10 September 2008

Fairpoint Group plc

Interim Results for the six months ended 30 June 2008

Fairpoint Group plc ("Fairpoint" or "the Group"), today announces its interim results for the six months ended 30 June 2008.

Highlights

- First half results in line with June expectations.
- Total Group Revenue of £13.9 million in H1 FY08 (H1 FY07; £14.2 million).
- Recurring EBITDA[1] (before exceptional restructuring costs) in H1 FY08 £1.1 million (H1 FY07; £2.9 million).
- Although the first half was very disappointing, substantial improvements have been made since May when Chris Moat joined as Chief Executive. The benefits of this will be seen in the second half.
- Group loans and overdrafts ended the period at £10.9 million, £0.3 million less than estimated in the June trading update and have fallen by £1.0 million in the two months since the end of June. Further improvement is expected for the year end.
- Integration of operations into one site has been completed in H1 FY08 with associated annual savings of approximately £1.4 million being delivered from the mid-year.
- The Group has continued its extension of products and solutions with the successful launch of in-house Debt Management Plans (DMPs). This is now fully implemented and performing in line with expectations. The Group completed over 3,300 DMPs in H1 FY08 and now all DMPs are completed in-house, with associated higher revenue, margins and establishment of a DMP back book.
- FY08 outlook in line with June expectations, driven by:
    - Improvements in IVA conversion rates that have been achieved since May, with further steps being implemented to offset weakness in mortgages
    - Contribution from Debt Management Plans
    - Impact of cost reductions previously implemented
- Favourable trading environment with increased numbers of consumers requiring debt solutions.
- Board changes made: Matthew Peacock announced as Chairman effective 9 September, 2008 and the resignation of Mike Blackburn. Additionally, the appointment to the Board of John Allkins as Senior Independent Director and Andrew Heath as Finance Director.

Matthew Peacock, incoming Chairman, said:

"We have made rapid progress in the last 3 months in initiating necessary changes to the business. Chris Moat has already begun to ring the changes in the business and whilst there is still a lot to do, the board is confident in his leadership. Finally, I am delighted John Allkins has agreed to join as Senior Independent Director, bringing valuable experience".

Chris Moat, Chief Executive, said:

"The Group is undergoing a transition in response to material changes in the debt solutions market. Immediate focus is on operational execution to drive profitability and continue our early successes whilst further improving cash generation. In parallel we are laying the foundation for future growth by broadening our product range to address the credit environment. The business is receiving close focus to ensure recent changes are embedded".

Chief Executive's Report

The first half results for 2008 reflect a period of very disappointing performance effected by lower margins, operational weakness and the one-off costs to restructure our operations. It was also the first, full period of trading wholly under the new IVA fee arrangements.

On appointment in May 2008, I undertook a detailed business review and found an organisation performing significantly below expectations and potential. The findings of this review, which we shared in a trading update on 10 June 2008, highlighted a lack of diversification into alternative debt solutions, increased cash consumption and weak operational performance leading to lower profitability than had been planned.

The results for the six months period to 30 June 2008 are as indicated in our June trading update. The business achieved a recurring EBITDA (before exceptional restructuring costs) of £1.1 million but one off costs of £1.3 million arising from the restructuring of our operations, together with finance, depreciation and amortisation charges of £1.0 million, have resulted in a loss before taxation from continuing operations of £1.2 million (H1 FY07 profit £2.9 million) .

I am pleased to highlight that progress since June has been positive with improvements in the following key areas:

- We have started to improve our cash position. In the two months since June 2008 we have generated £1.0 million of cash and total bank loans and overdrafts have reduced to £9.9 million. We see this trend continuing through the second half of the year.

- Our operational restructuring is now complete. Our Nottingham operations were fully transferred to Chorley at the end of June and all leases have been disposed of. In total we have seen employee numbers fall from 479 at December 2007 to 389 at June 2008. We expect the restructuring to deliver approximately £1.4 million of annualised cost savings bring benefits from the mid year and we continue to examine the business infrastructure for further cost saving opportunities.

- Our operational recovery plan is beginning to deliver improvements but the full benefits will not be realised in the current year. Core IVA conversion rates have improved by 14% from their lows of May. Creditor acceptance rates at meetings of creditors are consistently robust compared to the same period last year.

- Our debt management business, Lawrence Charlton, was successfully piloted in the first half and since 9 July has been fully rolled out and is now dealing with all Group leads. In the first half of the year our run rate of debt management plans was 550 per month (of which 60%

were referred to partners and 40% were in-house) compared to 250 per month in the first half of 2007 (100% of which were referred to partners). In the second half of the year, following the roll out of Lawrence Charlton, we expect to write an average of 550 in-house DMPs per month, with a peak of 600 reducing with the seasonally lower base of leads in Q4. Now these are written and retained in-house, we will benefit from resulting higher sales, margins and establishment of a back book of cases under management.

- Expectations for our mortgage business were modest but further tightening of lending markets since June has led to a decline in mortgage sales over the last two months. Demand for remortgages remains at historic levels but final completions are declining. In particular, consumers are declining mortgage offers due to high reversionary rates. In the first half the business contributed £0.4 million but we expect this will decline to break even in the second half.

Marketing performance during the first half was in line with our plan. With a growing base of customers seeking debt solutions, we continue to develop new marketing channels. The first half saw internet marketing account for over 50% of our lead volumes for the first time. We have invested in our business to business marketing capabilities and through ClearStart Partnerships we are excited by future marketing opportunities.

During the period breakage rates have been in line with expectations. We have invested in an enhanced collections' capability and successfully rolled out our early delinquency programme reducing early breakage. We continue to pursue additional initiatives to provide solutions to help consumers reduce their outgoings and mitigate current inflationary pressures.

Additionally, we are working closely with creditor agencies to introduce greater flexibility in the handling of existing and new cases to provide debtors with the support needed to manage through temporary difficulties.

From 1 October 2008 we will be launching a new banking solution for our customers.

Finance Director's Report

	6 months to June 08 £'m	6 months to December 07 £'m	6 months to June 07 £'m
Revenue	13.9	14.9	14.2
Gross Profit	8.1	8.5	9.1
Recurring EBITDA	1.1	1.7	2.9
Non recurring items	(1.3)	(0.9)	-
(Loss)/profit before taxation from continuing operations	(0.8)	0.2	2.3
Loss on discontinued operations	(0.1)	(1.2)	(0.5)

Non-recurring items

- Restructuring costs associated with the closure of Nottingham offices, reduction in staff numbers and management changes.

Discontinued operations

- The company disposed of its Australian operations on 31 January 2008. The results for the period represent trading losses incurred prior to the sale.

Segmental information

	6 months to June 08 £'m	6 months to December 07 £'m	6 months to June 07 £'m
Revenue			
IVA Services	12.4	13.6	12.7
Financial Services	0.9	1.1	1.3
Debt Management	0.7	0.2	0.2
	13.9	**14.9**	**14.2**
Contribution			
IVA Services	3.3	4.5	4.1
Financial Services	0.5	0.6	0.9
Debt Management	0.3	0.1	0.1
Total Group Contribution	**4.1**	**5.3**	**5.1**
Central Overheads	**(3.0)**	**(3.1)**	**(2.2)**
Recurring EBITDA	**1.1**	**2.2**	**2.9**

New Customers	6 months to June 08 No.	6 months to December 07 No.	6 months to June 07 No.
IVA Services	3,949	4,368	3,492
Financial Services	408	377	340
Debt Management	3,301	2,212	1,431
	7,658	**6,957**	**5,263**

Existing Customers	No.	No.	No.
IVA Services	16,379	14,402	10,517
Debt Management	1,130	-	-
	17,509	**14,402**	**10,517**

IVA revenues fell during the period due to lower volumes and reduced margin offset by lower marketing costs.

Mortgage income deteriorated over the period as providers progressively lowered loan-to-value ratios and increased margins.

Debt management was historically driven by referral relationships where the group received revenue solely on first payments. The establishment of in-house capability has allowed us to benefit from the recurring fees generated by our book of cases.

Balance Sheet and Cashflow	June 2008 £m	June 2007 £m
Shareholder funds	30.6	23.5
Bank loans and overdrafts	10.9	3.8

Bank loans and overdrafts increased from £6.7 million at December 2007 to £10.9 million at June 2008. Cash outflow from operations was a £1.5 million outflow as the Group replaced £1.5 million of debt factoring facility previously employed on Clear Start cases with bank debt, saving approximately £0.1 million per annum in financing charges and administration.

No dividend is proposed for the interim period. The payment of a final dividend is under review but the board considers it unlikely that such a dividend will be paid

Outlook

Our focus in the second half of 2008 places an emphasis on:

- Maintaining strong cash generation

  We saw bank loans and overdrafts peak at £10.9 million in June 08. Since the end of June we have generated £1.0 million of cash and expect a further £1.0 million to be repaid in H2 2008.
  Strong cost control and the benefit of our restructuring have reduced overheads to £470,000 per month through the second half falling to below £450,000 by the end of FY 2008.

- Migrating the business model

  Whilst maintaining a consistent level of investment in marketing, we aim to broaden the range of debt solutions available to consumers. We have taken an important step in this process by introducing Lawrence Charlton, our debt management business. A greater range of solutions allows the cost of marketing to be spread reducing overall acquisitions costs whilst providing a greater number of customers with appropriate products. Further development is expected in H208 with the introduction of banking services and other products within our Financial Services business. We expect these will add to profit in FY 2009.

- IVAs

  Fee structures remain stable. Our focus will be to increase conversion of IVAs from our available leads, supported by expansion of our Partnership business. New business volumes will fall slightly in H2 2008 as we enter the seasonal lull, but overall contribution will benefit from increased cases in the backbook benefiting from reduced acquisition costs.

- Debt Management Plans

  Our focus is on successfully building the Lawrence Charlton business with expected run-rates of 550 solutions per month in H2 2008, as we achieve conversion rates twice those of referred solutions. Revenues and margins will improve on H1 2008 as we steadily build a strong backbook of DMP cases.

- Financial Services

  Although demand for remortgage products remains high, the ongoing lack of affordable mortgage supply will limit the number of solutions we can sell. We continue to provide solutions for our consumers but mortgage products will not contribute materially to Group profits.

  In October 2008 we will introduce the first of our banking services solutions and will enhance the offering with wider products to help customer expenditure. Contribution from new products in FY 2008 is expected to be low, increasing in FY 2009.

The second half will see a continuation of the strengthening of business performance and operations but key executional risks in achieving the £4.3 million recurring EBITDA (before exceptional restructuring costs) have been reduced, albeit weakness in mortgages will require new initiatives to replace approximately £0.4 million of associated profits. Our outlook for the year remains unchanged with the delivery of this being a significant step towards a much improved 2009.

	12 Months to Apr 07	8 Months to Dec 07	FY08 H1	FY08 F/Cast	Comment
Average number of leads per month	8,900	10,204	13,000	10,000	Marketing focused on high value leads as Debt Management Plans are fully rolled out
Marketing cost per lead (£)	64	89	63	59	Emphasis on lower cost leads in second half.
Contribution per lead (£)	189	170	96	111-117	Slight degradation as we brought in higher volume of cheaper leads. Second half growth likely to be held back by lower mortgage revenue, compensated by increased DMP and recovery in IVA conversions.
IVA Cases under supervision	7,724	13,070	15,597	16,500	Back book expected to grow by 10% in 2009
Monthly contribution per case (£)	12	9	18	18	Full benefits of merging supervisory operations now realised
Central overhead (£)	317,000	480,000*	506,000	485,000	Overheads increased in 2007 after acquisition of Clear Start; synergies now implemented with full benefits in H208, ending the year at £470k per month

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Analyst Presentation

There will be an analyst presentation to discuss the results at 9.30am on 9 September 2008 at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB.

Footnotes

1 Recurring EBITDA represents Profit/(Loss) from Operations adjusted for Depreciation, Amortisation and exceptional non recurring restructuring costs.

FAIRPOINT GROUP PLC

CONSOLIDATED INCOME STATEMENT

PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

	Notes	**Period from 1 Jan 08 to 30 Jun 08**	**Period from 1 Jan 07 to 30 Jun 07**	**8 month period to 31 Dec 07**
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
CONTINUING OPERATIONS				
REVENUE		13,915	14,158	19,545
Cost of sales		(5,798)	(5,586)	(7,936)
GROSS PROFIT		8,117	8,572	11,609
Administrative expenses		(8,969)	(6,198)	(11,915)
EBITDA		(111)	2,928	2,159
Depreciation		(393)	(328)	(417)
Amortisation		(348)	(226)	(2,048)
(LOSS)/PROFIT FROM OPERATIONS	4	(852)	2,374	(306)
Finance Income		93	43	227
Finance cost		(415)	(47)	(422)
(LOSS)/PROFIT BEFORE TAXATION		(1,174)	2,370	(501)
Tax credit/(expense)		370	(530)	703
(LOSS)/PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		(804)	1,840	202
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations		(146)	(477)	(1,309)
LOSS/PROFIT FOR THE PERIOD		(950)	1,363	(1,107)
Earnings/(loss) per ordinary share	2	p	p	p
(Loss) / Profit from continuing operations		(1.89)	4.88	0.49
Loss from discontinued operations		(0.34)	(1.27)	(3.20)
Total (loss)/profit from operations		(2.23)	3.61	(2.71)
Diluted earnings/(loss) per ordinary share				
Profit from continuing operations		(1.89)	4.72	0.49
Loss from discontinued operations		(0.34)	(1.20)	(3.20)
Total (loss)/profit from operations		(2.23)	3.52	(2.71)

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

FAIRPOINT GROUP PLC

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

	Period from 1 Jan 08 to 30 Jun 08	**Period from 1 Jan 07 to 30 Jun 07**	**8 month period to 31 Dec 07**
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Exchange differences on translation of foreign operations	0	(22)	(50)
Net (loss) recognised directly in equity	0	(22)	(50)
(Loss)/Profit for the period	(950)	1,363	(1,107)
Total recognised income and expense in the period	(950)	1,341	(1,157)

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

FAIRPOINT GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	Notes	As at 30 Jun 2008	As at 30 Jun 2007	As at 30 Dec 2007
		Unaudited	Unaudited	Audited
		£000	£000	£000
ASSETS				
Non Current Assets				
Property, plant and equipment		2,147	2,123	2,216
Goodwill		11,318	1,934	11,318
Other intangible assets		5,770	2,479	5,722
Total Non Current Assets		19,235	6,536	19,256
Current Assets				
Trade receivables		23,416	21,444	22,657
Other current assets		2,357	2,938	2,177
Current tax asset		102	-	275
Non current assets classified as held for sale		-	-	59
Total Current Assets		25,875	24,382	25,168
Total Assets		45,110	30,918	44,424
EQUITY	3			
Share capital		424	376	424
Share premium account		-	13,780	-
Merger reserve		11,842	-	11,842
Other reserves		254	-	254
Retained earnings		18,147	8,984	20,748
Translation reserve		(66)	(22)	(62)
Total equity attributable to equity holders of the parent		30,601	23,118	33,206
LIABILITIES				
Non Current Liabilities				
Long-term borrowings	5	116	728	402
Deferred tax liabilities		353	97	895
Total Non Current Liabilities		469	825	1,297
Current Liabilities				
Bank overdraft		10,135	2,066	5,636
Trade and other payables		2,177	2,672	2,958
Current tax liabilities		-	1,245	-
Short-term borrowings	6	857	992	1,079
Provisions for other liabilities and charges		871	-	107
non-current assets classified as held for sale		-	-	141
Total Current Liabilities		14,040	6,975	9,921
Total Liabilities		14,509	7,800	11,218
Total Equity and Liabilities		45,110	30,918	44,424

FAIRPOINT GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

	Period from 1 Jan 08 to 30 Jun 08	**Period from 1 Jan 07 to 30 Jun 07**	**8 month period to 31 Dec 07**
Cash flows from continuing operating activities			
(Loss)/Profit on continuing operations before tax	(1,174)	2,370	(501)
Share based payments charge	43	23	38
Depreciation of property, plant and equipment	393	328	367
Amortisation of intangible assets and development expenditure	348	226	903
Impairment of intangible assets	-	-	1,147
Loss on sale of property, plant and equipment	-	-	52
Interest received	(93)	(43)	(227)
Interest expense	415	47	422
Foreign exchange translation	0	(22)	(54)
Increase in trade and other receivables	(939)	(1,341)	(520)
(Decrease)/increase in trade and other payables	(156)	(790)	(1,916)
Cash flows from discontinued operations	(146)	(477)	(1,294)
Cash (absorbed by) generated from operations	(1,309)	321	(1,583)
Interest paid	(415)	(47)	(206)
Income taxes paid	0	(709)	(1,151)
Net cash (absorbed by) operating activities	(1,724)	(435)	(2,940)
Cash flows from investing activities			
Acquisition of subsidiaries, inclusive of costs and net of cash acquired	-	(1,108)	(538)
Purchase of property, plant and equipment (PPE)	(185)	(341)	(366)
Proceeds from sale of PPE	-	-	2
Interest received	8	43	6
Purchase of intangible assets	(392)	(2,213)	(672)
Discontinued operations	-	-	(34)
Net cash (absorbed by) investing activities	(569)	(3,619)	(1,602)
Cash flows from financing activities			
Equity dividends paid	(1,698)	-	(1,129)
Proceeds from issue of share capital	-	113	236
Proceeds from long-term borrowings		728	-
Payment of long-term borrowings	(486)	0	(486)
Payment of finance lease liabilities	(22)	(15)	(88)
Net cash (absorbed by) generated from financing activities	(2,206)	826	(1,467)
Net change in cash and cash equivalents	(4,499)	(3,228)	(6,009)
Cash and cash equivalents at start of period	(5,636)	1,162	373
Cash and cash equivalents at end of period	(10,135)	(2,066)	(5,636)

FAIRPOINT GROUP PLC

NOTES TO THE INTERIM STATEMENT

AS AT 30 JUNE 2008

1. BASIS OF PREPARATION

The financial information presented in this documentation has been prepared in accordance with accounting policies that are expected to be applicable for the year ending 31 December 2008. These are subject to ongoing review and endorsement by the European Commission, and possible amendment by the International Accounting Standards Board (IASB), and are therefore subject to possible change.

Further standards or interpretations may also be issued that could be applicable for the year ending 31 December 2008. These potential changes could result in the need to change the basis of accounting or presentation of certain financial information from that presented in this document. The group may need to review some accounting treatments used for the purpose of this document as a result of emerging industry consensus on practical application of IFRS and further technical opinions. This could mean that the financial information in this document may require modification until the group prepares its complete set of IFRS financial statements for the year ending 31 December 2008.

The financial information in this statement relating to the six months ended 30 June 2008 and the six months ended 30 June 2007 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The comparative figures for the year ended 31 December 2007 do not amount to full statutory accounts within the meaning of S240 of the Companies Act 1985. Those accounts have been reported on by the group's auditors and delivered to the registrar of companies. The audit report was unqualified, did not include references to matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2. EARNINGS PER SHARE

The earnings per share (basic) has been calculated using the profit for the financial period and a weighted average number of ordinary shares in issue during the six month period to 30 June 2008 of 42,454,403, 37,679,316 for the period ended 30 June 2007 and 40,909,680 for the year ended 31 December 2007.

The diluted EPS number takes the weighted average number of ordinary shares in issue during these periods and increases this number to take account of the dilutive effects of share options.

This additional dilution calculation has only been applied to the period to Jun 07 as it is only this period where exercise prices were less than the weighted average share prices and therefore it is only this period where it would be advantageous for holders to exercise options.

3. CONSOLIDATED RECONCILIATION OF CHANGES IN EQUITY

	Period from 1 Jan 08 to 30 Jun 08	Period from 1 Jan 07 to 30 Jun 07	8 month period to 31 Dec 07
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Opening Equity	33,206	21,641	23,118
Total recognised income and expense	(950)	1,341	(1,157)
Dividends	(1,698)	-	(1,129)
Issue of ordinary shares, net of costs	-	113	496
Share based payments	43	23	36
Shares Issued on acquisition of subsidiary			11,842
Closing Equity	30,601	23,118	33,206

4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations is stated after charging the following

	£'000	£'000	£'000
Costs of restructuring operations and integrating Clear Start UK Limited	1,302	-	907

5. LONG TERM BORROWINGS

Bank Loans and Overdrafts	-	728	243
Finance Leases	116	-	159
	116	728	402

6. SHORT TERM BORROWINGS

Bank Loans and Overdrafts	729	972	972
Finance Leases	128	20	107
	857	992	1,079

7. COMPARATIVE FIGURES

The comparative figures represent the 6 month period to 30 June 2007 and the eight month period to 31 December 2007.

8. **DISTRIBUTION OF THE INTERIM REPORT**

Copies of the Interim Report are being sent to shareholders. Further copies of the Interim and Annual Report and Accounts may be obtained from the Company's Registered Office, 70 Great Bridgewater Street Manchester M1 5ES. In addition, an electronic version will be available on the Company's website, www.fairpoint.co.uk