FAIRPOINT.

Fairpoint Group plc

Final results for the year ended 31 December 2015

Fairpoint Group plc ("Fairpoint" or "the Group"), one of the UK's leading providers of consumer professional services, today announces its final results for the year ended 31 December 2015.

Highlights

A strong financial performance with significant growth in consumer legal services.

- Adjusted profit and revenues have increased at double digit rates compared to 2014
  - Revenue increased by 41% to £54.1m (2014: £38.3m)
  - Adjusted profit before tax* increased by 13% to £10.5m (2014: £9.3m)
  - Adjusted basic earnings per share** increased by 12% to 19.29p (2014: 17.17p)
  - Exceptional costs of £1.4m (2014: £2.5m)
  - A non-cash impairment of goodwill of £9.0m (2014: nil) in the Group`s IVA segment
  - Loss before tax of £5.7m (2014: profit before tax of £3.4m) after amortisation and impairment of acquired intangible assets, unwinding of the discount on contingent consideration and exceptional items

- Legal Services now accounts for the majority of Group revenues
  - The Legal Services segment, which was only established in June 2014, was responsible for 58% of the Group's revenue (2014: 31%) and represents 67% of the Group`s revenue on a pro forma basis
  - Acquisition in August 2015 of the trade and assets of Colemans-CTTS LLP and CT Support Services Limited ("Colemans"), a consumer legal services business

- Debt solutions businesses continued to be profitable on an adjusted basis and cash generative
  - Continued difficult market conditions anticipated for debt solutions resulted in non-cash impairment of goodwill in the IVA segment

- A strong balance sheet, significant cash generation and long term bank facilities provide platform for further growth
  - Net cash generated from operating activities (after deducting cash cost of exceptional items) of £7.9m (2014: £5.7m)
  - Net debt*** of £13.6m at 31 December 2015 (31 December 2014: £7.6m), following cash investment of £11.0m on acquisitions (including related expenses) during the year

- Increased proposed final dividend reflecting strong financial performance and the Board`s confidence in the future
  - Final dividend proposed of 4.35p (2014: 4.10p), making a total dividend for the year of 6.80p (2014: 6.40p), an overall increase of 6%

- Significant growth opportunities expected in the legal services segment during 2016
  - Having integrated two significant legal services acquisitions, the Group now has considerable capability to deliver a wide range of consumer legal services
  - Further growth anticipated in legal services both organically and through 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.*
**** Net debt is bank borrowings less cash.*

Chris Moat, Chief Executive Officer, said:

"2015 was a significant year for Fairpoint as we continued our expansion into the legal services market, reporting strong growth in revenues and adjusted profits and completing the acquisition of Colemans to add market leading expertise in volume personal injury, conveyancing and travel law to the Group's existing legal services offering."

"Having established a wide range of capabilities in consumer legal services, we expect to continue to pursue acquisition opportunities whilst also developing our organic growth agenda."

Enquiries:

Fairpoint Group Plc	
Chris Moat, Chief Executive Officer	0845 296 0100
John Gittins, Group Finance Director	
Shore Capital (Nomad and Joint Broker)	
Mark Percy	020 7408 4090
Edward Mansfield	
Panmure Gordon & Co (Joint Broker)	
Dominic Morley	020 7866 2500
Charles Leigh-Pemberton	
MHP	
Reg Hoare	020 3128 8100
Katie Hunt	

There will be an analyst presentation to discuss the results at 9.30am on 16 March 2016 at the offices of MHP Communications, 6 Agar Street, London, WC2N 4HN.

A management webinar open to all investors will be hosted by Equity Development at 3.45pm on 17 March 2016; please register at https://attendee.gotowebinar.com/register/7470308871280069124

Notes to editors:

Fairpoint Group plc is an AIM quoted consumer professional services business focused on providing legal and debt services. Our business is structured into the following primary business lines:

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

www.fairpoint.co.uk

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 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.*

Consolidated statement of comprehensive income for the year ended 31 December 2015

	Notes	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
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		(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		1,581	-	1,581	2,332	-	2,332
Finance income – other		198	-	198	93	-	93
Profit (loss) before finance costs		**11,118**	**(15,233)**	**(4,115)**	**9,761**	**(5,806)**	**3,955**
Finance costs – unwinding of discount on contingent consideration		-	(881)	(881)	-	-	-
Finance costs - other		(654)	-	(654)	(506)	-	(506)
Profit (loss) before taxation		10,464	(16,114)	(5,650)	9,255	(5,806)	3,449
Tax (charge) credit	**2**	(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

	Notes	2015 Adjusted *		2015 Total	2014 Adjusted *		2014 Total
Basic	**3**	19.29		(14.29)	17.17		6.62
Diluted	**3**	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.

Consolidated statement of financial position as at 31 December 2015

Company Number 4425339

	As at 31 December 2015	As at 31 December 2014
	£'000	£'000
ASSETS		
Non Current Assets		
Property, plant and equipment	1,665	1,175
Goodwill	14,959	16,770
Other intangible assets	19,680	17,424
Trade receivables and amounts recoverable on IVA services	6,388	8,294
Total Non Current Assets	**42,692**	**43,663**
Current Assets		
Trade receivables and amounts recoverable on IVA services	16,076	15,366
Other current assets	11,485	3,630
Unbilled income	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	468	450
Share premium account	4,995	2,514
Treasury shares	(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	17,397	9,338
Deferred tax liabilities	2,037	1,253
Contingent consideration	1,796	2,201
Deferred consideration	-	140
Total Non Current Liabilities	**21,230**	**12,932**
Current Liabilities		
Trade and other payables	17,756	7,707
Short-term borrowings	938	588
Contingent consideration	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**

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

	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'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	-
Finance income	(198)	(93)
Finance cost	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	(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 by financing activities	5,551	7,243
Net change in cash and cash equivalents	2,397	(491)
Cash and cash equivalents at start of year	2,370	2,861
Cash and cash equivalents at end of year	4,767	2,370

Consolidated statement of changes in equity for the 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**

Notes

1 Status of financial information

The financial information set out in this report does not constitute the Group's statutory accounts for the years ended 31 December 2015 or 31 December 2014. Statutory accounts for 31 December 2014 have been delivered to the Registrar of Companies. Those for 31 December 2015 are available on the Company's website (www.fairpoint.co.uk) and will be delivered to the Registrar of Companies following the Company's annual general meeting. The auditors have reported on those accounts; their report was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for both 2015 and 2014.

These accounts have been prepared in accordance with the accounting policies set out in the Annual Report and Financial Statements of Fairpoint Group plc for the year ended 31 December 2014.

Going concern

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

The financial statements have been prepared on a going concern basis. The Group's existing facility with 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 final results.

2 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**

3 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 * £'000	Amortisation and impairment of acquired intangible assets, exceptional items and unwinding of discount on contingent consideration £'000	Total £'000	Adjusted * £'000	Amortisation and impairment of acquired intangible assets, exceptional items and unwinding of discount on contingent consideration £'000	Total £'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 deferred 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.

4 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.

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.

Notes (continued)

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 Exceptional items

During the year the Group had exceptional costs as detailed below:	Year Ended 31 December 2015 £'000	Year Ended 31 December 2014 £'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 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.

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

	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	(938)	(588)
Long term borrowings	(17,397)	(9,338)
Net borrowings	(13,568)	(7,556)

8 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 consideration of £9.3m).

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 31 December 2015 is £4.5m. All further consideration is expected to be satisfied by December 2017.