

FAIRPOINT.

Fairpoint Trading Update and Board Changes

Fairpoint Group plc (LSE: FRP, "Fairpoint" or the "Group"), the leading debt advice and solutions company, today provides a trading update.

As a result of a business review following the appointment of Chris Moat as CEO on 6 May, the Group provides the following trading update.

Summary

- Financial performance after the first five months of 2008 is below management expectations and the board expects full year performance to be below consensus forecasts. The Board expects EBITDA for the year to 31 December 2008 to be approximately £4.3 million.
- The business is trading profitability and continues to generate a positive contribution from the core IVA business and in the second half the business is expected to become cash flow positive.
- Recent operational execution has been below expectations leading to reduced conversion rates. Basic changes have now been implemented to address and recover these. Running costs have also been reduced progressively as planned, with further annualised savings of £1.4 million expected to come through from the mid-year.
- The Group's funding position remains robust with £16 million of debt facility available and Royal Bank of Scotland plc has indicated its ongoing support for the Group. We anticipate that borrowings will amount to £11.2 million at the mid-year stage falling by year end and progressively through 2009 as a result of increasing cash generation. Nonetheless, the board does not anticipate paying an interim dividend and will keep the company's dividend policy under review.
- Product extensions announced at the end of November last year have now been extensively and successfully trialled, leading to the expansion of our product offering into Debt Management Plans during the second half of 2008.
- Mike Blackburn announces his planned resignation from the Chairmanship effective in September 2008 when he will hand-over to Matthew Peacock. Additionally, the appointment of a new senior independent director is anticipated before that date. Matthew Peacock is to join the board as a non-executive director effective immediately.

Current Trading and Financial Outlook

In the first five months of the trading period a combination of internal and external factors have combined to impact significantly our expectations for full year contribution per lead.

Market Factors

The last year has been challenging on two fronts; reduced fee levels following the agreement reached with creditors in October 2007 and creditor preference for Debt Management Plans. The impact of this is that:

- Fairpoint's share of the IVA market has been maintained at 25% in the first quarter, however IVA volumes are down 22% year on year. There are now some initial signs of recovery following 5% growth in the first quarter of 2008 versus the final quarter of 2007. The market for Debt Management Plans has continued to grow in the past year.
- Contributions into IVA cases and resulting contractual fee levels have stabilised at the lower levels seen in early 2008.

Internal Factors

- The board took the decision in March to accelerate the closure of our Nottingham call centre and insolvency operations. The full closure and restructuring of associated Group Overheads will bring recurring benefits of £1.4 million per annum from July as operations are concentrated on our Adlington site. In the half year to 30 June 2008 this will incur approximately £1.2 million of non-recurring exceptional costs.
- The migration into one site has had an adverse impact on our operational KPI's, leading to lower conversion rates, which the board expects to be temporary now the integration is nearly complete.
- We have tested new product initiatives in the first part of the year with promising results that will bring material benefit in the second half as outlined below.

Financial Outlook

	12 Months to Apr 07	8 Months to Dec 07	FY08 YTD	FY08 F/Cast	Comment
Average number of leads per month	8,900	10,204	12,500	10,000	Marketing focused on high value leads as Debt Management Plans are fully rolled out
Marketing cost per lead (£)	64	89	65	63	Continued positive trend from Q4 07
Contribution per lead (£)	189	170	102	116-122	Contribution per lead has been impacted by new fee agreements and reduced conversion rates. Operational improvements and wider product offering drives higher

					contribution, leading to £134 contribution per lead at year-end
IVA Cases under supervision	7,724	13,070	15,750	16,500	Back book expected to grow by 10% in 2009
Monthly contribution per case (£)	12	9	17	18	Full benefits of merging supervisory operations will be realized in H2
Central overhead (£)	317,000	480,000*	523,000	495,000	Overheads increased in 2007 after acquisition of Clear Start; synergies now implemented with full benefits in H208, ending the year at £470k per month

* Clear Start overheads taken on during the period, following acquisition

We expect our run rate position to improve in the second half of 2008 as a consequence of:

- The benefits of integration into a single contact centre and the implementation of an operational recovery plan following the establishment of a single contact centre site.
- Lower supervision costs and economies of scale allow net contribution per case from the back book to increase to £18 per month.
- The scale up of our Debt Management product initiative, with a full roll out programme in July. Early indications are that Debt Management Plan conversion rates will improve significantly compared to current third party referrals, as we address consumer needs with immediate solutions. This market has very similar characteristics to our existing business and competencies and monetises our existing leads and marketing spend more effectively. Further benefit is obtained by the creation of a significant back book of Debt Management Plan cases which will realise material benefits to results in 2009 and beyond.
- The cost reductions implemented are expected to bring average monthly overheads down to below £500,000 for the full year, the target identified at the end of last year.
- Despite the run rate improving through the second half of the year, full year profits are expected to be significantly lower than current consensus forecasts. The Board expects EBITDA for the year to 31 December 2008 to be approximately £4.3 million.
- We expect to end 2008 in a stronger position, with a broader set of products to offer both customers and creditors and service the growing number of over-indebted UK consumers. We expect to be generating a contribution of approximately £134 per lead on marketing volumes in 2009 15% higher than 2008. This will produce a strongly cash generative business with significantly enhanced profitability.

Business Outlook

Our business model has evolved to meet the requirements of the new environment:

- Solutions orientation – more products to meet changing consumer needs.
- Making things easier for customers – emphasis on simplifying the process of finding a debt solution and increasing conversion rates per lead acquired.
- Relationship – increased focus on supporting customers throughout the lifetime of their relationship with us.
- People focus – increased emphasis on our employee proposition to enhance employee retention and thereby employee effectiveness.

Economic conditions remain favourable to the Group with increasing numbers of consumers experiencing higher debt servicing charges and unable to refinance as the credit crunch and falling housing valuations limit available options, although this is only now beginning to feed through to the insolvency market.

Board Composition

After three years as Chairman Mike Blackburn announces he plans to retire from the role of Chairman and has invited Matthew Peacock to join the board immediately in preparation for him taking up the chairmanship in September.

Matthew Roy Peacock (age 46) is the Chairman of Renold plc, a non-executive director of SMG plc and Cosalt plc. He is also the senior partner of Hanover Investors Management which is a significant shareholder of Fairpoint.

The board's intention is to announce the appointment of a senior independent non executive director in the coming weeks.

Commenting on the changes Mike Blackburn said: "I have had the privilege of leading the board of Fairpoint through a period of rapid growth and the recent industry challenges. We have appointed a strong CEO in Chris Moat to lead our development. In addition I have invited Matthew Peacock, with whom I have worked closely over recent months, to take over the leadership of the board. Moreover, we plan to appoint a senior independent non-executive director during the coming weeks. I have great confidence in the leadership and executive teams and wish them the success they are planning to deliver."

Chris Moat, CEO, commented: "2008 has been a period of transition for Fairpoint and due to a number of internal and external factors, the first five months of the year have been challenging. The board is confident that, following the restructuring, we now have the foundations in place to allow us to prosper and provide a full range of solutions to the growing number of over-indebted consumers in the UK.

On behalf of the board, I would also like to thank Mike for his contribution as Chairman over the past three years. Mike has led the business through the recent period of significant industry change and leaves in the autumn with our best wishes."

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Additional Information

In accordance with Schedule 2(g) of the AIM Rules, the following information in relation to the appointment of Matthew Roy Peacock is disclosed:

In the previous five years Matthew Roy Peacock has been a director or partner of the following companies:

Current Directorships/Partnerships	Previous Directorships
Renold plc	Elementis plc
SMG plc	4 Imprint plc
Cosalt plc	Plasmon plc
Hanover Investors LLP	Iforce Group limited
Hanover Investors Management Limited	Iforce International Limited
Hanover Investors Limited	Iforce Europe Limited
Dauphin Capital Limited	Old IFH Limited
TDX Group Limited	Nownownow Limited
Umbria Corp srl	Instantship Limited

The General Partner of Funds within Hanover	Eros Direct Marketing Limited Tablogix UK Holdings Limited Thermodyne-amos Limited The Customer Management Company Limited Dataforce Group Limited Dataforce Holdings Limited Entranet Limited
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There is no further information, in relation to Matthew Peacock's appointment which is required to be disclosed pursuant to AIM Rule 17.

Notes

At Fairpoint we develop and operate consumer financial services businesses.

We select markets or opportunities which show certain characteristics:

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

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

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

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

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

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

Our main objectives are to:

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

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

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