

FAIRPOINT.

Fairpoint Group Plc (formerly Debt Free Direct Group plc) Unaudited Preliminary Results for the eight months ended 31 December 2007

Fairpoint Group Plc (“Fairpoint” or “the Group”), a leading provider of advice and solutions to financially stressed consumers, today announces its preliminary results for the 8 month period ended 31 December 2007.

Highlights

- Financial highlights
 - Revenue growth of 3% on an annualised basis to £19.5m (year to 30 April 2007: £28.5m)
 - EBITDA from ongoing operations of £2.2m (year to 30 April 2007: £10.9m)
 - Loss after tax of £1.1m (year to 30 April 2007: profit of £6.9m), including a loss from discontinued operations of £1.3m (year to 30 April 2007: £0.4m)
- Market share growth in a difficult market
 - 28% market share in October 2007
 - IVA cases under supervision has grown 47% to 14,600 from 9,900 in April 2007
 - Revenue growth from activities excluding core IVAs
 - Divestment of Australia operation allows focus on core UK operations
- Increased costs of acquisition in the period, falling in last quarter
 - Average cost per lead has risen 39% to £89 (year to 30 April 2007: £64)
 - Average cost per lead falling in final quarter to less than £75
- Balance sheet grown through acquisition
 - Clear Start UK Limited acquired in June 2007 for £12.1m
 - Net assets have grown to £33.2m (30 April 2007: £23.1m)
 - Share Premium Reserve cancelled adding £14m to distributable reserves
- Strengthened funding position
 - Long term £16m funding line completed in January 2008
- Positive outlook after a difficult period
 - Clear IVA market leader
 - Broadening the range of products and services dedicated to financially stressed consumers
 - Increasing barriers to entry and strategic advantages
 - Strong platform for growth over next 2 years

Mike Blackburn, Chairman, said:

“I am pleased that we have emerged from the challenging market conditions of last year as the clear market leader in IVAs. Furthermore, our broadening range of products and services, and falling costs of customer acquisition, should allow us to further capitalise on this position in 2008 as we enter the next phase of the Group’s development with much confidence.”

Andrew Redmond, Chief Executive Officer, said:

“After 5 years of solid growth in profits since coming to market, 2007 was a challenging year for the Group. However, despite the much publicised industry head winds we reacted quickly to external pressures and, in a period where we saw our largest competitors fall by the wayside, we were able to grow our IVA market share and deliver EBITDA from ongoing operations of £2.2 million during this 8 month period. We are confident that the Group’s strategy of widening its product and service offering, combined with the synergies and cost savings being achieved following the acquisition of Clear Start, mean that solid foundations are in place and we will return to profitable growth in 2008.”

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Chairman's Statement

Introduction

At the time of the Interim Results announcement, I advised shareholders of the intention to change the Group's accounting reference point to December 31. Accordingly, these Report and Accounts cover an eight month period from May 1 2007 to December 31 2007.

We have emerged from a challenging year where the well-documented issues affecting the IVA industry impacted the Group's profitability. However, we have consolidated our position as the market leader in a growing and maturing market. This has meant that we have grown market share at a faster rate than we would have expected.

The Chief Executive Officer's Review provides an in-depth commentary on the dynamics of change and how the Group has responded. Whilst some of our competitors have fallen by the wayside, Fairpoint has strengthened both its strategic and operational platforms, reinforcing its market-leading position.

Key Features

The acquisition of Clear Start has brought complementary strengths to our marketing efforts with its skills in indirect and internet-based interfaces to financially distressed consumers. At the same time the Group's management team has been augmented, and the synergies identified when the deal was announced are being delivered.

The disposal of our Australian operations maximises shareholder value given higher returns on investment available in the UK.

At the end of the year we created Fairpoint Group, a combination of the existing group companies with renewed strategic objectives to broaden our range of financial services. We now reach an expanded pool of potential customers to whom we can offer a broader range of in-house solutions both at the initial point of contact but also through the life of the customer relationship.

Performance

Revenues increased by 3% on an annualised basis, following the acquisition of Clear Start. Adjusted profits were affected by a near 40% increase in the marketing cost per lead (64% in the first half), compared to the average cost in 2007, this occurring at the same time as a decline in the IVA market. This has resulted in EBITDA from ongoing operations of £2.2 million (PBT adjusted for interest, amortization and depreciation) compared to £10.9million for the 12 months to 30th April 2007 and a loss after tax of £1.1 million, which includes a £1.3 million loss from discontinued operations. Towards the end of the period there was the added impact of a move to fees based on a 'percentage of realisations' methodology, which was agreed with the major creditors during the period. Despite the short term impact on our revenue and profitability, the new fee regime has meant a number of market participants could not operate profitably or continue to compete. This is expected to be beneficial to the Group both in terms of the competitive landscape and relative profitability, as we have consistently recovered more debt for creditors than our remaining competitors.

Meanwhile, the stock of back book cases under supervision, agreed on historic terms, provides a strong underpinning to revenue, profit and cashflow. The contribution from new non-IVA activities, currently 20% and growing, are predicted to contribute further to the Group's performance going forward.

As we announced in the interims our accounting policy was revised with regard to revenue recognition resulting in a £4.7million one-off adjustment to current year revenue. This has now been treated as a prior year adjustment in the accounts, which enables a better comparison with past results, and more detail is provided in the financial review.

Strategy

Following the acquisition of Clear Start UK Limited ("Clear Start") in June 2007 and the creation of an enlarged group with a broadening service range, the Group changed its name to Fairpoint.

We will continue to be the market-leading provider of IVA solutions to over-indebted consumers but also offer a broader range of debt solutions, as well as a new suite of lifetime products and services aimed at assisting consumers through the rehabilitation cycle and thereafter.

Current macro market factors mean that the broadening of our service range is increasingly important to both our customers and to creditors. It also creates growth opportunities for the Group, as well as having a positive impact on seasonality and working capital. In addition, it should produce a better balanced revenue stream derived from a full range of products with differing strengths through the economic cycle. Our growth will be organic and, when earnings enhancing, through appropriate acquisitions.

We are uniquely positioned to deliver this strategy, and have developed barriers to entry and competitive advantages:

- Cash-generative back book
- Large scale and low cost operations
- Bespoke technology for advice and process automation (BAM and IMS)
- Differentiated creditor relationships and accreditation-ready status
- Considerable sector marketing experience, with a rigorous analytical methodology
- Established channels that enable us to speak to over 150,000 potential new customers per year
- Funding facilities in place

Dividend

Shareholders will be asked to approve a final dividend of 4p per share at the forthcoming Annual General Meeting.

Board Changes

In this reporting period John Reynard, a non-executive director, retired in the summer and Paul Latham, Group Finance Director, retired at the year-end, along with Lord Hoyle the Senior Independent Director. Each in their separate way contributed significantly to the growth of the business and I thank them warmly for so doing. John and Paul remain shareholders and Lord Hoyle continues to be involved in a consultancy capacity.

Charles Mindenhall joined the Board in the summer consequent upon the acquisition of Clear Start where he was a founding director. Simon Gilbert, an executive with Hanover Investors, our largest shareholder, was appointed during the autumn. Each bring new thinking and attributes to the Board's deliberations and are deeply involved on a regular basis which I welcome.

Further appointments are expected to be announced shortly.

Summary

After 5 years of solid growth in profits since our flotation, 2007 was a disappointing year. However, our Management Team has reacted quickly to the external factors that have impacted the business and we are now on track to commence a further period of strong growth.

I am pleased that we have emerged from the difficult market conditions of last year as the clear market leader in IVAs. Our broadening range of products and services, and falling costs of customer acquisition, will allow us to further capitalise on this position in 2008.

J.M.B.

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Chief Executive Officer's Review

Overview

Towards the end of 2007, Fairpoint Group plc was created out of the acquisition of Clear Start by Debt Free Direct. This brought together the UK's market leader of IVA solutions with Clear Start's differentiated channels to market and creditor relationships.

Overall, 2007 proved to be a very difficult time for the IVA industry and for our Group. The early part of the year was impacted by increased competition, creditor reluctance to accept IVAs and consumer unease caused by alarmist press coverage. The latter part of the year was further impacted by reduced fee levels, brought about by creditor pressure; some reduction in realisations, caused by inflation in the basic costs of living (meaning the average consumer was able to pay less into their plan) and December, which is a seasonally weak month. Not only does it have a short trading period but staffing is increased for the 50% growth in lead volumes that occurs in January. These, together with the costs associated with integrating Clear Start, significantly reduced profitability and resulted in a loss for the period taking into account impairments of intangible assets and discontinued operations of £1.1 million, compared to profit of £7.4 million in the 12 months to April 2007. However, from October we saw the indications of the dynamics of the new market which we are beginning to experience. In particular market share wins meant IVA volumes showed some encouraging signs as well as improving lead generation. Advertising costs and competitive pressure continued to reduce through the end of the period and stability in the new fee arrangements was experienced.

Revenue for the group in the 8 months to December 2007 was up by 3% on an annualised basis, following the acquisition of Clear Start, with EBITDA from ongoing operations of £2.2 million (PBT adjusted for interest, amortization and depreciation). This compared to EBITDA of £10.9 million in the 12 months to April 2007.

We completed a strategic review following the acquisition of Clear Start and confirmed our intention to broaden our range of products and services for financially stressed consumers and accelerate the growth on non-IVA products and services. The strategic review also identified significant synergies and cost savings resulting from the merger of Clear Start and operational efficiencies that will lead to reduced costs over the course of 2008.

We have emerged from this period as the market leader with a strong position and by the fourth quarter had grown market share to 28%; a faster rate than we would have expected and on reduced advertising spend albeit against a market backdrop of declining overall IVA registrations as a number of competitors exited the market. We expect reducing competition and limited growth in the overall IVA market to continue into the first quarter of 2008 before the market starts showing significant growth again from the second quarter onwards.

The macro economic climate continues to be increasingly favourable. A recent KPMG report forecast 130,000 borrowers entering into IVAs or bankruptcies in 2008, a rise of 19% over last year. We also expect 2008 to be a record year for the numbers seeking debt advice from the Group.

1. Market Backdrop

Industry wide protocol

The Insolvency Service ("IS") and the British Bankers' Association ("BBA") launched an initiative to bring together the debt advice and credit industries to agree a working protocol. Fairpoint was extensively involved in the working parties to develop the code of practice and has representation on the Standing Committee which is responsible for the implementation and future development of the protocol.

Audit and accreditation

An audit and accreditation process has now been developed for the industry by The Insolvency Exchange ("TIX"). Fairpoint welcomes this and was the first of two providers to be successfully audited and "accreditation ready".

This creates a competitive advantage for those providers who are prepared to invest in process and people to deliver excellent advice and service.

Agreement upon fees

Running alongside the BBA and IS initiative have been negotiations upon a fair basis for IVA fees. This has led to an environment where IVA providers' fees are based upon what they return to lenders. Fairpoint already has industry leading returns and, consequently, will achieve more under this fee basis than other providers with poorer returns.

Consolidating Market

The changing regulatory and fee environment has, as we predicted, caused some casualties. Two of our largest competitors have effectively exited the IVA market. We have not pursued the acquisition of any of these failing businesses primarily because their channels to market were in no way differentiated to ours, and we have picked up share without the cost of acquisition.

The current phase of consolidation has been by way of players leaving the market. The next phase is likely to be deal driven. We will consolidate with strong targets that give us new channels to market or broaden our product range.

2. Operational Highlights

Acquisitions and Disposals

The Group acquired Clear Start UK Limited in June 2007 for a total consideration of £12.1 million satisfied through the issue of ordinary shares. Clear Start has significantly enhanced our ability to generate cost effective advertising leads and improve our contribution per lead as a result. The operation currently processes in the region of 5,000 leads per month.

The acquisition has in the short term led to increased overheads and direct costs as we operate across two sites in Adlington and Nottingham. These are forecast to fall as we complete the full integration of the business, getting the full benefit of £2 million synergies in 2008.

Towards the end of the period, the Group decided to cease all new business activity in Debt Free Direct Australia and has subsequently disposed of the residual back book. The decision maximises shareholder value sooner rather than later, given higher returns on investment available in the UK.

Fairpoint Group

During the fourth quarter of 2007 we completed a strategic review with the creation of Fairpoint Group, and a renewed set of strategic objectives to:

- Continue industry consolidation plans as market leader, following the successful integration of Clear Start
- Develop as a broader based financial services company with a full range of solutions for "financially stressed" consumers
- Accelerate the growth of non-IVA products and services

Commensurate with the values that have guided the Group to date and helped us to create a market leading position, we continue to believe that the best advice to both consumers and creditors will build "most trusted advisor" relationships, which will allow us to provide services throughout the lifetime of our customer relationships.

Going into 2008 our priority objectives for the year are:

1. Roll-out a process of continual operational improvement and reducing costs in our core IVA business:
 - Enhancing conversion rates
 - Reducing variable and fixed costs

This has become possible due to the significant progress in professionalising our functional skills as well as the changes in the competitive landscape.

2. To extend into adjacent target markets:
 - 'over-indebted but not appropriate for IVA'
 - 'over-indebted but unable to consolidate'

3. To develop core debt solutions that address these adjacent target markets, and cross-sell products to maximise our contribution per lead:
 - Debt repayment solutions alongside our existing IVA capability
 - Cross-sell products to support our customers through their rehabilitation process, such as:
 - Insurance (coming on-stream during H1)
 - Banking and Payment Card (coming on-stream during H2)
 - Budgeting and Switching (coming on-stream during H1)
4. To develop new customer acquisition channels that bring down further the costs of advertising and support the extension into new market segments.

3. Current trading

Fairpoint's lead volumes and lead acquisition costs both improved significantly in the final quarter of 2007. This has continued through the start of the new year. Lead volumes have increased significantly in January with cost per lead continuing to fall, although recent evidence of lower realisations is unlikely to mean that the full benefit of this growth will be realised.

Whilst our mortgage and loan business has been impacted by the credit crunch which slowed trading in November and December, the business remains strongly profitable and is expected to grow with our lead volumes.

We continue to exercise strong cost control, with monthly overheads falling and the integration of Clear Start remaining on track to complete in the second quarter, delivering anticipated synergies of £2 million in 2008. These synergies come through in operational efficiency improving the profitability of the back book and a reduction in overheads. This, and the full benefits of our realigned strategy, will be experienced in the second half, which benefits from the marketing investment made in the first quarter. We are now looking forward to a period of renewed stability and growth in our market and a return to profitable growth for our Group.

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Financial Review

Financial performance

Results

The past eight month period has been one of considerable change within the debt advice market and the IVA market in particular. These changes, combined with the impact of the acquisition of Clear Start, are reflected in the Group's financial performance.

- Turnover of £19.5 million, representing 3% growth on an annualised basis
- EBITDA from ongoing operations of £2.2 million, compared to £10.9m in the 12 months to April 2007
- Loss from discontinued operations of £1.3 million and impairment of intangible assets of £1.1 million
- Resulting loss after tax of £1.1 million, compared to profit of £7.4 million in the 12 months to April 2007
- Clear Start acquired in June for fair value consideration of £12.1 million
- Shareholders' funds have grown to £33.2 million from £23.1 million last year
- Proposed final dividend of 4 pence for the eight month period (6 pence for the year ended 30th April 2007)
- Significant growth in IVA back book off-balance sheet asset during the period

The trading results for the period and the Group's financial position at the period-end are detailed in the financial statements which follow this review.

During the period the Group conducted a full review of its IVA revenue recognition, and has reappraised the recognition profile to better reflect the actual mix of costs and revenues over time in an IVA case. The net impact of these changes, which has been accounted for as a prior year adjustment, is to increase revenue and PBT in the prior year by approximately £2.4 million, whilst increasing net assets by approximately £3.3 million. At the interim announcement, this was treated as a one-off item of £4.7 million in the current year. This is now shown in the accounts as a prior year adjustment, which enables a more meaningful comparison with past results.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards and the Group has elected to apply the transitional arrangements permitted by IFRS 1 "First-time Adoption of International Financial Reporting Standards"

Overview of financial performance

Overall, revenue for the group in the 8 months to December 2007 was up by 3% on an annualised basis. Total IVA numbers in England and Wales fell 16% in the final three quarters of 2007 compared to the same period in 2006. However, I am particularly pleased that the Group managed to grow its volumes by increasing market share over this period, particularly in the last quarter.

Mortgage and loan related commissions have grown by 44% on an annualised basis to £1.6 million. This follows our in-house broking business becoming fully operational in January 2007, significantly enhancing our existing remortgage business. Our business was impacted by the credit crunch in the late autumn where conversion rates fell as many products were re-priced or withdrawn slowing our previous growth, although current trading has seen some recovery in conversions in line with historic levels.

During the first six months of the period increased competition led to an increase in the cost per lead, which reduced later in the period as competitors retreated from the market and in the final two months of the year this cost fell to less than £75 per lead, allowing for a recovery in gross margin as reported in our interim statement.

The continued delivery of new IVA cases together with the acquisition of Clear Start has resulted in the "bank" of supervisory cases growing 50% in the eight month period to nearly 15,000 cases at the end of the period. This "bank" of cases provides a robust and significant cash flow to the group.

The Group has decided to cease all new business activity in Debt Free Direct Australia and dispose of the residual back book. The decision maximises shareholder value sooner rather than later, given higher returns on

investment available in the UK. It was believed that the Australian operation would have remained cash negative throughout 2008. The loss for the period from the discontinued operations was £1.3 million.

At the period end the fair value of intangible assets was reviewed for impairment, as a result of which the Group has concluded that the contract for exclusive supply of lead volumes from Money Advice Direct Limited amounting to £1.1 million was impaired, due to the low quality of leads. A full charge for this impairment has been taken through amortisation.

The share premium account was cancelled during the period and £14 million transferred to distributable reserves.

The Group does not operate defined benefit pension schemes.

Finally, I am pleased that the Group has secured long term loan financing from our existing banking partners, Royal Bank of Scotland. The provision of a £16 million facility at a competitive rate of interest allows us to service our existing working capital requirements and provides further funds with which the Group can act in a rapidly consolidating marketplace.

Key Performance Indicators

	12 Months to Apr 07	8 Months to Dec 07	
Average number of leads per month	8,900	10,204	Whilst lead levels grew, 2007 was characterised by reduced response rates due to increased competition and creditor positioning. Our volumes rose as we achieved market share gains.
Marketing cost per lead (£)	64	89	Dramatic increase in competition from January, falling at the end of the period
Contribution per lead (£)	189	170	Increasing revenues from non-IVA solutions were offset by new fee agreements
Cases under supervision	7,724	13,070	Continued growth in the back book
Monthly contribution per case (£)	12	9	Impacted by Clear Start acquisition; benefits now beginning to be realised
Central overhead (£)	317,000	480,000*	Increased in 2007 after acquisition of Clear Start; synergies now being implemented * Clear Start overheads taken on during the period

Analyst Presentation

There will be an analyst presentation to discuss the results at 11.00am on 26 February 2008 at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB.

Those analysts wishing to attend are asked to contact Nick Henderson / David Cranmer at Financial Dynamics on +44 20 7269 7114 / +44 20 7269 7217 or at nick.henderson@fd.com / david.cranmer@fd.com

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Notes

At Fairpoint we develop and operate consumer financial services businesses.

We select markets or opportunities which show certain characteristics:

- Growing and sustainable consumer demand.
- Caused by deep-rooted market, regulatory or economic factors.
- Where innovation and effective channel execution can give sustainable differentiation.

As such our customers tend to be going through a period of life to which the mass financial services market is unable to provide a solution.

We make it our business to understand our customers in depth, to help them through their short term circumstances, and to continue that relationship, if they so choose, into the future. The solutions offered range from basic advice, such as simply destroying credit cards and curbing unnecessary expenditure, to the following solutions:

- consolidation loan
- re-mortgage
- informal arrangement
- individual voluntary arrangement (IVA)
- bankruptcy

Fairpoint always seeks (unlike many of its competitors who sell specific products) to systematically and impartially deliver the best advice to the consumer and recommend them the most appropriate solution.

Over the last few years we have been very much focused on the over-indebted market in the UK. Debt Free Direct has pioneered the debt advice and solutions industry and is a clear leader in the provision of IVAs, while Clear Start's impartial approach has appealed to a new segment of consumers, and has helped to take the relationships with the banks into a new era.

Our main objectives are to:

- introduce to our existing customer base a further range of 'most wanted' financial products and solutions;
- continue to increase our market share, in particular as the market goes through a phase of consolidation;
- address the new growth market of cases where customers are over-extended on debt that is secured against their property.

In the meantime we will continue to explore opportunities in markets that fit our investment criteria.

Fairpoint is based in Chorley, Lancashire, and was admitted to AIM in December 2002.

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Unaudited Consolidated Income Statement for the 8 Months ended 31 December 2007

	Notes	8 Months to 31 December 2007 £'000	12 Months to 30 April 2007 £'000
<u>Continuing operations</u>			
Revenue		19,545	28,505
Cost of sales		<u>(7,936)</u>	<u>(7,082)</u>
Gross profit		11,609	21,423
Administrative expenses		(11,915)	(10,964)
EBITDA		2,159	10,931
Depreciation		(417)	(390)
Impairment of Intangibles		(1,147)	-
Amortisation		(901)	(82)
(Loss)/Profit from operations		(306)	10,459
Finance income		227	166
Finance costs		<u>(422)</u>	<u>(22)</u>
(Loss)/Profit before taxation		(501)	10,603
Tax credit/(expense)	3	<u>703</u>	<u>(2,834)</u>
Profit for the period from continuing operations		202	7,769
<u>Discontinued operations</u>			
Loss for the period from discontinued operations		<u>(1,309)</u>	<u>(428)</u>
(Loss)/Profit for the period		<u>(1,107)</u>	<u>7,341</u>

All of the loss for the period is attributable to equity holders of the parent.

Earnings /(loss) per ordinary share

Profit from continuing operations	4	0.49	20.75
(Loss) from discontinued operations		(3.20)	(1.14)
Total (Loss)/profit from operations		<u>(2.71)</u>	<u>19.61</u>

Diluted earnings /(loss) per ordinary share

Profit from continuing operations	4	0.49	20.06
(Loss) from discontinued operations		(3.20)	(1.10)
Total (Loss)/profit from operations		<u>(2.71)</u>	<u>18.96</u>

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Unaudited Consolidated Statement of Recognised Income and Expense for the 8 Months ended
31 December 2007

	8 Months to 31 December 2007	12 Months to 31 April 2007
	£'000	£'000
Exchange differences on translation of foreign operations	(54)	(12)
Net loss recognised directly in equity	(54)	(12)
(Loss)/Profit for the period	(1,107)	7,341
Total recognised income and expense in the period	(1,161)	7,329

All of the above recognised income and expense is attributable to equity holders of the parent.

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Unaudited Consolidated Balance Sheet at 31 December 2007

	Notes	As at 31 December 2007 £'000	As at 30 April 2007 £'000
ASSETS			
Non Current Assets			
Property, plant and equipment		2,216	2,153
Goodwill		11,318	1,934
Other intangible assets		5,722	2,494
Total Non Current Assets		19,256	6,581
Current Assets			
Trade receivables		22,657	20,745
Other current assets		2,177	1,678
Cash and cash equivalents		-	373
Current tax asset		275	-
Non current assets classified as held for sale		59	-
Total Current Assets		25,168	22,796
Total Assets		44,424	29,377
EQUITY			
Share capital		424	376
Share premium account		-	13,777
Merger reserve		11,842	-
Other reserves		254	-
Retained earnings		20,748	8,977
Translation reserve		(62)	(12)
Total equity attributable to equity holders of the parent		33,206	23,118
LIABILITIES			
Non Current Liabilities			
Long-term borrowings		402	972
Deferred tax liabilities		895	97
Total Non Current Liabilities		1,297	1,069
Current Liabilities			
Bank overdraft		5,636	-
Trade and other payables		2,958	3,143
Current tax liabilities		-	1,293
Short-term borrowings		1,079	754
Provisions		107	-
Liabilities directly associated with non-current assets classified as held for sale		141	-
Total Current Liabilities		9,921	5,190
Total Liabilities		11,218	6,259
Total Equity and Liabilities		44,424	29,377

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Unaudited Consolidated Cash Flow Statement for the 8 Months ended 31 December 2007

	8 Months to 31 December 2007	12 Months to 30 April 2007
	£'000	£'000
Cash flows from continuing operating activities		
(Loss)/Profit on continuing operations before tax	(501)	10,603
Share based payments charge	38	44
Depreciation of property, plant and equipment	367	390
Amortisation of intangible assets and development expenditure	903	82
Impairment of intangible assets	1,147	-
Loss on sale of property, plant and equipment	52	133
Interest received	(227)	(166)
Interest expense	422	22
Foreign exchange translation	(54)	(12)
Increase in trade and other receivables	(520)	(10,187)
(Decrease)/ increase in trade and other payables	(1,916)	681
Cash flows from discontinued operations	(1,294)	(411)
Cash (absorbed by) generated from operations	(1,583)	1,179
Interest paid	(206)	(22)
Income taxes paid	(1,151)	(2,156)
Net cash absorbed by operating activities	(2,940)	(999)
Cash flows from investing activities		
Acquisition of subsidiaries, inclusive of costs and net of cash acquired	(538)	-
Purchase of property, plant and equipment (PPE)	(366)	(1,867)
Proceeds from sale of PPE	2	-
Interest received	6	166
Purchase of intangible assets	(672)	(2,376)
Discontinued operations	(34)	(89)
Net cash absorbed by investing activities	(1,602)	(4,166)
Cash flows from financing activities		
Equity dividends paid	(1,129)	(1,683)
Proceeds from issue of share capital	236	203
Proceeds from long-term borrowings	-	1,700
Payment of long-term borrowings	(486)	-
Payment of finance lease liabilities	(88)	(49)
Net cash (absorbed by) generated from financing activities	(1,467)	171
Net change in cash and cash equivalents	(6,009)	(4,994)
Cash and cash equivalents at start of period	373	5,367
Cash and cash equivalents at end of period	(5,636)	373

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Notes to the Unaudited Preliminary Announcement for the Eight Months ended 31 December 2007

1 Status of Financial Information

The financial information set out above does not constitute the company's statutory accounts for the periods ended 31 December 2007 or 30 April 2007. Statutory accounts for 30 April 2007 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under the Companies Act 1985, s 237(2) or (3). The statutory accounts for 31 December 2007 are expected to be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

2 Prior year adjustment and first time adoption of International Financial Reporting Standards (IFRS)

The table below shows the impact of certain prior year adjustments made to the prior year accounts and also the adjustments resulting from the transition to IFRS.

Reconciliation of UK GAAP consolidated profit and loss account to IFRS income statement for the year ended 30 April 2007

	Notes	UK GAAP £000	UK GAAP Prior Year Adjustment £000	Effect of transition to IFRS £000	IFRS £000
Revenue	l	27,995	2,034	(1,524)	28,505
Cost of sales	f,l	(6,041)	-	(1,041)	(7,082)
Gross profit		21,954	2,034	(2,565)	21,423
Admin expenses	a,b,e,l	(12,976)	-	2,012	(10,964)
EBITDA		9,777	2,034	(880)	10,931
Depreciation	e,l	(486)	-	96	(390)
Amortisation	a,e	(313)	-	231	(82)
Profit from operations		8,978	2,034	(553)	10,459
Finance income		166	-	-	166
Finance expense		(22)	-	-	(22)
Profit before taxation		9,122	2,034	(553)	10,603
Tax expense	d	(2,612)	(610)	388	(2,834)
Profit/(Loss) for the year		6,510	1,424	(165)	7,769
Discontinued operations	l	-	-	(428)	(428)
Profit/(Loss) for the year		6,510	1,424	(593)	7,341

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Notes to the Unaudited Preliminary Announcement for the Eight Months ended 31 December 2007

2 First time adoption of International Financial Reporting Standards (IFRS) (Continued)

Reconciliation of consolidated balance sheet at 1 May 2006 from UK GAAP to IFRS

	Notes	UK GAAP £000	UK GAAP Prior Year Adjustment £000	Effect of transition to IFRS £000	IFRS £000
ASSETS					
Non Current Assets					
Property, plant and equipment	i	928	-	(192)	736
Goodwill		1,934	-	-	1,934
Other intangible assets	i	8	-	192	200
Total Non Current Assets		2,870	-	-	2,870
Trade receivables	a	8,152	2,329	-	10,481
Other current assets	j	2,070	-	(170)	1,900
Cash and cash equivalents		5,367	-	-	5,367
Total Current Assets		15,589	2,329	(170)	17,748
Total Assets		18,459	2,329	(170)	20,618
EQUITY					
Share capital		373	-	-	373
Share premium account		13,577	-	-	13,577
Retained earnings	a,b,c,d,e,g,i	2,409	1,630	(766)	3,273
Total equity attributable to equity holders of the parent		16,359	1,630	(766)	17,223
LIABILITIES					
Non current Liabilities					
Long-term borrowings		25	-	-	25
Provisions		18	-	-	18
Deferred tax liabilities		21	-	-	21
Total Non Current Liabilities		64	-	-	64
Current Liabilities					
Trade and other payables	j	1,715	-	922	2,637
Current tax liabilities	a,h	321	699	(326)	694
Total Current Liabilities		2,036	699	596	3,331
Total Liabilities		2,100	699	596	3,395
Total Equity and Liabilities		18,459	2,329	(170)	20,618

Fairpoint Group plc (formerly Debt Free Direct Group plc)

Notes to the Unaudited Preliminary Announcement for the Eight Months ended 31 December 2007

2 First time adoption of International Financial Reporting Standards (IFRS) (Continued)

Reconciliation of consolidated balance sheet at 30 April 2007 from UK GAAP to IFRS

	Notes	UK GAAP £000	UK GAAP Prior Year Adjustment £000	Effect of transition to IFRS £000	IFRS £000
ASSETS					
Non Current Assets					
Property, plant and equipment	i	2,900	-	(747)	2,153
Goodwill	e	1,622	-	312	1,934
Other intangible assets	d,i	26	-	2,468	2,494
Total Non Current Assets		4,548		2,033	6,581
Trade receivables	a,b	16,384	4,361	-	20,745
Other current assets	c,j	4,612	-	(2,934)	1,678
Cash and cash equivalents		373	-	-	373
Total Current Assets		21,369	4,361	(2,934)	22,796
Total Assets		25,917	4,361	(901)	29,377
EQUITY					
Share capital		376	-	-	376
Share premium account		13,777	-	-	13,777
Retained earnings	a,b,d,e,g,i,j	7,268	3,052	(1,343)	8,977
Translation reserve	g	-	-	(12)	(12)
Total equity attributable to equity holders of the parent		21,421	3,052	(1,355)	23,118
LIABILITIES					
Non current Liabilities					
Long-term borrowings		972	-	-	972
Deferred tax liabilities		97	-	-	97
Total Non Current Liabilities		1,069	-	-	1,069
Current Liabilities					
Trade and other payables	h,f	1,973	-	1,170	3,143
Current tax liabilities	h,a,b	700	1,309	(716)	1,293
Short-term borrowings		754	-	-	754
Total Current Liabilities		3,427	1,309	454	5,190
Total Liabilities		4,496	1,309	454	6,259
Total Equity and Liabilities		25,917	4,361	- (901)	29,377

2 First time adoption of International Financial Reporting Standards (IFRS) (Continued)

Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:

Adjustments of previously reported UK GAAP.

a. IVA Income recognition

The Board has reconsidered the timing profile of IVA income recognition following a detailed review of actual revenues and costs and taking into account information made available to it from discussions with creditors during the period. This adjustment, treated as a correction of a prior period error as previously reported under UK GAAP, increases revenue and retained earnings in the period to 30 April 2007 by £2,412,000 (April 2006: £1,404,000) and £1,688,000 (April 2006: £983,000) respectively and increases trade debtors and other receivables by £4,741,000 (April 2006: £2,329,000). As a result, the corporate tax liability has increased by £1,422,000 (April 2006: £699,000).

b. Revenue recognition

The board has reconsidered the mortgage revenue recognition policy after a detailed review of conversion and acceptance rates. The Group will recognise revenue from re-mortgage commission on completion of a remortgage rather than on approval of a mortgage offer. This adjustment, treated as a correction of a prior period error under previously reported UK GAAP, decreases revenue and retained earnings in 2007 by £378,000 and £265,000 respectively and decreases accrued income by £378,000. As a result, the corporation tax liability has decreased by £113,000.

The transition to IFRS resulted in the following changes:

c. Bad debts offset

The bad debt expense has been restated to net off bad debts against revenue, decreasing revenue and administrative expenses by £1,420,000.

d. Intangible assets

Under UK GAAP, the costs of an exclusive arrangement were included in prepayments and expensed across the life of the arrangement. Under IFRS the amount of £1,721,000 has been included in intangible assets and is amortised over the period of the arrangement.

e. Goodwill

Goodwill is not amortised under IFRS but is measured at cost less impairment losses. Under UK GAAP, goodwill was amortised on a straight-line basis over the time that the Group was estimated to benefit from it. The change does not affect equity at 1 May 2006 because, as permitted by IFRS 1, goodwill arising on acquisitions before 1 May 2006 (date of transition to IFRS) has been frozen at the UK GAAP amounts subject to being tested for impairment at that date, the results of which assessment indicated no such impairment. The adjustments increase profits for the year to 30 April 2007 by £312,000 with corresponding increases in retained earnings.

f. Short-term employee benefits

IAS 19 Employee benefits requires the expense of services rendered that increase employees' entitlement to future compensated absence (i.e. paid holiday) to be recognised in the period. Therefore, the cost of holidays earned but not taken at the balance sheet date has been accrued for. The adjustments decrease profits for the year to 30 April 2007 by £108,000; retained earnings are reduced by £206,000 at 1 May 2006 and £314,000 at 30 April 2007.

2 First time adoption of International Financial Reporting Standards (IFRS) (Continued)

g. Other reserves

Under IFRS, any cumulative translation differences on consolidation of overseas subsidiaries are set to zero as at 1 May 2006. The Group had no overseas subsidiaries at the date of transition, as such there were no differences in transition.

The foreign exchange differences arising after that date on consolidation have been credited to the translation reserve within equity rather than to retained earnings. The adjustment is £12,000 for the year to 30 April 2007. The Group had no overseas subsidiaries at the date of transition, as such there were no differences at transition.

h. Deferred tax

Differences in timing between the recognition of accounting for tax charges under IAS and the deduction of amounts in the corporation tax computations now create temporary differences resulting in deferred tax rather than permanent differences under UK GAAP on which no deferred tax balances were recognised.

The reversal of goodwill amortisation has resulted in the creation of a deferred tax liability and the recognition of holiday pay accruals under IAS and the restatement of cost of sales has resulted in a deferred tax asset.

IAS 12 applies to all share based payments and is not time restricted to those issued post 7 November 2002. Under IAS 12 the deferred tax recognised through the profit and loss account cannot exceed 30% of the share-based payment charge on a cumulative basis; the balance is therefore adjusted to equity.

The adjustments increase profits for the year to 30 April 2007 by £387,000; retained earnings are increased by £326,000 at 1 May 2006 and £716,000 at 30 April 2007.

i. Capitalised software

Under UK GAAP, the cost of capitalised software is classified within property, plant and equipment. Under IAS 38 these costs are classified as intangible assets. The balance sheet impact of the reclassification is to increase intangible assets and decrease property, plant and equipment by £192,000 at 1 May 2006 and £747,000 at 30 April 2007. The UK GAAP depreciation charge in respect of capitalised software is replaced with an equal amortisation charge under IAS 38 and consequently there is no net impact on the income statement, however there has been a movement of £80,000 for the year to 30 April 2007 from other administrative expenses to amortisation.

j. Cost of sales

Under UK GAAP, marketing and related expenditures are permitted to be recognised over the period in which separately identifiable revenue was generated. Under IAS 38, marketing costs are recognised at the point that services are delivered. The adjustments decrease profits for the year to 30 April 2007 by £1,183,000. Retained earnings are reduced by £886,000 at 1 May 2006, which is split between an increase of £716,000 in trade and other payables and a decrease of £170,000 in other current assets; and £2,069,000 at 30 April 2007, which is split between an increase of £856,000 in trade and other payables and a decrease of £1,213,000 in other current assets.

k. Exemptions

IFRS 1 First-time Adoption of International Financial Reporting Standards sets out the transition rules, which must be applied, when IFRS is adopted for the first time. The standard sets out certain mandatory exemptions to retrospective application and certain optional exemptions. The most significant optional exemptions available and taken by the Group are as follows:

2 First time adoption of International Financial Reporting Standards (IFRS) (Continued)

- (i) Business combinations: the Group has adopted the exemption under IFRS 1 relating to business combinations which occurred before the date of transition, 1 May 2006. The goodwill arising from combinations before that date therefore remains at the amount shown under UK GAAP at 1 May 2006, subject to any subsequent impairment.
- (ii) Share-based transactions: The Group adopted the exemption in IFRS 1 which allows a first-time adopter to apply the standard only to share options and equity instruments granted after 7 November 2002 that have not vested by 1 May 2006.

I. Discontinued operations

As a result of the classification of DFD Australia Pty as discontinued in the current year, IFRS5 requires the comparative results to be re-presented. This has an impact of (£104,000) on revenue with no overall impact on retained earnings. IFRS5 does not require re-presentation of the balance sheet for the reclassification.

3 Tax (Credit) /expense

	8 Months Ended 31 December 2007 £'000	8 Months Ended 31 December 2007 £'000	12 Months Ended 30 April 2007 £'000	12 Months Ended 30 April 2007 £'000
<i>Current tax expense</i>				
UK corporation tax and income tax of overseas operations on (loss)/profits for the period/year	(373)		2,757	
Adjustment for under/(over) provision in prior periods	(44)		-	
	<u> </u>	(417)	<u> </u>	2,757
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	-		77	
Adjustment for under/(over) provision in prior periods	(286)		-	
	<u> </u>	(286)	<u> </u>	77
Total tax (credit)/charge		<u> </u> <u> </u> <u> </u>		<u> </u> <u> </u> <u> </u>
		(703)		2,834

3 Tax (Credit)/expense (Continued)

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

	8 Months Ended 31 December 2007 £'000	12 Months Ended 30 April 2007 £'000
(Loss)/Profit before tax from continuing and discontinued operations	(1,809)	10,175
Expected tax credit based on the standard rate of corporation tax in the UK of 30% (2006 - 30%)	(543)	3,053
Expenses not deductible for tax purposes	623	211
Short term timing differences	(9)	-
Accelerated capital allowances	4	(77)
Different tax rates	27	(3)
Prior year deferred tax	(285)	-
Prior year current tax	(46)	-
Prior year adjustment	240	-
Effect of transition to IFRS	(714)	-
Share option relief	-	(232)
Other differences	-	(118)
	<hr/>	<hr/>
Total tax (credit) / charge	(703)	2,834
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Fairpoint Group plc (formerly Debt Free Direct Group plc)

Notes to the Unaudited Preliminary Announcement for the Eight Months ended 31 December 2007

4 Earnings per share

	8 Months Ended 31 December 2007	12 Months Ended 30 April 2007
	£'000	£'000
<i>Numerator</i>		
Continuing operations		
Profit for the period – used in basis and diluted EPS	202	7,769
Discontinuing operations		
Loss for the period – used in basis and diluted EPS	(1,309)	(428)
Total operations		
(Loss)/Profit for the period – used in basis and diluted EPS	(1,107)	7,341
<i>Denominator</i>		
Weighted average number of shares used in basic EPS	40,909,680	37,438,505
Effects of:		
- employee share options	-	1,287,198
Weighted average number of shares used in diluted EPS	40,909,680	38,725,703

Certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (ie they are out-of-the-money) and therefore would not be advantageous for the holders to exercise those options.

5 Dividends

	8 Months Ended 31 December 2007	12 Months Ended 30 April 2007
	£'000	£'000
Final dividend of 3 pence (2007; 1.5 pence) per ordinary share proposed and paid during the period/year relating to the previous year's results	1,129	561
Interim dividend of nil pence (2007; 3 pence) per ordinary share paid during the period/year	-	1,122
	1,129	1,683

The directors are proposing a final dividend of 4 pence (2007; 3 pence) per share totalling £1,696,000 (2007; £1,129,000). This dividend has not been accrued at the balance sheet date.

6 Acquisitions during the period*Clear Start UK Limited*

On 26th June 2007 the company acquired the entire issued share capital of Clearstart Limited. The consideration was £12.1m satisfied on completion by £11.1m in shares with £1.0m of deferred share consideration issued on 20th December 2007.

The following table sets out the book values of the identifiable assets and liabilities acquired and their values to the group:

	Book value	Aligning of accounting policies	Fair value adjustments	Provisional fair value to the group
	£'000	£'000	£'000	£'000
Assets				
Property, plant and equipment	303	-	(45)	258
Other intangible assets	-	-	4,530	4,530
Trade receivables	1,384	680	-	2,064
Cash and cash equivalents	100	-	-	100
Liabilities				
Trade and other payables	(2,469)	-	-	(2,469)
Deferred tax liabilities	276	-	(1,359)	(1,083)
Net Assets	(406)	680	3,126	3,400
Goodwill				9,384
Costs of acquisition				(640)
Consideration				12,144
Satisfied by				
Shares issued				11,124
Deferred share consideration				1,020
				12,144

The goodwill is attributable to the significant synergies which are expected to arise from the integration of this business with that of the Group and those intangibles such as the workforce which are not recognised separately.

Since the acquisition date, Clear Start UK Limited has contributed £132,000 to group profit, If the acquisition had occurred on 1 May 2007, group turnover from continuing operations would have been £20,940,000 and group profit for the period would have been (£755,000).

Other intangible assets comprise the Clear Start brand identified on acquisition.

Goodwill has been adjusted from the amount shown in the interim financial statements of £7,929,000 due to the recognition of deferred tax on Intangible Assets.

The fair value of the shares issued was determined by reference to their quoted market price of £2.62 at the date of acquisition.

Under the terms of the acquisition a further 2,363,940 shares may be issued dependent on the performance of Fairpoint Group plc shares in the period from 27th June 2007 to 26th June 2009. At the balance sheet date no further consideration had been incurred and it is not possible to reliably estimate any future consideration. The shares prices attached to the earn-out shares range from £3.19 to £5.44.