FAIRPOINT.

Fairpoint Group plc

Final results for the year ended 31 December 2014

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 2014.

Highlights

A strong financial performance, with a significant maiden contribution from consumer legal services.

- Adjusted profit and revenues have increased at double digit rates compared to 2013
  - Revenue increased by 35% to £38.3m (2013: £28.4m)
  - Adjusted profit before tax* increased by 15% to £9.3m (2013: £8.1m)
  - Adjusted basic earnings per share** increased by 14% to 17.17p (2013: 15.03p)
  - Profit before tax of £3.4m (2013: £5.9m) after deducting exceptional acquisition and refinancing costs of £2.5m (2013: £0.6m) and the amortisation of acquired intangible assets of £3.3m (2013: £1.6m)

- Transformation of Fairpoint as a result of successful diversification
  - Revenues from non-IVA activities rose to 65% of total revenue (2013: 42%)
  - Acquisition in June 2014 of Simpson Millar LLP Solicitors ("Simpson Millar"), a consumer legal services business
  - 62% year on year increase in DMPs under management at 31 December 2014 following acquisition, during the year, of three debt management books totalling nearly 17,000 plans

- Strong balance sheet, cash generation and new enlarged long term bank facilities provide platform for growth
  - Net cash generated from operating activities (after deducting cash cost of exceptional items) of £5.7m (2013: £6.0m)
  - Net debt*** of £7.6m at 31 December 2014 (31 December 2013: net cash*** of £2.8m), following cash investment of £14.0m in acquisitions (including related expenses) during the year
  - New five year bank facility of £20.0m with AIB Group (UK) plc ("AIB") agreed in May 2014

- Increased dividend reflecting strong profit performance and confidence in the future
  - Final dividend proposed of 4.10p (2013: 3.85p), making a total dividend for the year of 6.40p (2013: 6.00p), an overall increase of 7%

- Significant growth opportunities and strong start to 2015
  - With net debt as at 31 December 2014 of £7.6m (£4.7m as at 28 February 2015) and a £20.0m financing facility, the Group is in a strong position to finance its strategy of investment and diversification both organically and by acquisition
  - The acquisitions during 2014 have given the Group a strong start to 2015
  - Further acquisition opportunities within legal services are currently being targeted

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

Chris Moat, Chief Executive Officer, said:

"2014 was a transformational year for Fairpoint as we successfully expanded into the much larger legal services market with the acquisition of Simpson Millar and reported strong growth in revenues and adjusted profits.

"Having established a significant legal services platform we expect to continue to pursue acquisition opportunities whilst also developing our organic growth agenda. The full year benefit of this activity will provide an important growth stimulus for 2015 and has already provided a strong start to the year."

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There will be an analyst presentation to discuss the results at 9.30am on 17 March 2015 at the offices of MHP Communications, 60 Great Portland Street, London, W1W 7RT

Notes to editors:

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

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

www.fairpoint.co.uk

Chairman`s statement

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

Strategy

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

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

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

Dividend

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

In light of the results for the year, and taking into account the requirements of the Group and the Board's confidence in its future prospects, the Board has recommended an increase in the final dividend of 6% to 4.10p (2013: 3.85p), resulting in a total dividend for the year of 6.40p (2013: 6.00p), an increase of 7%.

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

People

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

Outlook

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

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

David Harrel
Chairman

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Chief Executive Officer's review

Results

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

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

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

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

Operational review

Our Market places

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

Legal Services

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

Debt Solutions

Market conditions for the Group`s debt solutions remain challenging and we continue to take a disciplined approach to marketing expenditure, ensuring that uneconomic activity is minimised. Whilst the volume of new IVA solutions in England and Wales increased to 52,190 in 2014 (2013: 48,881), (source: The Insolvency Service), in our experience, these volumes have been driven from consumers with lower disposable incomes (typically property tenants as opposed to home owners) and have resulted in the market seeing reduced IVA fee levels. These market conditions, in our view, are likely to continue until bank base rate increases adversely impact the financial circumstances of home owners who typically have higher incomes.

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

Regulation

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

IVA services

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

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

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

Debt Management Plan ("DMP") services

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

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

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

Claims management

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

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

Legal services

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

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

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

Outlook

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

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

Chris Moat
Chief Executive Officer

Finance Director's review

Financial highlights

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

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

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

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

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

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

Earnings per share (EPS)

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

Cash flows

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

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

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

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

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

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

Financing

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

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

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

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

John Gittins
Group Finance Director

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

Consolidated statement of comprehensive income for the year ended 31 December 2014

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

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

* Before amortisation of acquired intangible assets and exceptional items.

Consolidated statement of financial position as at 31 December 2014

Company Number 4425339

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

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

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

Consolidated statement of changes in equity for the year ended 31 December 2014

	Share Capital £'000	Share Premium Account £'000	Treasury Shares £'000	Merger Reserve £'000	Other Reserves £'000	ESOP Share Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2013	436	528	(1,015)	11,842	254	(517)	29,654	**41,182**
Changes in equity for the year ended 31 December 2013:								
Total comprehensive income for the year	-	-	-	-	-	-	4,686	**4,686**
Share based payment expense	-	-	-	-	-	-	72	**72**
Sale of treasury shares	-	-	288	-	-	-	(51)	**237**
Dividends of 5.70 pence per share	-	-	-	-	-	-	(2,360)	**(2,360)**
Balance at 31 December 2013	436	528	(727)	11,842	254	(517)	32,001	**43,817**
Changes in equity for the year ended 31 December 2014:								
Total comprehensive income for the year	-	-	-	-	-	-	2,858	**2,858**
Share based payment expense	-	-	-	-	-	-	82	**82**
Issue of shares	14	1,986	-	-	-	-	-	**2,000**
Dividends of 6.15 pence per share	-	-	-	-	-	-	(2,582)	**(2,582)**
Balance at 31 December 2014	450	2,514	(727)	11,842	254	(517)	32,359	**46,175**

1 Status of financial information

The financial information set out in this report does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 31 December 2013. Statutory accounts for 31 December 2013 have been delivered to the Registrar of Companies. Those for 31 December 2014 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 2014 and 2013.

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 2013, with the exception of the accounting policy for legal services revenue in the newly acquired legal services segment, which is as follows:

Legal services revenue

Services provided to clients, which at the balance sheet date have not been billed, are recognised as legal services revenue. Legal services revenue 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.

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 £20m. For the purpose of considering going concern the board has considered a period of at least 12 months from the date of signing these interim results.

2 Tax expense

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

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

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

3 Earnings per share (EPS)

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

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

For diluted earnings per share, the weighted average number of ordinary shares in issue during the year is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. 241,203 employee options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year and therefore it would not be advantageous for the holders to exercise those options.

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

	Year Ended 31 December 2014			Year Ended 31 December 2013		
	Adjusted *	Amortisation of acquired intangible assets and exceptional items	Total	Adjusted *	Amortisation of acquired intangible assets and exceptional items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total comprehensive income (loss) for the year	7,416	(4,558)	2,858	6,357	(1,671)	4,686
Adjusted earnings per share *						
Basic	17.17		6.62	15.03		11.08
Diluted	16.95		6.53	14.87		10.96

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

4 Dividends

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Dividend of 3.85 pence (2013: 3.55 pence) per 1p ordinary share paid during the year relating to the previous year's results [1]	1,594	1,469
Dividend of 2.30 pence (2013: 2.55 pence) per 1p ordinary share paid during the year relating to the current year's results [2]	988	891
	2,582	2,360

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

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

5 Segment analysis

Reportable segments

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

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

Measurement of operating segment profit and assets

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

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

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

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

The segments are summarised as follows:

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

- DMP consists primarily of the Group company Lawrence Charlton Limited, the trading brand used to provide DMPs for consumers. DMPs are generally suitable for consumers who can repay their debts in full, if they are provided with some relief on the rate at which interest accrues on their debts. They could take more than 5 years to complete and offer consumers a fixed repayment discipline as well as third party management of creditors.

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

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

5 Segment analysis (continued)

Year ended 31 December 2014

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

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

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

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

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

5 Segment analysis (continued)

Year ended 31 December 2013

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

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

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

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

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

6 Exceptional items

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

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

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

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

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

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

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

Net (borrowings) surplus comprises:

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

8 Acquisitions

Simpson Millar LLP

The Group acquired Simpson Millar on 16 June 2014.

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

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

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

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

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

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

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

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

8 Acquisitions (continued)

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

Other acquisitions

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

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

Impact of acquisitions

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