Fairpoint Group plc

Report and Financial Statements

Year ended

31 December 2015

Company Number: 4425339

Contents

Chairman`s statement

I am pleased to report continued strong growth in revenues and underlying profits for 2015, in line with our expectations. Our legal services business has made considerable progress during the year, accounting for nearly 60% of Group revenues, which underpins the growth reported in these results. Difficult market conditions persist for our debt solutions activities and, in these circumstances, we have reported a non cash impairment to goodwill for our IVA segment. However, these businesses have continued to deliver good margins and cash generation.

Strategy

Our core strategic themes will focus upon:

- Developing our customer franchise by providing consumers with a growing number of solutions;
- Consolidation in the legal services market place;
- Clear differentiation of our solutions from those offered by our competitors; and
- Focus on our cost agenda to manage margins and cash in the IVA and DMP segments.

Dividend

Our dividend policy takes into account the underlying growth in adjusted earnings, whilst acknowledging the requirement for continued organic and acquisition led investment.

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 4.35p (2014: 4.10p), resulting in a total dividend for the year of 6.80p (2014: 6.40p), an increase of 6%.

The final dividend will be paid on 17 June 2016 to shareholders on the register on 20 May 2016, with an ex-dividend date of 19 May 2016.

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 2015.

Summary

2015 was a year of further development for the Fairpoint Group. We have made significant progress against our strategic themes, in particular, the development of our legal services business whilst maintaining good profitability in debt solutions.

We are encouraged by the prospects for the Group and are confident for 2016 and beyond.

David Harrel
Chairman

Chief Executive Officer's review

Results

Revenue increased by 41% to £54.1m (2014: £38.3m), with legal services activities representing 58% of the Group's revenue (2014: 31%). This mix change reflects the Group's diversification agenda as we continue to expand into the legal services market, where we see considerable opportunities for growth. During 2015 we acquired trade and assets of Colemans-CTTS LLP and CT Support Services Limited ("Colemans"), along with Holiday TravelWatch Limited. The acquisition adds market leading expertise in volume personal injury, conveyancing and travel law to the Group's existing legal services business.

Adjusted profit before tax* increased by 13% to £10.5m (2014: £9.3m). Loss before tax was £5.7m (2014: profit before tax of £3.4m) after deducting the amortisation of acquired intangible assets of £4.8m (2014: £3.3m), unwinding of the discount on contingent consideration of £0.9m (2014: nil), exceptional costs of £1.4m (2014: £2.5m) and a non-cash impairment of goodwill in the IVA segment of £9.0m (2014: nil).

Adjusted basic EPS** increased by 12% to 19.29p (2014: 17.17p). Basic loss per share was 14.29p (2014: EPS of 6.62p) and diluted loss per share was 14.29p (2014: EPS of 6.53p).

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. 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 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 acquisitions of Simpson Millar LLP Solicitors ("Simpson Millar") in 2014 and Colemans in 2015 provided a platform for the Group to deploy its core skill of applying process to professional services.

Debt Solutions

Market conditions for the Group`s debt solutions remain challenging. During the calendar year 2015, the volume of new IVA solutions in England and Wales decreased by over 23% to 39,992 (2014: 52,190) and the level of new IVA solutions were at their lowest since 2008 (source: The Insolvency Service). We continued to take a disciplined approach to marketing expenditure, ensuring that uneconomic activity was minimised. These market conditions are, in our view, likely to continue until bank base rate increases adversely impact the financial circumstances of home owners who typically have higher incomes and there is no consensus on when such increases will occur. As a result of this, we have reported a non cash impairment to goodwill in the IVA segment.

** Loss before tax of £5.65m (2014: profit of £3.45m) plus amortisation of acquired intangible assets of £4.78m (2014: £3.27m), impairment of goodwill of £9.01m (2014: nil), unwinding of the discount on contingent consideration of £0.88m (2014: nil) and exceptional items of £1.44m (2014: £2.53m). This therefore reflects a non-statutory measure.*

*** Adjusted for the net of tax effect of amortisation of acquired intangible assets, goodwill impairment, unwinding of the discount on contingent consideration and exceptional items. This therefore reflects a non-statutory measure.*

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. As with all firms operating within this sector, since the change in regulatory regime, the Group has traded under an interim regulatory permission, having submitted an application to the FCA for full regulatory permission. Following clarification from the FCA regarding new debt management back book acquisitions, we do not intend to resume acquisition activity in this field.

Legal services

The Group's legal services revenues increased by 165% to £31.6m (2014: £11.9m). The segmental adjusted* pre-tax profit was £4.4m (2014: £1.6m) and the segmental adjusted* pre-tax margin improved from 13% to 14%.

This reflects:

- the full year benefit of the acquisition of Simpson Millar completed in June 2014 and four and a half months of the acquisition of Colemans completed in August 2015
- underlying organic revenue growth (for Simpson Millar) of approximately 4% year on year
- good progress on our integration initiatives, including office rationalisation, unified branding as Simpson Millar and the first phase of migrating our case management processes to a single IT platform.

The Colemans trading brand has been retired and all legal activity is now harmonised under the single Simpson Millar brand. A new marketing campaign has been developed as our attention turns to our organic growth agenda.

Product development has continued, with the launch of around 70 fixed fee legal services in personal, family, employment and travel law. Simpson Millar's first major unified marketing campaign is launching in the Spring of 2016 via a mixture of print and on-line media. In addition, the business expects to make a small number of WIP acquisitions and is considering other commercial opportunities where it can deploy its core skill of applying process to professional services.

Following proposed changes announced by the Chancellor in his 2015 Autumn Statement (and subsequent clarification thereof), relating to small claims limits and whiplash claims, the Group believes that the proposed changes:

- are intended to be focused on whiplash claims relating to road traffic accidents;
- are subject to consultation, with anticipated implementation from April 2017 should the current timetable be met; and
- are expected to follow previous precedent and apply to cases introduced post implementation and not retrospectively.

This category of business, on a pro-forma basis, represented approximately 8% of the Group's revenues in 2015. As noted previously, the Group believes that its recently acquired legal processing centre positions the Group advantageously to manage such legal work at low cost. The Board also believes that the changes proposed by the Chancellor may provide interesting acquisition opportunities.

IVA services

Revenues from the Group's IVA activities were £11.6m (2014: £13.6m). Revenues reduced largely as a result of fewer newly incepted cases in a declining market. Continued low interest rates and high levels of employment have reduced the demand for debt solutions such as IVAs. The Group continues to avoid exposure to fee levels which it considers uneconomic.

** Adjusted for the net of tax effect of amortisation of acquired intangible assets, goodwill impairment, unwinding of the discount on contingent consideration and exceptional items. This therefore reflects a non-statutory measure.*

IVA services segmental adjusted* pre-tax profit was £2.8m (2014: £3.4m). In light of the market conditions outlined above, we have focused on profit margin management through tight cost management and as a result achieved an adjusted* profit margin of 24% (2014: 25%), despite reduced revenues.

The total number of fee paying IVAs under management at 31 December 2015 was 14,841 (2014: 17,628). The number of new IVAs written in 2015 was 1,268 (2014: 2,716) and the average gross fee per new IVA was £3,045 (2014: £3,437).

Part of the Group's IVA business was originally acquired in 2007 at a cost of £12.1m, at a time when financial defaults by consumers were considerably higher than those currently. Since then, the IVA business has been highly profitable and cash generative (generating a total segmental adjusted pre-tax profit of over £28m since 2009). The Group is however required under international accounting standards to assess the carrying value of the goodwill of each of its businesses annually, and in light of the decline in this market, it has been required to impair the goodwill by £9.0m (which is non-cash and has no impact on the day to day operation of the business or the Group`s ability to pay dividends).

Debt Management Plan ("DMP") services

Revenues in the DMP segment were £7.3m (2014: £8.3m), reflecting the absence of acquisition activity in this segment, in line with the Group`s previously outlined strategy and clarification of the FCA`s position in respect of new back book acquisitions. Segmental adjusted* pre-tax profit was £2.9m (2014: £3.3m), maintaining the adjusted profit margin of 40% achieved in 2014 despite the reduction in revenue. The total number of DMPs under management fell to 16,925 at 31 December 2015 (31 December 2014: 25,462).

Claims management

Revenues in the Group`s claims management activities have declined to £3.6m (2014: £4.5m) as the business transitions from maturing IVA PPI claims to newer lines of activity. Adjusted* profit margins have also reduced from 31% to 24% to reflect this mix change and the segmental adjusted* pre-tax profit decreased to £0.9m (2014: £1.4m).

Outlook

During 2015 we have delivered on our strategy to expand the Group`s consumer legal services (which now represents 67% of the Group`s revenue on a pro forma basis) and we continue to see this market as an area with significant growth potential in the future. 2016 will benefit from a full year contribution from the acquisition of Colemans and our integration, marketing and new product initiatives. In addition, we are targeting further value enhancing acquisitions to further consolidate our market.

We anticipate the market conditions in the IVA and DMP segments will remain challenging given the benign interest rate and employment outlook. We will therefore continue to focus on margin management and cash generation and expect these businesses to continue to make useful contributions to Group earnings.

As a result of the above factors, the Board expects to make good progress in 2016 and beyond.

Chris Moat
Chief Executive Officer

** Adjusted for the net of tax effect of amortisation of acquired intangible assets, goodwill impairment, unwinding of the discount on contingent consideration and exceptional items. This therefore reflects a non-statutory measure.*

Finance Director’s review

Financial highlights

Group revenue increased by 41% to £54.1m (2014: £38.3m). This increase was driven by significant growth in the legal services segment partially offset by revenue reductions within the IVA, DMP and claims management segments.

Adjusted profit before tax* increased by 13% to £10.5m (2014: £9.3m) with a gross margin of 53% (2014: 53%). The significant growth in legal services as well as strong cost controls across all segments have led to the improved results.

Exceptional items and goodwill impairment charge

During 2015, the Group incurred exceptional costs of £1.4m (2014: £2.5m). This comprised acquisition, restructuring and professional services costs associated with the Colemans acquisition and costs associated with the application for full regulatory permissions with the new regulator of DMP activities in the UK, the FCA. In addition, the Group incurred a non-cash goodwill impairment charge of £9.0m in respect of the Group`s IVA business segment, as a result of the continued challenging conditions within the UK debt solutions market.

Reported loss before tax was £5.7m (2014: profit before tax of £3.4m).

The Group’s tax charge was £0.7m (2014: £0.6m). The tax charge on adjusted profits was £1.9m (2014: £1.8m). This represents an effective rate of 18% (2014: 20%), the reduction compared to the previous year relating to adjustments to previous periods.

The total comprehensive loss for the year was £6.3m (2014: total comprehensive income of £2.9m).

Earnings per share (EPS)

Adjusted basic EPS** was 19.29p (2014: 17.17p). Basic loss per share was 14.29p (2014: EPS of 6.62p). Diluted loss per share was 14.29p (2014: EPS of 6.53p).

Cash flows

Cash generated from operations was £9.5m (2014: £7.9m). The current year cash flows included cash outflows associated with exceptional costs of £1.4m (2014: £1.6m). Accordingly, cash generated from operations before exceptional items was £10.9m (2014: £9.5m). In legal services, work in progress days at 31 December 2015 were 104 (31 December 2014: 104).

Interest paid reduced to £0.6m (2014: £1.0m) as the previous year included re-financing arrangement fees.

Investing cash outflows decreased to £11.0m (2014: £13.4m), principally comprising the initial investment in Colemans, together with a contingent payment for Simpson Millar.

Financing cashflows principally comprised outflows of £2.9m (2014: £2.6m) in respect of equity dividends and inflows of £8.1m (2014: £9.9m) as the Group drew down on its enlarged £25m facility with AIB Group (UK) plc, in order to complete the Colemans acquisition.

** Loss before tax of £5.65m (2014: profit of £3.45m) plus amortisation of acquired intangible assets of £4.78m (2014: £3.27m), impairment of goodwill of £9.01m (2014: nil), unwinding of the discount on contingent consideration of £0.88m (2014: nil) and exceptional items of £1.44m (2014: £2.53m). This therefore reflects a non-statutory measure.*

*** Adjusted for the net of tax effect of amortisation of acquired intangible assets, goodwill impairment, unwinding of the discount on contingent consideration and exceptional items. This therefore reflects a non-statutory measure.*

Balance sheet and financing

The Group's net debt*** position as at 31 December 2015 was £13.6m (31 December 2014: £7.6m). The increase in net debt reflected the cash investment of £11.0m on acquisitions (including related expenses) during the year. Contingent consideration liabilities (current and non-current) at 31 December 2015 totalled £7.3m (31 December 2014: £4.6m), the increase reflecting the contingent consideration payable for the Colemans acquisition.

The Group has a £25m banking facility with AIB Group (UK) plc, which comprises a £17m revolving credit facility and an £8m term loan, providing the Group with financing headroom for continued growth during 2016.

John Gittins
Group Finance Director

**** Net debt is bank borrowings less cash*

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 out on pages 24 to 25.

Principal objectives, strategy and outlook

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

The legal services segment provides a range of consumer-focused legal services through 12 offices around the UK and comprises four principal divisions covering family law, complex personal injury, personal legal services and a legal processing centre focused on both personal injury and conveyancing work.

The claims management segment receives third party referral commissions in relation to PPI claims and, through the "Writefully Yours" brand, undertakes PPI and other claims activities.

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

Our core strategic themes will focus upon:

- Developing our customer franchise by providing consumers with a growing number of solutions;
- Consolidation in the legal services market place;
- Clear differentiation of our solutions from those offered by our competitors; and
- Focus on our cost agenda to manage margins and cash in the IVA and DMP segments.

Overview for the year

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

- Revenue
- Profit margins
- Adjusted profit before tax
- Profit / loss before tax
- Earnings per share (EPS)
- Cash inflows / outflows
- Legal services work in progress (WIP) days
- Total number of fee paying IVAs under management
- Total number of DMPs under management

In 2015 the Group's revenue increased by 41% to £54.1m (2014: £38.3m), driven by growth in the Group's legal services segment, partially offset by revenue reductions within the IVA, DMP and claims management segments. The legal services segment (Simpson Millar) has underlying organic revenue growth of approximately 4% year on year, and during 2015 the Group acquired the trade and assets of Colemans, a provider of consumer-focused legal services with particular expertise in volume personal injury, conveyancing and travel law (see note 29).

Adjusted profit before tax* increased by 13% to £10.5m (2014: £9.3m) with a gross margin of 53% (2014: 53%). A disciplined approach to cost control across the Group allowed gross margin to be maintained despite challenging market conditions in the Group's IVA and DMP segments.

** Loss before tax of £5.65m (2014: profit of £3.45m) plus amortisation of acquired intangible assets of £4.78m (2014: £3.27m), impairment of goodwill of £9.01m (2014: nil), unwinding of the discount on contingent consideration of £0.88m (2014: nil) and exceptional items of £1.44m (2014: £2.53m). This therefore reflects a non-statutory measure.*

During 2015, the Group incurred exceptional costs of £1.4m (2014: £2.5m). This comprised acquisition, restructuring and professional services costs associated with the Colemans acquisition and costs associated with the application for full regulatory permissions with the new regulator of DMP activities in the UK, the FCA.

As a result of the acquisitions made during 2014 and 2015, the Group incurred a finance charge for the unwinding of the discount of contingent consideration of £0.9m (2014: nil).

Also as a result of acquisitions made during 2014 and 2015 the Group's amortisation charge on acquired intangibles increased to £4.8m (2014: £3.3m).

In addition, as a result of the continued challenging conditions within the UK debt solutions market, the Group has reported a £9.0m non-cash impairment charge against goodwill in respect of the IVA segment.

Loss before tax was £5.7m (2014: profit before tax of £3.4m).

The Group's tax charge was £0.7m (2014: £0.6m). The tax charge on adjusted** profits was £1.9m (2014: £1.8m), representing an effective rate of 18% (2014: 20%), the lower tax rate resulting from an overprovision for corporation tax charges in the prior year.

The total comprehensive loss for the year was £6.3m (2014: total comprehensive income of £2.9m).

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 19.29p (2014: 17.17p). Basic loss per share was 14.29p (2014: EPS of 6.62p). Diluted loss per share was 14.29p (2014: EPS of 6.53p).

Cash flows

Cash generated from operations was £9.5m (2014: £7.9m). The current year cash flows included cash outflows associated with exceptional costs of £1.4m (2014: £1.6m). Accordingly, cash generated from operations before exceptional items was £10.9m (2014: £9.5m). In legal services, work in progress days at 31 December 2015 were 104 (31 December 2014: 104).

Interest paid reduced to £0.6m (2014: £1.0m) as the previous year included re-financing arrangement fees.

Investing cash outflows decreased to £11.0m (2014: £13.4m), principally comprising the initial investment in Colemans, together with a contingent payment for Simpson Millar.

Financing cashflows principally comprised outflows of £2.9m (2014: £2.6m) in respect of equity dividends and inflows of £8.1m (2014: £9.9m) as the Group drew down on its enlarged £25m facility with AIB Group (UK) plc, in order to complete the Colemans acquisition.

Financing

The Group's net debt*** position as at 31 December 2015 was £13.6m (31 December 2014: £7.6m). The increase in net debt reflected the cash investment of £11.0m on acquisitions (including related expenses) during the year. Contingent consideration liabilities (current and non-current) at 31 December 2015 totalled £7.3m (31 December 2014: £4.6m), the increase reflecting the contingent consideration payable for the Colemans acquisition.

*** Adjusted for the net of tax effect of amortisation of acquired intangible assets, goodwill impairment, unwinding of the discount on contingent consideration and exceptional items. This therefore reflects a non-statutory measure.*
**** Net debt is bank borrowings less cash*

In August 2015 the Group agreed a £5.0m extension to its previous £20.0m banking facility with AIB, taking the total facility to £25.0m. The new committed facility comprises a £17.0m revolving credit facility and an £8.0m term loan, providing the Group with significant financing headroom. This new facility extends to May 2019. The new facility supported the acquisition of Colemans and provides long term financing to underpin the Group's growth and acquisition strategy.

Legal services

The Group's legal services revenues increased by 165% to £31.6m (2014: £11.9m). The segmental adjusted pre-tax profit was £4.4m (2014: £1.6m) and the segmental adjusted pre-tax margin improved from 13% to 14%. At 31 December 2015 legal services work in progress days were 104 (31 December 2014: 104).

IVA services

Revenues from the Group's IVA activities were £11.6m (2014: £13.6m) and segmental adjusted pre-tax profit was £2.8m (2014: £3.4m). We have focused on profit margin management through tight cost management and as a result achieved an adjusted profit margin of 24% (2014: 25%), despite reduced revenues. The total number of fee paying IVAs under management at 31 December 2015 was 14,841 (2014: 17,628). The number of new IVAs written in 2015 was 1,268 (2014: 2,716).

Debt Management Plan ("DMP") services

Revenues in the DMP segment were £7.3m (2014: £8.3m), reflecting the absence of acquisition activity in this segment, in line with the Group`s previously outlined strategy and clarification of the FCA`s position in respect of new back book acquisitions. Segmental adjusted pre-tax profit was £2.9m (2014: £3.3m), maintaining the adjusted profit margin of 40% achieved in 2014 despite the reduction in revenue. The total number of DMPs under management fell to 16,925 at 31 December 2015 (31 December 2014: 25,462).

Claims management

Revenues in the Group`s claims management activities have declined to £3.6m (2014: £4.5m) as the business transitions from maturing IVA PPI claims to newer lines of activity. Adjusted profit margins have also reduced from 31% to 24% to reflect this mix change and the segmental adjusted pre-tax profit decreased to £0.9m (2014: £1.4m).

Principal risks and uncertainties

Reputational Risk

The key driver of reputation risk is the ability to adapt to legislative or regulatory change which could threaten the viability of the prevailing business model and lead to a failure to achieve revised standards of customer care.

The Group's core solutions in legal services, insolvency services, claims management and debt solutions operate in highly regulated markets and accordingly, there is an inherent level of exposure to any change in regulation.

The largest division of the Group, legal services, is authorised and regulated by the Solicitors Regulation Authority (SRA). Regulatory changes have already been communicated that complement the strategic initiatives of the legal division. The Chancellor`s Autumn Statement in 2015 highlighted intentions to reform the personal injury sector. As noted in the Chief Executive Officer`s review on pages 3 to 5, the Board believes that, whilst on a pro-forma basis approximately 8% of the Group`s revenue may be affected by the reforms, these changes may represent an opportunity to both provide this work at low cost and further consolidate the market. In addition, the Competition and Markets Authority (CMA) announced a market study into legal services to examine concerns over affordability, service and complexity. The Group welcomes such a study, given its strategy in this area of transparency and value, through deploying its core skill of applying process to legal services.

The Group's claims management activities are also regulated and the relevant Group companies are appropriately authorised by the Claims Management Regulator (CMR). Associated regulation of financial services mis-selling of PPI under the FCA is currently under consultation. Diversification of claims solutions revenue is expected to dilute regulatory change impact in this area.

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. As with all firms operating within this sector, since the change in regulatory regime, the Group has traded under an interim regulatory permission, having submitted an application to the FCA for full regulatory permission. The FCA regards the debt management sector as high risk, and following clarification from the FCA regarding new debt management back book acquisitions, we do not intend to resume acquisition activity in this field

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.

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 has and will continue to invest in its risk infrastructure and systems, including the Group risk committee, to provide improved oversight of the Group`s regulatory compliance systems.

Financial Risk

Fee expectations and the relationship to cash realisations are monitored carefully. Cash generation is a key factor for sustaining the business for customers whose solutions can progress over a number of years across much of the Group`s activities.

For legal products, particularly complex products, financial performance is sensitive to case duration movements. In debt solutions, changes in customer default rates give rise to financial sensitivity, although relative to legal services, this is a much less significant risk to the Group.

The Group continues to invest in its credit risk and credit control processes to deliver effective cash management. 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.

There is potential for financial risk where significant acquisition activity is undertaken. Key sources of risk are where one or more transaction materialises as an overpayment for the target, or the resultant capital structure following a transaction excessively depletes cash or share capital resources. The Group invests in proportionate, quality resource to carry out due diligence activities ahead of transactions. Transactions are usually structured as a mixture of shares and cash, with an element contingent on performance, in order to incentivise the target management and manage the impact on Group cash and capital resources, in line with delivery of performance targets.

Infrastructure Risk

The Group continues to invest in IT, people and design, and these investments are continually subject to implementation risks. Failure to implement such changes effectively and, in the case of major acquisitions, integrate the target's key infrastructure within the wider Group, could result in unplanned costs or inefficiencies which could adversely affect its operations. The Group has invested in a strong governance framework for risk, compliance and quality to ensure strong operational performance alongside the planned delivery of change objectives.

Marketplace Risk

The debt solutions marketplace continues to be susceptible to macroeconomic movements such as interest rates and employment levels. The Group has adapted its business plan and strategic agenda, anticipating no significant changes in these key economic indicators in the medium term. Its focus is on maintaining an effective and compliant low cost platform for debt solutions which is readily scalable when the next macroeconomic cycle commences.

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 (68) •

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 (47) • +

Chris Moat was appointed CEO on 6 May 2008 and he 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 is also a non-executive director and chair of the remuneration and nominations committees for Swinton Group Limited.

Group finance director & company secretary – John Gittins, ACA (56) +

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 group 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 and he is also a non-executive director at Nichols plc.

Senior independent non-executive director and chairman of the audit committee – John Allkins, FCMA (66) * 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 (53)

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 (41) * 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 Plc, which he helped to successfully bring to market in November 2011.

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

Officers and professional advisors

Auditors:	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
Solicitors:	Eversheds Eversheds House 70-76 Great Bridgewater Street Manchester M1 5ES
Nominated advisor and joint broker:	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Joint broker:	Panmure Gordon & Co One New Change London EC4M 9AF
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 70-76 Great Bridgewater Street Manchester M1 5ES
Principal place of business:	Fairclough House Church Street Adlington Lancashire PR7 4EX

Directors' report

The directors present their report and the financial statements of the Group for the year ended 31 December 2015.

Principal activities

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

Business review

A review of the business of the Group during the year ended 31 December 2015 and of the position of the Group at that time can be found within the chief executive officer's review on pages 3 to 5 and the finance director's review on pages 6 and 7. The strategic report which includes a description of the principal risks and uncertainties facing the Group is set out on pages 8 to 12.

Dividends

A final dividend of 4.35 pence per 1p ordinary share is proposed for approval at the forthcoming AGM. This, together with the interim dividend of 2.45 pence, makes a total dividend of 6.80 pence for the year (2014: 6.40 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 2015	**At 31 December 2014**
C Moat	201,531	201,531
J Gittins	16,667	16,667
J S Allkins	50,000	50,000
A West	7,380	7,380
M J Fletcher	18,450	18,450
D T Harrel	68,450	68,450

Substantial shareholdings

The Company was notified that the following were interested in 3% or more of the issued share capital of Company as at 31 December 2015:

Name	Number of ordinary shares	% of issued share capital
Miton Capital Partners Limited	11,165,560	23.84%
Hargreave Hale Limited	8,100,000	17.29%
Ashcourt Rowan Asset Management plc	2,393,456	5.11%
Henderson Volantis Capital	2,172,206	4.64%
Invesco Aim	1,852,500	3.95%
Hargreaves Lansdown	1,414,029	3.02%

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 2015 £	Year ended 31 December 2014 £
Charitable donations	4,783	13,770

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 15 March 2016.

J Gittins
Company Secretary

Directors' remuneration

The board submits its directors' remuneration report for the year ended 31 December 2015.

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 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 2015 Total £'000	Year to 31 December 2014 Total £'000	Current basic annual salary Total £'000
Executive								
C Moat	254	114	1	-	33	**402**	426	254
J Gittins	207	88	2	-	18	**315**	321	207
	461	202	3	-	51	**717**	747	461
Non-executive								
D Harrel	72	-	-	-	-	**72**	72	72
J Allkins	37	-	-	-	-	**37**	37	37
A West	35	-	-	-	-	**35**	35	35
M Fletcher	35	-	-	-	-	**35**	35	35
	179	-	-	-	-	**179**	179	179
Total	640	202	3	-	51	**896**	926	640

Non-executive directors

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

Directors' interests

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

Directors' share options as at 31 December 2015

Director	Scheme	At 31 December 2015	At 31 December 2014	Option Price in pence	Date from which exercisable	Expiry Date
C Moat	2008 Unapproved	400,000	400,000	50	01.10.14	13.09.21
C Moat	2008 Unapproved	80,545	80,545	121	22.10.17	22.10.24
C Moat	CSOP 2014	24,291	24,291	124	15.12.17	15.12.24
C Moat	2014 SAYE	11,920	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	60,943	121	22.10.17	22.10.24
J Gittins	CSOP 2014	24,291	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 the non-executive chairman D Harrel, and the three non-executive directors J S Allkins, A West and M Fletcher are all 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 has failed to resolve, or for which such contact is inappropriate. The non-executives meet without the chairman at least once a year and the senior independent director leads this meeting.

The board is scheduled to meet ten 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 (10 meetings)*	*Audit Committee (3 meetings)*	*Remuneration Committee (4 meetings)*	*Risk Committee (1 meeting)*
C Moat	10	-	-	1
J Gittins	10	-	-	1
D Harrel	10	-	-	-
J S Allkins	10	3	4	1
A West	9	-	-	-
M Fletcher	9	3	4	1

The board has adopted a procedure which allows for the directors to obtain independent professional advice, in certain circumstances at the expense of the Group. 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. John Gittins, David Harrel and Amanda West are subject to re-election at the 2016 annual general meeting. Biographical details of all directors are set out on page 13.

The Group 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 and internal auditors, and to review and monitor the effectiveness of the external and internal audit processes.

Risk committee

The risk committee is chaired by M Fletcher and consists of J S Allkins, C Moat, J Gittins and the Group Risk, Compliance and Quality Director.

The committee meets at least three times per year to provide oversight of the effectiveness of risk management, governance and regulation activity within the Group.

Internal control

The board is responsible for the Group'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 Group 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 3 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the finance director`s review on pages 6 to 7 and in the strategic report on pages 8 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 lending facility with AIB Group (UK) plc extends to 2019 and provides a total facility of £25m. 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 Group 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 2015, 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 2015 and of the Group's loss 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

15 March 2016

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 2015

	Notes	Year Ended 31 December 2015 Adjusted * £'000	Year Ended 31 December 2015 Amortisation and impairment of acquired intangible assets, exceptional items and unwinding of discount on contingent consideration £'000	Year Ended 31 December 2015 Total £'000	Year Ended 31 December 2014 Adjusted * £'000	Year Ended 31 December 2014 Amortisation and impairment of acquired intangible assets, exceptional items and unwinding of discount on contingent consideration £'000	Year Ended 31 December 2014 Total £'000
Revenue	5	54,121	-	54,121	38,324	-	38,324
Cost of sales		(25,553)	-	(25,553)	(18,000)	-	(18,000)
Gross profit		**28,568**	**-**	**28,568**	**20,324**	**-**	**20,324**
Amortisation of acquired intangibles		-	(4,781)	(4,781)	-	(3,272)	(3,272)
Other administrative expenses	2	(19,229)	(10,452)	(29,681)	(12,988)	(2,534)	(15,522)
Total administrative expenses		**(19,229)**	**(15,233)**	**(34,462)**	**(12,988)**	**(5,806)**	**(18,794)**
Finance income – unwinding of discount on IVA revenue	6	1,581	-	1,581	2,332	-	2,332
Finance income – other	6	198	-	198	93	-	93
Profit (loss) before finance costs	2	**11,118**	**(15,233)**	**(4,115)**	**9,761**	**(5,806)**	**3,955**
Finance costs – unwinding of discount on contingent consideration	6	-	(881)	(881)	-	-	-
Finance costs - other	6	(654)	-	(654)	(506)	-	(506)
Profit (loss) before taxation		10,464	(16,114)	(5,650)	9,255	(5,806)	3,449
Tax (charge) credit	7	(1,900)	1,205	(695)	(1,839)	1,248	(591)
Profit (loss) for the year		**8,564**	**(14,909)**	**(6,345)**	**7,416**	**(4,558)**	**2,858**
Total comprehensive income (loss) for the year		**8,564**	**(14,909)**	**(6,345)**	**7,416**	**(4,558)**	**2,858**
Earnings (loss) per Share							
Basic	8	19.29		(14.29)	17.17		6.62
Diluted	8	19.01		(14.29)	16.95		6.53

All of the comprehensive loss for the year is attributable to equity holders of the parent.

***** Before amortisation and impairment of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items.

The notes on pages 30 to 68 form part of these financial statements.

Fairpoint Group plc

Consolidated statement of financial position as at 31 December 2015

Company Number 4425339

	Notes	As at 31 December 2015	As at 31 December 2014
		£'000	**£'000**
ASSETS			
Non Current Assets			
Property, plant and equipment	**10**	1,665	1,175
Goodwill	**11 & 12**	14,959	16,770
Other intangible assets	**11**	19,680	17,424
Trade receivables and amounts recoverable on IVA services	**14**	6,388	8,294
Total Non Current Assets		**42,692**	**43,663**
Current Assets			
Trade receivables and amounts recoverable on IVA services	**14**	16,076	15,366
Other current assets	**14**	11,485	3,630
Unbilled income	**14**	10,639	5,359
Cash and cash equivalents		4,767	2,370
Total Current Assets		**42,967**	**26,725**
Total Assets		**85,659**	**70,388**
EQUITY			
Share capital	**22**	468	450
Share premium account		4,995	2,514
Treasury shares	**22**	(727)	(727)
ESOP share reserve		(517)	(517)
Merger reserve		2,832	11,842
Other reserves		254	254
Retained earnings		32,276	32,359
Total equity attributable to equity holders of the parent		**39,581**	**46,175**
LIABILITIES			
Non Current Liabilities			
Long-term financial liabilities	**17**	17,397	9,338
Deferred tax liabilities	**21**	2,037	1,253
Contingent consideration	**29**	1,796	2,201
Deferred consideration		-	140
Total Non Current Liabilities		**21,230**	**12,932**
Current Liabilities			
Trade and other payables	**15**	17,756	7,707
Short-term borrowings	**16**	938	588
Contingent consideration	**29**	5,505	2,435
Deferred consideration		92	260
Current tax liability		557	291
Total Current Liabilities		**24,848**	**11,281**
Total Liabilities		**46,078**	**24,213**
Total Equity and Liabilities		**85,659**	**70,388**

The financial statements were approved by the Board of directors on 15 March 2016 and were signed on its behalf by:

J Gittins
Director

The notes on pages 30 to 68 form part of these financial statements.

Fairpoint Group plc

Consolidated statement of cash flows for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash flows from operating activities			
Loss (profit) after taxation		(6,345)	2,858
Taxation		695	591
Impairment of goodwill in IVA segment		9,010	-
Share based payments charge		110	82
Depreciation of property, plant and equipment		535	385
Amortisation of intangible assets and development expenditure		5,351	3,752
Loss on disposal of non current assets		28	-
Interest received		(198)	(93)
Interest expense		1,535	506
(Increase) decrease in trade and other receivables		(2,914)	263
Increase (decrease) in trade and other payables		1,719	(470)
Cash generated from operations		9,526	7,874
Interest paid		(606)	(985)
Income taxes paid		(1,067)	(1,230)
Net cash generated from operating activities		7,853	5,659
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(785)	(275)
Interest received		198	93
Software development		(330)	(638)
Purchase of debt management and legal services back books		(258)	(2,890)
Acquisition of subsidiaries net of cash acquired		(1,600)	(9,683)
Acquisition of business trade and assets		(8,232)	-
Net cash absorbed by investing activities		(11,007)	(13,393)
Cash flows from financing activities			
Equity dividends paid	**9**	(2,858)	(2,582)
Proceeds from (payment of) short-term borrowings		350	(100)
Proceeds from long-term borrowings		8,059	9,925
Net cash generated (absorbed) by financing activities		5,551	7,243
Net change in cash and cash equivalents	**18**	2,397	(491)
Cash and cash equivalents at start of year		2,370	2,861
Cash and cash equivalents at end of year	**28**	4,767	2,370

The notes on pages 30 to 68 form part of these financial statements.

Fairpoint Group plc

Consolidated statement of changes in equity - year ended 31 December 2015

	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 2014	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**
Changes in equity for the year ended 31 December 2015:								
Total comprehensive loss for the year	-	-	-	-	-	-	(6,345)	**(6,345)**
Share based payment expense	-	-	-	-	-	-	110	**110**
Issue of shares	18	2,481	-	-	-	-	-	**2,499**
Dividends of 6.55 pence per share	-	-	-	-	-	-	(2,858)	**(2,858)**
Realisation of merger reserve arising from impairment of related goodwill asset	-	-	-	(9,010)	-	-	9,010	**-**
Balance at 31 December 2015	468	4,995	(727)	2,832	254	(517)	32,276	**39,581**

The notes on pages 30 to 68 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 69 to 75.

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

No new standards or interpretations have been adopted in the current year in relation to the Group's financial statements. In relation to the financial statements of the parent company and the subsidiaries of the parent company, for the year ended 31 December 2015 the Group has chosen to adopt FRS102 – The Financial Reporting Standard applicable in the UK and Ireland. The financial statements for the parent company are presented on pages 69 to 75.

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):

IFRS 15 Revenue from Contracts with Customers
IFRS 9 Financial Instruments
IFRS 16 Leases

The adoption of these standards in future periods may have an impact on the results and net assets of the Group, however it is too early to quantify this.

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 intangible assets

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 intangible assets is the value ascribed to customer contracts arising from the purchase of IVA and debt management books of cases. Other intangible assets also include acquired legal services brands, software development 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
Software development	4 years	Cost
Acquired brands	8-12 years	Discounted cash flow
Acquired IVA/DMP back books	5 years	Cost
Acquired PPI back books	2 years	Cost
Acquired legal services relationships	7 years	Discounted cash flow
Acquired legal services software development	4 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.

Revenue

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

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.

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.

1 Accounting policies (continued)

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 as cash is received, 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.

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 2015, 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. Any change in estimates could result in an adjustment to recorded amounts. An impairment review for goodwill has been performed at the year end resulting in an impairment charge against the goodwill relating to the IVA segment. Details of this impairment charge are provided in note 12.

Carrying value of legal services unbilled income

Unbilled income in relation to work performed in the legal services segment is recognised based on the status of the case, the likelihood of recovery and the expected recovery rate. Where a case is contingent at the balance sheet date, no revenue is recognised. Where entitlement to income is certain, it is recognised at selling price or estimated selling price based on an analysis of historic recovery rates. Where the entitlement has not yet been quantified, it is valued at cost. Appropriate provisions are made in respect of unbilled income based on the age of the related time cost.

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 £11,359,000 at 31 December 2015 (31 December 2014: £15,626,000). The discount rate considered appropriate to the IVA clients allowing for the risks and uncertainties in the expected cash flows is 20% (2014: 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 various assets recognised under other intangible assets 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 software development is estimated to have useful life of four years. Legal services brands and customer relationships are estimated to have useful economic lives of seven 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

	Year ended 31 December 2015	Year ended 31 December 2014
Profit (loss) before finance costs has been arrived at after charging:	**£'000**	**£'000**
Staff costs (see note 3)	26,501	16,312
Marketing costs	5,491	2,823
Depreciation of property, plant and equipment	535	385
Amortisation of intangible assets	5,351	3,752
Operating lease expense		
- Plant and machinery	-	3
- Property	1,589	720
Audit fees		
- Fees payable to the Group's auditors for the audit of the Company's financial statements	11	11
- Fees payable to the Group's auditors for the audit of subsidiaries financial statements	84	78
Fees paid to the Company's auditors for non-audit services		
- Tax services	64	26
- Corporate finance services	8	12
- Other assurance related services	17	12
Loss on disposal of property, plant and equipment	28	-
Credit impairment of IVA revenues	626	1,186
Impairment of goodwill in IVA segment	9,010	-

	Year ended 31 December 2015	Year ended 31 December 2014
During the year the Group incurred exceptional costs as detailed below:	**£'000**	**£'000**
Acquisition, restructuring and professional services costs [1]	1,442	1,305
Acquisition costs [2]	-	749
Refinancing costs [3]	-	480
Total exceptional expense	**1,442**	**2,534**

[1] Acquisition, restructuring and professional services costs relating to the acquisition of Colemans and costs associated with the DMP regulatory application with the FCA (2014: 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.

3 Staff costs

Staff costs (including directors) comprise:	**Year ended 31 December 2015 £'000**	**Year ended 31 December 2014 £'000**
Wages and salaries	23,512	14,452
Defined contribution pension cost	481	320
Short term non-monetary benefits	100	118
Share based payment expense (see note 26)	110	82
Employer's national insurance contributions and similar taxes	2,298	1,340
	26,501	16,312

The average number of employees during the year was:	**Year ended 31 December 2015 Number**	**Year ended 31 December 2014 Number**
Directors	6	6
Management and administration	72	107
IVA processing team	211	205
Claims management team	30	36
DMP processing team	92	80
Legal services	414	105
	825	539

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 2015 £'000	Year ended 31 December 2014 £'000
Directors' remuneration consists of:		
Directors' emoluments	845	826
Pension allowances	51	57
Gain on exercise of share options	-	43
Share based payment expense relating to directors	25	82
Employers' national insurance expense on directors' remuneration	117	113
Total directors' remuneration expense	**1,038**	**1,121**

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Remuneration in respect of the highest paid director:		
Salary and bonuses	368	345
Pension allowance	33	37
Benefits	1	1
Gain on exercise of share options	-	43
	402	**426**

There were two directors who received allowances for contributions into their defined contribution pension scheme (2014: 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.

No directors exercised share options in the year (2014: 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, amortisation and impairment of goodwill, brands and acquired intangible assets and unwinding of discount on contingent consideration) 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 – Legal Services, Individual Voluntary Arrangements (IVA), Debt Management Plans (DMP) and Claims Management. These segments are the basis on which the Group is structured and managed, based on its principal services provided.

The segments are summarised as follows:

- Legal services activities provide a range of consumer-focused legal services with main lines being family law, complex personal injury; personal legal services and a legal processing centre focused on both personal injury and conveyancing work, through 12 offices around the UK.

- IVA consists primarily of Group company Debt Free Direct Limited, the core debt solution brand. 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 involve 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.

5 Segment analysis (continued)

Year ended 31 December 2015

	IVA £'000	Debt Mgmt £'000	Claims Mgmt £'000	Legal Services £'000	Unallocated £'000	Total £'000
Total external revenue	11,627	7,260	3,622	31,612	-	54,121
Total operating profit	1,264	2,924	859	4,292	-	9,339
Finance income – unwinding of discount on IVA revenue	1,581	-	-	-	-	1,581
Finance income – other	-	-	6	190	2	198
Adjusted profit before finance costs	**2,845**	**2,924**	**865**	**4,482**	**2**	**11,118**
Finance expense	-	-	-	(78)	(576)	(654)
Adjusted profit (loss) before taxation	**2,845**	**2,924**	**865**	**4,404**	**(574)**	**10,464**
Amortisation of acquired intangible assets	(440)	(2,551)	(241)	(1,549)	-	(4,781)
Exceptional items	-	(328)	-	(1,114)	-	(1,442)
Impairment of goodwill	(9,010)	-	-	-	-	(9,010)
Finance costs – unwinding of discount on contingent consideration	-	-	-	(881)	-	(881)
(Loss) profit before taxation	**(6,605)**	**45**	**624**	**860**	**(574)**	**(5,650)**
Tax*						(695)
Loss for the year						**(6,345)**
Balance sheet assets						
Reportable segment assets	22,345	7,236	1,971	48,532	5,575	85,659
Capital additions (incl. from acquisitions)	594	-	102	14,136	519	15,351
Depreciation and amortisation	(1,163)	(2,590)	(267)	(1,832)	(34)	(5,886)

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 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	9,844	2,977	20,173	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.

+ Reclassified compared to 31 December 2014 annual report to better reflect allocation between segments.

* 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 2015 £'000	Year ended 31 December 2014 £'000
Finance income – unwinding of discount on IVA revenues	1,581	2,332
Finance income – other		
Bank interest received	198	93
	1,779	2,425
Finance expense		
Bank borrowings	(654)	(504)
Finance leases	-	(2)
Unwinding of discount on contingent consideration	(881)	-
	(1,535)	(506)
	244	**1,919**

7 Tax expense

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax expense		
UK corporation tax and income tax of overseas operations on (losses) profits for the year	1,041	929
Adjustment for over provision in prior periods	(187)	(248)
	854	681
Deferred tax expense		
Origination and reversal of temporary differences	(212)	(153)
Adjustment for under provision in prior periods	53	63
	(159)	(90)
Total tax charge	**695**	**591**

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 (losses) profits for the year are as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
(Loss) profit before tax	(5,650)	3,449
Expected tax charge based on the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	(1,144)	742
Expenses not deductible for tax purposes	1,973	23
Prior year deferred tax	53	63
Prior year current tax	(187)	(248)
Movement on unprovided deferred tax	-	11
Total tax charge	**695**	**591**

8 Earnings per share (EPS)

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Numerator		
(Loss) profit for the year – used in basic and diluted EPS	(6,345)	2, 858
Denominator		
Weighted average number of shares used in basic EPS	44,394,352	43,183,055
Effects of:		
- employee share options	655,445	569,725
Weighted average number of shares used in diluted EPS	45,049,797	43,752,780

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. 193,100 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 2015			Year ended 31 December 2014		
	Adjusted *	Amortisation and impairment of acquired intangible assets, exceptional items and unwinding of discount on contingent consideration	Total	Adjusted *	Amortisation and impairment of acquired intangible assets, exceptional items and unwinding of discount on contingent consideration	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total comprehensive income (loss) for the year	8,564	(14,909)	(6,345)	7,416	(4,558)	2,858
Adjusted earnings (loss) per share *						
Basic	19.29		(14.29)	17.17		6.62
Diluted **	19.01		(14.29)	16.95		6.53

***** Before amortisation and impairment of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items.

** Share options are anti-dilutive due to the losses in the year and therefore have been excluded from the diluted loss per share calculation.

9 Dividends

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Dividend of 4.10 pence (2014: 3.85 pence) per 1p ordinary share paid during the year relating to the previous year's results [1]	1,761	1,594
Dividend of 2.45 pence (2014: 2.30 pence) per 1p ordinary share paid during the year relating to the current year's results [2]	1,097	988
	2,858	2,582

[1] Dividends were waived on 2,082,753 (2014: 2,158,565) of the 45,024,875 (2014: 43,609,346) ordinary shares.

[2] Dividends were waived on 2,052,563 (2014: 2,132,753) of the 46,842,038 (2014: 45,024,875) ordinary shares.

10 Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
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
At 31 December 2015				
Cost	2,363	4,483	382	7,228
Accumulated depreciation	(1,962)	(3,307)	(294)	(5,563)
Net book value	401	1,176	88	1,665
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
Year ended 31 December 2015				
Opening net book value	403	664	108	1,175
Acquired net book value	15	77	-	92
Additions	102	831	28	961
Disposals	(8)	(20)	-	(28)
Depreciation charge for year	(111)	(376)	(48)	(535)
Closing net book value	401	1,176	88	1,665

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Computer equipment	-	59

11 Intangible assets

	Goodwill £'000	Brands £'000	Software Develop-ment £'000	Trademarks £'000	Acquired Back books £'000	Customer Relationships £'000	Total £'000
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
At 31 December 2015							
Cost	14,959	6,948	5,460	61	14,760	7,620	49,808
Amortisation	-	(3,792)	(2,025)	(47)	(8,344)	(961)	(15,169)
Net book value	14,959	3,156	3,435	14	6,416	6,659	34,639
Year ended 31 Dec 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
Year ended 31 Dec 2015							
Opening net book value	16,770	3,982	1,390	18	9,292	2,742	34,194
Additions							
- Internally developed	-	-	330	-	-	-	330
- Externally acquired	6,690	-	2,558	2	-	4,717	13,967
Adjustment [1]	509	-	-	-	-	-	509
Impairment charge	(9,010)	-	-	-	-	-	(9,010)
Disposals	-	-	-	-	-	-	-
Amortisation charge	-	(826)	(843)	(6)	(2,876)	(800)	(5,351)
Closing net book value	14,959	3,156	3,435	14	6,416	6,659	34,639

[1] The fair value accounting for the acquisition of Simpson Millar in 2014 was still in progress at 31 December 2014. The Group has now finalised its fair value accounting which has resulted in an increase in goodwill of £509,000 following a reassessment of the calculation of contingent consideration payable on this acquisition.

Brands are estimated to have a useful life of 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 seven years. No intangible assets were held under finance leases.

Brands comprises the capitalised Clear Start brand acquired on the acquisition of Clear Start UK Limited, and the Simpson Millar brand acquired on the acquisition of Simpson Millar LLP in 2014. Software development relates to the acquisition of Colemans in 2015 and to external and internal costs relating to the development of systems used by the Group.

12 Goodwill and impairment

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

Subsidiary / Acquisition	Operating Segment	Goodwill carrying amount As at 31 December 2015 £'000	As at 31 December 2014 £'000
Debt Free Direct Limited	IVA	398	1,934
Clear Start UK Limited	IVA	1,935	9,409
WKD UK Limited	DMP	629	629
Simpson Millar LLP	Legal Services	5,306	4,798
Colemans	Legal Services	6,691	-
		14,959	16,770

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 2015 by reference to the recoverable amount of the relevant CGU, resulting in an impairment charge against the goodwill relating to the IVA segment. There have been no other 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 2020. Beyond 2020 a terminal value is used for the legal services CGU, and for the IVA and DMP CGUs a residual value has been estimated based on six times the forecast 2020 profit before tax. Major assumptions are as follows:

- growth rates are based on forecast marketing strategies and economic data pertaining to the industry concerned.
- increases in costs are based on current inflation rates.
- discount rates are based on the Group's cost of funding adjusted to reflect management's assessment of specific risks related to the CGU.
- attrition rates are based on the expected monthly decline in the number of IVA or DMP customers paying into their plans.

	Year ended 31 December 2015 %
Discount rate – used for all segments	11.0
Average annual revenue growth – Legal services	3.0
Average annual cost base inflation – Legal services	2.5
Average annual growth rate – IVA	0.0
Conversion rate - IVA	2.4
Average monthly attrition rate – DMP	2.0
Average annual growth rate - DMP	0.0

Legal services

The recoverable amount for the Legal services segment exceeded the carrying value of total net assets by £98.3 million.

A 1% increase in the discount rate or similar reduction in the annual growth rate would reduce the recoverable amount by approximately £11.6 million and £12.0 million respectively.

12 Goodwill and impairment (continued)

IVA

As discussed in the Chief Executive Officer's review on pages 3 to 5, market conditions for the Group`s debt solutions remain challenging. During the calendar year 2015, the volume of new IVA solutions in England and Wales decreased by over 23% and the level of new IVA solutions were at their lowest since 2008 (source: The Insolvency Service). Given these challenging market conditions and uncertainty over the likelihood of the Bank of England raising interest rates, which is estimated to have a positive impact on the IVA market, the Group assumed a growth rate of 0% in its impairment calculations. As a result, the recoverable amount for the IVA segment was insufficient to cover the carrying value of total net assets, resulting in an impairment charge of £9.0m which has been recognised in the statement of comprehensive income.

A 1% increase in the discount rate or similar reduction in the annual growth rate would reduce the recoverable amount by approximately £0.5 million and £0.4 million respectively.

A 5% reduction in the forecast conversion rate or in the forecast pre tax earnings would reduce the recoverable amount by approximately £0.4 million and £0.3 million respectively.

DMP

The recoverable amount for the debt management segment exceeds the carrying value of total net assets by £4.4 million.

A 1% increase in the discount rate or similar reduction in the annual growth rate would reduce the recoverable amount by approximately £0.5 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 £0.3 million and £0.6 million respectively.

13 Subsidiaries

The 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
Holiday Travelwatch Limited	England	100%	Provision of consumer advice and claims management services
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%	Dormant
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%	Provision of financial advice and appropriate solutions
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 2015 £'000	At 31 December 2014 £'000
Trade receivables	11,105	8,034
Amounts recoverable on IVA services	11,359	15,626
	22,464	23,660
Unbilled legal services income	10,639	5,359
Other receivables	8,197	1,430
Prepayments and accrued income	3,288	2,200
	22,124	8,989
Total	44,588	32,649

Of which the following amounts are receivable after one year:

	At 31 December 2015 £'000	At 31 December 2014 £'000
Amounts recoverable on IVA services	6,388	8,294

15 Trade and other payables – current

	At 31 December 2015 £'000	At 31 December 2014 £'000
Trade payables	15,789	1,964
Other payables	95	1,288
Accruals and deferred income	1,755	2,834
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities at amortised cost	17,639	6,086
Other tax and social security taxes	117	1,621
Total	17,756	7,707

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:

	2015 £’000	2014 £’000
Up to 3 months	11,048	6,086
3 to 6 months	942	-
6 to 12 months	1,883	-
More than 12 months	3,766	-
	17,639	6,086

16 Short-term borrowings

	At 31 December 2015 £'000	At 31 December 2014 £'000
Bank borrowings	938	588
Total	938	588

Maturity analysis and an analysis of interest rates payable for bank borrowings is set out in note 20.

17 Non-current financial liabilities

	At 31 December 2015 £'000	At 31 December 2014 £'000
Bank borrowings	17,397	9,338
Total	17,397	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 2015 £'000	At 31 December 2014 £'000
In less than one year	938	588
In more than one year but not more than two years	1,375	2,313
In more than two years but not more than five years	16,022	7,025
Total	18,335	9,926

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net increase (decrease) in cash and cash equivalents	2,397	(491)
Net (increase) decrease in short term borrowings	(350)	100
Net (increase) decrease in long term borrowings	(8,059)	(9,926)
Net change in cash and borrowings	**(6,012)**	**(10,317)**
Net (borrowings) surplus at start of year	(7,556)	2,761
Net borrowings at end of year	(13,568)	(7,556)

Net borrowings comprises:

	At 31 December 2015 £'000	At 31 December 2014 £'000
Cash and cash equivalents	4,767	2,370
Short term borrowings (note 16)	(938)	(588)
Long term borrowings (note 17)	(17,397)	(9,338)
Net borrowings	(13,568)	(7,556)

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. 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 2015, if interest rates on floating rate loans had been 0.5% higher/lower with all other variables held constant, loss after tax for the year would have been approximately £60,000 higher/lower, 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.

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.

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. In IVA cases 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 £33,103,000, comprising £11,105,000 of trade receivables, where counterparties have been invoiced but funds not received, £11,359,000 of IVA accrued income and £10,639,000 of legal services accrued income, where revenue has been recognised but the case has not yet been billed.

19 Financial instruments – risk exposure and management (continued)

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 £626,000 (2014: £1,186,000).

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 2015			As at 31 December 2014		
	Gross receivables £'000	Provision against future recovery £'000	Carrying value £'000	Gross receivables £'000	Provision against future recovery £'000	Carrying value £'000
Trade receivables	12,530	1,425	11,105	8,811	777	8,034
Other receivables	9,382	1,185	8,197	1,430	-	1,430
Prepayments	3,288	-	3,288	2,201	-	2,201
Amounts recoverable on IVA services *****	11,359	-	11,359	15,626	-	15,626
Total	36,559	2,610	33,949	28,068	777	27,291

***** 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 £626,000 (2014: £1,186,000).

The Group does not hold any collateral as security.

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

	As at 31 December 2015 Trade receivables £'000	As at 31 December 2014 Trade receivables £'000
Neither impaired nor past due	10,506	7,683
Past due but not impaired:		
0-60 days	45	141
61-90 days	103	117
More than 90 days	451	93
Carrying amount	11,105	8,034

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

	As at 31 December 2015 £'000	As at 31 December 2014 £'000
Balance at beginning of year	777	139
Balance acquired	1,410	444
Amounts charged to the provision ******	423	194
Amounts written off	-	-
Balance at end of year	2,610	777

****** 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 2015 £'000	**At 31 December 2014 £'000**
Share capital	468	450
Share premium	4,995	2,514
Treasury shares	(727)	(727)
ESOP share reserve	(517)	(517)
Retained earnings	32,276	32,359
Total	36,495	34,079

20 Financial assets and liabilities – numerical information

Bank borrowings

In August 2015 the Group agreed a £5.0m extension to its previous £20.0m banking facility with AIB, taking the total facility to £25.0m. The new committed facility comprises a £17.0m revolving credit facility and an £8.0m term loan, providing the Group with significant financing headroom. This new facility extends to May 2019.

The new facility supported the acquisition of Colemans and provides long term financing to underpin the Group's growth and acquisition strategy.

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 (2014: LIBOR plus 2.85% on the Term Loan and LIBOR plus 3.00% on the Revolving Credit Facility).

Sterling floating rate assets attracted interest of 0.25% at the year-end (2014: 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 2015 and 2014.

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2014: 20%).

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
At beginning of the year	1,253	226
Deferred tax liability on intangible assets arising from business combinations	943	1,117
Credit to income statement	(159)	(90)
At end of the year	2,037	1,253

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 2015

	(Asset) liability £'000	(Credited) charged to income £'000
Accelerated capital allowances	(53)	53
Intangible assets	2,090	(212)
Total	2,037	(159)

Year ended 31 December 2014

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

22 Share capital

	Authorised			
	31 December 2015 Number	**31 December 2015 £'000**	**31 December 2014 Number**	**31 December 2014 £'000**
Ordinary shares of 1p each	60,000,000	600	60,000,000	600

	Issued and fully paid			
	Year ended 31 December 2015 Number	**Year ended 31 December 2015 £'000**	**Year ended 31 December 2014 Number**	**Year ended 31 December 2014 £'000**
Ordinary shares of 1p each				
At beginning of the year	45,024,875	450	43,609,346	436
Issued during the year [1]	1,817,163	18	1,415,529	14
At end of the year	46,842,038	468	45,024,875	450

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

[1] On 17 August 2015, the Group acquired the trade and assets of Colemans (see note 29). As one element of the initial consideration, the Group issued 755,516 Fairpoint Group Plc shares to the selling shareholders of Colemans at an effective price of 132p per share at completion (giving a total initial share consideration of £1 million). On 25 September 2015 the Group issued 1,061,647 shares to the vendors of Simpson Millar LLP under the earn-out arrangement announced at the time of that acquisition. The shares were issued at the previously agreed price of 141p per share.

In the year ended 31 December 2014, as part of the acquisition of Simpson Millar, the Group issued 1,415,529 Fairpoint Group Plc shares to the selling shareholders of Simpson Millar at an effective price of 141p per share (giving total initial share consideration of £2 million).

The total number of Shares held in treasury at 31 December 2015 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 2015 is 45,647,871. 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

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 2015 £'000	At 31 December 2014 £'000
Not later than one year	1,669	1,571
Later than one year and not later than five years	4,982	5,140
Later than five years	1,589	2,203
Total	8,240	8,914

25 Bank balances held on behalf of individuals

Total bank balances of £69,894,603 (2014: £65,753,225) were held by Group companies in trustee accounts on behalf of individuals who have entered into IVAs and DMPs at 31 December 2015, 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 (2014: seven) 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

	2015		2014	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of year	1,920,412	£1.04	1,177,804	£0.89
Lapsed	(94,945)	£1.29	(185,732)	£1.91
Exercised	(30,190)	£0.62	(71,296)	£1.71
Granted	435,395	£1.24	999,636	£1.26
Outstanding at the end of the year	2,230,672	£1.06	1,920,412	£1.04
Exercisable at the end of the year	748,730	£0.51	528,101	£1.01

26 Share based payment (continued)

Year to 31 December 2015

	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Weighted Average Exercise Price	Weighted Average Contractual Life
EMI	44,301	-	-	(19,180)	25,121	£3.09	0.08
CSOP 2007	83,800	-	-	(7,600)	76,200	£2.62	1.15
CSOP 2014 *	313,266	24,096	-	-	337,362	£1.24	8.98
SM CSOP 2014 *	204,119	-	-	-	204,119	£1.24	8.96
SAYE	207,003	370,915	(30,190)	(59,274)	488,454	£1.27	2.01
2008 *	1,023,283	40,384	-	(8,891)	1,054,776	£0.71	6.84
SM 2014 *	44,640	-	-	-	44,640	£1.24	8.96
Total	1,920,412	435,395	(30,190)	(94,945)	2,230,672	£1.06	5.97

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

* 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 2015, the following conditions applied to the following shares outstanding under each scheme:

Scheme	Condition	Target	Condition 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	Share Price	125p	20/03/2018	40,384
2008 Unapproved	Adjusted PBT	£9.0m	31/12/2014	48,730
2008 Unapproved	Share Price	200p	22/10/2017	265,662
Simpson Millar 2014 Unapproved	Share Price	200p	15/12/2017	44,640
CSOP 2014	Share Price	200p	15/12/2017	337,362
Simpson Millar CSOP 2014	Share Price	200p	15/12/2017	204,119

26 Share based payment (continued)

As at 31 December 2015 the share price performance conditions covering 748,730 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.

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

Range	As at 31 December 2015 Number	Average life Years	As at 31 December 2014 Number	Average life Years
1-100p	796,460	5.67	832,487	6.29
101-200p	1,332,891	6.57	975,330	8.81
Greater than 200p	101,321	0.89	112,595	1.87
Total	**2,230,672**	**5.97**	**1,920,412**	**7.31**

Of the total number of options outstanding at 31 December 2015, 748,730 (2014: 528,101) had vested and were exercisable at the end of the year.

30,190 share options were exercised in the year to 31 December 2015 (2014: 71,296).

The weighted average fair value of each option granted during the year was 124.0p (2014: 126.0p).

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	**2015**	**2014**
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date	£1.32	£1.28
Weighted average exercise price	£1.24	£1.26
Weighted average contractual life (years)	3.40	8.95
Weighted average expected volatility	23%	19%
Weighted risk free interest rate	0.45%	0.39%

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

	2015 £'000	**2014 £'000**
The share based remuneration expense (note 3) comprises:		
Equity-settled schemes	110	82

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 2015 or the year ended 31 December 2014.

28 Notes supporting cash flow statement

Cash and cash equivalents comprises:

	31 December 2015 £'000	31 December 2014 £'000
Cash available on demand	4,767	2,370
Net increase (decrease) in cash and cash equivalents	2,397	(491)
Cash and cash equivalents at beginning of year	2,370	2,861
Cash and cash equivalents at end of year	4,767	2,370

29 Acquisitions

Colemans and Holiday TravelWatch Limited

On 17 August 2015, the Group acquired the trade and assets of Colemans, along with the entire ordinary share capital of Holiday TravelWatch Limited.

Colemans is a provider of consumer-focused legal services with particular expertise in volume personal injury, conveyancing and travel law, having invested significantly in processing capability since 2010. Established in 1984, it has over 200 employees (of which 67 are fee earners) based in three offices in Manchester, Kingston and Acton. Colemans has a strong track record and a well-regarded senior team.

During the year ended 31 December 2015 the Group incurred £1.1m 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	**Provisional Fair Values £'000**
Property, plant and equipment	103
Intangible assets relating to customer relationships and software development	7,272
Trade and other receivables	6,176
Unbilled income	2,972
Cash and cash equivalents	6
Trade and other payables	(8,663)
Deferred tax liability	(943)
Identifiable net assets	**6,923**
Goodwill	6,691
Total consideration	**13,614**
Satisfied by:	
Cash consideration - paid on acquisition	8,332
Shares issued	1,000
Current contingent consideration – present value at point of acquisition	2,555
Non-current contingent consideration – present value at point of acquisition	1,727
Total consideration	**13,614**

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.

Consideration for the acquisition was satisfied by an initial payment of £8.3m in cash (reflecting adjustments for debt like items) and the issue of 755,516 Fairpoint Group Plc shares to the selling shareholders of Colemans at an effective price of 132p per share at completion (giving a total initial share consideration of £9.3 m).

Further consideration of up to £7.0m may be payable subject to the achievement of certain performance criteria. The potential consideration consists of two payments of up to £3.5m each, based upon the financial performance of Colemans and the achievement of certain integration targets for the 11 month period ending 30 June 2016 and the 12 month period ending 30 June 2017. Upon achievement of all performance criteria the consideration will be satisfied 50% in cash and 50% through the issue of new ordinary shares which will be issued at an effective fixed price of 132p per ordinary share.

The fair value of the contingent consideration at the end of the year is £4.5m. All further consideration is expected to be satisfied by December 2017.

29 Acquisitions (continued)

Since the acquisition date, the Colemans and Holiday TravelWatch acquisitions have contributed £8.2m to segmental Group revenues and £0.8m to segmental Group adjusted profit before taxation in the year.

Impact of acquisitions

If the acquisitions had occurred on 1 January 2015, the Colemans and Holiday TravelWatch acquisitions would have contributed £21.8m to segmental Group revenues and £2.2m to segmental Group adjusted profit before taxation in the year.

Acquisition of Simpson Millar LLP in the year ended 31 December 2014

The fair value accounting for the acquisition of Simpson Millar in 2014 was still in progress at 31 December 2014. The Group has now finalised its fair value accounting which has resulted in an increase in goodwill of £509,000 following a reassessment of the calculation of contingent consideration payable on this acquisition.

Fairpoint Group plc

Company statement of financial position

Company Number 4425339

	Note	At 31 December 2015 £'000	At 31 December 2014 £'000
Fixed assets			
Property, plant and equipment		283	-
Other intangible assets		202	-
Investments	**4**	9,006	18,016
Total non-current assets		**9,491**	**18,016**
Current assets			
Debtors	**5**	21,793	11,878
Cash at bank		100	10
Total current assets		**21,893**	**11,888**
Creditors: amounts falling due within one year	**5**	(1,725)	(631)
Short-term borrowings		(938)	(588)
Net current assets		**19,230**	**10,669**
Total assets less current liabilities		**28,721**	**28,685**
Long-term borrowings		(17,397)	(9,338)
Net assets		**11,324**	**19,347**
Capital and reserves			
Called-up share capital	**6**	468	450
Share premium account	**7**	4,995	2,514
Treasury shares		(727)	(727)
Other reserve	**7**	254	254
ESOP share reserve	**7**	(517)	(517)
Merger reserve	**7**	2,832	11,842
Profit and loss account	**7**	4,019	5,531
Total shareholders' funds		**11,324**	**19,347**

For the year ended 31 December 2015, the Company made a loss after tax of £7,774,000, which included £450,000 dividends received from subsidiary company, IVA Insurance Limited, and also included the £9,010,000 impairment charge referred to in note 4. For the year ended 31 December 2014, the Group profit for the year includes a Company loss after tax of £5,354,000, which included a £300,000 dividend received from subsidiary company, IVA Insurance Limited.

These financial statements were approved and authorised for issue by the directors on 15 March 2016 and are signed on their behalf by:

J Gittins
Director

The notes on pages 70 to 75 form part of these financial statements.

1. Accounting policies

Basis of preparation

Fairpoint Group Plc is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 14 and the nature of the Group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

These financial statements are the first financial statements prepared under FRS102. The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available under FRS102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the accounting period has been prepared as the reconciliations for the Group and the parent company would be identical.
- No cash flow statement has been prepared for the parent company.
- Disclosures in respect of the parent company's financial instruments and share based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the Group as a whole.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

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.

Revenue recognition

Revenue is recognised as it is earned over time based on fulfilment of contracts and provision of contracted services.

Financial instruments

Financial assets and liabilities are recognised at fair value on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. At 31 December 2015 the Company has no financial instruments carried at fair value through profit and loss.

ESOP share reserve

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

Staff Costs

Fairpoint Group plc employs staff acting in a centralised role within the Fairpoint group of companies. Although a recharge is made to its subsidiaries for the services of these employees, the staff costs note below reflects the full staff costs incurred in the Company.

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The Company 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 investments

Determining whether investments are impaired requires an estimation of the future value arising from a subsidiary or the trade and assets acquired with it. The value in use calculation requires an estimate of the future cash flows expected to arise from a subsidiary or cash generating unit and the use of a suitable discount rate in order to calculate present value. Any change in estimates could result in an adjustment to recorded amounts. An impairment review was performed against the Group's IVA segment at the year end resulting in an impairment charge against the goodwill relating to the IVA segment. This has resulted in an equivalent impairment being recognised in these Company financial statements against its investment in Clear Start UK Limited.

First time adoption of FRS102

The Company's financial statements for the year ended 31 December 2014 were prepared in accordance with UK GAAP. There has been no change to the previously reported profit or equity figures as a result of the Company adopting FRS102 for the year ended 31 December 2015. No reconciliation has been provided as there are no reconciling items.

2. Staff costs

Staff costs (including directors) comprise:	**Year ended 31 December 2015 £'000**	**Year ended 31 December 2014 £'000**
Wages and salaries	4,279	3,179
Defined contribution pension cost	214	169
Short term non-monetary benefits	19	-
Share based payment expense	110	82
Employer's national insurance contributions and similar taxes	485	370
	5,107	3,800

The average number of employees during the year was:	**Year ended 31 December 2015 Number**	**Year ended 31 December 2014 Number**
Directors	6	6
Management and administration	91	61
	97	67

3. Directors' remuneration

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

4. Investments

	£'000
Cost	
At 1 January 2015	18,016
Impairment of investment in Clear Start UK Limited [1]	(9,010)
At 31 December 2015	9,006
Net book value	
At 31 December 2015	9,006
At 31 December 2014	18,016

[1] As discussed in the Chief Executive Officer's review of the Group financial statements on pages 3 to 5, market conditions for the Group`s debt solutions remain challenging. During the calendar year 2015, the volume of new IVA solutions in England and Wales decreased by over 23% and the level of new IVA solutions were at their lowest since 2008 (source: The Insolvency Service). Given these challenging market conditions and uncertainty over the likelihood of the Bank of England raising interest rates which is estimated to have a positive impact on the IVA market, the Group assumed a growth rate of 0% in its impairment review, resulting in an impairment charge of £9.0m against goodwill (see pages 50 to 51). This has resulted in an equivalent impairment being recognised in these Company financial statements against its investment in Clear Start UK Limited.

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%
Holiday TravelWatch Limited	England	100% Ordinary	Provision of consumer advice and claims management services	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%

[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.

4. Investments (continued)

Name of company	Country of incorporation	Class of share	Nature of business	Proportion of voting rights
WKD UK Limited	England	100% Ordinary	Dormant	100%
Money Tailor Limited	England	100% Ordinary	Dormant	100%
Moneyextra.com Limited	England	100% Ordinary	Dormant	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%
RG Debt Management Services Limited	England	100%	Dormant	100%
Wise Debt Solutions Limited	England	100%	Provision of financial advice and appropriate solutions	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%

5. Net current assets

Debtors	31 December 2015 £'000	31 December 2014 £'000
Amounts owed by Group undertakings	21,219	11,591
Other assets	574	287
	21,793	11,878

Creditors: amounts falling due within one year	31 December 2015 £'000	31 December 2014 £'000
Other liabilities	1,725	631
	1,725	631

6. Share capital

Authorised share capital:

	31 December 2015 £'000	31 December 2014 £'000
60,000,000 (2014: 60,000,000) ordinary shares of 1p each	600	600

Allotted, called up and fully paid:

	31 December 2015 £'000	31 December 2014 £'000
Ordinary shares of 1p each	468	450

Share option scheme

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

Options have been granted to subscribe for ordinary shares of the Company under various share option and award schemes. The summary below shows the outstanding share options at 31 December 2015.

Scheme	Year	Number of share options outstanding	Price per share	Exercise period
EMI	2006	25,121	£3.09	Between 2009 and 2019
CSOP 2007	2007	63,200	£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 2015 and 2022
Unapp 2008	2012	48,730	£0.67	Between 2015 and 2022
SAYE	2013	47,730	£1.00	3 years from issue
SAYE	2014	91,779	£1.51	3 years from issue
Unapp 2008	2014	265,662	£1.21	Between 2017 and 2024
CSOP 2014	2014	288,975	£1.24	Between 2017 and 2024
Simpson Millar CSOP 2014	2014	163,055	£1.24	Between 2017 and 2024
Simpson Millar Unapp 2014	2014	35,833	£1.24	Between 2017 and 2024
CSOP 2014	2015	24,096	£1.25	Between 2018 and 2025
Unapp 2008	2015	40,384	£1.24	Between 2018 and 2025
SAYE	2015	348,945	£1.25	3 years from issue

7. Reserves

Company	Share Capital £'000	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 1 January 2015	450	2,514	(727)	254	(517)	11,842	5,531	**19,347**
Loss for the year	-	-	-	-	-	-	(7,774)	**(7,774)**
Share based payment expense	-	-	-	-	-	-	110	**110**
Issue of shares	18	2,481	-	-	-	-	-	**2,499**
Dividends paid	-	-	-	-	-	-	(2,858)	**(2,858)**
Realisation of merger reserve arising from impairment of investment in Clear Start UK Limited	-	-	-	-	-	(9,010)	9,010	**-**
At 31 December 2015	468	4,995	(727)	254	(517)	2,832	4,019	**11,324**

During the year the Company paid £2,857,969 in dividends (2014: £2,582,373).