FAIRPOINT.

15 September 2016

Fairpoint Group plc

Half year results for the six months ended 30 June 2016

Fairpoint Group plc ("Fairpoint" or "the Group"), one of the UK's leading providers of consumer professional services, today announces its half year results for the six months ended 30 June 2016.

Highlights

Revenue increased significantly compared to the first half of 2015:

- Revenue increased by 24% to £28.3m (2015: £22.9m)
- Legal services revenues rose to £21.5m (2015: £11.3m), reflecting organic growth in Simpson Millar and the acquisition of Colemans in August 2015, albeit conveyancing performance impacted by housing market slowdown
- Debt Solutions revenues fell to £6.9m (2015: £11.6m), due to adverse market conditions

Adjusted profit before tax similar to the same period last year:

- Adjusted profit before tax* broadly flat at £4.0m (2015: £4.1m)
- Growth in consumer legal services to £3.1m (2015: £1.4m)
- Debt Solutions contribution reduced to £1.5m (2015: £2.9m)
- Adjusted basic earnings per share** was 7.03p (2015: 7.38p)
- Reported profit before tax was £0.8m (2015: £1.3m) after deducting exceptional costs of £0.3m (2015: £nil), amortisation of acquired intangible assets of £2.5m (2015: £2.3m) and unwinding of discount on contingent consideration of £0.4m (2015: £0.4m)
- Reported basic earnings per share was 1.44p (2015: 2.33p)

Legal services now accounts for the majority of the Group's revenue and adjusted profit*:

- The Legal Services segment accounted for 76% of the Group's revenue (2015: 49%)
- Continued transition from a low growth, higher margin debt solutions business towards a higher growth, lower margin Legal Services business

Decision to exit the debt management plan (DMP) market due to regulatory changes impacting the whole sector announced on 20 July 2016:

- Regulatory changes are rendering the commercial DMP business model unsustainable
- Intention to complete an orderly wind down of DMP operations during the second half of 2016 and, as a consequence, reduce costs across the whole Group, incurring exceptional costs in the second half of approximately £2.5m and a non-cash DMP intangible asset impairment of £5.5m.

Net debt reflecting £11m investment in Legal Services acquisitions during 2015:

- Net debt*** of £15.6m at 30 June 2016 (30 June 2015: £5.2m) following cash investment of £11.0m on Legal Services acquisitions (including related expenses) during 2015
- Cash generated from operating activities of £2.2m (2015: £5.5m)
- Undrawn bank facilities and cash resources at 30 June 2016 of £8.6m

Interim dividend level maintained at 2.45p, reflecting confidence in the Group's transition into a Legal Services business.

** Profit before tax of £0.8m (2015: £1.3m) plus amortisation of acquired intangible assets of £2.5m (2015: £2.4m) plus unwinding of discount on contingent consideration of £0.4m (2015: £0.4m) plus exceptional items of £0.3m (2015: £nil)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items*
**** Net debt is bank borrowings and finance lease liabilities less cash*

Current trading and outlook:

- Majority of Legal Services trading in line with expectations
- As noted in May, conveyancing volumes impacted by slowdown in housing market transactions; impact of Brexit has led to fall in mortgage approvals to 15 month low
- As a result our expectations for conveyancing have been adjusted materially downwards
- Overall, the Group's performance in H2 likely to be similar to H1
- On track to deliver a simplified business model focused on legal services with a corresponding lower cost base, with DMP wind down as expected

Chris Moat, Chief Executive Officer, said:

"Fairpoint has delivered double digit revenue growth compared to last year, despite challenging market conditions.

"Looking forward the Board will continue to transition the business towards legal services. The scale and fragmented nature of this marketplace presents a significant opportunity for Fairpoint to deploy its core skill of applying process to a professional service, and thereby create a structural competitive advantage relative to existing market incumbents."

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There will be an analyst presentation to discuss the results at 9.15 for 9.30am on 15 September 2016 at the offices of MHP Communications, 6 Agar Street, London, WC2 4HN. In addition, there will be a webinar on 19 September 2016 at 1.30pm. If you would like to join the webinar, please register here https://www.equitydevelopment.co.uk/index.php?p=news.

Notes to editors:

Fairpoint Group plc is an AIM listed consumer professional services business specialising in the provision of consumer-focused legal services, personal debt solutions and claims management. The Group 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

The results for the first half of 2016 show strong revenue growth for the Group. Growth was driven by the Group`s legal services division and, in particular, the additional contribution from the Colemans business acquired in August 2015, more than offsetting the decline in debt solutions due to adverse market conditions.

During 2016 the Group has undertaken a number of investments and programmes to implement systems and process changes in the legal services business, which will provide an important enabler to support our organic agenda as well as possible further acquisitions in this segment.

The Group has continued its disciplined approach to cost control and cash recovery in the debt solutions segment; however, as reported on 20 July 2016, the strategic decision was made to complete an orderly wind down of DMP operations during the second half of 2016. We will continue to protect our DMP customers by transferring them to a DMP fee free operator.

Strategy

Our core strategic themes will focus upon:

- making our legal services more accessible to consumers;
- development of our marketing and distribution capability;
- provision of a broad and balanced portfolio of consumer legal services;
- deployment of a production orientated legal services operating platform; and
- focus on our cost agenda to maximise cash generation in the IVA segment.

Dividend

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

In light of the results for the first half and taking into account the planned restructuring of the Group following the decision to exit the DMP market, the Board has recommended that the interim dividend be maintained at 2.45p (2015: 2.45p).

The interim dividend will be paid on 21 October 2016 to shareholders on the register on 30 September 2016, with an ex-dividend date of 29 September 2016.

Board change

With effect from today, David Broadbent has been appointed to the Board as Chief Financial Officer, replacing John Gittins who, as previously announced, has now stepped down from the Board to pursue a portfolio career and will complete hand over activities before leaving the Group at the end of September. We would like to thank John for his significant contribution to the Group over the last four years.

David, who joined the Group on 1 August 2016, has over 20 years' experience in professional and financial services. He joined us from International Personal Finance plc, where he served as Finance Director and Chief Commercial Officer, having previously worked at Provident Financial Plc and PwC.

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 first half of 2016, which has been a difficult time particularly for those working in our DMP business.

Summary

During the second half of 2016 the Group will focus on restructuring following its decision to exit the DMP market and complete an orderly wind down of DMP operations. This will entail transferring its existing DMP customers to a DMP fee free operator.

Beyond this, we anticipate that the Group will benefit from a simplified business model, allowing management to focus on the higher growth legal services segment.

David Harrel
Chairman

Chief Executive Officer's review

Results

Group revenue increased by 24% to £28.3m (2015: £22.9m), with legal services activities accounting for 76% (2015: 49%). This mix change largely reflects the acquisition of Colemans in August 2015 as well as reductions in our Debt Solutions activities as a result of the continued adverse market conditions.

Adjusted profit before tax* remained broadly flat at £4.0m (2015: £4.1m). Reported profit before tax was £0.8m (2015: £1.3m), after deducting exceptional acquisition costs of £0.3m (2015: £nil), amortisation of acquired intangible assets of £2.5m (2015: £2.3m) and the unwinding of the discount on contingent consideration of £0.4m (2015: £0.4m).

Adjusted basic earnings per share** was 7.03p (2015: 7.38p). Basic earnings per share was 1.44p (2015: 2.33p) and fully diluted earnings per share was 1.41p (2015: 2.31p).

Net debt*** at 30 June 2016 was £15.6m (30 June 2015: £5.2m).

Operational review

Our Market places

The Group operates within the following two core market places:

Legal Services

The legal services market is highly fragmented and has been subject to significant regulatory change, which is intended to improve consumer choice and value. These changes are encouraging industry consolidation and new business models which present a unique opportunity to create more competitive consumer offerings. The acquisition of Simpson Millar in June 2014 and the subsequent acquisition of Colemans in August 2015 provide a significant platform from which the Group can deploy its core skill of applying process to professional services. The Group continues to invest in software and IT infrastructure in the legal services segment where further organic growth is planned and where the Group remains open to acquisition opportunities which would complement the Group's existing legal services business.

Debt Solutions

Conditions for the Group's debt solutions have remained challenging and, along with the decision announced in July 2016 to exit the DMP market, the Group has also taken the decision to put marketing activity for IVA solutions on hold. The market conditions for debt solutions are, in our view, likely to continue to be difficult until bank base rate increases adversely impact the financial circumstances of home owners who typically have higher incomes. Following the Bank of England's reduction in base rate to a historic low of 0.25% in August 2016, an increase in rates to anything approaching historical levels looks unlikely in the short to medium term.

In the DMP segment, the Group has announced its decision to exit the market due to regulatory changes impacting the whole sector. The FCA is driving a regulatory agenda which, in our view, will transfer competitive advantage from the commercial DMP sector to the charitable DMP sector, and render the commercial DMP business model unsustainable. As a consequence, the Group has decided to simplify its range of business activities and intends to complete an orderly wind down of its DMP operations during the second half of 2016. The Group will work with the FCA to transfer its DMP customers to the FCA's preferred DMP fee free operator.

** Profit before tax of £0.8m (2015: £1.3m) plus amortisation of acquired intangible assets of £2.5m (2015: £2.4m) plus unwinding of discount on contingent consideration of £0.4m (2015: £0.4m) plus exceptional items of £0.3m (2015: £nil)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items*
**** Net debt is bank borrowings and finance lease liabilities less cash*

Legal Services

Revenues in the legal services segment rose by 90% to £21.5m (2015: £11.3m), reflecting the acquisition of Colemans in August 2015 and organic revenue growth of around 4%. The segmental adjusted pre-tax profit* was £3.1m (2015: £1.4m), with an improvement in adjusted profit margin to 14% (2015: 13%).

The Group now provides a well-balanced portfolio of consumer-focused legal services from 12 offices around the UK following the acquisition of Colemans.

The split of revenues by core service lines were as follows:

Service line	**H1 2016**	**H1 2015**	**H1 2016 split**
Family & Personal	4,079	2,898	19%
Clinical Negligence	2,423	2,639	11%
Complex Litigation	4,012	2,518	19%
Holiday	3,906	1,252	18%
Legal Processing Centre	3,711	471	17%
Conveyancing	1,764	202	8%
Business Services	1,574	1,335	8%
Total	**21,469**	**11,315**	**100%**

As reported at the time of the AGM in May 2016, conveyancing activity was impacted in the run up to and immediately after the EU Referendum by a slowdown in housing market transactions.

During the first half of 2016 the Group has focused its activity on the following areas:

- investing in common processes, software and IT infrastructure to operate more efficiently and provide better service to consumers.
- defining a pricing tariff for over 70 legal products, which will enable us to communicate a price point for a fixed schedule of services at the outset.
- launching “The law of” website and brand, increasing consumer awareness and interest in the Group’s legal services.

Each of these focus areas has been selected to help us deliver our mission to make law more accessible to consumers. We have made substantial progress towards that goal with:

- 80% of our products by volume now administered on a single IT platform.
- the introduction of a comprehensive range of products with a fixed price for a defined schedule of services.
- extending the product range with the acquisition of a market leading practice specialising in child abuse cases.
- substantial coverage being achieved as a result of our new advertising approach.

As noted in the 2015 annual results, changes to the operation of whiplash claims relating to road traffic accidents have been proposed by the Government, subject to consultation. The Board believes that its legal processing centre positions the Group advantageously to manage such legal work at low cost. However, the timetable for implementation appears to be lagging behind the scheduled start in April 2017, with the consultation process still awaited.

** Adjusted for the net of tax effect of amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items*

IVA services

Revenues from the Group's IVA activities were £3.0m (2015: £5.6m) and adjusted pre-tax profit* was £0.4m (2015: £1.0m). The reductions in revenue and adjusted profit* are as a result of fewer new cases as the Group refrained from spending on uneconomic marketing activities in debt solutions.

The total number of fee paying IVAs under management at 30 June 2016 was 13,811 (30 June 2015: 16,889). The number of new IVAs written in the first half of 2016 was 238 (2015: 795) and the average gross fee per new IVA was £3,150 (2015: £3,036).

The Group's portfolio of IVA cases continue to be cash generative for the Group, and with debt solutions marketing activity on hold, the Group's focus in this segment will be on cash generation.

DMP services

Revenues in the DMP segment were £2.6m (2015: £3.9m) and the segmental adjusted pre-tax profit* was £0.8m (2015: £1.5m). The reduction in adjusted profit margin* in the segment to 29% (2015: 39%) reflects the decreasing profitability in this segment driven by the regulatory agenda which has increased call handling times, customer attrition and significantly increased risk and compliance overhead.

The total number of DMPs under management at 30 June 2015 was 13,252 (2015: 20,730) with an orderly wind down of this segment taking place during the second half of 2016 as announced on 20 July 2016. This process is underway and on track. The wind down will result in anticipated exceptional restructuring costs of approximately £2.5m in the second half of 2016. In addition, this wind down will give rise to a non-cash impairment of the debt management intangible asset of £5.5m in the second half of 2016.

Claims management

Revenues from our claims management activities were £1.3m (2015: £2.1m) and the segmental adjusted pre-tax profit* was £0.3m (2015: £0.4m). As the claims management segment largely services the Group's IVA and DMP customer base, the lower revenue and adjusted pre-tax profit* compared to the same period in the prior year is largely reflective of the declining customer numbers in those segments.

Outlook

The Group has continued to deliver on its strategy to expand the consumer legal services business and now offers a diverse range of legal services from 12 offices around the UK. The Simpson Millar brand is becoming ever more recognised by consumers, and the launch of "The law of" website (www.thelawof.co.uk) in the first half of 2016 is further enhancing this brand awareness. We plan to drive organic growth in the legal services business and the Group remains open to the possibility of further value enhancing acquisitions in this area.

We anticipate that the market conditions in debt solutions will remain challenging, and, following the Group's decision to exit the DMP market, the focus is now on cash recovery from our IVA and claims businesses. Whilst the majority of the Group's businesses are trading in line with expectations, as noted in May, conveyancing volumes were impacted by a slowdown in housing market transactions. This slowdown has been further impacted by the UK's Referendum decision to leave the EU which has led to an unanticipated fall in mortgage approvals to a 15 month low and, consequentially, conveyancing activity. We had originally expected a resumption of growth in conveyancing in the second half and had therefore largely preserved our service capability in this area, but now anticipate a slight reduction in revenue in the second half compared to the first half with a more material reduction in contribution from conveyancing for the full year.

** Adjusted for the net of tax effect of amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items*

Looking forward the Board will continue to transition the business towards legal services. The scale and fragmented nature of this marketplace presents a significant opportunity for Fairpoint to deploy its core skill of applying process to a professional service, and thereby create a structural competitive advantage relative to existing market incumbents.

Chris Moat
Chief Executive Officer

Finance Director's review

Financial highlights

Group revenue increased by 24% to £28.3m (2015: £22.9m). This increase largely reflects the contribution from the Colemans legal business which was acquired in August 2015 together with organic growth of around 4%. As expected, revenue within the IVA, DMP and claims management segments declined compared to the same period in 2015, as the Group refrained from spending on marketing activities in these areas which is uneconomic.

The Group achieved a gross margin of 50% (2015: 50%) and adjusted profit before tax* was broadly consistent with the same period last year at £4.0m (2015: £4.1m), reflecting growth in consumer Legal Services, the adverse Debt Solutions market conditions, and the Group's increased finance costs following investment in acquisitions.

The Group incurred exceptional costs of £0.3m (2015: £nil) following the acquisition in May 2016 of a small market leading practice specialising in child abuse cases.

Reported profit before tax was £0.8m (2015: £1.3m).

The Group's tax charge was £0.2m (2015: £0.3m). The tax charge on adjusted profits was £0.8m (2015: £0.8m). This represents an effective rate of 20% (2015: 20%) in line with corporation tax rates during the year.

The total comprehensive income for the six months ended 30 June 2016 was £0.7m (2015: £1.0m).

Earnings per share (EPS)

Adjusted basic EPS** was 7.03p (2015: 7.38p). Basic EPS was 1.44p (2015: 2.33p). Diluted EPS was 1.41p (2015: 2.31p).

Cash flows

Cash generated from operations was £2.2m (2015: £5.5m), the decrease partly reflective of working capital movements associated with the reduction in debt solutions activity. The cash flows include cash outflows associated with exceptional costs of £0.3m (2015: £nil). In legal services, work in progress days at 30 June 2016 were 118 (31 December 2015: 104), the increase driven by the mix of legal work undertaken in the period.

Interest paid was £0.5m (2015: £0.2m).

During the first half of 2015 the Group made tax payments of £0.2m (2015: £0.4m).

Investing cash outflows were £1.7m (2015: £0.7m) which included £0.6m investment in software development and £0.6m investment in other IT infrastructure as the Group has undertaken a number of programmes to improve and integrate systems and process in the legal services segment in particular.

Financing cash outflows were £0.6m (2015: £4.0m), including dividend cash outflows which increased to £1.9m (2015: £1.8m).

** Profit before tax of £0.8m (2015: £1.3m) plus amortisation of acquired intangible assets of £2.5m (2015: £2.4m) plus unwinding of discount on contingent consideration of £0.4m (2015: £0.4m) plus exceptional items of £0.3m (2015: £nil)*

*** Adjusted for the net of tax effect of amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items*

Financing

The Group's net debt*** position as at 30 June 2016 was £15.6m (30 June 2015: £5.2m).

The Group has a £25.0m facility with AIB Group (UK) plc extending to May 2019. The facility comprises a £17.0m revolving credit facility and an £8.0m term loan, providing the Group with financing headroom to fund its future activities. At 30 June 2015 the Group had £8.6m in cash and undrawn lending facility.

John Gittins
Group Finance Director

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

Consolidated statement of comprehensive income – Period from 1 January 2016 to 30 June 2016

	Period from 1 January to 30 June 2016 Unaudited			Period from 1 January to 30 June 2015 Unaudited			Year ended 31 December 2015 Audited		
	Adjusted * £'000	Amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items £'000	Total £'000	Adjusted * £'000	Amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items £'000	Total £'000	Adjusted * £'000	Amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items £'000	Total £'000
Revenue	28,348	-	28,348	22,882	-	22,882	54,121	-	54,121
Cost of sales	(14,039)	-	(14,039)	(11,369)	-	(11,369)	(25,553)	-	(25,553)
Gross profit	**14,309**	**-**	**14,309**	**11,513**	**-**	**11,513**	**28,568**	**-**	**28,568**
Amortisation of acquired intangibles	-	(2,476)	(2,476)	-	(2,347)	(2,347)	-	(4,781)	(4,781)
Other administrative expenses	(10,457)	(325)	(10,782)	(8,192)	-	(8,192)	(19,229)	(10,452)	(29,681)
Total administrative expenses	**(10,457)**	**(2,801)**	**(13,258)**	**(8,192)**	**(2,347)**	**(10,539)**	**(19,229)**	**(15,233)**	**(34,462)**
Finance income – unwinding of discount on IVA revenue	557	-	557	871	-	871	1,581	-	1,581
Finance income – other	75	-	75	104	-	104	198	-	198
Profit (loss) before finance costs	**4,484**	**(2,801)**	**1,683**	**4,296**	**(2,347)**	**1,949**	**11,118**	**(15,233)**	**(4,115)**
Finance costs – unwinding of discount on contingent consideration	-	(391)	(391)	-	(427)	(427)	-	(881)	(881)
Finance costs - other	(473)	-	(473)	(239)	-	(239)	(654)	-	(654)
Profit (loss) before taxation	**4,011**	**(3,192)**	**819**	**4,057**	**(2,774)**	**1,283**	**10,464**	**(16,114)**	**(5,650)**
Tax (expense) credit	(802)	638	(164)	(822)	562	(260)	(1,900)	1,205	(695)
Profit (loss) for the period	**3,209**	**(2,554)**	**655**	**3,235**	**(2,212)**	**1,023**	**8,564**	**(14,909)**	**(6,345)**
Total comprehensive income (loss) for the period	3,209	(2,554)	655	3,235	(2,212)	1,023	8,564	(14,909)	(6,345)
Earnings per Share									
Basic	7.03		1.44	7.38		2.33	19.29		(14.29)
Diluted	6.90		1.41	7.30		2.31	19.01		(14.29)

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

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

Consolidated statement of financial position as at 30 June 2016

	As at 30 June 2016 Unaudited £'000	As at 30 June 2015 Unaudited £'000	As at 31 December 2015 Audited £'000
ASSETS			
Non Current Assets			
Property, plant and equipment	1,842	1,405	1,665
Goodwill	15,618	17,279	14,959
Other intangible assets	18,909	14,954	19,680
Trade receivables and amounts recoverable on IVA services	4,983	7,363	6,388
Total Non Current Assets	**41,352**	**41,001**	**42,692**
Current Assets			
Trade receivables and amounts recoverable on IVA services	16,715	13,472	16,076
Other current assets	11,704	6,338	11,485
Unbilled income	12,419	5,755	10,639
Cash and cash equivalents	4,058	2,563	4,767
Total Current Assets	**44,896**	**28,128**	**42,967**
Total Assets	**86,248**	**69,129**	**85,659**
EQUITY			
Share capital	468	450	468
Share premium account	4,995	2,514	4,995
Treasury shares	(727)	(727)	(727)
ESOP share reserve	(517)	(517)	(517)
Merger reserve	2,832	11,842	2,832
Other reserves	254	254	254
Retained earnings	31,038	31,657	32,276
Total equity attributable to equity holders of the parent	**38,343**	**45,473**	**39,581**
LIABILITIES			
Non Current Liabilities			
Long-term financial liabilities	18,575	6,900	17,397
Deferred consideration	-	-	-
Contingent consideration	3,035	2,565	1,796
Deferred tax liabilities	2,250	1,078	2,037
Total Non Current Liabilities	**23,860**	**10,543**	**21,230**
Current Liabilities			
Trade and other payables	16,403	8,612	17,756
Contingent consideration	6,173	3,000	5,505
Deferred consideration	-	184	92
Short-term borrowings	1,125	813	938
Current tax liability	344	504	557
Total Current Liabilities	**24,045**	**13,113**	**24,848**
Total Liabilities	**44,905**	**23,656**	**46,078**
Total Equity and Liabilities	**86,248**	**69,129**	**85,659**

Consolidated statement of cash flows for the period from 1 January 2016 to 30 June 2016

	Period from 1 January to 30 June 2016	Period from 1 January to 30 June 2015	Year ended 31 December 2015
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash flows from continuing operating activities			
Profit (loss) after taxation	655	1,023	(6,345)
Taxation	164	260	695
Impairment of goodwill in IVA segment	-	-	9,010
Share based payments charge	55	36	110
Depreciation of property, plant and equipment	301	324	535
Amortisation of intangible assets and development expenditure	2,816	2,656	5,351
(Profit) Loss on disposal of non current assets	(10)	-	28
Finance income - other	(75)	(104)	(198)
Finance costs	864	666	1,535
(Increase) decrease in trade and other receivables	(1,232)	(279)	(2,914)
(Decrease) increase in trade and other payables	(1,352)	905	1,719
Cash generated from operations	**2,186**	**5,487**	**9,526**
Interest paid	(450)	(224)	(606)
Income taxes paid	(193)	(382)	(1,067)
Net cash generated from operating activities	**1,543**	**4,881**	**7,853**
Cash flows from investing activities			
Proceeds from sale of non current assets	10	-	-
Purchase of property, plant and equipment (PPE)	(767)	(480)	(785)
Interest received	75	104	198
Purchase of trademarks	(1)	(1)	-
Software development	(617)	(118)	(330)
Purchase of debt management and legal services books	-	(219)	(258)
Acquisition of subsidiaries	-	-	(1,600)
Acquisition of business trade and assets	(369)	-	(8,232)
Net cash absorbed by investing activities	**(1,669)**	**(714)**	**(11,007)**
Cash flows from financing activities			
Equity dividends paid	(1,948)	(1,761)	(2,858)
Proceeds from (payment of) long-term borrowings	1,178	(2,438)	8,059
Proceeds from (payment of) short-term borrowings	187	225	350
Net cash (absorbed by) generated from financing activities	**(583)**	**(3,974)**	**5,551**
Net change in cash and cash equivalents	**(709)**	**193**	**2,397**
Cash and cash equivalents at start of period	4,767	2,370	2,370
Cash and cash equivalents at end of period	**4,058**	**2,563**	**4,767**

Consolidated statement of net debt as at 30 June 2016

Net debt comprises:

	Period from 1 January to 30 June 2016	Period from 1 January to 30 June 2015	Year ended 31 December 2015
	Unaudited £'000	Unaudited £'000	Audited £'000
Short term borrowings	1,125	813	938
Long term borrowings	18,575	6,900	17,397
Cash and cash equivalent	(4,058)	(2,563)	(4,767)
Net debt	15,642	5,150	13,568

Consolidated statement of changes in equity for the period from 1 January 2016 to 30 June 2016

	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Treasury Shares £'000	Other Reserves £'000	ESOP Share Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2015	**450**	**2,514**	**11,842**	**(727)**	**254**	**(517)**	**32,359**	**46,175**
Changes in equity for the six months ended 30 June 2015:								
Total comprehensive income for the period	-	-	-	-	-	-	1,023	**1,023**
Share based payment expense	-	-	-	-	-	-	36	**36**
Dividends of 4.10 pence per share	-	-	-	-	-	-	(1,761)	**(1,761)**
Balance at 30 June 2015	**450**	**2,514**	**11,842**	**(727)**	**254**	**(517)**	**31,657**	**45,473**
Changes in equity for the six months ended 31 December 2015:								
Total comprehensive loss for the period	-	-	-	-	-	-	(7,368)	**(7,368)**
Share based payment expense	-	-	-	-	-	-	74	**74**
Issue of shares	18	2,481	-	-	-	-	-	**2,499**
Dividends of 2.45 pence per share	-	-	-	-	-	-	(1,097)	**(1,097)**
Realisation of merger reserve arising from impairment of related goodwill asset	-	-	(9,010)	-	-	-	9,010	**-**
Balance at 31 December 2015	**468**	**4,995**	**2,832**	**(727)**	**254**	**(517)**	**32,276**	**39,581**
Changes in equity for the six months ended 30 June 2016:								
Total comprehensive income for the period	-	-	-	-	-	-	655	**655**
Share based payment expense	-	-	-	-	-	-	55	**55**
Dividends of 4.35 pence per share	-	-	-	-	-	-	(1,948)	**(1,948)**
Balance at 30 June 2016	**450**	**2,514**	**11,842**	**(727)**	**254**	**(517)**	**31,038**	**38,343**

Notes

1 Status of financial information

The financial information set out in this report is based on the consolidated financial statements of Fairpoint Group plc and its subsidiary companies (together referred to as the "Group"). The accounts of the Group for the six months ended 30 June 2016, which are unaudited, were approved by the Board on 14 September 2016. The financial information contained in this interim report does not constitute statutory accounts as defined by s434 of the Companies Act 2006. This report has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

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 2015.

The statutory accounts for the year ended 31 December 2015 have been filed with the registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006.

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 approving these interim results.

2 Tax expense

For the period ended 30 June 2016 tax is charged based on the estimated average annual effective corporation tax rate of 20.0% (period ended 30 June 2015: 20.5%).

3 Earnings per share (EPS)

	Period from 1 January to 30 June 2016	Period from 1 January to 30 June 2015	Year ended 31 December 2015
	£'000	£'000	£'000
Numerator			
Profit (loss) for the period – used in basic and diluted EPS	655	1,023	(6,345)
Denominator			
Weighted average number of shares used in basic EPS	45,647,871	43,830,708	44,394,352
Effects of:			
- employee share options	824,326	488,021	655,445
Weighted average number of shares used in diluted EPS	46,472,197	44,318,729	45,049,797

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

	Period from 1 January to 30 June 2016 Unaudited			Period from 1 January to 30 June 2015 Unaudited			Year ended 31 December 2015 Audited		
	Adjusted *	Amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items	Total	Adjusted *	Amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items	Total	Adjusted *	Amortisation of acquired intangible assets, unwinding of discount on contingent consideration and exceptional items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total comprehensive income (loss) for the period	3,209	(2,554)	655	3,235	(2,212)	1,023	8,564	(14,909)	(6,345)
Adjusted earnings per share *									
Basic	7.03			7.38			19.29		
Diluted	6.90			7.30			19.01		

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

4 Dividends

During the interim period, the final dividend relating to the year ended 31 December 2015 of 4.35p per share was paid (6 months ended 30 June 2015: 4.10p). Dividends were waived on 2,052,563 (6 months ended 30 June 2015: 2,082,753) of the 46,842,038 ordinary shares (6 months ended 30 June 2015: 45,024,875 ordinary shares). Of the dividends waived, 858,396 relate to shares held by the Fairpoint Group plc Employee Benefit Trust and 1,194,167 relate to shares held in treasury.

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 as described in the Group's 2015 Annual Report and Accounts which are available on the Company's website at www.fairpoint.co.uk.

The Group evaluates performance on the basis of adjusted (for exceptional items, unwinding of discount on contingent consideration 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 operating 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 reportable segments reflect 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:

- Legal services activities provide a range of consumer-focused legal services with main lines being family, personal injury and clinical negligence through 12 offices around the UK.

- IVA consists primarily of the 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 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.

Notes (continued)

5 Segment analysis (continued)

Six month period ending 30 June 2016

	IVA £'000	Debt Mgmt. £'000	Claims Mgmt. £'000	Legal Services £'000	Unallocated £'000	Total £'000
Total external revenue	2,991	2,612	1,276	21,469	-	28,348
Total operating profit	(148)	760	263	2,977	-	3,852
Finance income – unwinding of discount on IVA revenue	557	-	-	-	-	557
Finance income – other	-	-	-	74	1	75
Adjusted profit before finance costs	**409**	**760**	**263**	**3,051**	**1**	**4,484**
Finance expense	-	-	-	-	(473)	(473)
Adjusted profit (loss) before taxation	**409**	**760**	**263**	**3,051**	**(472)**	**4,011**
Amortisation of acquired intangible assets	(322)	(1,132)	-	(1,022)	-	(2,476)
Finance cost – unwinding of discount on contingent consideration	-	-	-	(391)	-	(391)
Exceptional items	-	-	-	(325)	-	(325)
Profit (loss) before taxation	**87**	**(372)**	**263**	**1,313**	**(472)**	**819**
Tax *						(164)
Profit for the period						**655**
Total assets						
Reportable segment assets	18,929	6,303	1,921	52,910	6,185	86,248
Capital additions (incl. from acquisitions)	1	-	13	2,336	-	2,350
Depreciation and amortisation	(538)	(1,320)	(92)	(1,167)	-	(3,117)

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 additions 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)

Six month period ending 30 June 2015

	IVA £'000	Debt Mgmt. £'000	Claims Mgmt. £'000	Legal Services £'000	Unallocated £'000	Total £'000
Total external revenue	5,587	3,901	2,079	11,315	-	22,882
Total operating profit	91	1,517	392	1,321	-	3,321
Finance income – unwinding of discount on IVA revenue	871	-	-	-	-	871
Finance income – other	-	-	-	102	2	104
Adjusted profit before finance costs	**962**	**1,517**	**392**	**1,423**	**2**	**4,296**
Finance expense	-	-	-	-	(239)	(239)
Adjusted profit (loss) before taxation	**962**	**1,517**	**392**	**1,423**	**(237)**	**4,057**
Amortisation of acquired intangible assets	(235)	(1,644)	(121)	(347)	-	(2,347)
Finance cost – unwinding of discount on contingent consideration	-	-	-	(427)	-	(427)
Exceptional items	-	-	-	-	-	-
Profit (loss) before taxation	**727**	**(127)**	**271**	**649**	**(237)**	**1,283**
Tax *						(260)
Profit for the period						**1,023**
Total assets						
Reportable segment assets	30,224	8,323	863	23,159	6,560	69,129
Capital additions (incl. from acquisitions)	-	1	9	61	547	618
Depreciation and amortisation	(491)	(1,855)	(130)	(504)	-	(2,980)

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 additions 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 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)
Profit 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 additions 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

	Period from 1 January to 30 June 2016	Period from 1 January to 30 June 2015	Year Ended 31 December 2015
During the period the Group had exceptional costs as detailed below:	**£'000**	**£'000**	**£'000**
Acquisition, restructuring and professional services costs[1]	325	-	1,442

[1] For the six months ended 30 June 2016 the exceptional items relate to transaction and related professional services costs associated with the acquisition, in May 2016, of a small market leading legal practice specialising in child abuse cases. For the year ended 31 December 2015 the exceptional items relate to acquisition, restructuring and professional services costs relating to the acquisition of Colemans and costs associated with the DMP regulatory application with the FCA.

7 Post Balance Sheet Events

On 20 July 2016, the Group announced its decision to exit the debt management plan (DMP) market due to regulatory changes impacting the whole sector. The FCA is driving a rigorous regulatory agenda in the DMP sector and this resulted in the Group's decision to halt acquisition activity last year. The regulatory regime has severely impacted the commerciality of the whole of the industry, including the Group's DMP business, and has also resulted in a reduction in profitability of the Group's DMP segment in the first half of 2016. The ultimate outcome of the revised regulatory regime is expected, in our opinion, to transfer competitive advantage from the commercial DMP sector to the charitable DMP sector, thus rendering the commercial DMP business model unsustainable. As a consequence, the Group has decided to simplify its range of business activities and intends to complete an orderly wind down of its DMP operations during the second half of 2016. This will materially affect the results of the Group's DMP segment in the second half of 2016, as well as those of the Claims segment, given its dependency on selling services to DMP clients. DMP is now expected to make little or no profit contribution to the Group for the second half of 2016.

It is expected that this restructuring will give rise to exceptional charges in the second half of 2016 of approximately £2.5m (of which £1m will be cash outflow in 2016). The decision to exit the DMP market and wind down operations in this segment will also give rise to a non-cash impairment of the Group's debt management intangible asset of £5.5m. From 2017 the Group will implement and benefit from a reduced cost base and a simplified business model, focused on its higher growth Legal Services segment.

8 Interim Report

A copy of this report is available on the Company's website at www.fairpoint.co.uk.