FAIRPOINT.

Fairpoint Group plc

Final results for the year ended 31 December 2011

Fairpoint Group plc ("Fairpoint" or "the Group"), the leading provider of advice and solutions to financially stressed consumers, today announces its final results for the year ended 31 December 2011.

Highlights

Full year results are in line with management expectations.

- Profits for the second half of 2011 improved markedly over the first half
  - Adjusted profit before tax from continuing operations* of £4.0m for the full year (first half 2011: £0.0m; full year 2010: £6.9m)
  - Adjusted basic EPS** from continuing operations was 6.82p for the year (first half of 2011: 0.0p; full year 2010:11.29p)
  - Total comprehensive loss for the year of £1.0m (2010: profit of £5.8m), after non cash exceptional items of £3.6m and cash exceptional items of £0.5m
- Strong revenue growth in non IVA segments offset by expected IVA decline
  - Reduction in revenue to £25.9m (2010: £29.4m) driven by a £6.1m decline in IVA revenues
  - Debt management revenues grew by 31% to £5.3m (FY2010: £4.1m)
  - Financial services revenues grew by 119% to £2.4m (FY2010: £1.1m)
- Further operational efficiency improvements delivered
  - Annualised savings in excess of £1m were delivered in second half of 2011 providing a lower cost platform for 2012
- Product diversification continues
  - Non IVA revenues rose to 30% of total revenue (2010: 17%)
  - Almost half of adjusted pre-tax profit* was from non IVA segments
  - Lending pilot launched with roll out anticipated from second quarter of 2012
- Strong cash generation from operating activities
  - Net cash generated from operating activities of £4.6m (2010: £4.2m)
  - Provided funding for four debt management acquisitions and one IVA portfolio, adding 4,377 and 597 cases respectively
  - Year end net borrowings of £6.4m (2010:£5.4m)
- Progressive dividend proposed
  - Final dividend proposed of 2.75p (FY2010: 2.5p) making a total dividend for the year of 4.5p (FY2010: 4.0p)
- Banking facilities
  - Credit approved terms have been received and legal documentation is progressing. Will provide good base to implement the strategy
- A platform for renewed growth in 2012
  - Ongoing consolidation of the debt solutions market will provide further acquisition opportunities
  - Payment Protection Insurance claims services are building up strongly and expected to make a growing contribution
  - Cost reduction programme implemented in 2011 will support profit growth
  - The lending pilot is expected to further diversify Group revenues from second quarter of 2012
  - Cash generation within the business is improving, with net borrowings of £4.9m at 29 February 2012. Further liquidity is expected after the VAT reclaim is received. This, added to the anticipated new bank facility, provides support for further back book acquisition activity and development of the diversification strategy

** Loss before tax from continuing operations of £1.0m (2010: profit of £5.8m) plus amortisation of acquired intangible assets of £0.9m (2010: £0.5m) plus exceptional items of £4.1m (2010: £0.6m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items.*

Matthew Peacock, chairman, said:

“The second half of the year saw a much improved financial performance from the Group. Against a challenging IVA market place the business realigned its cost base and grew non-IVA revenues significantly. A strongly cash generative business allows the board to propose an improved final dividend of 2.75p and continue to invest in acquisition activity and the development of the Group’s diversification strategy.”

Chris Moat, chief executive officer, said:

“The ground work laid in the second half of 2011 provides a strong platform for growth in 2012. In particular, we enter 2012 with a much improved cost base and a broader range of income streams. The prospect of a significant cash receipt from our VAT claim, leading as it will to an exceptional gain in 2012, provides a back drop for continued development and diversification of the business.”

Chairman`s statement

Overview

The challenging market conditions experienced by the Group at the start of 2011 had an adverse impact on the results in the first half of the year. However I am pleased to report that the Group`s performance has improved significantly in the second half, due to both cost reduction and service diversification activities, and the results for the year as a whole are in line with market expectations.

Strategy

Our strategy is to be the first choice solutions provider for financially stressed consumers. We aim to:

- Maintain our leading position in our core individual voluntary arrangement ("IVA") market;
- Continue to grow our debt management plan ("DMP") activities, both organically and through acquisition opportunities presented by a consolidating market;
- Diversify into new, but related income streams.

Dividend

The board is committed to a long-term progressive dividend policy, which takes into account the underlying growth in earnings, whilst acknowledging the requirement for continued 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 its future prospects, the board has recommended an increase in the final dividend of 10% to 2.75p (2010:2.5p), resulting in a total dividend for the year of 4.5p (2010:4.0p), an increase of 13%.

The final dividend, if approved, will be paid on 20 June 2012 to shareholders on the register on 25 May 2012, with an ex-dividend date of 23 May 2012.

Changes to the board

Andrew Heath, finance director, and Simon Gilbert, non-executive director, left the board during the year and I would like to thank both of them for their contribution to the Group. John Gittins has been appointed to the board as finance director and has over eighteen years experience in this type of role within service related businesses. Thomas Russell has also been appointed as non-executive director to replace Simon Gilbert. I look forward to their contribution to the Group in the coming years.

Outlook

We expect to continue the solid progress made in the second half of 2011 into this current year, and as a result of tight cost control in our core IVA activities, continued DMP back book acquisitions and development of claims management services, the Group is well placed for future growth.

Matthew Peacock
Chairman

Chief Executive Officer's review

Results

Group revenue from continuing operations in the year ended 31 December 2011 was £25.9m (2010: £29.4m), with non IVA revenues accounting for 30% of the Group result, compared to 17% in 2010. Adjusted profit before tax* was £4.0m (2010: £6.9m). Loss before tax was £1.0m (2010: profit of £5.8m). Basic earnings per share from continuing operations**, adjusted for the net of tax impact of amortisation of acquired intangible assets and exceptional items, was 6.82p (2010: 11.29p). Basic loss per share was 2.20p (2010: earnings per share of 9.21p) and fully diluted loss per share was 2.20p (2010: earning per share of 9.15p). Exceptional items were £4.1m (2010: £0.5m).

Net borrowings at 31 December 2011 were £6.4m (2010: £5.4m).

Operational review

IVA services

Revenues from the Group's IVA activities decreased in the year to £18.2m (2010: £24.3m), with a corresponding reduction in segmental adjusted pre-tax profit to £2.2m (2010: £5.9m).

This segment has been impacted over the year by the reduction in IVA market volumes and average fees. The number of new IVA's written in the year fell by 30% to 5,840 (2010: 8,331). Fees per new customer also fell from £2,083 to £2,034. The total number of IVA's under management at 31 December 2011 was 20,961 (31 December 2010: 20,530).

As a result of the tough market conditions, we took action to reduce the direct costs of the IVA segment, which have fallen by £1.9m in the second half of 2011 when compared to the same period in 2010. This cost reduction activity will have a recurring benefit in future years.

During the year, we acquired one small back book of 597 IVAs, which has performed in line with our expectations. We continue to seek further acquisition opportunities to consolidate our leading position in the UK IVA market.

DMP services

Revenues in the DMP segment increased to £5.3m (2010: £4.1m) and the segmental adjusted pre-tax profit increased to £2.0m (2010: £1.5m).

The segment has benefited from the effect of four DMP back book acquisitions made during 2011 and the total number of DMPs under management at 31 December 2011 was 15,838 (31 December 2010: 12,541). We expect to continue to acquire DMP back books from sub scale operators seeking to exit this increasingly competitive and regulated market.

Financial services

Revenues from our financial services activities were £2.4m (2010: £1.1m) and the segmental adjusted pre-tax profit was £0.1m (2010: loss of £0.3m).

In the second half of 2011 we commenced a programme of payment protection insurance (PPI) reclaim activity for our IVA portfolio. This has made a significant contribution to the segmental performance in the year and is expected to grow further in 2012. In addition, this segment includes the costs of our payday lending pilot, which we will continue to develop during 2012 as we test our proposition through the Loanextra brand.

** Loss before tax from continuing operations of £1.0m (2010: profit of £5.8m) plus amortisation of acquired intangible assets of £0.9m (2010: £0.5m) plus exceptional items of £4.1m (2010: £0.6m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items.*

Outlook

The acquisitions we made in 2011 will have a full year impact in 2012 and we see significant further opportunity to acquire back books at attractive rates and further consolidate our strong market position.

We will continue the programme of PPI claims management activities across our IVA and DMP portfolios, which we expect will have an additional positive impact on our results for 2012. Our payday lending pilot, if successful, will be rolled out later in the current year.

We do not anticipate any general improvement in our core markets as a result of relatively stable macro indicators of unemployment, interest rates and consumer debt levels. We have taken action to address our cost base, which should continue to deliver benefits in 2012.

As a result of the above factors, the board is optimistic about delivering a strong financial performance in the current year.

Christopher Moat
Chief Executive Officer

Finance Director’s review

Financial highlights

The Group’s revenue from continuing operations fell by 12% to £25.9m (2010: £29.4m). The reduction in IVA revenue of £6.1m, or 25%, was partially offset by growth in DMP revenues of £1.3m, or 31%, and growth in financial services revenues of £1.3m, or 119%.

Adjusted profit before tax* decreased to £4.0m (2010: £6.9m), all of which arose in the second half of the year. The reduction in revenue in the year of £3.5m was partially mitigated by cost reduction activities undertaken as a result of the deteriorating IVA market. Gross margin fell to 42% (2010: 46%). Bad debt charges fell by 12% to £3.4m (2010: £3.8m) as a result of lower levels of activity and our continued emphasis on customer contact. Finance income from the unwinding of discount on IVA revenue fell by 6% to £4.3m (2010: £4.5m) as a result of the fall in IVA revenues during the year. Finance costs increased by £0.1m to £0.3m (2010: £0.2m), due to the slightly larger level of borrowings compared to the previous year.

During the year, the Group incurred exceptional costs of £4.1m (2010: £0.5m). Of these costs, £3.6m related to the non-cash impairment of the Group’s outgoing IVA systems (£1.6m) and brand and goodwill associated with the Moneyextra business (£2.0m), which has failed to perform in line with management’s expectations. Further exceptional charges of £0.5m related to cost reduction activities undertaken in the year.

Amortisation of acquired intangible assets increased by £0.4m to £0.9m (2010: £0.5m) due to the acquisitions made during 2011.

Loss before tax was £1.0m (2010: profit of £5.8m).

The Group’s tax credit was £0.1m (2010: £1.7m charge). The tax charge on adjusted profits was £1.1m (2010: £2.0m). This represents an effective rate of 26% (2010: 29%), the reduction largely resulting from the change in corporation tax rates during the year.

The total comprehensive loss for the year was £1.0m (2010: profit of £4.0m).

Earnings per share (EPS)

Adjusted basic EPS from continuing operations** was 6.82p (2010: 11.29p). Basic loss per share was 2.20p (2010: EPS of 9.21p). Diluted loss per share was 2.20p (2010: EPS of 9.15p).

Cash flows

Net cash generated from operating activities increased by £0.4m to £4.6m (2010: £4.2m). Lower levels of working capital absorption in the year offset the lower level of profitability.

Investing cash outflows increased by £0.5m to £3.7m (2010: £3.2m), due to an increase in acquisition activity, particularly DMP back books.

Financing cash outflows of £0.4m (2010: £0.8m) are due to a net drawdown on the Group’s bank facilities of £1.4m (2010: £0.7m) and dividend payments of £1.8m (2010: £1.5m).

** Loss before tax from continuing operations of £1.0m (2010: profit of £5.8m) plus amortisation of acquired intangible assets of £0.9m (2010: £0.5m) plus exceptional items of £4.1m (2010: £0.6m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items.*

Financing

Net borrowings at 31 December 2011 were £6.4m (2010: £5.4m). The Group has an existing facility with the Royal Bank of Scotland plc for £8.0m, which extends to 31 December 2012. The Group has credit approved terms to extend the maturity of its financing facilities and these are currently in legal documentation.

The arrangement costs associated with the refinancing, including legal and professional fees, are expected to amount to approximately £0.2m.

This facility will enable the Group to continue its strategy of investment to diversify its activities and in particular, to acquire back books in the DMP market.

VAT

As noted in the trading update in January, the Group submitted a VAT refund claim to HMRC of £9.0m in August 2011, following the decision in Paymex Ltd v HMRC which found that fees relating to IVAs were exempt supplies. This claim relates to net VAT payments made by the Group since 1 June 2007.

The potential repayment of VAT by HMRC will result in cash being distributed to creditors through IVA cases as additional realisations and to the Group as fee income. From ongoing discussions with HMRC, management believe the claim will be successful and continues to expect that a material part of this claim will be retained by the Group as exceptional fee income during 2012, although there remains uncertainty as to the exact timing from HMRC of receipt and the value of the net benefit to the Group.

John Gittins
Group Finance Director

There will be an analyst presentation to discuss the results at 11.00am on 15 March 2012 at FTI Consulting, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB.

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Consolidated statement of comprehensive income – year ended 31 December 2011

	Notes	Year Ended 31 December 2011 Adjusted *	Amortisation of acquired intangible assets and exceptional items	Total	Year Ended 31 December 2010 Adjusted *	Amortisation of acquired intangible assets and exceptional items	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations							
Revenue		25,890	-	25,890	29,404	-	29,404
Cost of sales		(14,888)	-	(14,888)	(15,776)	-	(15,776)
Gross profit		**11,002**	**-**	**11,002**	**13,628**	**-**	**13,628**
Amortisation of acquired intangibles		-	(946)	(946)	-	(515)	(515)
Other administrative expenses		(10,967)	(4,133)	(15,100)	(11,042)	(537)	(11,579)
Total administrative expenses		**(10,967)**	**(5,079)**	**(16,046)**	**(11,042)**	**(1,052)**	**(12,094)**
Finance income – unwinding of discount on IVA revenue		4,254	-	4,254	4,509	-	4,509
Finance income – other		6	-	6	30	-	30
Profit (loss) before finance costs		**4,295**	**(5,079)**	**(784)**	**7,125**	**(1,052)**	**6,073**
Finance costs		(259)	-	(259)	(227)	-	(227)
Profit (loss) before taxation		4,036	(5,079)	(1,043)	6,898	(1,052)	5,846
Tax (expense) credit	**2**	(1,063)	1,148	85	(1,975)	295	(1,680)
Profit (loss) for the year from continuing operations		**2,973**	**(3,931)**	**(958)**	**4,923**	**(757)**	**4,166**
Discontinued operations							
Loss for the year from discontinued operations		-	-	-	(154)	-	(154)
Profit (loss) for the year		**2,973**	**(3,931)**	**(958)**	**4,769**	**(757)**	**4,012**
Total comprehensive income (loss) for the year		2,973	(3,931)	(958)	4,769	(757)	4,012

Earnings per Share	Notes	2011 Total	2010 Total
Basic			
From continuing operations		(2.20)	9.56
From discontinued operations			(0.35)
Total	**3**	(2.20)	9.21
Diluted			
From continuing operations		(2.20)	9.50
From discontinued operations			(0.35)
Total	**3**	(2.20)	9.15

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

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

Consolidated statement of financial position as at 31 December 2011

Company Number 4425339

	As at 31 December 2011	As at 31 December 2010
	£'000	£'000
ASSETS		
Non Current Assets		
Property, plant and equipment	1,397	1,604
Goodwill	11,972	13,882
Other intangible assets	7,253	7,839
Total Non Current Assets	**20,622**	**23,325**
Current Assets		
Trade receivables and amounts recoverable on IVA services	24,068	26,373
Other current assets	1,234	920
Cash and cash equivalents	1,468	978
Total Current Assets	**26,770**	**28,271**
Total Assets	**47,392**	**51,596**
EQUITY		
Share capital	436	436
Share premium account	528	528
ESOP share reserve	(517)	(517)
Merger reserve	11,842	11,842
Other reserves	254	254
Retained earnings	23,556	26,277
Total equity attributable to equity holders of the parent	**36,099**	**38,820**
LIABILITIES		
Non Current Liabilities		
Long-term financial liabilities	231	7,141
Deferred tax liabilities	366	1,316
Total Non Current Liabilities	**597**	**8,457**
Current Liabilities		
Trade and other payables	2,949	3,239
Short-term borrowings	7,627	103
Current tax liability	120	977
Total Current Liabilities	**10,696**	**4,319**
Total Liabilities	**11,293**	**12,776**
Total Equity and Liabilities	**47,392**	**51,596**

Consolidated statement of cash flows for the year ended 31 December 2011

	Year ended 31 December 2011	Year ended 31 December 2010
	£'000	£'000
Cash flows from continuing operating activities		
(Loss) profit on continuing operations before tax	(1,043)	5,846
Share based payments charge	42	68
Depreciation of property, plant and equipment	402	421
Amortisation of intangible assets and development expenditure	1,300	997
Impairment of Moneyextra.com goodwill and brand	2,876	-
Loss on disposal of non current assets	1,519	31
Interest received	(6)	(30)
Interest expense	259	227
Decrease (increase) in trade and other receivables	1,991	(911)
(Decrease) in trade and other payables	(1,135)	(548)
Cash flows from discontinued operations	-	(154)
Cash generated from operations	6,205	5,947
Interest paid	(259)	(198)
Income taxes paid	(1,362)	(1,551)
Net cash generated from operating activities	4,584	4,198
Cash flows from investing activities		
Purchase of property, plant and equipment (PPE)	(134)	(453)
Interest received	6	30
Purchase of trademarks	(5)	-
Purchase of software development	(582)	(799)
Purchase of debt management and IVA books	(2,960)	(693)
Acquisition of subsidiaries	-	(1,308)
Net cash absorbed by investing activities	(3,675)	(3,223)
Cash flows from financing activities		
Equity dividends paid	(1,805)	(1,512)
Proceeds from long-term borrowings	1,500	733
Payment of short-term borrowings	(114)	(50)
Payment of long-term borrowings	-	-
Net cash absorbed by financing activities	(419)	(829)
Net change in cash and cash equivalents	490	146
Cash and cash equivalents at start of year	978	832
Cash and cash equivalents at end of year	1,468	978

Consolidated statement of changes in equity for the year ended 31 December 2011

	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Other Reserves £'000	ESOP Share Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2010	429	18	11,842	254	-	23,709	**36,252**
Changes in equity for the year ended 31 December 2010:							
Share Issues	7	510	-	-	(517)	-	**-**
Total comprehensive income for the year	-	-	-	-	-	4,012	**4,012**
Share based payment expense	-	-	-	-	-	68	**68**
Dividends of 3.5 pence per share	-	-	-	-	-	(1,512)	**(1,512)**
Balance at 31 December 2010	436	528	11,842	254	(517)	26,277	**38,820**
Changes in equity for the year ended 31 December 2011:							
Total comprehensive loss for the year	-	-	-	-	-	(958)	**(958)**
Share based payment expense	-	-	-	-	-	42	**42**
Dividends of 4.25 pence per share	-	-	-	-	-	(1,805)	**(1,805)**
Balance at 31 December 2011	436	528	11,842	254	(517)	23,556	**36,099**

1 Status of financial information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2011 or 31 December 2010. Statutory accounts for 31 December 2010 have been delivered to the Registrar of Companies and those for 31 December 2011 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their report was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for both 2011 and 2010.

Going concern

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

The financial statements have been prepared on a going concern basis. The group's existing facility with Royal Bank of Scotland plc extends to 31 December 2012. 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. The Group's existing facility expires within this 12 month period, as noted in the finance director's review, and the directors are currently in the process of extending the maturity of the Group's financing facilities and have received credit approved terms. These terms provide adequate comfort to the board of the facilities available to the Group for the purpose of considering going concern.

2 Tax expense

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the year	489	1,763
Adjustment for under (over) provision	19	(12)
	508	1,751
Deferred tax expense		
Origination and reversal of temporary differences	(531)	(48)
Adjustment for over provision in prior periods	(62)	(23)
	(593)	(71)
Total tax (credit) charge	**(85)**	**1,680**

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 2011 £’000	Year ended 31 December 2010 £’000
(Loss) profit before tax from continuing and discontinued operations	(1,043)	5,692
Expected tax charge based on the standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	(276)	1,594
Expenses not deductible for tax purposes	207	117
Prior year deferred tax	(63)	(23)
Prior year current tax	19	(12)
Future year tax rate change impact on deferred tax	15	(4)
Non-qualifying depreciation	13	18
Unrecognised deferred tax	-	(10)
Total tax (credit) charge	**(85)**	**1,680**

3 Earnings per share (EPS)

	Year ended 31 December 2011	Year ended 31 December 2010
	£'000	£'000
Numerator		
Continuing operations		
(Loss) profit for the year – used in basic and diluted EPS	(958)	4,166
Discontinuing operations		
Loss for the year – used in basic and diluted EPS	-	(154)
Total operations		
(Loss) profit for the year – used in basic and diluted EPS	(958)	4,012
Denominator		
Weighted average number of shares used in basic EPS	43,609,346	43,585,058
Effects of:		
- employee share options	202,450	250,132
Weighted average number of shares used in diluted EPS *	43,811,796	43,835,190

* In respect of year ended 31 December 2011, the employee share options have been excluded from the calculation of diluted earnings per share as they would have an anti–dilutive effect.

Certain employee options have also 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 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 2011			Year Ended 31 December 2010		
	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
Profit (loss) after tax for the year from continuing operations	**2,973**	**(3,931)**	**(958)**	**4,923**	**(757)**	**4,166**
Loss for the year from discontinued operations	-	-	-	(154)	-	(154)
Total comprehensive income (loss) for the year	2,973	(3,931)	(958)	4,769	(757)	4,012
Basic EPS						
From continuing operations	6.82			11.29		
From discontinued operations				(0.35)		
Total	6.82			10.94		
Diluted EPS						
From continuing operation	6.79			11.23		
From discontinued operations				(0.35)		
Total	6.79			10.88		

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

4 Dividends

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Dividend of 2.5 pence (2010: 2 pence) per 1p ordinary share paid during the year relating to the previous year's results	1,062	864
Dividend of 1.75 pence (2010: 1.5 pence) per 1p ordinary share paid during the year relating to the current year's results	743	648
	1,805	1,512

Dividends were waived on 1,129,618 (2010: 390,850) of the 43,609,346 ordinary shares.

5 Segment analysis

Reportable segments

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

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

Measurement of operating segment profit and assets

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of adjusted (for brand amortisation and exceptional items) profit before taxation from continuing operations.

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

The chief operating decision maker has organised the Group into three operating divisions; Individual Voluntary Arrangements (IVA), Debt Management and Financial Services. These divisions are the basis on which the Group is structured and managed, based on its principal services provided. These are summarised as follows:

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

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

- Financial Services fall into four distinct categories:

    - refinancing solutions – a range of secured finance solutions, from mortgages through to loans that are appropriate for consumers who have an ability to meet their debt obligations, subject to reorganising their finances.
    - value added services – a wide range of solutions fall under this category. All of them have the primary objective of making the core debt solution work smoothly. Examples include products such as prepaid bank accounts, claims management, including payment protection insurance reclaims, and utility switching services.
    - Moneyextra.com – internet portal providing a wide range of products and comparison services.
    - payday lending – consumer loans.

5 Segment analysis (continued)

Year ended 31 December 2011

	IVA £'000	Debt Management £'000	Financial Services £'000	Unallocated £'000	Total £'000
Total external revenue	18,208	5,330	2,352	-	25,890
Total operating (loss) profit	(2,097)	2,041	91	-	35
Finance income – unwinding of discount on IVA revenue	4,254	-	-	-	4,254
Finance income – other	-	-	-	6	6
Adjusted profit before finance costs	**2,157**	**2,041**	**91**	**6**	**4,295**
Finance expense	-	-	-	(259)	(259)
Adjusted profit (loss) before taxation	**2,157**	**2,041**	**91**	**(253)**	**4,036**
Amortisation of acquired intangible assets	(419)	(527)	-	-	(946)
Exceptional items	(1,994)	-	(2,139)	-	(4,133)
(Loss) profit before taxation	**(256)**	**1,514**	**(2,048)**	**(253)**	**(1,043)**
Tax					85
Loss for the year from continuing operations					**(958)**
Balance sheet assets					
Reportable segment assets	42,531	4,818	43	-	47,392
Capital additions	1,082	2,609	60	-	3,751
Depreciation and amortisation	(1,078)	(609)	(15)	-	(1,702)

5 Segment analysis (continued)

Year ended 31 December 2010

	IVA £'000	Debt Management £'000	Financial Services £'000	Unallocated £'000	Total £'000
Total external revenue	24,270	4,062	1,072		29,404
Total operating profit (loss)	1,369	1,505	(288)	-	2,586
Finance income – unwinding of discount on IVA revenue	4,509	-	-	-	4,509
Finance income – other	-	-	-	30	30
Adjusted profit (loss) before finance costs	**5,878**	**1,505**	**(288)**	**30**	**7,125**
Finance expense	-	-	-	(227)	(227)
Adjusted profit (loss) before taxation	**5,878**	**1,505**	**(288)**	**(197)**	**6,898**
Amortisation of acquired intangible assets	(378)	(137)	-	-	(515)
Exceptional items	(135)	(73)	(329)	-	(537)
Profit (loss) before taxation	**5,365**	**1,295**	**(617)**	**(197)**	**5,846**
Tax					(1,680)
Profit for the year from continuing operations					**4,166**
Balance sheet assets					
Reportable segment assets	40,847	6,456	4,293		51,596
Capital additions	995	2,214	3,267		6,476
Depreciation and amortisation	(1,259)	(182)	(7)		(1,448)

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.

The discontinued operations in 2010 are attributable to the Financial Services operating segment. The discontinued operations had no assets to disclose in either year.