

FAIRPOINT.

FAIRPOINT GROUP PLC

Preliminary Results for the Year Ended 31 December 2008

Fairpoint Group plc ("Fairpoint" or "the Group"), the financial services business focused on serving financially stressed consumers, today announces its preliminary results for the year ended 31 December 2008.

Highlights

- Full year results are in line with expectations.
- Profit before tax adjusted for brand amortisation of £0.4 million and exceptional restructuring costs of £1.4 million was £2.9 million. (eight months to 31 December 2007: loss of £0.3 million).
- Significant improvement in underlying profitability.
 - Revenue of £26.5 million (eight months to 31 December 2007: £19.9 million).
 - Gross margin rose to 37% (eight months to 31 December 2007: 32%).
 - Adjusted EBITDA¹ £4.5million for the year (eight months to December 2007: £2.2million).
 - Profit before tax from continuing operations was £1.1million (eight months to December 2007: loss of £0.5million)
- Improved funding position.
 - Cash generated from operations £1.8 million (eight months to 31 December 2007 outflow of £1.6 million).
 - Net borrowings fallen by £2.3 million since 30 June 2008.
 - Net borrowings at 31 December £8.6 million.
 - As at February 2009 borrowings had reduced further falling to below £7.8million.
 - Committed bank facilities through 2012.
- Fully compliant with banking covenants with ample headroom.
- Operational recovery on track despite adverse market backdrop for much of 2008.
 - Marketing costs fallen to 28% of revenue (eight months to 31 December 2007: 36%).
 - Core IVA conversion rates improved with Q408 28% ahead of Q108 average.
- Restructuring complete and providing enhanced cost efficiency.
 - Direct costs per new IVA fallen 8% to £714 per case in second half.
 - Direct costs per ongoing case fallen 19% to £13 per case per month in second half.
 - Monthly overheads fallen 12% to £0.4 million per month in second half.
- Debt management successfully rolled out and delivering material benefit.
 - 2,728 plans sold in second half.
 - 3,566 plans live at end of year.
 - Debt management contribution of £1.0 million for the full year (eight months to 31 December 2007: £0.1 million).
- Outlook for 2009 positive.
 - Strong IVA business.
 - Early signs of enhanced contribution from debt management.
 - Increasing consumer demand.

¹ Adjusted EBITDA represents EBITDA of £(669,000), (2007: £45,000) adjusted for finance income – unwinding of discount on IVA revenues and exceptional restructuring costs.

Matthew Peacock, Chairman said:

“The momentum generated in the second half of 2008 provides a robust platform upon which to build. As we enter 2009 we can see improvements to our business performance and can expect this to continue. Our operational capability is delivering good efficiencies and the market conditions lead us to expect growing demand for our products in the coming year.

Our pipeline of new business in the new financial year is strong. From this sound base, I have every confidence in our ability to perform over the coming year under the strong leadership of Chris Moat and his executive team.”

Chris Moat, Chief Executive Officer said:

“I am pleased to report that all of the key targets set out for the second half of the year have been met. The full year 08 results highlight our significant progress in improving underlying profitability and reducing net borrowings. As we enter 2009 management are confident that we can continue to grow revenues, reduce borrowings and widen our range of financial services as the business fundamentals are strong. The Group is well positioned to satisfy the increasing demand for consumer debt solutions in 2009.”

Chairman's Statement

"Every confidence in our ability to perform over the coming year"

Overview

In my first reporting period as Chairman of your Board, I am pleased to report that Fairpoint has delivered a much improved set of results and has taken a number of significant steps in creating a growing and sustainable business.

The progress made, particularly in the second half of 2008 is marked in a number of respects and credit must go to the new management team who have been instrumental in improving the fortunes of this business. In particular, profit generation accelerated rapidly in the second half of the year and the business was strongly cash generative, having been heavily cash consumptive in the first half, leading to a significant reduction in cash borrowings.

The business is now more diversified following the Board's decision to bring Debt Management in house and the early signs from a broader cross sell programme are encouraging.

With reduced costs following our restructure of operations, our profit before tax from continuing activities has improved from a loss of £0.5 million in the prior period to a profit of £1.1 million. Basic earnings per share stand at 1.51p compared to 0.49p for the prior period.

Operational Progress

The business entered 2008 faced with a new IVA fee protocol which effectively reduced fee levels by 19%, as well as facing a head wind in its mortgage broking business due to credit availability. It initially was slow to adapt to these market changes, however, following the creation of the new management team in May under the leadership of Chris Moat it quickly set about reviewing the business operating model.

The second half of the year has seen effective operational execution across a number of fronts. Firstly the Clearstart business was integrated and the Nottingham facility disposed of. Our marketing approach and in particular our client acquisition activity was overhauled leading to significantly reduced costs. Weaknesses in our operational processes were addressed and conversion levels are now reaching historical highs. This combination of reduced costs, more selective client acquisition and enhanced operational efficiency have improved profitability in the core IVA business.

The launch of our in-house debt management solution took place in July 2008, and is now successfully established as a new business line. The first phase of this product launch has focused on improving operational effectiveness by leveraging existing marketing channels to good effect. This now allows us to offer debt solutions to a greater proportion of clients. We will continue to build our position as a leading provider of debt advice and solutions and to extend our range of products and services.

Your Board

I would like to welcome Christopher Moat who joined the board as Chief Executive Officer in May 2008, Andrew Heath who joined as Finance Director in September 2008 and John Allkins who joined as Non Executive Director, also in September 2008. Finally I joined the Board in June and became Chairman in September.

Christopher, who was previously with RBS Insurance as Managing Director of UKI Partnerships and Direct Line, brings a wealth of experience in consumer financial services. Andrew has been with the Group since April 2007 having joined from Capital One Bank. John is also a Non-Executive Director of Renold plc, Molins plc and Intec Telecoms Systems and was previously Group Finance Director of My Travel Group plc. Alongside his financial skills, John brings strong risk management experience which will be of benefit in the delivery of the Group's current strategy.

I would like to thank Andrew Redmond who stepped down as an Executive in May 2008 and Michael Blackburn who retired from the Board in September 2008 for their contribution and leadership over many years.

Outlook

The momentum generated in the second half of 2008 provides a robust platform upon which to build. As we enter 2009 we can see improvements to our business performance and can expect this to continue. Our operational capability is delivering good efficiencies and market conditions lead us to expect growing demand for our products in the coming year. Managing issues around long term unemployment is important to the business but our progress in operational improvement leaves us confident in our ability to deal with this challenge.

We continue to pursue our strategy of extended product reach alongside a strong focus on cash management and we aim to reduce our existing borrowing levels further in the current year. As a consequence the Board has decided to recommend that no dividend be paid but it will reconsider future dividend policy in the light of results from the business going forward.

We have a strong pipeline of new business in the first two months of the new financial year. From this sound base, I have every confidence in our ability to perform over the coming year under the strong leadership of Chris Moat and his executive team.

Matthew Peacock
Chairman

Chief Executive Officer's Statement

“Return to profitability with strengthened cash generation”

Overview

2008 finished strongly and as reported in our January 2009 trading update our full year results were in line with expectations. I was particularly encouraged that these results were delivered as a consequence of operational improvement across the business and these improvements have allowed us to end the year with:

- A significant reduction in net borrowings (down from £10.9million at 30th June 2008 to £8.6million. at 31 December 2008).
- A strong improvement in underlying profitability.
- A more diversified product range following the introduction of Debt Management.

These results were achieved following a good response by the new management team to the changes in our operating environment.

Market Review

2008 marked the first full financial period in which the new IVA fee charging regime was introduced leading to a 19% fall in the average revenue per new IVA case during the year.

This unprecedented fall created significant strain for all organisations with a business bias towards IVAs.

The year started poorly as Fairpoint felt the full impact of these market changes in the first half of 2008, which was characterised by:

- Weak operational performance.
- Protracted integration of Clearstart.
- High levels of cash consumption.
- Lack of an in house Debt Management capability.

The combination of the above factors mean that the Group delivered a first half profit before tax adjusted for exceptional restructuring costs and brand amortisation of £0.7million. In addition the Group incurred exceptional restructuring costs of £1.3million as it put in place its operational recovery programme. Net borrowings rose from £6.9million at 31st December 2007 to £10.9million at 30th June 2008.

In the second half of the year a new management team was assembled which set about addressing these problem areas. Targets were specifically set around:

- Implementation of an operational improvement programme.
- Cash generation.
- Realisation of cost savings by completing the Clearstart integration.
- Launch of an in-house Debt Management product.

From a financial perspective the goal was to deliver a full year profit before tax adjusted for exceptional restructuring costs and brand amortisation of £2.9million and bring cash borrowings down to £8.9million.

Chief Executive Officer's Statement (continued)

I am pleased to report that all of the key targets have been achieved, specifically:

- Our profit before exceptional restructuring, brand amortisation and tax reached £2.9 million compared to a loss of £0.3 million in the eight months to 31 December 2007. More efficient marketing spend, increased conversion of leads and cost reductions led to gross margins rising from £6.7 million to £9.9 million.
- Operational performance improvement was ahead of expectations as IVA conversion rates improved, the final quarter ahead by 36% compared to the first half.
- The ClearStart integration was completed contributing to a significant reduction in direct IVA costs and overheads. Total direct costs and overheads excluding depreciation and amortisation fell from £7.9million in the first half to £6.9million in the second.
- Profit before tax rose to £1.1 million compared to a loss of £0.5 million in the eight months to 31 December 2007.
- 2,728 Debt Management plans were written in house giving us a book of live cases at year end totalling 3,566.
- Net borrowings at year end were lower than we had targeted at £8.6 million with £2.3 million of borrowings paid down in the second half of the year.

The improvement in IVA performance and the growing contribution from Debt Management compensated for lower Mortgage income as this section of the market suffered from lack of supply. Mortgage income fell 45% on an annualised basis to £1.3million. We have restructured our mortgage business to continue to operate at breakeven on these lower volumes.

The new protocol and fee charging levels have now been in place for over 12 months and during that period there has been no further creditor pressure on fee levels. Indeed our experience is that creditors are looking increasingly sympathetically at IVA proposals, in particular:

- Our approval rates of IVAs are improving.
- We have a constructive dialogue with previously hostile creditors and are seeing IVA approvals now being granted.
- Creditors with high dividend hurdle rates have recently reduced their rates for accredited IVA providers of which we are one.

We have adapted our business model to successfully operate in this business with sustainable margins.

Customer management is a key area of operational focus for the business and remains under control. We continue to focus on the area of unemployment risk and to date have been successful in obtaining variations to IVAs whereby the plan stays in tact and payments are suspended for periods of unemployment lasting not more than six months. Operationally we have improved breakage levels in the first six months of an IVA.

Outlook

As we enter 2009 the business fundamentals are strong:

- Market conditions continue to support a growing need for consumer debt solutions and we would expect these conditions to persist for the foreseeable future.
- The business continues to be cash generative and as at end of February borrowings had fallen to below £7.8million.
- Operational performance has now stabilised at historically high conversion rates on the IVA business.

Chief Executive Officer's Statement (continued)

- The Debt Management business continues to make progress, although we are finding that clients who initially indicate a preference for a Debt Management plan, are subsequently showing a strong appetite for IVAs.

Our key areas of focus for 2009 will be:

- **Growing Revenues** - we expect to see a modest growth in total revenue, this will be reflected in a combination of growing customer numbers in IVA and debt management but with mortgage volumes falling significantly year on year. We are actively exploring further revenue streams which can compliment and enhance our existing customer proposition.
- **Reducing our borrowings** – our objective is to bring borrowing down with a view to ending the year with borrowings less than our annual adjusted PBT.
- **Widening our range of financial services** – we will continue to grow our debt management business and are actively exploring ancillary products suitable for our clients.
- **Improving our ratio of costs to income** - our operational improvement programme will continue to drive benefits across the business. This will come from the following core areas:
 - Marketing effectiveness, reducing the cost per IVA. This is achieved through a combination of growth in the Partnerships distribution channel and improving direct marketing capability.
 - Improved conversion rates on core business.
 - Operational improvement initiatives geared around process improvement, reduction in customer hand offs and resulting in a further fall in supervisory costs.

In summary, under its new management team the business has been very effective in the second half of the year and delivered robust financial performance. This provides us with a strong platform to meet increasing demands for our services and we look forward to the future with confidence.

Finance Director's Statement

Overview

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Continuing Operations

Revenue

The revenue from continuing operations was £26.5 million (eight months to 31 December 2007: £19.9 million). Revenues from IVA operations were negatively impacted during the period following the introduction of new fee arrangements in the final quarter of 2007. Debt Management revenues rose following the decision of the group to cease referring such products to third parties and open its own in-house operation in July 2008. Revenue from financial services fell during the year as the market for sub prime mortgage broking suffered from an acute fall in the number of providers.

IVA Services

Our IVA division wrote 7,300 new cases during the year (eight months to 31 December 2007: 5,327 cases) representing an estimated 20% market share. Revenue per new case fell from £2,796 to £2,278 as the new fee regime came into full effect but average approval rates at meeting of creditors rose from 84% to 89% as creditors ceased to directly oppose IVAs. The overall IVA market shrank by 7% during the year despite increased numbers of bankruptcies and consumers entering Debt Management plans, although recent Insolvency Service data has shown 6% growth in the final quarter of 2008.

Debt Management

In July 2008 following a successful trial period we entered the Debt Management market. The move allows us to meet consumer's needs directly whilst retaining an ongoing relationship. During the year we provided 6,456 consumers with new Debt Management Plans (2007: 2,583). Following the development of our own capability 4,093 of these were provided in-house and at the year end we had 3,566 ongoing cases contributing to plans. Overall revenue grew from £0.3 million to £2.3 million.

Financial Services

The year started well for our Financial Services division but from May onwards it became clear that the supply of finance for sub-prime mortgages was rapidly shrinking despite a strong volume of customers requesting the products. By the year end no significant sub-prime mortgage providers were active in the market and revenues had declined significantly. We have reduced our costs to reflect these volumes and retain a mortgage brokering capacity which operates at break even.

During the second half of the year we have explored a number of trials for further value added services we can provide our customers, and these are beginning to generate revenues, although contribution to profits is still quite low.

In particular the introduction of our Card One Banking prepaid card and account has proven popular with clients helping them to mitigate accounts from existing providers quickly and in turn improving the time taken to complete an IVA where appropriate. By the end of December, 530 clients had taken up the new product in the trial.

Finance Director's Statement (continued)

Reclassification of comparative numbers

During the year the Group reconsidered the presentation of line items within the Income Statement to better reflect its activities. A number of items have been changed specifically the recognition of Finance Income from the unwinding of discounts on IVA Revenues bad debt expense and cost of sales. As a result several items in the prior year comparatives have been reclassified with no impact on profit.

Adjusted Profit Before Tax

Profit before tax adjusted for brand amortisation of £0.4 million and exceptional items of £1.4 million for the year was £2.9 million (eight months to 31 December 2007: loss of £0.3 million). Gross margin improved to 37% (eight months to 31 December 2007: 32%) based on lower marketing expenditure and improved conversion in the second half of the year despite lower IVA fees and mortgage volumes. Finance income and bad debts rose in the period principally as a result of the maturing of the IVA portfolio and an increase to the revenue discount rate from 15% to 20% to reflect higher risk premiums in the current economic environment.

Exceptional Restructuring Expense

During the year the Group closed its Nottingham operations and reorganised its management structure incurring one off costs of £1.4 million. The Nottingham office was successfully disposed of in the year and no recurring liabilities remain at the year end. The restructuring has allowed the Group to deliver significantly lower costs per product sold and monthly overheads in the last six months of the year.

Financial Costs

Interest costs rose to £0.8 million (eight months to 31 December 2007: £0.4 million) reflecting higher levels of borrowing incurred by the Group and higher average LIBOR borrowing rates in the period. Lower LIBOR rates and falling borrowings at year end have resulted in a lower run rate of finance costs. The Group benefits from a low margin at 150bps over LIBOR and at 31 December 2008 had entered swap arrangements over £5 million of its borrowings providing protection against interest rate volatility.

Discontinued Operations

The Groups Australian business was divested of in January 2008. The Group incurred losses in the year of £0.1 million (eight months to 31 December 2007: £1.3 million).

Taxation

The Group's expense for taxation was £0.5 million representing an effective tax rate of 43% (eight months to 31 December 2007: £0.7 million credit). Further detail is provided in note 7 to the financial statements.

Profit for the year

The Group achieved a retained profit for the year of £0.5 million (eight months to 31 December 2007: loss of £1.1 million).

Dividends

Dividends of £1.7 million were paid in the year relating to the previous financial year (eight months to 31 December 2007: £1.1 million). The Board is not proposing a dividend in respect of the current financial year.

Balance Sheet

Net assets at 31 December 2008 were £32.1 million (2007: £33.2 million).

Cashflow and Borrowings

Operating cash inflow from continuing operations was £1.8 million (2007 £1.6 million outflow).

Payment for purchase of non-current assets was £1.0 million (2007: £1.0 million).

Net borrowings at 31 December excluding finance lease liabilities were £8.6 million (2007: £6.9 million). The Group signed a new credit facility during the year with The Royal Bank of Scotland plc for £16 million. The new facility is the Group's principal borrowing facility and extends to 31 December 2012 with £8 million repayable at 31 December 2011 and £8 million repayable at 31 December 2012.

Our KPI's

	Year to 31 December 2008	8 Months to 31 December 2007
Lead volumes	124,300	81,600
Total solutions sold	14,346	8,427
IVA solutions sold	7,300	5,327
Average fee per new IVA	£2,278	£2,796
Average fee per new non-IVA solution	£426	£594
Average number of ongoing cases	17,773	12,753
Revenue per ongoing case per month	£34	£32
Marketing as a % of revenue	28%	36%
Other cost of sales as a % of revenue	35%	32%
Monthly Overheads	£476,000	£484,000

Andrew Heath
Finance Director

Analyst Presentation

There will be an analyst presentation to discuss the results at 9.30am at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB.

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Fairpoint Group plc

Consolidated Income Statement for the Year Ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	8 Months ended 31 December 2007 ² £'000
<u>Continuing operations</u>			
Revenue		26,459	19,887
Cost of sales		<u>(16,606)</u>	<u>(13,518)</u>
Gross profit		9,853	6,369
Administrative expenses		(11,788)	(8,879)
Finance income – unwinding of discount on IVA revenue		3,851	2,362
Finance income – other		23	69
Adjusted EBITDA ¹		4,534	2,317
Depreciation		(522)	(417)
Impairment of Intangibles		-	(1,147)
Amortisation		(744)	(901)
Exceptional restructuring costs		(1,352)	-
Finance income – other		23	69
Profit/(Loss) before finance costs		1,939	(79)
Finance costs		<u>(815)</u>	<u>(422)</u>
Profit/(Loss) before taxation		1,124	(501)
Tax (expense)/credit	2	<u>(479)</u>	<u>703</u>
Profit for the period from continuing operations		645	202
<u>Discontinued operations</u>			
Loss for the period from discontinued operations		<u>(96)</u>	<u>(1,309)</u>
Profit/(Loss) for the period		<u>549</u>	<u>(1,107)</u>

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

Earnings per ordinary share

Profit from continuing operations	3	1.51	0.49
Loss from discontinued operations		(0.23)	(3.20)
Total profit/(loss) from operations		<u>1.28</u>	<u>(2.71)</u>

Diluted earnings per ordinary share

Profit from continuing operations	3	1.51	0.49
Loss from discontinued operations		(0.23)	(3.20)
Total profit/(loss) from operations		<u>1.28</u>	<u>(2.71)</u>

¹ Adjusted EBITDA represents EBITDA of £(669,000), (2007: £45,000) adjusted for finance income – unwinding of discount on IVA revenues and exceptional restructuring costs.

² Certain comparative figures have been reclassified to better reflect their nature.

Fairpoint Group plc

Consolidated Statement of Recognised Income and Expense for the Year Ended 31 December 2008

	Year ended 31 December 2008	8 months ended 31 December 2007
	£'000	£'000
Exchange differences on translation of foreign operations	(4)	(50)
Net profit/(loss) recognised directly in equity	(4)	(50)
Profit/(Loss) for the period	549	(1,107)
Total recognised income and expense in the period	545	(1,157)

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

Fairpoint Group plc

Consolidated Balance Sheet for the Year Ended 31 December 2008

	As at 31 December 2008	As at 31 December 2007
Notes	£'000	£'000
ASSETS		
Non Current Assets		
Property, plant and equipment	1,807	2,216
Goodwill	11,343	11,318
Other intangible assets	5,701	5,722
Total Non Current Assets	18,851	19,256
Current Assets		
Trade receivables	23,150	22,657
Other current assets	1,632	2,177
Cash and cash equivalents	565	-
Current tax asset	-	275
Non current assets classified as held for sale	-	59
Total Current Assets	25,347	25,168
Total Assets	44,198	44,424
EQUITY		
Share capital	429	424
Share premium account	18	-
Merger reserve	11,842	11,842
Other reserves	254	254
Retained earnings	19,599	20,748
Translation reserve	-	(62)
Total equity attributable to equity holders of the parent	32,142	33,206
LIABILITIES		
Non Current Liabilities		
Long-term borrowings	8,944	402
Deferred tax liabilities	854	895
Total Non Current Liabilities	9,798	1,297
Current Liabilities		
Bank overdraft	-	5,636
Trade and other payables	1,774	2,958
Short-term borrowings	358	1,079
Provisions	-	107
Current tax liability	126	-
Liabilities directly associated with non-current assets classified as held for sale	-	141
Total Current Liabilities	2,258	9,921
Total Liabilities	12,056	11,218
Total Equity and Liabilities	44,198	44,424

Fairpoint Group plc

Consolidated Cash Flow Statement for the Year Ended 31 December 2008

	12 months ended 31 December 2008	8 months ended 31 December 2007
Notes	£'000	£'000
Cash flows from continuing operating activities		
Profit/(Loss) on continuing operations before tax	1,124	(501)
Share based payments charge	66	38
Depreciation of property, plant and equipment	522	367
Amortisation of intangible assets and development expenditure	744	903
Impairment of intangible assets	-	1,147
Loss on sale of non current assets	165	52
Interest received	(23)	(227)
Interest expense	815	422
Foreign exchange translation	-	(54)
Increase/(Decrease) in trade and other receivables	111	(520)
(Decrease)/increase in trade and other payables	(1,630)	(1,916)
Cash flows from discontinued operations	(37)	(1,294)
Cash generated (absorbed by) from operations	1,857	(1,583)
Interest paid	(681)	(206)
Income taxes paid	(118)	(1,151)
Net cash generated from/(absorbed by) operating activities	1,058	(2,940)
Cash flows from investing activities		
Acquisition of subsidiaries, inclusive of costs and net of cash acquired	-	(538)
Purchase of property, plant and equipment (PPE)	(226)	(366)
Proceeds from sale of non current assets	11	2
Interest received	23	6
Purchase of intangible assets	(811)	(672)
Discontinued operations	-	(34)
Net cash absorbed by investing activities	(1,003)	(1,602)
Cash flows from financing activities		
Equity dividends paid	(1,698)	(1,129)
Proceeds from issue of share capital	23	236
Proceeds from long-term borrowings	8,900	-
Payment of short-term borrowings	(729)	-
Payment of long-term borrowings	(243)	(486)
Payment of finance lease liabilities	(107)	(88)
Net cash generated (absorbed by) from financing activities	6,146	(1,467)
Net change in cash and cash equivalents	6,201	(6,009)
Cash and cash equivalents at start of period	(5,636)	373
Cash and cash equivalents at end of period	565	(5,636)

1 Status of Financial Information

The financial information set out above does not constitute the company's statutory accounts for the periods ended 31 December 2008 or 31 December 2007. Statutory accounts for 31 December 2007 have been delivered to the Registrar of Companies and those for 31 December 2008 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their report was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under the Companies Act 1985, s 237(2) or (3). .

2 Tax (credit)/expense

	Year ended 31 December 2008 £'000	Year ended 31 December 2008 £'000	8 months ended 31 December 2007 £'000	8 months ended 31 December 2007 £'000
<i>Current tax expense</i>				
UK corporation tax and income tax of overseas operations on profits/(loss) for the year/period	315		(373)	
Adjustment for under/(over) provision	205		(44)	
		520		(417)
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	111		-	
Adjustment for over provision in prior periods	(152)		(286)	
		(41)		(286)
Total tax charge/(credit)		479		(703)

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:

	Year ended 31 December 2008	8 months ended 31 December 2007
(Loss)/Profit before tax from continuing and discontinued operations	1,028	(1,810)
Expected tax credit based on the standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	293	(543)
Expenses not deductible for tax purposes	127	624
Short term timing differences	-	(9)
Accelerated capital allowances	-	4
Different tax rates	-	27
Prior year deferred tax	(152)	(286)
Prior year current tax	205	(46)
Prior year adjustment	-	240
Effect of transition to IFRS	-	(714)
Share option relief	-	-
Other differences	6	-
Total tax charge/(credit)	479	(703)

Fairpoint Group plc

Consolidated Cash Flow Statement for the Year Ended 31 December 2008

3 Earnings per share

	Year ended 31 December 2008	8 months ended 31 December 2007
<i>Numerator</i>		
Continuing operations		
Profit for the period – used in basic and diluted EPS	645	202
	<hr/>	<hr/>
Discontinuing operations		
Loss for the period – used in basic and diluted EPS	(96)	(1,309)
	<hr/>	<hr/>
Total operations		
Profit/(loss) for the period – used in basic and diluted EPS	549	(1,107)
	<hr/>	<hr/>
<i>Denominator</i>		
Weighted average number of shares used in basic EPS	42,463,128	40,909,680
Effects of:		
- employee share options	132,878	-
Weighted average number of shares used in diluted EPS	<hr/> 42,596,006	<hr/> 40,909,680

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.

4 Dividends

	Year ended 31 December 2008 £'000	8 months ended 31 December 2007 £'000
Dividend of 4 pence (December 2007; 3 pence) per ordinary share proposed and paid during the year/period relating to the previous year's results	1,698	1,129
	<hr/> 1,698	<hr/> 1,129

The directors are proposing a final dividend of nil pence (2007; 4 pence) per share totalling £nil (2007; £1,698,000)

5 Segment information

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

For the year ended 31 December 2008

	IVA £'000	Financial Services £'000	Business Segments Debt Management £'000	Unallocated	Total £'000
<i>Revenue</i>					
Continuing	22,890	1,263	2,306	-	26,459
Discontinued	-	-	-	-	-
Total	22,890	1,263	2,306	-	26,459
<i>Profit/(loss)</i>					
Continuing operations	1,283	249	384	(792)	1,124
Discontinued operations	(96)	-	-	-	(96)
Profit/(loss) before tax	1,187	249	384	(792)	1,028
Taxation					(479)
Profit for the year					549
<i>Balance sheet</i>					
Assets	32,625	50	180	11,343	44,198
Liabilities	(1,772)	-	(2)	(10,282)	(12,056)
Net assets	30,853	50	178	1,061	32,142
<i>Other</i>					
Capital expenditure	979	1	57	-	1,037
Depreciation	498	12	12	-	522
Amortisation	744	-	-	-	744

5 Segment information (continued)

For the 8 month period to 31 December 2007 ¹

	IVA £'000	Financial Services £'000	Business Segments Debt Management £'000	Unallocated £'000	Total £'000
<i>Revenue</i>					
Continuing	18,046	1,547	294	-	19,887
Discontinued	302	-	-	-	302
Total	18,348	1,547	294	-	20,189
<i>(Loss)/Profit</i>					
Continuing operations	(733)	535	50	(353)	(501)
Discontinued operations	(1,169)	-	-	(140)	(1,309)
(Loss)/Profit before tax	(1,902)	535	50	(493)	(1,810)
Taxation					703
Loss before tax					(1,107)
<i>Balance sheet</i>					
Assets	32,709	122	-	11,593	44,424
Liabilities	(3,336)	130	-	(8,012)	(11,218)
Net assets	29,373	252	-	3,581	33,206
<i>Other</i>					
Capital expenditure	379	21	-	-	400
Depreciation	375	8	-	-	383
Amortisation	903	-	-	-	903
Other non cash expenses	1,255	-	-	-	1,255

¹ Certain comparative figures have been reclassified to better reflect their nature. Detail is provided in note 2. In addition the Group established its own in-house Debt Management business during the year ended 31 December 2008. Revenues and profits attributable to the referral of debt management plans in the prior period have been separately reclassified to allow comparison.

Fairpoint Group plc

Consolidated Cash Flow Statement for the Year Ended 31 December 2008

5 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	
	Year ended 31 December	8 Months ended 31 December	Year at 31 December	8 Months at 31 December	Year ended 31 December	8 Months ended 31 December
	2008	2007	2008	2007	2008	2007
	£'000	£'000	£'000	£'000	£'000	£'000
UK	26,459	19,887	44,198	44,365	1,037	366
Rest of world (discontinuing)	-	302	-	59	-	34
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	26,459	20,189	44,198	44,424	1,037	400
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Group's Australian operation was divested of in January 2008.

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

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

Unallocated expenses comprise finance costs and finance income – other.

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