FAIRPOINT.

Fairpoint Group plc

Half year results for the six months ended 30 June 2012

Fairpoint Group plc ("Fairpoint" or "the Group"), the leading provider of advice and solutions to financially stressed consumers, today announces its half year results for the six months ended 30 June 2012.

Highlights

Half year results are in line with management expectations.

- Profits for the seasonally weaker first half have improved markedly from the first half of 2011
    - Adjusted profit before tax* of £3.0m (2011: £0.0m)
    - Adjusted basic earnings per share** of 5.26p (2011: 0.04p)
    - Statutory profit before tax was £2.1m (2011: loss of £2.1m)
- Strong revenue growth
    - Increase in revenue of 19% to £14.1m (2011: £11.8m), driven by a £2.0m increase in financial services revenues, largely from our claims management services
    - Debt management revenues grew by 11% to £2.8m (2011: £2.5m)
    - IVA revenues stabilised at £8.7m (2011: £8.7m)
- Product diversification continues
    - Revenues from Diversified Activities, comprising our Debt Management and Financial Services Segments, rose to 38% of total revenue (2011: 26%)
    - Acquisition, out of cash flows, of a debt management book adding 915 DMP cases
    - 59% of adjusted pre-tax profit* was from Diversified Activities
- Strong cash generation
    - Net cash generated from operating activities of £6.5m (2011: £0.5m)
    - Net borrowings*** of £2.0m (30 June 2011: £7.6m)
    - Positive impact of recent VAT refund on exceptional fee income and net borrowings yet to be recognised in the Group`s results and anticipated to be broadly complete by the end of 2012
- Progressive dividend policy
    - Increase in interim dividend declared of 11% to 1.95p (2011: 1.75p)
- Continuing to strengthen and invest in our platform for future growth
    - New £13m facility secured against the Group's book of IVAs and DMPs
    - Strong cost control contributed to restoration of IVA profitability
    - Controlled upscaling of lending proposition (Loanextra)
    - Launch of new claims management proposition (Writefully Yours) since the half year-end

** Profit before tax of £2.1m (2011: loss of £2.1m) plus amortisation of acquired intangible assets of £0.7m (2011: £0.4m) plus exceptional items of £0.2m (2011: £1.7m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*
**** Net borrowings is bank borrowings and finance lease liabilities less cash*

Chris Moat, chief executive officer, said:

"Fairpoint has reported a strong financial and operating performance in the first half of 2012, following a much improved second half of 2011. The Group has diversified its income streams and grown its revenues in subdued market conditions. Early progress in the development of claims management services has been strong, and additional products are under development to ensure continuing momentum in this area.

"Strong cash generation has continued and since the end of the first half of 2011 we have reduced net borrowings by £5.6 million as well as returning £1.9 million to shareholders in the form of dividends. Our new enlarged banking facility provides a sound platform for further progress.

"In the second half of 2012 we expect to continue the momentum seen in the first half, benefitting from the normal seasonality of the business, a good stock of work in our back books, the benefit of acquisitions made in this and prior periods and continuing development of the financial services business.

"We are also well positioned to continue to play a leading role in the ongoing consolidation of the debt solutions market, as and when value-enhancing opportunities emerge to consolidate our market position and diversify our income streams."

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There will be an analyst presentation to discuss the results at 9.30am on 27 September 2012 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 serving financially stressed consumers. Our mission is to become the leader in money management solutions to the financially stressed consumer. Our business is structured into the following primary business lines in order to serve the needs of this consumer group:

1. Individual Voluntary Arrangements (IVAs)
2. Debt Management Plans (DMPs)
3. Financial Services

www.fairpoint.co.uk

Chairman`s statement

Overview

Fairpoint has continued its strategy of growth through diversification with strong financial, operating and cash flow improvements during the first half of 2012, building on the much improved second half of 2011.The Group has diversified its income streams and grown its revenues in subdued market conditions. Early progress in the development of claims management services has been strong and additional products are under development to ensure continuing momentum in this area.

Strategy

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

- Focus on our cost agenda in the individual voluntary agreement (“IVA”) segment during a period of subdued market demand;
- Continue to grow our debt management plan (“DMP”) activities, both organically and through acquisition opportunities presented by a consolidating market;
- Diversify into new, but related income streams such as lending and claims management services.

Our focus on providing solutions to financially stressed consumers has always placed us in markets which are subject to significant regulatory and competitive change. Regulatory change is in strong evidence in our new segments, which presents opportunities to Fairpoint, given its relative size, funding and professional management.

Dividend

The Board is committed to a long-term progressive dividend policy, which takes into account the underlying growth in earnings and strong cash generation, whilst acknowledging the requirement for continued investment and short-term fluctuations in profits.

In light of the results for the first half, and taking into account the requirements of the Group and its future prospects, the board has recommended an increase in the interim dividend of 11% to 1.95p (2011: 1.75p).

The interim dividend will be paid on 26 October 2012 to shareholders on the register on 5 October 2012, with an ex-dividend date of 3 October 2012.

Changes to the board and shareholders

In May 2012 Derek Oakley, resigned his position as insolvency director, and accordingly stepped down from the Board. He will leave the business in November 2012 to pursue other interests and I would like to thank him for his contribution to the Group. This change completes the evolution of the Board to a simplified, governance based structure.

Following the half year end, the Group announced that the entire stake previously held by Andrew Redmond, John Reynard, Paul Latham, Derek Oakley and Peter Byrne and his family (the founder shareholders of Fairpoint), comprising 9,826,027 ordinary shares (approximately 22.53% of the Company's issued share capital) were placed with a number of institutional and other investors at a price of 60 pence per share. As part of this transaction, and in order to enhance shareholder value, around £1m worth of these shares were acquired by the Company to be held in treasury.

This was a positive outcome for the Company; it recognises the strength of Fairpoint as an investment proposition and should increase the overall liquidity of our shares.

Outlook

In the second half of 2012 we expect to continue the solid progress made in the first half, benefitting from the normal seasonality of the business, a healthy stock of work in our back books, the benefit of acquisitions made in this and prior periods and continuing development of the financial services business.

We are also well positioned to continue to play a leading role in the ongoing consolidation of the debt solutions market, as and when value-enhancing opportunities emerge to consolidate our market position and diversify our income stream

Matthew Peacock
Chairman

Chief Executive Officer's review

Results

Group revenue from continuing operations in the first half of 2012 increased by 19% to £14.1m (2011: £11.8m), with Diversified Activities accounting for 38% of the Group revenue (2011: 26%). Adjusted profit before tax* was £3.0m (2011: £0.0m), of which 59% derived from Diversified Activities. Profit before tax was £2.1m (2011: loss of £2.1m). Adjusted basic earnings per share** was 5.26p (2011: 0.04p). Basic earnings per share was 3.72p (2011: loss per share of 3.78p) and fully diluted earnings per share was 3.70p (2011: loss per share of 3.78p). Exceptional items were £0.2m (2011: £1.7m).
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Net borrowings*** at 30 June 2012 were £2.0m (30 June 2011: £7.6m).

Operational review

IVA services

Revenues from the Group's IVA activities were £8.7m (2011: £8.7m). The segmental adjusted pre-tax profit rose to £1.4m (2011: loss of £0.7m).

Segmental revenues in the period were unchanged on the first six months of 2011, as a result of subdued market demand and average fees for new IVAs. Active management of the portfolio, however, means that the total number of fee paying IVAs under management at 30 June 2012 was 20,772 (30 June 2011: 20,659). The number of new IVAs written in the first half of 2012 fell by 26% to 2,217 (2011: 3,005) and the average gross fee per new IVA was £3,450 (2011: £3,654).

The return to profitability in the period was due to both the reduction in the IVA cost base, which took effect from the second half of 2011, and to the impact of increased IVA claims management activities. This had the effect of increasing returns to creditors and in turn increasing IVA supervisory fees from the existing portfolio.

DMP services

Revenues in the DMP segment increased by 11% to £2.8m (2011: £2.5m) and the segmental adjusted pre-tax profit increased to £1.2m (2011: £1.1m).

The segment has benefited from the effect of one DMP back book acquisition made in May 2012 and the total number of DMPs under management at 30 June 2012 was 16,090 (30 June 2011: 14,780). Further progress in our acquisition pipeline has been made in recent months and we anticipate the acquisition of further DMP back books from sub scale operators seeking to exit this increasingly competitive and regulated market. These acquisitions, which will be financed from our existing resources, will benefit DMP activity in 2013 and beyond.

Financial services

Revenues from our financial services activities were £2.6m (2011: £0.6m) and the segmental adjusted pre-tax profit was £0.7m (2011: loss of £0.2m).

In the first half of 2012 we have continued to make significant headway in a programme of payment protection insurance (PPI) reclaim activity for our IVA portfolio. This has made a significant contribution to the segmental performance in the first half. Claims monies which are secured through this activity increase the contributions to IVAs and so are beneficial to creditors. Claims performance and creditor response is still developing, but our experience to date is that most creditors accept our claims and make payments directly to ourselves in line with the terms of the IVA agreement.

This segment also includes revenues and costs of our payday lending pilot, volumes for which continue to grow in a controlled manner as we refine and develop our proposition using the Loanextra brand.

** Profit before tax of £2.1m (2011: loss of £2.1m) plus amortisation of acquired intangible assets of £0.7m (2011: £0.4m) plus exceptional items of £0.2m (2011: £1.7m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*
**** Net borrowings is bank borrowings and finance lease liabilities less cash*

Outlook

We continue to assess the market to identify good opportunities to acquire back books at attractive rates and further consolidate our strong market position, with the intention of delivering improving revenue growth in future years.

Claims management services are expected to continue making a strong contribution to results in the near term with further product development underway to drive future growth. Revenues from this business in 2012 to date have benefitted from PPI claims on our IVA portfolio. We expect to further develop this business for our DMP customers and in July we launched our new in house claims management business, Writefully Yours. We continue to monitor claims progress closely during this embryonic period, whilst we also explore additional opportunities to expand our offering.

Our short term lending business continues to be developed in a controlled manner. The regulatory landscape is evolving, as are patterns in customer demand, and we are developing our product to fit current and future needs. We are closely evaluating the performance of our portfolio as we scale the business.

In line with our normal seasonal trading patterns, second half profitability will benefit from reduced marketing spend in the run up to Christmas.

As a result of the above factors, the Board is confident of delivering a strong financial performance in the current year and establishing the building blocks for continuing growth.

Christopher Moat
Chief Executive Officer

Finance Director's review

Financial highlights

The Group's revenue increased by 19% to £14.1m (2011: £11.8m). The increase was largely due to £2.0m growth in financial services revenues to £2.6m (2011: £0.6m).

Adjusted profit before tax* increased to £3.0m (2011: £0.0m). Gross margin rose to 48% (2011: 28%). The increased revenue from claims management services, accompanied with improved margins and a more controlled cost base, allowed the Group to record a much improved adjusted profit before tax.

During the first half of 2012, the Group incurred exceptional costs of £0.2m (2011: £1.7m). These costs related to legal and professional costs associated with the refinancing that was completed in April 2012. In the first half of 2011, £1.5m of the exceptional costs were in relation to the impairment of the Group's legacy IVA systems and a further £0.2m related to group restructuring.

Amortisation of acquired intangible assets increased to £0.6m (2011: £0.4m) as a result of the acquisitions made during 2011 and the first half of 2012.

Profit before tax was £2.1m (2011: loss of £2.1m).

The Group's tax charge was £0.5m (2011: £0.5m credit). The tax charge on adjusted profits was £0.7m (2011: £0.0m). This represents an effective rate of 24.5% (2011: 26%), the reduction from the previous period resulted from the change in corporation tax rates during the year.

The total comprehensive income for the 6 months ended 30 June 2012 was £1.6m (2011: loss of £1.7m).

Earnings per share (EPS)

Adjusted basic EPS** was 5.26p (2011: 0.04p). Basic EPS was 3.72p (2011: loss per share of 3.78p). Diluted EPS was 3.70p (2011: loss per share of 3.78p).

Share capital

Following the half year end, the Company acquired 1,666,667 shares at 60 pence per share to be held in treasury as part of a sale of shares by its founding shareholders.

Cash flows

Net cash generated from operating activities increased significantly by £6.0m to £6.5m (2011: £0.5m). The £3.0m of additional adjusted profit before tax* and strong management of working capital were the main contributors to this improvement.

Investing cash outflows decreased to £0.9m (2011: £1.6m), as the Group made one acquisition in the period compared to three in the previous comparable period.

Financing cash outflows of £4.9m (2011: inflow of £1.4m) are due to a net repayment on the Group's bank facilities of £3.7m (2011: net drawdown of £2.5m) and dividend payments of £1.2m (2011: £1.1m).

** Profit before tax of £2.1m (2011: loss of £2.1m) plus amortisation of acquired intangible assets of £0.7m (2011: £0.4m) plus exceptional items of £0.2m (2011: £1.7m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*

Financing

In April 2012, the Group signed a new enlarged £13m asset based revolving credit facility with PNC Financial Services UK Limited ("PNC"). This facility replaces the Group's previous £8m committed facility which was due to expire in December 2012.

The new facility, which has a four year maturity, is secured against the Group's book of IVAs and DMPs.

The exceptional legal and professional costs associated with the refinancing were £0.2m.

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

Net borrowings* at 30 June 2012 were £2.0m (30 June 2011: £7.6m).

VAT

In April 2012, the Group received a VAT refund of £9.0m from HMRC following the decision in Paymex Ltd v HMRC, which found that fees relating to IVAs were exempt supplies. This refund related to net VAT payments made by the Group since 1 June 2007.

This amount is currently deposited in a client account and at 30 June 2012 no revenue or cash has been recognised in the Group's financial statements. The programme of processing this refund through IVA cases is anticipated to be largely completed during the second half of 2012, and will result in increased distributions to creditors and exceptional fee income for the Group.

John Gittins
Group Finance Director

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

Consolidated statement of comprehensive income – Period from 1 January 2012 to 30 June 2012

	Period from 1 January to 30 June 2012 Unaudited			Period from 1 January to 30 June 2011 Unaudited			Year ended 31 December 2011 Audited		
	Adjusted *	Amortisation of acquired intangible assets and exceptional items	Total	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	£'000	£'000	£'000
Revenue	14,132	-	14,132	11,827	-	11,827	25,890	-	25,890
Cost of sales	(7,358)	-	(7,358)	(8,514)	-	(8,514)	(14,888)	-	(14,888)
Gross profit	**6,774**	**-**	**6,774**	**3,313**	**-**	**3,313**	**11,002**	**-**	**11,002**
Amortisation of acquired intangibles	-	(643)	(643)	-	(423)	(423)	-	(946)	(946)
Other administrative expenses	(5,541)	(249)	(5,790)	(5,321)	(1,749)	(7,070)	(10,967)	(4,133)	(15,100)
Total administrative expenses	**(5,541)**	**(892)**	**(6,433)**	**(5,321)**	**(2,172)**	**(7,493)**	**(10,967)**	**(5,079)**	**(16,046)**
Finance income – unwinding of discount on IVA revenue	1,922	-	1,922	2,148	-	2,148	4,254	-	4,254
Finance income – other	5	-	5	3	-	3	6	-	6
Profit (loss) before finance costs	**3,160**	**(892)**	**2,268**	**143**	**(2,172)**	**(2,029)**	**4,295**	**(5,079)**	**(784)**
Finance costs	(122)	-	(122)	(122)	-	(122)	(259)	-	(259)
Profit (loss) before taxation	**3,038**	**(892)**	**2,146**	**21**	**(2,172)**	**(2,151)**	**4,036**	**(5,079)**	**(1,043)**
Tax (expense) credit	(744)	218	(526)	(5)	506	501	(1,063)	1,148	85
Profit (loss) for the period	**2,294**	**(674)**	**1,620**	**16**	**(1,666)**	**(1,650)**	**2,973**	**(3,931)**	**(958)**
Total comprehensive income (loss) for the period	2,294	(674)	1,620	16	(1,666)	(1,650)	2,973	(3,931)	(958)
Earnings per Share									
Basic			3.72			(3.78)			(2.20)
Diluted			3.70			(3.78)			(2.20)

* Before amortisation of acquired intangible assets and exceptional items.

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

Consolidated statement of financial position as at 30 June 2012

	As at 30 June 2012 Unaudited £'000	As at 30 June 2011 Unaudited £'000	As at 31 December 2011 Audited £'000
ASSETS			
Non Current Assets			
Property, plant and equipment	1,305	1,503	1,397
Goodwill	11,972	13,882	11,972
Other intangible assets	7,396	7,304	7,253
Total Non Current Assets	**20,673**	**22,689**	**20,622**
Current Assets			
Trade receivables and amounts recoverable on IVA services	21,777	24,580	24,068
Other current assets	1,755	1,375	1,234
Cash and cash equivalents	2,097	1,266	1,468
Total Current Assets	**25,629**	**27,221**	**26,770**
Total Assets	**46,302**	**49,910**	**47,392**
EQUITY			
Share capital	436	436	436
Share premium account	528	528	528
ESOP share reserve	(517)	(517)	(517)
Merger reserve	11,842	11,842	11,842
Other reserves	254	254	254
Retained earnings	24,058	23,594	23,556
Total equity attributable to equity holders of the parent	**36,601**	**36,137**	**36,099**
LIABILITIES			
Non Current Liabilities			
Long-term financial liabilities	4,000	9,586	231
Deferred tax liabilities	334	914	366
Total Non Current Liabilities	**4,334**	**10,500**	**597**
Current Liabilities			
Trade and other payables	4,177	2,946	2,949
Short-term borrowings	125	104	7,627
Current tax liability	1,065	223	120
Total Current Liabilities	**5,367**	**3,273**	**10,696**
Total Liabilities	**9,701**	**13,773**	**11,293**
Total Equity and Liabilities	**46,302**	**49,910**	**47,392**

Consolidated statement of cash flows for the period from 1 January 2012 to 30 June 2012

	Period from 1 January to 30 June 2012	Period from 1 January to 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash flows from continuing operating activities			
Profit (loss) on continuing operations before tax	2,146	(2,151)	(1,043)
Share based payments charge	50	18	42
Depreciation of property, plant and equipment	183	204	402
Amortisation of intangible assets and development expenditure	772	613	1,300
Impairment of Moneyextra.com goodwill and brand	-	-	2,876
Loss on disposal of non current assets	-	1,456	1,519
Interest received	(5)	(3)	(6)
Interest expense	122	122	259
Decrease in trade and other receivables	1,979	1,338	1,991
Increase (decrease) in trade and other payables	1,223	(293)	(1,135)
Cash generated from operations	**6,470**	**1,304**	**6,205**
Interest paid	(331)	(122)	(259)
Income taxes received (paid)	369	(655)	(1,362)
Net cash generated from operating activities	**6,508**	**527**	**4,584**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	(91)	(103)	(134)
Interest received	5	3	6
Purchase of intangible assets	(396)	(294)	(587)
Purchase of debt management and IVA books	(449)	(1,240)	(2,960)
Net cash absorbed by investing activities	(931)	(1,634)	(3,675)
Cash flows from financing activities			
Equity dividends paid	(1,168)	(1,051)	(1,805)
(Repayment of) Proceeds from long-term borrowings	(3,665)	2,500	1,500
Payment of short-term borrowings	(114)	(54)	(114)
Net cash absorbed by financing activities	(4,947)	1,395	(419)
Net change in cash and cash equivalents	**630**	**288**	**490**
Cash and cash equivalents at start of period	1,468	978	978
Cash and cash equivalents at end of period	**2,098**	**1,266**	**1,468**

Consolidated statement of changes in equity for the period from 1 January 2012 to 30 June 2012

	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Other Reserves £'000	ESOP Share Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2011	436	528	11,842	254	(517)	26,277	**38,820**
Changes in equity for the six months ended 30 June 2011:							
Total comprehensive loss for the period	-	-	-	-	-	(1,650)	**(1,650)**
Share based payment expense	-	-	-	-	-	18	**18**
Dividends	-	-	-	-	-	(1,051)	**(1,051)**
Balance at 30 June 2011	**436**	**528**	**11,842**	**254**	**(517)**	**23,594**	**36,137**
Changes in equity for the six months ended 31 December 2011:							
Total comprehensive income for the period	-	-	-	-	-	692	**692**
Share based payment expense	-	-	-	-	-	24	**24**
Dividends	-	-	-	-	-	(754)	**(754)**
Balance at 31 December 2011	**436**	**528**	**11,842**	**254**	**(517)**	**23,556**	**36,099**
Changes in equity for the six months ended 30 June 2012:							
Profit and total comprehensive income for the period	-	-	-	-	-	1,620	**1,620**
Share based payment expense	-	-	-	-	-	50	**50**
Dividends	-	-	-	-	-	(1,168)	**(1,168)**
Balance at 30 June 2012	**436**	**528**	**11,842**	**254**	**(517)**	**24,058**	**36,601**

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 2012, which are unaudited, were approved by the Board on 26 September 2012. The financial information contained in this interim report does not constitute statutory accounts as defined by s434 of the Companies Act 2006.

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 2011. The statutory accounts for the year ended 31 December 2011 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 PNC Financial Services UK Ltd extends to 2016 and provides a facility of £13m. For the purpose of considering going concern the board has considered a period of at least 12 months from the date of signing these financial statements.

2 Tax (expense) credit

For the period ended 30 June 2012 tax is charged based on the estimated average annual effective corporation tax rate of 24.5% (period ended 30 June 2011: 26.5%).

3 Segment analysis

Reportable segments

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

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

Measurement of operating segment profit and assets

The accounting policies of the operating segments are as described in the Group's 2011 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 brand amortisation and exceptional items) profit before taxation from continuing operations.

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

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

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

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

- Financial Services fall into four distinct categories:

    - claims management solutions – consisting mainly of reclaims for payment protection insurance for our existing IVA and DMP portfolio.
    - value added services – a wide range of solutions fall under this category. All of them have the primary objective of making the core debt solution work smoothly. Examples include products such as prepaid bank accounts and utility switching services.
    - Moneyextra.com – internet portal providing a wide range of products and comparison services.
    - payday lending – consumer loans.

3 Segment analysis (continued)

Six month period ending 30 June 2012

	IVA £'000	Debt Management £'000	Financial Services £'000	Unallocated £'000	Total £'000
Total external revenue	8,739	2,826	2,567	-	14,132
Total operating (loss) profit	(571)	1,154	650	-	1,233
Finance income – unwinding of discount on IVA revenue	1,922	-	-	-	1,922
Finance income – other	-	-	-	5	5
Adjusted profit before finance costs	**1,351**	**1,154**	**650**	**5**	**3,160**
Finance expense	-	-	-	(122)	(122)
Adjusted profit (loss) before taxation	**1,351**	**1,154**	**650**	**(117)**	**3,038**
Amortisation of acquired intangible assets	(236)	(407)	-	-	(643)
Exceptional items	-	-	-	(249)	(249)
Profit (loss) before taxation	**1,115**	**747**	**650**	**(366)**	**2,146**
Tax					(526)
Profit for the period					**1,620**
Balance sheet assets					
Reportable segment assets	39,530	5,537	1,236	-	46,303
Capital additions	404	567	36	-	1,007
Depreciation and amortisation	(489)	(451)	(15)	-	(955)

3 Segment analysis (continued)

Six month period ending 30 June 2011

	IVA £'000	Debt Management £'000	Financial Services £'000	Unallocated £'000	Total £'000
Total external revenue	8,706	2,535	586	-	11,827
Total operating (loss) profit	(2,868)	1,097	(237)	-	(2,008)
Finance income – unwinding of discount on IVA revenue	2,148	-	-	-	2,148
Finance income – other	-	-	-	3	3
Adjusted (loss) profit before finance costs	**(720)**	**1,097**	**(237)**	**3**	**143**
Finance expense	-	-	-	(122)	(122)
Adjusted (loss) profit before taxation	**(720)**	**1,097**	**(237)**	**(119)**	**21**
Amortisation of acquired intangible assets	(188)	(235)	-	-	(423)
Exceptional items	(1,749)	-	-	-	(1,749)
(Loss) profit before taxation	**(2,657)**	**862**	**(237)**	**(119)**	**(2,151)**
Tax					501
Loss for the period					**(1,650)**
Balance sheet assets					
Reportable segment assets	43,304	6,086	520	-	49,910
Capital additions	311	1,303	23	-	1,637
Depreciation and amortisation	(2,029)	(235)	(9)	-	(2,273)

3 Segment analysis (continued)

Year ended 31 December 2011

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

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.

4 Earnings per share (EPS)

	Period from 1 January to 30 June 2012	Period from 1 January to 30 June 2011	Year ended 31 December 2011
	£'000	£'000	£'000
Numerator			
Profit (loss) for the period – used in basic and diluted EPS	1,620	(1,650)	(958)
Denominator			
Weighted average number of shares used in basic EPS	43,609,346	43,609,346	43,609,346
Effects of:			
- employee share options *	130,198	-	-
Weighted average number of shares used in diluted EPS	43,739,544	43,609,346	43,609,346

* In respect of the period from 1 January 2011 to 30 June 2011 and the year ended 31 December 2011, the additional shares relating to employee share options (226,291 and 202,450 respectively) have been excluded from the calculation of diluted earnings per share as they would have an anti–dilutive effect.

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 2012 Unaudited			Period from 1 January to 30 June 2011 Unaudited			Year ended 31 December 2011 Audited		
	Adjusted *	Amortisation of acquired intangible assets and exceptional items	Total	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	£'000	£'000	£'000
Total comprehensive income (loss) for the period	2,294	(674)	1,620	16	(1,666)	(1,650)	2,973	(3,931)	(958)
Weighted average number of shares used in basic EPS	43,609,346			43,609,346			43,609,346		
Weighted average number of shares used in diluted EPS	43,739,544			43,609,346			43,609,346		
Earnings per Share									
Basic	5.26			0.04			6.82		
Diluted	5.24			0.04			6.79		

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

5 Dividends

During the interim period, the final dividend relating to the year ended 31 December 2011 of 2.75p per share was paid (6 months ended 30 June 2011: 2.5p). Dividends were waived on 1,129,618 (6 months ended 30 June 2011: 1,129,618) of the 43,609,346 ordinary shares.

6 Interim Report

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