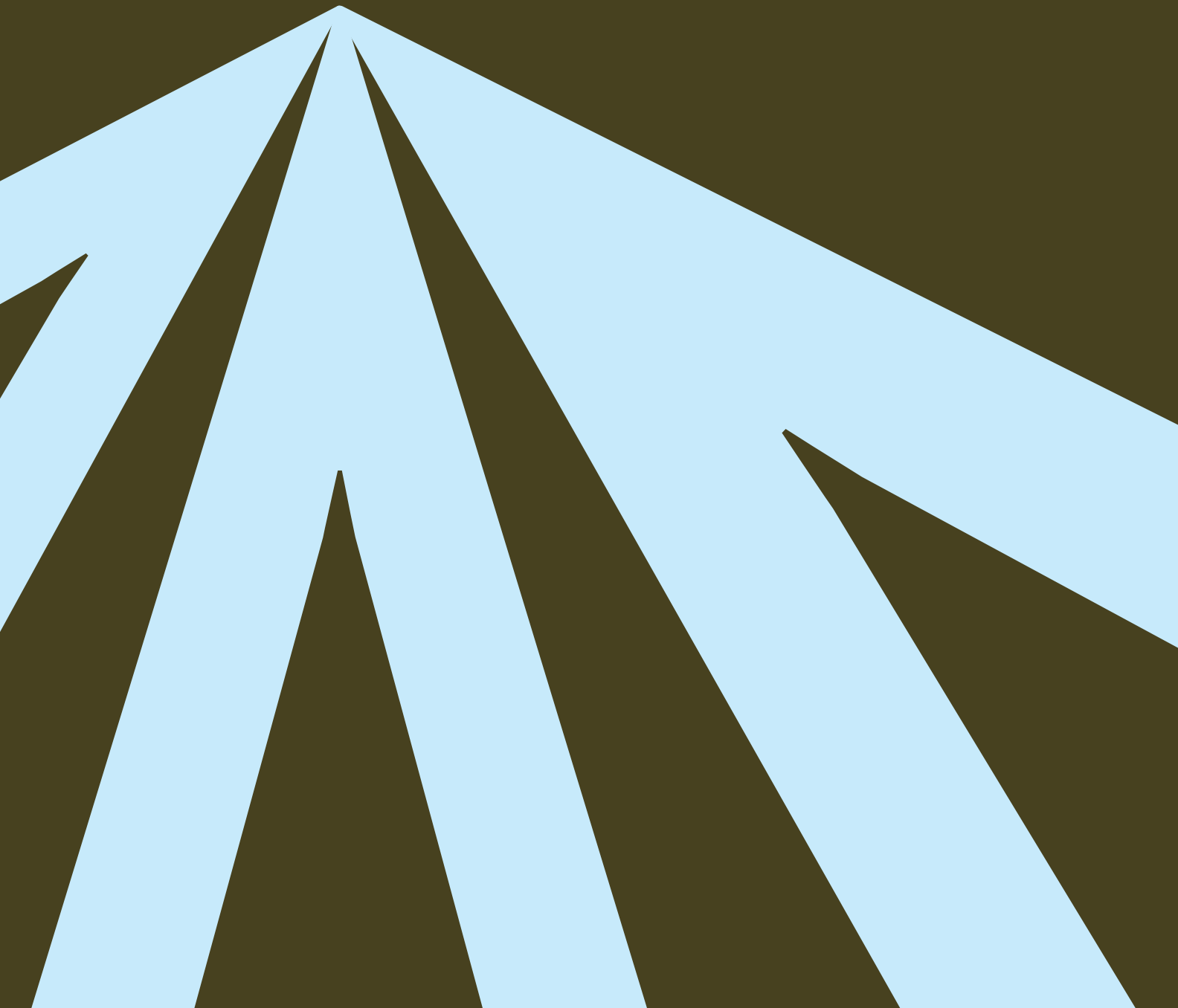


FAIRPOINT.

Fairpoint Group plc
Report & Accounts 31st December 2007



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CHAIRMAN'S STATEMENT

serious
debt problems?

sleepless
nights?

don't know who to talk to ?

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 UK Limited ("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 investments 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 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

£15,000?

An IVA should only be considered in extreme circumstances. It is a formal legal agreement supervised by an Insolvency Practitioner. Failure to adhere to an IVA could result in bankruptcy. Your credit rating may be affected. Subject to conditions, circumstances and acceptance. This includes Scottish Trust Deeds.

**debt free
in 5 years**

08000 43 70 70

An IVA should only be considered in extreme circumstances. It is a formal legal agreement supervised by an Insolvency Practitioner. Failure to adhere to an IVA could result in bankruptcy. Your credit rating may be affected. Subject to conditions, circumstances and acceptance. This includes Scottish Trust Deeds.

**through an
IVA**

08000 43 70 70

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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 Blackburn

CHIEF EXECUTIVE OFFICER'S **REVIEW**

**YOU won't
be adding
to your debts**
08000 43 70 70

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**pay back
what you
can afford**
08000 43 70 70

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**65,000
people helped**
08000 43 70 70

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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 £7.3 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.

65,000
people helped

08000 43 70 70

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start afresh

08000 43 70 70

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DEBT FREE DIRECT

Be debt free

08000 43 70 70

Text dfd5 to 81800
www.debtfreedirect.tv

YELLOW PAGES THE PHONE BOOK

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 investments 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.

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.

- Revenue 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 £7.3 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"

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

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 investments 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.

OFFICERS AND PROFESSIONAL ADVISORS

Directors
J M Blackburn
A Redmond
D J Oakley
C S Mindenhall
S Gilbert

BOARD OF DIRECTORS

CHAIRMAN

J M BLACKBURN, FCIB (65) O •
In a banking career of almost forty years, Mike was a senior executive with Lloyds Bank, latterly as Chief Manager, before being seconded as Chief Executive of Access. Leeds Permanent Building Society recruited Mike as its Chief Executive and in 1993 he joined Halifax Building Society as Chief Executive. The two societies merged in 1995 and Halifax plc entered the top 10 of the FTSE 100 in 1997. Since retiring, Mike has served on a number of plc boards. He is a Trustee of the Duke of Edinburgh's Award, a school governor and has other charitable involvements. He was appointed Non Executive Chairman of Debt Free Direct Group in September 2005.

CHIEF EXECUTIVE OFFICER

A REDMOND, FCA JIEB (45) •
Qualified as an Accountant at PricewaterhouseCoopers and joined Lathams, Chartered Accountants, as a partner in 1994. Following the acquisition of Lathams by Tenon Group plc in 2001, he was appointed Regional Chairman for the northern region. Appointed CEO in January 2003.

- * Member of audit committee
- O Member of remuneration committee
- Member of nomination committee

AUDITORS:

BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester
M2 1WE

SOLICITORS:

Eversheds
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

INSOLVENCY DIRECTOR

D J OAKLEY, FCA JIEB (42)
Qualified as a Chartered Accountant at Arthur Andersen & Co and later joined PricewaterhouseCoopers, where he qualified as an Insolvency Practitioner. Joined Lathams in 1994 and became a partner in 1995. Following the acquisition of Lathams by Tenon Group plc in 2001, he became head of Tenon's North West insolvency practice. Appointed Insolvency Director in June 2005.

NON-EXECUTIVE DIRECTOR

C S MINDENHALL, (36) * O •
Co-founder and Chief Executive of Agilisys, one of the UK's leading IT and Business Process services companies. He is also Managing Partner of Blenheim Charlot, an investment management company that has created a portfolio of businesses in the financial services, tourism and media industries. Charles co-founded Clear Start UK Limited in 2005. Appointed to the board as a Non-Executive Director in August 2007.

NOMINATED ADVISOR:

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

BANKERS:

Royal Bank of Scotland
St Ann Street
Manchester
M1 5ES

Company number: 4425339

NON-EXECUTIVE DIRECTOR

S GILBERT, (37) * O •
An Investment Principal at Hanover Investors, and Mergers and Acquisition professional, he has global experience in leading successful corporate venturing and development of new business propositions. He has a combination of transaction and operational experience in Consumer, Retail and Marketing businesses. Appointed to the Board as a Non-Executive Director in September 2007.

COMPANY SECRETARY

A J HEATH, FCA (40)
Qualified as a Chartered Accountant with KPMG in 1991 and joined Clear Start UK Limited as Finance Director in April 2007. His previous roles include Vice President of Corporate Accounting at Capital One and senior positions at Vision Express, Nedbank and American Express South Africa. Appointed Company Secretary on 31 December 2007.

REGISTERED OFFICE:

Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

PRINCIPAL PLACE OF BUSINESS:

Fairclough House
Church Street
Adlington
Lancashire
PR7 4EX

DIRECTORS' REPORT

The directors present their report and the financial statements of the Group for the eight months ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the period was the provision of financial advice and appropriate solutions to individuals experiencing personal debt problems.

CHANGE OF NAME

On 4 January 2008 the Group changed its name from Debt Free Direct Group plc to Fairpoint Group plc.

RESULTS AND DIVIDENDS

The trading results for the period and the Group's financial position at the end of the period are shown in the attached financial statements.

The directors note that whilst the Group made an operating loss from continuing operations of £(306,000) (Year to 30th April 2007: £10,459,000) for the period, this was after a charge for amortisation and depreciation of £2,465,000 (Year to 30th April 2007 : £472,000). Consequently, the EBITDA for the period was £2,159,000 (Year to 30th April 2007: £10,931,000). During the period dividends of £1,129,000 were paid (Year to 30th April 2007: £1,683,000).

A final dividend of 4p per share (Year to 30th April 2007: 3p) is proposed for approval at the forthcoming AGM on 25th April 2008.

The requirement to prepare an enhanced review of the business has been incorporated within the Business Review on pages 4-5 of the Chief Executive Officer's review and is also covered in the Financial Review (page 6).

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE PARENT COMPANY

The directors who served the company during the period together with their interests in the shares of the company were as follows:

	Ordinary Shares of £0.01 each	
	At 31 December 2007	At 30 April 2007
A Redmond	2,178,410	2,178,410
P A Latham (Resigned 31st December 2007)	4,215,306	4,215,306
J A Reynard (Resigned 13th August 2007)	174,961	4,274,365
Lord Hoyle of Warrington (Resigned 31st December 2007)	-	-
J M Blackburn	26,034	26,034
C S Mindenhall (Appointed 13th August 2007)	1,753,703	-
S Gilbert (Appointed 5th September 2007)	-	-
D J Oakley	817,324	817,324

SUBSTANTIAL SHAREHOLDINGS

Other than the directors' interests shown above, on 31 December 2007, the company was notified that the following were interested in 3% or more of the issued share capital of company:

Name	Number of ordinary shares	% of issued share capital
Hanover Investors Limited	7,547,866	17.80%
Fidelity Investments	4,319,556	10.18%
Capital Group	4,023,716	9.49%
K Seeley	1,972,389	4.65%
K Yirrell	1,753,703	4.13%
Dws Investment Gmbh	1,710,400	4.03%

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through informal discussions between management and other employees at a local level.

FINANCIAL INSTRUMENTS

Full details of the Group's financial instruments, including consideration of the main risks to the Group and the policies adopted by the Directors to minimise their effects, are in Note 20 to the Financial Statements.

CREDITORS' PAYMENT POLICY

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible, within their terms of payment. The creditor effect of the Group's payment policy is that its trade creditors at the financial year end represented 36 days purchases (April 2007: 23 days).

CHARITABLE DONATIONS

	31 December 2007	30 April 2007
	£	£
Charitable donations	1,000	2,727

AUDITORS

The auditors, BDO Stoy Hayward LLP, will be proposed for reappointment at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware and we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Signed by order of the directors on 5 March 2008.

A J Heath

Company Secretary

REPORT ON **REMUNERATION**

Directors' Remuneration

The Board submits its Directors' remuneration report for the eight months ended 31 December 2007.

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position as a market leader and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary.

The Remuneration Committee has responsibility for setting the Group's general policy on remuneration and also specific packages for individual Directors. It carries out the policy on behalf of the Board. No Director has any involvement in setting their own remuneration.

The Remuneration Committee comprises J M Blackburn, C S Mindenhall and S Gilbert. None of them have any personal financial interest in the matters to be decided, potential conflicts of interest arising from cross-directorship, nor any day-to-day involvement in running the business.

The Committee meets as required during the year. It takes into account the position of the Group relative to other companies and is aware of what these companies are paying, though comparisons are treated with caution to avoid an upward ratchet in remuneration. The Committee has access to professional advice within the Group and has the right to obtain its own independent professional advice from outside the Group.

Main Elements of Remuneration

The main elements of the Executive Directors' remuneration package are basic annual salary, bonuses, health and car insurance and share option incentives.

Basic Annual Salary

Each Executive Director's basic salary is reviewed by the Committee. In deciding upon appropriate levels of remuneration, the Committee believes that the Group should offer median levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies.

Bonuses

The performance-related elements of remuneration form a significant proportion of total Executive Directors' potential remuneration. They are designed to align their interests with those of shareholders and to give Executive Directors keen incentives to perform at the highest levels. These are based on achieving profitability in line with market expectations.

Options

Options have been granted to Directors and employees. The granting of options ensures that the holders are incentivised to concentrate on growing shareholder value. The exercise of options for Executive Directors is dependent upon performance criteria.

Summary of Directors' Remuneration

	8 Months to 31 December 2007	8 Months to 31 December 2007	8 Months to 31 December 2007	8 Months to 31 December 2007	8 Months to 31 December 2007	8 Months to 31 December 2007	Year to 30 April 2007
	Basic Annual Salary £'000	Bonus £'000	Benefits £'000	Compensation for loss of office	Pension £'000	Total £'000	Total £'000
Executive							
A Redmond	193	123	3	-	27	346	437
P A Latham	192	103	2	53	-	350	365
D J Oakley	128	86	2	-	12	228	295
	513	312	7	53	39	924	1,097
Non-executive							
C S Mindenhall	12	-	-	-	-	12	-
J A Reynard	2	-	-	5	-	7	7
J M Blackburn	37	-	-	-	-	37	40
Lord Hoyle	17	-	-	-	-	17	15
S Gilbert	11	-	-	-	-	11	-
	79	-	-	5	-	84	62
	592	312	7	58	39	1,008	1,159

Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board.

Directors' Interests

The interests of the directors and their families in the ordinary shares of the Company are shown in the Directors' Report.

PRINCIPAL RISKS AND **UNCERTAINTIES**

Creditor Voting Policy

It is possible that creditors could choose to vote to reject our IVA proposals. There are a number of factors that mitigate this:

- Major banks are very aware of the requirement for them to Treat their Customers Fairly (TCF). They appreciate that there are valid circumstances for their customers to apply for voluntary insolvency, and they are careful not to deny their customers this right.
- The alternative to an IVA for a debtor is often Bankruptcy. Since creditors receive a distinctly lower dividend in Bankruptcy, they are careful not to force the customers in this direction.
- We have invested in our relationships with creditors, and they are at a stronger point than they have ever been in the history of the group. Nurturing these relationships builds mutual trust, and also gives us insight into their plans or intentions.
- We are broadening our product range into adjacent solutions, such as debt management plans. This gives us a hedge against minor movements in policy.

Customers Defaulting on Plans

Since fees on new IVA cases are based upon a percentage of realisations, our financial performance is now more sensitive to the rate of customers defaulting on their plans. We have planned for a level of defaults and arrears on our IVAs. There is a risk that, due to external or internal factors, the rate of default is higher than planned.

We have invested in, and continued to invest in our credit risk and credit control processes. Furthermore, our “bank” of existing supervisory cases is not as sensitive to this risk as the contracts were agreed on a fixed fee basis.

Regulatory Change

Since our primary solution (IVA) is delivered under the regulation of the Insolvency Act, there is some level of exposure to any change to this, or associated, regulation.

As the largest commercial personal insolvency practice in the UK we have unrivalled relationships with the Insolvency Service, and we are actively involved in giving direction to the working parties as they arise. Derek Oakley is one of two insolvency practitioners elected to the IVA Working Committee.

We track, and contribute to, regulation such as the SIVA and the ERO. Currently there is no impending regulatory change that we have sight of that would jeopardise Fairpoint.

Cash Requirements

Whereas the majority of our operational costs are in acquiring customers and setting up their plans the revenues are collected over a period of several years. This creates a considerable cash requirement.

Business forecasts identifying, in particular, liquidity requirements for the Group are produced frequently. These are reviewed regularly by the Board to ensure that sufficient headroom exists for at least the forthcoming 12 month period.

IT Systems

The Group continues to invest in IT, most notably the ongoing upgrades of our Information Management Systems (IMS) and Best Advice Model (BAM). These extensive change programmes are continually subject to implementation risks. Failure to implement such changes effectively could result in unplanned costs or inefficiencies which could adversely our operations.

We have developed strong project management capabilities in our IT department.

CORPORATE GOVERNANCE

The requirements of the Combined Code of the principles of corporate governance set out in the listing rules of the Financial Services Authority are not mandatory for companies traded on AIM. However, the directors are committed to complying with best practice in this area. The directors consider that they have adopted those elements of the Combined Code that are relevant and appropriate to the Company.

The Board

The board comprises a non-executive Chairman, two executive directors and three non-executive directors. The board recognises that C S Mindenhall is not independent in view of his substantial shareholding in the Company and that S Gilbert is not independent in view of his representation of Hanover Investors Limited. However, as non-executive directors they bring experience to the board. The board consider that J M Blackburn is independent. They note that he holds a small number of share options in the Company. His independence is not affected by this and does not in any way fetter his judgement in making decisions.

Lord Hoyle of Warrington has acted during the period as the senior independent director. Following the resignation of Lord Hoyle on 31 December 2007, the board is actively seeking to appoint a new senior independent director. The role of senior independent director is to be available to shareholders if they have concerns which contact through the Chairman, Chief Executive or Finance Director have failed to resolve, or for which such contact is inappropriate. The non-executives will meet without the Chairman at least once a year and the senior independent director will lead this meeting.

The board is scheduled to meet 10 times each year, with additional meetings called if required.

There is a schedule of matters reserved to the board, which was adopted during the year, and this will be reviewed periodically. The board's main focus is on strategic and policy issues and also the regular review of objectives and performance. To enable them to carry out these responsibilities, all directors have full and timely access to all relevant information on matters before the board. The board has formally delegated specific responsibilities to board committees, including the audit, remuneration and nominations committee. Copies of the terms of reference of each of these committees can be accessed via the Company website at www.fairpoint.co.uk.

The posts of Chairman and Chief Executive are held by different individuals and the board has approved schedules setting out the division of responsibilities between these two offices. Broadly, the Chairman is responsible for the effective working of the board and ensuring that all directors and, in particular, the non-executive directors, contribute effectively to the board. The Chief Executive has responsibility for all operational matters. The board considers that no one individual has unfettered power of decision.

The board does not currently consider that a full board evaluation is necessary but will review this matter on an annual basis.

The attendance of directors at the board and board committees during the period are detailed below:

Name of director	Board (8 meetings)	Audit Committee (1 meeting)	Remuneration Committee (2 meetings)
J M Blackburn	8	1	2
A Redmond	8	-	-
P A Latham	7	-	-
D J Oakley	7	-	-
CS Mindenhall (appointed 13th August 2007)	5	-	1
S Gilbert (appointed 5th September 2007)	5	-	1
Lord Hoyle of Warrington (resigned 31st December 2007)	7	-	1
J Reynard (Resigned 13th August 2007)	3	1	-

The board has adopted a procedure which allows for the directors to obtain independent professional advice, in certain circumstances at the expense of the Company. Further, the board will ensure that the Company provides sufficient resources to all the board committees in order to assist them in undertaking their duties. All directors have access to the advice and services of the Company Secretary.

All the directors are subject to election by shareholders at the first annual general meeting after their appointment. Thereafter all directors are then subject to retirement by rotation at intervals of no more than three years. C S Mindenhall and S Gilbert are subject to election. A Redmond and D J Oakley will retire at the next annual general meeting. Biographical details of these directors are set out on page 7.

The Company maintains an appropriate level of directors' and officers' insurance in respect of legal action against the directors and this is reviewed annually.

CORPORATE **GOVERNANCE**

Nominations Committee

The Nominations Committee is chaired by J M Blackburn and consists of C S Mindenhall and A Redmond. The Committee evaluates the balance of skills, knowledge and experience on the board and is responsible for board appointments. Following such an evaluation, it will prepare a description of the role and capabilities required for a particular appointment.

There were no meetings of the Nomination Committee during the period and its responsibilities were assumed by the Board as a whole.

It is a requirement of the Combined Code that a majority of the members of a Nominations Committee should be independent non-executive directors and the Chairman of the Committee should either be the Chairman of the board or a non-executive director. It is acknowledged that the current membership is a deviation from the combined code but it is considered that the members of the Committee are the most suitable members of the board to deal with the appointment of successors to the board.

The terms of reference of the Committee which were adopted during the year and are available on the Company's website at www.fairpoint.co.uk.

Remuneration Committee

The Remuneration Committee is chaired by C. S. Mindenhall and consists of S. Gilbert and J. M. Blackburn.

The Remuneration Committee has delegated responsibility for setting the remuneration for all executive directors, including any compensation payments. Details of directors' remuneration are set out in the remuneration report. No director participates in the Committee when their own remuneration is discussed.

The terms of reference of the Committee were adopted during the year and are available on the Company's website at www.fairpoint.co.uk.

Audit Committee

The Audit Committee is chaired by S. Gilbert. C. S. Mindenhall is a member of the Committee. It is acknowledged by the board that S. Gilbert's appointment is a deviation from the Combined Code as he is not an independent non-executive director, however the board considers that he and C S Mindenhall have the most relevant financial experience.

The Committee reviews the Company's accounting policies and regular reports from senior management. In addition, it reviews the interim and full year financial statements and results announcements relating to the Company's financial statements, together with any formal announcements relating to the Company's financial performance.

The Audit Committee also has responsibility for making recommendations on the appointment, reappointment and removal of the external auditors, which the board then puts to the shareholders for approval in a general meeting. The Committee also reviews the annual and interim financial statements before they are submitted to the board and reviews the scope and effectiveness of the group's internal control functions.

There is currently no internal audit function, however, the Audit Committee review this on an annual basis and the current recommendation to the board is that such a function is not necessary, as the internal controls are currently effectively monitored. This will be reviewed again in the forthcoming year.

Accountability and Audit

The respective responsibilities of the directors and auditors in connection with the financial statements are explained in the statement of directors' responsibilities and the auditors' report. The board also seeks to present a clear and balanced assessment of the Company's position and prospects through the Chairman's statement and the Chief Executive's report.

Internal Control

The board is responsible for the Company's internal control framework and for reviewing its effectiveness. Each year the board reviews all controls, including financial, operational and compliance controls and risk management procedures. The Directors are responsible for ensuring that the group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control. On the basis that such a system can only provide reasonable but not absolute assurance against material misstatement or loss and that it relates only to the needs of the business at the time, the system as a whole was found by the Directors at the time of approving the accounts to be appropriate to the size of the business.

The key features of the internal control system are:

- A control environment with clearly defined organisation structures. The management of the Company and its subsidiaries is delegated to the Chief Executive Officer and authority is delegated to senior executives as appropriate.
- Comprehensive business planning, risk assessment and financial reporting procedures, including annual preparation of detailed budgets for the year ahead and projections for subsequent years.
- Comprehensive monthly financial reporting system, highlighting variances to budget and regularly updated forecasts.
- A review of financial and non-financial key performance indicators to assess progress towards objectives at each board meeting.

Going Concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have therefore adopted a going concern basis in preparing the accounts.

Relations with Shareholders

The Company encourages a dialogue with both its institutional and private investors. The Chief Executive and Finance Director meet regularly with institutional shareholders and analysts. The results of these meetings and any analysts' reports are circulated to all directors.

The senior independent non-executive director and the other non-executive directors are available to shareholders if they have concerns that have not been resolved through the normal channels of Chairman, Chief Executive or Finance Director or for which such contact is inappropriate.

Annual General Meeting

The board intends to continue to use the Annual General Meeting to communicate with investors and to encourage their participation.

The annual and interim reports to shareholders are published on the investor relations section of the Company's website, together with the proxy voting figures.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

TO THE SHAREHOLDERS OF FAIRPOINT GROUP PLC

We have audited the group and parent company financial statements (the "financial statements") of Fairpoint Group plc for the 8 month period ended 31 December 2007, which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, the company balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive Officer's Review, the Financial Review, the Directors' Report, the Report on Remuneration and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the 8 month period then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors
Manchester

5 March 2008

CONSOLIDATED INCOME STATEMENT

	Notes	8 Months to 31 December 2007 £'000	12 Months to 30 April 2007 £'000
Continuing operations			
Revenue	2,6	19,545	28,505
Cost of sales		(7,936)	(7,082)
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	3	(306)	10,459
Finance income	7	227	166
Finance costs	7	(422)	(22)
(Loss)/Profit before taxation		(501)	10,603
Tax credit/(expense)	8	703	(2,834)
Profit for the period from continuing operations		202	7,769
Discontinued operations			
Loss for the period from discontinued operations	19	(1,309)	(428)
(Loss)/Profit for the period		(1,107)	7,341
All of the loss for the period is attributable to equity holders of the parent.			
Earnings /(loss) per ordinary share			
Profit from continuing operations	9	0.49	20.75
(Loss) from discontinued operations		(3.20)	(1.14)
Total (Loss)/profit from operations		(2.71)	19.61
Diluted earnings /(loss) per ordinary share			
Profit from continuing operations	9	0.49	20.06
(Loss) from discontinued operations		(3.20)	(1.10)
Total (Loss)/profit from operations		(2.71)	18.96

The notes on pages 22 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	8 Months to 31 December 2007	12 Months to 30 April 2007
	£'000	£'000
Exchange differences on translation of foreign operations	(50)	(12)
Net loss recognised directly in equity (Loss)/Profit for the period	(50) (1,107)	(12) 7,341
Total recognised income and expense in the period	(1,157)	7,329

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

The notes on pages 22 to 64 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2007 £'000	As at 30 April 2007 £'000
ASSETS			
Non Current Assets			
Property, plant and equipment	11	2,216	2,153
Goodwill	12,13	11,318	1,934
Other intangible assets	12	5,722	2,494
Total Non Current Assets		19,256	6,581
Current Assets			
Trade receivables	15	22,657	20,745
Other current assets	15	2,177	1,678
Cash and cash equivalents		-	373
Current tax asset		275	-
Non current assets classified as held for sale	19	59	-
Total Current Assets		25,168	22,796
Total Assets		44,424	29,377
EQUITY			
Share capital	23	424	376
Share premium account	24	-	13,777
Merger reserve	24	11,842	-
Other reserves	24	254	-
Retained earnings	24	20,748	8,977
Translation reserve	24	(62)	(12)
Total equity attributable to equity holders of the parent		33,206	23,118
LIABILITIES			
Non Current Liabilities			
Long-term borrowings	18	402	972
Deferred tax liabilities	22	895	97
Total Non Current Liabilities		1,297	1,069
Current Liabilities			
Bank overdraft		5,636	-
Trade and other payables	16	2,958	3,143
Current tax liabilities	17	-	1,293
Short-term borrowings		1,079	754
Provisions	30	107	-
Liabilities directly associated with non-current assets classified as held for sale	19	141	-
Total Current Liabilities		9,921	5,190
Total Liabilities		11,218	6,259
Total Equity and Liabilities		44,424	29,377

The financial statements were approved by the Board of Directors on 5 March 2008 and were signed on its behalf by:

A Redmond
Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	8 Months to 31 December 2007 £'000	12 Months to 30 April 2007 £'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			
Cash (absorbed by) generated from operations		(1,294)	(411)
Interest paid		(1,583)	1,179
Income taxes paid		(206)	(22)
Net cash absorbed by operating activities		(1,151)	(2,156)
Cash flows from investing activities			
Acquisition of subsidiaries, inclusive of costs and net of cash acquired		(2,940)	(999)
Purchase of property, plant and equipment (PPE)		(538)	-
Proceeds from sale of PPE		(366)	(1,867)
Interest received		2	-
Purchase of intangible assets		6	166
Discontinued operations		(672)	(2,376)
Net cash absorbed by investing activities		(34)	(89)
Cash flows from financing activities			
Equity dividends paid		(1,602)	(4,166)
Proceeds from issue of share capital		(1,129)	(1,683)
Proceeds from long-term borrowings		236	203
Payment of long-term borrowings		-	1,700
Payment of finance lease liabilities		(486)	-
Net cash (absorbed by) generated from financing activities		(88)	(49)
Net change in cash and cash equivalents			
Cash and cash equivalents at start of period		(6,009)	(4,994)
Cash and cash equivalents at end of period	32	373	5,367
Cash and cash equivalents at end of period	32	(5,636)	373

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRS's"). Also, those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Group has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRSs has affected the group's reported financial position, financial performance and cash flows are given in note 2. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 58 to 64.

Change of reporting period

The balance sheet reporting date has been changed to 31 December to align company seasonality with reporting. The comparatives cover the year to 30 April 2007.

Changes in accounting policies

First-time adoption

In preparing these financial statements, the group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The date of transition to IFRS is 1 May 2006.

- Business combinations effected before 1 May 2006, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated.
- The carrying amount of capitalised goodwill at 30 April 2006 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 May 2006.
- IFRS 2 'Share-based payments' has been applied to employee options granted after 7 November 2002 that had not vested by 1 May 2006.

Standards, amendments and interpretations to published standards not yet effective (a) New standards, amendments to published standards and interpretations to existing standards effective in 2007 adopted by the group

- **IFRS 7, Financial Instruments:** disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective for accounting periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in

the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements in IAS 32, financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS.

The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Group has applied IFRS 7 and the amendment to IAS 1 to the accounts for the period beginning on 1 May 2007.

- **IFRIC 8, Scope of IFRS 2** (effective for accounting periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving issuance of equity instruments to establish whether or not they fall within the scope of IFRS 2. It applies to the situations where the identifiable consideration received is or appears to be less than the fair value of the equity instruments issued. There was no impact on the group's accounts from its adoption.
 - **IFRIC 9, Reassessment of embedded derivatives** (effective for accounting periods beginning on or after 1 June 2006). IFRIC 9 requires an assessment of whether an embodied derivative is required to be separated from the host contract and accounted for as a derivative when an entity becomes a party to the contract, in which case reassessment is required. There was no impact on the group's accounts from its adoption.
 - **IFRIC 10, Interim Financial Reporting and Impairment** (effective for accounting periods beginning on or after 1 November 2006). IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and on financial assets carried at cost to be reversed at a subsequent balance sheet date. There was no impact on the group's accounts from its adoption.
 - **IFRIC 11, IFRS 2 – Group and Treasury Share Transactions** (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity-settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholders; or (b) the share based payment arrangement was settled by the entity itself or by its shareholders. There was no impact on the group's accounts from its adoption.
- (b) Standards, interpretations and amendments to published standards effective in 2007 which are not relevant to the group*
- **IFRIC 7, Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies** (effective for accounting periods beginning on or after 1 March 2006). IFRIC 7 provides guidance on the application of IAS 29 requirements in a reporting period in which the company identifies the existence of hyperinflation in the economy of its functional currency, when the company was not hyperinflationary in the prior period.

(c) *Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted by the group*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has decided not to adopt early. These are as follows:

- **IFRS 8, Operating Segments** (effective from 1 January 2009). This standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segment Reporting. The Group will apply this standard in the accounting period beginning on 1 January 2009. It will not have any impact on the results or net assets of the Group.
- **IAS 23, Borrowing Costs** (revised) (effective from 1 January 2009). The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. The Group is currently assessing its impact on the financial statements.
- **IFRIC 12, Service Concession Arrangements** (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 is still to be endorsed by the EU. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group operations due to the absence of such arrangements.
- **IFRIC 13, Customer Loyalty Programmes** (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 is still to be endorsed by the EU. IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discontinued goods or services. IFRIC 13 is not relevant to the Group operations due to the absence of such arrangements.
- **IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** (effective for accounting periods beginning on or after 1 January 2008). The Group does not participate in any defined benefit pension plans and therefore this Interpretation is not considered relevant.
- **Revised IFRS3, Business Combinations and complementary Amendments to IAS27, 'Consolidated and separate financial statements'** (both effective for accounting periods, beginning on or after 1 July 2009). This revised standard and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on accounts.
- **Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations** (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be

endorsed by the EU. The amendment to IFRS 2 is of particular relevance to companies that operate employee share save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential review to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. Management is currently assessing the impact of the Amendment on the accounts.

Except as noted above the following principal accounting policies have been applied consistently in the preparation of these financial statements:

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Inter-company transactions are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Business combinations that took place prior to 1 May 2006 have not been restated.

Goodwill

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

At the date of transition to IFRS, 1 May 2006, the goodwill carrying amount under UK GAAP was tested for impairment and based on the conditions existing at the transition date no impairment was identified. Thus, the carrying amount of goodwill in the Group's IFRS opening balance was equal to the goodwill carrying amount under UK GAAP. From the date of transition to IFRS, 1 May 2006, the Group discontinued the amortisation of goodwill and implemented annual impairment tests for goodwill.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Other Intangibles

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Trademarks	10 years	Cost
Brands	12 years	Discounted cash flow
Capitalised software	4 years	Cost
Exclusivity Arrangement	2 years	Cost

Impairment of non financial assets (excluding deferred tax assets)

The Group considers at each reporting date whether there is any indication that non-current assets are impaired. If there is such an indication, the Group carries out an impairment test by measuring an asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use (effectively the expected cash to be generated from using the asset in the business). The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than the carrying amount an impairment loss is recognised, and the asset is written down to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately. An impairment loss for goodwill is not reversed.

Revenue

The revenue shown in the Group Income Statement represents amounts in respect of the provision of financial solutions to individuals experiencing personal debt problems. Revenue is largely derived from IVA fees which result from individual voluntary arrangements (IVAs). These fees are recognised as follows:

IVA fees:

Fees are recognised following approval at the Meeting of Creditors. Revenue is recorded to recognise revenue during the life of the IVA, based on the cost of the work to date as a percentage of the total cost of services to be performed. A provision is made for potential failure of IVA cases, and the resulting reduction of fees, based on previous experience expected changes within the market. Revenue has been discounted to reflect the fair value of cash flows recoverable.

Commission

The Group also receives commission income from the referral of both Scottish and self employed IVAs to niche IVA providers and customers who wish to re-mortgage their property. The income is recognised as follows:

- IVA commission: IVA referral income is recognised once a contractual obligation is incurred by the IVA provider accepting the referral.
- Re-mortgaging commission: Re-mortgage commission is recorded at the date on which the mortgage contract is completed.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management system are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Property, plant and equipment

The cost of items of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off, on a reducing balance basis over the expected useful economic lives of the asset concerned, the cost of property, plant and equipment, less estimated residual values, which are adjusted, if appropriate, at each balance sheet date. The principal economic lives used for this purpose are:

- Fixtures and fittings 4 years
- Computer equipment 4 years

Provision is made against the carrying value of items of property, plant and equipment where impairment in value is deemed to have occurred.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Group income statement on a straight line basis.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term.

Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "translation reserve").

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those components operating in other economic environments.

Financial instruments

Financial assets and financial liabilities are recognised at fair value on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as adjusted to reflect discounting for the time value of cash flows recoverable and are reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables are split between trade debtors, where the cases have been invoiced, and accrued income, where revenue has been recognised but the case has not yet been billed.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Finance charges are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are declared and paid to shareholders. In the case of final dividends this is when approved by the shareholders at the AGM.

Pension contributions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. The Group has no defined benefit arrangements in place.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that actually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

Investment income

Investment income relates to interest income, which is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Marketing Costs

Marketing costs are recognised in the month service is delivered, save directory costs. As these are issued annually the Group recognises 50% of the cost in the month of distribution then the remaining 50% over the following 11 months. This reflects the ongoing service received by the Group over the period.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs to sell.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or its subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the income statement (including the comparative period) as a single line which comprises the

post tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions are reviewed on a regular basis and released to profit and loss account where changes in circumstances indicate that a provision is no longer required.

Profit from operations

Profit from operations is stated after charging all operating costs including those separately disclosed by virtue of their size or unusual nature or to facilitate a more helpful understanding of the group's results. It is stated before investment income and finance costs.

Key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

Valuation of intangibles acquired in business combinations

Determining the fair value of intangibles acquired in business combinations requires estimation of the value of the cashflows related to the identified intangibles and a suitable discount rate in order to calculate the present value.

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. An impairment review has been performed at the adoption date and no impairment has been identified: (note 13). Any change in estimates could result in an adjustment to recorded amounts.

Future recoverability of IVA Debtors

Determining fair value of recognised revenue on a case requires the use of estimated future payment rates and expected cash realisations. The Group has recognised revenue amounting to £16.8m from IVA fees for the period. If the client ceases to contribute to their IVA during the term of the IVA, the Group will not receive the IVA fees in their entirety. The Group has therefore recognised revenue on these transactions building in a provision for failures based on previous experience.

2 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	a,b,c,l	27,995	2,034	(1,524)	28,505
Cost of sales	f,j,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	i,l	(486)	-	96	(390)
Amortisation	e,i,d	(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	h	(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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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	d	8	-	192	200
Total Non Current Assets		2,870	-	-	2,870
Current Assets					
Trade receivables	b	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	i	1,715	-	922	2,637
Current tax liabilities	a,b,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

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	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,c,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	j	1,973	-	1,170	3,143
Current tax liabilities	a,b,h	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

NOTES FORMING PART OF THE **CONSOLIDATED FINANCIAL STATEMENTS**

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.

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:

- (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.

l. 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

3 Profit from continuing operations

	8 Months Ended 31 December 2007	12 months Ended 30 April 2007
	£'000	£'000
This has been arrived at after charging:		
Staff costs (see note 4)	7,550	7,108
Depreciation of property, plant and equipment	390	406
Amortisation of intangible assets	903	82
Foreign exchange differences	45	-
Operating lease expense		
- Plant and machinery	98	96
- Property	474	290
Audit fees		
- Parent	37	27
- Subsidiary	8	5
Fees paid to the company's auditors for non-audit services		
- Tax services	45	10
- Corporate finance	90	-
- Other services	16	20
Loss on disposal of property, plant and equipment	52	133

4 Staff costs

	8 Months Ended 31 December 2007	12 months Ended 30 April 2007
	£'000	£'000
Staff costs (including directors) comprise:		
Wages and salaries	6,794	6,410
Short-term non-monetary benefits	39	19
Defined contribution pension cost	38	-
Share-based payment expense (see note 27)	38	44
Employer's national insurance contributions and similar taxes	641	635
	7,550	7,108
The average number of employees during the period was		
	8 Months Ended 31 December 2007	12 months Ended 30 April 2007
	No	No
Directors	7	6
Advice Team, management and administration	52	33
IVA Processing team	325	240
Mortgages	18	13
	402	292

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

5 Directors

	8 Months Ended 31 December 2007	12 months Ended 30 April 2007
	£'000	£'000
Directors' remuneration consists of:		
Directors emoluments	969	1,159
Company contributions to money purchase pension schemes	39	-
	1,008	1,159
	8 Months Ended 31 December 2007	12 months Ended 30 April 2007
	£'000	£'000
Remuneration in respect of the highest paid director:		
Salary and Bonuses	350	437
	350	437

There were no directors in the company's defined benefit scheme (2006; nil) and two directors in the company's defined contribution pension scheme (2006; nil).

Further disclosure on the remuneration of each individual director is included in the Remuneration Report on page 10.

Note that the directors' emoluments include amounts attributed to benefits-in-kind on which directors are assessed for tax purposes. This may differ to the cost to the group of providing those benefits included in note 4.

Of the share based payment charge (see note 27) £8,000 relates to share-based payment to directors (12 Months Ended 30 April 2007: £25,000).

6 Segment information

The group's primary reporting format for reporting segment information is business segments.

For the 8 month period to 31 December 2007

	Business segments			Total
	IVA	Remortgage	Unallocated	
	£'000	£'000	£'000	£'000
Revenue				
Continuing	17,998	1,547	-	19,545
Discontinued	302	-	-	302
Total	18,300	1,547	-	19,847
(Loss)/Profit				
Continuing operations	(1,559)	1,113	(55)	(501)
Discontinued operations	(1,169)	-	(140)	(1,309)
(Loss)/Profit before tax	(2,728)	1,113	(195)	(1,810)
Taxation	-	-	-	703
(Loss) for the year	-	-	-	(1,107)
Balance sheet				
Assets	28,928	122	15,374	44,424
Liabilities	(9,013)	130	(2,335)	(11,218)
Net assets	19,915	252	13,039	33,206
Other				
Capital expenditure	379	21	-	400
Depreciation	375	8	-	383
Amortisation	903	-	-	903
Other non-cash expenses	1,255	-	-	1,255

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information (continued)

For the 12 month period to 30 April 2007

	IVA	Business segments		Total
		Remortgage	Unallocated	
	£'000	£'000	£'000	£'000
Revenue				
Continuing	26,881	1,624	-	28,505
Discontinued	104	-	-	104
Total	26,985	1,624	-	28,609
Profit				
Continuing operations	9,057	1,402	144	10,603
Discontinued operations	(428)	-	-	(428)
Profit before tax	8,629	1,402	144	10,175
Taxation	-	-	-	(2,834)
Profit for the year	-	-	-	7,341
Balance sheet				
Assets	29,259	118	-	29,377
Liabilities	(3,132)	-	(3,127)	(6,259)
Net assets	26,127	118	(3,127)	23,118
Other				
Capital expenditure	1,911	45	-	1,956
Depreciation	401	5	-	406
Amortisation	83	-	-	83

6 Segment information (continued)

The group's secondary reporting format for reporting segment information is geographic segments.

	External revenue by location of customers		Total assets by location of assets		Capital expenditure by location of assets	
	8 Months Ended 31 December 2007 £'000	12 Months Ended 30 April 2007 £'000	At 31 December 2007 £'000	At 30 April 2007 £'000	8 Months Ended 31 December 2007 £'000	12 Months Ended 30 April 2007 £'000
UK	19,545	28,505	44,365	29,080	366	1,867
Rest of world (discontinuing)	302	104	59	297	34	89
	19,847	28,609	44,424	29,377	400	1,956

During the period the Australian operation was classed as discontinued. The comparatives have been represented to show this operation as discontinued in the prior year.

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

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation, borrowings and finance leases.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

7 Finance income and 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
Finance income				
Bank interest received	5		166	
Exchange gains	64		-	
Unwinding of discount on fair value of long term receivables	158		-	
		227		166
Finance expense				
Bank borrowings	(292)		-	
Finance leases	(22)		(17)	
Other	(108)		(5)	
		(422)		(22)
		(195)		144

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

8 Tax (credit)/expense	8 Months Ended 31 December 2007	8 Months Ended 31 December 2007	12 Months Ended 30 April 2007	12 Months Ended 30 April 2007
	£'000	£'000	£'000	£'000
Current tax expense				
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)		-	
		(417)		2,757
Deferred tax expense				
Origination and reversal of temporary differences	-		77	
Adjustment for under/(over) provision in prior periods	(286)		-	
		(286)		77
Total tax (credit)/charge		(703)		2,834

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	12 Months Ended 30 April 2007
	£'000	£'000
(Loss)/Profit before tax from continuing and discontinued operations	(1,810)	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)
Total tax (credit) / charge	(703)	2,834

9 Earnings per share

	8 Months Ended 31 December 2007	12 Months Ended 30 April 2007
	£'000	£'000
Numerator		
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
Denominator		
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.

10 Dividends

	8 Months Ended 31 December 2007	12 Months Ended 30 April 2007
	£'000	£'000
Final dividend of 3 pence (April 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 (April 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

11 Property, plant and equipment

	Fixtures and fittings	Computer equipment	Total
	£'000	£'000	£'000
At 30 April 2007			
Cost	1,292	1,558	2,850
Accumulated depreciation	(245)	(452)	(697)
Net book value	1,047	1,106	2,153
At 31 December 2007			
Cost	1,619	1,575	3,194
Accumulated depreciation	(430)	(548)	(978)
Net book value	1,189	1,027	2,216
At 30 April 2007			
Opening net book value	270	466	736
Additions	1,082	874	1,956
Disposals	(115)	(18)	(133)
Depreciation charge for year	(190)	(216)	(406)
Closing net book value	1,047	1,106	2,153
8 month period ended 31 December 2007			
Opening net book value	1,047	1,106	2,153
Additions	180	220	400
Acquired through business combinations	172	14	186
Disposals	-	(52)	(52)
Classified as held for sale	(29)	(59)	(88)
Depreciation charge for year	(181)	(202)	(383)
Closing net book value	1,189	1,027	2,216

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases (see note 25):

	At 31 December 2007	At 30 April 2007
	£'000	£'000
Fixtures and Fittings	63	32
Computer equipment	61	-
	124	32

12 Intangible assets

	Goodwill	Exclusivity Arrangements	Brands	Software Development	Trademarks	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 30 April 2007						
Cost	1,934	1,721	-	900	29	4,584
Amortisation	-	-	-	(153)	(3)	(156)
Net book value	1,934	1,721	-	747	26	4,428
At 31 December 2007						
Cost	11,318	1,721	4,530	1,698	40	19,307
Amortisation	-	(1,721)	(189)	(352)	(5)	(2,267)
Net book value	11,318	-	4,341	1,346	35	17,040
Year ended 30 April 2007						
Opening net book value	1,934	-	-	192	8	2,134
Additions						
- Internally developed	-	-	-	125	-	125
- Externally acquired	-	1,721	-	510	20	2,251
Amortisation	-	-	-	(80)	(2)	(82)
Closing net book value	1,934	1,721	-	747	26	4,428
Eight months ended 31 December 2007						
Opening net book value	1,934	1,721	-	747	26	4,428
Additions						
- Internally developed	-	-	-	75	-	75
- Externally acquired	-	-	-	586	11	597
- Through business combinations	9,384	-	4,530	76	-	13,990
Amortisation	-	(574)	(189)	(138)	(2)	(903)
Impairment	-	(1,147)	-	-	-	(1,147)
Closing net book value	11,318	-	4,341	1,346	35	17,040

Trademarks are estimated to have a useful life of ten years, brands twelve years and software development four years.

The asset groups have the following amortisation periods remaining; trademarks, three years; brands, eleven years and software development between two and three years. Exclusivity arrangements are amortised over the life of the asset.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

12 Intangible assets (continued)

Brands comprise the capitalised Clear Start brand acquired on the acquisition of Clear Start UK Limited during the period. Software development relates to external and internal costs relating to the development of systems used by the Group. Trademarks are capitalised costs incurred developing and protecting Group registered trademarks.

For details on goodwill see note 13.

The net carrying amount of intangible assets includes the following amounts in respect of assets held under finance leases (see note 25)

	At 31 December 2007	At 30 April 2007
	£'000	£'000
Software development	70	-

13 Goodwill and impairment

Details of goodwill allocated to cash generating units (CGU's) for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows:

	Goodwill carrying amount	
	At 31 December 2007	At 30 April 2007
	£'000	£'000
Debt Free Direct Limited	1,934	1,934
Clear Start UK Limited	9,384	-
	11,318	1,934

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a two year period to 31 December 2009 and then an extrapolation to 2012. Other major assumptions are as follows.

Conversion rate is the expected conversion from lead to Meeting of Creditors (MOC) pass and is based on past experience. Discount rates are based on the group's cost of funding adjusted to reflect management's assessment of specific risks related to the CGU. Growth rates beyond the first three years are based on economic data pertaining to the region concerned.

Wage inflation has been based on independent economic data published by the OECD.

	Clear Start	DFDL
For the 8 month period to 31 December 2007	%	%
Discount rate	7	7
Conversion rate	7	5.4
Growth rate	2.5	2.5
Wage inflation	3	3
For the year to 30 April 2007		
Discount rate	N/A*	7
Conversion rate	N/A*	5.4
Growth rate	N/A*	2.5
Wage inflation	N/A*	3

* Not applicable as the Clear Start business was acquired in the period ended 31 December 2007.

14 Subsidiaries

The principal subsidiaries of Fairpoint Group plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest and ordinary share capital held	Principal Activity
Debt Free Direct Limited	England	100%	Provision of financial advice and appropriate solutions
Clear Start UK Limited	England	100%	Provision of financial advice and appropriate solutions
Debt Free Direct (Investments) Limited	England	100%	Dormant
Lawrence Charlton Limited	England	100%	Debt management
DFD Mortgages Limited	England	100%	Provision of financial advice and appropriate solutions
Debt Advice and Money Solutions Limited	England	100%	Dormant
DFD Australia Pty	Australia	100%	Intermediate holding company
IVA Insurance Limited	Guernsey	100%	Offshore insurance company
Debt Free Direct (Australia) Limited	England	100%	Provision of financial advice and appropriate solutions
DFD Equity Release Limited	England	100%	Dormant
Debt Free Direct Group Plc	England	100%	Dormant
Up and Up Limited	England	100%	Dormant
Up and Up Group Plc	England	100%	Dormant

Debt Advice Trust Limited is consolidated as the group exercises control over the company through the board of directors. The principal activity of this business was the provision of financial advice and appropriate solutions to individuals experiencing personal debt problems. It is a not for profit organisation.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

15 Trade and other receivables

	At 31 December 2007 £'000	At 30 April 2007 £'000
Trade receivables	10,712	13,897
Other receivables	608	95
Prepayments	1,569	1,583
Amounts recoverable on IVA services	11,945	6,848
	24,834	22,423

Included within trade and other receivables is 2007: £5,022,438 (April 2007: £3,299,945) due after more than one year.

Included within £22,657,000 (April 2007: £20,745,000) trade receivables noted on the Balance Sheet is invoiced trade receivables of £10,712,000 (April 2007: £13,897,000) and amounts recoverable on IVA Services of £11,945,000 (April 2007: £6,848,000).

16 Trade and other payables - current

	At 31 December 2007 £'000	At 30 April 2007 £'000
Trade creditors	1,136	1,016
Other tax and social security taxes	424	744
Other creditors	57	8
Accruals	1,341	1,375
	2,958	3,143

17 Other financial liabilities - current

	At 31 December 2007 £'000	At 30 April 2007 £'000
Bank loans - secured	972	729
Finance lease creditor (note 25)	107	25
	1,079	754

An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 21.

18 Non-current financial liabilities

	At 31 December 2007 £'000	At 30 April 2007 £'000
Bank loans - secured	243	972
Finance lease creditor (note 25)	159	-
	402	972

An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 21. The bank loan is secured by a fixed and floating charge over certain assets of Debt Free Direct Limited.

19 Non-current assets held for sale and discontinued operations

After a strategic review the Group decided as at 24 December 2007 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 investments available in the UK. Whilst the Australian business was making good progress it would have remained cash negative throughout 2008 and would not have generated significant profit for several years. The assets and liabilities relating to Debt Free Direct Australia Pty have hereby been presented as for sale and the loss from operations presented separately as discontinued in the Income Statement.

	As At 31 December 2007	
	£'000	
(a) Non-Current assets classified as held for sale		
Disposal group held for sale		
- Property, plant and equipment	94	
- Other current assets	382	
- Impairment of assets	(417)	
	59	
(b) Liabilities directly associated with non-current assets classified as held for sale		
Trade and other payables	55	
Provision on costs of disposal	86	
	141	
	8 months to 31 December 2007	12 months to 30 April 2007
	£'000	£'000
(c) Discontinued operations		
Revenue	302	104
Expenses	(1,108)	(532)
Pre-tax loss on discontinued operations	(806)	(428)
Impairment losses	(503)	-
Loss on discontinued operations	(1,309)	(428)

Discontinued operations are reported in the IVA business segment in the segmental reporting in note 6.

NOTES FORMING PART OF THE **CONSOLIDATED FINANCIAL STATEMENTS**

20 Financial instruments - Risk exposure and management

The group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

Market Risk

Market Risk arises from the Group's use of interest bearing tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), and foreign exchange rates (currency risk).

Interest rate risk

The Group's external borrowings at the balance sheet date comprise of short-term overdraft and loan facilities and finance lease payables. The Group does not seek to fix interest rates on these borrowings, as the Board consider the exposure to interest rate risk acceptable.

At 31 December 2007, if interest rates on floating rate loans had been 0.5% higher/lower with all other variables held constant, profit after tax for the year would have been £10,000 higher/lower, mainly as a result of higher/lower interest rate expense on floating rate borrowings.

Foreign currency risk

Foreign exchange risk arises because the group has operations located in Australia whose functional currency is not the same as the group's primary functional currency (sterling). The net assets from the overseas operations are exposed to currency risk giving rise to gains or losses on retranslation into sterling. Only in exceptional circumstances will the group consider hedging its net investments in overseas operations as generally it does not consider that the cash flow risk created from such hedging techniques warrants the reduction in volatility in consolidated net assets.

The Group has disposed of the Australia operation after year end, therefore future foreign currency risk is minimal.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity risk of each group entity is managed centrally by the group finance function. Each operation has a facility with group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board annually in advance, enabling the group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the group finance director. Where the amount of the facility is above a certain level agreement of the board is needed.

20 Financial instruments - Risk exposure and management (continued)

All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the group's forecast cash requirements. The group maintains a draw down facility with a major banking corporation to manage any unexpected short-term cash shortfalls.

Credit risk

The group is mainly exposed to credit risk from IVA case revenues. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. Counterparties are low quality, however credit risk is reduced as the debtor is diversified across a large number of small balances. Maximum credit risk is £22,657,000, £10,712,000 of trade receivables, where counterparties have been invoiced but funds not received, and £11,945,000 of accrued income, where revenue has been recognised but the case has not yet been billed.

Included within trade receivables are £7,744,000 (April 2007: £9,514,000) relating to IVA debtors and £2,968,000 (April 2007: £4,383,000) relating to other trade receivables.

On inception of an IVA case the group assess the recoverability of gross contracted revenues and makes provisions accordingly. The level of provision is subject to periodic review and expected recoveries are adjusted for through IVA revenues.

The group consider all IVA cases to exhibit a similar level of risk with the exception of acquired portfolios which are separately assessed.

The group manages credit risk through its IVA nominee processes where incomes, expenditures and assets are verified in accordance with industry protocol.

Non-IVA receivables are assessed individually and impairments raised where necessary.

The group does not enter into complex derivatives to manage credit risk

	As at 31 December 2007			As at 30 April 2007		
	Gross receivables	Provision against future recovery	Carrying value	Gross receivables	Provision against future recovery	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	11,386	674	10,712	13,897	-	13,897
Other receivables	608	-	608	95	-	95
Prepayments	1,569	-	1,569	1,583	-	1,583
Amounts recoverable on IVA services	11,945	-	11,945	6,848	-	6,848
	25,508	674	24,834	22,423	-	22,423

The group does not hold any collateral as security.

Capital Disclosures

The group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders commensurate with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

21 Financial assets and liabilities – Numerical information

Maturity of financial liabilities

The following table illustrates the contractual maturity of the Group's financial liabilities excluding bank borrowing and finance leases that must be settled gross based, where relevant, on balance sheet interest rates and exchange rates prevailing at the balance sheet date.

	At 31 December 2007	At 30 April 2007
	£'000	£'000
In less than one year	2,958	3,143
	2,958	3,143

Maturity analysis of bank borrowings is shown below and for finance leases see note 25.

Bank borrowing

The group has undrawn committed borrowing facilities available at 31 December 2007 in which all conditions have been met. The borrowings are secured by a floating charge in favour of the Group's bankers.

	Floating rate	Fixed rate	At 31 December 2007	At 30 April 2007
	£'000	£'000	£'000	£'000
Expiry within 1 year	6,608	-	6,608	729
Expiry within 1 and 2 years	243	-	243	971
Expiry in more than 2 years	-	-	-	-
	6,851	-	6,851	1,700

Interest rate risk

The currency and interest profile of the group's financial assets and liabilities are as follows:

At 31 December 2007

	Floating rate liabilities	Fixed rate liabilities	Total
	£'000	£'000	£'000
Sterling	6,851	-	6,851
AUS \$	-	-	-
	6,851	-	6,851

At 30 April 2007

	Floating rate liabilities	Fixed rate liabilities	Total
	£'000	£'000	£'000
Sterling	1,700	-	1,700
AUS \$	-	-	-
	1,700	-	1,700

The rate at which sterling floating liabilities are payable is 1.25% (2007 – 1.25%) above base. Sterling floating rate assets attracted interest of 6.5% at the year-end (2007– 6.5%).

Fair values

To the extent financial assets and liabilities are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 December 2007 and 30 April 2007.

22 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2006: 30%).

The movement on the deferred tax account is as shown below:

	At 31 December 2007	At 30 April 2007
	£'000	£'000
At beginning of the period	97	20
Acquisition	(275)	-
Profit and loss charge/(credit)	(84)	77
Deferred tax asset in respect of tax/(losses)	(202)	-
Deferred tax liability on Intangible fixed asset (Brands)	1,359	-
At end of the period	895	97

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below.

Details of the deferred tax liability, amounts charged/(credited) to the consolidated income statement and amounts charged/(credited) to reserves are as follows:

8 Months ended 31 December 2007

	(Asset)/ Liability	Charged/ (credited) to income
	£'000	£'000
Accelerated capital allowances	14	(84)
Available losses	(478)	(202)
Intangible fixed asset (Brand)	1,359	-
	895	(286)

12 Months ended 30 April 2007

	Liability	Charged/ (credited) to income
	£'000	£'000
Accelerated capital allowances	97	77
	97	77

24 Reserves

	Share Premium	Shares to be issued	Merger reserve	Exchange reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000
As at 1 May 2007(restated)	13,777	-	-	(12)	8,977
Share options issued on acquisition of subsidiary	-	254	-	-	-
Share-based payment expense	-	-	-	-	36
Options exercised	194	-	-	-	-
Shares issued on acquisition of subsidiary	-	-	11,842	-	-
Translation differences on overseas operations	-	-	-	(50)	-
(Loss) for the period	-	-	-	-	(1,107)
Dividends paid	-	-	-	-	(1,129)
Cancellation of share premium reserve	(13,971)	-	-	-	13,971
At 31 December 2007	-	254	11,842	(62)	20,748

	Share Premium	Exchange reserve	Retained earnings
	£'000	£'000	£'000
As at 1 May 2006 (as restated)	13,577	-	3,273
Premium on issue of shares	200	-	46
Translation differences on overseas operations	-	(12)	-
Profit for the year	-	-	7,341
Dividends paid	-	-	(1,683)
At 30 April 2007	13,777	(12)	8,977

The following describes the nature and purpose of each reserve within owners' equity

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value. On 11 October 2007 the Company applied to the High Court to cancel the Share Premium Account. On cancellation the balance of this account was transferred to distributable reserves.
Foreign exchange	Gains/losses arising on retranslating the net assets of overseas operations into sterling.
Retained earnings	Cumulative net gains and losses recognised in the consolidated Income Statement.
Merger reserve	Amount subscribed for share capital in excess of nominal value on acquisition of another company.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

25 Leases

Finance leases

The group leases certain fixtures and fittings and computer equipment (net carrying value see page 40) and software developments (net carrying value see page 41). Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

At 31 December 2007

	Minimum lease payments	Interest	Present value
	£'000	£'000	£'000
Not later than one year	130	23	107
Later than one year and not later than five years	174	15	159
	304	38	266

At 30 April 2007

	Minimum lease payments	Interest	Present value
	£'000	£'000	£'000
Not later than one year	28	3	25

Present value of future lease payments are analysed as

	At 31 December 2007	At 30 April 2007
	£'000	£'000
Current liabilities	107	25
Non current liabilities	159	-
	266	25

Operating leases – lessee

The Group leases its properties. The terms of property leases vary from location to location, although they all tend to be tenant repairing with rent reviews every 2 to 5 years and many have break clauses.

The total future of minimum lease payments are due as follows:

	At 31 December 2007	At 30 April 2007 As restated
	£'000	£'000
Not later than one year	689	367
Later than one year and not later than five years	2,374	1,816
Later than five years	4,446	4,383
	7,509	6,566

26 Bank balances held on behalf of individuals

Total bank balances of £29,876,647 (2007; £20,420,327) were held by the Group in trustee accounts on behalf of individuals who have entered into IVAs at 31 December 2007. These bank balances are not recognised on the Group or Company balance sheets as the Group does not have control of the risks and rewards to these assets.

27 Share-based payment

The Group operates four share schemes for employees; an Executive Share Option Scheme (ESOS) for certain senior management including executive directors, an Enterprise Management Incentive Scheme (EMI), a Company Share Option Plan (CSOP) and an Unapproved Scheme.

Under the option types excluding ESOS, the options vest based on vesting periods.

- The EMI options are subject to the employee having completed two years from date of grant
- The CSOP options are subject to the employee having completed three years from date of grant
- The approved options are subject to the employee having completed one year from date of grant

	8 Months Ended 31 December 2007		12 Months Ended 30 April 2007	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at beginning of the year	1.47	4,523,338	1.30	4,370,246
Granted during the year	2.13	852,631	3.23	796,352
Exercised during the year	1.21	(161,284)	0.75	(270,058)
Lapsed during the year	1.79	(696,508)	3.75	(373,202)
Outstanding at the end of the year	1.56	4,518,177	1.47	4,523,338

The exercise price of options outstanding at the end of the year ranged between 1p and 442p (2007 - 66p and 442p) and their weighted average contractual life was 7.67 years (2007 - 8.05 years).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payment (continued)

Of the total number of options outstanding at the end of the year, 310,123 (2007; 133,486) had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) of options exercised during the year was 1.21p (2007 – 75p).

The weighted average fair value of each option granted during the year was £2.13 (2007; £3.23).

The following information is relevant in the determination of the fair value of options granted during the period under the equity and cash-settled share based remuneration schemes operated by the Group.

	2007 £'000	2007 £'000
Equity-settled		
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date	2.13	3.23
Weighted average exercise price	1.56	1.47
Weighted average contractual life	7.67	8.05
Weighted average expected volatility	25.0%	25.0%
Weighted average expected dividend growth	0.00%	0.00%
Weighted risk free interest rate	5.70%	5.10%

The volatility is based on an average weekly share price over the last year.

	2007 £'000	April 2007 £'000
The share-based remuneration expense (note 4) comprises:		
Equity-settled schemes	36	44

The group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

28 Acquisitions during the period

Clear Start UK Limited

On 26th June 2007 the company acquired the entire issued share capital of Clear Start UK 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 Satisfied by				12,144
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 loss 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

29 Related party transactions

The directors do not consider any one party to exercise ultimate control over the Group.

Details of directors remuneration are given in the Remuneration Report on page 10 and note 5. The directors are considered to be the only key management personnel.

Other related party transactions are as follows:

Trading transactions

Related party relationship	Type of transaction	Transaction amount		Balance owed/(owing)	
		31 December 2007	30 April 2007	31 December 2007	30 April 2007
		£'000	£'000	£'000	£'000
Companies in which directors or their immediate family have an interest	Sales to group	219	-	145	-

Services are purchased from entities in which a director has an interest on normal commercial terms and conditions. Mr C S Mindenhall has an interest in two entities which form the basis of the related party transactions.

The group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2007 regarding related party transactions.

30 Provisions

	Other provisions
	£'000
At 1 May 2007	-
Charged to profit or loss	107
At 31 December 2007	107

Provision for costs expected to be incurred in restructuring of operations following the integration of Clear Start (UK) Limited. The resulting outflow in economic benefits is expected to take place within six months of the balance sheet date.

31 Events after the balance sheet date

On 4 January 2008 the company changed its name from Debt Free Direct Group Plc to Fairpoint Group Plc.

On 2 January 2008 the company entered into a five year revolving credit facility with Royal Bank of Scotland plc. This facility replaces short term overdraft facilities in place at 31 December 2007. The facility is for a total of £16,000,000 reducing to £8,000,000 on 2 January 2012 and nil on 2 January 2013. The facility is secured by a fixed and floating charge on the group. The facility carries interest rates ranging from 125 base points to 150 base points above LIBOR.

32 Notes supporting cash flow statement

Cash and cash equivalents comprises:

	31 December 2007	30 April 2007
	£'000	£'000
Cash available on demand	-	373
Overdrafts	(5,636)	-
	(5,636)	373
Net cash increase in cash and cash equivalents	(6,009)	(4,994)
Cash and cash equivalents at beginning of period/year	373	5,367
Cash and cash equivalents at end of period/year	(5,636)	373

COMPANY BALANCE SHEET

	Note	At 31 December 2007 £'000	At 30 April 2007 £'000
FIXED ASSETS			
Investments	4	15,986	3,202
CURRENT ASSETS			
Debtors (all due after more than one year)	5	11,322	11,847
Cash at bank		7	-
		11,329	11,847
CREDITORS: Amounts falling due within one year	6	(697)	(704)
NET CURRENT ASSETS		10,632	11,143
TOTAL ASSETS LESS CURRENT LIABILITIES		26,618	14,345
CAPITAL AND RESERVES			
Called-up share capital	7	424	376
Share premium account	8	-	13,777
Other reserve	8	254	-
Merger reserve	8	11,842	-
Profit and loss account	8	14,098	192
SHAREHOLDERS' FUNDS		26,618	14,345

These financial statements were approved and authorised for issue by the directors on 5 March 2008 and are signed on their behalf by:

A Redmond
Director

NOTES FORMING PART OF THE **COMPANY FINANCIAL STATEMENTS**

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a (loss)/profit after tax of (£65,000) (April 2007: £22,000)

Investments

Fixed asset investments are stated at cost except where in the opinion of the Directors, there has been a permanent diminution in the value of the investments, in which case an appropriate adjustment is made.

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the assets against the higher of realisable value and value in use.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet is translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Financial Instruments

Financial instruments are measured initially and subsequently at cost.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

2. TAX ON PROFIT ON ORDINARY ACTIVITIES

	8 months ended 31 December 2007	12 months ended 30 April 2007
	£'000	£'000
Current tax: UK Corporation tax based on the results for the period at 30%	-	7
Total tax charge	-	7

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower/higher than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are reconciled below:

	8 months ended 31 December 2007	12 months ended 30 April 2007
	£'000	£'000
(Loss)/Profit on ordinary activities before tax	(65)	29
(Loss)/Profit on ordinary activities at 30% (April 2007: 30%)	20	9
Expenses not deductible for tax purposes	-	(2)
Group relief	(20)	-
	-	7

3. DIVIDENDS

	8 months ended Year ended 31 December 2007	12 months ended Year ended 30 April 2007
	£'000	£'000
Dividends paid of 3 pence per ordinary share (year ended 30 April 2007: 4.5p)	1,129	1,683

A final dividend of 4 pence per share (2006 : 3p) is proposed for approval at the forthcoming AGM on 25th April 2008.

4. INVESTMENTS

Company	2007 £'000
COST:	
At 1 May 2007	3,202
Additions	12,784
At 31 December 2007	15,986
NET BOOK VALUE:	
At 31 December 2007	15,986
At 30 April 2007	3,202

Details of subsidiary undertakings at the balance sheet date are as follows:

Name of company	Country of Incorporation	Class of Share	Nature of Business	Proportion of voting rights
Debt Free Direct Limited	England	100% Ordinary 100% "A" Preference 100% "B" Preference 100% "C" Preference 100% "D" Preference	Provision of financial advice and appropriate solutions	100%
Debt Free Direct (Investments) Limited	England	100% Ordinary	Dormant	100%
Lawrence Charlton Limited	England	100% Ordinary	Debt management	100%
DFD Mortgages Limited (formerly known as DFD Equity Release Limited)	England	100% Ordinary	Provision of financial advice and appropriate solutions	100%
IVA Insurance Limited	Guernsey	100% Ordinary	Offshore insurance company	100%
Debt Free Direct Australia	England	100% Ordinary	Intermediate holding company	100%
Debt Advice and Money Solutions Group	England	100% Ordinary	Dormant	100%
Debt Free Direct Australia Pty	Australia	100% Ordinary	Provision of financial advice and appropriate solutions	100%
Clear Start UK Limited	England	100% Ordinary	Provision of financial advice and appropriate solutions	100%
DFD Equity Release Limited	England	100% Ordinary	Dormant	100%
Debt Free Direct Group PLC	England	100% Ordinary	Dormant	100%
Up and Up Limited	England	100% Ordinary	Dormant	100%
Up and Up Group PLC	England	100% Ordinary	Dormant	100%

During the year the Group acquired 100% of the issued share capital of Clear Start UK for a consideration of £12,143,639. Further details relating to the consolidation are in note 28 to the consolidated financial statements.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

5. DEBTORS

	31 December 2007	30 April 2007
	£'000	£'000
Amounts owed by Group undertakings	11,322	11,847
	11,322	11,847

Amounts owed by Group undertakings include £11,322,000 (April 2007: £11,847,000) due after more than one year.

6. CREDITORS: Amounts falling due within one year

	31 December 2007	30 April 2007
	£'000	£'000
Amounts owed to Group undertakings	697	697
Corporation tax	-	7
	697	704

7. SHARE CAPITAL

Authorised share capital:

	31 December 2007	30 April 2007
	£'000	£'000
60,000,000 (April 2007: 60,000,000) ordinary shares of 1p each	600	600

Allotted, called up and fully paid:

	31 December 2007	30 April 2007
	£'000	£'000
Ordinary shares of 1p each (April 2007: 375,995)	424	376

During the year the company issued 4,811,926 ordinary shares of 1p each from the exercise of share options and acquisition of Clear Start UK Limited. The aggregate nominal value was £48,119 and the total consideration received was £12,038.

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.

7. SHARE CAPITAL (Continued)

Share option scheme

At 31 December 2007, the following options had been granted to employees via EMI, CSOP and unapproved schemes:

Option Price	No of Existing Shares	Exercise Date	Option Price	No of Existing Shares	Exercise Date
0.6750	2,662	10-Feb-06	0.8100	5,863	01-Jun-09
0.6750	14,816	10-Feb-06	3.0900	2,048	24-Jun-09
0.7000	86,357	23-Apr-06	4.3200	3,486	24-Jun-09
0.7200	640,000	30-Apr-06	1.8900	4,252	24-Jun-09
0.7200	7,143	24-May-06	2.3700	31,646	24-Jun-09
0.8100	3,705	29-Jun-06	2.3700	31,561	29-Jun-09
0.8650	17341	04-Oct-06	2.0000	5,000	01-Oct-09
0.6600	100,000	12-Nov-06	1.9800	10,101	28-Nov-09
0.6750	3,340	28-Jan-07	2.3700	66,666	31-Dec-09
1.3150	17,560	28-Jan-07	2.6700	8,500	27-Jan-10
1.4600	240,000	30-Apr-07	1.3150	15,147	27-Jan-10
0.7200	320,000	30-Apr-07	3.0900	17,803	27-Jan-10
0.8100	3,086	24-Jun-07	2.6700	70,086	29-Jan-10
1.8900	3,600	24-Jun-07	2.6700	129,780	29-Jan-10
2.3700	8,439	24-Jun-07	1.4600	13,699	01-Apr-10
0.0728	31,005	24-Jun-07	1.6000	200,000	30-Apr-10
2.3700	31,561	29-Jun-07	4.3200	400	24-Jun-10
2.0000	200,000	30-Sep-07	3.0900	6,300	24-Jun-10
2.0000	5,000	01-Oct-07	2.3700	25,323	24-Jun-10
1.9800	10,101	28-Nov-07	2.3700	31,561	29-Jun-10
0.0100	14,029	14-Dec-07	2.3700	56,400	29-Jun-10
2.3700	33,334	31-Dec-07	2.0000	5,000	01-Oct-10
1.3150	8,602	27-Jan-08	1.9800	10,101	28-Nov-10
0.6750	12,593	27-Jan-08	2.3700	33,333	31-Dec-10
3.0900	29,579	27-Jan-08	2.6700	8,500	27-Jan-11
1.4600	13,699	01-Apr-08	3.0900	40,540	27-Jan-11
1.4600	120,000	30-Apr-08	2.6700	23,362	29-Jan-11
0.7200	280,000	30-Apr-08	2.6700	43,260	29-Jan-11
0.8100	5,861	01-Jun-08	1.4600	13,699	01-Apr-11
4.3200	800	24-Jun-08	1.6000	200,000	30-Apr-11
1.8900	6,300	24-Jun-08	4.3200	400	19-Jun-11
2.3700	8,439	24-Jun-08	2.3700	41,460	19-Jun-11
2.3700	31,561	29-Jun-08	2.3700	18,800	29-Jun-11
1.3150	28,517	01-Aug-08	2.3700	31,561	29-Jun-11
4.4200	5,656	30-Aug-08	2.0000	5,000	01-Oct-11
2.0000	5,000	01-Oct-08	1.9800	10,101	28-Nov-11
1.9800	10,101	28-Nov-08	2.6700	23,362	29-Jan-12
2.3700	66,667	31-Dec-08	2.6700	100,460	29-Jan-12
1.3150	7,778	28-Jan-09	2.6700	8,500	31-Jan-12
2.6700	8,500	28-Jan-09	1.6000	200,000	30-Apr-12
0.6750	12,593	28-Jan-09	2.3700	18,800	29-Jun-12
3.0900	15,862	28-Jan-09	2.3700	33,544	29-Jun-12
1.4600	13,699	01-Apr-09	2.3700	9,495	29-Jun-13
1.4600	120,000	30-Apr-09	2.3700	5,274	29-Jun-14
1.6000	200,000	30-Apr-09	2.3700	5,275	29-Jun-15
				4,430,334	

161,284 share options were exercised in the period and 696,508 share options lapsed during the period.

The exercise date shown is the commencement of the exercise period, being two years from the date of issue. Options cannot be exercised later than the tenth anniversary of the date of issue and are exercisable during a 42 day period following the announcement of the Group's financial results.

No directors exercised share options during the period.

Further details on the Company's share schemes are set out in Note 9.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

8. RESERVES

Company	Share Premium Account £'000	Shares to be issued £,000	Merger Reserve £'000	Profit and Loss Account £'000	Total £'000
At beginning of period	13,777	-	-	192	13,969
Share options issued on acquisition of subsidiary	-	254	-	-	254
Shares issued on acquisition of subsidiary	-	-	11,842	-	11,842
Share options exercised	194	-	-	-	194
Cancellation of share premium	(13,971)	-	-	13,971	-
Profit for the period	-	-	-	(65)	(65)
	-	254	11,842	14,098	26,194

On 11 October 2007 the Company applied to the High Court to cancel the Share Premium Account. On cancellation the balance of this account was transferred to distributable reserves.

9. SHARE BASED PAYMENTS

Fairpoint Group plc operates four share schemes for employees; an Executive Share Option Scheme (ESOS) for certain senior management including executive directors, an Enterprise Management Incentive Scheme (EMI), a company share option plan (CSOP) and an unapproved scheme.

Under the option types excluding ESOS the options vest based on vesting periods.

- The EMI options are subject to the employee having completed two years from date of grant
- The CSOP options are subject to the employee having completed three years from date of grant
- The approved options are subject to the employee having completed one year from date of grant

	8 months ended 31 December 2007		12 months ended 30 April 2007	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at beginning of year	1.47	4,523,338	1.30	4,370,246
Granted during the year	2.13	852,631	3.23	796,352
Exercised during the year	1.21	(161,284)	0.75	(270,058)
Lapsed during the year	1.79	(696,508)	3.75	(373,202)
Outstanding at end of year	1.56	4,518,177	1.47	4,523,338

The exercise price of options outstanding at the end of the period ranged between 1p and 442p (At 30 April 2007: 66p and 442p) and their weighted average contractual life was 7.67 years (At 30 April 2007: 8.05 years).

Of the total number of options outstanding at the end of the year 310,123 (30 April 2007: 133,486) had vested and were exercisable at the end of the year. 161,284 options were exercised during the year (30 April 2007: 270,058). The weighted average fair value of each option granted during the period was £2.13 (12 months ended 30 April 2007: £3.23).

The following information is relevant in determination of the fair value of options granted during the year.

	8 months ended 31 December 2007	12 months ended 30 April 2007
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	2.13	3.23
Weighted average exercise price (£)	1.56	1.47
Weighted average contractual life (years)	7.67	8.05

The volatility is based on an average weekly share price over the last year.

10. EMPLOYEES

Fairpoint Group plc has no employees and did not incur any payroll costs (2007; nil)



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