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`Fairpoint Group plc

Half year results for the six months ended 30 June 2013

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 2013.

Highlights

Half year results are in line with expectations.

- Adjusted profits for the first half have increased by 6% compared to the first half of 2012
  - Revenue of £14.0m (2012: £14.1m)
  - Adjusted profit before tax* of £3.2m (2012: £3.0m)
  - Adjusted basic earnings per share** of 5.87p (2012: 5.26p) up 12%
  - Profit before tax of £2.5m (2012: £2.1m) up 15%

- Product diversification continues
  - Revenues from diversified activities, comprising mainly of our debt management and claims management services segments, rose to 44% of total revenue (2012: 38%)
  - Acquisition, out of cash flows, of two debt management books totalling over 2,000 plans

- Good cash generation and strengthened financial position
  - Cash generated from operations of £4.1m (2012: £6.5m)
  - Net cash*** of £2.8m at 30 June 2013 (30 June 2012: net debt*** of £2.0m)

- Progressive dividend policy reflecting strong profit performance
  - Interim dividend increased by 10% to 2.15p (2012: 1.95p)

- Continuing to strengthen and invest in our platform for future growth
  - With a net cash balance of £2.8m and a £13.0m financing facility, the Group is in a strong position to support its strategy of investment and diversification
  - Strong cost control across core debt solutions activities
  - A third acquisition this year, funded out of cash flows, was completed in August 2013, adding a further 850 debt management plans to the portfolio and nearly 3,000 in total this year
  - Continued investment in the Group's claims management proposition, with further products and services in pilot phase

- Outlook:
  - Strong second half seasonality expected to be repeated
  - Acquisitions made in the period will benefit second half
  - Continuing development of the claims management business anticipated

Chris Moat, Chief Executive Officer, said:

"Fairpoint has reported a good financial and operating performance in the first half of 2013, building on the excellent results of 2012. The Group has continued to diversify its income streams and grown its profits in challenging market conditions for debt solutions services. Good progress in the development of the claims management proposition has been evident, and additional products are under development to ensure continuing momentum in this area.

"Strong cash generation has continued and with net cash of £2.8m and a £13.0m finance facility, the Group is well placed to build on the three acquisitions it has already completed in 2013.

"The Board is confident of delivering a solid financial performance in the current year and establishing the building blocks for continuing growth."

** Profit before tax of £2.5m (2012: £2.1m) plus amortisation of acquired intangible assets of £0.7m (2012: £0.7m) plus exceptional items of £nil (2012: £0.2m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*
**** Net cash is cash less finance lease liabilities. Net debt is bank borrowings and finance lease liabilities less cash*

Enquiries please contact:

Fairpoint Group Plc
Chris Moat, Chief Executive Officer 0844 826 1209
John Gittins, Group Finance Director

Shore Capital 020 7408 4090
(Nominated adviser and broker)
Pascal Keane / Edward Mansfield

MHP Communications 020 3128 8100
Reg Hoare / Katie Hunt / Ben Griffiths

There will be an analyst presentation to discuss the results at 9.15 for 9.30am on 12 September 2013 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. Claims Management

www.fairpoint.co.uk

Chairman`s statement

Overview

I am pleased to report a good set of results for the first half of 2013. The Group continues to diversify its income streams and focus on cost control in response to subdued market conditions. Performance in the claims management proposition continues to be strong and additional products are under development to ensure continuing momentum in this area.

Strategy

Our mission is to make consumers' money go further. We also aim to be the first choice solutions provider for financially stressed consumers. Our strategy of diversifying our income streams has four key aspects:

- 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;
- Continue to expand our claims management services segment with new products; and
- Develop a production process around selected legal services.

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 the Board's confidence in its future prospects, the Board has recommended an increase in the interim dividend of 10% to 2.15p (2012: 1.95p).

The interim dividend will be paid on 25 October 2013 to shareholders on the register on 4 October 2013, with an ex-dividend date of 2 October 2013.

Changes to the board and significant shareholdings

Following the half year end, in August 2013 Mike Fletcher was appointed as independent non-executive director. Mike holds a variety of board positions and is currently non-executive director of AIM listed Inspired Energy (INSE.L). He brings a wealth of capital markets experience, especially in financial services that will support our strategy of continuing to diversify our income streams. Mike replaces Thomas Russell, who resigned his position as non-executive director to concentrate on his other business interests and I would like to thank him for his contribution.

In April, against a backdrop of considerable demand for the shares of Fairpoint, and a rising share price, Hanover Investors (in which I and Thomas Russell have an interest) had the opportunity to sell its stake as a turnaround investor, declare the turnaround of Fairpoint over and recognise the transition to a growth agenda. We are pleased with the diversification of revenues Fairpoint has achieved and the growth opportunity this affords.

I will continue to serve the Board as we look for a successor to lead the board in Fairpoint's next phase of development and thank the shareholders for their support over the last few years. We are at an advanced stage in the recruitment process and anticipate an appointment will be made during the Autumn.

Outlook

In the second half of 2013 we expect to continue the solid progress made 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 the period and continuing development of the claims management business.

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

Matthew Peacock
Chairman

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Chief Executive Officer's review

Results

Group revenue in the first half of 2013 was £14.0m (2012: £14.1m), with diversified activities accounting for 44% of the Group revenue (2012: 38%). Adjusted profit before tax* was £3.2m (2012: £3.0m), of which 72% derived from diversified activities. Profit before tax was £2.5m (2012: £2.1m). Adjusted basic earnings per share** was 5.87p (2012: 5.26p). Basic earnings per share was 4.51p (2012: 3.72p) and fully diluted earnings per share was 4.47p (2012: 3.70p). Exceptional items were £nil (2012: £0.2m).

Net cash*** at 30 June 2013 was £2.8m (30 June 2012: net debt*** of £2.0m).

Operational review

Market conditions and update

Market conditions for the Group`s debt solution services remain subdued. The total number of IVAs originated in the first half of 2013 in England and Wales was 23,240 (2012: 23,040), an increase of 0.9% (source: The Insolvency Service). These market conditions, in our view, have resulted from the continuing macro economic trends of stable unemployment and low interest rates.

The debt management protocol was launched in February 2013. This is an industry initiative designed to improve standards and affordability within the DMP sector, which will be independently monitored. The Group is in the process of signing up to this voluntary protocol, which involves an independent audit, and expects to be protocol ready for the fourth quarter of 2013. We continue to believe that its introduction will give rise to further consolidation in the sector, resulting in additional acquisition opportunities for Fairpoint.

IVA services

Revenues from the Group's IVA activities were £7.8m (2012: £8.7m). The segmental adjusted pre-tax profit was £1.1m (2012: £1.4m). In light of challenging market conditions, we continue our focus on cost control in the IVA segment and profit margins were held at 15% (2012: 15%), despite reduced revenues.

Revenues in the period were lower than the first six months of 2012, as a result of subdued market conditions, lower average fees for new IVAs and lower income per IVA. Active management of the portfolio however, means that the total number of fee paying IVAs under management at 30 June 2013 was 20,324 (30 June 2012: 20,772). The number of new IVAs written in the first half of 2013 was 2,179 (2012: 2,217) and the average gross fee per new IVA fell by 10% to £3,109 (2012: £3,450).

The Group will continue to manage its cost base during the remainder of 2013 and as a result of process and organisational improvements it is anticipated to incur exceptional restructuring costs of £0.5m in the second half of 2013.

DMP services

Revenues in the DMP segment were £2.7m (2012: £2.8m) and the segmental adjusted pre-tax profit was £1.0m (2012: £1.2m).

Our focus in the DMP segment is to pursue debt management acquisitions and two DMP back books were acquired in March 2013. Margins reduced in the period to 37% (2012: 41%), largely as a result of one off transition costs associated with these acquisitions. The total number of DMPs under management at 30 June 2013 was 15,850 (30 June 2012: 16,090). Further progress in our acquisition pipeline has been made since the period end with 850 plans added in August from a further DMP book acquisition, bringing the total number of plans acquired in the year to nearly 3,000.

Claims management

Revenues from our claims management activities increased by 37% to £3.4m (2012: £2.5m) and the segmental adjusted pre-tax profit increased to £1.3m (2012: £1.0m). Claims management is an important growth area for the business and our emphasis is on developing a broader range of claims management offerings to consumers.

In the first half of 2013 we have continued to benefit from payment protection insurance (PPI) reclaim activity from our IVA portfolio. Claims monies which are secured through this activity increase the contributions to IVAs and so are beneficial to creditors. PPI reclaim activity within our DMP portfolio also gained momentum during the period and further progress in this area is expected in the second half of 2013 and beyond.

A number of new claims management services are currently being piloted, including mortgage mis-selling, packaged bank accounts and other ancillary financial services products, which are expected to provide returns in future years.

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. We will also continue our focus on cost control.

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, including the potential for legal services. As noted above, revenues in this segment have benefitted from PPI claims from both our IVA and DMP portfolios.

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 solid 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 decreased by 1% to £14.0m (2012: £14.1m). The decrease was due to a decline in the IVA segment, partly offset by growth within claims management.

Adjusted profit before tax* increased to £3.2m (2012: £3.0m), with a gross margin of 48% (2012: 48%). The increased revenue from claims management services, a controlled cost base and the cessation of lending activities allowed the Group to record a 6% improvement in adjusted profit before tax.

During the first half of 2013, the Group incurred no exceptional costs (2012: £0.2m). Amortisation of acquired intangible assets increased to £0.7m (2012 £0.6m), as a result of the acquisitions made during 2012 and the first half of 2013.

Profit before tax was £2.5m (2012: £2.1m).

The Group's tax charge was £0.6m (2012: £0.5m). The tax charge on adjusted profits was £0.7m (2012: £0.7m). This represents an effective rate of 23.2% (2012: 24.5%), 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 2013 was £1.9m (2012: £1.6m).

Earnings per share (EPS)

Adjusted basic EPS** was 5.87p (2012: 5.26p). Basic EPS was 4.51p (2012: 3.72p). Diluted EPS was 4.47p (2012: 3.70p).

Cash flows

Cash generated from operations was 121% of profit before finance costs at £4.1m (2012: £6.5m). Prior period cash flows included once off working capital benefits associated with system change and tax matters.

Investing cash outflows increased to £1.3m (2012: £0.9m), as the Group made two DMP acquisitions in the period compared to one in the six months ended 30 June 2012.

Financing cash outflows decreased to £1.3m (2012: £4.9m), as the Group has not utilised its financing facility in the first half of 2013. This decrease was despite a 26% increase in dividend cash outflows of £1.5m (2012: £1.2m), reflecting the Group`s progressive dividend policy.

Financing

The Group's net cash*** position as at 30 June 2013 was £2.8m (30 June 2012: net debt*** of £2.0m).

Along with the Group's £13m asset based revolving credit facility with PNC Financial Services UK Limited, this positive cash balance puts the Group in a strong position to continue its strategy of investment and diversification. The Group continues to assess the market for opportunities to acquire back books in the IVA and DMP markets, as well as to identify other opportunities which support the Group's strategy of growth and diversification.

John Gittins
Group Finance Director

** Profit before tax of £2.5m (2012: £2.1m) plus amortisation of acquired intangible assets of £0.7m (2012: £0.7m) plus exceptional items of £nil (2012: £0.2m)*
*** Adjusted for the net of tax effect of amortisation of acquired intangible assets and exceptional items*
**** Net cash is cash less finance lease liabilities. Net debt is bank borrowings and finance lease liabilities less cash*

Consolidated statement of comprehensive income – Period from 1 January 2013 to 30 June 2013

	Period from 1 January to 30 June 2013 Unaudited			Period from 1 January to 30 June 2012 Unaudited			Year ended 31 December 2012 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	13,957	-	13,957	14,132	-	14,132	29,857	4,507	34,364
Cost of sales	(7,239)	-	(7,239)	(7,358)	-	(7,358)	(14,837)	-	(14,837)
Gross profit	**6,718**	**-**	**6,718**	**6,774**	**-**	**6,774**	**15,020**	**4,507**	**19,527**
Amortisation of acquired intangibles	-	(746)	(746)	-	(643)	(643)	-	(1,331)	(1,331)
Other administrative expenses	(4,978)	-	(4,978)	(5,541)	(249)	(5,790)	(10,915)	(248)	(11,163)
Total administrative expenses	**(4,978)**	**(746)**	**(5,724)**	**(5,541)**	**(892)**	**(6,433)**	**(10,915)**	**(1,579)**	**(12,494)**
Finance income – unwinding of discount on IVA revenue	1,635	-	1,635	1,922	-	1,922	3,817	-	3,817
Finance income – other	3	-	3	5	-	5	10	-	10
Profit (loss) before finance costs	**3,378**	**(746)**	**2,632**	**3,160**	**(892)**	**2,268**	**7,932**	**2,928**	**10,860**
Finance costs	(157)	-	(157)	(122)	-	(122)	(380)	-	(380)
Profit (loss) before taxation	**3,221**	**(746)**	**2,475**	**3,038**	**(892)**	**2,146**	**7,552**	**2,928**	**10,480**
Tax (expense) credit	(747)	173	(574)	(744)	218	(526)	(1,794)	(717)	(2,511)
Profit (loss) for the period	**2,474**	**(573)**	**1,901**	**2,294**	**(674)**	**1,620**	**5,758**	**2,211**	**7,969**
Total comprehensive income (loss) for the period	2,474	(573)	1,901	2,294	(674)	1,620	5,758	2,211	7,969
Earnings per Share									
Basic			4.51			3.72			18.59
Diluted			4.47			3.70			18.43

* 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 2013

Company Number 4425339

	As at 30 June 2013 Unaudited £'000	As at 30 June 2012 Unaudited £'000	As at 31 December 2012 Audited £'000
ASSETS			
Non Current Assets			
Property, plant and equipment	1,198	1,305	1,406
Goodwill	11,972	11,972	11,972
Other intangible assets	7,079	7,396	6,943
Total Non Current Assets	**20,249**	**20,673**	**20,321**
Current Assets			
Trade receivables and amounts recoverable on IVA services	25,616	21,777	24,984
Other current assets	2,694	1,755	4,743
Cash and cash equivalents	3,004	2,097	1,850
Total Current Assets	**31,314**	**25,629**	**31,577**
Total Assets	**51,563**	**46,302**	**51,898**
EQUITY			
Share capital	436	436	436
Share premium account	528	528	528
Treasury shares	(727)	-	(1,015)
ESOP share reserve	(517)	(517)	(517)
Merger reserve	11,842	11,842	11,842
Other reserves	254	254	254
Retained earnings	30,083	24,058	29,654
Total equity attributable to equity holders of the parent	**41,899**	**36,601**	**41,182**
LIABILITIES			
Non Current Liabilities			
Long-term financial liabilities	33	4,000	100
Deferred tax liabilities	200	334	200
Total Non Current Liabilities	**233**	**4,334**	**300**
Current Liabilities			
Trade and other payables	6,534	4,177	7,942
Short-term borrowings	125	125	130
Current tax liability	2,772	1,065	2,344
Total Current Liabilities	**9,431**	**5,367**	**10,416**
Total Liabilities	**9,664**	**9,701**	**10,716**
Total Equity and Liabilities	**51,563**	**46,302**	**51,898**

Consolidated statement of cash flows for the period from 1 January 2013 to 30 June 2013

	Period from 1 January to 30 June 2013	Period from 1 January to 30 June 2012	Year ended 31 December 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash flows from continuing operating activities			
Profit on continuing operations before tax	2,475	2,146	10,480
Share based payments charge	48	50	94
Depreciation of property, plant and equipment	227	183	373
Amortisation of intangible assets and development expenditure	995	772	1,570
Profit on disposal of non current assets	-	-	(50)
Interest received	(3)	(5)	(10)
Interest expense	157	122	380
Decrease (increase) in trade and other receivables	1,601	1,979	(4,098)
(Decrease) increase in trade and other payables	(1,408)	1,223	4,973
Cash generated from operations	**4,092**	**6,470**	**13,712**
Interest paid	(157)	(331)	(690)
Income taxes (paid) received	(146)	369	(472)
Net cash generated from operating activities	**3,789**	**6,508**	**12,550**
Cash flows from investing activities			
Proceeds from sale of non current assets	-	-	229
Purchase of property, plant and equipment (PPE)	(93)	(91)	(435)
Interest received	3	5	10
Purchase of intangible assets	(458)	(396)	(704)
Purchase of debt management and IVA books	(784)	(449)	(660)
Net cash absorbed by investing activities	(1,332)	(931)	(1,560)
Cash flows from financing activities			
Equity dividends paid	(1,469)	(1,168)	(1,965)
Sale (purchase) of treasury shares	236	-	(1,015)
Payment of long-term borrowings	(66)	(3,665)	(131)
Payment of short-term borrowings	(4)	(115)	(7,497)
Net cash absorbed by financing activities	(1,303)	(4,948)	(10,608)
Net change in cash and cash equivalents	**1,154**	**629**	**382**
Cash and cash equivalents at start of period	1,850	1,468	1,468
Cash and cash equivalents at end of period	**3,004**	**2,097**	**1,850**

Consolidated statement of changes in equity for the period from 1 January 2013 to 30 June 2013

	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 2012	436	528	11,842	-	254	(517)	23,556	36,099
Changes in equity for the six months ended 30 June 2012:								
Total comprehensive income for the period	-	-	-	-	-	-	1,620	**1,620**
Share based payment expense	-	-	-	-	-	-	50	**50**
Dividends of 2.75 pence per share	-	-	-	-	-	-	(1,168)	**(1,168)**
Balance at 30 June 2012	**436**	**528**	**11,842**	**-**	**254**	**(517)**	**24,058**	**36,601**
Changes in equity for the six months ended 31 December 2012:								
Total comprehensive income for the period	-	-	-	-	-	-	6,349	**6,349**
Share based payment expense	-	-	-	-	-	-	44	**44**
Purchase of treasury shares	-	-	-	(1,015)	-	-	-	**(1,015)**
Dividends of 1.95 pence per share	-	-	-	-	-	-	(797)	**(797)**
Balance at 31 December 2012	**436**	**528**	**11,842**	**(1,015)**	**254**	**(517)**	**29,654**	**41,182**
Changes in equity for the six months ended 30 June 2013:								
Total comprehensive income for the period	-	-	-	-	-	-	1,901	**1,901**
Share based payment expense	-	-	-	-	-	-	49	**49**
Sale of treasury shares	-	-	-	288	-	-	(52)	**236**
Dividends of 3.55 pence per share	-	-	-	-	-	-	(1,469)	**(1,469)**
Balance at 30 June 2013	**436**	**528**	**11,842**	**(727)**	**254**	**(517)**	**30,083**	**41,899**

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 2013, which are unaudited, were approved by the Board on 11 September 2013. 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 2012. The statutory accounts for the year ended 31 December 2012 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 2013 tax is charged based on the estimated average annual effective corporation tax rate of 23.2% (period ended 30 June 2012: 24.5%).

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 and operational strategies.

Measurement of operating segment profit and assets

The accounting policies of the operating segments are as described in the Group's 2012 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 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 three operating segments - 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. This represents a change from the half year results for the six months ended 30 June 2012, when the three operating segments were IVAs, DMPs and Financial Services. The change in reportable segments reflects the Group's current and future strategic focus on IVAs, DMPs and Claims Management activities, which each contribute a significant proportion of the Group's revenue. Activities previously reported within Financial Services are now reported within Claims Management, with the exception of the payday lending pilot, which is reported within the Unallocated category and was discontinued in 2012. The segmental analysis for the six months ended 30 June 2012 has been restated under the new segments.

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 15 years to complete and offer consumers a fixed repayment discipline as well as third party management of creditors.

- Claims Management activities involve enhancing the financial position of our customers and fall into the following areas:

    - financial claims services – managing claims on behalf of consumers.
    - value added services – a wide range of solutions fall under this category, all of which have the primary objective of making the consumers' money go further. Examples include utility and bank account switching and refinancing solutions.
    - web comparison services – offering a range of comparison activities through the Group's internet portal, Moneyextra.com.

3 Segment analysis (continued)

Six month period ending 30 June 2013

	IVA £'000	Debt Management £'000	Claims Management £'000	Unallocated £'000	Total £'000
Total external revenue	7,822	2,693	3,442	-	13,957
Total operating (loss) profit	(499)	1,000	1,291	(52)	1,740
Finance income – unwinding of discount on IVA revenue	1,635	-	-	-	1,635
Finance income – other	-	-	-	3	3
Adjusted profit (loss) before finance costs	**1,136**	**1,000**	**1,291**	**(49)**	**3,378**
Finance expense	-	-	-	(157)	(157)
Adjusted profit (loss) before taxation	**1,136**	**1,000**	**1,291**	**(206)**	**3,221**
Amortisation of acquired intangible assets	(211)	(535)	-	-	(746)
Profit (loss) before taxation	**925**	**465**	**1,291**	**(206)**	**2,475**
Tax					(574)
Profit for the period					**1,901**
Total assets					
Reportable segment assets	46,930	4,063	516	54	51,563
Capital additions	519	784	7	3	1,313
Depreciation and amortisation	(627)	(581)	(5)	(9)	(1,222)

3 Segment analysis (continued)

Six month period ending 30 June 2012 – restated*

	IVA £'000	Debt Management £'000	Claims Management £'000	Unallocated £'000	Total £'000
Total external revenue	8,739	2,826	2,515	52	14,132
Total operating (loss) profit	(571)	1,154	1,036	(386)	1,233
Finance income – unwinding of discount on IVA revenue	1,922	-	-	-	1,922
Finance income – other	-	-	-	5	5
Adjusted profit (loss) before finance costs	**1,351**	**1,154**	**1,036**	**(381)**	**3,160**
Finance expense	-	-	-	(122)	(122)
Adjusted profit (loss) before taxation	**1,351**	**1,154**	**1,036**	**(503)**	**3,038**
Amortisation of acquired intangible assets	(236)	(407)	-	-	(643)
Exceptional items	-	-	-	(249)	(249)
Profit (loss) before taxation	**1,115**	**747**	**1,036**	**(752)**	**2,146**
Tax					(526)
Profit for the period					**1,620**
Total assets					
Reportable segment assets	39,529	5,537	1,192	44	46,302
Capital additions	404	567	19	17	1,007
Depreciation and amortisation	(489)	(451)	(10)	(5)	(955)

* Segmental analysis has been restated to report under the revised segments as described in the notes on page 13.

3 Segment analysis (continued)

Year ended 31 December 2012

	IVA £'000	Debt Mgmt. £'000	Claims Mgmt. £'000	Unallocated £'000	Sub-Total £'000	IVA Exceptional Revenue [1] £'000	Total £'000
Total external revenue	18,995	5,619	4,995	248	29,857	4,507	34,364
Total operating profit (loss)	1,085	2,154	1,596	(730)	4,105	-	-
Finance income – unwinding of discount on IVA revenue	3,817	-	-	-	3,817	-	-
Finance income – other	-	-	-	10	10	-	-
Adjusted profit (loss) before finance costs	**4,902**	**2,154**	**1,596**	**(720)**	**7,932**	-	**7,932**
Finance expense	-	-	-	(380)	(380)	-	(380)
Adjusted profit (loss) before taxation	**4,902**	**2,154**	**1,596**	**(1,100)**	**7,552**	-	**7,552**
Amortisation of acquired intangible assets	(472)	(859)	-	-	(1,331)	-	(1,331)
Exceptional items	-	-	-	(248)	(248)	-	(248)
Profit (loss) before taxation	**4,430**	**1,295**	**1,596**	**(1,348)**	**5,973**	**4,507**	**10,480**
Tax							(2,511)
Profit for the year							**7,969**
Total assets							
Reportable segment assets	40,448	4,039	1,289	6,122	51,898	-	51,898
Capital additions	640	718	44	426	1,828	-	1,828
Depreciation and amortisation	(586)	(943)	(19)	(395)	(1,943)	-	(1,943)

[1] 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 and has resulted in exceptional fee income for the Group as well as increased distributions to creditors.

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 2013	Period from 1 January to 30 June 2012	Year ended 31 December 2012
	£'000	£'000	£'000
Numerator			
Profit (loss) for the period – used in basic and diluted EPS	1,901	1,620	7,969
Denominator			
Weighted average number of shares used in basic EPS	42,148,908	43,609,346	42,860,487
Effects of:			
- employee share options	393,022	130,198	368,705
Weighted average number of shares used in diluted EPS	42,541,930	43,739,544	43,229,192

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 2013 Unaudited			Period from 1 January to 30 June 2012 Unaudited			Year ended 31 December 2012 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	2,474	(573)	1,901	2,294	(674)	1,620	5,758	2,211	7,969
Adjusted earnings per share *									
Basic	5.87			5.26			13.44		
Diluted	5.82			5.24			13.32		

***** 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 2012 of 3.55p per share was paid (6 months ended 30 June 2012: 2.75p). Dividends were waived on 1,045,030 (6 months ended 30 June 2012: 1,129,618) of the 42,415,179 ordinary shares (6 months ended 30 June 2012: 43,609,346 ordinary shares). The dividends waived relate to shares held by the Fairpoint Group plc Employee Benefit Trust.

6 Interim Report

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