FAIRPOINT.

Fairpoint Group plc

Final results for the year ended 31 December 2013

Fairpoint Group plc ("Fairpoint" or "the Group"), the leading provider of advice and solutions to financially stressed consumers, today announces its final results for the year ended 31 December 2013.

Highlights

Full year results are in line with expectations.

- Adjusted profits for the full year have increased by 7% compared to 2012
  - Revenue of £28.4m (2012: £29.9m)
  - Adjusted profit before tax* of £8.1m (2012: £7.6m)
  - Adjusted basic earnings per share** increased by 12% to 15.03p (2012: 13.44p)
  - Profit before tax of £5.9m (2012: £10.5m, including £4.3m of net exceptional revenue)

- Product diversification continues
  - Revenues from diversified activities, comprising our debt management and claims management services segments, rose to 42% of total revenue (2012: 36%)
  - Acquisition of four debt management books totalling 3,400 plans, out of cash flows
  - Acquisition of a small book of PPI claims in late December, out of cash flows
  - Post year end, acquisition of two further debt management books, totalling 9,000 plans, for an initial consideration of £4.0m, out of cash flows and the Group`s financing facility. This has substantially expanded the debt management portfolio, bringing the total number of plans to c.24,000

- Strong cash generation
  - Cash generated from operations of £9.1m (2012: £13.7m, including £3.0m of exceptional VAT related revenue)
  - Net cash*** of £2.8m at 31 December 2013 (2012: £1.6m)

- Increased dividend reflecting strong profit performance
  - Final dividend proposed of 3.85p (2012: 3.55p), making a total dividend for the year of 6.00p (2012: 5.50p), an overall increase of 9%

- Continuing to strengthen and invest in our platform for future growth
  - With a net cash balance of £2.8m and a £13.0m financing facility, the Group is in a strong position to support its strategy of investment and diversification both organically and by acquisition
  - Strong cost control across debt solutions activities with margins broadly maintained
  - Continued investment in the Group's claims management proposition, with further products and services under development, including legal services

** Profit before tax of £5.9m (2012: £10.5m) plus amortisation of acquired intangible assets of £1.6m (2012: £1.3m) plus exceptional items of £0.6m (2012: less £4.3m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*
**** Net cash is cash less finance lease liabilities*

Chris Moat, Chief Executive Officer, said:

"Fairpoint has reported another solid set of financial and operating results for 2013, with profits in line with expectations. The Group has continued to diversify its income streams and grow its profits, despite subdued conditions within the IVA market. Good progress in the development of the claims management proposition has been evident, including our first acquisition in this area. Opportunities to provide additional products and services are being pursued, including legal services, to ensure continuing momentum.

"The Group has entered the year with significant growth in its debt management base, which has grown by over 60% since the end of 2012, and is well placed to build on this given its strong cash generation and access to finance facilities.

"The Board is confident of delivering solid progress in the current year and continuing the diversification strategy."

Enquiries please contact:

Fairpoint Group Plc

Chris Moat, Chief Executive Officer	0845 296 0100
John Gittins, Group Finance Director	

Shore Capital (Nomad and Broker)

Pascal Keane	020 7408 4090
Edward Mansfield	

MHP Communications

Reg Hoare	020 3128 8100
Katie Hunt	
Ben Griffiths	

There will be an analyst presentation to discuss the results at 9.30am on 13 March 2014 at the offices of MHP Communications, 60 Great Portland Street, London, W1W 7RT

Notes to editors:

Fairpoint Group plc is an AIM quoted consumer financial services business focused on serving financially stressed consumers. Our business is structured into the following primary business lines in order to serve the needs of this consumer group:

1. Individual Voluntary Arrangements (IVAs)
2. Debt Management Plans (DMPs)
3. Claims Management

www.fairpoint.co.uk

Chairman`s statement

Overview

In my first annual statement to shareholders, I am pleased to report a set of results for 2013 showing good progress in financial, operating and cash flow performance on an adjusted basis. The Group continues to diversify its income streams and has controlled costs in subdued market areas. Progress in the development of claims management services has been strong and additional products and opportunities are under development to ensure continuing momentum.

Strategy

Our mission is to make money go further for our consumers. Our strategy of diversifying our income streams has four key aspects:

- Focus on our cost agenda in the individual voluntary agreement ("IVA") segment during a period of subdued market demand;
- Continue to grow our debt management plan ("DMP") activities, both organically and through acquisition opportunities presented by a consolidating market; and
- Continue to expand our claims management services segment with new products and services, including legal services.

Dividend

Our dividend policy takes into account the underlying adjusted growth in earnings and strong cash generation, whilst acknowledging the requirement for continued organic and acquisition led investment and short-term fluctuations in profits.

In light of the results for the year, and taking into account the requirements of the Group and the Board's confidence in its future prospects, the Board has recommended an increase in the final dividend of 8% to 3.85p (2012: 3.55p), resulting in a total dividend for the year of 6.00p (2012: 5.50p), an increase of 9%.

The final dividend will be paid on 19 June 2014 to shareholders on the register on 23 May 2014, with an ex-dividend date of 21 May 2014.

Changes to the board and shareholders

As reported previously, the sale by Hanover Investors of its shares in the Group in 2013 marked the end of the turnaround phase for Fairpoint and the transition to a more expansionary growth agenda. This also gave rise to some Board changes; Mike Fletcher was appointed as an independent non executive director in August 2013, replacing Thomas Russell who resigned to pursue other business interests, and I was appointed in November 2013 on the resignation of Matthew Peacock, who had been Chairman for the previous 5 years. The Board wishes to acknowledge and thank Matthew Peacock and Thomas Russell for their significant contributions to the company.

People

We are reliant on the experience and commitment of our people and I would like to thank the management and staff for all of their hard work and dedication during the year.

Summary

We expect to make continued progress in 2014 and beyond, building on our core skill in applying process to professional services, through continued tight cost control in our debt solutions activities, further expansion of our claims management services and moving into adjacent market areas with a current focus on legal services.

Given the acquisitions completed during 2013 and since the start of 2014, we expect to generate good returns from these new sources of revenue in the current year as well as continue to review further value-enhancing opportunities to consolidate our market position and diversify our income stream.

David Harrel
Chairman

Chief Executive Officer's review

Results

Adjusted profit before tax* was £8.1m (2012: £7.6m), increasing by 7% despite Group revenue from continuing operations in the year ended 31 December 2013 recording a 5% decrease to £28.4m (2012: £29.9m). Momentum from our diversification agenda continued with debt management and claims management services accounting for 42% of the Group revenue (2012: 36%). Profit before tax was £5.9m (2012: £10.5m, including £4.3m of net exceptional revenue).

Adjusted basic earnings per share** was 15.03p (2012: 13.44p). Basic earnings per share was 11.08p (2012: 18.59p) and fully diluted earnings per share was 10.96p (2012: 18.43p). Exceptional costs were £0.6m (2012: exceptional net revenue of £4.3m).

Net cash*** at 31 December 2013 was £2.8m (31 December 2012: £1.6m).

Operational review

Market conditions and update

The market conditions continue to present acquisition opportunities to the Group, however, at the same time they provide a headwind to the generation of organic income growth in our core debt solutions marketplace.

Against this backdrop the Group continues to take a disciplined approach to marketing expenditure, ensuring that uneconomic marketing activity is minimised. Whilst the volume of new IVA solutions in England and Wales increased to 48,967 in 2013 (2012: 46,694), (source: The Insolvency Service), in our experience, these volumes have been driven from consumers with lower disposable incomes (typically property tenants as opposed to home owners) and have resulted in reduced IVA fee levels. These market conditions, in our view, are likely to continue until bank base rate increases adversely impact the financial circumstances of home owners who typically have higher incomes.

The debt management protocol, to which we have previously referred in the prior year, was announced in February 2013. This is an industry initiative designed to improve standards and customer affordability within the DMP sector, which will be independently monitored. The Group signed up to this protocol, which involved an independent audit, in November 2013 and received accreditation. In addition, the newly formed Financial Conduct Authority (FCA) takes over responsibility for the regulation of, amongst others, debt management companies, from the Office of Fair Trading (OFT) with effect from 1 April 2014. The FCA has set higher standards in areas such as treating customers fairly and prudential requirements of firms operating in the DMP space. As one of the largest and well capitalised operators in the debt solutions market, we believe that this increased regulation, along with prevailing market conditions, will give rise to further consolidation in the sector, resulting in additional acquisition opportunities for Fairpoint.

IVA services

The segmental adjusted pre-tax profit was £4.1m (2012: £4.9m). In light of the market conditions outlined above, we have focused on cost control in the IVA segment as a result of which profit margins were broadly stable at 25% (2012: 26%), despite reduced revenues.

Revenues from the Group's IVA activities were £16.4m (2012: £19.0m). Revenues were lower than 2012, as a result of market conditions, driving lower average fees for new IVAs and lower income per IVA. Active management of the portfolio however, means that the total number of fee paying IVAs under management at 31 December 2013 was 19,337 (2012: 20,117). The number of new IVAs written in 2013 was 4,491 (2012: 5,391) and the average gross fee per new IVA was £3,239 (2012: £3,299).

** Profit before tax of £5.9m (2012: £10.5m) plus amortisation of acquired intangible assets of £1.6m (2012: £1.3m) plus exceptional items of £0.6m (2012: less £4.3m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*
**** Net cash is cash less finance lease liabilities*

The Group incurred exceptional costs of £0.5m in relation to restructuring activities as part of managing its IVA cost base, in light of the decline in revenue.

DMP services

Revenues in the DMP segment were £5.5m (2012: £5.6m) and the segmental adjusted pre-tax profit was £2.1m (2012: £2.2m).

Our focus in the DMP segment is to provide the best DMP service to our clients and continue to pursue debt management acquisitions. Four DMP back books were acquired in 2013. Margins were held at 38% (2012: 38%), despite one off transition costs associated with these acquisitions. The total number of DMPs under management at 31 December 2013 was 15,688 (2012: 14,880). Further progress in our acquisition pipeline has been made following the acquisition in January 2014 of two further back books for an initial consideration of £4.0m. This has substantially expanded the DMP portfolio by adding a further c.9,000 plans, bringing the total to c.24,000 plans. Plans under management have increased by over 60% since the start of 2013, supporting a higher level of future activity.

Claims management services

Revenues from our claims management activities increased by 28% to £6.4m (2012: £5.0m) and the segmental adjusted pre-tax profit increased to £2.3m (2012: £1.6m). Claims management is an important growth area for the business and our emphasis is on developing a broader range of claims management offerings to consumers.

During 2013 we continued to benefit from payment protection insurance (PPI) reclaim activity from our IVA portfolio. Claims monies which are secured through this activity increase the contributions to IVAs and so are beneficial to creditors. PPI reclaim activity within our DMP portfolio, which is conducted through our “Writefully Yours” brand, continued to gain momentum and further progress in this area is expected in 2014. The acquisition of a small book of PPI claims in December could be the first of several potential deals of this nature, if the PPI sector experiences the same consolidation dynamics as the DMP sector.

Outlook

We continue to assess the market to identify good opportunities to acquire debt solutions’ back books at attractive rates and further consolidate our strong market position, with the intention of delivering improving revenue growth in future years. The acquisition of two back books in January 2014, noted above, underpins this improvement for 2014. We will also continue our focus on cost control, given the challenging market conditions anticipated for IVA services.

Claims management services are expected to continue making a strong contribution to results in the near term with further product development underway to drive future growth, including legal services. As noted above, revenues in this segment have benefitted from PPI claims from both our IVA and DMP portfolios. The recent PPI back book acquisition supplements this with external portfolios.

As a result of the above factors, the Board expects to make good progress in 2014 and beyond.

Christopher Moat
Chief Executive Officer

Finance Director's review

Financial highlights

The Group's revenue before exceptional items decreased by 5% to £28.4m (2012: £29.9m). The decrease was largely due to a reduction in the IVA segment, partly offset by growth within claims management.

Adjusted profit before tax* increased to £8.1m (2012: £7.6m) with a gross margin of 53% (2012: 50%). The increased revenue and margins from claims management services combined with a controlled cost base and the absence of pilot costs in non pursued business streams have led to the improved results.

During 2013, the Group incurred exceptional costs of £0.6m (2012: net exceptional revenue of £4.3m). This represented £0.5m of restructuring costs and £0.1m of abortive acquisition costs. In 2012, the Group generated £4.5m exceptional fee income relating to the VAT refund received that year. Also in 2012, the Group incurred £0.2m of exceptional costs associated with the refinancing completed in April 2012. Amortisation of acquired intangible assets increased to £1.6m (2012: £1.3m) as a result of the acquisitions made during 2012 and 2013.

Profit before tax was £5.9m (2012: £10.5m, including £4.3m of net exceptional revenue).

The Group's tax charge was £1.2m (2012: £2.5m). The tax charge on adjusted profits was £1.7m (2012: £1.8m). This represents an effective rate of 21% (2012: 24%), the reduction largely resulting from the change in corporation tax rates during the year, as well as a one-off reclaim of taxation relating to previous years.

The total comprehensive income for the year was £4.7m (2012: £8.0m).

Earnings per share (EPS)

Adjusted basic EPS** was 15.03p (2012: 13.44p). Basic EPS was 11.08p (2012: 18.59p). Diluted EPS was 10.96p (2012: 18.43p).

Cash flows

Cash generated from operations was 108% of profit before finance costs at £9.1m (2012: £13.7m). Prior period cash flows included a £3.0m cash contribution from exceptional VAT related revenue. Income tax payments increased to £2.8m (2012: £0.5m) due to increased reported earnings in the previous year.

Investing cash outflows increased by £1.1m to £2.7m (2012: £1.6m), due to an increase in expenditure on back book acquisitions.

Financing cash outflows decreased to £2.3m (2012: £10.6m), as the Group has not utilised its financing facility in the year. This decrease was despite a 20% increase in dividend cash outflows of £2.4m (2012: £2.0m).

** Profit before tax of £5.9m (2012: £10.5m) plus amortisation of acquired intangible assets of £1.6m (2012: £1.3m) plus exceptional items of £0.6m (2012: less £4.3m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*

Financing

The Group's net cash* position as at 31 December 2013 was £2.8m (31 December 2012: £1.6m).

Along with the Group's £13m asset based revolving credit facility with PNC Financial Services UK Limited, this positive cash balance puts the Group in a strong position to continue its strategy of investment and diversification. The Group continues to assess the market for opportunities to acquire back books in the IVA and DMP markets, as well as to identify other opportunities which support the Group's strategy of growth and diversification.

John Gittins
Group Finance Director

** Net cash is cash less finance lease liabilities*

Consolidated statement of comprehensive income for the year ended 31 December 2013

	Notes	Year Ended 31 December 2013 Adjusted * £'000	Year Ended 31 December 2013 Amortisation of acquired intangible assets and exceptional items £'000	Year Ended 31 December 2013 Total £'000	Year Ended 31 December 2012 Adjusted * £'000	Year Ended 31 December 2012 Amortisation of acquired intangible assets and exceptional items £'000	Year Ended 31 December 2012 Total £'000
Revenue	**5 & 6**	28,357	-	28,357	29,857	4,507	34,364
Cost of sales		(13,245)	-	(13,245)	(14,837)	-	(14,837)
Gross profit		**15,112**	**-**	**15,112**	**15,020**	**4,507**	**19,527**
Amortisation of acquired intangibles		-	(1,585)	(1,585)	-	(1,331)	(1,331)
Other administrative expenses	**6**	(9,828)	(592)	(10,420)	(10,915)	(248)	(11,163)
Total administrative expenses		**(9,828)**	**(2,177)**	**(12,005)**	**(10,915)**	**(1,579)**	**(12,494)**
Finance income – unwinding of discount on IVA revenue		3,092	-	3,092	3,817	-	3,817
Finance income – other		7	-	7	10	-	10
Profit (loss) before finance costs		**8,383**	**(2,177)**	**6,206**	**7,932**	**2,928**	**10,860**
Finance costs		(332)	-	(332)	(380)	-	(380)
Profit (loss) before taxation		8,051	(2,177)	5,874	7,552	2,928	10,480
Tax (expense) credit	**2**	(1,694)	506	(1,188)	(1,794)	(717)	(2,511)
Profit (loss) for the year		**6,357**	**(1,671)**	**4,686**	**5,758**	**2,211**	**7,969**
Total comprehensive income (loss) for the year		**6,357**	**(1,671)**	**4,686**	**5,758**	**2,211**	**7,969**
Earnings per Share							
Basic	**3**			11.08			18.59
Diluted	**3**			10.96			18.43

All of the profit and comprehensive income for the year is attributable to equity holders of the parent.

***** Before amortisation of acquired intangible assets and exceptional items.

Consolidated statement of financial position as at 31 December 2013

Company Number 4425339

	As at 31 December 2013	As at 31 December 2012
	£'000	£'000
ASSETS		
Non Current Assets		
Property, plant and equipment	1,048	1,406
Goodwill	11,972	11,972
Other intangible assets	7,346	6,943
Total Non Current Assets	**20,366**	**20,321**
Current Assets		
Trade receivables and amounts recoverable on IVA services	23,685	24,984
Other current assets	2,196	4,743
Cash and cash equivalents	2,861	1,850
Total Current Assets	**28,742**	**31,577**
Total Assets	**49,108**	**51,898**
EQUITY		
Share capital	436	436
Share premium account	528	528
Treasury shares	(727)	(1,015)
ESOP share reserve	(517)	(517)
Merger reserve	11,842	11,842
Other reserves	254	254
Retained earnings	32,001	29,654
Total equity attributable to equity holders of the parent	**43,817**	**41,182**
LIABILITIES		
Non Current Liabilities		
Long-term financial liabilities	-	100
Deferred tax liabilities	226	200
Total Non Current Liabilities	**226**	**300**
Current Liabilities		
Trade and other payables	4,226	7,942
Short-term borrowings	100	130
Current tax liability	739	2,344
Total Current Liabilities	**5,065**	**10,416**
Total Liabilities	**5,291**	**10,716**
Total Equity and Liabilities	**49,108**	**51,898**

Consolidated statement of cash flows for the year ended 31 December 2013

	Year ended 31 December 2013	Year ended 31 December 2012
	£'000	**£'000**
Cash flows from operating activities		
Profit before tax	5,874	10,480
Share based payments charge	72	94
Depreciation of property, plant and equipment	462	373
Amortisation of intangible assets and development expenditure	2,046	1,570
(Loss) profit on disposal of non current assets	148	(50)
Interest received	(7)	(10)
Interest expense	332	380
Decrease (increase) in trade and other receivables	3,846	(4,098)
(Decrease) Increase in trade and other payables	(3,716)	4,973
Cash generated from operations	9,057	13,712
Interest paid	(332)	(690)
Income taxes paid	(2,743)	(472)
Net cash generated from operating activities	5,982	12,550
Cash flows from investing activities		
Proceeds from sale of non current assets	-	229
Purchase of property, plant and equipment (PPE)	(123)	(435)
Interest received	7	10
Software development	(711)	(704)
Purchase of debt management and IVA books	(1,891)	(660)
Net cash absorbed by investing activities	(2,718)	(1,560)
Cash flows from financing activities		
Equity dividends paid	(2,360)	(1,965)
Sale (purchase) of treasury shares	237	(1,015)
Payment of short-term borrowings	(30)	(7,497)
Payment of long-term borrowings	(100)	(131)
Net cash absorbed by financing activities	(2,253)	(10,608)
Net change in cash and cash equivalents	1,011	382
Cash and cash equivalents at start of year	1,850	1,468
Cash and cash equivalents at end of year	2,861	1,850

Consolidated statement of changes in equity for the year ended 31 December 2013

	Share Capital £'000	Share Premium Account £'000	Treasury Shares £'000	Merger Reserve £'000	Other Reserves £'000	ESOP Share Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2012	436	528	-	11,842	254	(517)	23,556	**36,099**
Changes in equity for the year ended 31 December 2012:								
Total comprehensive income for the year	-	-	-	-	-	-	7,969	**7,969**
Share based payment expense	-	-	-	-	-	-	94	**94**
Purchase of treasury shares	-	-	(1,015)	-	-	-	-	**(1,015)**
Dividends of 4.70 pence per share	-	-	-	-	-	-	(1,965)	**(1,965)**
Balance at 31 December 2012	436	528	(1,015)	11,842	254	(517)	29,654	**41,182**
Changes in equity for the year ended 31 December 2013:								
Total comprehensive income for the year	-	-	-	-	-	-	4,686	**4,686**
Share based payment expense	-	-	-	-	-	-	72	**72**
Sale of treasury shares	-	-	288	-	-	-	(51)	**237**
Dividends of 5.70 pence per share	-	-	-	-	-	-	(2,360)	**(2,360)**
Balance at 31 December 2013	436	528	(727)	11,842	254	(517)	32,001	**43,817**

Notes

1 Status of financial information

The financial information set out in this report does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 31 December 2012. Statutory accounts for 31 December 2012 have been delivered to the Registrar of Companies. Those for 31 December 2013 are available on the Company's website (www.fairpoint.co.uk) and will be delivered to the Registrar of Companies following the Company's annual general meeting. The auditors have reported on those accounts; their report was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for both 2013 and 2012.

Going concern

The Group`s business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman`s statement and chief executive officer`s review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the finance director`s review.

The financial statements have been prepared on a going concern basis. The Group's existing facility with PNC Financial Services UK Ltd extends to 2016 and provides a facility of £13m. For the purpose of considering going concern the board has considered a period of at least 12 months from the date of this report.

2 Tax expense

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the year	1,458	2,653
Adjustment for under provision	(296)	24
	1,162	2,677
Deferred tax expense		
Origination and reversal of temporary differences	(122)	(53)
Adjustment for under (over) provision in prior periods	148	(113)
	26	(166)
Total tax charge	**1,188**	**2,511**

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit (loss) before tax	5,874	10,480
Expected tax charge based on the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	1,366	2,568
Use of brought forward losses	(10)	(12)
Marginal relief adjustment	-	(2)
Expenses not deductible for tax purposes	27	19
Prior year deferred tax	148	(113)
Prior year current tax	(296)	24
Future year tax rate change impact on deferred tax	(47)	27
Total tax charge	**1,188**	**2,511**

3 Earnings per share (EPS)

	Year ended 31 December 2013	Year ended 31 December 2012
	£'000	**£'000**
Numerator		
Profit for the year – used in basic and diluted EPS	4,686	7,969
Denominator		
Weighted average number of shares used in basic EPS	42,282,208	42,860,487
Effects of:		
- employee share options	472,065	368,705
Weighted average number of shares used in diluted EPS	42,754,273	43,229,192

Basic earnings per share is calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue during the year is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Certain employee options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year and therefore it would not be advantageous for the holders to exercise those options.

Adjusted EPS figures are also presented in the financial statements as the directors believe they provide a better understanding of the financial performance of the Group. The calculations for these are shown below:

	Year Ended 31 December 2013			Year Ended 31 December 2012		
	Adjusted *	**Amortisation of acquired intangible assets and exceptional items**	**Total**	**Adjusted ***	**Amortisation of acquired intangible assets and exceptional items**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Total comprehensive income (loss) for the year	6,357	(1,671)	4,686	5,758	2,211	7,969
Adjusted earnings per share *						
Basic	15.03		11.08	13.44		18.59
Diluted	14.87		10.96	13.32		18.43

***** Before amortisation of acquired intangible assets and exceptional items.

4 Dividends

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Dividend of 3.55 pence (2012: 2.75 pence) per 1p ordinary share paid during the year relating to the previous year's results [1]	1,469	1,168
Dividend of 2.55 pence (2012: 1.95 pence) per 1p ordinary share paid during the year relating to the current year's results [2]	891	797
	2,360	1,965

[1] Dividends were waived on 2,239,197 (2012: 1,129,618) of the 43,609,346 ordinary shares.

[2] Dividends were waived on 2,158,565 (2012: 1,067,479) of the 43,609,346 (2012: 41,942,679) ordinary shares.

5 Segment analysis

Reportable segments

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are operating divisions that offer different products and services. They are managed separately because each business requires different marketing and operational strategies.

Measurement of operating segment profit and assets

The accounting policies of the operating segments are consistent with those described in the summary of accounting policies.

The Group evaluates performance on the basis of adjusted (for exceptional items and amortisation of goodwill, brands and acquired intangible assets) profit before taxation from continuing operations.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

The chief operating decision maker has organised the Group into three operating segments - Individual Voluntary Arrangements (IVA), Debt Management Plans (DMP) and Claims Management. These segments are the basis on which the Group is structured and managed, based on its principal services provided. Some wind-down costs were incurred in 2013 in relation to the payday lending pilot and these are reported within the unallocated category.

The segments are summarised as follows:

- IVA consists primarily of Group companies Debt Free Direct Limited and Clear Start UK Limited, the core debt solution brands. The primary product offering of these brands is an IVA which consists of a managed payment plan providing both interest and capital forgiveness and results in a consumer being debt free within five years of the agreement commencing.

- DMP consists primarily of the Group company Lawrence Charlton Limited, the trading brand used to provide DMPs for consumers. DMPs are generally suitable for consumers who can repay their debts in full, if they are provided with some relief on the rate at which interest accrues on their debts. They could take 15 years to complete and offer consumers a fixed repayment discipline as well as third party management of creditors.

- Claims Management activities involve enhancing the financial position of our customers and fall into the following areas:

    - financial claims services – managing claims on behalf of consumers. This activity predominantly relates to Payment Protection Insurance (PPI) claims. The Group is developing a number of other claims management opportunities which would allow it to build upon its experience in this area.
    - value added services – a wide range of solutions fall under this category, all of which have the primary objective of making the consumers' money go further. Examples include utility and bank account switching and refinancing solutions.
    - web comparison services – offering a range of comparison activities through the Group's internet portal, Moneyextra.com.

5 Segment analysis (continued)

Year ended 31 December 2013

	IVA £'000	Debt Management £'000	Claims Management £'000	Unallocated £'000	Total £'000
Total external revenue	16,445	5,511	6,401	-	28,357
Total operating profit (loss)	967	2,069	2,298	(50)	5,284
Finance income – unwinding of discount on IVA revenue	3,092	-	-	-	3,092
Finance income – other	-	-	-	7	7
Adjusted profit (loss) before finance costs	**4,059**	**2,069**	**2,298**	**(43)**	**8,383**
Finance expense	-	-	-	(332)	(332)
Adjusted profit (loss) before taxation	**4,059**	**2,069**	**2,298**	**(375)**	**8,051**
Amortisation of acquired intangible assets	(475)	(1,110)	-	-	(1,585)
Exceptional items	-	-	-	(592)	(592)
Profit (loss) before taxation	**3,584**	**959**	**2,298**	**(967)**	**5,874**
Tax					(1,188)
Profit for the year					**4,686**
Balance sheet assets					
Reportable segment assets	37,368	4,670	1,437	5,633	49,108
Capital additions	793	1,450	458	-	2,701
Depreciation and amortisation	(863)	(1,147)	(11)	(487)	(2,508)

5 Segment analysis (continued)

Year ended 31 December 2012

	IVA £'000	Debt Mgmt. £'000	Claims Mgmt. £'000	Unallocated £'000	Sub-Total £'000	IVA Exceptional Revenue [1] £'000	Total £'000
Total external revenue	18,995	5,619	4,995	248	29,857	4,507	34,364
Total operating profit (loss)	1,085	2,154	1,596	(730)	4,105	-	-
Finance income – unwinding of discount on IVA revenue	3,817	-	-	-	3,817	-	-
Finance income – other	-	-	-	10	10	-	-
Adjusted profit (loss) before finance costs	**4,902**	**2,154**	**1,596**	**(720)**	**7,932**	**-**	**7,932**
Finance expense	-	-	-	(380)	(380)	-	(380)
Adjusted profit (loss) before taxation	**4,902**	**2,154**	**1,596**	**(1,100)**	**7,552**	**-**	**7,552**
Amortisation of acquired intangible assets	(472)	(859)	-	-	(1,331)	-	(1,331)
Exceptional items	-	-	-	(248)	(248)	-	(248)
Profit (loss) before taxation	**4,430**	**1,295**	**1,596**	**(1,348)**	**5,973**	**4,507**	**10,480**
Tax							(2,511)
Profit for the year							**7,969**
Balance sheet assets							
Reportable segment assets	40,448	4,039	1,289	6,122	51,898	-	51,898
Capital additions	640	718	44	426	1,828	-	1,828
Depreciation and amortisation	(586)	(943)	(19)	(395)	(1,943)	-	(1,943)

[1] In April 2012, the Group received a VAT refund of £9.0m from HMRC following the decision in Paymex Ltd v HMRC, which found that fees relating to IVAs were exempt supplies. This refund related to net VAT payments made by the Group since 1 June 2007 and has resulted in exceptional fee income for the Group as well as increased distributions to creditors.

6 Exceptional items

During the year the Group had exceptional revenues and costs as detailed below:	Year Ended 31 December 2013 £'000	Year Ended 31 December 2012 £'000
Restructuring costs [1]	498	-
Abortive acquisition costs	94	-
Fee income resulting from Paymex VAT refund [2]	-	(4,507)
Costs associated with refinancing	-	248
Total exceptional expense (income)	**592**	**(4,259)**

[1] The restructuring costs primarily relate to headcount reductions as a result of system efficiencies.

[2] In April 2012, the Group received a VAT refund of £9.0m from HMRC following the decision in Paymex Ltd v HMRC, which found that fees relating to IVAs were exempt supplies. This refund related to net VAT payments made by the Group since 1 June 2007 and has resulted in exceptional fee income for the Group as well as increased distributions to creditors.

7 Reconciliation of net change in cash and cash equivalents to movement in net surplus / borrowings

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Net increase in cash and cash equivalents	1,011	382
Net decrease in short term borrowings	30	7,497
Net decrease in long term borrowings	100	131
Net change in cash and borrowings	**1,141**	**8,010**
Net surplus (borrowings) at start of year	1,620	(6,390)
Net surplus at end of year	2,761	1,620

Net surplus (borrowings) comprises:

	At 31 December 2013 £'000	At 31 December 2012 £'000
Cash and cash equivalents	2,861	1,850
Short term borrowings	(100)	(130)
Long term borrowings	-	(100)
Net surplus	2,761	1,620