Fairpoint Group plc

Report and Financial Statements

Year ended

31 December 2014

Company Number: 4425339

Contents

Overview

I am pleased to report a strong set of results for 2014, in line with expectations. A disciplined approach to margin and cash management in our traditional debt solutions markets has enabled continued progress with diversification of our income streams through acquisition activity. I am particularly pleased that we have made an important first step into the much larger consumer legal services marketplace, which presents substantial opportunities for further growth and is transformative for the Group.

Strategy

At the heart of our strategic agenda over recent years has been an objective to diversify our income streams, thereby increasing our options for growth and our business resilience. We set this goal during 2008, at the start of which we were dependent upon individual voluntary arrangements ("IVA") as our only substantial income stream. In the second half of 2014 72% of revenues were from sources other than IVA and for the whole of 2014 this figure was 65%.

As we look at our four business lines as they stand in early 2015, we will focus upon:

- Developing our customer franchise by providing consumers with a growing number of solutions which will improve their circumstances;
- Consolidation in our chosen markets, with a particular focus on the legal services market place whilst we evaluate regulatory developments in the debt management marketplace;
- Continued development of our claims management services segment with new products and services, now enhanced with the addition of the legal services offering within the Group; and
- Focus on our cost agenda in the IVA segment, during a period of challenging market conditions.

Dividend

Our dividend policy takes into account the underlying growth in adjusted earnings, 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 6% to 4.10p (2013: 3.85p), resulting in a total dividend for the year of 6.40p (2013: 6.00p), an increase of 7%.

The final dividend will be paid on 19 June 2015 to shareholders on the register on 22 May 2015, with an ex-dividend date of 21 May 2015.

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.

Outlook

We expect to make further progress in 2015 and beyond, benefitting from the full year effect of the acquisitions completed in 2014 and continued tight cost control.

In addition, we anticipate targeting further value-enhancing acquisition opportunities during 2015 to allow us to consolidate our market position.

David Harrel
Chairman

Results

Group revenue increased by 35% to £38.3m (2013: £28.4m), with non-IVA activities representing 65% of Group revenue (2013: 42%). This mix change reflects strong momentum from our diversification agenda. In 2014 we have acquired three debt management books (two via corporate acquisitions). We also formed the legal services segment by acquiring Simpson Millar LLP Solicitors ("Simpson Millar") and then adding Foster and Partners LLP Solicitors ("Fosters").

Adjusted profit before tax* increased by 15% to £9.3m (2013: £8.1m). Profit before tax was £3.4m (2013: £5.9m) after deducting exceptional acquisition and refinancing costs of £2.5m (2013: £0.6m) and the amortisation of acquired intangible assets of £3.3m (2013: £1.6m).

Adjusted basic earnings per share** was 17.17p (2013: 15.03p). Basic earnings per share was 6.62p (2013: 11.08p) and fully diluted earnings per share was 6.53p (2013: 10.96p).

Net debt*** at 31 December 2014 was £7.6m (31 December 2013: net cash*** of £2.8m), largely reflecting the £14.0m cash cost of acquisitions (including related expenses) during the year.

Operational review

Our Market places

We now operate within two core market places – legal services and debt solutions. Both market places are undergoing substantial change and may present significant opportunities for growth via consolidation. The consumer legal services market place is estimated to be worth some £10bn per annum and so presents the opportunity for both acquisition and organic growth in a much larger market place than traditional debt solutions.

Legal Services

The legal services market is highly fragmented and has recently been subjected to significant regulatory change, which is intended to improve consumer choice and value. These changes are encouraging industry consolidation and present a unique opportunity to create more competitive consumer offerings. The acquisition of Simpson Millar in June 2014 is intended to provide a platform from which the Group can deploy its core skill of applying process to professional services. This strategy builds on the success already achieved through delivering products and services designed to help consumers make their money go further.

Debt Solutions

Market conditions for the Group`s debt solutions remain challenging and we continue to take a disciplined approach to marketing expenditure, ensuring that uneconomic activity is minimised. Whilst the volume of new IVA solutions in England and Wales increased to 52,190 in 2014 (2013: 48,881), (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 the market seeing 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.

** Profit before tax of £3.4m (2013: £5.9m) plus amortisation of acquired intangible assets of £3.3m (2013: £1.6m) plus exceptional items of £2.5m (2013: £0.6m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*
**** Net debt is bank borrowings and finance lease liabilities less cash. Net cash is cash less finance lease liabilities*

Regulation

In the debt management sector, a rigorous regulatory agenda has been driven by the Financial Conduct Authority (FCA) since it assumed responsibility for the regulation of this sector from April 2014 and we expect this to result in both change and further consolidation. Subject to consideration of forthcoming FCA thematic reviews within the debt management sector, we anticipate playing a continued role in its consolidation. As with all firms operating within this sector, since the change in regulatory regime, the Group has traded under an interim regulatory permission. The Group has submitted its application for full regulatory permission and this is expected to be processed during 2015.

IVA services

IVA services segmental adjusted pre-tax profit was £3.4m (2013: £4.1m). In light of the market conditions outlined above, we have focused on profit margin maintenance through tight cost management in the IVA segment and as a result, profit margins were maintained at 25% (2013: 25%), despite reduced revenues.

Revenues from the Group's IVA activities were £13.6m (2013: £16.4m). Revenues reduced largely as a result of fewer newly incepted cases. The Group continues to avoid exposure to fee levels which it considers uneconomic. The total number of fee paying IVAs under management at 31 December 2014 was 17,628 (2013: 19,337). The number of new IVAs written in 2014 was 2,716 (2013: 4,491) and the average gross fee per new IVA was £3,437 (2013: £3,239).

The Group incurred no exceptional costs in 2014 compared to £0.5m of costs last year in relation to restructuring activities as part of managing its IVA cost base, in light of the decline in revenue.

Debt Management Plan ("DMP") services

Revenues in the DMP segment grew by 50% to £8.3m (2013: £5.5m) and the segmental adjusted pre-tax profit increased by 60% to £3.3m (2013: £2.1m).

Our focus in the DMP segment was to provide the best DMP service to our clients and continue to pursue debt management acquisitions. Three DMP back books were acquired in 2014 (two via corporate acquisitions). The total number of DMPs under management increased by 62% to 25,462 at 31 December 2014 (2013: 15,688). Margins improved to 40% (2013: 38%), as the Group benefitted from economies of scale from these transactions.

The Group incurred exceptional transactional costs of £0.2m (2013: £nil) and restructuring costs of £1.1m (2013: £nil) associated with the acquisition of Debt Line Topco Limited ("Debt Line"). Debt Line, a portfolio of 9,000 plans, was acquired in August 2014.

Claims management

Revenues from our claims management activities decreased to £4.5m (2013: £6.4m) and the segmental adjusted pre-tax profit decreased to £1.4m (2013: £2.3m).

Claims levels, largely relating to payment protection insurance (PPI) reclaim activity, from existing IVA clients have reached maturity, whilst those from our growing number of debt management clients, conducted through our "Writefully Yours" brand, are still under development. As anticipated, this has resulted in a reduction in claims revenues and profitability when compared to 2013. Expertise in Simpson Millar provides support for further development of more sustainable forms of claims activity.

Legal services

Simpson Millar, the Group's first acquisition in the consumer legal services sector, was acquired in June 2014 for an initial consideration of £6.1m cash and £2.0m shares and further consideration of up to £6m based on the financial performance of Simpson Millar for the two 12 month periods ending June 2015 and June 2016. In addition, in July 2014, the Group acquired Fosters, a Bristol based family law specialist, for a deferred consideration of £0.4m. This represents the commencement of the Group`s stated strategy for this segment, to selectively make complementary or synergistic acquisitions to enhance the established platform of Simpson Millar.

Legal services revenues for the six and a half month period of ownership were £11.9m and the segmental adjusted pre-tax profit was £1.6m. This was good growth on the same period last year. Simpson Millar provides consumer-focused legal services with its main lines including: family, personal injury, and clinical negligence. It is headquartered in Leeds and has over 250 employees based in 13 offices around the UK. The firm, led by an experienced and well regarded senior management team, has been responsive to changing market dynamics, capitalising on opportunities to develop new service lines and acquire further caseloads, teams and firms. The business has a strong track record of growth and profitability with revenues rising over 40% in the period 2009-13.

Good progress is being made on detailed integration work streams in areas including sales, marketing and support services. The Group incurred exceptional costs of £0.7m in relation to legal and professional costs associated with this acquisition.

Outlook

During 2014 we have established a significant legal services platform and the full year benefit of this activity will provide an important growth stimulus for 2015. In addition, we expect to continue to pursue acquisition opportunities, with particular focus on the legal services market. We anticipate the market conditions in the IVA segment will remain challenging and we will continue to focus on margin management. We expect the development of PPI and other claims products through our DMP clients to mitigate the effects of the maturing IVA claims activity.

As a result of the above factors, the Board expects to make good progress in 2015 and beyond.

Christopher Moat
Chief Executive Officer

Financial highlights

Group revenue increased by 35% to £38.3m (2013: £28.4m). This increase was due to the first time revenue contribution from the newly formed legal services segment of £11.9m and significant growth in the DMP segment, partially offset by revenue reductions within the IVA and claims management segments.

Adjusted profit before tax* increased by 15% to £9.3m (2013: £8.1m) with a gross margin of 53% (2013: 53%). The increased revenue and margins from debt management services, a controlled cost base and the first profit contribution from legal services have led to the improved results.

During 2014, the Group incurred exceptional costs of £2.5m (2013: £0.6m). This represented £0.7m of costs in relation to the acquisition of Simpson Millar, £0.5m of costs associated with the refinance of the Group with AIB and £1.3m of transactional and restructuring costs in relation to the acquisition of Debt Line. Amortisation of acquired intangible assets increased to £3.3m (2013: £1.6m), largely as a result of the amortisation charges relating to acquisitions made during 2014.

Reported profit before tax was £3.4m (2013: £5.9m).

The Group's tax charge was £0.6m (2013: £1.2m). The tax charge on adjusted profits was £1.8m (2013: £1.7m). This represents an effective rate of 20% (2013: 21%), the reduction largely resulting from the change in corporation tax rates during the year, as well as a reclaim of taxation relating to previous years.

The total comprehensive income for the year was £2.9m (2013: £4.7m).

Earnings per share (EPS)

Adjusted basic EPS** was 17.17p (2013: 15.03p). Basic EPS was 6.62p (2013: 11.08p). Diluted EPS was 6.53p (2013: 10.96p).

Cash flows

Cash generated from operations was £7.9m (2013: £9.1m). The current year cash flows included cash outflows associated with exceptional costs of £1.6m (2013: £0.6m) and working capital outflows associated with the newly acquired Simpson Millar totalling £1.3m, relating to purchase ledger, VAT and payroll related matters.

Interest paid increased to £1.0m (2013: £0.3m) largely due to arrangement fees associated with the Group refinancing.

Tax payments decreased to £1.2m (2013: £2.7m) largely as a result of the lower profit before tax in 2014.

Investing cash outflows increased to £13.4m (2013: £2.7m), reflecting in particular the cash element of the Simpson Millar acquisition of £6.1m (net of cash balances acquired) and the acquisition of three DMP businesses (two via corporate acquisition and one via an asset acquisition).

Financing cash inflows were £7.2m (2013: cash outflows £2.3m), as the Group repaid its facility with PNC Financial Services UK Limited and refinanced with AIB. Dividend cash outflows increased to £2.6m (2013: £2.4m).

** Profit before tax of £3.4m (2013: £5.9m) plus amortisation of acquired intangible assets of £3.3m (2013: £1.6m) plus exceptional items of £2.5m (2013: £0.6m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*

Financing

The Group's net debt*** position as at 31 December 2014 was £7.6m (31 December 2013: net cash*** of £2.8m).

The increase in net debt reflected the £14.0m cash cost of the acquisitions of Simpson Millar and three debt management books (including related expenses) during the year.

In May 2014 the Group signed a new five year £20.0m banking facility with AIB, which replaced its existing £13.0m facility with PNC Financial Services UK Limited, which was due to expire in April 2016. The new committed facility comprises a £12.0m revolving credit facility and an £8.0m term loan, providing the Group with significant financing headroom. The Group incurred one-off legal, professional and other charges associated with this refinancing of £0.5m.

The new facility supported the acquisitions of Simpson Millar and Debt Line and provides long term financing to underpin the Group's growth and acquisition strategy.

John Gittins
Group Finance Director

**** Net debt is bank borrowings and finance lease liabilities less cash. Net cash is cash less finance lease liabilities*

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006. The company's independent auditor is required by law to report on whether the information given in the Strategic Report is consistent with the financial statements. The auditor's report is set on page 24.

Principal objectives, strategy and outlook

The principal activity of Fairpoint Group during the year was the provision of consumer professional services including debt solutions and legal services through the group's four core segments: IVA services, DMP services, claims management and legal services.

The IVA services and DMP services segments provide financial advice and appropriate solutions (IVAs or DMPs) to individuals experiencing personal debt problems.

The claims management segment receives third party referral commissions and, through the "Writefully Yours" brand, undertakes PPI reclaim activity on behalf of DMP clients.

The legal services segment provides a range of consumer-focused legal services with main lines being family, personal injury and clinical negligence through 13 offices around the UK.

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

- Developing our customer franchise by providing consumers with a growing number of solutions which will improve their circumstances;
- Consolidation in our chosen markets, with a particular focus on the legal services market place whilst we evaluate regulatory developments in the debt management marketplace;
- Continued development of our claims management services segment with new products and services, now enhanced with the addition of the legal services offering within the Group; and
- Focus on our cost agenda in the IVA segment, during a period of challenging market conditions.

Overview for the year

Management use the following key performance indicators (KPIs) to assess the performance of the Group:

- Total number of fee paying IVAs
- Number of new IVAs acquired
- Average gross fees per new IVA
- Total number of DMPs under management
- Revenue (segment and Group)
- Adjusted profit before tax (segment and Group)
- Profit margins
- Profit before tax
- Earnings per share (EPS)
- Cash generation

The total number of fee paying IVAs under management at 31 December 2014 was 17,628 (2013: 19,337). The number of new IVAs written in 2014 was 2,716 (2013: 4,491) and the average gross fee per new IVA was £3,437 (2013: £3,239).

The total number of DMPs under management at 31 December 2014 was 25,462 (2013: 15,688).

The Group's revenue increased by 35% to £38.3m (2013: £28.4m). This increase was due to the first time revenue from the newly formed legal services segment of £11.9m and significant growth in the DMP segment, net of revenue reductions within the IVA and claims management segments.

Adjusted profit before tax* increased by 15% to £9.3m (2013: £8.1m) with a gross margin of 53% (2013: 53%). The increased revenue and margins from debt management services, a controlled cost base and the first profit contribution from legal services have led to the improved results.

During 2014, the Group incurred exceptional costs of £2.5m (2013: £0.6m). This represented £0.7m of costs in relation to the acquisition of Simpson Millar, £0.5m of costs associated with the refinance of the Group with AIB and £1.3m of transactional and restructuring costs in relation to the acquisition of Debt Line. Amortisation of acquired intangible assets increased to £3.3m (2013: £1.6m), largely as a result of the amortisation charges relating to acquisitions made during 2014.

Profit before tax was £3.4m (2013: £5.9m).

The Group's tax charge was £0.6m (2013: £1.2m). The tax charge on adjusted profits was £1.8m (2013: £1.7m). This represents an effective rate of 20% (2013: 21%), which is broadly consistent with the prevailing corporation tax rate for the financial year.

The total comprehensive income for the year was £2.9m (2013: £4.7m).

An overview of market conditions is contained in the chief executive officer's report, together with an operating review of the performance of each segment.

Earnings per share (EPS)

Adjusted basic EPS** was 17.17p (2013: 15.03p). Basic EPS was 6.62p (2013: 11.08p). Diluted EPS was 6.53p (2013: 10.96p).

Cash flows

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The new facility supported the acquisitions of Simpson Millar and Debt Line and provides long term financing to underpin the Group's growth and acquisition.

Principal risks and uncertainties

Regulatory change

Since the Group's primary solution (IVAs) are delivered under the regulation of the Insolvency Act, there is some level of exposure to any change to this, or associated, regulation. Furthermore, claims management revenues may have exposure to any change in regulation in these areas.

A rigorous regulatory agenda has been driven by the Financial Conduct Authority (FCA) across the debt management sector since it assumed responsibility for the regulation of this sector from April 2014 and we expect this to result in both change and further consolidation. Subject to consideration of forthcoming FCA thematic reviews within the debt management sector, we anticipate playing a continued role in its consolidation. As with all firms operating within this sector, since the change in regulatory regime, the Group has traded under an interim regulatory permission. The Group has submitted its application for full regulatory permission and this is expected to be processed during 2015.

As one of the largest commercial personal insolvency practices in the UK, the Group has strong relationships with the insolvency regulatory bodies, the Insolvency Service and the Institute of Chartered Accountants in England and Wales (ICAEW), and seeks to provide input to the working parties as they arise.

The Group's principal debt solutions trading companies are members of the Debt Managers Standards Association (DEMSA). All DEMSA members are monitored in accordance with DEMSA's code of conduct. Further details on DEMSA can be found at www.demsa.co.uk.

The Group's claims management activities are also regulated, and the relevant Group companies are appropriately authorised for these activities by the Ministry of Justice.

Through acquisition in 2014 parts of the Group are authorised and regulated by the Solicitors Regulation Authority (SRA). These companies have appropriate licences to cover their trading activities.

Customers defaulting on plans

Since fees on new IVA cases are based upon a percentage of cash realisations, the Group's financial performance is sensitive to the rate of customers defaulting on their plans. The Group has budgeted for a level of defaults and arrears on IVAs based on its significant historical experience. There is a risk that, due to external factors, the rate of default is higher than planned. Key factors which may influence default rates include changes in unemployment levels and disposable incomes.

The Group continues to invest in its credit risk and credit control processes. It works with creditors and their representatives to negotiate variations and revised payment plans on behalf of IVA customers to allow them to successfully manage financial disruptions and complete their plans.

Cash requirements

Whereas the majority of the Group's operational costs are in acquiring customers and setting up their plans, the revenues are collected over a period of several years. This creates a considerable cash requirement.

Business forecasts identifying, in particular, liquidity requirements for the Group are produced frequently. These are reviewed regularly by the Board to ensure that sufficient headroom exists for at least the forthcoming 12 month period.

IT systems

The Group continues to invest in IT, and these investments are continually subject to implementation risks. Failure to implement such changes effectively could result in unplanned costs or inefficiencies which could adversely affect its operations.

The Group has utilised strong project management capabilities and will continue to invest in IT systems and infrastructure.

Marketplace

The debt solutions marketplace continues to be highly susceptible to macroeconomic movements, such as interest rates, unemployment and consumer indebtedness levels.

The Group tracks marketing performance at channel and campaign level on a daily basis with all marketing expenditure committed under strict investment criteria. The Group continues to test and develop new marketing channels to allow it to respond in timely fashion to marketplace changes.

John Gittins
Group Finance Director

Directors	**David Harrel**	**Chris Moat**	**John Gittins**
	John Allkins	**Amanda West**	**Michael Fletcher**

Board of Directors

Non-executive chairman – David Harrel (67) •

David Harrel was one of the founding partners of the law firm SJ Berwin LLP and was made senior partner in 1992. He relinquished this role in 2006 but remains a consultant to the firm. David has been a non-executive director or chairman of a number of public and private companies since 2006. He is currently the senior independent non-executive director of Rathbone Brothers PLC, a member of the Board of English National Opera and a trustee/ director of a number of not for profit organisations.

Chief executive officer - Chris Moat (46) •

Chris Moat brings a wealth of experience from highly successful retail-focused, marketing led financial services businesses. Before joining Fairpoint, Chris held a variety of general management roles for RBS Insurance. These included managing director of Direct Line, managing director of Motoring and Directorships of Churchill Insurance and Green Flag. Prior to that, Chris was managing director of UKI Partnerships division, where he helped grow key partners such as Tesco Insurance and Virgin Money's insurance offering. Chris' previous roles also include director of lending at GUS Home Shopping and head of consumer direct at GE Capital Bank. Chris was appointed CEO on 6 May 2008.

Finance director & company secretary – John Gittins, ACA (55)

John Gittins is a graduate of the London School of Economics and qualified as a chartered accountant with Arthur Andersen & Co in 1985. He joined Fairpoint as finance director and company secretary in October 2011. His previous roles include finance director at Begbies Traynor Group Plc, Vertex Data Science Limited and Spring Group Plc.

Senior independent non-executive director – John Allkins, FCMA (65) * O •

John Allkins is currently a non-executive director of Renold plc, Punch Taverns plc and Nobina AB. He has been a non-executive director of a number of public and private companies since 2007. His executive career included Group Finance Director of MyTravel plc and Chief Financial Officer of Equant NV. John is a fellow of the Chartered Institute of Management Accountants and was appointed to the Board as non-executive director in September 2008.

Non-executive director – Amanda West (52)

Appointed 16 November 2012. Amanda is currently SVP Innovation in the Financial and Risk business at Thomson Reuters, working for the President. She is leading a substantive, three year, global transformation program on behalf of the executive leadership team. The program aims to drive significant operational simplification and inspire innovation and new growth across the business. Amanda has held a number of different marketing roles at Thomson Reuters and Reuters Group. Most recently Amanda was Global Head of Innovation and Global Head of Marketing Operations, prior to which she worked in a variety of Product Management roles across the business.

Non-executive director – Michael Fletcher (40) * O

Appointed 1 August 2013. Mike, is a founding director of Praetura Capital, a specialist venture and advisory business established in 2011. Mike holds a variety of board positions and has extensive capital markets experience. Mike is currently a non-executive director of AIM listed Inspired Energy (INSE.L), which he helped to successfully bring to market in November 2011.

* Member of audit committee
O Member of remuneration committee
• Member of nomination committee

Officers and professional advisors

Auditors:	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
Solicitors:	Eversheds Eversheds House 70 Great Bridgewater Street Manchester M1 5ES
Nominated advisor and broker:	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Bankers:	AIB (UK) Group Plc St. Helen's 1 Undershaft London EC3A 8AB The Royal Bank of Scotland Group 6th Floor 1 Spinningfield Square Manchester M3 3AP
Company number:	4425339
Registered office:	Eversheds House 70 Great Bridgewater Street Manchester M1 5ES
Principal place of business:	Fairclough House Church Street Adlington Lancashire PR7 4EX

The directors present their report and the financial statements of the Group for the year ended 31 December 2014.

Principal activities

The principal activity of the Group during the year was the provision of consumer professional services including debt solutions and legal services.

Business review

A review of the business of the Group during the year ended 31 December 2014 and of the position of the Group at the year end can be found within the chief executive officer's review on pages 4 to 6 and the finance director's review on pages 7 and 8. A description of the principal risks and uncertainties facing the Group is set out on pages 11 and 12.

Dividends

A final dividend of 4.10 pence per 1p ordinary share is proposed for approval at the forthcoming AGM. This, together with the interim dividend of 2.30 pence, makes a total dividend of 6.40 pence for the year (2013: 6.00 pence).

The directors and their interests in the shares of the parent company

The directors who served the Company during the year together with their interests in the shares of the Company were as follows:

	Ordinary Shares of £0.01 each	
	At 31 December 2014	At 31 December 2013
C Moat	201,531	201,531
J Gittins	16,667	16,667
J S Allkins	50,000	50,000
A West	7,380	-
M J Fletcher	18,450	-
D T Harrel	68,450	-

Substantial shareholdings

Other than the directors' interests, on 31 December 2014, the Company was notified that the following were interested in 3% or more of the issued share capital of Company:

Name	Number of ordinary shares	% of issued share capital
Miton Capital Partners Limited	10,765,560	24.56%
Hargreave Hale Limited	8,543,125	19.49%
Schroders Investment Management plc	5,762,296	13.15%
Ashcourt Rowan Asset Management plc	2,501,178	5.71%
Henderson Global Investors	2,112,206	4.82%
Invesco Advisers Inc	1,852,500	4.23%

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through informal discussions between management and other employees at a local level.

Financial instruments

Full details of the Group's financial instruments, including consideration of the main risks to the Group and the policies adopted by the directors to minimise their effects, are set out in note 19 to the financial statements.

Charitable donations

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Charitable donations	13,770	12,163

Auditors

BDO LLP have expressed a willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Directors' responsibilities

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

Company law requires the directors' to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Group for that year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;

- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Information to auditors

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware and we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Signed by order of the board on 16 March 2015.

J Gittins
Company Secretary

Directors' remuneration

The board submits its directors' remuneration report for the year ended 31 December 2014.

The policy of the board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Group's position as a market leader and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary.

The remuneration committee has responsibility for setting the Group's general policy on remuneration and also specific packages for individual directors. It carries out the policy on behalf of the board. No director has any involvement in setting their own remuneration.

The remuneration committee comprises J S Allkins and M Fletcher. None of them have any personal financial interest in the matters to be decided, potential conflicts of interest arising from cross-directorship, nor any day to day involvement in running the business.

The committee meets as required during the year. It takes into account the position of the Group relative to other companies and is aware of what these companies are paying, though comparisons are treated with caution to avoid an upward ratchet in remuneration. The committee has access to professional advice within the Group and has the right to obtain its own independent professional advice from outside the Group.

Main elements of remuneration

The main elements of the executive directors' remuneration package are basic annual salary, bonuses, defined contribution pensions, health and car insurance and share option incentives.

Basic annual salary

Each executive director's basic salary is reviewed by the committee. In deciding upon appropriate levels of remuneration, the committee believes that the Group should offer median levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies.

Bonuses

The performance related elements of remuneration form a significant proportion of total executive directors' potential remuneration. They are designed to align their interests with those of shareholders and to give executive directors keen incentives to perform at the highest levels.

Options

Options have been granted to directors and employees. The granting of options ensures that the holders are incentivised to concentrate on growing shareholder value. The exercise of options for directors, and since January 2008 the exercise of all new options issued to employees, except for those under approved SAYE schemes, are dependent upon performance criteria.

Summary of directors' remuneration

	Fees / Basic Annual Salary £'000	Bonus £'000	Benefits £'000	Gain on Exercise of Share Options £'000	Pension / Pension Allowance £'000	Year to 31 December 2014 Total £'000	Year to 31 December 2013 Total £'000	Current basic annual salary Total £'000
Executive								
C Moat	247	98	1	43	37	**426**	634	254
J Gittins	205	94	2	-	20	**321**	302	207
	452	192	3	43	57	**747**	936	461
Non-executive								
D Harrel	72	-	-	-	-	**72**	12	72
J Allkins	37	-	-	-	-	**37**	37	37
A West	35	-	-	-	-	**35**	35	35
M Fletcher	35	-	-	-	-	**35**	15	35
M Peacock [1] (Resigned 13/11/13)	-	-	-	-	-	**-**	96	-
T Russell [1] (Resigned 01/08/13)	-	-	-	-	-	**-**	26	-
	179	-	-	-	-	**179**	221	179
Total	631	192	3	43	57	**926**	1,157	640

[1] Comprise fees paid to a third party, Hanover Investors Management LLP, and includes irrecoverable input VAT from 1 June 2011.

Non-executive directors

The remuneration of the non-executive directors is determined by the board.

Directors' interests

The interests of the directors and their families in the ordinary shares of the Company are shown in the directors' report.

Directors' share options as at 31 December 2014

Director	Scheme	At 31 December 2014	At 31 December 2013	Option Price in pence	Date from which exercisable	Expiry Date
C Moat	2008 Unapproved	400,000	450,000	50	01.10.14	13.09.21
C Moat	2008 Unapproved	80,545	-	121	22.10.17	22.10.24
C Moat	CSOP 2014	24,291	-	124	15.12.17	15.12.24
C Moat	2014 SAYE	11,920		151	08.05.17	08.05.24
J Gittins	2008 Unapproved	300,000	300,000	50	27.04.15	27.04.22
J Gittins	2008 Unapproved	60,943	-	121	22.10.17	22.10.24
J Gittins	CSOP 2014	24,291	-	124	15.12.17	15.12.24

Details of performance criteria relating to share option schemes are disclosed in note 26 to the financial statements.

As an AIM listed company, the Company is not required to comply with the provisions of the UK Corporate Governance Code ("The Code"). The Company does not intend to fully comply with the Code and does not give a statement of compliance with the Code. However, the Board of Directors recognises the importance of, and is committed to, ensuring that effective corporate governance procedures relevant to smaller listed companies are in place.

The Board

The board comprises a non-executive chairman, two executive directors and three non-executive directors. The board considers that D Harrel, J S Allkins, A West and M Fletcher are independent.

J S Allkins is currently the senior independent director. The role of senior independent director is to be available to shareholders if they have concerns which contact through the chairman, chief executive or finance director have failed to resolve, or for which such contact is inappropriate. The non-executives will meet without the chairman at least once a year and the senior independent director will lead this meeting.

The board is scheduled to meet 10 times each year, with additional meetings called if required.

The board's main focus is on strategic and policy issues and also the regular review of objectives and performance. To enable them to carry out these responsibilities, all directors have full and timely access to all relevant information on matters before the board. The board has formally delegated specific responsibilities to board committees, including the audit, remuneration and nomination committees. Copies of the terms of reference of each of these committees can be accessed via the Company website at www.fairpoint.co.uk.

The posts of chairman and chief executive are held by different individuals. Broadly, the chairman is responsible for the effective working of the board and ensuring that all directors and, in particular, the non-executive directors, contribute effectively to the board. The chief executive has responsibility for all operational matters. The board considers that no one individual has unfettered power of decision.

The attendance of directors at the board and board committees during the year are detailed below:

Name of director	*Board (15 meetings)*	*Audit Committee (3 meetings)*	*Remuneration Committee (4 meetings)*
C Moat	15	-	-
J Gittins	15	-	-
D Harrel	15	-	-
J S Allkins	15	3	4
A West	13	-	-
M Fletcher	14	3	4

The board has adopted a procedure which allows for the directors to obtain independent professional advice, in certain circumstances at the expense of the Company. Further, the board will ensure that the Company provides sufficient resources to all the board committees in order to assist them in undertaking their duties. All directors have access to the advice and services of the company secretary.

All the directors are subject to election by shareholders at the first annual general meeting after their appointment. Thereafter, all directors are then subject to retirement by rotation at intervals of no more than three years. Chris Moat and John Allkins are subject to election at the 2015 annual general meeting. Biographical details of all directors are set out on page 13.

The Company maintains an appropriate level of directors' and officers' insurance in respect of legal action against the directors and this is reviewed annually.

Nominations committee

The nominations committee is chaired by D Harrel and consists of J S Allkins and C Moat. The committee evaluates the balance of skills, knowledge and experience on the board and is responsible for board appointments. Following such an evaluation, it will prepare a description of the role and capabilities required for a particular appointment.

Remuneration committee

The remuneration committee consists of J S Allkins and M Fletcher and is chaired by M Fletcher.

The remuneration committee has delegated responsibility for setting the remuneration for all executive directors, including any compensation payments. Details of directors' remuneration are set out in the remuneration report. No director participates in the committee when their own remuneration is discussed.

Audit committee

The audit committee consists of J S Allkins and M Fletcher and is chaired by J S Allkins.

The committee meets at least three times per year to discuss governance, financial reporting, internal control and risk management. The audit committee also has responsibility for making recommendations on the appointment, reappointment and removal of the external auditors. There is no internal audit function due to the effectiveness of the internal control environment, but the audit committee reviews this regularly.

Internal control

The board is responsible for the Company's internal control framework and for reviewing its effectiveness. On behalf of the board, the audit committee regularly reviews controls, including financial, operational and compliance controls and risk management procedures. The directors are responsible for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control. On the basis that such a system can only provide reasonable but not absolute assurance against material misstatement or loss and that it relates only to the needs of the business at the time, the system as a whole was found by the directors at the time of approving the accounts to be appropriate to the size of the business.

The key features of the internal control system are:

- A control environment with clearly defined organisation structures. The management of the Company and its subsidiaries is delegated to the chief executive officer and authority is delegated to senior executives as appropriate.

- Comprehensive business planning, risk assessment and financial reporting procedures, including annual preparation of detailed budgets for the year ahead and projections for subsequent years.

- Comprehensive monthly financial reporting system, highlighting variances to budget and regularly updated forecasts.

- A review of financial and non-financial key performance indicators to assess progress towards objectives at each board meeting.

Whistleblowing policy

The Group operates a whistleblowing policy to allow all staff the opportunity to raise issues and concerns anonymously to the board directly.

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 on pages 4 to 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the finance director`s review on pages 7 to 8 and in the strategic report on pages 9 to 12. In addition, notes 19 and 20 to the financial statements include details of the Group`s borrowings, in addition to the Group`s objectives and policies for managing its capital, its financial risk management objectives and its exposure to credit, interest rate and liquidity risk.

The financial statements have been prepared on a going concern basis. The Group’s existing facility with AIB Group (UK) plc extends to 2019 and provides a total facility of £20m. For the purpose of considering going concern the board has considered a period of at least 12 months from the date of signing these financial statements.

After making due enquiry, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have therefore adopted a going concern basis in preparing the accounts.

Relations with shareholders

The Company encourages a dialogue with both its institutional and private investors. The chief executive and finance director meet regularly with institutional shareholders and analysts. The results of these meetings and any analysts’ reports are circulated to all directors.

The senior independent non-executive director and the other non-executive directors are available to shareholders if they have concerns that have not been resolved through the normal channels of chairman, chief executive or finance director or for which such contact is inappropriate.

The board intends to continue to use the annual general meeting to communicate with investors and to encourage their participation.

We have audited the financial statements of Fairpoint Group plc for the year ended 31 December 2014, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flow, the consolidated statement of changes in equity, the related notes, the Company balance sheet and the related notes.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

16 March 2015

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

Fairpoint Group plc

Consolidated statement of comprehensive income – year ended 31 December 2014

		Year ended 31 December 2014			Year ended 31 December 2013		
	Notes	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
Revenue	2 & 5	38,324	-	38,324	28,357	-	28,357
Cost of sales		(18,000)	-	(18,000)	(13,245)	-	(13,245)
Gross profit		**20,324**	**-**	**20,324**	**15,112**	**-**	**15,112**
Amortisation of acquired intangibles		-	(3,272)	(3,272)	-	(1,585)	(1,585)
Other administrative expenses	2	(12,988)	(2,534)	(15,522)	(9,828)	(592)	(10,420)
Total administrative expenses		**(12,988)**	**(5,806)**	**(18,794)**	**(9,828)**	**(2,177)**	**(12,005)**
Finance income – unwinding of discount on IVA revenue	6	2,332	-	2,332	3,092	-	3,092
Finance income – other	6	93	-	93	7	-	7
Profit (loss) before finance costs	2	**9,761**	**(5,806)**	**3,955**	**8,383**	**(2,177)**	**6,206**
Finance costs	6	(506)	-	(506)	(332)	-	(332)
Profit (loss) before taxation		9,255	(5,806)	3,449	8,051	(2,177)	5,874
Tax (charge) credit	7	(1,839)	1,248	(591)	(1,694)	506	(1,188)
Profit (loss) for the year		**7,416**	**(4,558)**	**2,858**	**6,357**	**(1,671)**	**4,686**
Total comprehensive income (loss) for the year		**7,416**	**(4,558)**	**2,858**	**6,357**	**(1,671)**	**4,686**
Earnings per Share							
Basic	8	17.17		6.62	15.03		11.08
Diluted	8	16.95		6.53	14.87		10.96

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.

The notes on pages 30 to 69 form part of these financial statements.

Fairpoint Group plc

Consolidated statement of financial position as at 31 December 2014

Company Number 4425339

	Notes	As at 31 December 2014 £'000	As at 31 December 2013 £'000
ASSETS			
Non Current Assets			
Property, plant and equipment	**10**	1,175	1,048
Goodwill	**11,12**	16,770	11,972
Other intangible assets	**11**	17,424	7,346
Trade receivables and amounts recoverable on IVA services	**14**	8,294	11,111
Total Non Current Assets		**43,663**	**31,477**
Current Assets			
Trade receivables and amounts recoverable on IVA services	**14**	15,366	12,574
Other current assets	**14**	8,989	2,196
Cash and cash equivalents		2,370	2,861
Total Current Assets		**26,725**	**17,631**
Total Assets		**70,388**	**49,108**
EQUITY			
Share capital	**22**	450	436
Share premium account		2,514	528
Treasury shares	**22**	(727)	(727)
ESOP share reserve		(517)	(517)
Merger reserve		11,842	11,842
Other reserves		254	254
Retained earnings		32,359	32,001
Total equity attributable to equity holders of the parent		**46,175**	**43,817**
LIABILITIES			
Non Current Liabilities			
Long-term financial liabilities	**17**	9,338	-
Deferred tax liabilities	**21**	1,253	226
Contingent consideration	**29**	2,201	-
Deferred consideration		140	-
Total Non Current Liabilities		**12,932**	**226**
Current Liabilities			
Trade and other payables	**15**	7,707	4,226
Short-term borrowings	**16**	588	100
Contingent consideration	**29**	2,435	-
Deferred consideration		260	-
Current tax liability		291	739
Total Current Liabilities		**11,281**	**5,065**
Total Liabilities		**24,213**	**5,291**
Total Equity and Liabilities		**70,388**	**49,108**

The financial statements were approved by the Board of directors on 16 March 2015 and were signed on its behalf by:

J Gittins
Director
The notes on pages 30 to 69 form part of these financial statements.

Fairpoint Group plc

Consolidated statement of cash flows for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities			
Profit after taxation		2,858	4,686
Taxation		591	1,188
Share based payments charge		82	72
Depreciation of property, plant and equipment		385	462
Amortisation of intangible assets and development expenditure		3,752	2,046
Loss (profit) on disposal of non current assets		-	148
Interest received		(93)	(7)
Interest expense		506	332
Decrease (increase) in trade and other receivables		263	3,846
(Decrease) increase in trade and other payables		(470)	(3,716)
Cash generated from operations		7,874	9,057
Interest paid		(985)	(332)
Income taxes paid		(1,230)	(2,743)
Net cash generated from operating activities		5,659	5,982
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(271)	(123)
Interest received		93	7
Purchase of trademarks		(4)	-
Software development		(638)	(711)
Purchase of debt management and legal services back books		(2,890)	(1,891)
Acquisition of subsidiaries net of cash acquired		(9,683)	-
Net cash absorbed by investing activities		(13,393)	(2,718)
Cash flows from financing activities			
Equity dividends paid	**9**	(2,582)	(2,360)
Sale of treasury shares	**22**	-	237
Payment of short-term borrowings		(100)	(30)
Proceeds (payment) of long-term borrowings		9,925	(100)
Net cash generated (absorbed) by financing activities		7,243	(2,253)
Net change in cash and cash equivalents	**18**	(491)	1,011
Cash and cash equivalents at start of year		2,861	1,850
Cash and cash equivalents at end of year	**28**	2,370	2,861

The notes on pages 30 to 69 form part of these financial statements.

Fairpoint Group plc

Consolidated statement of changes in equity - year ended 31 December 2014

	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 2013	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**
Changes in equity for the year ended 31 December 2014:								
Total comprehensive income for the year	-	-	-	-	-	-	2,858	**2,858**
Share based payment expense	-	-	-	-	-	-	82	**82**
Issue of shares	14	1,986	-	-	-	-	-	**2,000**
Dividends of 6.15 pence per share	-	-	-	-	-	-	(2,582)	**(2,582)**
Balance at 31 December 2014	450	2,514	(727)	11,842	254	(517)	32,359	**46,175**

The notes on pages 30 to 69 form part of these financial statements.

1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRSs") and those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 68 to 74.

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. De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

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.

Changes in accounting policies

The following new standards and interpretations have been adopted in the current year but have not impacted the reported results or the financial position:

IFRS 10 Consolidated Financial Statements

The adoption of these new standards and interpretations has not changed any previously reported figures.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

IFRS 9 Financial Instruments
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of interests in other entities
IAS 27 Separate financial statements
IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets

1 Accounting policies (continued)

Business combinations

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated 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 that control ceases.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued.

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 intangibles

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated statement of comprehensive income.

Expenditure on internally developed projects is capitalised if it can be demonstrated that:

- it is technically feasible to develop the project;
- adequate resources are available to complete the development;
- there is an intention to complete the project;
- the Group is able to sell or use the related product;
- sale or use of the product will generate future economic benefits; and
- expenditure can be measured reliably.

Expenditure not satisfying the above criteria is recognised in the statement of comprehensive income as incurred. Capitalised software costs represent development expenditure on IT infrastructure and operating systems.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. Included in other intangibles is the value ascribed to customer contracts arising from the purchase of IVA and debt management books of cases. Other intangibles also includes acquired legal services brands and customer relationships. All intangible assets are amortised on a straight line basis over their useful economic lives. The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Trademarks	10 years	Cost
Brands	8-12 years	Discounted cash flow
Capitalised software	4 years	Cost
Acquired IVA/DMP back books	5 years	Cost
Acquired PPI back books	2 years	Cost
Acquired legal services brands and customer relationships	9 years	Discounted cash flow

1 Accounting policies (continued)

Impairment of non financial assets (excluding deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite lives are undertaken annually at the financial year end.

The Group considers at each reporting date whether there is any indication that other non-current assets are impaired. If there is such an indication, the Group carries out an impairment test by measuring an asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use (effectively the expected cash to be generated from using the asset in the business). The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than the carrying amount an impairment loss is recognised, and the asset is written down to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately. An impairment loss for goodwill is not reversed.

Revenue

Revenue represents amounts in respect of the provision of consumer professional services including debt solutions and legal services and is recognised as follows:

IVA fees

Revenue is recorded to recognise gross income during the life of the IVA based on the cost of the work to date as a percentage of the total cost of services to be performed.

IVA revenues are discounted to reflect the fair value of cash flows recoverable. Over the life of an IVA the actual cash flows of the case in excess of fair value at recognition are recognised through finance income using an effective interest rate which reflects a rate appropriate to our clients.

Within the statement of cash flows, the gross cash flows arising from IVAs either as revenue or as finance income are reflected as cash flow from continuing operations, as over time they will equate to all cash received under the IVA.

Fees and commission

The Group also receives fee income from work performed for both Scottish and self employed clients who require trust deeds or IVAs from other IVA providers. The IVA income is recognised once a contractual obligation is incurred by the IVA provider accepting the referral.

Claims management

The Group receives income in relation to claims management activity, principally for refunds of payment protection insurance in relation to its current client base. These fees and commissions are recognised when the claim has been settled by the creditor.

Debt management

Revenue is recognised on a cash receipt basis reflecting the proportion of work performed. Initial fees are recognised when a customer makes their first contribution to the plan. Subsequent fees are recognised on receipt of funds into the plan.

1 Accounting policies (continued)

Legal services

Revenue is recognised as it is earned over time, for all matters which are not contingent and excludes Value Added Tax. The group assesses the extent to which it considers it has the ability to recognise revenue based on the likelihood of recovery on a particular case.

Services provided to clients, which at the balance sheet date have not been billed, are recognised as legal services revenue. Legal services revenue within trade and other receivables is included at cost plus attributable overheads, after provision has been made for any foreseeable losses when the outcome of the matter can be assessed with reasonable certainty. In respect of contingent matters, where the Group`s right to consideration does not arise until the occurrence of a critical event outside the Group`s control, revenue and costs are only recognised to the extent the costs are recoverable.

Cost of sales

Cost of sales includes costs directly attributable to the generation of revenue such as salary costs, advertising and other similar expenses.

Credit impairment

Revenues and finance income relating to IVA cases are recognised gross in the statement of comprehensive income. Impairment provisions against trade receivables arising from the breakage of IVA payment plans are recognised through administrative expense when there is objective evidence (such as significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable. The Group uses a portfolio approach with reference to historic data for the purpose of calculating bad debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management system are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Property, plant and equipment

The cost of items of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to reduce the balance of assets by a fixed percentage each year. The principal depreciation rates used for this purpose are:

- Fixtures and fittings — 25%
- Computer equipment — 25%
- Leasehold Improvements — Straight line over length of lease and 10% straight line

Provision is made against the carrying value of items of property, plant and equipment where impairment in value is deemed to have occurred.

1 Accounting policies (continued)

Leased assets

Leases on terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase contracts are capitalised in the statement of financial position and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability.

All other leases are regarded as operating leases and the payments made under them are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the directors. The segmental reporting is included within note 5.

Financial instruments

Financial assets and financial liabilities are recognised at fair value on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. At 31 December 2014, the Group has no financial instruments carried at fair value through profit and loss.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as adjusted to reflect discounting for the time value of cash flows recoverable and are reduced by appropriate allowances for irrecoverable amounts, which are recorded as losses are incurred. Amounts receivable for services provided are split between trade receivables, where amounts due on cases have been invoiced, and amounts recoverable on IVA services where revenue has been recognised but amounts due on cases have not yet been billed. IVA cases are invoiced at the point that funds, which are receivable in instalments, are remitted to the Group.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs.

Finance charges are accounted for on an accrual basis to the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

1 Accounting policies (continued)

Employee Benefit Trust

The Group operates an Employee Benefit Trust ("EBT") under which ordinary shares have been issued and are held by the EBT. These are treated as treasury shares and are added to the ESOP Share Reserve.

Contingent consideration

Contingent consideration is recognised at fair value at the date of acquisition with subsequent changes in fair value being recognised through profit or loss.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit (loss) for the year. Taxable profit (loss) differs from net profit (loss) as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Dividends

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

1 Accounting policies (continued)

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated 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 balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that actually 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 consolidated statement of comprehensive income over the remaining vesting period.

Pension contributions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of comprehensive income as incurred. The Group has no defined benefit arrangements in place.

Investment income

Investment income relates to interest income, which is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Exceptional items

The Group presents certain items separately as ‘exceptional’ within the statement of comprehensive income. These are items which in management’s judgement should be disclosed separately by virtue of their size or nature to enable a better understanding of the Group’s financial performance.

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. Provisions are measured at the directors’ best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provisions are reviewed on a regular basis and released to the consolidation statement of comprehensive income where changes in circumstances indicate that a provision is no longer required.

1 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The Group makes certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are continually evaluated based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. An impairment review for goodwill has been performed at the year end and no impairment has been identified (note 12). Any change in estimates could result in an adjustment to recorded amounts.

Carrying value of IVA trade receivables

IVA trade receivables are stated at their nominal value, as adjusted to reflect discounting for the time value of cash flows recoverable and are reduced by appropriate allowances to £15,626,000 at the year end (2013: £21,423,000). The discount rate considered appropriate to the IVA clients allowing for the risks and uncertainties in the expected cash flows is 20% (2013: 20%). The appropriate allowance for estimated irrecoverable amounts is based on analysis of historic cancellation and termination trends in the portfolio of cases. The carrying value of IVA trade receivables is sensitive to the discount rate selected, the actual timing of subsequent cash flows and the risk that the portfolio impairment trend does not capture impairments which have arisen at the balance sheet date but have not yet been observed in the portfolio.

IVA revenue recognition

Revenue is recorded to recognise income during the life of the IVA based on the cost of the work to date as a percentage of the total cost of services to be performed. This is based on a detailed analysis of the costs incurred and to complete in attaining and administering an IVA.

Useful economic lives of intangible assets

The Group has estimated the useful economic lives of brands and acquired back books held under other intangibles on an individual asset basis. Brand useful economic lives are between eight and twelve years whilst acquired back books are valued at five years. Legal services brands and customer relationships are estimated to have useful economic lives of nine years. The estimate of lives will affect the charge for amortisation within the consolidated statement of comprehensive income and the carrying value of the assets. An impairment review has been performed at the year end and no impairment has been identified. Any change in estimates could result in an adjustment to recorded accounts.

2 Profit (loss) before finance costs

Profit before finance costs has been arrived at after charging:	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Staff costs (see note 3)	16,000	10,901
Marketing costs	2,823	4,430
Depreciation of property, plant and equipment	385	462
Amortisation of intangible assets	3,752	2,046
Operating lease expense		
- Plant and machinery	3	3
- Property	720	736
Audit fees		
- Parent	62	50
- Subsidiary	27	21
Fees paid to the Company's auditors for non-audit services		
- Tax services	26	21
- Corporate finance services	12	-
- Other assurance related services	12	28
Loss on disposal of property, plant and equipment	-	-
Loss on disposal of intangibles	-	148
Credit impairment of IVA revenues	1,186	1,709

During the year the Group incurred exceptional costs as detailed below:	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Transactional and restructuring costs [1]	1,305	-
Acquisition costs [2]	749	-
Refinancing costs [3]	480	-
Restructuring costs [4]	-	498
Abortive acquisition costs	-	94
Total exceptional expense	**2,534**	**592**

[1] Predominantly legal and restructuring costs relating to the acquisition of Debt Line.

[2] Acquisition costs relating to the acquisition of Simpson Millar.

[3] Refinancing costs relating to the refinance of the Group.

[4] Restructuring costs primarily relating to headcount reductions as a result of system efficiencies.

3 Staff costs

Staff costs (including directors) comprise:	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Wages and salaries	14,452	10,081
Defined contribution pension cost	320	199
Short term non-monetary benefits	118	114
Share based payment expense (see note 26)	82	72
Employer's national insurance contributions and similar taxes	1,340	912
	16,312	11,378

The average number of employees during the year was:	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Directors	6	6
Management and administration	107	60
IVA processing team	205	248
Claims management team	36	22
DMP processing team	80	77
Legal services	105	-
	539	413

4 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This has been deemed to be the directors.

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Directors' remuneration consists of:		
Directors' emoluments	826	848
Pension allowances	57	57
Gain on exercise of share options	43	252
Share based payment expense relating to directors	82	63
Employers' national insurance expense on directors' remuneration	113	95
Total directors' remuneration expense	**1,121**	**1,315**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Remuneration in respect of the highest paid director:		
Salary and bonuses	345	344
Pension allowance	37	37
Benefits	1	1
Gain on exercise of share options	43	252
	426	**634**

There were two directors who received allowances for contributions into their defined contribution pension scheme (2013: two). The Company does not operate a defined benefit scheme.

Directors' emoluments may include amounts attributed to benefits in kind on which directors are assessed for tax purposes. This may differ to the cost to the Group of providing those benefits included in note 3.

One director exercised share options in the year (2013: one).

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 four reportable segments – Individual Voluntary Arrangements (IVA), Debt Management Plans (DMP), Claims Management and Legal Services. These segments are the basis on which the Group is structured and managed, based on its principal services provided. This represents a change from the results for the year ended 31 December 2013, as the acquisition of Simpson Millar LLP Solicitors (Simpson Millar) in June 2014 has established a further legal services segment. The change in reportable segments reflects the Group's current and future strategic focus on IVAs, DMPs, Claims Management and Legal Services activities, which each contribute a significant proportion of the Group's revenue.

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 in as little as 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 more than 5 years to complete and offer consumers a fixed repayment discipline as well as third party management of creditors.

- Claims Management activities involves enhancing the financial position of our customers through Payment Protection Insurance (PPI) and other claims and offering a switching facility on personal outgoings such as utility costs, with the primary objective of making the consumers' money go further.

- Legal services activities provide a range of consumer-focused legal services with main lines being family, personal injury and clinical negligence through 13 offices around the UK.

5 Segment analysis (continued)

Year ended 31 December 2014

	IVA £'000	Debt Mgmt £'000	Claims Mgmt £'000	Legal Services £'000	Unallocated £'000	Total £'000
Total external revenue	13,588	8,293	4,501	11,942	-	38,324
Total operating profit	1,051	3,304	1,384	1,592	5	7,336
Finance income – unwinding of discount on IVA revenue	2,332	-	-	-	-	2,332
Finance income – other	-	-	-	-	93	93
Adjusted profit before finance costs	**3,383**	**3,304**	**1,384**	**1,592**	**98**	**9,761**
Finance expense	-	-	-	-	(506)	(506)
Adjusted profit (loss) before taxation	**3,383**	**3,304**	**1,384**	**1,592**	**(408)**	**9,255**
Amortisation of acquired intangible assets	(421)	(2,315)	(241)	(295)	-	(3,272)
Exceptional items	-	(1,305)	-	(749)	(480)	(2,534)
Profit (loss) before taxation	**2,962**	**(316)**	**1,143**	**548**	**(888)**	**3,449**
Tax*						(591)
Profit for the year						**2,858**
Balance sheet assets						
Reportable segment assets	32,472	13,647	2,736	16,611	4,922	70,388
Capital additions	860	7,887	-	10,119	-	18,866
Depreciation and amortisation	(819)	(2,528)	(372)	(295)	(123)	(4,137)

The Group's operations are located wholly within the United Kingdom.

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables and cash.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

* Tax expense is reviewed for the Group in total. Accordingly, no disclosure of the tax expense for individual segments has been made.

5 Segment analysis (continued)

Year ended 31 December 2013

	IVA £'000	**Debt Mgmt £'000**	**Claims Mgmt £'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)

The Group's operations are located wholly within the United Kingdom.

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables and cash.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

* Tax expense is reviewed for the Group in total. Accordingly, no disclosure of the tax expense for individual segments has been made.

6 Finance income and expense

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Finance income		
Unwinding of discount on IVA revenues	2,332	3,092
Bank interest received	93	7
	2,425	3,099
Finance expense		
Bank borrowings	(504)	(327)
Finance leases	(2)	(5)
	(506)	(332)
	1,919	**2,767**

7 Tax expense

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the year	929	1,458
Adjustment for over provision in prior periods	(248)	(296)
	681	1,162
Deferred tax expense		
Origination and reversal of temporary differences	(153)	(122)
Adjustment for under provision in prior periods	63	148
	(90)	26
Total tax charge	**591**	**1,188**

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 2014 £'000	Year ended 31 December 2013 £'000
Profit before tax	3,449	5,874
Expected tax charge based on the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	742	1,366
Use of brought forward losses	-	(10)
Expenses not deductible for tax purposes	23	27
Prior year deferred tax	63	148
Prior year current tax	(248)	(296)
Movement on unprovided deferred tax	11	-
Future year tax rate change impact on deferred tax	-	(47)
Total tax charge	**591**	**1,188**

8 Earnings per share (EPS)

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	**£'000**
Numerator		
Profit for the year – used in basic and diluted EPS	2, 858	4,686
Denominator		
Weighted average number of shares used in basic EPS	43,183,055	42,282,208
Effects of:		
- employee share options	569,725	472,065
Weighted average number of shares used in diluted EPS	43,752,780	42,754,273

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. 241,203 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 2014			**Year ended 31 December 2013**		
	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	7,416	(4,558)	2,858	6,357	(1,671)	4,686
Adjusted earnings per share *						
Basic	17.17		6.62	15.03		11.08
Diluted	16.95		6.53	14.87		10.96

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

9 Dividends

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Dividend of 3.85 pence (2013: 3.55 pence) per 1p ordinary share paid during the year relating to the previous year's results [1]	1,594	1,469
Dividend of 2.30 pence (2013: 2.15 pence) per 1p ordinary share paid during the year relating to the current year's results [2]	988	891
	2,582	2,360

[1] Dividends were waived on 2,158,565 (2013: 2,239,197) of the 43,609,346 ordinary shares.

[2] Dividends were waived on 2,132,753 (2013: 2,158,565) of the 45,024,875 (2013: 43,609,346) ordinary shares.

10 Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
At 31 December 2013				
Cost	1,716	2,552	-	4,268
Accumulated depreciation	(1,386)	(1,834)	-	(3,220)
Net book value	330	718	-	1,048
At 31 December 2014				
Cost	2,140	3,054	440	5,634
Accumulated depreciation	(1,737)	(2,390)	(332)	(4,459)
Net book value	403	664	108	1,175
Year ended 31 December 2013				
Opening net book value	443	963	-	1,406
Additions	51	53	-	104
Disposals	-	-	-	-
Depreciation charge for year	(164)	(298)	-	(462)
Closing net book value	330	718	-	1,048
Year ended 31 December 2014				
Opening net book value	330	718	-	1,048
Acquired net book value	78	50	158	286
Additions	103	127	8	238
Disposals	(2)	(10)	-	(12)
Depreciation charge for year	(106)	(221)	(58)	(385)
Closing net book value	403	664	108	1,175

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases (see note 24):

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Computer equipment	59	78

11 Intangible assets

	Goodwill £'000	Brands £'000	Software dev £'000	Trademarks £'000	Acquired back books £'000	Customer Relationships £'000	Total £'000
At 31 December 2013							
Cost	11,972	4,530	1,955	54	6,873	-	25,384
Amortisation	-	(2,454)	(708)	(35)	(2,869)	-	(6,066)
Net book value	11,972	2,076	1,247	19	4,004	-	19,318
At 31 December 2014							
Cost	16,770	6,948	2,572	59	14,760	2,903	44,012
Amortisation	-	(2,966)	(1,182)	(41)	(5,468)	(161)	(9,818)
Net book value	16,770	3,982	1,390	18	9,292	2,742	34,194
Year ended 31 December 2013							
Opening net book value	11,972	2,454	1,142	24	3,322	-	18,914
Additions							
- Internally developed	-	-	709	-	-	-	709
- Externally acquired	-	-	-	-	1,890	-	1,890
Disposals	-	-	(148)	-	-	-	(148)
Amortisation charge	-	(378)	(456)	(5)	(1,208)	-	(2,047)
Closing net book value	11,972	2,076	1,247	19	4,004	-	19,318
Year ended 31 December 2014							
Opening net book value	11,972	2,076	1,247	19	4,004	-	19,318
Additions							
- Internally developed	-	-	489	-	-	-	489
- Externally acquired	4,798	2,418	128	5	7,887	2,903	18,139
Disposals	-	-	-	-	-	-	-
Amortisation charge	-	(512)	(474)	(6)	(2,599)	(161)	(3,752)
Closing net book value	16,770	3,982	1,390	18	9,292	2,742	34,194

Trademarks are estimated to have a useful life of ten years, brands eight to twelve years and software development four years. Acquired back books are amounts relating to acquired customer contracts with estimated useful lives of five years for IVA and DMP back books and two years for PPI back books. Customer relationships have estimated useful economic lives of 9 years. No intangible assets were held under finance leases.

The opening balance of brands comprises the capitalised Clear Start brand acquired on the acquisition of Clear Start UK Limited.

Software development relates to external and internal costs relating to the development of systems used by the Group.

Trademarks are capitalised costs incurred developing and protecting Group registered trademarks.

For details on goodwill see note 12.

12 Goodwill and impairment

Goodwill arises from the acquisition of trading subsidiaries as detailed below:

Subsidiary	Operating Segment	Goodwill carrying amount As at 31 December 2014 £'000	As at 31 December 2013 £'000
Debt Free Direct Limited	IVA	1,934	1,934
Clear Start UK Limited	IVA	9,409	9,409
WKD UK Limited	Debt management	629	629
Simpson Millar LLP	Legal Services	4,798	-
		16,770	11,972

Goodwill is allocated to internal cash generating units (CGUs) consistent with the operating segments as disclosed in note 5.

Goodwill has been tested for impairment at 31 December 2014 by reference to the recoverable amount of the relevant CGU. There have been no impairments of goodwill in the year.

The recoverable amounts of the CGU, including goodwill, other intangibles and non-current assets, have been determined from value in use calculations based on cash flows from forecasts covering a five year period to 31 December 2019. Beyond 2019, a residual value has been estimated based on six times the forecast 2019 profit before tax. Major assumptions are as follows:

- conversion rate is the expected conversion from lead to meeting of creditors (MOC) pass and is based on past experience;
- attrition rates represent the expected monthly decline in the number of debt management customers paying into their plan;
- discount rates are based on the Group’s cost of funding adjusted to reflect management's assessment of specific risks related to the CGU;
- growth rates are based on forecast marketing strategies and economic data pertaining to the industry concerned.

	Year ended 31 December 2014 %
Discount rate	11
Conversion rate - IVA	2.4
Average monthly attrition rate – DMP	2.0
Average annual growth rate – IVA	2.5
Average annual growth rate - DMP	2.5

Sensitivity to changes in the assumptions

The recoverable amount for the IVA segment exceeds the carrying value of total net assets by £6.5 million.

A 1% increase in the discount rate or similar reduction in the annual growth rate would reduce the recoverable amount by approximately £1.1 million and £5.2 million respectively.

A 5% reduction in the forecast conversion rate or in the forecast pre tax earnings would reduce the recoverable amount by approximately £1.8 million and £1.7 million respectively.

12 Goodwill and impairment (continued)

The recoverable amount for the debt management segment exceeds the carrying value of total net assets by £10.7 million.

A 1% increase in the discount rate or similar reduction in the annual growth rate would reduce the recoverable amount by approximately £0.7 million and £0.2 million respectively.

A 5% reduction in the forecast attrition rate or in the forecast pre tax earnings would reduce the recoverable amount by approximately £2.0 million and £1.2 million respectively.

The profit in legal services since acquisition is in line with expectation and the goodwill in this CGU is therefore not considered to be impaired.

13 Subsidiaries

The principal subsidiaries of the Group, all of which have been included in these consolidated financial statements and all of which operate wholly in the country of incorporation, are as follows:

Name	Country of incorporation	Proportion of ownership interest and ordinary share capital held	Principal Activity
Debt Free Direct Limited	England	100%	Provision of financial advice and appropriate solutions
Clear Start UK Limited	England	100%	Debt management
Lawrence Charlton Limited	England	100%	Debt management
DFD Mortgages Limited	England	100%	Dormant
IVA Insurance Limited	Guernsey	100%	Offshore insurance company
Adlington House Limited	England	100%	Dormant
Clear Start Partnerships Limited	England	100%	Provision of leads and value added services to the Group
Allixium Limited	England	100%	Provision of claims management services
Clear Start Money Management Limited	England	100%	Dormant
Debt Advice Trust Limited	England	[1]	Dormant
WKD UK Limited	England	100%	Dormant
Money Tailor Limited	England	100%	Dormant
Moneyextra.com Limited	England	100%	Financial intermediary
STL Innovations Limited	England	100%	Dormant
Your Debt Solved Limited	England	100%	Dormant
The Debt Support Company Limited	England	100%	Dormant
Fairpoint Legal Services Limited	England	100%	Holding company
Simpson Millar LLP	England	100%	Provision of legal services
Simpson Millar Financial Services Limited	England	100%	Provision of independent financial advice
PIX Limited	England	100%	Medico legal agency
CC Law Limited	England	100%	Costs lawyers
Debt Line Topco Limited	England	100%	Holding company
RG Debt Management Services Limited	England	100%	Dormant
Wise Debt Solutions Limited	England	100%	Debt management

13 Subsidiaries (continued)

Name	Country of incorporation	Proportion of ownership interest and ordinary share capital held	Principal Activity
Wise Debt Limited	England	100%	Dormant
Financially Wise Limited	England	100%	Dormant
Wise Money Finance Limited	England	100%	Dormant
Money Wise Finance Limited	England	100%	Dormant
Wise Debt Management Services Limited	England	100%	Dormant
Debt Wise Management Services Limited	England	100%	Dormant
Financially Wise Group Limited	England	100%	Dormant

[1] Debt Advice Trust Limited, a company limited by guarantee and incorporated in England, is consolidated as the Group exercises control over the composition and voting powers of its board. The principal activity of this business was the provision of financial advice and appropriate solutions to individuals experiencing personal debt problems. The entity was originally founded by the Group.

14 Trade and other receivables

	At 31 December 2014 £'000	At 31 December 2013 £'000
Trade receivables	8,034	2,262
Amounts recoverable on IVA services	15,626	21,423
	23,660	23,685
Unbilled legal services income	5,358	-
Other receivables	1,430	507
Prepayments and accrued income	2,201	1,689
	8,989	2,196
Total	32,649	25,881

Of which the following amounts are receivable after one year:

	At 31 December 2014 £'000	At 31 December 2013 £'000
Amounts recoverable on IVA services	8,294	11,111

15 Trade and other payables – current

	At 31 December 2014 £'000	At 31 December 2013 £'000
Trade payables	1,964	1,408
Other payables	1,288	423
Accruals and deferred income	2,834	1,438
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities at amortised cost	6,086	3,269
Other tax and social security taxes	1,621	957
Total	7,707	4,226

Trade payables are non-interest bearing and are normally settled on terms agreed with suppliers. The directors consider that the carrying amount of trade payables approximates to their fair value.

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost, is as follows:

	2014 £'000	2013 £'000
Up to 3 months	6,086	3,269
3 to 6 months	-	-
6 to 12 months	-	-
	6,086	3,269

16 Short-term borrowings

	At 31 December 2014 £'000	At 31 December 2013 £'000
Bank borrowings	588	-
Finance lease creditor (note 24)	-	100
Total	588	100

Maturity analysis and an analysis of interest rates payable for bank borrowings is set out in note 19. A maturity analysis for finance leases is set out in note 24.

17 Non-current financial liabilities

	At 31 December 2014 £'000	At 31 December 2013 £'000
Bank borrowings	9,338	-
Finance lease creditor (note 24)	-	-
Total	9,338	-

An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 20.

Maturity analysis of loans and borrowings:	At 31 December 2014 £'000	At 31 December 2013 £'000
In less than one year	588	-
In more than one year but not more than two years	2,313	-
In more than two years but not more than five years	7,025	-
Total	9,926	-

18 Reconciliation of net change in cash and cash equivalents to movement in net (borrowings) surplus

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Net (decrease) increase in cash and cash equivalents	(491)	1,011
Net (increase) decrease in short term borrowings	(488)	30
Net (increase) decrease in long term borrowings	(9,338)	100
Net change in cash and borrowings	**(10,317)**	**1,141**
Net surplus at start of year	2,761	1,620
Net (borrowings) surplus at end of year	(7,556)	2,761

Net (borrowings) surplus comprises:

	At 31 December 2014 £'000	At 31 December 2013 £'000
Cash and cash equivalents	2,370	2,861
Short term borrowings (note 16)	(588)	(100)
Long term borrowings (note 17)	(9,338)	-
Net (borrowings) surplus	(7,556)	2,761

19 Financial instruments – risk exposure and management

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk

The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk arises from the Group's use of interest bearing tradable financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Group's external borrowings at the balance sheet date comprise of loan facilities and finance lease payables. All principal borrowings are on floating interest rates. The Group does not seek to fix interest rates on these borrowings as the board currently considers the exposure to interest rate risk acceptable.

At 31 December 2014, if interest rates on floating rate loans had been 0.5% higher/lower with all other variables held constant, profit after tax for the year would have been approximately £48,000 lower/higher, mainly as a result of higher/lower interest rate expense on floating rate borrowings.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Details of the Group's borrowing facilities are given in note 20.

The Group monitors its risk to a shortage of funds through regular cash management and forecasting. The Group's objective is to maintain a balance between continuity of funds and flexibility through the use of bank loans, finance leases and hire purchase contracts.

All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group is able to draw down on its asset based revolving credit facility at any time.

19 Financial instruments – risk exposure and management (continued)

Credit risk

The Group is mainly exposed to credit risk from IVA case revenues and Legal Service revenues. There is a risk that the end customer or parties subject to contract may fail to discharge their obligations in respect of the amounts recoverable on IVA and legal services. Counterparties are generally low quality from a credit perspective, but credit risk is reduced as the debtor is diversified across a large number of small balances. The maximum credit risk is £23,659,000, comprising £8,034,000 of trade receivables, where counterparties have been invoiced but funds not received, £15,626,000 of IVA accrued income and £5,358,000 of legal services accrued income, where revenue has been recognised but the case has not yet been billed.

On inception of an IVA case, the Group recognises initial income discounted to its fair value. Bad debt impairments are taken to the income statement through administrative expenses, when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of the receivable. In addition, the Group considers its impairment provisions using a portfolio approach with reference to historic data, to identify cases where an impairment may have arisen but objective evidence has yet to emerge. The charge for bad debt in the year amounted to £1,186,000 (2013: £1,709,000).

The Group considers all IVA cases to exhibit a similar level of risk, with the exception of acquired portfolios, which are separately assessed.

The Group manages credit risk through its IVA nominee processes where incomes, expenditures and assets are verified in accordance with industry protocol.

Non-IVA receivables are assessed individually and impairments raised where necessary.

The Group does not enter into derivatives to manage credit risk.

19 Financial instruments – risk exposure and management (continued)

	As at 31 December 2014			As at 31 December 2013		
	Gross receivables £'000	Provision against future recovery £'000	Carrying value £'000	Gross receivables £'000	Provision against future recovery £'000	Carrying value £'000
Trade receivables	8,811	777	8,034	2,401	139	2,262
Other receivables	1,430	-	1,430	507	-	507
Prepayments	2,201	-	2,201	1,689	-	1,689
Amounts recoverable on IVA services *	15,626	-	15,626	21,423	-	21,423
Total	28,068	777	27,291	26,020	139	25,881

* The "Amounts recoverable on IVA services" balance represents expected fee revenue on IVA cases net of discounts for time value of money and bad debt, based on an analysis of the Group's historic IVA portfolio. It is accounted for and held on a cohort basis as a net balance, with bad debt expense and finance income arising from unwinding of the discount being recognised in the Group's statement of comprehensive income. The charge for bad debt in the year relating to amounts recoverable on IVA services amounted to £1,186,000 (2013: £1,709,000).

The Group does not hold any collateral as security.

An analysis of the ageing of trade receivables is as follows:

	As at 31 December 2014 Trade receivables £'000	As at 31 December 2013 Trade receivables £'000
Neither impaired nor past due	7,683	2,136
Past due but not impaired:		
0-60 days	141	74
61-90 days	117	38
More than 90 days	93	14
Carrying amount	8,034	2,262

An analysis of movements in provisions against future recovery is as follows:

	As at 31 December 2014 £'000	As at 31 December 2013 £'000
Balance at beginning of year	139	344
Balance acquired	444	-
Amounts charged to the provision **	194	63
Amounts written off	-	(268)
Balance at end of year	777	139

** Excluding charges in respect of amounts recoverable on IVA services. See * above.

19 Financial instruments - risk exposure and management (continued)

Capital disclosures

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, and

- to provide an adequate return to shareholders commensurate with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Total capital is categorised as follows;

	At 31 December 2014 £'000	At 31 December 2013 £'000
Share capital	450	436
Share premium	2,514	528
Treasury shares	(727)	(727)
ESOP share reserve	(517)	(517)
Retained earnings	32,359	32,001
Total	34,079	31,721

20 Financial assets and liabilities – numerical information

Bank borrowings

In May 2014 the Group entered banking facility with AIB Group (UK) plc, which expires in May 2019. This replaced the existing committed facility with PNC Financial Services UK Limited, which was due to expire in April 2016.

The new committed facility, which is secured and has a five year term, comprises a £12m revolving credit facility, which is not due on demand, and an £8m term loan. The term loan was used to finance the initial cash consideration and deal costs relating to the acquisition of Simpson Millar LLP, which was completed on 16 June 2014. The loan was drawn down on legal completion of this acquisition. £5m of this loan is repayable during the 5 year term and £3m will be repayable at the end of the 5 year term.

Interest rate risk

All financial assets and liabilities are denominated in sterling.

The rate at which sterling floating liabilities are payable is LIBOR plus 2.85% on the Term Loan and LIBOR plus 3.00% on the Revolving Credit Facility (2013 – 3.75% above the Bank of England base rate).

Sterling floating rate assets attracted interest of 0.25% at the year-end (2013 – 0.25%).

Fair values

To the extent financial assets and liabilities are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 31 December 2014 and 2013.

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2013: 20%).

The movement on the deferred tax account is as shown below:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
At beginning of the year	226	200
Deferred tax liability on fair value of Simpson Millar intangible assets	1,117	-
Charge (Credit) to income	(90)	26
At end of the year	1,253	226

With the exception of the losses in Moneyextra.com Limited, deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets. As there is uncertainty over the recovery of deferred tax assets relating to losses in Moneyextra.com Limited, these deferred tax assets have not been recognised.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below.

Details of the deferred tax liability, amounts charged (credited) to the consolidated income statement and amounts charged (credited) to reserves, are as follows:

Year ended 31 December 2014

	(Asset) liability £'000	(Credited) charged to income £'000
Accelerated capital allowances	(106)	142
Intangible asset (brand)	1,359	(232)
Total	1,253	(90)

Year ended 31 December 2013

	(Asset) liability £'000	(Credited) charged to income £'000
Accelerated capital allowances	(248)	116
Available losses	-	-
Intangible asset (brand)	474	(90)
Total	226	26

22 Share capital

	Authorised			
	31 December 2014 Number	31 December 2014 £'000	31 December 2013 Number	31 December 2013 £'000
Ordinary shares of 1p each	60,000,000	600	60,000,000	600

	Issued and fully paid			
	Year ended 31 December 2014 Number	Year ended 31 December 2014 £'000	Year ended 31 December 2013 Number	Year ended 31 December 2013 £'000
Ordinary shares of 1p each				
At beginning of the year	45,024,875	450	43,609,346	436

All shares have equal voting rights and there are no restrictions on the distribution of dividends or repayment of capital.

As part of the acquisition of Simpson Millar the Group issued 1.4 million Fairpoint Group Plc shares to the selling shareholders of at an effective price of 141p per share at completion, based on the average closing price of Fairpoint's shares for the 7 days ending 3 April 2014 (giving a total initial share consideration of £2 million).

The total number of Shares held in treasury at 31 December 2014 is 1,194,167. Treasury shares are treated as cancelled, so for the purposes of EPS calculations, the number of shares in issue at 31 December 2014 is 43,830,708. Treasury shares carry no voting rights and are not entitled to dividends.

See note 6 of the Fairpoint Group plc company financial statements for a complete disclosure of shares and share options issued.

23 Reserves

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

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Treasury shares	Shares in the Group purchased and held by the Group at the cost of acquisition.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Merger reserve	Amount subscribed for share capital in excess of nominal value on acquisition of another company.
Other reserves	Payments in relation to share options.
ESOP share reserve	Amount subscribed for share capital held by the Employee Benefit Trust.

24 Leases

Finance leases

The Group leases certain fixtures and fittings and computer equipment. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

At 31 December 2014

	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	-	-	-

At 31 December 2013

	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	101	1	100

Present value of future lease payments are analysed as

	At 31 December 2014 £'000	At 31 December 2013 £'000
Current liabilities	-	100
Non current liabilities	-	-
Total	-	100

24 Leases (continued)

Operating leases – lessee

The Group leases its properties. The terms of property leases vary from location to location, although they all tend to be tenant repairing with rent reviews every 2 to 5 years and many have break clauses.

The total future payments are due as follows:

	At 31 December 2014 £'000	At 31 December 2013 £'000
Not later than one year	1,571	751
Later than one year and not later than five years	5,140	3,212
Later than five years	2,203	2,273
Total	8,914	6,236

25 Bank balances held on behalf of individuals

Total bank balances of £65,753,225 (2013: £78,939,501) were held by Group companies in trustee accounts on behalf of individuals who have entered into IVAs and DMPs at 31 December 2014, and clients of the Group's Legal Services division at that date. These bank balances are not recognised on the Group or Company balance sheets as the Group does not have control of the risks and rewards to these assets.

26 Share based payment

The Group operates seven (2013: four) share schemes for employees, as follows:

- Enterprise Management Scheme (EMI)
- Company Share Option Plan 2007 (CSOP 2007)
- Company Share Option Plan 2014 (CSOP 2014)
- Simpson Millar Company Share Option (SM CSOP 2014)
- Unapproved 2008 Plan (2008)
- Simpson Millar Unapproved 2014 Plan (SM 2014)
- Save as your Earn Scheme (SAYE)

The SAYE scheme was introduced in 2009 and is open to all employees. The EMI and CSOP 2007 schemes are currently closed to further entrants. The CSOP 2014, SM CSOP 2014, Unapproved 2008 Plan and Simpson Millar Unapproved 2014 Plan are open to the executives and senior management team.

Movements on share option schemes

	2014		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of year	1,177,804	£0.89	1,955,184	£0.83
Lapsed	(185,732)	£1.91	(399,016)	£0.88
Exercised	(71,296)	£1.71	(478,671)	£0.50
Granted	999,636	£1.26	100,307	£1.00
Outstanding at the end of the year	1,920,412	£1.04	1,177,804	£0.89
Exercisable at the end of the year	528,101	£1.01	245,484	£2.46

26 Share based payment (continued)

Year to 31 December 2014

	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Weighted Average Exercise Price	Weighted Average Contractual Life
EMI	124,484	-	(3,809)	(76,374)	44,301	£2.54	0.77
CSOP 2007	121,000	-	-	(37,200)	83,800	£1.24	2.15
CSOP 2014*	-	313,266	-	-	313,266	£1.24	9.96
SM CSOP 2014*	-	204,119	-	-	204,119	£1.24	9.96
SAYE	133,590	163,058	(17,487)	(72,158)	207,003	£1.25	1.85
2008 *	798,730	274,553	(50,000)	-	1,023,283	£0.70	7.67
SM 2014 **	-	44,640	-	-	44,640	£1.24	9.96
Total	1,177,804	999,636	(71,296)	(185,732)	1,920,412	£1.04	7.31

Year to 31 December 2013

	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Weighted Average Exercise Price	Weighted Average Contractual Life
EMI	189,524	-	(6,171)	(58,869)	124,484	£2.32	1.83
CSOP	138,600	-	-	(17,600)	121,000	£2.61	3.17
SAYE	196,651	100,307	-	(163,368)	133,590	£0.86	1.71
2008 *	1,430,409	-	(472,500)	(159,179)	798,730	£0.51	7.99
Total	1,955,184	100,307	(478,671)	(399,016)	1,177,804	£0.96	6.13

* subject to performance conditions

Summary of performance conditions

The satisfaction of all performance conditions is subject to the discretion of the remuneration committee. At 31 December 2014, the following conditions applied to the following shares outstanding under each scheme:

Scheme	Condition	Target	Expiry	Options Outstanding
2008 Unapproved	Share Price	100p	01/10/2014	400,000
2008 Unapproved	Share Price	70p	27/04/2015	150,000
2008 Unapproved	Share Price	100p	27/04/2015	150,000
2008 Unapproved	Adjusted PBT	£9,000,000	31/12/2014	48,730
2008 Unapproved	Share Price	200p	22/10/2017	274,533
Simpson Millar 2014 Unapproved	Share Price	200p	15/12/2017	44,640
CSOP 2014	Share Price	200p	15/12/2017	313,266
Simpson Millar CSOP 2014	Share Price	200p	15/12/2017	204,199

As at 31 December 2014 the share price performance conditions covering 700,000 share options under the 2008 unapproved scheme have been met. Subject to the rules of the scheme these options become exercisable at the performance condition expiry dates shown above.

26 Share based payment (continued)

The range of exercise prices of options outstanding is summarised as:

Range	As at 31 December 2014 Number	Average life Years	As at 31 December 2013 Number	Average life Years
1-100p	832,487	6.29	932,937	7.09
101-200p	975,330	8.81	74,095	1.68
Greater than 200p	112,595	1.87	170,772	2.85
Total	**1,920,412**	**7.31**	**1,177,804**	**6.13**

Of the total number of options outstanding at 31 December 2014, 528,101 (2013: 245,484) had vested and were exercisable at the end of the year.

71,296 share options were exercised in the year to 31 December 2014 (2013: 478,671).

The weighted average fair value of each option granted during the year was 126.0p (2013: 100.0p).

The following information is relevant in the determination of the fair value of options granted under the equity schemes operated by the Group.

Equity-settled	**2014**	**2013**
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date	£1.28	£1.11
Weighted average exercise price	£1.26	£1.00
Weighted average contractual life (years)	8.95	3.00
Weighted average expected volatility	19%	27%
Weighted risk free interest rate	0.39%	0.31%

Expected volatility is based on the standard deviation of the Group's share price for the 12 months preceding the grant of share options.

	2014 £'000	**2013 £'000**
The share based remuneration expense (note 3) comprises:		
Equity-settled schemes	82	72

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

27 Related party transactions

Details of directors' remuneration are given in note 4. The directors are considered to be the only key management personnel.

The directors do not consider any one party to exercise ultimate control over the Group.

There were no related party transactions during the year ended 31 December 2014 or the year ended 31 December 2013.

28 Notes supporting cash flow statement

Cash and cash equivalents comprises:

	31 December 2014 £'000	31 December 2013 £'000
Cash available on demand	2,370	2,861
Net decrease increase in cash and cash equivalents	(491)	1,011
Cash and cash equivalents at beginning of year	2,861	1,850
Cash and cash equivalents at end of year	2,370	2,861

29 Acquisitions

Simpson Millar LLP

The Group acquired Simpson Millar on 16 June 2014.

Simpson Millar provides consumer-focused legal services with its main lines including: family, personal injury and clinical negligence. It is headquartered in Leeds and has over 250 employees based in 13 offices around the UK, having been founded over 150 years ago.

During the year ended 31 December 2014 the Group incurred £0.7m of legal and professional costs in relation to this acquisition. These costs are included in administrative expenses in the Group's consolidated statement of comprehensive income.

The fair values of identifiable net assets assumed at the acquisition date are shown below:

Recognised amounts of net assets acquired and liabilities assumed	**Provisional Fair Values £'000**
Property, plant and equipment	245
Intangible assets relating to customer relationships and brands	5,321
Trade and other receivables	1,581
Unbilled income	5,039
Cash and cash equivalents	667
Trade and other payables	(3,638)
Current income tax liability	(158)
Deferred tax liability	(1,117)
Identifiable net assets	**7,940**
Goodwill	4,798
Total consideration	**12,738**
Satisfied by:	
Cash consideration - paid on acquisition	5,652
Cash consideration - paid in September	450
Shares issued	2,000
Current contingent consideration	2,435
Non-current contingent consideration	2,201
Total consideration	**12,738**

Consideration for the acquisition was satisfied by an initial payment of £5.7 million in cash (reflecting adjustments for debt like items) and the issue of 1.4 million Fairpoint Group Plc shares to the selling shareholders of Simpson Millar at an effective price of 141p per share at completion, based on the average closing price of Fairpoint's shares for the 7 days ending 3 April 2014 (giving a total initial share consideration of £2 million). Additional consideration of £0.4m was paid in September.

Further consideration of up to £6 million will be payable by Fairpoint based on the financial performance of Simpson Millar for two 12 month periods ending June 2015 and June 2016 (a maximum of £3 million will be payable in relation to each 12 month period). Any additional consideration payable in the two 12 month periods will be satisfied as to 50% by cash and as to 50% by shares, such shares being issued at a fixed price of 141p per share.

The fair value of the contingent consideration at the end of the year is £4.6 million. All further consideration is expected to be satisfied by December 2016.

The initial accounting of book values of the identifiable assets and liabilities acquired together with their values to the Group shown above contain estimates in respect of the fair value adjustments required.

29 Acquisitions (continued)

Since the acquisition date, Simpson Millar has contributed £11.9m to segmental Group revenues and £1.6m to segmental Group adjusted profit before taxation in the year.

Other acquisitions

The Group acquired The Debt Support Company Limited, which comprised a DMP back book, on 10 January 2014 for cash consideration of £1.3m, the Money Debt and Credit DMP back book on 17 January 2014 for cash consideration of £2.7m and Debt Line Topco Limited, which comprised a DMP back book, on 8 August 2014, for cash consideration of £3.0m, which was net of cash acquired of £0.2m. The Group also acquired Fosters on 1 July 2014 for deferred consideration of £0.4m.

All of these acquisitions resulted in an intangible asset being recognised in relation to the acquired back book with no goodwill arising on the two corporate acquisitions.

Impact of acquisitions

If the acquisitions had occurred on 1 January 2014, the Group revenue would have been £50.9m and Group adjusted profit before tax for the year would have been £9.1m.

Company balance sheet

Company Number 4425339

	Note	At 31 December 2014 £'000	At 31 December 2013 £'000
Fixed assets			
Investments	**4**	18,016	16,016
Current assets			
Debtors	**5**	11,878	-
Cash at bank		10	6
Total current assets		**11,888**	**6**
Creditors: amounts falling due within one year	**5**	(631)	(922)
Short-term borrowings		(588)	-
Net current assets		**10,669**	**(916)**
Total assets less current liabilities		**28,685**	**15,100**
Creditors: amounts falling due after more than one year		(9,338)	
Net assets		**19,347**	**15,100**
Capital and reserves			
Called-up share capital	**6**	450	436
Share premium account	**7**	2,514	528
Treasury shares		(727)	(727)
Other reserve	**7**	254	254
ESOP share reserve	**7**	(517)	(517)
Merger reserve	**7**	11,842	11,842
Profit and loss account	**7**	5,531	3,284
Total shareholders' funds		**19,347**	**15,100**

These financial statements were approved and authorised for issue by the directors on 16 March 2015 and are signed on their behalf by:

J Gittins
Director

The notes on pages 71 to 76 form part of these financial statements.

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. For the year ended 31 December 2014, the Company made a loss after tax of £5,354,000, which included a £300,000 dividend received from subsidiary company, IVA Insurance Limited. For the year ended 31 December 2013, the Group profit for the year includes a Company loss after tax of £2,736,000.

Cash flow statement

As permitted by FRS1 the financial statements do not contain a cashflow statement as the financial statements of the Group, which are publicly available, contain a cashflow statement.

Investments and impairment

Fixed asset investments are stated at cost except where in the opinion of the directors, there has been a permanent diminution in the value of the investments, in which case an appropriate adjustment is made.

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the assets against the higher of realisable value and value in use.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial instruments are measured initially and subsequently at cost.

ESOP share reserve

Represents the amount subscribed for share capital held by the Employee Benefit Trust.

Staff Costs

During the year, all central staff costs were reallocated to Fairpoint Group plc.

2. Staff costs

Staff costs (including directors) comprise:	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Wages and salaries	3,179	2,996
Defined contribution pension cost	169	131
Share based payment expense	82	61
Employer's national insurance contributions and similar taxes	370	345
	3,800	3,533

The average number of employees during the year was:	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Directors	6	6
Management and administration	61	60
	67	66

3. Directors' remuneration

Directors' remuneration is disclosed in note 4 'Key management personnel compensation' within the Group accounts.

4. Investments

	£'000
Cost	
At 1 January 2014	16,016
Additions	2,000
At 31 December 2014	18,016
Net book value	
At 31 December 2014	18,016
At 31 December 2013	16,016

4. Investments (continued)

Details of subsidiary undertakings at the balance sheet date are as follows:

Name of company	Country of incorporation	Class of share	Nature of business	Proportion of voting rights
Debt Free Direct Limited	England	100% Ordinary 100% "A" Preference 100% "B" Preference 100% "C" Preference 100% "D" Preference	Provision of financial advice and appropriate solutions	100%
Lawrence Charlton Limited	England	100% Ordinary	Debt management	100%
DFD Mortgages Limited	England	100% Ordinary	Dormant	100%
IVA Insurance Limited	Guernsey	100% Ordinary	Offshore insurance company	100%
Clear Start Partnerships Limited	England	100% Ordinary	Provision of leads and value added services to the Group	100%
Allixium Limited	England	100% Ordinary	Provision of claims management services	100%
Clear Start UK Limited	England	100% Ordinary	Debt management	100%
Adlington House Limited	England	100% Ordinary	Dormant	100%
Clear Start Money Management Limited	England	100% Ordinary	Dormant	100%
Debt Advice Trust Limited	England	1	Dormant	100%
WKD UK Limited	England	100% Ordinary	Dormant	100%
Money Tailor Limited	England	100% Ordinary	Dormant	100%
Moneyextra.com Limited	England	100% Ordinary	Financial intermediary	100%
STL Innovations Limited	England	100% Ordinary	Dormant	100%
Your Debt Solved Limited	England	100%	Dormant	100%
The Debt Support Company Limited	England	100%	Dormant	100%
Fairpoint Legal Services Limited	England	100%	Holding company	100%
Simpson Millar LLP	England	100%	Provision of legal services	100%
Simpson Millar Financial Services Limited	England	100%	Provision of independent financial advice	100%
PIX Limited	England	100%	Medico legal agency	100%
CC Law Limited	England	100%	Costs lawyers	100%
Debt Line Topco Limited	England	100%	Holding company	100%

4. Investments (continued)

Name of company	Country of incorporation	Class of share	Nature of business	Proportion of voting rights
RG Debt Management Services Limited	England	100%	Dormant	100%
Wise Debt Solutions Limited	England	100%	Debt management	100%
Wise Debt Limited	England	100%	Dormant	100%
Financially Wise Limited	England	100%	Dormant	100%
Wise Money Finance Limited	England	100%	Dormant	100%
Money Wise Finance Limited	England	100%	Dormant	100%
Wise Debt Management Services Limited	England	100%	Dormant	100%
Debt Wise Management Services Limited	England	100%	Dormant	100%
Financially Wise Group Limited	England	100%	Dormant	100%

[1] Debt Advice Trust Limited, a company limited by guarantee and incorporated in England, is consolidated as the Group exercises control over the composition and voting power of the board. The principal activity of this business was the provision of financial advice and appropriate solutions to individuals experiencing personal debt problems. The entity was originally founded by the Group.

5. Net current assets

Debtors	**31 December 2014**	**31 December 2013**
	£'000	**£'000**
Amounts owed by Group undertakings	11,591	-
Other assets	287	-
	11,878	-

Creditors: amounts falling due within one year	**31 December 2014**	**31 December 2013**
	£'000	**£'000**
Amounts owed to Group undertakings	-	917
Other liabilities	627	5
	627	922

Amounts owed by Group undertakings include £11,591,000 (2013: £984,000) due after more than one year.

6. Share capital

Authorised share capital:

	31 December 2014 £'000	**31 December 2013 £'000**
60,000,000 (2013: 60,000,000) ordinary shares of 1p each	600	600

Allotted, called up and fully paid:

	31 December 2014 £'000	**31 December 2013 £'000**
Ordinary shares of 1p each	450	436

Share option scheme

Details of options issued under the Company's share option schemes are given in note 26 to the Group financial statements.

6. Share capital (continued)

Options have been granted to subscribe for ordinary shares of the Company under various share option and award schemes as shown below:

Scheme	Year	Number of share options under option	Price per share	Exercise period
EMI	2005	10,144	£1.32	Between 2008 and 2018
EMI	2005	5,359	£1.89	Between 2008 and 2018
EMI	2006	28,798	£3.09	Between 2009 and 2019
CSOP 2007	2007	70,800	£2.67	Between 2010 and 2020
CSOP 2007	2007	13,000	£2.37	Between 2010 and 2020
Unapp 2008	2011	400,000	£0.50	Between 2013 and 2021
Unapp 2008	2012	300,000	£0.50	Between 2014 and 2022
SAYE	2012	31,032	£0.62	3 Years from issue
Unapp 2008	2012	48,730	£0.67	Between 2014 and 2022
SAYE	2013	52,725	£1.00	3 Years from issue
SAYE	2014	123,246	£1.51	3 Years from issue
Unapp 2008	2014	274,553	£1.21	Between 2017 and 2024
CSOP 2014	2014	313,266	£1.24	Between 2017 and 2024
Simpson Millar Unapp 2014	2014	44,640	£1.24	Between 2017 and 2024
Simpson Millar CSOP 2014	2014	204,119	£1.24	Between 2017 and 2024

7. Reserves

Company	Share premium account £'000	Treasury Shares £'000	Shares to be issued £,000	ESOP share reserve £,000	Merger reserve £'000	Profit and loss account £'000	**Total £'000**
At beginning of year	528	(727)	254	(517)	11,842	3,284	**14,664**
Loss for the year	-	-	-	-	-	(5,354)	**(5,354)**
Issue of shares	1,986	-	-	-	-	-	**1,986**
Dividends paid	-	-	-	-	-	(2,582)	**(2,582)**
Dividends received	-	-	-	-	-	10,183	**10,183**
Total	2,514	(727)	254	(517)	11,842	5,531	**18,897**

During the year the Company paid £2,582,373 in dividends (2013: £2,359,832).