding First Mortgage. We expect client fees to become increasingly dependent upon the type and complexity of the mortgage transaction, as well as the delivery channel. This will lead to a broader spread of client fees on mortgage transactions, which, by their nature, are our lowest margin revenue stream.

Government grant income

Government grant income of £0.5m was received due to some employees being placed on furlough during the months of April, May and June 2020.

Gross profit margin

As anticipated, gross profit margin increased to 27.2% (H1 2019: 23.3%) due to the acquisition of First Mortgage, which naturally has a higher gross margin of c.65% as its advisers are directly employed. Excluding First Mortgage, gross profit margin was 23.3% (H1 2019: 23.3%). The Group typically receives a slightly reduced margin as its existing ARs grow their revenue organically through increasing their Adviser numbers. In addition, larger new ARs typically join the Group on lower than average margins due to their existing scale and hence we expect to see some further erosion of our underlying gross profit margin due to the continued growth of our existing ARs and the addition of new larger ARs.

Overheads

Overheads as a percentage of revenue before £0.2m of amortisation of acquired intangibles and £0.4m of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage in H1 2020 and one-off costs associated with the acquisition of First Mortgage of £0.2m in H1 2019 were 14.9% (H1 2019: 11.2%).

This increase in overheads as a percentage of revenue was anticipated and results from First Mortgage naturally having a higher overheads ratio than that of MAB due to its operating model. Excluding FMD, overheads as a percentage of revenue were 11.6% (H1 2019: 11.2%), with the reduction in completions not quite being offset by the salary cuts of 20% taken by the Board and MAB's non-furloughed employees, and 50% by the Chief Executive Officer in Q2 2020, as the pandemic escalated. On 1 July, MAB's staff that were still furloughed returned to work, with the exception of some of those within First Mortgage due to the timing of the Scottish property market reopening.

MAB continues to benefit from the scalable nature of the majority of its cost base. Certain costs, primarily those relating to compliance personnel, are closely correlated to growth in the number of Advisers, due to the high standards we demand and the requirement to maintain regulatory spans of control. The balance of our compliance costs mainly relate to FCA and FSCS regulatory fees and charges. The remainder of MAB's costs typically rise at a slower rate than revenue which will, in part, counter the expected erosion of MAB's underlying gross margin as the business continues to grow.

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

Associates

MAB's share of profits from associates was £0.1m (H1 2019: loss of £0.04m). During the period MAB wrote off the £1.1m loan balance due from Freedom 365 Mortgage Solutions Limited due to the adverse impact of the pandemic on its business model. MAB has also made a provision of £0.6m against the full balance of the loan due from Eagle & Lion Limited. The remainder of the Group's associates have performed well during the pandemic and whilst profit levels within these businesses will be impacted this year they are in a strong position to contribute positively to the Group's results as we move into 2021.

Profit before tax and margin thereon

Adjusted(2) profit before tax rose by 6% to £7.9m (H1 2019: £7.4m), with the margin thereon increasing to 12.4% (H1 2019: 12.2%). Statutory profit before tax reduced to £6.1m (H1 2019: £7.2m) with the margin thereon being 9.6% (H1 2019: 11.8%).

Finance revenue

Finance income of £0.08m (H1 2019: £0.08m) reflects continued low interest rates and interest income accrued on loans to associates. Finance expense of £0.12m reflects the interest payable on MAB's Revolving Credit Facility of £12m which was drawn down in full at the end of March and interest expenses on lease liabilities.

Taxation

The effective rate of tax reduced to 12.4% (H1 2019: 15.3%), principally due to the write off of the balance of the loan due from Freedom 365 Mortgage Solutions Limited and the provision made against the loan due from Eagle and Lion Limited, as well as the tax deduction arising from the exercise of employee and Appointed Representative share options being higher than in the prior year. We expect our effective tax rate to continue to be marginally below the prevailing UK corporation tax rate, subject to tax credits for MAB's research and development expenditure on the continued development of MIDAS Pro, MAB's proprietary software, still being available and further tax deductions arising from the exercise of employee share options.

Earnings per share and dividend

Adjusted[(2)] earnings per share rose by 7% to 13.2 pence (H1 2019: 12.3 pence). Basic earnings per share decreased by 15% to 10.1 pence (H1 2019: 11.9 pence).

The Group is currently trading strongly, however due to the uncertainty arising from the pandemic, the Board intends to only pay a final dividend in respect of the year ending 31 December 2020. As previously announced, the Board remains committed to paying a further 6.4 pence per share when it considers it prudent to do so.

Cash flow and cash conversion

The Group's operations produce positive cash flow. This is reflected in the net cash generated from operating activities of £5.9m (H1 2019: £5.4m).

Headline cash conversion[(3)] was:

H1 2020	101%
H1 2019	113%
Adjusted cash conversion[(4)] was:	
H1 2020	97%
H1 2019	99%

The Group's operations are capital light with our most significant ongoing capital investment being in computer equipment. Only £0.2m of capital expenditure on office and computer equipment was required during the period (H1 2019: £0.1m). Group policy is not to provide company cars, and no other significant capital expenditure is foreseen in the coming year. All development work on MIDAS Pro is treated as revenue expenditure.

The Group had bank borrowings of £12m at 30 June 2020 (30 June 2019: £nil) having drawn down the Group's revolving credit facility in full in March. The Group had unrestricted bank balances of £21.5m at 30 June 2020, including the £12m drawn down under the RCF (31 December 2019: £7.0m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. At 30 June 2020 this regulatory capital requirement was £2.9m (31 December 2019: £3.1m), with the Group having a surplus of £15.6m.

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

	£m
Unrestricted bank balances at the beginning of the year	7.0
Cash generated from operating activities excluding movements in restricted balances and dividends received from associates	7.5
Issue of shares	0.6
Dividends received from associates	0.1
Dividends paid	(3.4)
Tax paid	(2.0)
Net interest paid and principal element of lease payments	(0.2)
Capital expenditure	(0.2)
Unrestricted net bank balances and cash held in escrow at the end of the period	9.4

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

[1] An active Adviser is an Adviser who has not been furloughed, and is therefore able to write business.

[2] In H1 2020 adjusted for £0.2m amortisation of acquired intangibles and £0.4m of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage, the loan write off and loan provision totalling £1.7m, and £0.5m of Government grant income (resulting in a £1.8m net adjustment in H1 2020). In H1 2019 adjusted for one-off costs associated with the acquisition of First Mortgage of £0.2m.

[3] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £0.3m in H1 2020 (H1 2019: £1.6m), and £(0.2)m of government grant income received (H1 2019: nil), resulting in a £(0.2)m net adjustment, as a percentage of adjusted operating profit.

[4] Adjusted cash conversion is headline cash conversion adjusted for increases in restricted cash balances of £0.3m in H1 2020 (H1 2019: £1.0m) as a percentage of adjusted operating profit.

INDEPENDENT REVIEW REPORT TO MORTGAGE ADVICE BUREAU (HOLDINGS) PLC

Introduction

We have been engaged by the Company to review the half year report for the six months ended 30 June 2020 which comprises the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows and notes to the interim condensed consolidated financial statements.

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 year 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 year 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 year report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

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

BDO LLP

Chartered Accountants

London

United Kingdom

Date

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 2020

	Note	Six months ended 30 June **2020** **Unaudited** **£'000**	 2019 Unaudited £'000
Revenue	2	**63,464**	60,893
Cost of sales	2	**(46,220)**	(46,730)
Gross profit		**17,244**	14,163
Government grant income	1	**513**	-
Administrative expenses		**(10,033)**	(6,993)
Impairment of loans to related parties	11	**(1,656)**	-
Share of profit from associates, net of tax		**88**	112
Amount written off associates		**-**	(155)
Operating profit		**6,156**	7,127
Analysed as:			
Operating profit before:		**7,898**	7,330
Government grant income	1	**513**	-
Amortisation of acquired intangibles	3	**(183)**	-
Costs relating to the First Mortgage option	3	**(416)**	-
Acquisition costs	3	**-**	(203)
Impairment of loans to related parties	11	**(1,656)**	-
Operating profit		**6,156**	7,127
Finance income	4	**75**	77
Finance expense	4	**(117)**	-
Profit before tax		**6,114**	7,204
Tax expense	5	**(759)**	(1,100)
Profit for the period		**5,355**	6,104
Total comprehensive income		**5,355**	6,104
Profit is attributable to:			
Equity owners of Parent Company		**5,244**	6,104
Non-controlling interests		**111**	-
		5,355	6,104
Earnings per share attributable to the owners of the Parent Company	6		
Basic		**10.1p**	11.9p
Diluted		**10.0p**	11.7p

Interim condensed consolidated statement of financial position as at 30 June 2020 and 31 December 2019

	Note	**30 June 2020 Unaudited £'000**	31 Dec 2019 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment		**2,923**	2,924
Right of use assets		**2,722**	2,907
Goodwill	8	**15,155**	15,155
Other intangible assets		**3,561**	3,862
Investments in associates and joint venture	9	**3,163**	3,133
Investment in non-listed equity shares	10	**75**	75
Trade and other receivables	11	**2,044**	3,330
Deferred tax asset		**1,201**	1,517
Total non-current assets		**30,844**	32,903
Current assets			
Trade and other receivables	11	**5,126**	4,959
Cash and cash equivalents	15	**35,635**	20,867
Total current assets		**40,761**	25,826
Total assets		**71,605**	58,729

Interim condensed consolidated statement of financial position as at 30 June 2020 and 31 December 2019 (continued)

	Note	**30 June 2020 Unaudited £'000**	31 Dec 2019 Audited £'000
Equity and liabilities			
Share capital	16	**52**	52
Share premium	16	**6,052**	5,451
Capital redemption reserve		**20**	20
Share option reserve		**2,368**	2,799
Retained earnings		**19,643**	17,272
Equity attributable to owners of Parent Company		**28,135**	25,594
Non-controlling interests		**1,620**	1,595
Total equity		**29,755**	27,189
Liabilities			
Non-current liabilities			
Provisions		**3,977**	3,735
Lease liabilities		**2,477**	2,645
Deferred tax liability		**692**	651
Total non-current liabilities		**7,146**	7,031
Current liabilities			
Trade and other payables	12	**21,668**	22,371
Loans and borrowings	13	**12,083**	-
Lease liabilities		**317**	334
Corporation tax liability		**636**	1,804
Total current liabilities		**34,704**	24,509
Total liabilities		**41,850**	31,540
Total equity and liabilities		**71,605**	58,729

Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2020

	Attributable to the holders of the Parent Company							
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000	Non-controlling Interest £'000	Total equity £'000
Balance at 1 January 2019	51	4,094	20	1,675	14,829	20,669	-	20,669
Profit for the period	-	-	-	-	6,104	6,104	-	6,104
Total comprehensive income	-	-	-	-	6,104	6,104	-	6,104
Transactions with owners								
Issue of shares	-	994	-	-	-	994	-	994
Share based payment transactions	-	-	-	253	-	253	-	253
Deferred tax assets recognised in equity	-	-	-	76	-	76	-	76
Reserve transfer	-	-	-	(132)	132	-	-	-
Dividends paid	-	-	-	-	(6,506)	(6,506)	-	(6,506)
Total transactions with owners	-	994	-	197	(6,374)	(5,183)	-	(5,183)
Balance at 30 June 2019 (unaudited)	**51**	**5,088**	**20**	**1,872**	**14,559**	**21,590**	-	**21,590**
Balance at 1 January 2020	**52**	**5,451**	**20**	**2,799**	**17,272**	**25,594**	**1,595**	**27,189**
Profit for the period	-	-	-	-	5,244	5,244	111	5,355
Total comprehensive income	-	-	-	-	5,244	5,244	111	5,355
Transactions with owners								
Issue of shares	-	601	-	-	-	601	-	601
Share based payment transactions	-	-	-	430	-	430	-	430
Deferred tax asset recognised in equity	-	-	-	(423)	-	(423)	-	(423)
Reserve transfer	-	-	-	(438)	438	-	-	-
Dividends paid	-	-	-	-	(3,311)	(3,311)	(86)	(3,397)
Total transactions with owners	-	601	-	(431)	(2,873)	(2,703)	(86)	(2,789)
Balance at 30 June 2020 (unaudited)	**52**	**6,052**	**20**	**2,368**	**19,643**	**28,135**	**1,620**	**29,755**

Interim condensed consolidated statement of cash flows for the six months ended 30 June 2020

	Six months ended 30 June	
	2020 Unaudited £'000	2019 Unaudited £'000
Cash flows from operating activities		
Profit for the period before tax	**6,114**	7,204
Adjustments for		
Depreciation of property, plant and equipment	**189**	104
Depreciation of right of use assets	**185**	-
Amortisation of intangibles	**302**	24
Share based payments	**430**	253
Share of profit from associates	**(88)**	(112)
Dividends received from associates	**58**	243
Finance income	**(75)**	(77)
Finance expense	**117**	-
	7,232	7,639
Changes in working capital		
Decrease/(Increase) in trade and other receivables (other than accrued interest income)	**1,148**	(979)
Increase/(Decrease) in trade and other payables	**(703)**	(147)
Increase in clawback provisions	**242**	106
Cash generated from operating activities	**7,919**	6,619
Income taxes paid	**(1,993)**	(1,248)
Net cash generated from operating activities	**5,926**	5,371
Cash flows from investing activities		
Purchase of property, plant and equipment	**(188)**	(80)
Purchase of Intangibles	**(1)**	-
Acquisitions of associates	**-**	(1,256)
Acquisition of unlisted investment	**-**	(75)
Net cash used in investing activities	**(189)**	(1,411)
Cash flows from financing activities		
Proceeds from borrowings	**12,000**	-
Interest received	**46**	31
Interest paid	**(34)**	-
Principal element of lease payments	**(185)**	-
Issue of shares	**601**	994
Dividends paid	**(3,311)**	(6,506)
Dividends paid to minority interest	**(86)**	-
Net cash generated/(used) in financing activities	**9,031**	(5,481)
Net Increase/(Decrease) in cash and cash equivalents	**14,768**	(1,521)
Cash and cash equivalents at the beginning of the period	**20,867**	25,589
Cash and cash equivalents at the end of the period	**35,635**	24,068

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

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 2020 were authorised for issue in accordance with a resolution of the directors on 28 September 2020.

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

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2020 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 2019 annual financial statements, other than as noted below.

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 2019.

The information relating to the six months ended 30 June 2020 and the six months ended 30 June 2019 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 2019 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.

Going Concern

The Directors have assessed the Group’s prospects until the end of 2021, taking into consideration the current operating environment, including the impact of the coronavirus pandemic on property and lending markets. To give the Group additional flexibility to react quickly in this environment and capitalise on potential opportunities the Group drew down its Revolving Credit Facility of £12m in full in March 2020. The Directors’ financial modelling considers the Group’s profit, cash flows, regulatory capital requirements, borrowing covenants and other key financial metrics over the period.

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

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

Significant estimates and judgements

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 2019, except where further judgements and estimates have been made due to the effects of Covid-19. These include:

a. Assessing whether the Group has reasonable assurance as to whether it will comply with the conditions attached to Government grants; and

b. Assessing recoverability of loan balances outstanding to associates.

Significant accounting policies

The accounting policies applied are consistent with those described in the Annual Report and Group financial statements for the year ended 31 December 2019. New or amended standards effective in the period have not had a material impact on the condensed consolidated interim financial statements.

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

Future new standards and interpretations

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

Standard or interpretation		Periods commencing on or after
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an Investor and its Associates or Joint Ventures	This has been deferred indefinitely
IFRS 16	Covid-19 Related Rent Concessions	1 June 2020 (not yet endorsed for use in EU)

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

IFRS16: Covid-19 Related Rent Concessions. IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the Covid-19 pandemic and satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The amendment is effective 1 June 2020, however has not yet been endorsed for adoption in the EU. The Group will apply this amendment retrospectively when it is both effective and endorsed for use in the EU.

Significant events and transactions

The World Health Organisation declared coronavirus and Covid-19 a global health emergency on 30 January 2020. Since then, the Group has experienced disruption to its operations with the effects on the Group's interim consolidated financial statements for the six months ended June 2020 summarised as follows:

a. Reduced growth in sales and cash flows

The Group's revenue (see note 2) has been adversely impacted by the Government lockdown in March, albeit written business started to recover from mid-May as the housing market in England reopened followed by Scotland, Wales and Northern Ireland at the end of June. This has reduced the revenue growth of the Group in the period to 30 June 2020.

b. Impairment of loans to related parties

The Government lockdown has impacted the performance of some of the Group's investments.

As disclosed in Note 11, an amount of £1.1m has been written off in respect of the loan to Freedom 365 Mortgage Solutions Limited and an increase in expected credit losses of £0.6m has been made in respect of the loan to Eagle and Lion Limited.

c. Government grant income

The Group utilised the Coronavirus Job Retention Scheme ("CJRS") due to the Government imposed lockdown causing the closure of the housing market for a period of time and a number of employees being put on furlough as a result.

Included within the Statement of Comprehensive Income is £0.5m relating to the CJRS grants and this is presented within Government grant income, rather than reducing the related expense.

Current versus non-current classification

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

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

All other assets are classified as non-current.

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

Basis of consolidation

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

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

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

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

Segment Reporting

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

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

During the six month period to 30 June 2020, 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	
	2020	2019
	Unaudited	Unaudited
	£'000	£'000
Mortgage related products	**35,728**	36,385
Insurance and other protection products	**26,271**	23,612
Other income	**1,465**	896
	63,464	60,893

Costs of sales are as follows:

	2020	2019
	Unaudited	Unaudited
	£'000	£'000
Commissions paid	**43,355**	45,874
Impairment of trade receivables	**4**	(127)
Wages and salary costs	**2,861**	983
	46,220	46,730

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

3 Acquisition costs

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

Costs relating to the amortisation of acquired intangibles amounted to £183,000 in the six months ended 30 June 2020. The option (comprising the put and the call option) over the remaining 20% of the issued share capital of First Mortgage has been accounted for under IAS 19 Employee Benefits and IFRS 2 Share Based Payments due to its link to the service of First Mortgage's Managing Director. In accordance with IAS 19, £188,000 has been included within administrative expenses under staff costs, and in accordance with IFRS 2, a further £227,968 has been included within administrative expenses under share based payments (see note 18).

Costs incurred in the six months ended 30 June 2019 in relation to the acquisition of First Mortgage amounted to £202,772 and have been included within administrative expenses.

4 Finance income and expense

Finance income	Six months ended 30 June 2020 Unaudited £'000	2019 Unaudited £'000
Interest income	**46**	31
Interest income accrued on loans to associates	**29**	46
	75	77

Finance expense		
Interest expense – paid	**1**	-
Interest expense – accrued	**83**	-
Interest expense on lease liabilities	**33**	-
	117	-

5 Income tax

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

	Six months ended 30 June 2020 Unaudited £'000	2019 Unaudited £'000
Current tax expense		
UK corporation tax charge on profit for the period	**826**	1,119
Total current tax	**826**	1,119
Deferred tax expense		
Origination and reversal of timing differences	**(62)**	(7)
Temporary difference on share based payments	**(44)**	(12)
Adjustment due to rate change	**39**	-
Total deferred tax	**(67)**	(19)
Total tax expenses	**759**	1,100

For the period ended 30 June 2020, the deferred tax recognised in equity was (£423,000).

6 Earnings per share

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

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

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Weighted average number of shares used in basic earnings per share	**51,896,090**	51,223,905
Potential ordinary shares arising from options	**701,335**	992,609
Weighted average number of shares used in diluted earnings per share	**52,597,425**	52,216,514

The Group uses adjusted results as a key performance indicator, as the Directors believe that these provide a more consistent measure of operating performance. Adjusted profit is therefore stated before Government grant income, amortisation of acquired intangibles, costs relating to the option to acquire the remaining 20% of First Mortgage, impairment of loans to related parties for H1 2020 and acquisition costs for H1 2019. This presentation shows the trend in earnings per ordinary share that is attributable to the underlying trading activities of the Group.

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

	Six months ended 30 June		Six months ended 30 June			
	2020 Unaudited £'000	2019 Unaudited £'000	**2020 Basic earnings per share pence**	2019 Basic earnings per share pence	**2020 Diluted earnings per share pence**	2019 Diluted earnings per share pence
Profit for the period	**5,244**	6,104	**10.1**	11.9	**10.0**	11.7
Adjustments:						
Government grant income	**(447)**	-	**(0.9)**	-	**(0.9)**	-
Amortisation of acquired intangibles	**183**	-	**0.4**	-	**0.3**	-
Costs relating to the First Mortgage option	**416**	-	**0.8**	-	**0.8**	-
Acquisition costs	**-**	203	**-**	0.4	**-**	0.4
Impairment of loans to related parties	**1,656**	-	**3.2**	-	**3.1**	-
Tax effect of adjustments	**(230)**	-	**(0.4)**	-	**(0.4)**	-
Adjusted earnings	**6,822**	6,307	**13.2**	12.3	**12.9**	12.1

Government grant income of £447,414 represents amounts attributable to the equity owner of the parent company and excludes £65,735 attributable to non-controlling interests included in the amounts shown in the consolidated statement of comprehensive income.

7 Dividends

	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Dividends paid and declared during the period:			
On ordinary shares at 6.4p per share (2019: 12.7p)	**3,311**	6,506	6,507
Interim dividend for 2019: 11.1p per share	**-**	-	5,729
	3,311	6,506	12,236
Equity dividends on ordinary shares:			
Declared:			
Interim dividend for 2020: nil p per share (2019: 11.1p)	**-**	5,711	-
Proposed for approval:			
Final dividend for 2019: 6.4p per share	**-**	-	3,305
	-	5,711	3,305

8 Goodwill

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

Under IAS 36, "Impairment of assets", the Group is required to review and test its goodwill annually each year or in the event of a significant change in circumstances. The impairment review conducted at the end of 2019 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 2019. Due to the Covid-19 pandemic, an impairment review was also carried out at 30 June 2020 and this concluded that there had been no impairment of goodwill at that date.

9 Investments in associates and joint ventures

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

	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
At start of the period	**3,133**	1,573
Additions	**-**	1,783
Credit to statement of comprehensive income		
Share of profit	**88**	280
Amount written off	**-**	(192)
	88	88
Dividends received	**(58)**	(311)
At period end	**3,163**	3,133

10 Investment in non-listed equity shares

	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
At start of the period	**75**	-
Additions	**-**	75
At period end	**75**	75

The investment represents a 2.23% interest in Yourkeys.

11 Trade and other receivables

	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
Trade receivables	**1,630**	1,936
Less provision for impairment of trade receivables	**(379)**	(363)
Trade receivables - net	**1,251**	1,573
Receivables from related parties	**15**	15
Other receivables	**468**	-
Loans to related parties	**3,525**	3,124
Less provision for impairment of loans to related parties	**(589)**	(171)
Less amounts written off loans to related parties	**(1,067)**	-
Total financial assets other than cash and cash equivalents classified at amortised costs	**3,603**	4,541

Prepayments and accrued income	**3,567**	3,748
Total trade and other receivables	**7,170**	8,289
Less: non-current element – Loans to related parties	**(1,801)**	(2,832)
Less: non-current element – Trade and other receivables	**(243)**	(498)
Current element	**5,126**	4,959

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

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

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

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

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

In light of the above, the Directors do not consider that disclosure of an aging analysis of trade and other receivables would provide useful additional information.

12 Trade and other payables

	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
Appointed Representatives retained commission	**14,185**	13,880
Other trade payables	**4,412**	4,542
Trade payables	**18,597**	18,422
Social security and other taxes	**1,039**	642
Other payables	**102**	203
Accruals and deferred income	**1,930**	3,104
	21,668	22,371

As at 30 June 2020 and 31 December 2019, the carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

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

13 Loans and borrowings

	30 June 2020 Unaudited			31 December 2019 Audited		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Secured						
Bank loans	**12,083**	**-**	**12,083**	-	-	-
Total secured borrowings	**12,083**	**-**	**12,083**	-	-	-

On 18 June 2019, in connection with the acquisition of First Mortgage, the Group entered into an agreement with NatWest in respect of a new revolving credit facility for £12m. To give the Group additional flexibility to react quickly and capitalise on potential opportunities, the Group drew down its Revolving Credit Facility in full in March 2020. This is shown as a current liability within the Consolidated Statement of Financial Position as it is due to be fully repaid in March 2021. The balance as at 30 June 2020 is made up of £12m principal loan balance and £83,000 accrued interest. In respect of the Group's Revolving Credit Facility for £12 million, the Group has given security to NatWest in the form of fixed and floating charges over the assets of Mortgage Advice Bureau Limited, Mortgage Advice Bureau (Derby) Limited and Mortgage Advice Bureau (Holdings) Plc.

Loan covenants

Under the terms of the Revolving Credit Facility, the Group is required to comply with the following financial covenants:

- Interest cover shall not be less than 5:1
- Debt to EBITDA ratio shall not exceed 2:1

The Group has complied with these covenants throughout the reporting period.

14 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 11.

Financial assets - maximum exposure

	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
Cash and cash equivalents	**35,635**	20,867
Trade and other receivables	**3,603**	4,541
Total financial assets	**39,238**	25,408

Financial liabilities

	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
Trade and other payables	**18,699**	18,625
Loans and borrowings	**12,083**	-
Accruals	**1,930**	3,104
Lease liabilities	**2,794**	3,235
Total financial liabilities	**35,506**	24,964

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

Trade receivables consist of a large number of unrelated trading partners and therefore credit risk is limited. Due to the large volume of trading partners the Group does not consider that there is any significant credit risk as a result of the impact of external market factors on their trading partners.

Additionally, within trade payables are amounts due to the same trading partners as those included in trade receivables; this collateral significantly reduces the credit risk.

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

15 Cash and cash equivalents

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

	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
Unrestricted cash and bank balances	**21,450**	6,987
Bank balances held in relation to retained commissions	**14,185**	13,880
Cash and cash equivalents	**35,635**	20,867

Bank balances held in relation to retained commissions earned on an indemnity basis in relation to life policies are held to cover potential future lapses in Appointed Representatives' commissions. Operationally, the Group does not treat these balances as available funds. An equal and opposite liability is shown within trade and other payables (note 12).

16 Share capital

Issued and fully paid

	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
Ordinary shares of 0.1p each	**52**	52
Total share capital	**52**	52

During the period 451,554 ordinary shares of 0.1p each were issued following partial exercise of the fourth tranche of options issued at the time of the Initial Public Offering of the Company, partial exercise of options issued in May 2016 and May 2017 and exercise of the options issued to Appointed Representatives in May 2015 at a total premium of £0.6m. See also note 18.

17 Related Party Transactions

The following details provide the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2020 and 2019, as well as balances with related parties as at 30 June 2020 and 31 December 2019.

During the period the Group paid commission of £530,102 (2019: £227,575) to Buildstore Limited, an associate company. There was a balance of £21,212 (2019: £47,932) of retained commission to cover future lapses. At 30 June 2020, there was a loan outstanding from Buildstore Limited of £26,391 (2019: £36,565) included in trade and other receivables.

During the period the Group received introducer commission from Sort Limited, a subsidiary of an associate company of £422,997 (2019: £389,157). There was an amount of £218,369 outstanding from Sort Group Limited at 30 June 2020 (2019: £218,369) included in trade and other receivables.

During the period the Group paid commission of £1,864,044 (2019: £1,980,876) to Clear Mortgage Solutions Limited, an associate company. There was a balance of £311,683 (2019: £265,992) of retained commission to cover future lapses. At 30 June 2020, there was no loan outstanding from Clear Mortgage Solutions Limited (2019: £nil).

During the period the Group paid commission of £138,252 (2019: £297,349) to Freedom 365 Mortgage Solutions Limited, an associate company. There was a balance of £138,394 (2019: £133,090) of retained commission to cover future lapses. At 30 June 2020, following the write off of the loan balance, there was no loan outstanding from Freedom 365 Mortgage Solutions Limited (2019: £1,202,453).

During the period the Group paid commission of £590,787 (2019: £426,730) to Vita Financial Limited, an associate company. There was a balance of £121,571 (2019: £125,229) of retained commission to cover future lapses. At 30 June 2020, there was no loan outstanding from Vita Financial Limited (2019: £nil).

At 30 June 2020 there was a loan outstanding from MAB Broker Services PTY Limited, an associate company, of £1,495,139 (AUD2,685,000) (2019: £1,014,535, (AUD1,900,000)) included in trade and other receivables.

During the period the Group paid commission of £182,083 (2019: £106,138) to Eagle & Lion Limited, an associate company. There was a balance of £13,206 (2019: £10,982) of retained commission to cover future lapses. At 30 June 2020, there was a loan outstanding from Eagle & Lion Limited of £587,181 which has been fully impaired due to a significant increase in expected credit losses leaving a net balance of £nil (2019: £565,000).

During the period the Group paid commission of £678,928 (2019: £126,209) to The Mortgage Broker Limited, an associate company. There was a balance of £91,777 (2019: £72,081) of retained commission to cover future lapses. At 30 June 2020, there was a loan outstanding from The Mortgage Broker Limited of £42,351 (2019: £84,705) included in trade and other receivables.

During the period the Group purchased services from Twenty7tec Group Limited, a company in which the Group holds an investment, of £nil (2019: £7,200).

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

	Six months ended 30 June	
	2020	2019
	Unaudited £'000	Unaudited £'000
CO2 Commercial Limited	**58**	243

18 Share based payments

No options were granted during the period.

Options exercised in February 2020 resulted in 13,933 ordinary shares being issued at an exercise price of £3.58. The price of the ordinary shares at the time of exercise was £7.56 per share. Further options exercised in February 2020 resulted in 17,733 ordinary shares being issued at an exercise price of £3.58. The price of the ordinary shares at the time of exercise was £7.60 per share.

Options exercised in April 2020 resulted in 85,643 ordinary shares being issued at an exercise price of £1.60 and £4.31. The price of the ordinary shares at the time of exercise was £5.10 per share.

Options exercised in May 2020 resulted in 103,485 ordinary shares being issued at an exercise price of £1.60 and £4.31. The price of the ordinary shares at the time of exercise was £5.80 per share.

Options exercised in June 2020 resulted in 230,760 ordinary shares being issued at an exercise price at nominal value. The price of the ordinary shares at the time of exercise was £5.95 per share.

For the six months ended 30 June 2020, the Group recognised £603,189 of share based remuneration expense in the statement of comprehensive income (2019: £442,490) which includes the charge for equity-settled schemes, including Employer's National Insurance of £212,690 (2019: £371,717) and the matching element of the Group's Share Incentive Plan for all employees of £28,281 (2019: £37,037). This also includes £227,968 relating to the IFRS2 charge of the First Mortgage option (2019: £nil).

19 Events after the reporting date

On 23 September 2020, the Group agreed to acquire a 40% interest in Meridian Holdings Group Ltd, an appointed representative of the Group, at a cost of £1.3 million.

On 25 September 2020, the Group agreed that Australian Finance Group Ltd ("AFG") is to become the Group's new joint venture partner for MAB Broker Services Pty Ltd ("MAB Broker Services") in Australia. This will result in the Group's loan to MAB Broker Services of AUD2,685,000 outstanding as at 30 June 2020 being repaid and the Group investing AUD1,000,000 in MAB Broker Services.

On 28 September 2020, the Board approved the reimbursement of paycuts applied to the Group's non-furloughed employees, increasing staff costs by £0.8m for the full year.

There were no other material events after the reporting period, which have a bearing on the understanding of the consolidated interim financial statements.