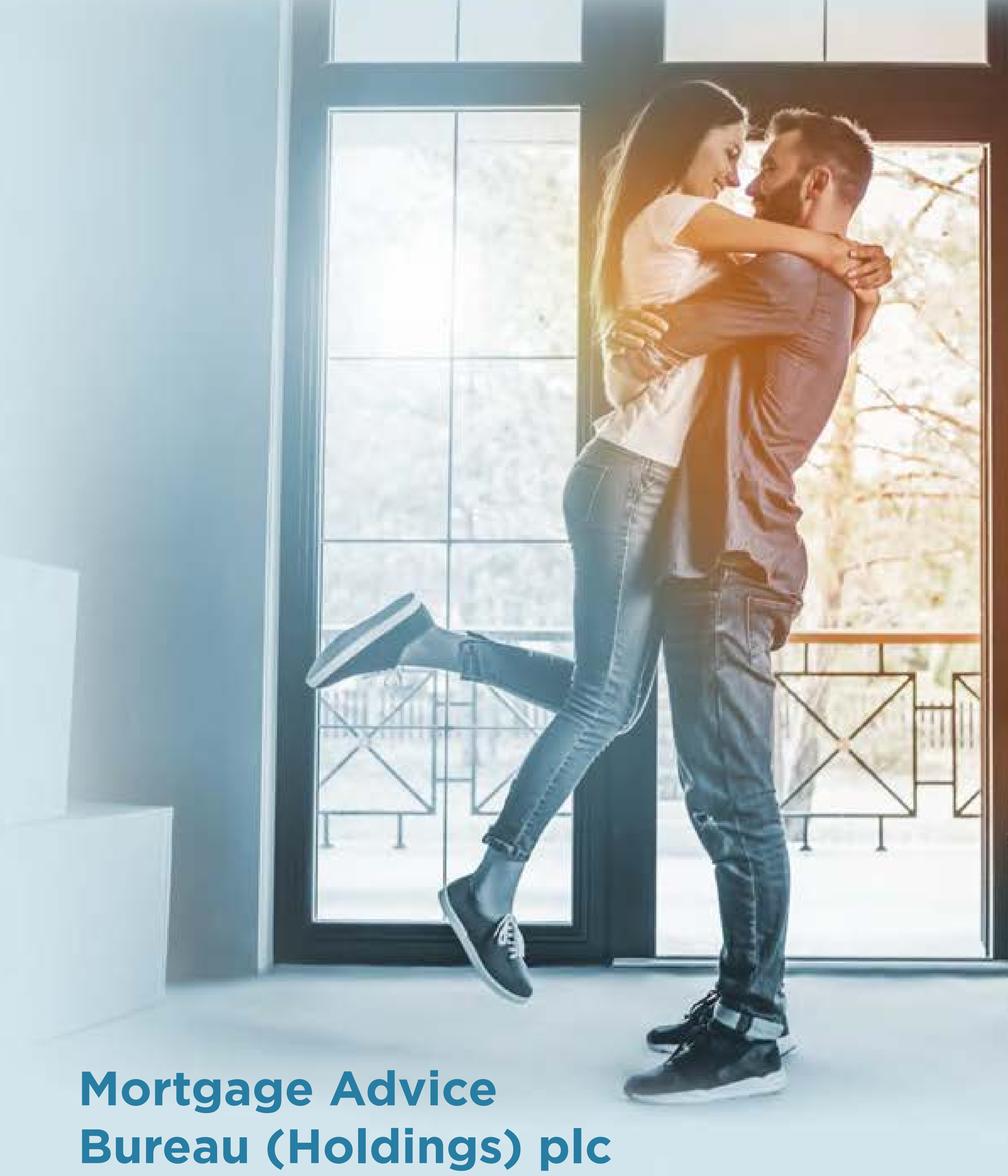

Mortgage Advice Bureau (Holdings) plc

Annual Report 2020

Mortgage Advice Bureau

Mortgage Advice Bureau is one of the UK's leading consumer intermediary brands and specialist appointed representative networks for mortgage intermediaries. MAB's Appointed Representatives and their Advisers specialise in providing mortgage advice to customers, as well as advice on protection and general insurance products. Providing customers with the right advice is at the heart of everything we do.

Our strategy remains focused on securing further growth through initiatives such as technology developments, lead generation and specialisation. This gives us a competitive advantage which will drive further market share increases in all market conditions and enable us to continue to deliver strong returns to our investors.

Our technology platform developments are a key enabler of our growth plans. These developments will deliver significant benefits in terms of our lead generation strategy and operational efficiencies for MAB, its Appointed Representatives, their Advisers and customers.

We aim to capitalise on maturing and new growth drivers. These, combined with the significant investment continuing to be made in exceptionally high calibre management, resource, and technology, put MAB in a strong position to start accelerating growth over the next few years.

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Mortgage Advice Bureau

“These results once again demonstrate the resilience of our operating model and the quality and dedication of our management team and staff during a year of exceptional challenges.

“We took quick and decisive action in response to the pandemic that resulted in us not only coming through an incredibly difficult period in great shape and ensuring that our 2020 strategic objectives were met, but also putting ourselves in a strong position to start accelerating growth over the next few years.

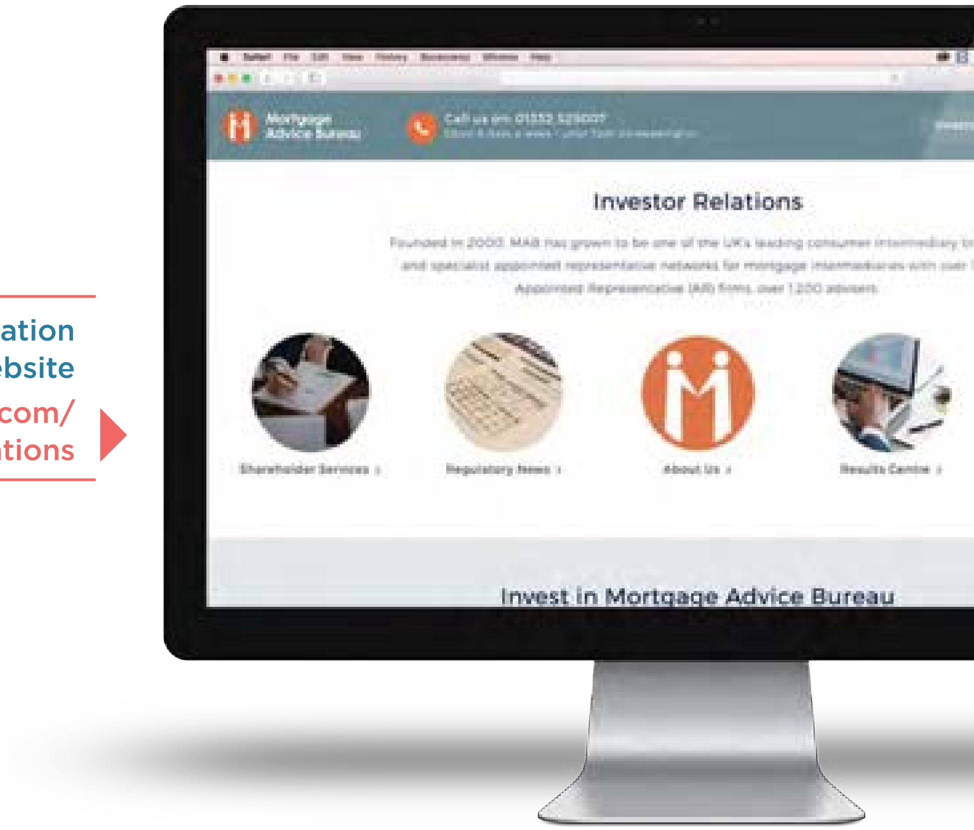
“In a market where gross new mortgage lending was down 9% on prior year, our revenue grew by 3% to £148.3m and our mortgage completions grew by 5% to £17.6bn. Our market share of new mortgage lending increased 11% to 6.3%, thereby delivering our strategy to achieve year-on-year growth, irrespective of prevailing market conditions. Adviser numbers were up 8% to 1,580 by 31 December 2020.

“Despite the impact of the pandemic, our profitability and cash generation profile remained strong, which enabled us to reimburse all the Government furlough grant income received. Accordingly, we are pleased to propose a final dividend of 19.2 pence per share, in line with our policy of paying out a minimum of 75% of adjusted earnings, making total proposed dividends for the year of 25.6 pence per share. This includes the 6.4 pence per share ‘catch up’ interim dividend paid in December 2020.”

Peter Brodnicki
Chief Executive Officer

For more information please visit our website

www.mortgageadvicebureau.com/investor-relations



Financial highlights

Revenue

£148.3m

2019: £143.7m **+3%**

Gross profit

£39.8m

2019: £36.4m **+9%**

Adjusted profit before tax

£17.8m

2019: £18.7m **-5%**

Adjusted EPS

28.6p pence

2019: 30.1 pence **-5%**

Proposed total ordinary dividends

25.6 pence per share[1]

2019: 17.5 pence per share **+46%**

[1] Including the 6.4 pence per share "catch up" dividend paid in December 2020

Operational highlights

Adviser numbers

1,580

2019: 1,457 **+8%**

Average number of active Advisers

1,455

2019: 1,341 **+9%**

Market share of new mortgage lending

6.3%

2019: 5.7% **+11%**

Gross mortgage completions

£17.6bn

2019: £16.7bn **+5%**

Dear Shareholder

This has been an extraordinary year and one in which we were faced with unprecedented challenges through the impact of the Coronavirus pandemic. I wish to personally thank each and every one of our employees for their dedication, endurance and hard work, which has enabled us to not only survive, but to thrive, ensuring throughout that our customers' best interests are served, through the provision of high-quality advice in uncertain times. This has allowed us to end the year in an even stronger position, and with confidence in the sustained growth of the business.

The resilience of our business model was demonstrated by a 3% increase in revenue to £148.3m and a 5% increase in mortgage completions, including product transfers, to £17.6bn. This was despite a contracting market in which gross new mortgage lending was down 9% and overall housing transactions were down 11%. Our market share of new mortgage lending increased 11% to 6.3%, as we delivered our strategy to achieve growth irrespective of prevailing market conditions. Adviser numbers were up 8% to 1,580 at 31 December 2020. Our profitability remained strong despite the pandemic. Adjusted profit before tax of £17.8m represented a 5% decrease on last year, and adjusted earnings per share were down 5% to 28.6 pence.

Response to the Coronavirus pandemic

As we reported last year, we moved quickly to protect our employees, closing our offices and supporting them in working from home, during the first Government mandated lockdown in late March. The housing market in England was closed for almost two months, and in Scotland, Wales and Northern Ireland for three months.

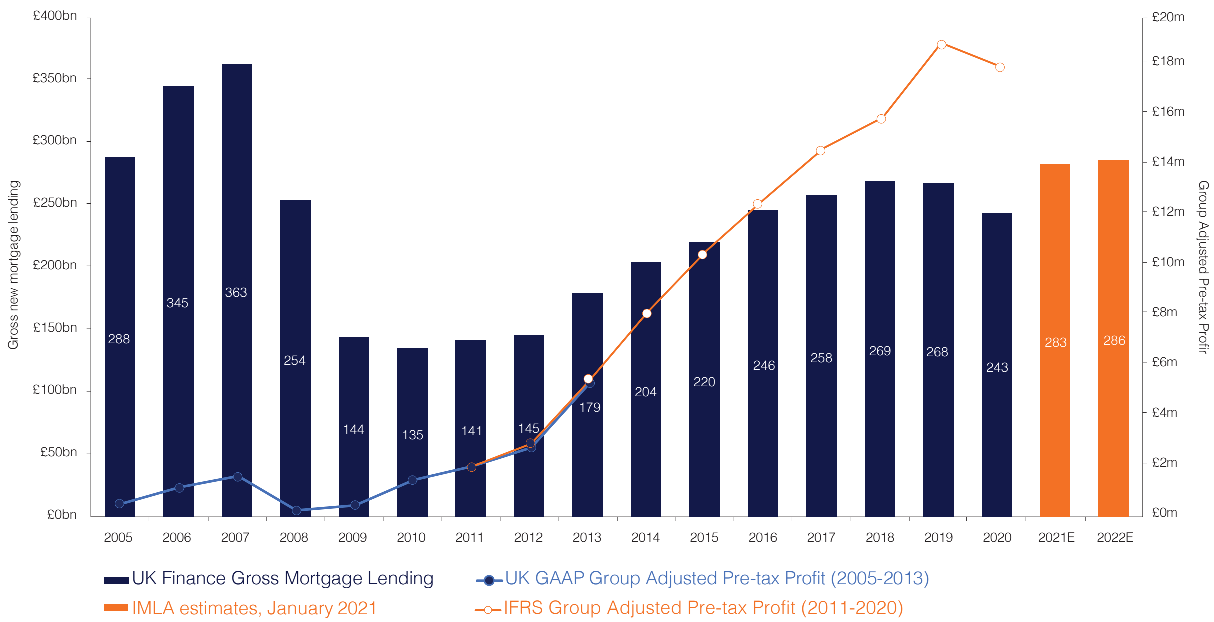
During that time, we took decisive action to ensure the Group's resources were deployed where our Advisers needed them the most, and rolled out more than 40 campaigns and initiatives to our Appointed Representative network. We also launched a national contact campaign and helpline to support customers in addressing the financial challenges brought about by the pandemic. This resulted in customer relationships being further strengthened, and new business opportunities being identified.

A number of staff were placed on furlough, and we applied for and received Government grants under the Coronavirus Job Retention Scheme ("CJRS"). The Board implemented a precautionary paycut from 1 April 2020, amounting to a 20% reduction in the salaries and fees for the Board and all non-furloughed employees, and 50% for the Chief Executive Officer.

Towards the end of May the housing market reopened and by 1 July 2020 all furloughed staff had returned to work, and all employees were returned to full salaries. The housing market in Scotland remained closed for longer and furloughed First Mortgage Direct Limited ("First Mortgage") employees returned later in the year.

Financing

At the end of March we drew down the full amount of the £12m Revolving Credit Facility, to ensure the business had ready access to finance at a period of the greatest uncertainty. The reopening of the housing market two months later and the strong performance and cash generation of our business since then, meant that the facility was unutilised, and the Board approved its repayment in full in December. The Government furlough grants totalling £0.5m were repaid in full at the same time.



Stakeholder engagement

We continue to engage with all our stakeholders, to ensure our decisions reflect their views and best interests, and that we are able to deliver sustainable growth. Our stakeholders are our employees, our Appointed Representatives, their Advisers, our suppliers, and our shareholders. We report in more detail how we have had regard to their interests in accordance with Section 172 of the Companies Act 2006 later in this report.

In response to shareholders views, expressed in their voting at the 2020 AGM, David Preece immediately volunteered to stand down from the Audit and Remuneration Committees. As a former Executive Director, David does not meet the definitions of independence but remains a highly valued and respected member of the Board, with his wide experience of our industry and markets, extensive expertise, and wise counsel.

In September we made whole all staff who had worked full time throughout the year, repaying in full the precautionary paycuts applied for three months and the associated pension contributions.

Board appointments

Since the year end, I have been delighted to welcome Mike Jones to the Board as a Non-Executive Director, with effect from 1 March 2021. Mike enjoyed a 35-year career with Lloyds Banking Group ("LBG"), retiring at the end of 2020. He worked in various roles across LBG, most recently as Managing Director, Intermediaries & Specialist Brands since 2010. His primary role was leading the Halifax, BM Solutions and Scottish Widows Bank business development teams working with mortgage intermediaries across the UK. His leadership, vision, and strategic thinking at the UK's leading lender has shaped the intermediary and lending markets that exist today, and his appointment reflects the ambition of this business. Mike will stand for election as a Director of the Company at the Annual General Meeting in May 2021.

Dividend

The Board had intended to propose an increased final dividend of 12.8 pence per share for the year ended 31 December 2019, but in light of the Coronavirus pandemic the Board recommended, and shareholders approved, a final dividend of 6.4 pence per share. We made an undertaking to our shareholders at the time that a further dividend of 6.4 pence per share would be paid when the Board considered it prudent to do so.

At the time of the 2020 interim results, the Board did not make a dividend distribution, reflecting the uncertainty caused by the continuing pandemic but restated its intention to resume dividend payments when prudent.

Subsequently, and after the decisions had been taken to repay the Government furlough grant in full, the interim "catch up" dividend of 6.4 pence per share was declared on 19 November 2020 and paid on 18 December 2020 to ordinary shareholders on the register on 27 November 2020, fulfilling the undertaking made to shareholders last year.

Our dividend policy, adopted since the acquisition of First Mortgage in 2019, is to pay out a minimum of 75% of adjusted earnings. Our high cash conversion allows this return to be made to shareholders, whilst at the same time continuing to deliver our growth strategy.

The Board is pleased to recommend the payment of a final dividend for the year of 19.2 pence per ordinary share. This represents a distribution of 75% of adjusted earnings for the year, and includes the interim dividend that would have normally been paid in respect of the first six months of the year. If approved, the final dividend will be paid on 28 May 2021, to shareholders on the register on 30 April 2021.

Outlook

The change in consumers' focus on the importance of their homes, caused by the pandemic enforced lockdowns, has produced a prioritisation of consumer spending on the home, both on improvements and on home moves. The strong demand seen in the first two months of 2020, after the General Election result in December 2019, bolstered the renewed and higher levels of activity experienced when the housing market reopened in late May. The strength of the housing market shows little signs of abating, and the additional Government stimulus and support for home buyers announced in the March budget statement will provide further momentum and will be positive for MAB. Activity levels represented in written business and Adviser recruitment since the beginning of the year remain strong, and give us confidence in the outlook for the year, and in our strategy to deliver further increases in market share and sustained growth in profits, whilst maintaining our high standards of advice and customer service.

Katherine Innes Ker

Chair

22 March 2021

Current trading and outlook

Despite the UK being in lockdown since the start of the current year, activity levels have remained strong in terms of both written business and Adviser recruitment. The Intermediary Mortgage Lenders Association's ("IMLA") current estimate of gross new mortgage lending for 2021, published in January 2021, is £283bn, representing a 16% increase on 2020 (£243bn) and a 6% increase compared to 2019 (£268bn).

The underlying fundamentals driving levels of consumer demand for housing are strong. This level of demand, coupled with the Chancellor's announcement in March 2021 of the launch of a "Mortgage Guarantee Scheme", an extension of the Stamp Duty holiday until the end of June and the nil rate band being doubled until the end of September, give us understandable optimism about the year ahead, and what can be expected when restrictions are lifted.

Our strategy of consistent investment in people, technology and extension of our business model, has put MAB in a strong position to start accelerating growth over the next few years. Current trading is in line with the Board's expectations.

Overview of 2020

I am very pleased with MAB's performance in 2020 given the challenges presented by the pandemic. We continued to grow revenue, mortgage completions, and market share, building on our consistent track record of delivering growth. Once again, we comprehensively outperformed both the UK housing and the new mortgage lending markets.

Despite ongoing restrictions on lending and everyday life, new business levels built up quickly from the start of summer, resulting in a strong H2 2020 for written business. Although the start of this new financial year saw the introduction of a very tough third lockdown, housing and mortgage activity has held up well. The underlying fundamentals driving levels of consumer demand for housing are strong. This level of demand, coupled with the Chancellor's announcements earlier this month of the launch of a "Mortgage Guarantee Scheme", an extension of the Stamp Duty holiday until the end of June and the nil rate band being doubled until the end of September, and the signposted easing and removal of lockdown restrictions, are likely to improve housing activity further.

Our growth in mortgage completions is set out below:

	2020 £bn	2019 £bn	Increase
New mortgage lending	15.3	15.2	+1%
Product Transfers	2.3	1.5	+50%
Gross mortgage lending	**17.6**	**16.7**	**+5%**

MAB's total gross mortgage completions (including Product Transfers) increased by 5% to £17.6bn (2019: £16.7bn). Gross mortgage completions excluding Product Transfers increased by 1% to £15.3bn (2019: £15.2bn). This increase, together with the contraction in overall new mortgage lending volumes in the UK, led to an 11% increase in our share of UK new mortgage lending to 6.3% (2019: 5.7%). Product Transfers increased by 50% to £2.3bn due to the lending restrictions on re-mortgages during the year. Group revenue increased by 3% to £148.3m, including £14.7m of revenue generated by First Mortgage, and saw a 1% decrease excluding First Mortgage. This growth was achieved in a year when the first national lockdown closed the housing market in England for almost two months and the markets in Scotland, Wales and Northern Ireland for three months.

In terms of market environment, we saw a buoyant first quarter resulting from the lift in consumer confidence post the December 2019 UK General Election, but then transaction volumes reduced significantly as a result of the housing market shutdown in Q2 2020, with year-on-year drops in gross new mortgage lending and housing transactions for the quarter of 32% and 47% respectively. Q3 2020 mortgage completions continued to be impacted despite the reopening of the housing market due to pipeline conversion timeframes. However in Q4 2020, the continuing recovery translated into a 5% increase year-on-year in gross new mortgage completions, driven by the house purchase segment.

Overall for 2020, UK gross new mortgage lending activity fell by 9% to £243.1bn (2019: £267.9bn[(1)]), excluding product transfers. UK housing transactions fell by 11% over the same period. MAB significantly outperformed the market in all four quarters of the year.

We also achieved excellent progress on our strategic initiatives. The campaigns we rolled out in support of our Appointed Representatives ("ARs") and their Advisers to ensure opportunities were maximised during and after the housing market shutdown were incredibly well received, and further cemented our close relationships with our ARs.

Progression of our technology initiatives was a priority throughout the period, thereby ensuring that investment in key projects relating to increased operational efficiency, lead generation and productivity continued to be delivered to plan. The pandemic also triggered additional technology requirements, enhancements and new growth initiatives. We strongly believe that this is the time to continue investing in new technology and extending our business model to fully leverage our leading proposition and deliver operational efficiency.

Our recruitment of ARs and Advisers resumed at pace after the housing market reopened and throughout the second half of the year. By 31 December 2020, our total Adviser count stood at 1,580[(2)], an 8% increase on last year, despite the very limited recruitment achieved during the national lockdown in Q2 2020. Our recruitment pipeline remains very healthy, and as at 19 March 2021 our Adviser numbers had grown to 1,637[(2)].

1 UK Finance regularly updates its estimates. MAB previously reported £267.6bn for 2019 but this figure has slightly increased since.

2 Includes the Advisers of a firm previously authorised under an Appointed Representative agreement with MAB until 7 December 2020. MAB continues to provide services to this firm, now directly authorised by the FCA.

In terms of broadening our addressable market, 2020 was also a year of significant progress, with the launch of MAB Later Life, a new best-in-class proposition for brokers in the high growth later life segment, in partnership with Key Group. We are also delighted to have announced our new joint venture partner in Australia, Australian Finance Group Ltd, helping us to accelerate the rollout of our leading distribution and advice model in Australia.

During the year, we continued to strengthen our management team with the addition of a Chief Commercial Officer, a new Chief Information Officer, a Head of Partnerships, and a Head of Digital Transformation. These are all key new roles that will help us to achieve our growth ambitions, providing specific focus on lead generation, the performance of our investments, and the delivery of our technology developments.

I am proud of the way in which we have supported our staff, our ARs and their Advisers, and our customers during exceptionally difficult times. The health, safety and wellbeing of our employees has been and continues to be our top priority, and I am exceptionally grateful for their hard work and dedication. The campaigns we launched to help support new and existing clients in addressing the financial challenges brought about by the pandemic were also extremely well received, including our National Mortgage Information Support Service campaign.

As a result of strong written business in H2 2020, it was with great satisfaction that the Board was able to approve the repayment in full of all the precautionary pay cuts applied in Q2 2020, as well as the Government furlough grants. In December 2020, the Group also repaid the £12m Revolving Credit Facility in full, and paid the 6.4 pence per share "catch-up" dividend to shareholders.

Delivering our strategy

We believe that the significant and ongoing investment being made in the team, technology and infrastructure, combined with maturing and new growth drivers, put MAB in a strong position to capitalise on additional opportunities for continued and increased levels of growth, as well as deliver operational leverage.

Clearly, increasing Adviser numbers remains a key growth driver, and we do not expect that to change in the medium term. In fact, our strategic initiatives are enhancing our proposition still further and as a result are impacting positively on Adviser and AR recruitment.

Recruitment of Advisers

The pandemic presented many challenges to MAB in 2020. During the first national lockdown in Q2 2020, our ARs immediately put their recruitment plans on hold which affected our organic growth in Adviser numbers.

Since the housing market re-opened in England in mid May 2020 and then in Scotland, Wales and Northern Ireland at the end of June 2020, there has been a sharp recovery in written business. This in turn meant that our recruitment activity also picked up strongly, as our ARs grew increasingly confident and started strengthening their teams again. This trend has continued for the remainder of 2020 and into 2021 despite continued social mobility restrictions.

Despite the many challenges, the Group is pleased to report an 8% growth in new Advisers to 1,580[1] (2019: 1,457). The average number of active Advisers[2] for 2020 rose from 1,341 to 1,455, an increase of 9% (6% excluding First Mortgage).

We have seen the pipeline of new ARs build strongly. However, since MAB's AR recruitment is mainly focused on larger ARs, given the restrictions that have been in place for large parts of 2020 and since the beginning of the year, some of these discussions have been delayed, and are unable to conclude at present. When restrictions are lifted, we expect these discussions can be quickly concluded.

Technology

We are very pleased with the progress we made in the last year. The rollout of our new technology platform started in 2020 and continues into 2021.

During the first national lockdown in 2020 we needed to prioritise IT resource to focus on providing new solutions for the various challenges that remote working presented at the time, and as a result, new technology initiatives were and continue to be implemented.

We also chose to bring forward the transformation of our risk and compliance technology. This decision was made to support and enable secure communication and the transfer of confidential personal documents between customers and MAB, at a time when all customer interaction had instantly become remote, as opposed to face to face. We also further developed and successfully deployed our proprietary risk management platform, to enable managers and business owners to better identify and manage any potential compliance risks, whilst working entirely remotely. In addition, we integrated our MIDAS Pro platform with new and more secure payment collection technology, again supporting remote working and ensuring adherence to new and heightened regulatory requirements.

Our focus is now firmly on completing the platform rollout and continuing to add many new features and improved functionality such as our new lead management platform.

We are also excited to have established our new relationship with the technology firm MQube, to explore the practical applications of machine learning and artificial intelligence for mortgages. The actual process of applying for a mortgage today could be greatly simplified and made more efficient, benefitting both the Adviser and customer. Through this

1 Includes the Advisers of a firm previously authorised under an Appointed Representative agreement with MAB until 7 December 2020. MAB continues to provide services to this firm, now directly authorised by the FCA.

2 An active Adviser is an Adviser who had not been furloughed and was therefore able to write business.

new relationship, we will be leveraging MQube's expertise and investment in data, to help us to deliver efficiencies that benefit all stakeholders in the mortgage process, including lenders.

Our plans to increase Adviser efficiency and productivity also include the integration with lenders, however progression on that front has been slower than we had hoped. This was solely due to the impact of the pandemic and the entirely unforeseen operational strain it placed on lenders. Towards the end of the year, we completed our first full integration with a top ten lender. We have now also seen integration become an urgent priority for lenders, particularly as some of their operational strain has become more manageable and they recognise the need to deliver new processes that can be more operationally resilient and efficient in the future. We expect more top ten lenders to follow in 2021.

Our digital plans will deliver enhanced customer engagement, optimise existing income streams, generate new lead flow and revenue, as well as service customers through the digital channels they are choosing to use. For MAB and its ARs, it will also result in greater efficiencies and better decisions informed by data. New data and technology-enabled products and business models can change the dynamics of our sector, which is why we remain of the view that market leading technology combined with our unique business model will further enhance MAB's competitive advantage.

■ Lead Generation

We expect our lead generation strategy to become a major new contributor to MAB's growth plans. Although MAB AR firms have typically sourced, acquired and serviced customers largely or wholly through their own contacts and relationships (for example through local estate agents or builders), MAB will now be playing an increasingly important role in adding to that lead flow.

Reliability, quality and scalability of lead flow drives every aspect of Adviser and firm performance, and MAB's unique business model is key to our ability to drive meaningful lead flow through our partner firms.

This strategy will in turn increase Adviser productivity, drive organic Adviser growth and AR firm recruitment, and further enhance consumer brand awareness.

Investment continues to be made in technology, extending our business model and increased specialisation in our marketing team in order to support this strategy, with further equity investment also expected in distribution and strategically important lead sources.

During the pandemic more customers have been forced to research and transact digitally. The progress we have made over the last two years, and in particular over the last 12 months, has positioned the business well in this regard. This means making faster progress using data and technology to significantly increase the number of lead sources. This will increase the number of customers we engage with, how and when we engage, and widen the range of products and services that are offered to those customers. The development of our new lead management platform will allow us to fully leverage our unique business model and deliver this strategy.

Early customer capture is core to our strategy, and since the year end MAB has secured contracts with two high profile brands in line with that strategy, namely Moneybox, and the soon to launch property portal, Boomin.

Moneybox, which is a saving and investing app, has launched its app-integrated mortgage service, offering customers a simple way to find the best mortgage for them supported by a telephone advice team. Already helping hundreds of thousands of customers save for their first home through its popular Lifetime ISAs and other products, Moneybox now wants to help people on the next step of their journey to home ownership and has partnered with MAB to do so.

Boomin, the next generation property site, is partnering with MAB to provide mortgage services across various parts of its platform. Boomin will offer something different and will not only appeal to the millions of home-movers in the UK with its unique features but also to the much bigger passive audience of customers who are early in their journey, looking for inspiration and who have a deeper interest in everything property. MAB will be able to connect with this audience earlier and in a more meaningful and varied way and offer them a more integrated and seamless experience as they move from passive to active.

Another new development is the launch of MAB's Home Buying Buddy app as part of our strategic partnership with Life Moments, a fintech business whose digital coaching technology engages and nurtures consumers to achieve their life goals. The app is designed to help existing and future customers develop a clear and informed plan for the purchase of their home, as well as address the growing complexity of the home buying landscape.

This strategic partnership seeks to empower consumers to better understand financial products and equip MAB with customer insights to inform future proposition development. This is major step forward in terms of how we can further engage with our customers and offer a more personalised experience. It allows us to deliver tangible value to the customer from the early stages of their research process and home buying journey. It is a great example of how through collaborating with mission-aligned firms, we can help more of our customers play life better.

As customers adapt and change how they research and buy mortgage products and services, MAB plans to be firmly at the forefront of this change, making lead generation a clear priority, thereby ensuring the Group's future growth and success.

■ Larger Addressable Market

The Group's core market, comprising of people actively moving home or re-financing, remains buoyant, with significant and long-term upside growth potential for MAB. There are however other addressable markets for MAB to extend into, and these opportunities further support our lead generation strategy.

Firstly, there are tenants or younger people living at home with their family, many of whom aspire to become homeowners for the first time. Identifying and supporting future first time buyers to become mortgage and purchase ready is an important strategic priority for MAB, with much of that strategy achievable by leveraging the extensive lettings, estate agency, and new build distribution we have in the Group.

Broadening our addressable market to include products for the over 55s is also an important part of our strategy, and towards the end of 2020 we were delighted to launch MAB Later Life, an exclusive strategic alliance with Key Group that provides brokers with a best-in-class proposition in the specialist later life market. Although the UK has remained almost entirely in lockdown since then, we are pleased with the progress we have made.

The later life market is underpinned by strong factors such as pension under-provision and the need for long term care and estate planning. It also extends to cover products that are suitable for people coming off interest only mortgages, as well as older borrowers wanting to provide inter-generational support for their families.

This is an important growth segment for MAB and is highly intermediated, with customers needing comprehensive advice from specialist brokers, and we aim to continue our learning and growth in this market through 2021 and beyond.

Future first-time buyers and later life are just two elements of our strategy to broaden our addressable market, and our continued investment in the future of our digital strategy will allow MAB to further leverage its unique business model. This will not only drive new lead sources to our AR firms, but also generate new income opportunities from future and existing mortgage customers.

To support our plans to widen our customer offering, we will be launching Be Money Sure as an additional consumer brand for all non-mortgage related sales. The brand will be introduced to existing customers as we extend the products and services that we are able to offer them, but it will also be utilised with customers we capture earlier in the mortgage research process, that may consider our extended offering to be of more immediate interest.

Investment Strategy

The Group continues to make strategic investments:

- to help existing or new distribution partners to accelerate their growth plans;
- to accelerate MAB's lead generation strategy; and
- to establish or enhance MAB's specialisms in key market segments (for example, new homes).

In October 2020, we completed a 40% investment in Meridian Holdings Group Ltd ("Meridian"), our leading new build AR. Meridian has a key role to play in our plans to achieve even stronger market share growth in this specialist sector. In March 2021, Meridian agreed to acquire Metro Finance Brokers Ltd, a leading shared ownership firm based in Sheffield. This is an excellent strategic fit for Meridian, with a complementary client base and route to markets.

In Australia, Australian Finance Group Ltd ("AFG") has become our new joint venture partner for MAB Broker Services Pty Ltd, helping us to accelerate the rollout of our leading distribution and advice model in Australia. Listed on the Australian Stock Exchange, AFG is a leading mortgage network in Australia with extensive distribution channels and a strong broker proposition. This 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.

In January 2021, First Mortgage acquired a minority stake in M & R FM Ltd ("First Mortgage North East"), a successful and fast-growing broker based in Gateshead. Previously directly authorised by the FCA, First Mortgage North East operated under the First Mortgage franchise. This is the first investment by First Mortgage as it seeks to leverage its strengths under MAB ownership and further enhance its track record of profitable growth.

New Board appointment

On 1 March 2021, Mike Jones joined MAB as a Non-Executive Director, having recently retired from Lloyds Banking Group. Mike's leadership, vision and strategic thinking at the UK's leading lender has shaped the intermediary and lending markets that exist today. His appointment strengthens our Board and is a testament to our huge ambition.

Summary

In a year of unprecedented challenges, MAB again delivered growth in revenue, Adviser numbers, mortgage completions and market share. One year after the onset of COVID-19, MAB has emerged a stronger group, having continued to invest in its growth strategy, including adapting and evolving its technology and lead generation initiatives.

We are very pleased with our new investments, especially considering the restrictions imposed over this period, as well as with the performance and resilience of the majority of our existing investments, which we expect to perform more strongly in 2021. As previously highlighted, future investments and potential acquisitions will include distribution and lead sources that we believe are strategically important and scalable.

We have entered 2021 with a number of ongoing investment discussions, which form part of our plans to fully leverage our unique business model, and by doing so to start accelerating future profit and market share growth over the next few years. This will strengthen our market leading position still further.

Our new platform developments are a key enabler of our growth plans and will deliver significant benefits in terms of our lead generation strategy and operational efficiencies for MAB, its ARs, Advisers and their customers.

We are delighted to have launched MAB Later Life, and in AFG we have secured an exceptionally strong partner for MAB in Australia, and we look forward to reporting success from there in due course.

Broadening our addressable market extends our reach to a greater number and wider profile of future customers and lead sources, and supports our strategy of Adviser and productivity growth.

The pandemic and the successive lockdowns have brought about a change in consumer sentiment, resulting in a greater focus and prioritisation towards spending on current and new homes, and most relevantly stimulating a greater number of home moves. This is bolstered by the pent-up demand that built pre the General Election in 2019 and only partially contributed to growth in 2020 due to lockdown restrictions.

Looking ahead, we are confident that these key fundamentals supporting the housing market combined with the return of greater numbers of new mortgage products and less stringent lending criteria, will lead to demand for housing remaining strong. Over and above this, the recent Budget announcement and the Government's housing policy will also prove positive for MAB.

Our maturing and new growth drivers, combined with the significant investment continuing to be made in exceptionally high calibre management, resource, and technology, put MAB in a very strong position to start accelerating growth over the next few years.

We look forward to what we hope are better times ahead for everyone.

Market Review

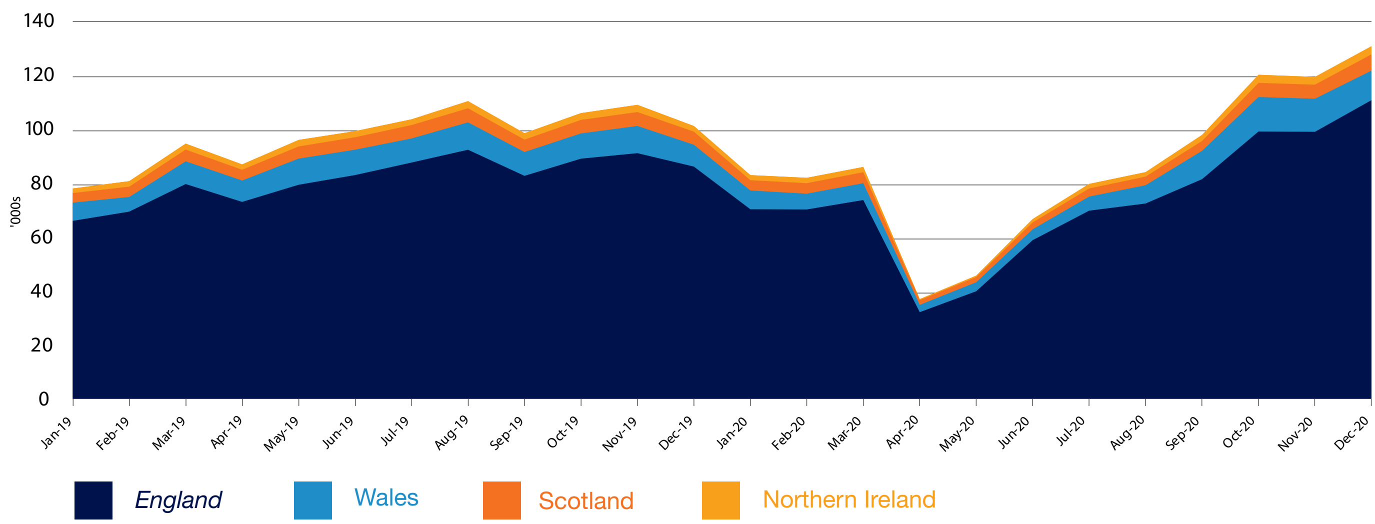
After a buoyant Q1 2020 which saw a 4% year-on-year increase in gross new mortgage lending after a lift in consumer confidence following the December 2019 UK General Election, transaction volumes plummeted when the housing market shut down in Q2 2020, with gross new mortgage lending and housing transactions down 32% and 47% respectively.

Q3 2020 remained heavily impacted despite the reopening of the housing market due to pipeline conversion timeframes, with gross new mortgage lending and housing transactions down 14% and 16% respectively. However, the last quarter of the year rebounded well with a 5% year-on-year increase in gross new mortgage completions.

Overall for 2020, gross new mortgage lending activity fell by 9% to £243.1bn (2019: £267.9bn[(1)]), excluding product transfers. UK housing transactions fell by 11% over the same period, with monthly transactions shown in the graph below. Provisional figures from HM Revenue & Customs show a 17% year-on-year increase in property transactions in Q4 2020.

In terms of segmental breakdown of gross new mortgage lending, the purchase market was hit the hardest during the housing market shutdown. During this time, there was a 46% drop in purchase lending activity in Q2 2020, followed by a sharp return to growth in Q4 2020 with a 28% year-on-year increase. UK quarterly house price inflation[(2)] of 4% and 3% in

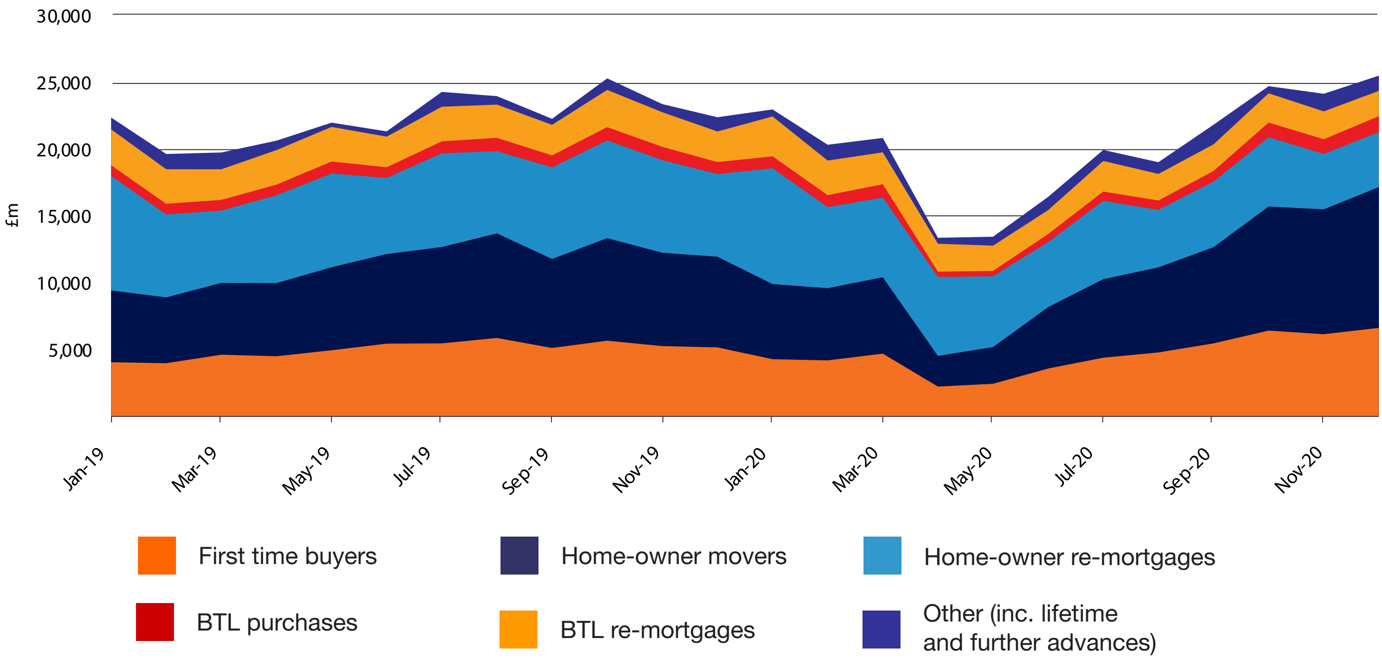
UK property transactions by volume



Source: HM Revenue and Customs

1 UK Finance regularly updates its estimates. MAB previously reported £267.6bn for 2019 but this figure has slightly increased since
2 Land Registry House Price Index

New mortgage lending by purpose of loan



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

the third and fourth quarters respectively contributed to this growth. Overall, for the year, house price inflation was c.9%, with the increase in average house price in 2020 being c.3% higher than in 2019.

Re-financing activity held up better during the property shutdown, partially driven by the strength in Product Transfers. However, in both Q3 and Q4 2020, Home-owner and Buy-to-Let re-mortgage lending values continued to experience year-on-year decreases as the purchase segment dominated the market, which is illustrated on the graph below. Product Transfers represented £168bn of mortgage lending in 2020, a 1% increase compared to 2019.

The pandemic has made it much more complex for people to obtain a new mortgage. Lenders have struggled with significant operational challenges, including the high number of payment holidays taken up by borrowers and the need to consistently apply tight and restrictive lending policies. Consumer reliance on mortgage intermediaries therefore has increased, with intermediary market share strengthening as a result. Approximately 79% of UK 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 an intermediary in 2020 (2019: 77%). In addition, execution-only sales by lenders have not meaningfully progressed during this period.

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. The Bank of England's base rate, cut to a record low of 0.1% in March 2020, has stayed at the same level since that date.

The increase in the stamp duty threshold, which took effect in July 2020, has further supported the housing market recovery, as have the Government's broader measures supporting housing investment and the continued availability of the Help to Buy Equity Loan and Shared Ownership schemes.

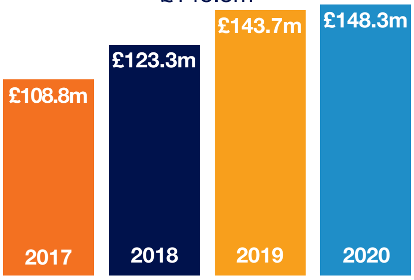
We remain confident that the fundamentals of house purchase demand remain strong and are further supported by the launch of a Mortgage Guarantee Scheme and extension of Stamp Duty relief announced in the Budget earlier this month. The Intermediary Mortgage Lenders Association's ("IMLA") current estimate of gross new mortgage lending for 2021 (published in January 2021 before the Budget announcement in March 2021) is £283bn, representing a 16% increase compared to 2020 and a 6% increase compared to 2019. In addition, we anticipate that the increased average pipeline conversion timeframes that we have seen over the last year and has pushed completions into 2021, will revert to usual timescales by the end of the year.

Mortgage Advice Bureau

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

Revenue (£m)

£148.3m

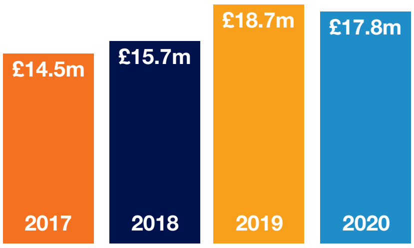


Total income from all revenue streams.

Strategy/objective
Shareholder value and financial performance

Adjusted profit before tax

£17.8m

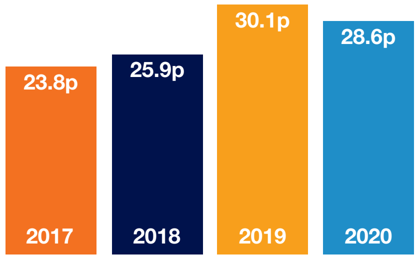


Profit before exceptional items[2] and tax.

Strategy/objective
Shareholder value and financial performance

Adjusted earnings per share

28.6p

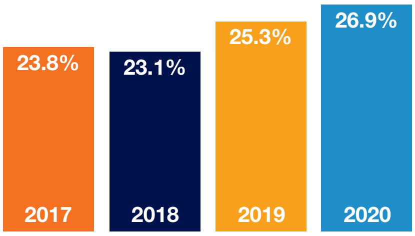


Total comprehensive income attributable to equity holders of the Company, adjusted for exceptional items[2], divided by total number of ordinary shares.

Strategy/objective
Shareholder value and financial performance

Gross profit margin

26.9%

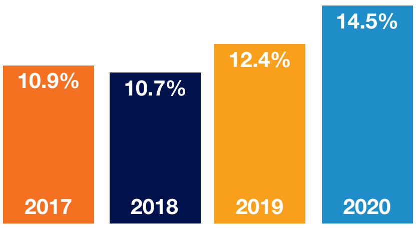


Gross profit generated as a proportion of revenue.

Strategy/objective
Managing gross margins

Adjusted overheads % of revenue

14.5%

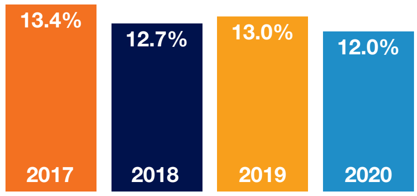


Group's administrative expenses[1] as a proportion of revenue.

Strategy/objective
Operating efficiency

Adjusted profit before tax margin

12.0%

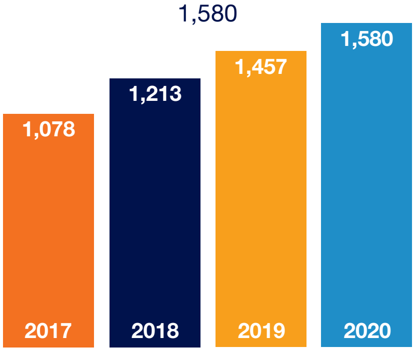


Group's adjusted profit before tax[2] as a proportion of revenue.

Strategy/objective
Shareholder value and financial performance

Adviser numbers

1,580

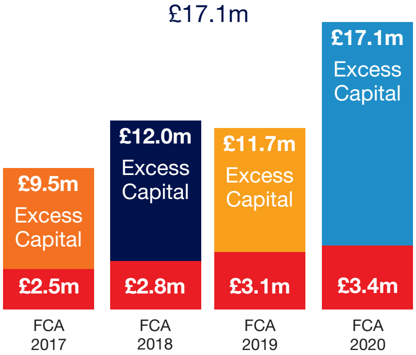


The average number of active advisers[3] for 2020 was 1,455 (2019 1,457)

Strategy/objective
Increasing the scale of operations

Capital adequacy (£m)

£17.1m

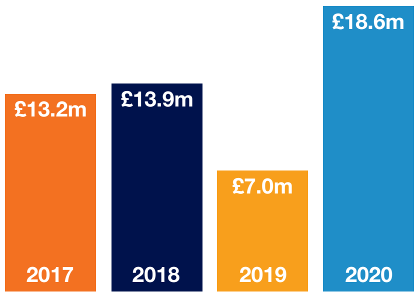


Excess capital requirements over amounts required by the Financial Conduct Authority (FCA).

Strategy/objective
Financial stability

Unrestricted net cash balances

£18.6m



Bank balances at 31 December available for use in operations.

Strategy/objective
Financial stability

1 Adjusted in 2020 for £0.4m (2019 £0.2m) amortisation of acquired intangibles and £0.9m (2019 £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 2019, £0.4m of one-off costs associated with the acquisition of First Mortgage were also adjusted.
2 Adjusted for items in note (1) above and impairment of loans to related parties of £1.7m in 2020. Adjusted earnings per share is also stated before these items, net of any associated tax effects.
3 An active Adviser is an Adviser who had not been furloughed and was therefore able to write business.

Revenue

Group revenue increased by 3% to £148.3m (2019: £143.7m), including £14.7m of revenue generated by First Mortgage. Excluding First Mortgage, Group revenue decreased by 1%. Strong growth in Q1 2020 was offset by the adverse impact of the first national lockdown on Q2 and Q3 2020 revenue, followed by a significant recovery in Q4 2020 where the housing market remained open during the second national lockdown. Normally, a key driver of revenue is the average number of Advisers during the year. However, in Q2 and Q3 2020 certain ARs furloughed a number of their Advisers (albeit a smaller number in Q3), and therefore the average numbers of active Advisers(1) is a more appropriate figure during this pandemic affected year. The housing market closure during the first national lockdown adversely impacted active Adviser(1) productivity, resulting in a £2.0m (1%) reduction in organic revenue for the year.

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 the first national 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).

In Q3 2020, as a result of lower written house purchase business in Q2 2020, and despite the considerable increase in written house purchase activity in Q3 2020, revenue was down 7% on the prior year (which included First Mortgage from Q3 2019 onwards) despite average active Advisers being up 2% with average revenue per active Adviser(1) decreasing by 9%.

Q4 2020 saw a marked increase in completions resulting from the increase in written business activity in Q3 2020 and revenue was up 12% on the prior year with average Advisers up 7%; with average revenue per Adviser up by 4%.

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

	Group			Excluding First Mortgage		
Income source	**2020 £m**	**2019 £m**	**Change %**	**2020 £m**	**2019 £m**	**Change %**
Mortgage Procuration Fees	67.2	64.3	+4	61.2	60.6	+1
Protection and General Insurance Commission	58.8	56.2	+5	50.8	52.3	-3
Client Fees	19.0	20.2	-6	19.0	20.2	-6
Other Income	3.3	3.0	+10	2.6	2.5	+1
Total	**148.3**	**143.7**	**+3**	**133.6**	**135.6**	**-1**

Despite the adverse impact of the pandemic on Q2 and Q3 2020 revenue, all key income sources for the Group, other than client fees, continued to grow due to the positive contribution from First Mortgage, which is summarised as follows:

Income source	**2020 £m**	**2 July 2019-31 Dec 2019 £m**	**Increase, %**
Mortgage procuration fees	6.0	3.8	+61
Protection and General Insurance Commission	8.0	3.9	+105
Other Income	0.7	0.4	+72
Total	**14.7**	**8.1**	**+81**

1 An active Adviser is an Adviser who had not been furloughed and was therefore able to write business.

Following H1 2020, when we saw a higher proportion of refinancing business as lockdown severely restricted the completion of purchase transactions in Q2, the mortgage mix mostly rebalanced for the year overall due to the considerable increase in house purchase activity in H2 2020, though we did have a higher proportion of Product Transfers than in the prior year. Mortgage procuration fees for the Group increased by 4% with mortgage completions up 5% overall for the year, with Product Transfers typically generating a lower procuration fee than purchase mortgages and re-mortgages.

Excluding First Mortgage, gross mortgage completions increased by 3% with mortgage procuration fees increasing by 1% primarily due to the increased proportion of Product Transfers.

The increase of 5% in protection and general insurance commission for the Group reflects the impact of the First Mortgage acquisition and associated revenue synergies with procuration fees up 4% and mortgage completions up 5% for the year. For the Group excluding First Mortgage, protection and general insurance commission decreased by 3% with a 1% increase in procuration fees as Advisers focused on mortgages for purchase business in H2 2020 and protection sales also have a natural lag in terms of timing of commission payment.

Client fees reduced by 6% in the year resulting from more business being conducted remotely and the increase in Product Transfers as a proportion of the mortgage mix, leading to a reduction in the overall attachment rate of client fees for MAB excluding First Mortgage, which does not charge client fees.

First Mortgage, which only started to contribute to Group revenue in H2 2019, was impacted by a longer lockdown in Scotland in Q2 2020. As a result, First Mortgage's contribution to Group revenue increased by 81% to £14.7m with procuration fees up 61% and protection and general insurance commission up 105% reflecting in particular the product related synergies that the Group started to benefit from in the latter part of H2 2019.

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

Income source	2020	2019
Mortgage Procuration Fees	45%	45%
Protection and General Insurance		
Commission	40%	39%
Client Fees	13%	14%
Other Income	2%	2%
Total	**100%**	**100%**

Despite the fluctuation in mortgage mix during the year resulting from the pandemic, the only notable change to the overall mix for the year was an increase in Product Transfers.

The slight increase in the proportion of protection and general insurance commission reflects the additional revenue synergies achieved in First Mortgage. As anticipated, the proportion of client fees has reduced following the acquisition of First Mortgage who do not charge client fees, but the reduction in attachment rate of client fees resulting from more business being conducted remotely has also added to this. 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 during the year due to some employees being placed on furlough during the months of April, May and June 2020. These amounts were repaid in full in December 2020.

Gross profit margin

As anticipated, gross profit margin increased to 26.9% (2019: 25.3%) due to a full year of contribution from First Mortgage, which has a higher gross margin of c.65% due to its Advisers being directly employed. Excluding First Mortgage, gross profit margin remained broadly stable at 22.7% (2019: 23.1%). The Group typically receives a slightly reduced margin (revenue share) as its existing ARs grow their revenue organically through increasing their Adviser numbers. In addition, larger new ARs typically join the Group on lower than average margins due to their existing scale and hence we expect to see a degree of erosion of our underlying gross profit margin due to the continued growth of our existing ARs and the addition of new larger ARs.

MAB continues to provide services to a firm previously authorised under an Appointed Representative agreement until 7 December 2020 but now directly authorised by the FCA. As a result, going forward, the fees received by MAB will represent the total income received by MAB in respect of this arrangement. No commission will be paid out by MAB to this firm as it receives its income direct. The effect of this will be to marginally increase the gross profit margin going forward.

Overheads

Overheads increased by £3.8m to £22.7m, reflecting the full year impact of the acquisition of First Mortgage which increased overheads for the year by £2.7m. In addition there was an increase of £0.5m in MAB (excluding First Mortgage) overheads and a further £0.6m increase relating to a full year of the amortisation of acquired intangibles and non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage.

Adjusted[(1)] overheads as a percentage of revenue were 14.5% (2019: 12.4%). The anticipated increase in overheads as a percentage of revenue, due to the full year impact of

[1] Adjusted for £0.4m (2019: £0.2m) of amortisation of acquired intangibles and £0.9m (2019: £0.4m) of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage. 2019 also excludes one-off costs associated with the acquisition of First Mortgage of £0.4m

First Mortgage's operating model having a higher overheads ratio than MAB, was exacerbated by curtailed growth in revenue as a result of the pandemic with Group overhead savings not fully offsetting this. Excluding First Mortgage, adjusted[1] overheads as a percentage of revenue were 11.9% (2019: 10.8%).

MAB has been investing in its technology platform and extending its business model and continues to do so. All development work on MIDAS Pro platform is expensed. In addition, MAB continues to invest in its marketing team to drive lead generation opportunities.

Our FCA and FSCS regulatory fees and charges are usually closely correlated to growth in revenue. Previously, in 2019 MAB had benefitted from a reduction in its FSCS levies due to its protection and general insurance commission moving from the Life and Pensions Intermediation funding class of the FSCS (which had borne increasing levies in recent years, primarily due to pension transfer and self-invested personal pension ("SIPP") related advice claims in the wider market) to the General Insurance Distribution funding class. In January 2021, the FSCS published its Plan and Budget for 2021/22, which indicated that the 'retail pool' contribution from both Home Finance Intermediation and General Insurance Distribution will be substantially higher than in the prior year, due to increased business failures as a result of the pandemic, an increase in complex pension advice claims and further failures of SIPP operators. As a result, MAB expects its FSCS levy cost for the year ended 31 December 2021 to be c. £1.5m higher than in the prior year. The reaction of other mortgage intermediaries to this unfair allocation of levies has been widely reported and MAB is supporting the challenge by the Association of Mortgage Intermediaries ("AMI"), the trade association that represents the views and interests of UK mortgage brokers, so that future levies can become better signposted and fairer.

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

Associates

MAB's share of profits from associates was £0.04m (2019: £0.3m). In addition, 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 financial results. MAB has also made a provision of £0.6m against the full balance of the loan due from Eagle & Lion Limited and reduced the value of the investment in The Mortgage Broker Group Limited by £0.5m to reflect the fair value carrying amount of the investment.

The remainder of the Group's associates have performed well during the pandemic and whilst their profits in 2020 were adversely impacted, they are in a strong position to contribute positively to the Group's results in 2021. MAB considers that the value of a number of these investments exceeds their balance sheet value as accounted for using the equity accounting method under IAS 28.

Profit before tax and margin thereon

In a year heavily affected by the pandemic, adjusted[2] profit before tax decreased by 5% to £17.8m (2019: £18.7m), with the margin thereon decreasing to 12.0% (2019: 13.0%). Statutory profit before tax reduced to £14.9m (2019: £17.7m) with the margin thereon being 10.0% (2019: 12.3%).

Finance revenue

Finance income of £0.1m (2019: £0.1m) reflects continued low interest rates and interest income accrued on loans to associates. Finance expense of £0.2m (2019: £0.1m) reflects the interest payable on MAB's Revolving Credit Facility of £12m, (drawn down in full at the end of March) and interest expenses on lease liabilities. MAB repaid its £12m Revolving Credit Facility in full on 23 December 2020.

Taxation

The effective rate of tax reduced to 14.0% (2019: 16.8%), principally due to the deduction arising from the exercise of employee 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 platform, MAB's proprietary software, still being available and further tax deductions arising from the exercise of employee share options.

Earnings per share and dividend

Adjusted[3] earnings per share decreased by 5% to 28.6 pence (2019: 30.1 pence). Basic earnings per share decreased by 16% to 23.7 pence (2019: 28.2 pence).

The Board is pleased to propose a final dividend of 19.2 per share (2019: 6.4 pence), which represents a cash outlay of £10.2m. Following payment of the dividend, the Group will retain significant surplus regulatory reserves. The proposed final dividend represents circa 75% of the Group's adjusted[3] post-tax and minority interest profits for 2020 and reflects our ongoing intention to distribute excess capital in line with our previously announced dividend policy.

The record date for the final dividend will be 30 April 2021 and the payment date 28 May 2021. The ex-dividend date will be 29 April 2021.

1 Adjusted for £0.4m (2019: £0.2m) of amortisation of acquired intangibles and £0.9m (2019: £0.4m) of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage. 2019 also excludes one-off costs associated with the acquisition of First Mortgage of £0.4m

2 Adjusted for the items in (2) above and the loan write off and loan provision totalling £1.7m. Adjusted earnings per share is also stated before these items, net of any associated tax effects.

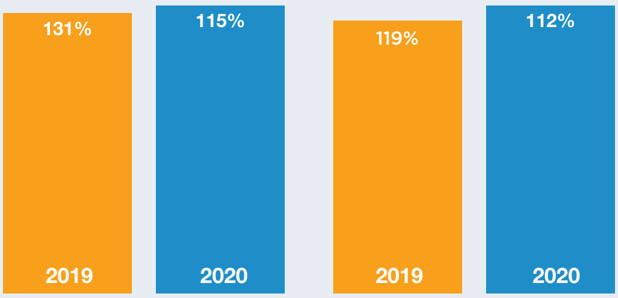
3 Adjusted for non-cash First Mortgage acquisition related items of £1.2m (2019: £0.6m).

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 £17.8m (2019: £20.4m).

Headline cash conversion[1] was:

Adjusted cash conversion[2] was:

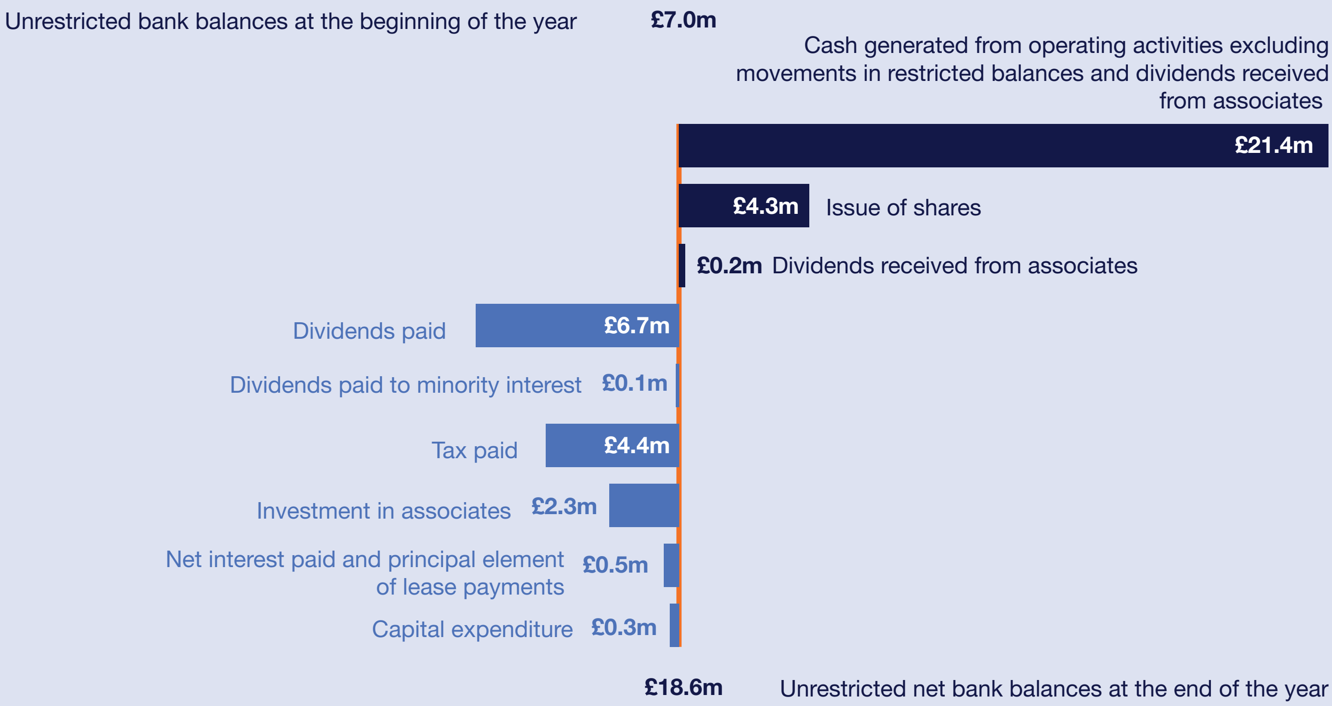


The Group's operations are capital-light, with the most significant ongoing capital investment being in computer equipment. Only £0.3m of capital expenditure on office and computer equipment was required during the year (2019: £0.2m). Group policy is not to provide company cars, and no other significant capital expenditure is foreseen in the coming year. All development work on MIDAS Pro platform is treated as expenditure.

The Group had no bank borrowings on 31 December 2020 (2019: £nil). The Group had unrestricted bank balances of £18.6m on 31 December 2020 (31 December 2019: £7.0m).

The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue. On 31 December 2020 this regulatory capital requirement was £3.4m (31 December 2019: £3.1m), with the Group having a surplus of £17.1m (31 December 2019: £11.7m).

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



Forward looking statements

The strategic report is prepared for the members of MAB and should not be relied upon by any other party for any other purpose. Where the report contains forward looking statements these are made by the Directors in good faith based on the information available to them at the time of their approval of this report.

Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risks underlying such forward looking statements and information. The Group undertakes no obligation to update these forward looking statements.

[1] Headline cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £(1.5)m in 2020 (2019: £0.9m), as a percentage of adjusted operating profit.

[2] Adjusted cash conversion is headline cash conversion adjusted for increases in restricted cash balances of £0.5m in 2020 (2019: £2.2m) as a percentage of adjusted operating profit.

The Group Risk Committee ("GRC") has undertaken an assessment of MAB's principal risks and uncertainties. Should one or more of these risks materialise, there could potentially be a resulting negative impact upon the Group's performance against its strategic objectives. Consequently, this may have a material impact over the short, medium or longer term, depending upon the nature and gravity of the risk event(s) that might apply. The GRC will continue to review the Group's risk registers on a regular basis.

The table below contains the most significant risks known to the Group. There is always the chance that unknown risks may materialise throughout the year which could also have some form of negative impact upon the Group.

Risk Category	Risk Description	Mitigating Factors / Commentary
COVID-19 Pandemic	The COVID-19 pandemic continues to present unprecedented risk to businesses within the UK. There is potential impact on staff, on MAB's Appointed Representatives ("ARs") and their staff, on ARs customers and on the wider economy, and the housing and mortgage markets.	While the risk of COVID-19 is still very high, the operating risk to the Group relative to that faced in March 2020 has reduced. This is because the Group can now operate successfully remotely and for prolonged periods of time if necessary. Additionally, in more recent lockdowns, the housing market has remained open, as it can now comply with the various new and heightened safety standards, thereby enabling people to carry on buying houses and requiring help with their mortgages. The progress and success of the vaccination rollout has also enabled the Government to compile a road map focused on removing the many restrictions that have been in place since the start of last year. During the last year, the Group has put in place many social distancing and safety measures at work, prioritising staff health and wellbeing. At times, the offices have been closed, thereby preventing onward transmission of the virus. Full consideration has also been given towards coping with simultaneous contagion amongst key Board members, with clear plans having been put in place for temporary or permanent succession at a senior level.
	The devolved Governments across the UK could take different approaches towards containing the spread of COVID-19 and choose to keep their lockdowns in place for longer than England, and even potentially close their housing markets at a time when the English market is open, as was the case in 2020.	Although different tactics and decisions continue to be made by the various Governments, in different parts of the UK, the housing markets have all remained open in the more recent lockdowns, now there are new, safe moving procedures in place. The likelihood of major differences in approach have thereby receded. Even throughout the various extended market closures outside of England in 2020, businesses continued to trade, applying maximum focus on helping customers to re-finance, or become appropriately protected against ill health or death for example. The risk of market closure is far lower now than it was in the first half of 2020. Businesses have successfully found ways to continue to trade remotely and safely, despite the many challenges that COVID-19 and Government policies present.

Risk Category	Risk Description	Mitigating Factors / Commentary
	The end of the Coronavirus Job Retention Scheme is forecast by Bank of England and ONS to result in increased unemployment and debt problems for some individuals in the UK.	Due to Government's continued financial support schemes, (including mortgage payment holidays, CBILs, Coronavirus Job Retention Scheme and eviction bans) the extent of the impact on individuals' finances has yet to fully materialise. The end of financial support may result in missed mortgage payments, increases in arrears, and a possible uptick in repossessions. However, mortgage lenders are expected to continue to offer customers forbearance wherever possible. The impact on the mortgage and protection market therefore cannot be fully quantified at this stage. However, the outlook for the remainder of the year has improved since 2020. Interest rates remain at record lows and this is likely to persist, due to the pandemic. There is a strong economic recovery predicted for the second half of 2021, with lower unemployment than originally expected for the second half of 2021, and into 2022.
Macroeconomic	The Group is dependent on the macroeconomic conditions surrounding the UK housing market which impacts on property transaction levels. The risk of increased interest rates is likely to have a detrimental impact on the housing market and customers' financial situation.	Bank Base Rate remains at a historically low level and has been low since the Global Financial Crisis. Central banks are currently constrained from raising rates. Rate rises are therefore less likely in the short to medium term, and to avoid economic shocks, small and infrequent hikes in rates when applicable are more likely. These would have less impact on new lending activity and on existing mortgage borrowers' ability to meet their financial commitments. However, should rates rises come unexpectedly faster and in larger quantum, this may slow new, and first-time buyer housing purchases and home-moving activity and increase the financial pressure experienced by existing borrowers. This could have a detrimental impact upon MAB's operating environment. However importantly, in recent years, over 90% of new mortgage borrowers have taken fixed mortgage rates at outset, instead of floating or variable rates. That is a very different situation to previous decades when there was a much lower percentage of fixed rate borrowers. Although that does not entirely mitigate interest rate risk, it does mean demonstrably more borrowers would be well protected should interest rates rise sharply. Gradual interest rate movements can also be helpful. Historically they have stimulated greater re-financing activity and the need for consumers to also protect debt repayments. MAB would be well positioned to help customers and would maximise new opportunities in this sort of changed environment. The Group regularly stress tests its forecast and considers it against housing market changes and movements in Bank Base Rate.

Risk Category	Risk Description	Mitigating Factors / Commentary
Investment & Acquisitions	Poor execution of investment and acquisition strategy. This could apply to: a. New investments or acquisitions b. Poor trading outcomes of existing investments or acquisitions.	The Group has a very clear and consistent investment strategy. Any new investments or acquisitions are made to support the Group's objectives to deliver year on year growth in our market share and deliver attractive returns to investors. All new investments or acquisitions are subject to an appropriate level of operational, financial and legal due diligence, engaging external specialists as required. Investment and acquisition risks are managed through a suite of legal documents using experienced lawyers. The Group has a portfolio of investments. With the number of investments made by the Group there is a risk that some may not perform as anticipated. To mitigate this risk, post investment, regular performance reviews and financial monitoring is conducted by MAB, with assistance and expertise offered in the development of growth plans. MAB also proactively uses its contacts, technology, support infrastructure and financial expertise to help its investments maximise their performance.
Sector Resilience	The Group operates in a highly competitive environment with competition from other intermediaries and from lenders.	The Group aims to be at the forefront of providing best advice to consumers, leveraging its proprietary MIDAS Pro technology, by offering its customers the choice of how they want to research information, receive advice, and transact. MAB offers access to circa 100 lenders and many thousands of mortgage products, ensuring customers have access to a wide choice, coupled with the best advice to meet their mortgage and protection needs.
Availability of Mortgage Lending	The Group is exposed to a significant reduction in the availability of mortgage lending.	Since the re-opening of the housing markets in mid-2020, the Group has seen a considerable increase in mortgage product availability. As of early 2021 product availability had increased to c10,300 products with more customers able to access mortgage lending. Most notably, the availability of high loan to value ("LTV") mortgages has improved significantly in early 2021 with almost all the top 20 lender brands in the residential sector offering mortgages at this level. In the recent budget, the new Mortgage Guarantee Scheme was announced, helping to make 95% LTV mortgages available for those with smaller deposits, thereby further increasing mortgage availability. We have also seen an increase in mortgages for the self-employed, those who have variable earnings, as well as a steady increase in Buy-to-Let mortgages. The Group expects mortgage availability to continue to increase throughout 2021 and as a result, ARs and their Advisers will be able to provide a highly competitive range and choice of product for customers, enabling them to move home or re-finance successfully. When lending restrictions were at their most severe in 2020, MAB proactively increased its focus towards helping customers to re-finance, and to adequately protect themselves against unforeseen ill health or death. This change in focus softened the financial impact upon the Group from the severe lack of mortgage products available for home-movers.

Risk Category	Risk Description	Mitigating Factors / Commentary
Regulatory compliance	Failure to comply with current regulatory requirements or appropriately anticipate, react to, and embed new legislation and regulation. This could result in reputational and financial damage, including withdrawal of authorisation by the Financial Conduct Authority, and imposition of censure and/or financial penalty by the Information Commissioner's Office.	The Group maintains open and effective relationships with regulators and relevant industry associations, in addition to having a governance structure and controls in place across the business. This ensures the Group complies with current regulatory and legislative requirements and continually monitors emerging regulatory change. The majority of advisers are directly employed or are engaged by ARs (rather than by the Group), and all compliance monitoring and supervision is undertaken by the Group's specialist compliance team. During 2020 the Group reviewed the structure of the Compliance function, delivering an enhanced, risk-based approach to supervision. The central objective is to further improve delivery and monitoring of good customer outcomes and improve operating efficiency. As a result of this review, the team was re-organised to focus more on this risk-based approach, and MAB initiated a programme of investment in the development of its 'Risk Profiler System', together with the deployment and integration of external systems, to further reduce the risk of poor customer outcomes and enable advisers to deliver best advice. Regulatory Compliance continues to be a risk to all financial services organisations and while there are new regulatory requirements and legislation that are known (e.g. IR35, Operational Resilience and ESG), the Group continues to focus on achieving positive consumer outcomes, while reviewing the adequacy and effectiveness of its internal controls, compliance and risk management systems, to ensure the Group is fulfilling its regulatory responsibilities on all areas.
Infrastructure and IT systems	The Group's performance would be adversely impacted if the availability and security of its proprietary MIDAS system, and other IT infrastructure was compromised.	There has been significant investment into the Group's IT infrastructure. All the Group's servers are currently hosted in a specialist data centre with appropriate security and systems resilience. A copy of the MIDAS database is also held at another location. The Group will shortly further strengthen and re-factor its technology, as part of an ongoing project that will ensure complete Cloud-hosting through a leading provider of Cloud-based services.
Cyber related crime	There could be a negative impact upon the Group should it suffer a deliberate and significant cyber-attack on its systems.	The Group has significantly strengthened its infrastructure, processes, and systems over the last year. It has installed new software, technology, scanning devices and other defensive measures. The Group has also strengthened its dedicated resource in this area.

Risk Category	Risk Description	Mitigating Factors / Commentary
Technological advancements	The continued development of technology increases the likelihood of existing and new competitors emerging, for example to deliver self-serve (or "Execution Only") mortgages online directly with consumers.	The Group has an internal IT function and while the development of new technologies means the landscape in which the Group operates continues to change, its own platform and wider technology developments present an opportunity for the Group to increase market share. The Group has been developing its technology platform for Advisers, to enhance their engagement with customers, in the expectation that regulation would make Execution Only faster and easier for customers. Over the last year, this recent regulatory development has not actually resulted in any notable market changes and the focus for MAB is to make the Adviser and customer experience as strong and efficient as possible, ensuring technology changes deliver net growth to the Group, as opposed to presenting a threat.
Appointed Representative ("AR") model	The Group has full regulatory responsibility for the actions of its network of ARs, who employ or engage the advisers. The Group could be exposed should large ARs fail.	The Group has robust compliance procedures as stated above. Whilst the Group has ultimate regulatory responsibility, the commercial liability (such as cost of complaint redress) remains with the ARs. The Group maintains strong relationships with its ARs to ensure it provides appropriate support for the continued growth of the Group and its ARs and it is aware of key risks posed to the Group within its AR Model.
Concentration	The Group could be exposed to a significant geographic concentration, or overexposure to certain AR Firms or suppliers.	MAB has a broad geographical spread in the UK. The Group has no significant exposure to any single AR. Typically, ARs agree five or ten-year contracts with the Group, and the renewal dates for these contracts are evenly spread between calendar years. The Group enjoys strong relationships with the many mortgage lenders it places its new business with, as well as with the major businesses that make up its panel of protection and insurance providers.
Key personnel	The Group could lose some key employees.	Remuneration is reviewed annually. Approaching half of the Group's employees participate in the share-based incentive plans. The Group has a successful track record of retaining senior employees. The recent recruitment of additional key personnel provides assurance that there is appropriate breadth of management and span of control, and this reduces key personnel risk. Succession planning is assessed annually by the Nominations Committee. In addition, as part of the Group's Operational Resilience work, the Group has further enhanced its succession plans in place for all Board members and the Executive Management Team as part of the Senior Manager's and Certification Regime ("SM&CR").

Risk Category	Risk Description	Mitigating Factors / Commentary
Litigation and complaints	The Group could be subject to litigation or complaints not covered by insurance.	The Group has not been subject to any actual or threatened material litigation. Complaint levels are very low compared to transactional volumes, and any redress payable from those complaints is borne by the ARs. PI insurance is in place, as required by the FCA. The Group has strict advice guidance and compliance processes in place for advisers. These require high standards of advice and record-keeping at all times, thereby mitigating, if not eliminating, the likelihood of future complaints and litigation.
Liquidity risk, including bank default	One or more banks could fail.	The Group has a highly cash generative business model and consequently holds substantial amounts of cash on deposit with banks. The stringent capital adequacy tests imposed on the banks after the Global Financial Crisis ("GFC") should enable them to better withstand extreme negative market downturn and reduction in liquidity, thereby enabling them to continue lending relatively freely.
Third party dependency risk	The Group is dependent on a variety of third parties to provide services to enable it to carry out business. There is an operational and financial risk of third parties increasing the costs of services or withdrawing the service.	Due to the continued growth of the Group, the risk posed by third parties has increased and appropriate oversight of third parties continues to be an area of regulatory focus. The Group continues to enhance its 'Operational Resilience' framework in line with the expectations for regulated firms. Appropriate due diligence is conducted before entering into agreements with third parties and reporting and notification requirements from third parties to the Group are defined in contractual documents. These documents include performance targets to assess the adequacy and resilience of service provision. The Group maintains good relationships with its third-party service providers.
Fraud	The Group is potentially exposed to fraudulent activity from any of its Customers, AR firms or Advisers.	The Group has embedded controls at all process levels to mitigate this risk and these are regularly reviewed by the Risk & Compliance Committee. The Group has robust controls in place to monitor and identify potentially fraudulent activity, with the resource in place to carry out detailed investigations should the need arise. MAB's compliance team run regular compliance workshops for each AR firm, and has a network of field compliance managers to monitor the performance and behaviour of each Adviser against the Group's internal procedures and systems. This ensures that the Group fulfils its regulatory responsibilities and that AR firms' and Advisers' knowledge of potential risks and how to deal with them is always kept fully up to date. Due to the adoption of remote working and potential impacts of the COVID-19 pandemic, the likelihood of attempted fraud has increased. The Group has robust fraud controls in place and continues to assess their effectiveness and review opportunities to enhance these.

Risk Category	Risk Description	Mitigating Factors / Commentary
Potential loss of a major partnership or contract (lead sources)	The Group has an increasing number of material commercial partnerships with lead sources. The loss of one of these contracts, or a significant reduction in lead volumes could impact revenues and consequently reduce the Group's profitability and strategic performance.	The Group continues to expand its Partnership function and has a highly experienced relationship management team in place, with responsibility for key account management and liaison, as well as the development and retention of its new and existing AR relationships. Relationship management is defined at senior management level and supported by members of the Group's Executive Committee. Regular reviews are undertaken with partners to ensure continued focus on performance against service levels and compliance with contractual requirements. The ongoing development of the platform is intrinsically linked to performance and ensuring the Group continues to maintain and build strong relationships with its key partners.
The FCA's regulatory fees could increase sharply and with little or no notice provided to the Group, thereby impacting its financial performance. Charges levied for the Financial Services Compensation Scheme ("FSCS") - due to negative outcomes in different financial services sectors - could rise significantly and be payable by MAB at short notice.	MAB has a range of fees and levies that it pays to the FCA and towards the FSCS annually. The FCA also charges for certain activities and from time to time increases its charges. Should costs rise uncontrollably and especially without notice, this could have a negative impact upon MAB's performance.	The Group regularly reviews its financial budgets and forecasting tools to ensure that it plans for and can respond to unforeseen financial costs. Additionally, there is a strong and proactive focus across the Group's Finance, Commercial and Compliance functions, towards all relevant and prevailing regulatory themes and wider industry failures. This typically ensures that most financials shocks are not wholly unforeseen and can be planned for, even if they are significant.
Reputational risk	If another large mortgage intermediary were to act negligently or not in customers' interests, there is a risk that consumers could feel negative towards MAB, resulting in reduced mortgage activity for the Group.	MAB prides itself on helping advisers to offer the best advice and outcomes to customers. Customer satisfaction is recorded on the feedback portal Feefo and is constantly monitored to enable the Group to have full visibility about the experience customers are having with MAB ARs' advisers. The feedback ratings are high in number and high in rating, reflecting good experience and outcomes with customers.

MAB is directly authorised by the Financial Conduct Authority ("FCA") and is one of the UK's leading consumer mortgage brands and networks for mortgage intermediaries. MAB specialises in providing mortgage advice to customers, as well as advice on protection and general insurance products. The Group has a long established and broad geographic spread across the United Kingdom.

MAB seeks to develop long term strategic relationships with its AR firms so that there is a close alignment of interests. Our proposition appeals most to multiple adviser firms that have ambition to grow both their market share and business, with the MAB brand an important USP that is adopted by the majority of our AR partners.

Aside from our subsidiary, First Mortgage, almost all the Advisers are engaged directly by the ARs themselves. However, MAB carries out all of the compliance supervision on behalf of the AR firms, ensuring greater control and helping to achieve consistently high standards of consumer outcomes.

Products available through the Group

The Group's network offers advice on over 10,000 residential and buy to let mortgage products from circa 100 lenders, including those that are only available through mortgage intermediaries.

The Group's network also offers advice on a range of both protection and general insurance products, which are sourced from a panel of insurers.

Revenue model

The Company has 3 core revenue streams:

1. Mortgage procuration fees paid to MAB by lenders via the L&G Mortgage Club.
2. Insurance commission from advised sales of protection and general insurance policies.
3. Client fees paid by the underlying customer for the provision of mortgage advice. These can be split between application fee, and mortgage offer or completion fee.

Contractually, these income streams are paid to the Company. The AR Agreements set out the arrangements under which income from products sold by the Advisers of the ARs is split between the Company and the relevant AR. MAB retains its revenue share from each of the above core income streams and then passes the balance onto its AR firms. The average number of Advisers in each financial year is one of the key drivers of revenue.

Sector focus and specialisation

MAB has developed bespoke support services for intermediary firms that operate in specialist sectors such as estate agency (including on-line), new build, buy-to-let, mortgage shops and telephone-based mortgage advice. These specialist sectors are typically rich in generating new customers and sales, and offer intermediaries the greatest opportunity to grow their business.

Proprietary software

Technology is an increasingly important differentiator in the intermediary sector, and unlike the vast majority of other networks, MAB has developed its technology in-house, providing the business with a major competitive advantage in terms of the customer and adviser experience. This is one of the reasons why advisers and intermediary firms decide to join MAB.

Our proprietary software MIDAS Pro platform gives us the flexibility to deliver bespoke solutions in all our areas of specialisation, and is playing an increasingly important role in managing data to generate more leads, increasing Adviser capacity/efficiency, as well as cross sales, customer retention and repeat sales.

Our proprietary software enables us to be at the forefront of responding to changing consumer behaviours and driving increasingly streamlined digital processes. This, combined with our existing expertise in face-to-face and telephony advice solutions, gives us a market leading position and a platform from which we can grow the Group further, through providing our Advisers and customers with a better and more rounded mortgage and protection experience.

The Directors of MAB consider that they have acted in the way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole, having regard to matters set out in s172(1)(a-f) of the Companies Act 2006, in the decisions taken during the year ended 31 December 2020. In particular:

(a) Likely consequences of any decision in the long-term

Our core business model and strategy are designed to secure sustainable long-term growth whilst continuing to deliver strong results in the meantime, and as such the long-term is firmly within the sights of the Board when making all material decisions.

The business model and strategy of the Company is set out on pages 10 to 12 and page 27. Any amendment to that strategy is subject to Board approval.

At least annually, the Board considers a budget for the delivery of its strategic objectives based on a three-year forecast model. The senior management team reports non-financial and financial key performance indicators to the Board each month, including but not limited to the measures set out in the 'Key performance indicators' section of the Strategic report on page 15, which are used to assess the outcome of decisions made.

The Board's commitment to keeping in mind the long-term consequences of its decisions underlies its focus on risk, including risks to the long term success of the business. A prudent level of cash resources is maintained such that the payment of dividends to shareholders and of variable remuneration to employees, are balanced.

(b) The interests of the Company's employees

Our employees are fundamental to the delivery of our strategy. We are committed to developing our staff and maintaining the capacity to deliver sustainable growth. How the Directors have had regard to the interests of the Group's employees is set out on pages 37 and 38.

(c) The need to foster the Company's business relationships with suppliers, customers and others

Engaging with our stakeholders is very much a part of our ethos as it strengthens our relationships and helps us make better business decisions. More details on how we have regard for the interests of our suppliers and customers and how this has shaped our decisions can be found on page 38.

(d) The impact of the Company's operations on the community and the environment

We are proud to support our local community. More details on our charitable donations in 2020 can be found on page 38.

The Group's impact on the environment is limited due to the nature of the Group's business operations, as set out in the Environmental performance and strategy section of the Strategic report on pages 32 and 33.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct

The Board is committed to achieving and maintaining high standards of business conduct, corporate governance, integrity and business ethics. In 2020 we launched campaigns to help support new and existing clients in addressing the financial challenges brought about by the pandemic. These campaigns included our National Mortgage Information Support Service campaign and were extremely well received.

A key to maintaining our reputation for high standards is to treat our customers, partners and employees fairly at all times, and our approach to conducting our business is focused on this outcome. We have designed a Risk Management Framework that is both robust and acts as an enabler to our business, ensuring that Advisers receive the support and education they need to provide their customers with good advice and the best customer experience. This gives the Board confidence that the Company's strategic and growth objectives can be met within our risk and business conduct framework.

More details on our risk and internal controls can be found on pages 40 to 45.

We have embraced the new Senior Managers & Certification Regime ("SM&CR") and are pleased that this regime is enforced across the industry, thereby improving quality control across the whole mortgage intermediary sector.

Our efficient compliance processes and robust controls result in MAB being well regarded by lenders for both volume of transactions and customer outcomes. We measure customer satisfaction through the online review platform Feefo. We are a Gold-rated Feefo member with a score of 4.9 out of 5 from over 11,500 reviews. In 2020, the number of customer complaints received represented 0.2% of written mortgage volumes (2019: 0.2%). MAB is below the threshold for referred complaints to the Financial Ombudsman Service and therefore does not appear on its public database.

(f) The need to act fairly as between members of the Company

The Board is committed to openly engaging with our shareholders. We recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. Further details on how we engage with our shareholders can be found on page 44.

The main methods used by the Directors to perform their duties include:

- the Board reviews the Group's business model and strategy to assess the long-term sustainable success of the Group and its impact on key stakeholders;
- the Board meets regularly throughout the year as well as on an ad hoc basis, as required by time critical business needs. Since the outbreak of the COVID-19 pandemic in the UK the Board met 16 times;
- the Board is responsible for the Company's ESG activities set out in the Strategic report;
- the Board's risk management procedures set out in the Corporate governance report identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to the Company and wider stakeholders;
- the Board sets the Company's purpose, values and strategy, detailed in the Strategic report, and the senior management team ensures they align with its culture;
- the Board carries out direct shareholder engagement via the AGM and Directors attend shareholder meetings on an ad hoc basis;
- external assurance is received through external audits and reports from brokers and advisers; and
- specific training for existing Directors and induction for new Directors as set out in the Corporate governance report.

Principal decisions in the year

The Board considers that the Group's response to the COVID-19 pandemic constituted the principal set of non-routine decisions during the year. These are set out in more detail in the Strategic report on pages 9 to 13.

Stakeholders

Details of the Group's key stakeholders and how we engage with them are set out below.

- Shareholders: as owners of the Group we rely on our shareholders' support and their opinions are important to us. We have an open dialogue with our shareholders through one-to-one meetings, group meetings and the AGM. Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook, governance and ethical practices. Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and their views are considered as part of decision-making.
- Employees: our people are the key to our success, and we want them to be successful individually and as a team. There are many ways we engage with and listen to our people including employee surveys, forums, well-being discussions, face-to-face briefings, internal communities and newsletters. During the pandemic there has been an increased focus on the health and well-being of our employees.
- Our ARs and Advisers: maintaining an active dialogue and supporting our ARs and their Advisers is paramount to our business. We hold regular review meetings with each AR firm and use a collaborative approach in operational matters such as setting goals and objectives. We regularly hold training sessions on various matters including compliance and updates to our technology platform.
- Customers: the quality of customer outcome is central to our culture, which is reflected in our compliance strategy. Customer feedback is a core component in our strategy to ensure consumers receive a first-class experience. We have partnered with the online review company Feefo, to give us feedback on the service our Advisers provide. MAB is accredited with the Gold Trusted Service award.
- Suppliers: we build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews. Key areas of focus include innovation, enhancing our client propositions, health and safety and sustainability. The Board recognises that relationships with suppliers are important to the Group's long-term success and is briefed on supplier feedback and issues on a regular basis.
- Communities: we engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people and help to look after the environment. We partner with local charities and organisations at an individual office level to raise awareness and funds. The impact of decisions on the environment both locally and nationally is considered with such considerations as the use of and disposal of paper and plastic.
- Government and regulators: we engage with the Government and regulators through a range of industry consultations, forums, meetings and conferences to communicate our views to policy makers relevant to our business. MAB is a member of the Association of Mortgage Intermediaries ("AMI") and the Quoted Companies Alliance. Key areas of focus are compliance with laws and regulations, health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Further information on the ways in which the Board engages with stakeholders is set out in the Directors' report on pages 37 and 38, and in the Corporate governance report on page 44.

"2020 has been a difficult year for the world and acknowledging this to be the new norm has been hard to believe. Adapting to different ways of working and communicating has helped with my engagement levels at work. One way in particular was my direct line manager allowing us the option to have a social distanced walking 1-2-1. This was great as it felt less pressurised allowing me to speak more openly about my previous months achievements and of course feel the great outdoors."

Siobhan Barratt, Marketing Executive

"Having socially distanced team and 1-2-1 walks has made working from home due to COVID-19 so much more bearable! As I live by myself, it has been made such a difference to be able to have the meetings in person and in the fresh air. I can say it has made a positive impact on my mental health and coping with working in a pandemic."

Amy Bulger, Marketing Executive

Charlie, Esme, Amy and Siobhan get together with the Head of Network Marketing, Sarah Drew

"I was put on furlough for three months, during what was an obviously a difficult time. I feel I was really supported by my manager and colleagues within MAB. I had weekly calls from my manager and team quizzes most Fridays, so I didn't feel forgotten. I attended wellness workshops and coaching sessions although there was no pressure to contribute. HR were also great in responding to any queries I had regarding annual leave etc. Since my return, MAB have fully supported me with a warm welcome back. I have been supported with career progression from working within the Compliance team to now joining the ever-growing Sales team."

Sarah Hyde, Sales support

Recruitment

Welcome packs for new starters are now sent via post with goodies.

Sam Jackson, Brand Artworker

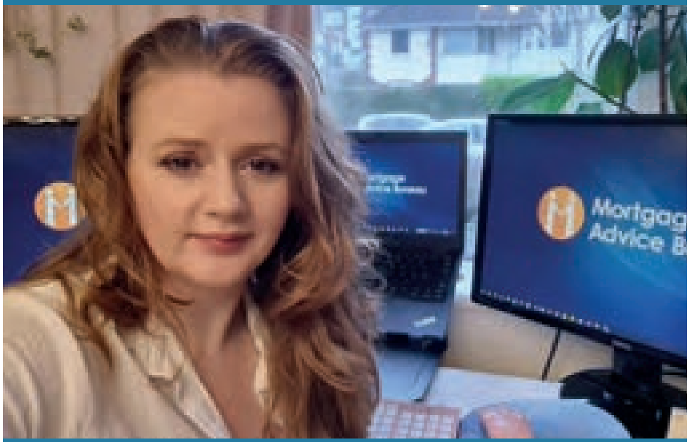
Physical well-being

We also have a resident qualified PT who holds a free online class every Monday after work to keep mind and body fit. By day, Amy is one of our fabulous Marketing Executives who supports our ARs.

Amy Bulger, Marketing Executive/PT

Home offices have come in different shapes and sizes!

Elliot Dodson, Head of Digital Transformation



Dominique Fish, Partnerships Manager

Sharon Gray, Operations Manager

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the Government's policy on Streamlined Energy and Carbon Reporting, requiring disclosure of the environmental performance of the Group's assets through calculating the Group's greenhouse gas ("GHG") emissions and subsequently, setting strategies to minimise these emissions. The following information summarises the Group's environmental performance over the year.

Methodology

GHG emissions are quantified and reported according to the Greenhouse Gas Protocol. Consumption data has been collated and converted into CO2 equivalent using the UK Government 2020 Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data. To collect consumption data, the Group has reviewed utility invoicing and its staff expense software to track business mileage in own vehicles.

Data collected relates to the most recent 12-month period where data was available. Comparative information has not been disclosed as this is the Group's first year of mandatory reporting.

We have collected data for both MAB and our subsidiary First Mortgage Direct Limited ("First Mortgage"). MAB owns 80% of First Mortgage but have factored in 100% of the Scope 1, Scope 2, and Scope 3 emissions.

We have calculated energy intensity and emissions intensity using the average number of employees in the year, including our subsidiary First Mortgage. We consider this to be a good indicator of the scale of the business and our energy intensity.

As part of the data collection, a materiality assessment was applied to determine which indicators were relevant to the Group. We have assessed each indicator in terms of its impact on the Group and its perceived importance to stakeholders.

Reporting boundaries and limitations

The GHG sources that constitute our operational boundary for the reporting period are:

- Scope 1: Natural gas combustion within boilers. MAB does not provide any company cars;
- Scope 2: Purchased electricity consumption for our own use; and
- Scope 3: Fuel consumption from employee-owned cars for business use.

Fuel connected with employee train and plane travel for business use has been excluded as amounts are likely to be immaterial and we consider it impractical to make estimations. Water usage has also been excluded as amounts are also likely to be immaterial. Fugitive gasses from office air conditioning are also considered immaterial. We have estimated Scope 3 emissions based on the split of Diesel vs. Petrol cars in the UK.

Performance

The table below shows absolute performance and like-for-like performance of our Scope 1, 2 and 3 emissions for the year, which represents the Group's first year of reporting under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018:

Energy consumption and associated GHG emissions (tCO2e)		2020
Scope 1	Fuel consumption (gas office heating) (kWh)	**403,688**
	Associated GHG (tCO2e)	**74**
Scope 2	Electricity consumption (office electricity) (kWh)	**322,306**
	Associated GHG (tCO2e)	**75**
	Total Scope 1 & 2 emissions	**149**
Scope 3	Fuel consumption (own cars for business use) (miles)	**180,437**
	Fuel consumption (own cars for business use) (kWh)	**220,244**
	Associated GHG (tCO2e)	**54**
	Total Scope 3 emissions	**54**
	Gross Scope 1, 2 and 3 emissions	**196**
	Total average employees (including First Mortgage)	**389**
	Scope 1 & 2 emissions intensity (tCO2e/employee/yr)	**0.38**
	Scope 3 emissions intensity (tCO2e/employee/yr)	**0.14**

Energy efficiency actions

Sustainability is embedded into our core values. We have introduced a number of initiatives to minimise our impact on the environment, including energy saving lighting and heating at our premises and a cycle to work scheme open to all our employees. We have also replaced all of our single use plastic drinking cups with recyclable paper ones, and have donated some of our old office furniture to charity for reuse. We are also working with a socially responsible specialist IT recycling company to arrange for the secure disposal and reuse of our old IT equipment.

In 2020, we chose a new electricity supplier for our Head Office that provides 100% renewable electricity. Reducing our carbon footprint was the driving factor behind our decision, and we expect that this will substantially reduce our GHG emissions. We also made changes to the structure of the Compliance function and adopted new technology that will bring about energy efficiencies and will reduce the fuel consumption of own cars for business use across the Group. This will also reduce the amount of documents printed for our ARs and their clients. Quantifying these benefits in terms of our energy consumption remains impractical at this stage given the continued Coronavirus-related social mobility restrictions.

We continue to monitor energy consumption and work towards putting in place strategies to further reduce our impact on the environment.

The Board comprises three Executive and five Non-Executive Directors. A short biography of each Director is set out below:

Katherine Innes Ker,
Aged 60
Non-Executive Chair

Katherine has extensive executive and non-executive director experience. She is Senior Independent Director of Forterra plc and Non-Executive Director of Vistry Group plc. Her experience as a chair includes The Television Corporation, Shed Media plc, Victoria Carpets plc and Sovereign Housing Association and she was deputy chair of Marine Farms S.A. She has been a non-executive director of, amongst others, St Modwen Properties plc, Taylor Wimpey plc, Taylor Woodrow plc, Fibernet plc, Williams Lea plc, S&U plc and Gyrus Group plc. She is chair of the Remuneration Committee, Balliol College, Oxford.

Peter Brodnicki,
Aged 58
Chief Executive Officer

Peter was one of the founders of MAB in 2000. He has over 30 years' mortgage and financial services experience. Immediately prior to founding MAB, he was with Legal & General for five years where he held the position of Head of the Estate Agency Network, and also latterly as Recruitment Director. Peter's experience prior to Legal & General includes sales and management roles at Albany Life, before which Peter was at John Charcol. Peter has received a number of industry awards in recent years, including Business Leader of the Year (three consecutive years), Mortgage Strategist of the Year (two consecutive years), and the Industry's Most Influential Person.

Ben Thompson,
Aged 51
Deputy Chief Executive Officer

Ben was previously Chief Executive Officer of ULS Technology plc, the AIM-listed provider of online B2B platforms for the UK conveyancing and financial intermediary markets. Prior to that he held senior positions at Legal & General Group Plc, where he ran their market-leading mortgage distribution business, as well as the banking division.

Lucy Tilley,
Aged 49
Chief Financial Officer

Lucy joined MAB in May 2015 as Finance Director and became Chief Financial Officer in July 2019. She qualified as a Chartered Accountant in 1996 with KPMG. Prior to joining MAB, Lucy was most recently a director in the corporate broking team at Canaccord Genuity Limited and was part of the team that worked on MAB's admission to AIM in November 2014. At Canaccord Genuity Limited she advised numerous quoted and unquoted companies predominantly in the financial services sector.

Nathan Imlach,
Aged 51
Senior Independent Non-Executive Director

Nathan is Chief Strategic Adviser to AIM listed Mattioli Woods plc, where his focus is on acquisitions and contributing to its future direction. Nathan is a director of a number of Mattioli Woods' subsidiaries and is also a trustee of Leicester Grammar School Trust. He qualified as a Chartered Accountant with Ernst & Young, specialising in providing mergers and acquisitions advice to a broad range of quoted and unquoted clients in the UK and abroad. He is a Fellow of the Chartered Institute for Securities & Investment and holds the Corporate Finance qualification from the Institute of Chartered Accountants in England and Wales. Previously, Nathan was CFO of Mattioli Woods plc for the 15 years following its IPO. He was also a director of Custodian Capital Limited and Company Secretary to Custodian REIT plc, having jointly led its listing on the Main Market of London Stock Exchange.

Stephen Smith,
Aged 63
Non-Executive Director

Stephen Smith has worked in the financial services market for nearly 40 years and was most recently responsible for Legal & General's award winning Mortgage Club, estate agency and technology operations, before retiring at the end of 2017. He is a former deputy chairman of The Association of Mortgage Intermediaries and served on its board for 14 years. He is a Fellow of the Chartered Institute of Bankers and holds a number of non-executive directorships with companies operating in the mortgage and Fintech markets.

David Preece,
Aged 60
Non-Executive Director

David joined MAB as an Executive Director in 2004 and retired as Chief Operating Officer in 2019, remaining on the Board as a Non-Executive Director. He has over 40 years of experience in financial services and is an Associate of the Chartered Institute of Bankers. Prior to joining MAB, roles included Senior Manager at NatWest Group Financial Control, Head of Mortgage Operations at NatWest and Head of Membership Services at the Britannia Building Society. David holds non-executive director positions, as well as acting in an advisory capacity, with companies in the financial services sector.

Mike Jones,
Aged 57
Non-Executive Director

Mike joined Lloyds Bank plc in 1985 and has retired from Lloyds Banking Group plc ("LBG") at the end of 2020. He worked in various roles across the group, most recently as Managing Director, Intermediaries & Specialist Brands since 2010. His primary role was leading the Halifax, BM Solutions and Scottish Widows Bank business development teams working with mortgage intermediaries across the UK. Mike chaired the LBG Housing Forum, the LBG Intermediary Conduct Forum and was responsible in the UK for Birmingham Midshires, Scottish Widows Bank and Intelligent Finance. He was also responsible for LBG's European retail bank operating in Germany and The Netherlands, a role that sees him continue into 2021 as Chair of the Supervisory Board of Lloyds Bank GmbH following his appointment in March 2019.

Company:	**Mortgage Advice Bureau (Holdings) plc**	
Directors:	**Katherine Innes Ker**	Non-Executive Chair
	Peter Brodnicki	Chief Executive Officer
	Ben Thompson	Deputy Chief Executive Officer
	Lucy Tilley	Chief Financial Officer
	Nathan Imlach	Senior Independent Non-Executive Director
	Stephen Smith	Independent Non-Executive Director
	Mike Jones	Independent Non-Executive Director
	David Preece	Non-Executive Director
Company secretary:	**Fabien Holler**	
Registered office:	**Capital House** Pride Place Pride Park Derby DE24 8QR	
Registered number:	04131569	
Nominated adviser and broker:	**Numis Securities Limited** The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT	
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	

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2020. For the purposes of this report, the expression "Company" means Mortgage Advice Bureau (Holdings) plc and the expression "Group" means the Company and its subsidiaries.

Results and business review

The principal activity of the Group continues to be the provision of financial services, in particular the provision of mortgage advice and advice on protection and general insurance products. The principal activity of the Company is that of a non-trading holding company. The review of the business, operations, principal risks and outlook are included in the Strategic report on pages 4 to 33. The financial statements set out the results of the Group on pages 59 to 106.

In 2020, the Group has continued to deliver its strategy to achieve year-on-year growth, irrespective of prevailing market conditions:

- Group revenue increased by 3% to £148.3m;
- Adviser numbers grew by 8% to 1,580 at 31 December 2020; and
- our market share of new mortgage lending grew by 11% to 6.3%.

As a result of the impact of the COVID-19 pandemic on the Group, adjusted profit before tax decreased by 5% to £17.8m. Group profit for the year after taxation amounted to £12.8m, down 13% on the previous year. Income tax expense for the year was £2.1m, an effective rate of 14.0% (2019: 16.8%).

Dividends

In line with the Group's dividend policy following the First Mortgage acquisition of paying out a minimum of 75% of its adjusted earnings, the Board recommends a final dividend of 19.2 pence per share, totalling £10.2m. This represents a payout of 75% of the Group's adjusted(1) post tax and minority interest profit for 2020.

This has not been included within the Group financial statements as no obligation existed at 31 December 2020. If approved, the final dividend will be paid on 28 May 2021 to ordinary shareholders whose names are on the register on 30 April 2021. Dividends paid during the year amounted to £6.7m and were in respect of the final dividend for the year ended 31 December 2019 and the 6.4 pence per share 'catch up' interim dividend for the year ended 31 December 2020, paid in December 2020.

Going concern

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

(1) Adjusted only for ongoing non-cash items relating to the acquisition of First Mortgage.

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

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

Events after the reporting date

In January 2021, the FSCS published its Plan and Budget for the year ending 31 March 2022. In this the FSCS set out they expect an ongoing rise in complex pension advice claims and further failures of self-invested personal pension (SIPP) operators. FSCS also forecast an increase in pay-outs for the insurance provision class due to recent failures. Furthermore, due to the widespread economic impacts of COVID-19, FSCS are also anticipating an increase in failures across the industry. As a result of the increased contributions to the retail pool, the Group expects to pay significantly higher levies during the period 1 April 2021 to 31 March 2022, currently estimated to be circa £2m in total.

On 12 January 2021, First Mortgage Direct Limited acquired a 25% stake in M & R FM Ltd, for an initial cash consideration of £0.7m. M & R FM Ltd is a mortgage and protection broker based in Gateshead. Previously directly authorised by the FCA, M & R FM Ltd operated under the First Mortgage franchise.

Directors

A list of the current serving Directors and their biographies is given on page 34. With the exception of Mike Jones, who joined the Board on 1 March 2021, all of the other Directors whose names are set out on page 34 served during 2020. All Directors will stand for (re-)election at the 2021 Annual General Meeting.

Directors' indemnity

All Directors and Officers of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association and have received a deed of indemnity from the Company. The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors and Officers, although no cover exists in the event Directors or Officers are found to have acted fraudulently or dishonestly.

Share capital

Mortgage Advice Bureau (Holdings) plc is a public limited company incorporated in England and Wales and its shares are quoted on the AIM market of the London Stock Exchange plc. The Company's issued share capital during the year and as at 31 December 2020 is shown in note 24. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by section 561 of the Companies Act 2006.

Rule 9 of the City Code

Under rule 9 of the City Code, where any person acquires an interest in shares which carry 30% or more of the voting rights that person is normally required to make a general offer to all remaining shareholders of the Company to acquire their shares.

The Panel on Takeovers and Mergers ("the Panel") considers two of the Directors (Peter Brodnicki and David Preece) as persons acting in concert for the purposes of the City Code. At 31 December 2020 the Concert Party held ordinary shares, in aggregate, representing 28.2% of the issued share capital of the Company.

Substantial shareholdings

At 31 December 2020, the Company had been notified of the following interests representing 3% or more of its issued share capital:

Shareholder	Number of ordinary shares	Percentage holding
Peter Brodnicki	13,476,227	25.35%
Liontrust Investment Partners	10,326,864	19.43%
Kayne Anderson Rudnick Investment Management	7,150,312	13.45%
M&G Plc	2,605,048	4.90%

Directors' interests

Directors' emoluments, beneficial interests in the shares of the Company and their options to acquire shares are disclosed in the Directors' Remuneration Report. During the period covered by this report, no Director had a material interest in a contract to which the Company or any of its subsidiaries was a party (other than their own service contract), requiring disclosure under the Companies Act 2006. There are procedures in place to deal with any Directors' conflicts of interest arising under section 175 of the Companies Act 2006 and such procedures have operated effectively.

Related party transactions

Details of related party transactions are given in note 27.

Employee engagement

Our employees are a key ingredient to our success and their knowledge, skills and experience are vital to ensuring we maintain the high standards of customer service and satisfaction which underpins the provision of quality advice. We focus on creating a working environment in which people thrive and where our core values are communicated effectively and upheld.

Prioritising the health and safety of our employees has remained an imperative for the Group in 2020. As working from home suddenly became the new norm for large parts of the year, we ensured we found ways to maintain and increase our level of communication and engagement with our employees. MABChat, our internal communication platform, was used extensively for communications, ranging from video updates from the Chief Executive Officer, to engagement activities, and tips on working from home, home schooling, supporting one another and mental wellbeing. Every team worked hard to ensure all its employees were kept in constant touch.

We organised a series of virtual coaching sessions open to all our employees and ARs to encourage discussion on topics such as mindfulness, staying connected, dealing with change, and morale and motivation. We also surveyed our employees to gather information about their home working environment and what we could do to help them.

The need to adapt to changing working practices was accelerated as a result of the pandemic. Prior to the first lockdown we tested the full closure of our Head Office to ensure working from home could be achieved with minimal disruption. As the first lockdown was announced, the transition to working from home went smoothly and as a result we started implementing a more flexible working environment to enable our employees to continue to work from home on a rotation basis when the first lockdown was lifted. We realise the importance of achieving a good work/life balance and it is therefore our intention to maintain some flexibility once the social restrictions are lifted. We will be reviewing how best to achieve this for the Company and our employees, and in line with the Government's guidelines on providing a Covid-secure workplace.

We have a strong set of values, and culture is paramount for the Group. In 2020 we have built on the work carried out by the Values and Culture Committee in 2019 and thought of new ways to better embed our culture within the Group. This important workstream will continue in 2021.

The Group is committed to developing its employees and maintaining the capacity to deliver sustainable growth. In 2020 we set up MAB Hub, a new platform to support employee competence more effectively and also enhance the governing framework for SM&CR.

Employee engagement (continued)

The Group continues to involve its staff in the success of the Group. MAB operates a WorkSave Pension Plan available to all employees and contributes to the pension schemes of Directors and all employees. The Group operates an Unapproved Incentive Plan and a Share Incentive Plan, details of which are given in the Directors' Remuneration Report and the financial statements.

The Mortgage Advice Bureau (Holdings) plc Share Incentive Plan ("the SIP") enables employees to buy shares in the Company at an effective discount to the Stock Exchange price by having an amount deducted from pre-tax salary each month. In addition, the Company grants participating employees matching shares. The Group is committed to the principle of equal opportunity in employment, regardless of a person's race, creed, colour, nationality, gender, age, marital status, sexual orientation, religion or disability. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the business.

Engagement with customers and suppliers

Engaging with our stakeholders is very much a part of our ethos as it strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of customers, suppliers and shareholders' insights into the issues that matter most to them and our business.

In particular, maintaining an active dialogue and supporting our ARs is key to our business. We use a collaborative approach in operational matters such as setting goals and objectives and hold regular review meetings with each AR firm. We also work with specialist ARs and providers to explore new ideas and growing markets.

As the first lockdown closed the housing market in March 2020, we took decisive action to support our ARs in maximising opportunities, in particular in the re-mortgage and protection segments. We held numerous training sessions, campaigns and business owner seminars throughout the year to ensure this goal was achieved. We also helped them to ensure that the transition to telephony and online advice was seamless.

We created a financial support information pack for our ARs to help business owners keep abreast of all the Government's financial support schemes available to them during the pandemic, and arranged coaching and wellbeing sessions for their staff. We also launched campaigns to help support new and existing clients in addressing the financial challenges brought about by the pandemic. These campaigns included our National Mortgage Information Support Service campaign and were extremely well received.

We aim to be at the forefront of providing good advice to consumers, leveraging our proprietary MIDAS Pro software platform, by offering our customers the choice of how they want to transact whilst giving our ARs the tools to improve their productivity. ARs input regularly into the MIDAS Pro platform for instance through the Regular User Group that we have set up.

We run educational events for the continuing professional development of our Advisers. These events supplement our content-rich MABChat online platform which is used across our network. Approximately 350 Advisers have graduated from our training Academy. MAB has achieved the City & Guilds Princess Royal Training Award. The award is an honour for UK employers across all industries that have created lasting impact by successfully linking their skills development needs to business performance.

The quality of consumer outcomes is central to our culture, which is reflected in our compliance strategy. We run regular compliance workshops for each AR firm, and in 2020 we rolled out MAB Hub within our network, a new online platform which improved the provision of proactive and efficient compliance support to our ARs whilst helping their Advisers with continuing professional development.

Strong and sustainable relationships with our product providers are also fundamental to our success. We hold regular roundtable events with them where topics such as business process improvements are discussed as a group. This open dialogue has for instance contributed to the implementation by our technology team of a more seamless mortgage submission process. We have also established a number of direct to lender submission routes for mortgage applications and have completed our first full integration with a top ten lender.

Charitable donations

Corporate Social Responsibility is important to the Group. Towards the end of 2020 we wanted to ensure we gave back to the community, as the pandemic meant that we did not hold as many fundraising events as we would normally have had during the year. We selected The Padley Group and ReThink Mental Illness, two charities which align closely to our values and have an important role in supporting vulnerable people through these difficult times, and we donated £10,000 to each of them.

Political donations

The Group has made no political donations during the year (2019: £nil).

Environmental

The Board believes in good environmental practices. In 2020 we have continued to introduce a number of initiatives to minimise our impact on the environment, as set out in the Environmental performance and strategy section on pages 32 and 33. However, due to the nature of its business generally, the Group does not have a significant environmental impact.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held on 25 May 2021. The notice of meeting is included with this document and contains further information on the ordinary business to be proposed at the meeting.

Our preference had been to welcome shareholders in person to our 2021 AGM, particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. However, at present, considerable uncertainty remains on the level of freedom we will have to travel and meet in a group indoors by 25 May 2021. We are therefore proposing to hold the AGM at 14 Mallard Way, Derby, DE24 8GX, but due to the current Government restrictions in place and the unpredictable circumstances, shareholders are strongly encouraged not to attend the AGM in person but can be represented by the Chair of the meeting acting as their proxy.

This situation is constantly evolving and the Government may change current restrictions or implement further measures, between the date of writing and the date of the AGM. We will provide information on our website regarding any changes to the AGM arrangements and we encourage shareholders to check regularly for updates.

We encourage electronic engagement with shareholders before and after the AGM. More details on this year's AGM and how to communicate your questions ahead of the AGM are included in the notice of meeting.

Principal risks and uncertainties

The Directors' view of the principal risks and uncertainties facing the business is summarised in the Strategic report on pages 20 to 26. A full review of financial risk management can be seen on pages 93 to 96.

Corporate governance

A full review of Corporate governance appears on pages 40 to 45.

Auditors

BDO LLP, who were appointed as auditors during 2014, have confirmed their willingness to continue in office as auditor in accordance with Section 489 of the Companies Act 2006. The Group is satisfied that BDO LLP are independent and there are adequate safeguards in place to safeguard their objectivity. A resolution to re-appoint BDO as the Company's auditor will be proposed at the AGM on 25 May 2021.

Directors' statement as to disclosure of information to the auditor

All of the Directors who were members of the Board at the time of approving the Directors' Report have taken all the steps they might reasonably be expected to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. To the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware.

On behalf of the Board

Lucy Tilley
Chief Financial Officer

22 March 2021

Introduction

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Group is required to apply a recognised corporate governance code. The Board has resolved to adopt the Quoted Companies Alliance ("QCA") corporate governance code, which requires the Group to apply 10 principles focused on the pursuit of medium to long-term value for shareholders and also to publish certain related disclosures.

As a Board we believe that good governance is crucial to the delivery of our strategic objectives. We aim always to remain abreast of best practice and of developments in the regulatory framework within which we operate, and in the way in which we seek to serve the needs of our customers.

Further details on MAB's corporate governance are contained in the section entitled 'Corporate Governance' on MAB's investor website (www.mortgageadvicebureau.com/investor-relations).

Board composition and independence

In 2020, the Board of Directors comprised three Executive Directors, three independent Non-Executive Directors and one other Non-Executive Director. Their biographies on page 34 demonstrate a range of experience which is key to the success of the Group.

On 1 March 2021, Mike Jones joined the Board of Directors as an independent Non-Executive Director, having recently retired from Lloyds Banking Group ("LBG"), the UK's largest mortgage lender. Most recently Mike was Managing Director, Intermediaries & Specialist Brands at LBG. Mike will serve on the Audit, Remuneration, Nomination and Group Risk Committees, and will stand for election at the 2021 Annual General Meeting.

The four independent Non-Executive Directors are considered by the Board to be independent of management and free from any relationship which might materially interfere with the exercise of independent judgement. As such, they provide a strong independent element to the Board. The Board does not consider the independent Non-Executive Directors' shareholdings to impinge on their independence. Nathan Imlach is the Senior Independent Director.

All the Non-Executive Directors bring a mix of skills and experience at a senior level of business operations and strategy. Together they bring the skills and experience which support our strategic direction and our culture.

All Directors have access to the Company Secretary, Fabien Holler, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. The Board meets at least seven times each year, and additional meetings are held as required. The Board is the principal forum for directing the business of the Group.

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group, sets its long-term objectives and commercial strategy, and approves its business plans, operating and capital budgets, and the interim and annual accounts.

The Board considers and approves the Group's dividend policy, changes in the Group's capital and financing structure, and significant transactions including acquisitions and disposals. The Board is responsible for ensuring the maintenance of a sound system of internal control and risk management, for Board appointments and succession planning, the approval of the Remuneration Policy and remuneration arrangements for the Directors and other senior managers, and for setting the terms of reference for Board Committees. Other matters are delegated to management, supported by policies for reporting to the Board.

The Company maintains appropriate insurance cover in respect of legal action against the Company's Directors, but no cover exists in the event that a director is found to have acted fraudulently or dishonestly.

The agenda and papers for Board meetings are distributed by the Company Secretary on a timely basis, usually five days before each Board meeting.

The roles of Chair and Chief Executive Officer are distinct with clear division of responsibilities. The Chair's role is to ensure good corporate governance, and her responsibilities include leading the Board, ensuring the effectiveness of the Board in all aspects of its role, setting the Board's agenda, ensuring that all directors participate fully in the activities and decision making of the Board, and ensuring communication with shareholders. As part of the Senior Managers and Certification Regime ("SM&CR") which applies to the Company as an FCA-regulated firm, the Chief Executive Officer, Deputy Chief Executive Officer and Chief Financial Officer each have a specific role clearly set out in a statement of responsibilities. Together, they are responsible for overseeing the development and the delivery of the strategy approved by the Board, and the day-to-day operational and commercial management of the Group by the senior executive team. The Board is committed to developing the corporate governance and management structures of the Group to ensure they continue to meet the ongoing needs of the business.

On appointment, Board members, in particular the Chair and the Non-Executive Directors, disclose their commitments and agree to allocate such time as is necessary to the Company in order to discharge their duties effectively. The Board has considered the time commitments of each director and is comfortable that each has sufficient available capacity to carry out the required duties for the Company. Any conflicts of interest are dealt with in accordance with the Board's conflict of interest procedures.

All Executive and Non-Executive Directors retire and put themselves forward for re-election annually at each Annual General Meeting and as such all Directors will stand for (re-) election at the 2021 Annual General Meeting.

The Board aims to lead by example and do what is in the best interests of the Company. We have a strong set of values that we communicate as fundamental to achieving good customer outcomes and promoting business success, and this is core to our culture. The board is committed to ensuring MAB has a healthy corporate culture and conducts an annual staff survey as part of this.

Induction, training and performance evaluation

All the Directors keep abreast of key issues and developments pertaining to industry, financial, regulatory and governance matters. The Directors regularly attend briefing seminars, conferences and/or industry forums, read trade publications and undertake training courses or online learning to keep up-to-date on relevant matters. Where appropriate, the Board receives presentations from industry and professional experts. The Chief Executive Officer and Deputy Chief Executive Officer are regular participants at a number of industry specific conferences, and the Chief Financial Officer regularly participates in seminars on accounting, other financial and governance matters.

In addition, the Non-Executive Directors hold other directorships and continually add to their skillset through those connections. Regular and open communication ensures that relevant information is disseminated effectively to the Board as a whole. Any Director, on appointment and throughout their service, is entitled to receive any training they consider necessary to fulfil their responsibilities effectively.

As required by SM&CR, the non-executive Chair regularly assesses the continuing fitness and propriety of each Board member and their individual contributions to ensure amongst other things that:

- their contribution is relevant and effective;
- they are committed; and
- where relevant, they have maintained their independence.

Board evaluation

In 2020 the board undertook an internal review of the Board's, Committee's and Chair's performance and overall effectiveness. The effectiveness evaluation assessed written feedback and focused on the following areas:

- composition, mix of skills and experience, diversity;
- procedures and operation of the Board and Committees;
- culture and tone from the top;
- stewardship and governance; and
- strategy.

Each member of the Board was surveyed and their responses compiled, and a detailed report was prepared, reviewed by the Chair and openly discussed by the Board. The evaluation confirmed that the board understands its strengths and weaknesses, and can respond accordingly. The Board concluded that the composition of the Board and its Committees are appropriate, procedures in place are effective, responsibilities are divided clearly, and the Directors have the skills and experience, independence and knowledge to allow the Board and its Committees to effectively discharge their duties. The Senior Independent Director conducted a separate review with each of the Directors to assess the performance of the Chair and compiled a detailed report on the following areas, shared with the Chair, and which concluded that the chair was effective, and had the requisite skills, experience and knowledge required.

Induction programme

The Board has an induction programme so that new directors receive a formal induction on their appointment covering the activities of the Group, its key business, governing law and corporate governance codes, strategy, financial and regulatory risks, the terms of reference of the Board and its Committees, and the latest financial information. The induction programme includes meetings with the Executive Directors, Company Secretary, members of the Executive board and other members of management, meetings with external advisers including our Nominated Adviser and auditors as appropriate, and access to Board and Committee papers and minutes.

Board committees

To assist in discharging its duties, the Board has delegated authority to four specialist committees: an Audit Committee, a Group Risk Committee, a Remuneration Committee, and a Nominations Committee. The terms of reference of each committee are approved by the Board and kept under review. The Chair of each committee provides a report of any meeting of that committee at the following Board meeting.

Meetings and attendance

All directors are expected to attend all Board meetings and meetings of Committees of which they are members. In 2020, the number of Board meetings held was unusually high as the Group faced the challenges caused by the COVID-19 pandemic. Directors' attendance at meetings during the year was as follows:

Meetings attended (eligible to attend)	Board	Audit	Remuneration	Nomination	GRC
Katherine Innes Ker	17 (17)	2 (2)	7 (7)	1 (1)	5 (5)
Peter Brodnicki	17 (17)	–	–	1 (1)	5 (5)
Ben Thompson	17 (17)	–	–	–	5 (5)
Lucy Tilley	17 (17)	–	–	–	5 (5)
Nathan Imlach	17 (17)	2 (2)	7 (7)	1 (1)	5 (5)
Stephen Smith	17 (17)	2 (2)	7 (7)	1 (1)	5 (5)
David Preece	17 (17)	1 (1)[1]	3 (3)[1]	1 (1)	5 (5)

Notes:

1. David Preece stood down as a member of the Audit and Remuneration Committees following the Company's 2020 AGM.

Audit Committee

As at 31 December 2020, the Audit Committee comprised Nathan Imlach (Chair), Katherine Innes Ker, and Stephen Smith. David Preece stood down from the Audit Committee following the Company's AGM in May 2020, and on 1 March 2021 Mike Jones joined the Committee as an independent Non-Executive Director.

Nathan Imlach is a Chartered Accountant and the Board is satisfied that all members of the committee have recent and relevant financial experience. The Committee meets together with the Chief Financial Officer, Lucy Tilley, not less than twice a year. The Board believes the Committee is independent, with all members being independent Non-Executive Directors.

The key responsibilities of the Audit Committee are:

- to review the reporting of financial and other information to the shareholders of the Company and to monitor the integrity of the financial statements;
- to review the Company's accounting procedures and provide oversight of significant judgement areas;
- to review the effectiveness of the external audit process and the independence and objectivity of the external auditor;
- to review the effectiveness of the Group's internal financial control and risk management systems; and
- to report to the Board how it has discharged its responsibilities.

Committee meetings are normally attended by the Chief Financial Officer and by representatives of the external auditors by invitation. The presence of other senior executives from the Group may be requested. The Committee meets with representatives of the external auditors without management present at least once a year.

Activities during the year

The Audit Committee met twice during the year, where it considered the significant financial and audit issues, the judgements made in connection with the financial statements and reviewed the narrative within the Annual Report and the Interim Report.

During the year the Audit Committee considered the establishment of an internal audit function and the most appropriate way for this to be structured. In light of an ever-changing regulatory environment, the committee resolved that outsourcing gives the Company access to greater skills externally, while having the ability to shrink or expand our internal audit activities to meet the ongoing demands of the business. As the third line of defence, the internal audit function (together with the external auditors in connection with their audit of the financial statements) builds risk awareness within the organisation by challenging the first and second lines of defence to continue improving the controls framework.

The Audit Committee determined that the internal audit function would be put out to tender in 2021. Having concluded a competitive tender in line with best practice, RSM were appointed as Internal Auditor in March 2021.

The Audit Committee also considered the appointment of, and fees payable to, the external auditor and discussed with them the scope of the interim review and annual audit.

Specific audit issues the committee discussed included:

- consideration of the potential impact on the financial statements of risks associated with Brexit and the COVID-19 pandemic;
- assessment of whether each entity and the group as a whole are going concerns, including whether forecast performance would result in an adequate level of headroom over the group's available cash facilities, including the potential impacts of Brexit and the COVID-19 pandemic;
- review of the whether any impairment needed to be recognised in respect of the carrying value of investments in and loans to associates;
- provisions recognised in respect of commission on life policies that may be clawed back if the policy lapses within four years of being taken out and management's key assumptions and estimates applied in reaching these recognition and measurement decisions;
- development of a formal policy on the provision of non-audit services by the external auditors, in line with the FRC's Ethical Standard for Auditors;
- the correct recognition of revenues under IFRS 15; and
- consideration of the design and implementation of information technology general controls around logical access management and change management for the Company's key financial systems and how to further enhance these controls, through segregation of duties, adherence to formal change processes and formal user access reviews.

External auditor

An analysis of fees payable to the external audit firm in respect of audit and non-audit services during the year is set out in note 6 to the financial statements. The Company is satisfied the external auditor remains independent in the discharge of their audit responsibilities.

The Committee also reviews the external auditor's management letter and detailed presentations are made to the Committee by the Company's auditor at least once a year.

Remuneration Committee

As at 31 December 2020, the Remuneration Committee comprises Katherine Innes Ker (Chair), Nathan Imlach, and Stephen Smith. David Preece stood down from the Remuneration Committee following the Company's AGM in May 2020, and on 1 March 2021 Mike Jones joined the Committee as an independent Non-Executive Director.

The Committee meets not less than twice a year, and more frequently as required. It is responsible for determining and reviewing the Group's policy on executive remuneration and other benefits, ensuring that this is aligned to the delivery of the Group's strategic objectives and terms of employment, including performance-related bonuses and share options. The Committee administers the operation of the share option and share incentive schemes established by the Company.

The members of the Remuneration Committee have no personal interest in the outcome of their decisions and seek to serve the interests of shareholders to ensure the continuing success of the Company. All members of the Remuneration Committee are independent Non-Executive Directors. The remuneration of the Non-Executive Directors is determined by the Executive Directors of the Board. No Director is permitted to participate in decisions concerning their own remuneration.

The Committee met seven times during the year, with key items considered including:

- the Group's remuneration policy and its operation since IPO in 2014;
- annual review of the Executive Directors' and other Senior Managers' base salaries and bonus arrangements;
- awards to be granted under the share option and share incentives schemes operated by the Company;
- vesting of executive options; and
- vesting of the Appointed Representative options.

The Committee continues to review the Group's long-term incentive plans to ensure it can continue to attract, retain and incentivise appropriately qualified staff to achieve its goals.

Further information about the Committee and the Group's remuneration policy is as set out on pages 46 to 50 in the Directors' Remuneration Report.

Nominations Committee

The Nominations Committee comprises Katherine Innes Ker (Chair), Nathan Imlach, David Preece, Stephen Smith and Peter Brodnicki, and on 1 March 2021 Mike Jones joined the Committee as an independent Non-Executive Director.

The Committee is responsible for:

- reviewing the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board and to make recommendations to the Board with regard to any changes;
- succession planning for both Executive Directors and Non-Executive Board roles, and other Senior Executives in the Group; and
- identifying and recommending to the Board for approval candidates to fill Board and senior management vacancies where required.

The Committee works in close consultation with the Executive Directors, with its main priorities being Board structure, ensuring that we have the right skills and experience to fulfil our responsibilities, and management development and succession.

The Nominations Committee met once during the year, to consider succession planning for the Executive Directors, to note appointments to the executive team, to consider the development of succession planning for the Non-Executive Directors, and the appointment of Mike Jones as an independent Non-Executive Director.

Group Risk Committee, and Risk and Compliance Committee

The Group Risk Committee ("GRC") comprises Stephen Smith (Chair), Katherine Innes Ker, Nathan Imlach, David Preece, Peter Brodnicki, Ben Thompson and Lucy Tilley, and on 1 March 2021 Mike Jones joined the Committee as an independent Non-Executive Director.

The GRC meets five times per annum to review and discuss the following:

- All major Group-related existing and potential risks, including a review of the Group Risk Register, Risk Appetite and Management Framework, and any RCC escalations;
- Regulatory consultation papers and impending legislation changes;
- Senior Managers and Certification Regime ("SM&CR");
- General Data Protection Regulation ("GDPR");
- Cyber Security;
- Operational Resilience;
- Environmental, Social and Governance ("ESG"), vulnerable clients, diversity, and any other relevant regulatory themes;
- The effectiveness of the Group's procedures on whistleblowing, anti-bribery and corruption, and anti money-laundering; and
- Other major risk considerations and relevant upcoming legislation.

The Risk and Compliance Committee ("RCC") reports to the GRC and meets on a monthly basis to review the adequacy and effectiveness of the Company's internal controls, compliance and risk management systems (including conduct risk), ensuring that the Company is fulfilling its regulatory responsibilities. As and when required, the RCC escalates major risk events to the GRC.

The Group's risk framework is designed to ensure that risks are identified, managed and reported effectively. The Group has been investing in its risk management framework to meet the requirements of key regulatory changes that might apply to the Group, such as MIFID II, the GDPR and the SM&CR, as well as implementing its own Risk Profiler system. The Group's risk management framework remains subject to ongoing review.

The Committee met five times during the year, with key items considered, in addition to those set out above, including:

- review of the Group's key risks in light of the COVID-19 pandemic;
- bringing forward a technology programme to enable the Group to better support Advisers who were required to work remotely and securely; and
- streamlining and strengthening the Group's governance and oversight of ARs and their Advisers.

Communications with shareholders

The Board is committed to maintaining communication with the Company's shareholders. The principal methods of communication with private investors remain the Annual Report and financial statements, the Interim Report, the AGM and the Group's website (www.mortgageadvicebureau.com/investor-relations).

All Directors will normally attend each AGM and shareholders are given the opportunity to ask questions. In addition, the Chief Executive, Deputy Chief Executive and Chief Financial Officer welcome dialogue with individual institutional shareholders to understand their views and feed these back to the Board. General presentations are also given to analysts and investors covering the annual and interim results, and prompt feedback is received by the Board through the Company's corporate broker.

The Board aims to be open with shareholders and available to them, subject to compliance with relevant securities laws. The Chair and other Non-Executive Directors make themselves available for meetings as appropriate.

The Board takes seriously its responsibilities to maintain a healthy dialogue with shareholders. The Board recognised that a significant proportion of the votes were cast against the re-election of David Preece at the 2020 AGM on 26 May 2020, and promptly engaged with shareholders to better understand their concerns. David Preece immediately volunteered to stand down from the Audit and Remuneration Committees following the AGM. As a former Executive Director, David Preece does not meet the definitions of independence but remains a highly valued and respected member of the Board, providing wide experience of our industry and markets, extensive expertise, and wise counsel.

Our preference had been to welcome shareholders in person to our 2021 AGM, particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. However, at present, considerable uncertainty remains on the level of freedom we will have to travel and meet in a group indoors by 25 May 2021. We are therefore proposing to hold the AGM at 14 Mallard Way, Derby, DE24 8GX, but due to the current Government restrictions in place and the unpredictable circumstances, shareholders are strongly encouraged not to attend the AGM in person but can be represented by the Chair of the meeting acting as their proxy. We encourage electronic engagement with shareholders before and after the AGM, as set out in the notice of meeting.

Internal control and risk management

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can only provide reasonable not absolute assurance against material misstatement or loss.

The Directors believe that the Group has internal control procedures in place appropriate to the size and nature of the business. In accordance with the guidance of the Turnbull Committee on internal control, an ongoing process is in operation for the identifying, evaluating and managing significant risks faced by the Group. The Board routinely reviews the effectiveness of the system of internal control and risk management to ensure controls react to changes in the nature of the Group's operations. There are two Board committees that review various risks: the Audit Committee and the Group Risk Committee. Further details of these committees are described on pages 42 to 44.

The Group maintains appropriate insurance cover and reviews the adequacy of the cover regularly, in conjunction with the Group's insurance brokers.

On behalf of the Board

Lucy Tilley
Chief Financial Officer

22 March 2021

Remuneration Committee

The committee is responsible for the Group's policy on executive remuneration, including performance related annual bonus and share options, other benefits, and terms of employment. The Committee also administers the operation of the share option schemes and share incentive schemes established by the Company, including the Long Term Incentive Plan ("LTIP") and Appointed Representative option scheme. The Committee operates under terms of reference approved by the Board.

The members of the Committee as at 31 December 2020 were Katherine Innes Ker (Chair), Nathan Imlach and Stephen Smith.

Remuneration Policy

The Group's remuneration policy sets basic salaries at a level which is competitive with comparable AIM-listed businesses, with a substantial proportion of the overall package of compensation linked to performance through participation in short and long term incentive schemes. Executive Directors receive other customary benefits such as pension contributions, death in service insurance, sick pay, and private medical insurance. The objective is to attract, retain and appropriately incentivise high quality executives capable of achieving the Group's objectives and thereby enhance shareholder value.

During the year the Committee took advice from Aon Hewitt Limited, a trading division of Aon plc and latterly Alvarez and Marsal Holdings, LLC, on the share incentive plans. Neither provided any other advice to the Group. Alvarez and Marsal Holdings, LLC is a member of the Remuneration Consultants Group.

The Committee also reviewed the Company's remuneration policy during the year and will continue this exercise in 2021, assessing the appropriateness and effectiveness of the performance measures in use and the balance between the use of short and long term performance measures in connection with annual bonuses and LTIP awards.

Remuneration Activity in Response to the Pandemic

During a year dominated by the Coronavirus pandemic, the health, safety and wellbeing of our employees remained our primary concern. The Executive Directors and senior managers responded quickly to the outbreak of Coronavirus and took decisive action to protect our employees. At the beginning of the first Government-mandated lockdown in March 2020, we closed the Head Office in Derby, directing employees to work from home. The housing market was closed for almost two months and during this period a number of employees were placed on furlough, and the Company applied for and received Government grants under the Coronavirus Job Retention Scheme (CJRS). The Board implemented a precautionary paycut from 1 April 2020, amounting to a 20% reduction in the salaries and fees for the Board and all non-furloughed employees, and 50% for the Chief Executive Officer. In April 2020, the planned annual grant of awards under the LTIP was deferred.

Towards the end of May 2020 the housing market reopened and by 1 July 2020, all of MAB's staff that were still furloughed had returned to work, with the exception of some of those within First Mortgage due to the timing of the Scottish property market reopening. All the employees, Executive Directors and Non-Executive Directors returned to full salary/ fees on 1 July.

The LTIP award for 2020 was granted in July. Further details can be found on page 50.

In September the Board approved the repayment in full of all the precautionary pay cuts applied in Q2 2020. In addition, employees whose salary had exceeded the cap under the CJRS had their salary made up to 80% of their annual salary during Q2 2020.

At the end of the financial year, the furlough grants received through the CJRS were repaid in full.

Salaries and Fees

Salaries for Executive Directors are reviewed annually, taking into account increases in base pay for employees and external benchmark data, and the effective date for changes in Directors' remuneration is 1 January. Salaries will remain unchanged in 2021, reflecting the impact of the continuing pandemic and the uncertain economic outlook.

Fees for the Non-Executive Directors are determined by the Executive Directors, having regard to the fees paid to Non-Executive Directors in other AIM-listed companies of a similar size and complexity, the time commitment and the responsibilities of the role. Non-Executive Directors do not receive bonuses and do not participate in the share incentive schemes. No options are held by the Independent Non-Executive Directors. No Director is permitted to participate in decisions about his or her own remuneration.

Non-Executive Directors are paid an annual base fee of £36,500. In 2020, fees for the Chairs of the Audit, Group Risk and Remuneration Committees, and for the Senior Independent Director, were introduced. Set at £3,500 and £2,000 per annum respectively, these were benchmarked against other AIM-listed companies and in part reflect increasing responsibilities under the Senior Managers and Certification Regime, which came into effect for MAB as a regulated entity in December 2019. Fees will remain unchanged in 2021.

Annual Bonus

The annual bonus scheme is based on the increase in actual profit before tax achieved for the year compared to the highest previous profit before tax achieved by the group, a "high watermark scheme". The maximum award under the scheme is 200% of basic salary for any individual Executive Director.

The two-month closure of the housing market in the second quarter meant that the profit before tax in 2020 did not exceed the previous highest profit before tax. At the request of the Chief Executive Officer, the Committee awarded a discretionary bonus of £100,000 each to the Deputy Chief Executive Officer and the Chief Financial Officer, in recognition of their management of the business in a year of exceptional operational and financial challenges. The Chief Executive Officer informed the Committee that he did not wish to be considered for a bonus, and the Committee agreed to this request.

Long Term Incentive Plan

The Group has adopted the Mortgage Advice Bureau Executive Share Option plan as the Long Term Incentive Plan (LTIP) to incentivise certain of its senior employees and directors.

On 22 July 2020, 203,668 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 exercise of the options is subject to the achievement of performance conditions based on total shareholder return ("TSR") and earnings per share ("EPS") criteria. Subject to the achievement of the performance conditions, these options will vest on 22 April 2023. The exercise price for these options is 0.1 pence, being the nominal cost of ordinary shares.

The fourth tranche of the options granted at IPO in November 2014 under the Mortgage Advice Bureau Executive Share Option plan vested in full on 31 March 2020. These were subject to the achievement of performance conditions, the details of which are set out in the Company's Admission Document.

The 2017 LTIP award vested in April 2020. Half of the award was subject to an EPS performance condition measured over three financial years and the other half subject to a TSR performance condition measured over three years from the date of grant. Of the two criteria, 81.8% of the EPS performance condition, and 95.6% of the TSR performance condition were achieved. As a result, 40.9% and 47.8% of the total award vested, giving overall vesting for the award of 88.7%.

Appointed Representative Options

On 21 May 2015 the Company granted 255,000 options to a number of its Appointed Representatives under the Mortgage Advice Bureau Appointed Representative Option Plan (the "AR Option Plan"). The AR Option Plan, the details of which are set out in the Company's Admission Document, was set up to reward selected ARs of the Company. The options vested on the fifth anniversary of grant subject to performance conditions, and a total of 230,760 options vested as a result of those conditions. 230,760 new ordinary shares of 0.1p each in the Company were issued on 2 June 2020 as a result of an exercise under the AR Option Plan.

Service Contracts

It is the Group's policy for all Executive Directors to have contracts of employment that contain a termination notice period not exceeding twelve months. The appointment of the Chief Executive Officer, Peter Brodnicki, continues until terminated by either party giving not less than twelve months' notice to the other party. The appointments of the Deputy Chief Executive Officer, Ben Thompson, and of the Chief Financial Officer, Lucy Tilley, continue until terminated by either party giving not less than six months' notice to the other party.

The Non-Executive Directors do not have service contracts. A Letter of Appointment provides for an initial period of 36 months and continues until terminated by either party by giving three months' prior written notice at any time after the initial 36-month period. All Directors are subject to annual re-election at the Annual General Meeting.

Employee Incentivisation and Reward

MAB is committed to the provision of an inclusive working environment and ensuring the fair reward of all employees, regardless of seniority across the business. In addition to the Executive Directors and senior management, the Committee considers wider workforce remuneration and reward.

Share Incentive Plan

The Mortgage Advice Bureau (Holdings) plc Share Incentive Plan (SIP) enables employees to buy shares in the Company at an effective discount to the London Stock Exchange price by having an amount deducted from pre-tax salary each month. In addition, the Company grants participating employees matching shares.

The Share Incentive Plan is popular among our employees, with over 40% of MAB employees participating. The average monthly contribution is £100. The take up among the employees of First Mortgage has also been increasing post the acquisition on 2 July 2019.

Shareholder Engagement

We take a keen interest in our shareholders' views on executive remuneration and welcome any feedback on the Directors' Remuneration Report.

At the 2020 AGM, the Board acknowledged that a significant proportion of the votes were cast against the resolution to re-elect David Preece. The board engaged will all those shareholders that had voted against in order to understand their views. These shareholders felt that David Preece did not meet the criteria of independence for a Non Executive Director as set out in the Financial Reporting Council's UK Corporate Governance Code, and should not be a member of the Committees of the Board. As a result, David Preece volunteered to stand down from the Audit and Remuneration Committees.

Directors' Emoluments

The Directors' remuneration payable in respect of the year ended 31 December 2020 was as follows:

	Basic salary and fees		Bonus		Pension contributions		Benefits[1]		Long-term incentive plan[2]		Total	
	2020 £000s	2019 £000s	2020 £000s	2019 £000s	2020 £000s	2019 £000s	2020 £000s	2019 £000s	2020 £000s	2019 £000s	2020 £000s	2019 £000s
Executives												
Peter Brodnicki	390	377	–	290	–	–	3	–	365	694	759	1,361
Ben Thompson	257	243	100	285	2	12	2	–	–	–	361	540
Lucy Tilley	246	237	100	193	4	5	–	–	100	283	450	718
Sub-Total	894	857	200	768	6	17	5	–	465	977	1,570	2,619
Non-Executives												
Katherine Innes Ker	85	77	–	–	–	–	–	–	–	–	85	77
Nathan Imlach	42	40	–	–	–	–	–	–	–	–	42	40
Stephen Smith	40	35	–	–	–	–	–	–	–	–	40	35
David Preece[3]	120	161	–	145	–	–	–	–	23	851	143	1,157
Sub-Total	287	313	–	145	–	–	–	–	23	851	310	1,309
Total	**1,180**	**1,170**	**200**	**913**	**6**	**17**	**5**	**–**	**489**	**1,829**	**1,880**	**3,928**

Notes:

1. The benefit package of each Executive Director includes the provision of life assurance and the option of private medical assurance under a Group scheme.
2. Total market price of shares under option vesting during the year at their vesting date, less any option exercise price payable.
3. For 2019, includes a basic salary and fees of £93,060 as an Executive Director (from 1 January 2019 until 1 July 2019), £17,500 as a Non-Executive Director (from 2 July 2019), and an additional consultancy fee of £50,400. The 2019 bonus corresponds to the time as an Executive Director. On his retirement on 1 July 2019, David Preece forfeited a portion of his options that would have vested in 2020 and 2021, and the remaining portion of the options granted in November 2014 at IPO vested on that date. For 2020, the basic salary and fees figure includes Non-Executive Director fees of £36,500 and an additional consultancy fee of £83,010.

Directors' Interests in Shares

As at 31 December 2020, the interest of the Directors in the Ordinary shares of the Company were:

Director	Ordinary shares of 0.1p	%
Katherine Innes Ker	13,867	0.03
Peter Brodnicki	13,476,227	25.35
Ben Thompson	118,415	0.22
David Preece	1,524,800	2.87
Lucy Tilley	18,107	0.03
Nathan Imlach	35,159	0.07

Note:
Directors' shareholdings include any shareholdings of trusts or family members deemed to be connected persons.

Interest in Options

The Group operates the Mortgage Advice Bureau Executive Option Plan by which certain of the Executive Directors and other Senior Executives are able to subscribe for ordinary shares in the Company. All options were measured at fair value at the date of grant. The interests of the Directors during 2020 were as follows:

Director		Date granted	Exercise price £	At 1 Jan 2020 No.	Granted during the year No.	Exercised during the year No.	Forfeited/ Not vested during the year No.	At 31 Dec 2020 No.
Peter Brodnicki	(1)	Jul-20	0.001	–	37,108	–	–	37,108
	(2)	Jul-19	0.001	37,396		–	–	37,396
	(4)	Apr-18	0.001	19,915	–	–	–	19,915
	(5)	Apr-17	4.3083	148,550	–	131,763	16,787	–
	(7)	May-16	3.5775	157,066	–	157,066	–	–
	(8)	Nov-14	1.60	162,500	–	162,500	–	–
				525,427	**37,108**	**451,329**	**16,787**	**94,419**
David Preece	(4)	Apr-18	0.001	6,159	–			6,159
	(5)	Apr-17	4.3083	53,738	–	47,665	6,073	–
	(7)	May-16	3.5775	129,199	–	129,199		–
	(8)	Nov-14	1.6	55,228	–	55,228		–
				244,324	**–**	**232,092**	**6,073**	**6,159**
Ben Thompson	(1)	Jul-20	0.001	–	37,108	–	–	37,108
	(2)	Jul-19	0.001	37,396	–	–	–	37,396
	(3)	Jun-18	0.001	59,263	–	–	–	59,263
				96,659	**37,108**	**–**	**–**	**133,767**
Lucy Tilley	(1)	Jul-20	0.001	–	28,862	–	–	28,862
	(2)	Jul-19	0.001	29,085	–	–	–	29,085
	(4)	Apr-18	0.001	19,915	–	–	–	19,915
	(5)	Apr-17	4.3083	95,165	–	84,410	10,755	–
	(6)	May-16	3.5775	21,532	–	21,532	–	–
	(7)	May-16	3.5775	74,732	–	74,732	–	–
	(9)	May-15	2.19	18,834	–	18,834	–	–
				259,263	**28,862**	**199,508**	**10,755**	**77,862**

Notes:
(1) Unapproved Option scheme - first date exercisable is 22 April 2023, last date exercisable is 22 July 2028.
(2) Unapproved Option scheme - first date exercisable is 1 July 2022, last date exercisable is 1 July 2027.
(3) Unapproved Option scheme - first date exercisable is 8 June 2021, last date exercisable is 6 June 2026.
(4) Unapproved Option scheme - first date exercisable is 11 April 2021, last date exercisable is 9 April 2026.
(5) Unapproved Option scheme - first date exercisable is 19 April 2020, last date exercisable is 18 April 2025.
(6) Approved Option scheme – first date exercisable is 4 May 2019, last date exercisable is 3 May 2024.
(7) Unapproved Option scheme – first date exercisable is 4 May 2019, last date exercisable is 3 May 2024.
(8) Unapproved Option scheme – first date exercisable is 31 March 2017, last date exercisable is 11 November 2022.
(9) Approved Option scheme – first date exercisable is 31 March 2017, last date exercisable is 11 November 2022 or in the case of Lucy Tilley, 19 May 2023.

All the LTIP awards are subject to a three-year service period from the date of grant. Half of the award is subject to a condition relating to the Company's growth in EPS over three financial years (the "EPS Performance Condition"), and the other half is subject to a condition relating to the Company's growth in TSR over three years from grant (the "TSR Performance Condition"). Vested and unvested LTIP awards are subject to a formal malus and clawback mechanism.

The following performance conditions apply to the LTIP awards granted in 2018 and 2019:

- EPS Performance Condition: if the average absolute annual growth in EPS is less than 7.5% per annum, none of the options will vest. Full vesting is achieved if the average absolute annual growth in EPS equals or exceeds 15% per annum.
- TSR Performance Condition: if the average absolute annual growth in TSR is less than 7.5% per annum, none of the options will vest. Full vesting is achieved if the average absolute annual growth in TSR equals or exceeds 15% per annum.

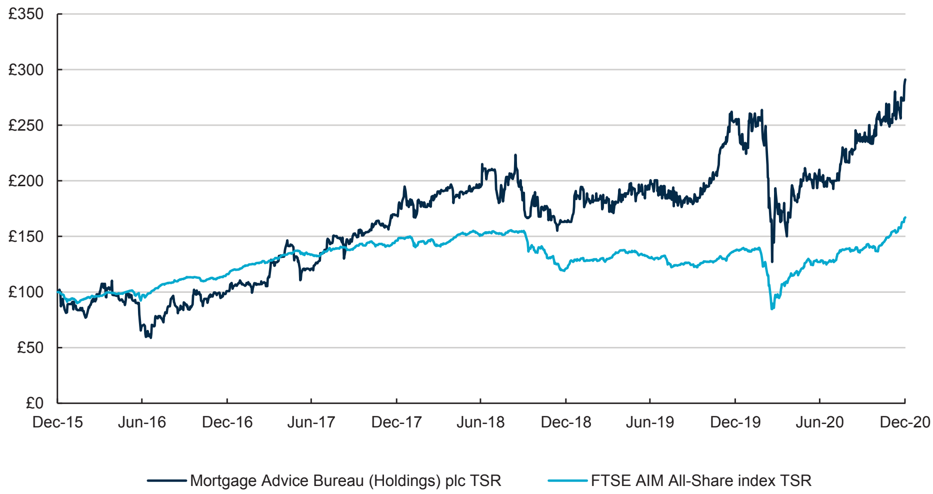
The LTIP award granted in 2020 is subject to the satisfaction of the following conditions, which reflect the adverse impact of the Coronavirus pandemic on the Group's EPS in 2020:

- EPS Performance Condition: if the absolute growth in EPS over the three-year performance period is less than 12.5%, none of the options will vest. Full vesting is achieved if the absolute growth in EPS equals or exceeds 25%.
- TSR Performance Condition: if the average absolute annual growth in TSR is less than 7.5% per annum, none of the options will vest. Full vesting is achieved if the average absolute annual growth in TSR equals or exceeds 15% per annum.

Note 29 to the financial statements contains details of all options granted to directors and employees as at 31 December 2020. All of the share options were granted for nil consideration.

Total Shareholder Return Performance Graph

The graph below illustrates the total shareholder return (TSR) for the five years ended 31 December 2020 in terms of the change in value of an initial investment of £100 against the corresponding TSR in hypothetical holdings of shares in the FTSE AIM All Share Index.



The Company is a member of the FTSE AIM All Share Index and considers this to be the most appropriate broad equity market index for the purpose of measuring the Company's relative performance.

The mid-market closing price of the Company's ordinary shares at 31 December 2020 was 866 pence and the range during the financial year was 385 pence to 866 pence.

None of the Directors had an interest in any contract of significance in relation to the business of the Company or its subsidiaries at any time during the financial year.

This Remuneration Report will be subject to an advisory vote at the 2021 AGM. Our goal is to be clear and transparent in the presentation of this report and I look forward to shareholders' support on this resolution.

On behalf of the Board

Katherine Innes Ker
Chair of the Remuneration Committee

22 March 2021

The Directors are responsible for preparing the Directors' report, strategic report and the financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 that are applicable to companies that prepare financial statements in accordance with IFRSs.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. The maintenance and integrity of the corporate and financial information included on the Group's website is the responsibility of the Directors. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mortgage Advice Bureau (Holdings) PLC (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group's financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company's financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

Following the recommendation of the Audit Committee we were appointed by the Board to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. In respect of the year ended we were appointed at the Annual General Meeting on 26 May 2020 to audit the financial statements for the year ended 31 December 2020. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2014 to 31 December 2020.

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- In evaluating whether the Group is a going-concern, we have assessed the reasonableness of the assumptions within management's forecast for liquidity and profitability for a period of 12 months from the signing of these accounts, agreeing back to supporting evidence. This involved considering the base and stress scenarios testing undertaken by management to support the going concern assessment which included assumptions about the potential impact this could have on revenue (mainly from purchase mortgages) and possible cost saving measures. We focused on the cash and capital position during this period.
- We have also searched publicly available information on house market and house price index to assess any impact on the Group's business.
- We enquired with management and assessing the implications of COVID-19 on the business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters		2020	2019
	Revenue recognition	✔	✔
	Clawback provision	✔	✔
	Carrying value of loans to associates and joint ventures	✔	✔
	Going concern	✘	✔
	Acquisition of First Mortgage Direct Limited (“FMD”)	✘	✔
	The acquisition of FMD is no longer considered to be a key audit matter because the acquisition and the related acquisition accounting occurred in 2019. Going concern is no longer considered a key audit matter as there is no significant risk identified from the Group’s ability to continue as a going concern.		
Materiality	Group financial statements as a whole £804,000 (2019: £885,000) based on 5% (2019: 5%) of Profit before tax, over a 3 year average (2019 – based on standalone year).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The audit of the Group was conducted by BDO LLP directly at Group level as all transactions are recorded in a common accounting system, except for those of First Mortgage Direct Limited, which has been consolidated within the Group. A full scope audit was carried out in respect of First Mortgage Direct Limited. The audit of the Group and all entities were conducted by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition Management's associated accounting policies are detailed on page 69. The Group's revenue comprises of commissions (including procuration fees), client fees and other income. Revenue recognition is considered to be a significant audit risk as it is a key driver of return to investors and there is a risk that there could be manipulation or omission of amounts recorded in the system.	We responded to this risk by performing the following procedures: • We tested that revenue is recognised in line with Group approved policies that are in accordance with accounting standards. • We tested the operating effectiveness of the reconciliation controls in place between revenue and cash banked and agreed back to third party reports. • For commission income we obtained the third party reports and tested a sample back to cash receipts. • Using third party reports, we recalculated all the procuration fees independently. • For other income we agreed a sample to third party statements and cash receipts. • We agreed a sample of other income to third party support • We vouched a sample of revenue to third party reports and bank to check that they have been accounted in the proper period and considered the reasonableness of assumptions used within the analysis. **Key observations:** Based on these procedures we consider revenue to have been recognised appropriately in line with accounting standards.

Key audit matters (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
Clawback provision Management's associated accounting policies are detailed on page 69 with detail about judgements in applying accounting policies and critical accounting estimates on page 71. The clawback provision relates to the estimated value of repaying commission received up front on life assurance policies that may lapse in a period of up to four years following inception of the policies. The clawback provision is considered a significant audit risk due to the management judgement and estimation applied in calculating the provision and we therefore considered this to a key audit matter.	We responded to this risk by performing the following procedures: • We compared the relevant assumptions e.g. unearned commission, likely future lapse rates and lapse rate history used in the model with third party reports. • For other assumptions e.g. age profile of the commission received, the Group's share of any clawback, and the success of the Appointed Representatives in preventing lapses and/or generating new income at the point of a lapse, we validated these to management's supporting analysis of the Group's actual experience. • We tested the arithmetical accuracy of the spreadsheet model. • We agreed inputs back to supporting documentation. **Key observations:** Based on the procedures undertaken we consider the judgments and estimates made by management in calculating the clawback provision to be reasonable.
Carrying value of loans to associates Management's associated accounting policies are detailed on page 68 with detail about judgements in applying accounting policies and critical accounting estimates on page 71. The group has granted loans to its associates. These loans are held at amortised cost. The carrying value of loans to associates is considered a significant risk due to the judgements and estimates used by management in the preparation of the expected credit loss model as required by accounting standards.	We responded to this risk by performing the following procedures: • We checked that the classification of the loans to associates was in line with the requirements of IFRS 9 by checking that they meet the requirements to be held at amortised cost. • We reviewed loan agreements to test for any movement in loan balances in the year. • We reviewed the Expected Credit Loss model in respect of the loans to associates and checked if this is in compliance with accounting standards, which involved: – Agreeing the key inputs to managements analysis and where relevant external specific loan documentation, including the level of credit risk, stage allocation, exposure at default, probability of default and loss given default; and – Performing sensitivity analysis on the probability of defaults and the credit risk staging. **Key observations:** There were no matters arising from performing these procedures.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Materiality	£804,000	£885,000	£223,000	£191,000
Basis for determining materiality	5% of profit before tax (2020 - 3 year average, 2019 – standalone year)		5% of net assets	
Rationale for the benchmark applied	Selected as our benchmark as the entity is listed with profitability seen as the main interest of investors.		Given that the entity is a holding company, it is appropriate to determine materiality based off of net assets.	
Performance materiality	75% of materiality 2020 - £603,000 (2019 - £664,000)		75% of materiality 2020 - £167,000 (2019 - £143,000)	
Basis for determining performance materiality	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.		Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	

Component materiality

The materiality used for the audit of First Mortgage Direct Limited as a component of the Group has been set at £109,000 (2019 - £117,000), calculated on the same bases as at the Group above.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £16,000 (2019: £17,000) for the Group and £4,000 (2019: £5,000) for the Parent Company. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Financial Conduct Authority ("FCA") regulations, FCA Mortgage Advice and Selling Standards and tax legislation.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the Financial Conduct Authority;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. As part of this discussion, we identified potential for fraud through accounting estimates such as impairment and clawback provision. See Key Audit Matters above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ariel Grosberg
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK
22 March 2021

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

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	3	**148,298**	143,741
Cost of sales	4	**(108,466)**	(107,316)
Gross profit		**39,832**	36,425
Administrative expenses		**(22,742)**	(18,877)
Impairment of loans to related parties	18	**(1,680)**	–
Share of profit of associates, net of tax	15	**36**	280
Impairment and amount written off associates	15	**(473)**	(192)
Operating profit		**14,973**	17,636
Analysed as:			
Operating profit before charging		**17,877**	18,623
Amortisation of acquired intangibles	5	**(367)**	(184)
Costs relating to First Mortgage option	5	**(857)**	(430)
Acquisition costs	5	**–**	(373)
Impairment of loans to related parties	18	**(1,680)**	–
Operating profit		**14,973**	17,636
Finance income	8	**120**	147
Finance expense	8	**(234)**	(86)
Profit before tax		**14,859**	17,697
Tax expense	9	**(2,081)**	(2,968)
Profit for the year		**12,778**	14,729
Total comprehensive income		**12,778**	14,729
Profit is attributable to:			
Equity owners of Parent Company		**12,379**	14,499
Non-controlling interests		**399**	230
		12,778	14,729
Earnings per share attributable to the owners of the Parent Company			
Basic	10	**23.7p**	28.2p
Diluted	10	**23.6p**	27.7p

All amounts shown relate to continuing activities.

The notes on pages 63 to 106 form part of these financial statements.

Consolidated statement of financial position
as at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**2,847**	2,924
Right of use assets	13	**2,590**	2,907
Goodwill	14	**15,155**	15,155
Other intangible assets	14	**3,262**	3,862
Investments in associates and joint venture	15	**4,883**	3,133
Investments in non-listed equity shares	16	**75**	75
Other receivables	18	**806**	3,330
Deferred tax asset	23	**822**	1,517
Total non-current assets		**30,440**	32,903
Current assets			
Trade and other receivables	18	**5,603**	4,959
Cash and cash equivalents	19	**32,981**	20,867
Total current assets		**38,584**	25,826
Total assets		**69,024**	58,729
Equity and liabilities			
Share capital	24	**53**	52
Share premium		**9,778**	5,451
Capital redemption reserve		**20**	20
Share option reserve		**1,807**	2,799
Retained earnings		**23,882**	17,272
Equity attributable to owners of the Parent Company		**35,540**	25,594
Non-controlling interests		**1,908**	1,595
Total equity		**37,448**	27,189
Liabilities			
Non-current liabilities			
Provisions	22	**4,576**	3,735
Lease liabilities	13	**2,352**	2,645
Deferred tax liability	23	**643**	651
Total non-current liabilities		**7,571**	7,031
Current liabilities			
Trade and other payables	20	**23,662**	22,371
Lease liabilities	13	**343**	334
Corporation tax liability		**–**	1,804
Total current liabilities		**24,005**	24,509
Total liabilities		**31,576**	31,540
Total equity and liabilities		**69,024**	58,729

The notes on pages 63 to 106 form part of these financial statements.

The financial statements were approved by the Board of Directors on 22 March 2021.

P Brodnicki
Director

L Tilley
Director

Consolidated statement of changes in equity
for the year ended 31 December 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 interests £'000	Total Equity £'000
Balance at 1 January 2019	51	4,094	20	1,675	14,829	20,669	–	20,669
Profit for the year	–	–	–	–	14,499	14,499	230	14,729
Total comprehensive income	–	–	–	–	14,499	14,499	230	14,729
Transactions with owners								
Issue of shares	1	1,357	–	–	–	1,358	–	1,358
Non–controlling interest on acquisition of subsidiary	–	–	–	–	–	–	1,365	1,365
Share based payment transactions	–	–	–	760	–	760	–	760
Deferred tax asset recognised in equity	–	–	–	544	–	544	–	544
Reserve transfer	–	–	–	(180)	180	–	–	–
Dividends paid	–	–	–	–	(12,236)	(12,236)	–	(12,236)
Transactions with owners	1	1,357	–	1,124	(12,056)	(9,574)	1,365	(8.209)
Balance at 31 December 2019 and 1 January 2020	**52**	**5,451**	**20**	**2,799**	**17,272**	**25,594**	**1,595**	**27,189**
Profit for the year	–	–	–	–	12,379	12,379	399	12,778
Total comprehensive income	–	–	–	–	12,379	12,379	399	12,778
Transactions with owners								
Issue of shares	1	4,327	–	–	–	4,328	–	4,328
Share based payment transactions	–	–	–	625	–	625	–	625
Deferred tax asset recognised in equity	–	–	–	(674)	–	(674)	–	(674)
Reserve transfer	–	–	–	(943)	943	–	–	–
Dividends paid	–	–	–	–	(6,712)	(6,712)	(86)	(6,798)
Transactions with owners	1	4,327	–	(992)	(5,769)	(2,433)	(86)	(2,519)
Balance at 31 December 2020	**53**	**9,778**	**20**	**1,807**	**23,882**	**35,540**	**1,908**	**37,448**

Consolidated statement of cash flows
for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit for the year before tax		**14,859**	17,697
Adjustments for:			
Depreciation of property, plant and equipment	12	**383**	303
Depreciation of right of use assets	13	**381**	187
Amortisation of intangibles	14	**601**	249
Share based payments		**625**	760
Share of profit from associates	15	**(36)**	(280)
Impairment and amount written off associates	15	**473**	192
Dividends received from associates	15	**158**	311
Finance income	8	**(120)**	(147)
Finance expense	8	**234**	86
		17,558	19,358
Changes in working capital			
Decrease in trade and other receivables	18	**2,361**	254
Increase in trade and other payables	20	**1,291**	2,566
Increase in provisions	22	**841**	586
Cash generated from operating activities		**22,051**	22,764
Interest received	8	**139**	77
Income taxes paid		**(4,372)**	(2,360)
Net cash generated from operating activities		**17,818**	20,404
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		**–**	(12,223)
Purchase of property, plant and equipment	12	**(306)**	(186)
Purchase of intangibles	14	**(1)**	(1)
Acquisitions of associates and investments	15	**(2,345)**	(1,591)
Acquisition of investments in non-listed equity shares	16	**–**	(75)
Net cash used in investing activities		**(2,652)**	(14,076)
Cash flows from financing activities			
Proceeds from borrowings	8	**12,000**	6,500
Repayment of borrowings	8	**(12,000)**	(6,500)
Interest paid	8	**(234)**	(86)
Principal element of lease payments	13	**(348)**	(163)
Issue of shares	24	**4,328**	1,358
Dividends paid	11	**(6,712)**	(12,236)
Dividends paid to minority interest		**(86)**	–
Net cash used in financing activities		**(3,052)**	(11,050)
Net increase/(decrease) in cash and cash equivalents		**12,114**	(4,722)
Cash and cash equivalents at the beginning of year		**20,867**	25,589
Cash and cash equivalents at the end of the year		**32,981**	20,867

The notes on pages 63 to 106 form part of these financial statements

Mortgage Advice Bureau

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented.

The consolidated financial statements are presented in Great British Pounds and all amounts are rounded to the relevant thousands, unless otherwise stated.

These financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 that are applicable to companies that prepare financial statements in accordance with IFRSs.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report as set out earlier in these financial statements. The financial position of the Group, its cash flows and liquidity position are described in these financial statements.

The Group made an operating profit of £15.0m during 2020 (2019: £17.6m) and had net current assets of £14.6m at 31 December 2020 (31 December 2019: £1.3m) and equity attributable to owners of the Group of £35.6m (31 December 2019: £25.6m).

Going concern

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

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

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

Changes in accounting policies

New standards, interpretations and amendments effective for the year ended 31 December 2020

New standards, interpretations and amendments applied for the first time

The Group applied IFRS 16: Covid-19 Related Rent Concessions for the first time. The nature and the effect of the changes as a result of adoption of this new accounting standard is described below.

Several other standards and interpretations apply for the first time in 2020 but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet 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 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.

Due to the impact of the first Government lockdown, the Group received rent concessions in the form of 'rent forgiveness' from lessors due to the Group being unable to operate from premises with all employees working from home. Substantially all the rent concessions entered into during the year satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of £0.1m and the subsequent benefit has been recorded in the consolidated statement of comprehensive income under administrative expenses. The application of this new standard also resulted in a 0.1p benefit on both basic and diluted earnings per share.

1 Accounting policies (continued)

Changes in accounting policies (continued)

New standards with no impact on the Group

- **Amendments to IFRS 3: Definition of a business.** The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than the ability to create outputs.

  The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Entities do not have to revisit such transactions that occurred in prior periods.

- **Amendments to IAS I and IAS 8:** Definition of material. In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

- **The Conceptual Framework of Financial Reporting.** The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

- **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform.** The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Group does not have any interest rate hedge relationships.

New standards, interpretations and amendments not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Future new standards and interpretations

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

Standard or Interpretation	Periods commencing on or after
Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9	1 January 2021
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities	1 January 2022
Amendments to IFRS 3, IAS 16, IAS 17 and annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 1	1 January 2022
IFRS 17, 'Insurance contracts'	1 January 2023

Other than to expand certain disclosures within the financial statements, the Directors do not expect the adoption of these standards and interpretations listed above to have a material impact on the financial statements of the Group in future periods.

1 Accounting policies (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

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

Basis of consolidation

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

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

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

Associates

Where the Group has the power to participate in, but not control the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment. More information on the impairment of associates is included in note 2.

Joint ventures

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in the joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment at rates calculated to write off the cost of each asset on a straight line basis over their expected useful lives, as follows:

Freehold land	not depreciated
Freehold buildings	36 years
Fixtures and fittings	5 years
Computer equipment	3 years

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. The Directors reassess the useful economic life of the assets annually.

Goodwill

Goodwill represents the excess of a cost of a business combination over the Group's interest in the fair value of identifiable assets under IFRS 3 Business Combinations.

1 Accounting policies (continued)

Goodwill (continued)

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Other intangible assets

Intangible assets other than goodwill acquired by the Group comprise licences, the website and software and are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income within administrative expenses on a straight line basis over the period of the licence agreements or expected useful life of the asset and is charged once the asset is in use. Assets are tested annually for impairment or more frequently if events or circumstances indicate potential impairment.

Amortisation, which is reviewed annually, is provided on intangible assets to write off the cost of each asset on a straight line basis over its expected useful life as follows:

Licences	6 years
Website and Software	3 years
Customer contracts	9 years
Trademarks	10 years

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are tested annually for impairment or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows, its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss except to the extent that they reverse gains previously recognised in other comprehensive income. An impairment loss for goodwill is not reversed.

Financial assets

In the consolidated statement of financial position, the Group classifies its financial assets into one of the following categories dependent on the purpose for which the financial asset was acquired.

- Fair value through profit or loss
- Amortised cost

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments which arise principally through the Group's trading activities, and these assets arise principally to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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.

Impairment provisions for loans to associates and other 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.

Cash and cash equivalents include cash in hand and deposits held at call with banks with an original maturity of three months or less.

Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently carried at amortised cost.

1 Accounting policies (continued)

Leases

The Group's leasing activities and how they are accounted for

The Group leases a number of properties from which it operates. Rental contracts are typically made for fixed periods of five to ten years, with break clauses negotiated for some of these.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

The Group adopted the modified transition approach and from 1 January 2019, all leases are accounted for by recognising a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Payments associated with short-term leases and leases of low value assets will continue to be recognised on a straight line basis as an expense in the statement of comprehensive income. Low value assets within the Group comprise of IT equipment.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- where it does not have recent third party financing, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group does not revalue its land and buildings that are presented within property, plant and equipment, and has chosen not to do so for the right of use buildings held by the Group.

Variable lease payments

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Two property leases contain variable lease payments linked to current market rental from January 2023 and August 2023. A 1% fluctuation in market rent would impact total annual lease payments by approximately £16,000.

Extension and termination options

Termination options are included in a number of the leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

1 Accounting policies (continued)

Leases (continued)

Extension and termination options (continued)

For leases of property, the following factors are normally the most relevant:

- If there are significant penalties to terminate, the Group is typically reasonably certain not to terminate.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to not terminate.
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

At 31 December 2020, the carrying amounts of lease liabilities are not reduced by amount of payments that would be avoided from exercising a break clause because it was considered reasonably certain that the Group would not exercise its right to break the lease. Total lease payments of £0.7m are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Where goodwill has been allocated to the Group's cash-generating units ("CGUs") and part of the operation within the unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the subsequent acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Where a business combination is for less than the entire issued share capital of the acquiree and there is an option for the acquirer to purchase the remainder of the issued share capital of the business and/or for the vendor to sell the rest of the entire issued share capital of the business to the acquirer, then the acquirer will assess whether a non-controlling interest exists and also whether the instrument(s) fall within the scope of IFRS 9 Financial Instruments and is/are measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9.

Options that are not within the scope of IFRS 9 and are linked to service will be accounted for under IAS 19 Employee Benefits and/or IFRS 2 Share Based Payments as appropriate.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

1 Accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

Revenue

Revenue comprises commissions, client fees and other income. Commissions and client fees are included at the gross amount's receivable by the Group in respect of all services provided. The Group operates a revenue share model with its trading partners and therefore commissions are paid in line with the Group revenue recognition policy and are included in cost of sales.

Commissions and client fees earned are accounted for when received or guaranteed to be received, as until received it is not possible to be certain that the transaction will be completed. When commissions and client fees are received this confirms that the performance obligation has been satisfied. In the case of life commissions there is a possibility for a four year period after the inception of the policy that part of the commission earned may have to be repaid if the policy is cancelled during this period. A clawback provision is made for the expected level of commissions repayable. More information on the clawback provision is included in note 2.

Other income comprises income from ancillary services such as survey and conveyancing fees and is credited to the statement of comprehensive income when received or guaranteed to be received.

Finance income

Finance income comprises interest receivable on cash at bank and interest recognised on loans to associates. Interest income is recognised in the statement of comprehensive income as it accrues.

Foreign exchange

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss other than if it relates to items recognised in other comprehensive income in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted by the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are recognised for all taxable temporary differences, except for when:

- The difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that enough taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

1 Accounting policies (continued)

Taxation (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Sales taxes

Sales tax expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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 income statement that is reviewed by the CODM.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Where options are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of the options at the date of the grant over the vesting period.

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 consolidated financial statements for the year ended 31 December 2020 summarised as follows:

a. Reduced growth in sales and cash flows

The Group's revenue (see note 3) has been adversely impacted by the first Government lockdown in March 2020, 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 year ended 31 December 2020.

b. Impairment of loans to related parties

The first Government lockdown has impacted the performance of some of the Group's investments. As disclosed in note 18, an amount of £1.1m has been written off in respect of the loan to Freedom 365 Mortgage Solutions

1 Accounting policies (continued)

■ Significant events and transactions (continued)

b. Impairment of loans to related parties (continued)

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 at the Group's Interim reporting date was £0.5m relating to the CJRS grants and this was presented within Government grant income, rather than reducing the related expense. On 15 December 2020 the Group fully repaid the CJRS grants received following stronger than expected trading during the second half of the year.

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The Directors consider that the estimates and judgements that have the most significant effect on the carrying amounts of assets and liabilities within the financial statements are set out below.

(a) Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 14.

(b) Impairment of trade and other receivables

Judgement is required when determining if there is any impairment to the trade and other receivable balances, and the Group is using the simplified approach for trade receivables within IFRS 9 using the lifetime expected credit losses. During this process judgements about the probability of the non-payment of the trade receivables are made.

In considering impairment provisions for loans to associates the forward looking expected credit loss model is used. In determining the lifetime expected credit losses for loans to associates, the Group has had to consider different scenarios for repayments of these loans and have also estimated percentage probabilities assigned to each scenario for each associate where applicable. More information is included in note 18.

(c) Clawback provision

The provision relates to the estimated value of repaying commission received up front on life assurance policies that may lapse in a period of up to four years following inception. The provision is calculated using a model that has been developed over several years. The model uses a number of factors including the total unearned commission at the point of calculation, the age profile of the commission received, the Group's proportion of any clawback, likely future lapse rates, and the success of the Appointed Representatives in preventing lapses and/or generating new income at the point of a lapse. A 0.5% change (absolute) in lapse rates causes a £0.3m change in the provision. A 2% change (absolute) in the recoveries rate causes a £0.1m change in the provision. More information is included in note 22.

(d) Impairment of investments in associates

The Group is required to test, on an annual basis, whether any investments in associates have suffered any impairment.

The Group uses two methods to test for impairment:

- Net Present Value of the next 5 year's projected free cash flow and terminal value; and
- Valuation of business on a multiple basis.

The use of both methods requires the estimation of future cash flows, future profit before tax and choice of discount rate. Actual outcomes may vary. Where the carrying amount in the consolidated statement of financial position is in excess of the estimated value, the Group will make an impairment charge against the investment value and charge this amount to the consolidated statement of comprehensive income under impairment and amount written off associates.

(e) Share Options, employers' National Insurance Contributions and Deferred Tax

Under the Group's equity-settled share based remuneration schemes (see note 29), estimates are made in assessing the fair value of options granted. The fair value is spread over the vesting period in accordance with IFRS 2. The Group engages an external expert in assessing fair value, both Black-Scholes and Stochastic models are used, and estimates are made as to the Group's expected dividend yield and the expected volatility of the Group's share price.

In addition, the Group estimates the employer's National Insurance Contributions that will fall due on exercise of options, and provides for this over the vesting period. In doing so, estimates as to the share price at vesting and the proportion of options from each grant that will vest are made with reference to the Group's prospects.

Deferred tax assets include temporary differences related to the issue and exercise of share options. Recognition of the deferred tax assets assigns an estimate of the proportion of options likely to vest and an estimate of share price at vesting. The carrying amount of deferred tax assets relating to share options at 31 December 2020 was £0.8m (2019: £1.5m).

3 Revenue

The Group operates in one segment being that of the provision of financial services in the UK. Revenue is derived as follows:

	2020 £'000	2019 £'000
Mortgage procuration fees	**67,232**	64,384
Protection and general insurance commission	**58,826**	56,220
Client fees	**18,975**	20,158
Other income	**3,265**	2,979
	148,298	143,741

4 Cost of sales

Costs of sales are as follows:

	2020 £'000	2019 £'000
Commissions paid	**101,885**	102,301
Impairment of trade receivables	**16**	79
Wages and salary costs	**6,565**	4,936
	108,466	107,316

Wages and salary costs	2020 £'000	2019 £'000
Gross	**5,446**	4,006
Employers' National Insurance	**593**	470
Defined contribution pension costs	**350**	214
Other direct costs	**176**	246
	6,565	4,936

5 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 £367,000 (2019: £183,500) in the year ended 31 December 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, £414,674 (2019: £202,000) has been included within administrative expenses under staff costs, and in accordance with IFRS 2, a further £442,428 (2019: £227,968) has been included within administrative expenses under share based payments (see note 29).

Non-recurring costs incurred in the year ended 31 December 2019 in relation to the acquisition of First Mortgage amounted to £373,000 and were included within administrative expenses.

6 Profit from operations

Profit from operations is stated after charging the following:

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment	**383**	303
Depreciation of right of use assets	**381**	187
Amortisation of intangibles	**601**	249
Auditor remuneration:		
Fees payable to the Group's auditor for the audit of the Group's financial statements.	**122**	70
Fees payable to the Group's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	**10**	10
Audit-related assurance services	**25**	20
Tax advisory services	**3**	–

The disclosure of amounts paid to the Group's auditor have been enhanced.

Profits from associates are disclosed as part of the operating profit as this is the operational nature of the Group.

7 Staff costs

Staff costs, including executive and non-executive Directors' remuneration, were as follows:

	2020 £'000	2019 £'000
Wages and salaries	16,910	13,636
Share based payments (see note 29)	967	1,289
Social security costs	1,763	1,428
Defined contribution pension costs	1,199	671
Other employee benefits	537	202
	21,376	17,226

The average number of people employed by the Group during the year was:

	2020 Number	2019 Number
Executive Directors	3	3
Advisers	89	49
Compliance	74	74
Sales and marketing	71	57
Operations	154	104
Total	391	287

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. These are the Directors of Mortgage Advice Bureau (Holdings) plc.

	2020 £'000	2019 £'000
Wages and salaries	1,380	2,083
Share based payments	101	285
Social security costs	633	307
Defined contribution pension costs	6	17
Other employment benefits	9	2
	2,129	2,694

During the year retirement benefits were accruing to 2 Directors (2019: 2) in respect of defined contribution pension schemes.

The total amount payable to the highest paid Director in respect of emoluments was £393,112 (2019: £666,835). The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (2019: £nil).

8 Finance income and expense

Finance income	2020 £'000	2019 £'000
Interest income	105	77
Interest income accrued on loans to associates	15	70
	120	147

Finance expense	2020 £'000	2019 £'000
Interest expense	171	51
Interest expense on lease liabilities	63	35
	234	86

During the year, interest accrued in previous years of £34,039 was paid (2019: £nil).

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. Drawdowns of £6.5m were fully repaid by 31 December 2019. 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. At 30 June 2020, the balance of £12.083m was shown as a current liability within the consolidated statement of financial position, since it was due to be fully repaid in March 2021, and was made up of £12m principal loan balance and £83,000 accrued interest. The Group repaid the principal and all outstanding interest on 23 December 2020. In respect of the Group's revolving credit facility for £12m, 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 year.

9 Income tax

	2020 £'000	2019 £'000
Current tax expense		
UK corporation tax charge on profit for the year	**2,068**	3,170
Adjustment to charge in respect of prior periods	**–**	(62)
Total current tax	**2,068**	3,108
Deferred tax expense		
Origination and reversal of timing differences	**(23)**	(69)
Temporary difference on share based payments	**(9)**	(127)
Adjustment due to change in tax rates	**45**	–
Adjustment to deferred tax charge in respect of prior periods	**–**	56
Total deferred tax (see note 23)	**13**	(140)
Total tax expense	**2,081**	2,968

The reasons for the difference between the actual charge for the year and the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%) applied to profit for the year is as follows:

	2020 £'000	2019 £'000
Profit for the year before tax	**14,859**	17,697
Expected tax charge based on corporation tax rate	**2,823**	3,363
Expenses not deductible for tax purposes amortisation and impairment	**120**	188
Research & Development allowances	**(230)**	(285)
Tax on share options exercised	**(760)**	(263)
Adjustment to deferred tax charge in respect of prior periods	**–**	56
Adjustment to corporation tax charge in respect of prior periods	**–**	(62)
Adjustment to deferred tax charge due to change in tax rate	**45**	–
Profits from associates	**(7)**	(53)
Amounts written off investments	**90**	–
Effect of lower deferred tax rate	**–**	24
Total tax expense	**2,081**	2,968

For the year ended 31 December 2020 the deferred tax charge relating to unexercised share options, recognised in equity was -£674,337 (2019: £544,179).

10 Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share	2020 £'000	2019 £'000
Profit for the year attributable to the owners of the parent	12,379	14,499
Weighted average number of shares in issue	52,134,684	51,413,922
Basic earnings per share (in pence per share)	23.7p	28.2 p

For diluted earnings per share, the weighted average number of ordinary shares in existence is adjusted to include potential ordinary shares arising from share options.

Diluted earnings per share	2020 £'000	2019 £'000
Profit for the year attributable to the owners of the parent	12,379	14,499
Weighted average number of shares in issue	52,478,416	52,434,259
Diluted earnings per share (in pence per share)	23.6p	27.7 p

The share data used in the basic and diluted earnings per share computations are as follows:

Weighted average number of ordinary shares	2020	2019
Issued ordinary shares at start of year	51,612,207	51,105,708
Effect of shares issued during year	522,477	308,214
Basic weighted average number of shares	52,134,684	51,413,922
Potential ordinary shares arising from options	343,732	1,020,337
Diluted weighted average number of shares	52,478,416	52,434,259

10 Earnings per share (continued)

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

	2020 £'000	2019 £'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 year	**12,379**	14,499	**23.7**	28.2	**23.6**	27.7
Adjustments:						
Amortisation of acquired intangibles	**367**	184	**0.7**	0.4	**0.7**	0.3
Costs relating to the First Mortgage Direct option	**857**	430	**1.6**	0.8	**1.6**	0.8
Impairment of loans to related parties	**1,680**	–	**3.2**	–	**3.2**	–
Acquisition costs	**–**	373	**–**	0.7	**–**	0.7
Tax effect of adjustments	**(319)**	–	**(0.6)**	–	**(0.6)**	–
Adjusted earnings	**14,964**	15,486	**28.6**	30.1	**28.5**	29.5

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

11 Dividends

	2020 £'000	2019 £'000
Dividends paid and declared during the year:		
Final dividend for 2019: 6.4p per share (2018: 12.7p)	**3,311**	6,507
Interim dividend for 2020: 6.4p per share (2019: 11.1p)	**3,401**	5,729
	6,712	12,236
Equity dividends on ordinary shares:		
Proposed for approval by shareholders at the AGM:		
Final dividend for 2020: 19.2p per share (2019: 6.4p)	**10,205**	3,305
	10,205	3,305

The record date for the final dividend is 30 April 2021 and the payment date is 28 May 2021. The ex-dividend date will be 29 April 2021. The Company statement of changes in equity shows that the Company has positive reserves at 31 December 2020 of £856,000. There are sufficient distributable reserves in subsidiary companies to pass up to Mortgage Advice Bureau (Holdings) plc in order to pay the proposed final dividend. The proposed final dividend for 2020 has not been provided for in these financial statements, as it has not yet been approved for payment by shareholders.

12 Property, plant and equipment

	Freehold land and building £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2020	2,536	919	1,037	4,492
Additions	–	96	210	306
At 31 December 2020	**2,536**	**1,015**	**1,247**	**4,798**
Depreciation				
At 1 January 2020	234	503	831	1,568
Charge for the year	58	169	156	383
At 31 December 2020	**292**	**672**	**987**	**1,951**
Net Book Value				
At 31 December 2020	**2,244**	**343**	**260**	**2,847**

	Freehold land and building £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2019	2,461	567	853	3,881
Acquisition of subsidiary	75	308	42	425
Additions	–	44	142	186
At 31 December 2019	**2,536**	**919**	**1,037**	**4,492**
Depreciation				
At 1 January 2019	177	371	717	1,265
Charge for the year	57	132	114	303
At 31 December 2019	**234**	**503**	**831**	**1,568**
Net Book Value				
At 31 December 2019	**2,302**	**416**	**206**	**2,924**

13 Right of use assets

Leases

This note provides information for leases where the Group is a lessee.

The consolidated statement of financial position shows the following amounts on leases:

Right of use assets	Land and Buildings £'000	Total £'000
At 1 January 2020	2,907	2,907
Additions	64	64
Depreciation	(381)	(381)
At 31 December 2020	**2,590**	**2,590**

Lease liabilities	Land and Buildings £'000	Total £'000
At 1 January 2020	2,979	2,979
Additions	64	64
Interest expense	63	63
Lease payments	(411)	(411)
At 31 December 2020	**2,695**	**2,695**

Right of use assets	Land and Buildings £'000	Total £'000
At 1 January 2019	–	–
On acquisition of subsidiary	3,094	3,094
Depreciation	(187)	(187)
At 31 December 2019	**2,907**	**2,907**

Lease liabilities	Land and Buildings £'000	Total £'000
At 1 January 2019	–	–
On acquisition of subsidiary	3,142	3,142
Interest expense	35	35
Lease payments	(198)	(198)
At 31 December 2019	**2,979**	**2,979**

13 Right of use assets (continued)

The present value of the lease liabilities is as follows:

31 December 2020	Within 1 year	1-2 years	2-5 years	After 5 years	Total
Lease payments (undiscounted)	401	390	1,142	1,006	2,939
Finance charges	(58)	(50)	(101)	(35)	(244)
Net present values	**343**	**340**	**1,041**	**971**	**2,695**

31 December 2019	Within 1 year	1-2 years	2-5 years	After 5 years	Total
Lease payments (undiscounted)	399	389	1,142	1,355	3,285
Finance charges	(64)	(57)	(124)	(61)	(306)
Net present values	**335**	**332**	**1,018**	**1,294**	**2,979**

Leases

The Consolidated statement of comprehensive income shows the following amounts relating to leases:

	2020 £'000	2019 £'000
Depreciation charge of right of use assets	**381**	187
Interest expense	**63**	35
Low value lease expense	**3**	3

14 Intangible assets

Goodwill	2020 £'000	2019 £'000
Cost		
As at 1 January	**15,308**	4,267
Acquisition of business (note 30)	**–**	11,041
At 31 December	**15,308**	15,308
Accumulated impairment		
At 1 January and 31 December	**(153)**	(153)
Net book value		
At 31 December	**15,155**	15,155

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 (see note 30). The goodwill is deemed to have an indefinite useful life. It is currently carried at cost and is reviewed annually for impairment.

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

The Board considers that it has only one operating segment and following the acquisition of FMD, now has two cash-generating units ("CGUs"). Goodwill arose on the acquisition of Mortgage Talk Limited and has since been allocated to the CGU of the Group excluding FMD. Impairment testing for this CGU is carried out by determining recoverable amount on the basis of a value in use, which is then compared to the carrying value of the assets of the CGU including goodwill. The value in use that has been determined exceeds the carrying value of this CGU and therefore no impairment of goodwill is required. Management has estimated future cash flows over a five year period and applied a discount rate of 11% and then applied a terminal value calculation, which assumes a growth rate of 5% in future cashflows, in order to estimate the present value of those cash flows in determining the value in use. Management believes that any possible changes to any of the key assumptions applied in determining the value in use would not cause the carrying amount of goodwill to exceed the present value of the estimated future cashflows.

Goodwill arose on the acquisition of FMD and has since been allocated to this CGU of the Group. Impairment testing for this CGU is carried out by determining recoverable amount on the basis of a value in use, which is then compared to the carrying value of the assets of the CGU including goodwill. The value in use that has been determined exceeds the carrying value of this CGU and therefore no impairment of goodwill is required. Management has estimated future cash flows over a five year period and applied a discount rate of 21% and then applied a terminal value calculation, which assumes a growth rate of 5% in future cashflows, in order to estimate the present value of those cash flows in determining the value in use. Management believes that any possible changes to any of the key assumptions applied in determining the value in use would not cause the carrying amount of goodwill to exceed the present value of the estimated future cashflows.

14 Intangible assets (continued)

Other intangible assets

	Licences £'000	Website £'000	Software £'000	Customer contracts £'000	Trademarks £'000	Total £'000
Cost						
At 1 January 2020	108	140	570	1,980	1,470	4,268
Additions	–	–	1	–	–	1
At 31 December 2020	**108**	**140**	**571**	**1,980**	**1,470**	**4,269**
Accumulated Amortisation						
At 1 January 2020	108	96	18	110	74	406
Charge for the year	–	44	190	220	147	601
At 31 December 2020	**108**	**140**	**208**	**330**	**221**	**1,007**
Net book value						
At 31 December 2020	**–**	**–**	**363**	**1,650**	**1,249**	**3,262**

Other intangible assets

	Licences £'000	Website £'000	Software £'000	Customer contracts £'000	Trademarks £'000	Total £'000
Cost						
At 1 January 2019	108	140	554	–	–	802
Acquisition of subsidiary	–	–	15	1,980	1,470	3,465
Additions	–	–	1	–	–	1
At 31 December 2019	**108**	**140**	**570**	**1,980**	**1,470**	**4,268**
Accumulated Amortisation						
At 1 January 2019	108	49	–	–	–	157
Charge for the year	–	47	18	110	74	249
At 31 December 2019	**108**	**96**	**18**	**110**	**74**	**406**
Net book value						
At 31 December 2019	**–**	**44**	**552**	**1,870**	**1,396**	**3,862**

15 Investments in associates and joint venture

The Group holds investments in associates and a joint venture, all of which are accounted for under the equity method, as follows:

Company name	Registered office	Percentage of ordinary shares held	Description
CO2 Commercial Limited	Profile House, Stores Road, Derby DE21 4BD	49	Property surveyors
Lifetime FS Limited	Capital House, Pride Place, Derby DE24 8QR	49	Provision of financial services
Freedom 365 Mortgage Solutions Limited(1)	Gresley House, Ten Pound Walk, Doncaster DN4 5HX	35	Provision of financial services
Sort Group Limited	Burdsall House, London Road, Derby DE24 8UX	43.25	Conveyancing services
Sort Limited	Burdsall House, London Road, Derby, DE24 8UX	10.52	Conveyancing services
Buildstore Limited	Nsb & Rc Lydiard Fields, Great Western Way, Swindon SN5 8UB	25	Provision of financial services
Clear Mortgage Solutions Limited	114 Centrum House, Dundas Street, Edinburgh EH3 5DQ	49	Provision of financial services
Vita Financial Limited	1st Floor Tudor House, 16 Cathedral Road, Cardiff CF11 9LJ	20	Provision of financial services
MAB Broker Services PTY Limited	Level 7, 68 Alfred Street, Milsons Point, NSW 2061	48.05	Provision of financial services
Eagle and Lion Limited	22 West Mall, Clifton, Bristol, BS8 4BQ	49	Provision of financial services
The Mortgage Broker Group Limited	The Granary Crowhill Farm, Ravensden Road, MK44 2QS	25	Provision of financial services
Meridian Holdings Group Limited	68 Pullman Road, Wigston, Leicester, LE18 2DB	40	Provision of financial services

The reporting date for the Group's associates, as listed in the table above, is 31 December and their country of incorporation is England and Wales. The reporting date for the Group's joint venture, MAB Broker Services PTY Limited, is 30 June and its country of incorporation is Australia.

(1) On 13 January 2021 the Group ceased to have an investment in this entity, having entered into a deed of termination.

15 Investments in associates and joint venture (continued)

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

	2020 £'000	2019 £'000
At 1 January	**3,133**	1,573
Additions	**2,345**	1,783
Credit/(charge) to the statement of comprehensive income:		
Share of profit	**36**	280
Impairment and amount written off	**(473)**	(192)
	(437)	88
Dividends received	**(158)**	(311)
At 31 December	**4,883**	3,133

The Group is entitled to 49% of the results of CO2 Commercial Limited and Lifetime FS Limited by virtue of its 49% equity stakes. CO2 Commercial Limited is a dormant holding company, and trades through its wholly owned subsidiary, Pinnacle Surveyors (England & Wales) Limited. The Group is entitled to 49% of the results of Clear Mortgage Solutions Limited and Eagle and Lion Limited by virtue of its 49% equity stakes, 48.05% of the results of MAB Broker Services PTY Limited by virtue of its 48.05% equity stake, 40% of the results of Meridian Group Holdings Limited by virtue of its 40% equity stake, previously (prior to termination of the investment) 35% of the results of Freedom 365 Mortgage Solutions Limited by virtue of its 35% equity stake, 25% of the results of Buildstore Limited and The Mortgage Broker Group Limited by virtue of its 25% equity stakes and 20% of the results of Vita Financial Limited by virtue of its 20% equity stake.

The Group is entitled to 43.25% of the results of Sort Group Limited by virtue of its 43.25% equity stake. Additionally, the Group is entitled to 10.52% of the results of Sort Limited by virtue of its 10.52% equity stake. Mortgage Advice Bureau Limited's effective holding in Sort Limited, Sort Legal Limited and Sort Technology Limited is now 43.25%, 43.25% and 41.09% respectively.

The carrying value of the Group's joint venture, MAB Broker Services PTY Limited, at 31 December 2020 is £nil (2019: £nil). In the year ended 30 June 2020, MAB Broker Services PTY Limited reported a loss of AUD0.9m (2019: AUD0.9m).

Acquisitions and disposals

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

2019:
The Group acquired a 25% interest in The Mortgage Broker Group Limited on 20 May 2019 at a cost of £1,250,000. The Group acquired a further 15.67% interest in Eagle and Lion Limited on 29 July 2019 for nil consideration. The Group acquired a 6% interest in Sort Limited on 31July 2019 at a cost of £161,000. The Group acquired a further 5% interest in Sort Limited on 29 November 2019 at a cost of £180,000. In accordance with IFRS 9 the Group increased the value of investments by £192,340 to reflect the present value adjustment to a group interest free loan to an associate and this was subsequently written off.

15 Investments in associates and joint venture (continued)

Acquisitions and disposals (continued)

As the associates are private companies, published share prices are not available. The aggregate amounts of certain financial information of the associates is summarised as follows:

2020	Pinnacle Surveyors (England & Wales) Limited £'000	Buildstore Limited £'000	Sort Group Limited £'000	Clear Mortgage Solutions Limited £'000	Others £'000	2020 Total £'000
Non-current assets	25	188	386	94	499	1,192
Cash balances	575	764	1,409	1,067	3,806	7,621
Current assets (excluding cash balances)	1,101	612	453	158	1,528	3,852
Current liabilities	(789)	(856)	(1,327)	(419)	(1,098)	(4,489)
Non-current liabilities and provisions	(359)	(60)	(171)	(272)	(2,056)	(2,918)
Revenue	3,918	3,271	7,787	5,280	6,365	26,261
Profit/(loss) before taxation	459	201	790	781	(711)	1,520
Total comprehensive income (PAT)	375	163	557	470	(815)	750
Profit attributable to Group	185	34	213	131	(527)	36
Dividends received from associates	108*	–	–	–	50	158

15 Investments in associates and joint venture (continued)

Acquisitions and disposals (continued)

2019	Pinnacle Surveyors (England & Wales) Limited £'000	Buildstore Limited £'000	Sort Group Limited £'000	Clear Mortgage Solutions Limited £'000	Others £'000	2019 Total £'000
Non-current assets	14	226	219	89	333	881
Cash balances	170	455	778	70	296	1,769
Current assets (excluding cash balances)	917	1,737	1,137	321	572	4,684
Current liabilities	(581)	(1,881)	(1,838)	(300)	(248)	(4,848)
Non-current liabilities and provisions	(3)	(32)	(41)	(22)	(1,260)	(1,358)
Revenue	3,911	3,894	7,868	4,717	3,949	24,339
Profit/(loss) before taxation	555	101	454	265	(253)	1,122
Total comprehensive income	450	82	458	52	(411)	631
Profit attributable to Group	220	18	132	13	(103)	280
Dividends received from associates	311*	–	–		–	311

* These dividends are received from CO2 Commercial Limited, the parent undertaking of Pinnacle Surveyors (England & Wales) Limited. All other information disclosed above relates to Pinnacle Surveyors (England & Wales) Limited.

All associates prepare their financial statements in accordance with FRS 102 other than MAB Broker Services PTY Limited who prepare their financial statements in accordance with the Australian Accounting Standards. There would be no material difference to the profit attributable to the Group if the accounts of any of the associates were prepared in accordance with IFRS.

16 Investments in non-listed equity shares

	£'000
At 1 January 2020	75
Additions	–
At 31 December 2020	**75**

The Group acquired a 3.33% interest in Yourkeys Technology Ltd on 5 February 2019 at a cost of £75,000. At 31 December 2020, the Group's shareholding in Yourkeys Technology Ltd was 2.15%.

17 Subsidiaries

The subsidiaries of Mortgage Advice Bureau (Holdings) plc at the reporting date have been included in the consolidated financial statements. The subsidiaries are as follows:

Company name	Country of Incorporation	Percentage of ordinary shares held	Nature of business
Mortgage Advice Bureau Limited	England and Wales	100	Provision of financial services
Mortgage Advice Bureau (Derby) Limited	England and Wales	100	Provision of financial services
Capital Protect Limited	England and Wales	100	Provision of financial services
Mortgage Talk Limited	England and Wales	100	Provision of financial services
MABWM Limited	England and Wales	100	Provision of financial services
First Mortgage Direct Limited	Scotland	80	Provision of financial services
First Mortgage Limited	Scotland	80	Provision of financial services
Property Law Centre Limited	Scotland	80	Provision of financial services
Talk Limited	England and Wales	100	Intermediate holding company
Mortgage Advice Bureau Australia (Holdings) PTY Limited	Australia	100	Intermediate holding company
Mortgage Advice Bureau PTY Limited	Australia	100	Holding of intellectual property
Mortgage Advice Bureau (UK) Limited	England and Wales	100	Dormant
Mortgage Advice Bureau (Bristol) Limited	England and Wales	100	Dormant
MAB (Derby) Limited	England and Wales	100	Dormant
L&P 137 Limited	England and Wales	100	Dormant
Mortgage Talk (Partnership) Limited	England and Wales	100	Dormant
Financial Talk Limited	England and Wales	100	Dormant
Survey Talk Limited	England and Wales	100	Dormant

17 Subsidiaries (continued)

Company name	Country of Incorporation	Percentage of ordinary shares held	Nature of business
L&P 134 Limited	England and Wales	100	Dormant
Loan Talk Limited	England and Wales	100	Dormant
MAB1 Limited	England and Wales	100	Dormant
MAB Private Finance Limited	England and Wales	100	Dormant
MAB Financial Planning Limited	England and Wales	100	Dormant
First Mortgage Shop Limited	Scotland	80	Dormant
First Mortgages Limited	Scotland	80	Dormant
Fresh Start Finance Limited	Scotland	80	Dormant

The registered office for all of the subsidiaries of Mortgage Advice Bureau (Holdings) plc, as listed in the table above, is Capital House, Pride Place, Pride Park, Derby, DE24 8QR, United Kingdom, other than for the two subsidiaries incorporated in Australia for which the registered office is Norton Rose Fulbright, Level 18, 225 George Street, Sydney, NSW 2000, Australia and First Mortgage Direct Limited and its subsidiaries for which the registered office is 30 Walker Street, Edinburgh, EH3 7HR.

Mortgage Advice Bureau Australia (Holdings) PTY Limited has a 100% equity stake in Mortgage Advice Bureau PTY Limited and also a 45% equity stake in MAB Broker Services PTY Limited.

Mortgage Advice Bureau (Holdings) plc holds 100% of the ordinary share capital of Mortgage Advice Bureau Limited and Talk Limited.

Mortgage Advice Bureau Limited holds 100% of the ordinary share capital of Mortgage Advice Bureau (Derby) Limited, Capital Protect Limited, MABWM Limited and Mortgage Advice Bureau Australia (Holdings) PTY Limited. On 2 July 2019, Mortgage Advice Bureau Limited acquired 80% of the ordinary share capital of First Mortgage Direct Limited. Details of the acquisition are given in note 30.

First Mortgage Direct Limited holds 100% of the ordinary share capital of First Mortgage Limited, Property Law Centre Limited, First Mortgages Limited, First Mortgage Shop Limited and Fresh Start Finance Limited.

Talk Limited holds 100% of the ordinary share capital of Mortgage Talk Limited, L&P 137 Limited, Mortgage Talk (Partnership) Limited, Financial Talk Limited and Survey Talk Limited.

Mortgage Talk Limited holds 100% of the ordinary share capital of Loan Talk Limited.

L&P 137 Limited holds 100% of the ordinary share capital of L&P 134 Limited.

Two of the Group’s subsidiaries, First Mortgage Direct Ltd (SC177681) and Property Law Centre (SC348791) are exempt from the audit of individual accounts under section 479A of the Companies Act 2006.

There are no restrictions regarding the utilisation of cash or other resources held by any subsidiary.

18 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**1,460**	1,936
Less provision for impairment of trade receivables	**(379)**	(363)
Trade receivables - net	**1,081**	1,573
Receivables from related parties	**12**	15
Corporation tax	**499**	–
Other receivables	**468**	–
Loans to related parties	**1,919**	3,124
Less provision for impairment of loans to related parties	**(614)**	(171)
Less amounts written off loans to related parties	**(1,069)**	–
Total financial assets other than cash and cash equivalents classified at amortised costs	**2,296**	4,541
Prepayments and accrued income	**4,113**	3,748
Total trade and other receivables	**6,409**	8,289
Less: non-current portion - Loans to related parties	**(220)**	(2,832)
Less: non-current portion - Trade receivables	**(586)**	(498)
Current portion	**5,603**	4,959

Reconciliation of movement in trade receivables to cash flow	2020 £'000	2019 £'000
Movement per trade receivables	**(1,880)**	1,390
Corporation tax	**(499)**	–
Acquisition of subsidiary	**–**	(1,766)
Accrued interest movement	**18**	(70)
Present value adjustment on interest free loan	**–**	192
Total movement per cash flow	**(2,361)**	(254)

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

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

18 Trade and other receivables (continued)

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

In light of the above, the Directors do not consider that disclosure of an aging analysis of trade and other receivables would provide useful additional information. Further information on the credit quality of financial assets is set out in note 21.

Amount due in respect of corporation tax included above is owed to the Group following overpayment during the year with the timing of the Group's tax payments changing during the year. This reverses in the following quarter.

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 31 December 2020 the lifetime expected loss provision for trade receivables is £0.4m (2019: £0.4m) The movement in the impairment allowance for trade receivables has been included in cost of sales in the consolidated statement of comprehensive income.

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

At 31 December 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 year, £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.

18 Trade and other receivables (continued)

A summary of the movement in the provision for the impairment of receivables is as follows:

	2020 £'000	2019 £'000
At 1 January	363	284
New provisions for impairment losses	81	70
Increases in existing provisions for impairment losses	5	11
Impairment provisions no longer required	(70)	(2)
At 31 December	**379**	363

A summary of the movement in the provision for the impairment of loans to related parties is as follows:

	2020 £'000	2019 £'000
At 1 January	171	290
Increases in existing provisions for impairment losses	611	2
Impairment provisions no longer required	(168)	(121)
At 31 December	**614**	171

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above less collateral held as security. Details of security held are given in note 21.

19 Cash and cash equivalents

	2020 £'000	2019 £'000
Unrestricted cash and bank balances	18,550	6,987
Bank balances held in relation to retained commissions	14,431	13,880
Cash and cash equivalents	**32,981**	20,867

Bank balances held in relation to retained commissions earned on an indemnity basis in relation to protection 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 20).

20 Trade and other payables

	2020 £'000	2019 £'000
Appointed Representatives retained commission	14,431	13,880
Other trade payables	5,447	4,542
Trade payables	19,878	18,422
Social security and other taxes	1,289	642
Other payables	154	203
Accruals	2,341	3,104
	23,662	22,371

Should a protection policy be cancelled within four years of inception, a proportion of the original commission will be clawed back by the insurance provider. The majority of any such repayment is payable by the Appointed Representative. It is the Group's policy to retain a proportion of commission payable to the Appointed Representative to cover such potential future lapses; these sums remain a liability of the Group. This commission is held in a separate ring fenced bank account as described in note 19.

As at 31 December 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 Representatives retained commission is expected to be payable after more than one year. Other trade payables normally fall due within 30 to 60 days.

21 Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

21 Financial instruments – risk management (continued)

Principal financial instruments (continued)

The Group does not issue or use financial instruments of a speculative nature. A summary of financial instruments held by category is provided below:

Financial assets	2020 £'000	2019 £'000
Cash and cash equivalents	32,981	20,867
Trade and other receivables	2,296	4,541
Total financial assets	**35,277**	25,408

Financial liabilities	2020 £'000	2019 £'000
Trade and other payables	21,321	19,267
Accruals	2,341	3,104
Lease liabilities	2,695	3,235
Total financial liabilities	**26,357**	25,606

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and designs and operates processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board sets guidelines to the finance team and monitors adherence to its guidelines on a monthly basis.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

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

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables are given in note 18.

Financial assets - maximum exposure	2020 £'000	2019 £'000
Cash and cash equivalents	32,981	20,867
Trade and other receivables	2,296	4,541
Total financial assets	**35,277**	25,408

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.

21 Financial instruments – risk management (continued)

Trade receivables consist of a large number of unrelated trading partners and therefore credit risk is not concentrated. 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 that are included in trade receivables; this collateral of £325,538 (2019: £795,534) 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.

Interest rate risks

The Group's interest rate risk arises from cash on deposit. The Group aims to maximise its return on cash on deposit whilst ensuring that cash is available to meet liabilities as they fall due. Current market deposit interest rates are minimal and therefore any fall in these rates is unlikely to have a significant impact on the results of the Group.

Foreign exchange risk

As the Group does not operate outside of the United Kingdom and has only one investment outside the UK, it is not exposed to any material foreign exchange risk.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group's trade and other payables are repayable within one year from the reporting date and the contractual undiscounted cash flow analysis for the Group's trade and other payables is the same as their carrying value. The contractual maturities of financial liabilities are as follows:

31 December 2020	Within 1 year	1 - 2 years	2 -5 years	After 5 years	Total
Trade and other payables	6,890	–	–	–	6,890
Accruals	1,620	67	654	–	2,341
Lease liabilities	401	390	1,142	1,006	2,939
Total	**8,911**	**457**	**1,796**	**1,006**	**12,170**

The Appointed Representatives retained commissions balance of £14.4m has been excluded from the maturity analysis due to there being an equal cash balance held within cash and cash equivalents. There is therefore no liquidity risk relating to this balance.

The Board receives annual 12 month cash flow projections based on working capital modelling as well as information regarding cash balances monthly. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. Additionally, the Group has financial resource requirements set by its regulator, the Financial Conduct Authority. The Board has set a policy to ensure that adequate capital is maintained to ensure that these externally set financial resource requirements are exceeded at all times. Quarterly reports are made to the Financial Conduct Authority and submission is authorised by the Chief Financial Officer, at which time capital adequacy is re-assessed.

21 Financial instruments – risk management (continued)

Capital management

The Group monitors its capital which consists of all components of equity (i.e. share capital, share premium, capital redemption reserve, share option reserve and retained earnings).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- To ensure that capital is maintained at all times to ensure that financial resource requirements set by its regulator, the Financial Conduct Authority, are exceeded at all times
- To ensure the Group has the cash available to develop the services provided by the Group to provide an adequate return to shareholders.

22 Provisions

Clawback provision	2020 £'000	2019 £'000
At 1 January	3,735	1,704
Acquisition of subsidiary	–	1,445
Charged to the statement of comprehensive income	841	586
At 31 December	**4,576**	3,735

The provision relates to refund liabilities for the estimated cost of repaying commission income received upfront on protection policies that may lapse in the four years following issue. Under the Group's revenue contracts with protection providers, if the policy is cancelled by the customer within a four year period after the inception of the policy then a proportion of the commission received upfront has to be repaid to the protection provider. Provisions are held in the financial statements of four of the Group's subsidiaries: Mortgage Advice Bureau Limited, Mortgage Advice Bureau (Derby) Limited, First Mortgage Direct Limited and First Mortgage Limited. The exact timing of any future repayments (termed "clawbacks") within the four year period is uncertain and the provision was based on the Directors' best estimate, using industry data where available, of the probability of clawbacks to be made.

23 Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 19% (2019: 17%).

The movement in deferred tax is shown below:

	2020 £'000	2019 £'000
Net deferred tax asset - opening balance	866	824
Recognised in the statement of comprehensive income	(13)	140
Transfer in on acquisition of subsidiary	–	(642)
Deferred tax movement recognised in equity	(674)	544
Net deferred tax asset - closing balance	**179**	866

23 Deferred tax (continued)

The deferred tax balance is made up as follows:

	2020 £'000	2019 £'000
Accelerated capital allowances	(643)	(651)
Other timing differences	91	47
Share-based payment	731	1,470
Net deferred tax asset	179	866

Reflected in the statement of financial position as follows:	2020 £'000	2019 £'000
Deferred tax liability	(643)	(651)
Deferred tax asset	822	1,517
Net deferred tax asset net	179	866

Deferred tax liabilities have arisen due to capital allowances which have been received ahead of the depreciation charged in the accounts.

A change to the corporation tax rate was substantively enacted on 17 March 2020 to remain at 19% rather than the previously enacted reduction to 17%. The impact of this in the year has been to increase the tax charge by £45,476.

24 Share capital

Issued and fully paid	2020 £'000	2019 £'000
Ordinary shares of 0.1p each	53	52
Total share capital	53	52

During the year 1,540,980 ordinary shares of 0.1p each were issued following partial exercise of the third and fourth tranche of options issued at the time of the Initial Public Offering of the Company, exercise of the vested element of the Appointed Representatives options issued in May 2015, partial exercise of options issued in May 2016 and exercise of options issued in April 2017 at a total premium of £4.3m. See also note 29.

25 Reserves

The Group's policy is to maintain an appropriate capital base and comply with its externally imposed capital requirements whilst providing maximum shareholder value.

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	The capital redemption reserve represents the cancellation of part of the original share capital premium of the company at par value of any shares repurchased.
Share option reserve	The fair value of equity instruments granted by the Company in respect of share based payment transactions and deferred tax recognised in equity.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

There is no restriction on the distribution of retained earnings.

26 Retirement benefits

The Group operates defined contribution pension schemes for the benefit of its employees and also makes contributions to a self-invested personal pension ("SIPP"). The assets of the schemes and the SIPP are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the SIPP and amounted to £1,199,044 (2019: £671,404). There were contributions payable to the SIPP at 31 December 2020 of £36,128 (2019: £39,646).

27 Related party transactions

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

During the year the Group paid commission of £960,289 (2019: £921,508) to Buildstore Limited, an associated company. At December 31 2020, there was a balance of £21,213 (2019: £47,932) of retained commission to cover future lapses and a loan outstanding from Buildstore Limited of £17,757 (2019: £36,565).

During the year the Group received introducer commission from Sort Limited, a subsidiary of an associated company of £988,674 (2019: £885,470). There was an amount of £218,369 outstanding with Sort Group Limited at 31 December 2020 (2019: £218,369) included in trade and other receivables.

During the year the Group paid commission of £4,960,645 (2019: £4,735,028) to Clear Mortgage Solutions Limited, an associated company. At December 31 2020, there was a balance of £414,563 (2019: £265,992) of retained commission to cover future lapses.

During the year the Group paid commission of £297,545 (2019: £595,017) to Freedom 365 Mortgage Solutions Limited, an associated company. At December 31 2020, there was a balance of £78,402 (2019: £133,090) of retained commission to cover future lapses and no loan outstanding from Freedom 365 Mortgage Solutions Limited (2019: £1,202,453).

During the year the Group paid commission of £1,315,108 (2019: £965,048) to Vita Financial Limited, an associated company. At December 31 2020, there was a balance of £159,113 (2019: £125,229) of retained commission to cover future lapses.

At 31 December 2020 there was no loan outstanding from MAB Broker Services PTY Limited, an associated company (2019: £1,014,535, AUD1,900,000).

27 Related party transactions (continued)

During the year the Group paid commission of £222,730 (2019: £280,829) to Eagle & Lion Limited, an associated company. At December 31 2020, there was a balance of £nil (2019: £10,982) of retained commission to cover future lapses and a loan outstanding from Eagle & Lion Limited of £611,385 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 year the Group paid commission of £1,572,282 (2019: £1354,386) to The Mortgage Broker Group Limited, an associated company. At December 31 2020, there was a balance of £66,781 (2019: £72,081) of retained commission to cover future lapses and no loan outstanding from The Mortgage Group Broker Limited (2019: £84,705).

During the year the Group paid commission of £954,995 (2019: £nil) to Meridian Holdings Group Limited, an associated company. At December 31 2020, there was a balance of £545,578 (2019: £nil) of retained commission to cover future lapses.

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

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

	2020 £'000	2019 £'000
CO2 Commercial Limited	108	311
Lifetime FS Limited	50	–

28 Ultimate controlling party

There is no ultimate controlling party.

29 Share based payments

Mortgage Advice Bureau Executive Share Option Plan

The Group operates two equity-settled share based remuneration schemes for Executive Directors and certain senior management, one being an approved scheme, the other unapproved, but with similar terms. Half of the options are subject to a total shareholder return ("TSR") performance condition and the remaining half are subject to an earnings per share (EPS) performance condition. The outstanding options in both schemes vest as follows:

For options granted at IPO and on 20 May 2015 and outstanding at 1 January 2020:
- 50% based on performance to 31 March 2018, exercisable between 31 March 2019 and 11 November 2022, vesting of 100% was achieved.
- 50% based on performance to 31 March 2018, exercisable between 31 March 2020 and 11 November 2022, vesting of 100% was achieved.

For options granted during 2016 and outstanding at 1 January 2020:
- 100% based on performance to 31 March 2019, exercisable between 4 May 2019 and 3 May 2024; vesting of 90.6% was achieved.

For options granted during 2017 and outstanding at 1 January 2020:
- 100% based on performance to 31 March 2020, exercisable between 19 April 2020 and 18 April 2025.

29 Share based payments (continued)

Mortgage Advice Bureau Executive Share Option Plan (continued)

For options granted during 2018 and outstanding at 1 January 2020
• 100% based on performance to 31 March 2021, exercisable between 11 April 2021 and 9 April 2026.

For options granted during 2019 and outstanding at 1 January 2020:
• 100% based on performance to 31 March 2022, exercisable between 1 July 2022 and 1 July 2027.

For options granted during the year:
• 100% based on performance to 31 March 2023, exercisable between 22 April 2023 and 21 July 2028.

The number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year for the Mortgage Advice Bureau Executive Share Option Plan:

	2020 WAEP £	**2020 Number**	2019 WAEP £	2019 Number
Outstanding at 1 January	**2.74**	**1,707,868**	2.98	2,187,810
Granted during the year	**0.001**	**203,668**	0.001	175,547
Exercised	**3.30**	**(1,310,220)**	2.68	(506,498)
Lapsed *	**–**	**(96,854)**	–	(148,991)
Outstanding at 31 December	**0.001**	**504,462**	2.74	1,707,868

* Due to not fully vesting, retirement or leaving the Group.

At 31 December 2020, 504,462 options over ordinary shares of 0.1 pence each in the Company were exercisable with a weighted average exercise price of £0.001.

On 22 July 2020, 203,668 options over ordinary shares of 0.1 pence each in the Company were granted to the Executive Directors and senior executives of MAB under the equity-settled Mortgage Advice Bureau Executive Share Option Plan (the "Options") with a weighted average fair value of £3.97 per option. Exercise of the Options is subject to the service conditions and achievement of performance conditions based on total shareholder return and earnings per share criteria. Subject to achievement of the performance conditions, the Options will be exercisable 2.75 years from the date of grant. The exercise price for the Options is 0.1 pence, being the nominal cost of the Ordinary Shares.

Options exercised in February 2020 resulted in 31,666 ordinary shares being issued at an exercise price of £3.58. The price of the ordinary shares at the time of exercise was £7.55-£7.60 per share.

Options exercised in April 2020 resulted in 85,643 ordinary shares being issued at exercise prices 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 exercise prices 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 July 2020 resulted in 63,444 ordinary shares being issued at exercise prices of £4.14 and £4.31. The price of the ordinary shares at the time of exercise was £5.97 per share.

Options exercised in September 2020 resulted in 20,587 ordinary shares being issued at an exercise price of £4.31. The price of the ordinary shares at the time of exercise was £7.00 per share.

29 Share based payments (continued)

Mortgage Advice Bureau Executive Share Option Plan (continued)

Options exercised in October 2020 resulted in 924,102 ordinary shares being issued at exercise prices of £1.60, £2.19, £3.58 and £4.31. The price of the ordinary shares at the time of exercise was £7.02-£7.20 per share.

Options exercised in November 2020 resulted in 71,000 ordinary shares being issued at exercise prices of £1.60 and £4.31. The price of the ordinary shares at the time of exercise was £7.60 per share.

Options exercised in December 2020 resulted in 10,293 ordinary shares being issued at an exercise price of £4.31. The price of the ordinary shares at the time of exercise was £7.90 per share.

For the share options outstanding under the Mortgage Advice Bureau Executive Share Option Plan as at 31 December 2020, the weighted average remaining contractual life is 1.5 years (2019: 0.5 years).

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration scheme operated by the Group.

	2020	2019
Equity-settled		
Option pricing model - EPS	Black-Scholes	Black-Scholes
Option pricing model - TSR	Stochastic	Stochastic
Exercise price	£0.001	£0.001
Expected volatility	39.53%	31.22%
Expected dividend yield	3.98%	3.76%
Risk free interest rate	0.00%	0.58%

Expected volatility is a measure of an amount by which the share price is expected to fluctuate during a period. Dividends paid on shares reduce the fair value of an award as a participant does not receive the dividend income on these shares. For the share options granted during the year the historic dividend yield has been used, calculated as dividends announced in the 12 months prior to grant (excluding special dividends) calculated as a percentage of the share price on the date of grant to give a dividend yield of 3.98%.

The Options offer participants the opportunity to benefit from increasing per share value without risking the current per share price. The risk-free rate used is the rate of interest obtainable from UK Government securities as at the date of grant over the expected terms.

The options granted this year have vesting periods of 2.75 years from the date of grant and the calculation of the share based payment is based on these vesting periods.

MAB AR Option Plan

The Group operates an equity-settled share plan, the AR Option Plan, to reward selected ARs of the Group. The AR Option Plan provides for options which have a nominal exercise price of 0.01 pence per Share (or, for any individual AR, not less than £1 on each occasion of exercise) to acquire Ordinary Shares subject to performance conditions. Certain criteria must be met in order for ARs to be eligible, including using the Mortgage Advice Bureau brand and being party to an AR Agreement which provides for an initial contract term of at least five years at the date of grant. The AR Options will normally become exercisable following the fifth anniversary of grant subject to the satisfaction of performance conditions based on financial and other targets, including quality of consumer outcomes, compliance standards and continued use of the Mortgage Advice Bureau brand.

29 Share based payments (continued)

MAB AR Option Plan (continued)

The number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year for the MAB AR Option Plan:

	2020 WAEP	2020 Number	2019 WAEP	2019 Number
Outstanding at 1 January	0.01p	255,000	0.01p	255,000
Granted during the year	–	–	–	–
Exercised during the year	0.01p	(230,760)	–	–
Lapsed during the year	0.01p	(24,240)	–	–
Outstanding at 31 December	0.01p	–	0.01p	255,000

Options exercised in June 2020 resulted in 230,760 ordinary shares being issued at an exercise price of 0.01p per share. The price of the ordinary shares at the time of exercise was £5.95 per share. There are no share options outstanding under the MAB AR Option Plan as at 31 December 2020.

Expected volatility is a measure of an amount by which the share price is expected to fluctuate during a period. As the Company only listed in November 2014 there is insufficient historical data. We have therefore used a proxy volatility figure based on the medium volatilities, of dividend paying FTSE AIM 100 companies over each of the expected terms.

Dividends paid on shares reduce the fair value of an award as a participant does not receive the dividend income on these shares. For the share options granted during 2015 the stub dividend in respect of the period from Admission to 31 December 2014 has been annualised and divided at the share price at date of grant to give a dividend yield of 7.1%.

The options offer participants the opportunity to benefit from increasing per share value without risking the current per share price. The risk-free rate used is the rate of interest obtainable from UK Government securities as at the date of the grant over the expected terms.

The options granted in 2015 had a vesting period of 5 years from the date of grant and calculation of the share-based payment was based on these vesting periods.

Share-based remuneration expense

The share-based remuneration expense of £967,438 (2019: £1,288,860) includes the charge for the equity-settled schemes of £182,979 (2019: £533,133) and related employer's National Insurance Contributions of £185,815 (2019: £297,207). Included within the charge for the equity-settled scheme for the year are gross charges of £610,413 and the reversal of £427,434 of charges for the non-vesting proportions of the 2017 and 2018 grants of options subject to EPS performance criteria and the non-vesting proportion of AR options. Also included are the matching element of the Group's Share Incentive Plan for all employees of £85,465 (2019: £62,565) and £442,428 (2019: 227,968) in respect of the option relating to First Mortgage Direct Limited. IFRS 2 charges relating to the non-vesting of proportions of the 2017 and 2018 grants of options subject to EPS performance criteria have been reversed during the year.

Options exercised during the period resulted in a transfer from the Share option reserve to Retained earnings of £943,000 (2019: £180,000) reflected in the Consolidated statement of changes in equity.

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous year.

30 Business combinations

Acquisition in the prior year

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") for cash consideration of £16.5m (the "Acquisition"), valuing the Business at £20.6m. First Mortgage is an omni-channel mortgage broker, with a particularly strong presence in Scotland.

The Acquisition provides significant additional growth opportunities and enables the Group to further grow its adviser numbers and market share and has added another highly respected and leading mortgage broker to the Group.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	£'000
Cash paid	16,500
Total purchase consideration	**16,500**

The assets and liabilities recognised as a result of the acquisition were as follows:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Cash	4,277	–	4,277
Trade and other debtors	1,907	–	1,907
Right of use assets	3,094	–	3,094
Plant, equipment and intangibles	440	–	440
Intangible assets: customer contracts	–	1,980	1,980
Intangible assets: trademarks	–	1,470	1,470
Trade and other payables	(1,115)	–	(1,115)
Lease liability	(3,142)	–	(3,142)
Deferred tax liability	(56)	(586)	(642)
Provisions	(1,445)	–	(1,445)
Net identifiable assets acquired	**3,960**	**2,864**	**6,824**
Less: non–controlling interests			(1,365)
Add: goodwill			11,041
Consideration paid			**16,500**

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

There were no changes to provisional fair values during the measurement period.

30 Business combinations (continued)

Acquisition in the prior year (continued)

Purchase consideration - cash outflow	2019 £'000	2018 £'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	16,500	–
Less: Balances acquired		
Cash	(4,277)	–
Net outflow of cash - investing activities	12,223	–

The Group funded the cash consideration from a mix of its own cash resources and a partial drawdown on its revolving credit facility with National Westminster Bank Plc for £12m. As at 31 December 2020 the Group had no draw down on this facility (2019: £nil).

Revenue and profit contributions

First Mortgage contributed revenues (pre synergies) of £13.3m (2019: £7.6m) and profit after tax of £2.0m (2019: £1.1m) to the Group for the year ended 31 December 2020.

31 Non-controlling interests ("NCI")

Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in First Mortgage Direct Limited, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 1 for the Group's accounting policies for business combinations.

Set out below is summarised financial information for each subsidiary that has non-controlling interest that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	**First Mortgage Direct Limited £000's**
Current assets	9,193
Current liabilities	(1,625)
Current net assets	7,568
Non-current assets	2,870
Non-current liabilities	(3,802)
Non-current net liabilities	(932)
Net assets	6,636
Accumulated NCI	1,908

31 Non-controlling interests ("NCI") (continued)

Accounting policy choice for non-controlling interests (continued)

Summarised statement of comprehensive income	£000's
Revenue	13,257
Profit for the period and total comprehensive income	1,996
Profit allocated to NCI	399
Dividends paid to NCI	86

Summarised cash flows	£000's
Cash flows from operating activities	2,490
Cash flows from investing activities	(80)
Cash flows from financing activities	(432)
Net increase in cash & cash equivalents	1,978

32 Contingent liabilities

The Group had no contingent liabilities at 31 December 2020 or 31 December 2019.

33 Events after the reporting date

In January 2021, the FSCS published its Plan and Budget for the year ending 31st March 2022. In this the FSCS set out they expect an ongoing rise in complex pension advice claims and further failures of self-invested personal pension ("SIPP") operators. FSCS also forecast an increase in pay-outs for the insurance provision class due to recent failures. Furthermore, due to the widespread economic impacts of COVID-19, FSCS are also anticipating an increase in failures across the industry. As a result of the increased contributions to the retail pool, the Group expects to pay significantly higher levies during the period 1 April 2021 to 31 March 2022, currently estimated to be £2.0m in total.

On 12 January 2021, First Mortgage Direct Limited acquired a 25% stake in M&R FM Ltd, for an initial cash consideration of £0.7m. M & R FM Ltd is a mortgage and protection broker based in Gateshead. Previously directly authorised by the FCA, M & R FM Ltd operated under the First Mortgage franchise.

34 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2020 £'000	2019 £'000
Cash at bank available on demand	**18,550**	6,987
Bank balances held in relation to retained commissions	**14,431**	13,880
Total cash and cash equivalents	**32,981**	20,867

34 Notes supporting statement of cash flows (continued)

Financing activities for the purposes of the statement of cash flows comprises:

	2020 £'000	2019 £'000
Lease liabilities	2,695	2,979
Loans and borrowings	–	–
Total financing activities	2,695	2,979

A reconciliation of lease liabilities has been presented separately in note 13. 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 was fully repaid during the year including accrued interest of £0.2m (2019 £0.05m).

Company Statement of financial position
as at 31 December 2020

Registered number 04131569

The following parent entity financial statements are prepared under FRS 102 and relate to the Company and not to the Group. The statement of accounting policies which have been applied to these accounts can be found on page 109.

The Company is a non-trading holding company. As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year of £6,712,000 (2019: £12,235,509).

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	3	**3,747**	3,305
Current assets			
Debtors	4	**6,960**	2,632
Net assets		**10,707**	5,937
Capital and reserves			
Called up share capital	5	**53**	52
Share premium account	6	**9,778**	5,451
Capital redemption reserve	6	**20**	20
Retained earnings	6	**856**	414
		10,707	5,937

The notes on pages 109 to 112 form part of these financial statements.

The financial statements were approved by the board of Directors on

P Brodnicki
Director

L Tilley
Director

Company Statement of changes in equity
for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2019	51	4,094	20	186	4,351
Profit for the year	–	–	–	12,236	12,236
Total comprehensive income	–	–	–	12,236	12,236
Transactions with owners					
Issue of shares	1	1,357	–	–	1,358
Share based payments	–	–	–	228	228
Dividends paid	–	–	–	(12,236)	(12,236)
Transactions with owners	1	1,357	–	(12,008)	(10,650)
Balance at 31 December 2019 and 1 January 2020	**52**	**5,451**	**20**	**414**	**5,937**
Profit for the year	–	–	–	6,712	6,712
Total comprehensive income	–	–	–	6,712	6,712
Transactions with owners					
Issue of shares	1	4,327	–	–	4,328
Share based payments	–	–	–	442	442
Dividends paid	–	–	–	(6,712)	(6,712)
Transactions with owners	1	4,327	–	(6,270)	(1,942)
At 31 December 2020	**53**	**9,778**	**20**	**856**	**10,707**

1 Accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The FRS 102 reduced disclosure framework has been applied and the Company meets the definition of a qualifying entity. The principal accounting policies are summarised below. They have all been consistently applied to all years presented.

The preparation of financial statements in accordance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. Given the nature of the Company's business there are no critical accounting estimates or areas of judgement required in the preparation of the financial statements.

Cash flow statement

The cash flows of the Company are included in the consolidated cash flow statement of Mortgage Advice Bureau (Holdings) plc which is included in this annual report. Consequently, the Company is exempt under the terms of FRS 102 from publishing a cash flow statement.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the accounts.

Investments

Investments in subsidiaries are held at historical cost less provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from proceeds.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders.

Financial Instruments

The Company makes little use of financial instruments other than intercompany balances and so its exposure to credit risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit of the Company.

The Directors consider that there is no credit risk on intercompany balances.

2 Profit for the year

During the year its only income was dividends receivable from its subsidiaries. Its only expenditure is in respect of dividends payable. The auditors' remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements for the Group. Remuneration for the audit of the Company financial statements is borne by a subsidiary entity.

3 Investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2020	**3,305**
Additions	**442**
At 31 December 2020	**3,747**
Net book value	
At 31 December 2020	**3,747**
At 31 December 2019	3,305

The subsidiaries of Mortgage Advice Bureau (Holdings) plc at each reporting date are as follows:

Company name	Country of Incorporation	Percentage of ordinary shares held	Nature of business
Mortgage Advice Bureau Limited	England and Wales	100	Provision of financial services
Mortgage Advice Bureau (Derby) Limited	England and Wales	100	Provision of financial services
Capital Protect Limited	England and Wales	100	Provision of financial services
Mortgage Talk Limited	England and Wales	100	Provision of financial services
MABWM Limited	England and Wales	100	Provision of financial services
First Mortgage Direct Limited	Scotland	80	Provision of financial services
First Mortgage Limited	Scotland	80	Provision of financial services
Property Law Centre Limited	Scotland	80	Provision of financial services
Talk Limited	England and Wales	100	Intermediate holding company
Mortgage Advice Bureau Australia (Holdings) PTY Limited	Australia	100	Intermediate holding company
Mortgage Advice Bureau PTY Limited	Australia	100	Holding of intellectual property
Mortgage Advice Bureau (UK) Limited	England and Wales	100	Dormant
Mortgage Advice Bureau (Bristol) Limited	England and Wales	100	Dormant

3 Investments (continued)

Company name	Country of Incorporation	Percentage of ordinary shares held	Nature of business
MAB (Derby) Limited	England and Wales	100	Dormant
L&P 137 Limited	England and Wales	100	Dormant
Mortgage Talk (Partnership) Limited	England and Wales	100	Dormant
Financial Talk Limited	England and Wales	100	Dormant
Survey Talk Limited	England and Wales	100	Dormant
L&P 134 Limited	England and Wales	100	Dormant
Loan Talk Limited	England and Wales	100	Dormant
MAB1 Limited	England and Wales	100	Dormant
MAB Private Finance Limited	England and Wales	100	Dormant
MAB Financial Planning Limited	England and Wales	100	Dormant
First Mortgage Shop Limited	Scotland	80	Dormant
First Mortgages Limited	Scotland	80	Dormant
Fresh Start Finance Limited	Scotland	80	Dormant

The registered office for all of the subsidiaries of Mortgage Advice Bureau (Holdings) plc, as listed in the table above, is Capital House, Pride Place, Pride Park, Derby, DE24 8QR, United Kingdom, other than for the two subsidiaries incorporated in Australia for which the registered office is Norton Rose Fulbright, Level 18, 225 George Street, Sydney, NSW 2000, Australia and First Mortgage Direct Limited and its subsidiaries for which the registered office is 30 Walker Street, Edinburgh, EH3 7HR.

Mortgage Advice Bureau Australia (Holdings) PTY Limited has a 100% equity stake in Mortgage Advice Bureau PTY Limited and also a 45% equity stake in MAB Broker Services PTY Limited.

Mortgage Advice Bureau (Holdings) plc holds 100% of the ordinary share capital of Mortgage Advice Bureau Limited and Talk Limited.

Mortgage Advice Bureau Limited holds 100% of the ordinary share capital of Mortgage Advice Bureau (Derby) Limited, Capital Protect Limited, MABWM Limited and Mortgage Advice Bureau Australia (Holdings) PTY Limited. On 2 July 2019, Mortgage Advice Bureau Limited acquired 80% of the ordinary share capital of First Mortgage Direct Limited. Details of the acquisition are given in note 29 to the financial statements for the Group.

First Mortgage Direct Limited holds 100% of the ordinary share capital of First Mortgage Limited, Property Law Centre Limited, First Mortgages Limited, First Mortgage Shop Limited and Fresh Start Finance Limited.

Talk Limited holds 100% of the ordinary share capital of Mortgage Talk Limited, L&P 137 Limited, Mortgage Talk (Partnership) Limited, Financial Talk Limited and Survey Talk Limited.

Mortgage Talk Limited holds 100% of the ordinary share capital of Loan Talk Limited.

L&P 137 Limited holds 100% of the ordinary share capital of L&P 134 Limited.

There are no restrictions regarding the utilisation of cash or other resources held by any subsidiary.

4 Debtors – amounts falling due within one year

	2020 £'000	2019 £'000
Amounts due from Group undertakings	**6,960**	2,632

Amounts due from Group undertakings are unsecured, interest free and have no fixed repayment term.

5 Share capital

Issued and fully paid

	2020 £'000	2019 £'000
Ordinary shares of 0.1p each	**53**	52
Total share capital	**53**	52

During the year 1,540,980 ordinary shares of 0.1p each were issued following partial exercise of the third and fourth tranche of options issued at the time of the Initial Public Offering of the Company, exercise of the vested element of the Appointed Representatives options issued in May 2015, partial exercise of options issued in May 2016 and exercise of options issued in April 2017 at a total premium of £4.3m. See also note 29 to the financial statements for the Group.

6 Reserves

The following describes the nature and purpose of each reserve within equity

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	The capital redemption reserve represents the cancellation of part of the original share capital premium of the Company at par value of any shares repurchased.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

There is no restriction on the distribution of retained earnings.

7 Financial instruments and risk

The only financial asset of the company is an amount due from other Group undertakings and therefore the Company is exposed to minimal financial risks. Details of the Group's management of the financial risks to which it is exposed are set out in note 21 to the financial statements for the Group.

8 Related party transactions

The Company has taken advantage of the exemption in s33.1A of FRS102, not to disclose transactions with group companies which are 100% owned.

Appointed Representative, AR, or AR firm	An intermediary firm or person who is party to an agreement with a FCA regulated firm permitting them to carry out certain regulated activities
AR Agreement	Agreement governing the terms of the commercial relationship between MAB and an AR firm, and setting out how income from products sold by Advisers of the AR is split between MAB and the AR
Adviser	A person employed or engaged by an AR firm, carrying out mortgage and/or general or protection insurance advisory services to customers
Base Rate	The Bank of England base rate is the interest rate that the Bank of England charges banks for secured overnight lending. It is the UK Government's key interest rate for enacting its monetary policy
Clawbacks	The right of insurers to reclaim some or all of the commission paid to an intermediary in the event premiums are not paid by the policy holder in the period during which the policy holder pays monthly premiums, typically 48 months for protection products for MAB
Client fee	A fee paid by the consumer to the intermediary who has arranged the consumer's mortgage with a lender
Corporate Social Responsibility	A type of business self-regulation that aims to contribute to societal goals by engaging in or supporting ethically-oriented practices (e.g. fundraising for charity)
Directly Authorised	An entity that is directly authorised by the FCA to carry out regulated activities
Execution only	Refers to a customer entering into a regulated mortgage contract without being given advice, or where the advice given by a firm has been rejected. This is effectively a self-service process
FCA	Financial Conduct Authority
FSCS	The Financial Services Compensation Scheme is the UK's statutory deposit insurance and investors compensation scheme for customers of authorised financial services firms
FTB	First Time Buyer
GDPR	The General Data Protection Regulation, a regulation in EU law on data protection and privacy
General insurance	Buildings and contents insurance and certain other non-life insurance products but excluding protection
Gross mortgage lending	New mortgage lending and product transfers
Help-to-Buy	UK Government incentives that aim to help first time buyers and those looking to move homes purchase a residential property. Help-to-Buy schemes include Equity Loans and Shared Ownership schemes
Intermediary, intermediary firm, or mortgage intermediary	A firm or individual who arranges mortgages with lenders on behalf of customers, (as opposed to a lender that the customer approaches directly). An intermediary is either directly authorised by the FCA or is an appointed representative of a directly authorised firm
IMLA	The Intermediary Mortgage Lenders Association is a trade association that represents the views and interests of UK mortgage lenders who are involved in the generation of mortgage business via professional financial intermediaries
Insurance or insurance products	Includes protection and general insurance

IR35	The UK's anti-avoidance tax legislation designed to tax disguised employment at a rate similar to employment
Later Life Lending	Refers to mortgage products aimed at those approaching or already in retirement, who are looking to release some of the equity in their home for a variety of reasons
Lifetime Mortgage	A type of Later Life Lending whereby no capital or interest repayments are made. Compounded interest is added to the capital throughout the term of the loan, which is then repaid by selling the property when the borrower dies or moves out
Mortgage Advice and Selling Standards	Policy statement issued by the FCA in February 2020 which sets out a package of remedies aiming to help consumers make better informed choices with regard to mortgages
Mortgages Market Study	Market study conducted by the FCA in 2019 as a precursor to the Mortgage Advice and Selling Standards policy statement
Mortgage panel or lender panel	A panel of mortgage lenders used by intermediaries
New build	Encompasses properties built by developers, custom build, self-build and affordable housing
New mortgage lending	Lending resulting from a mortgage completion in connection with a house purchase or a re-mortgage with a different lender to the customer's existing lender
Procuration fee, or Mortgage procuration fee	A fee paid by a lender to the intermediary who has arranged a mortgage with the lender
Product transfer	The process of switching an existing mortgage product to a new one with the same lender
Protection insurance	Life insurance (including critical illness), family income protection and certain other insurance products (but excluding general insurance)
Service centres or telephone centres	MAB's regional telephone service centres operated by certain AR firms. The services provided by these centres include reviews of mortgage and related insurance products on an on-going basis with replacement or new products offered to customers, as appropriate
SM&CR	The Senior Manager and Certification Regime, a regime that aims to raise standards of governance, increase individual accountability and help restore confidence in the financial services sector

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Derby
DE24 8QR