

11 JANUARY 2005

**DEBT FREE DIRECT GROUP PLC  
INTERIM RESULTS FOR SIX MONTHS ENDED 31 OCTOBER 2004**

**Strong Pre-Christmas Trading, Turnover For Period Up 66%**

Debt Free Direct Group PLC, the leading debt advice and solutions company, announces its results for the six months ended 31 October 2004.

**Results Highlights:**

- Sales for the six months to October 2004 are up 66% to £3.09 million compared to £1.86 million in the corresponding period to October 2003.
- The above growth in turnover reflects a continuing trend, which can be demonstrated as follows:

	Average monthly Turnover	Employee numbers	New IVA Annualised case run rate
	£	(Period end)	
- 5 months to 30 April 2003	211,650	51	699
- 6 months to 31 October 2003	309,472	57	870
- 6 months to 30 April 2004	392,280	88	1140
- 6 months to 31 October 2004	514,901	117	1320

- Gross profit margin on advertising has been maintained at 65%, which is consistent with previous periods.
- As demonstrated above, overheads and, in particular, employee numbers have increased significantly to expand our operating capacity and facilitate future growth. This has had a short-term impact on EBITDA during their initial training period.
- Financial performance is in line with management expectations, with EBITDA profit of £251,169 and loss before tax of £8,496.
- Net assets were £5.4m at 31 October 2004.

Whilst we remain confident that the monthly case run-rate by the end of our financial year will exceed our previous expectations, it remains too soon to predict whether that excess run-rate will be achieved early enough to compensate fully in the current financial year for the investment in future growth made in both the first and second half year.

## Chief Executive's Report:

### Current trading and prospects

- Strong trading in the pre-Christmas period saw the trend growth in turnover continue, with monthly turnover for both November and December being in excess of £600,000 (and new IVA annualised case run rate had grown to 1764)
- We previously announced our ambition to considerably expand our operating capacity, notably with the recruitment of significant numbers of new employees.

In recent months the emphasis has been on the recruitment of sufficient numbers of call handling and IVA processing staff. Whilst the pace of recruitment had initially proven to be slower than hoped, we have now recruited more staff than originally envisaged, to enable us to achieve our target number of cases for the year and continue to increase the pace of growth in the business. Total employee numbers now stand at 128.

Consequently, this means that we will be in a stronger position moving into the next financial year than previously anticipated.

### The market

- As we said in our trading update, released on 11 November 2004:

*“The board is increasingly confident that the scale of the consumer debt problem is significantly greater than previously estimated. We have recently commissioned independent research and, as a result, our assessment of the size of both the existing market and the potential future market has once again had to be revised upwards. This assessment allows for our view that interest rates are probably near to, or at the top of, their cycle.*

*With regard to the existing market, the research shows that rising interest rates have already taken their toll, as 865,000 people have considered (or are considering) bankruptcy as an option.*

*One in three people is concerned about the impact of rising interest rates on their ability to pay off debts. This is not surprising, given that 9% (4.8 million people) spend more than they earn on a regular basis and 5% (2.5 million people) do so every month”.*

This view was expressed in November 2004 and has been substantiated by our call volumes for early January, which have generated “qualifying responses” (for IVAs), which are up 95% on the same period last year. Therefore, we confidently anticipate that the number of over-indebted consumers requiring our services in the future will increase substantially.

## Growing our business

- As stated above, the increase in staff means that we are now in a stronger position to meet the anticipated increase in demand.
- We have enjoyed considerable success in securing media buying deals at less than forecast costs. The benefits of this will be felt over the forthcoming year. In particular, these savings will allow us to continue our growth through increased advertising spend in the more expensive, high volume media areas, whilst still maintaining our overall gross margin.
- We have agreed bank facilities sufficient to fund the Company's anticipated future growth.
- Additional premises [5,000 square feet] have been taken on, sufficient to accommodate the IVA case supervisory team requirements for the foreseeable future. Furthermore, this will free up space in our existing premises to better accommodate future growth in call handling and IVA processing staff.

A Redmond  
Chief Executive Officer  
11 January 2004

## **Grenville Folwell, Chairman said:**

"I am delighted that the Group has continued to make successful progress during the six months to 31 October 2004.

The Group is well placed to exploit its distinct position in a dynamic market. By providing best advice to our target sector and by maintaining our high ethical and regulated standards, we aim to become the most respected provider of advice and appropriate solutions to over-indebted consumers in a rapidly expanding marketplace."

## **Enquiries**

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## **Note to Editors**

Debt Free Direct helps individuals find the best solution to their debt problems, based upon an analysis of their particular financial circumstances. Financial information on an individual is processed through a computer model (The Best Advice Model) developed by Debt Free Direct in order to recommend a solution suitable for that individual's particular financial circumstances. 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

Debt Free Direct is unique in the marketplace in that, unlike most of its competitors who sell specific products, Debt Free Direct looks to provide the best advice to the consumer and recommends them the most appropriate service.

Debt Free Direct is based in Chorley, Lancashire, and was admitted to AIM in December 2002.

DEBT FREE DIRECT GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 MAY 2004 TO 31 OCTOBER  
2004

	Period from 1 May 04 to 31 Oct 04 £'000	Period from 1 Nov 03 to 30 Apr 04 £'000	Period from 1 May 03 to 31 Oct 03 £'000	Year from 1 May 03 to 30 Apr 04 £'000
<b>Turnover</b>	3,089	2,354	1,857	4,211
Cost of Sales	(1,076)	(847)	(590)	(1,437)
<b>GROSS PROFIT</b>	2,013	1,507	1,267	2,774
Administrative expenses	(1,762)	(1,317)	(949)	(2,266)
<b>EBITA</b>	251	190	318	508
Depreciation	(77)	(69)	(26)	(96)
Goodwill amortisation	(157)	(160)	(152)	(312)
<b>OPERATING PROFITS</b>	17	(39)	140	100
Interest receivable	14	35	7	43
Interest payable and similar charges	(40)	(43)	(36)	(79)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(9)	(47)	111	64
Tax on (loss)/Profit on ordinary activities	(45)	(8)	0	(8)
<b>(LOSS)/PROFIT FOR THE FINANCIAL PERIOD</b>	(54)	(55)	111	(56)
(Loss)/Profit per share – basic and diluted	-0.17p	-0.23p	0.47p	0.21p

The group has no recognized gains or losses other than the results for the period as set out above.

All of the activities of the group are classed as continuing.

**DEBT FREE DIRECT GROUP PLC****CONSOLIDATED BALANCE SHEET****AS AT 31 OCTOBER 2004**

	<b>As at 31 Oct 04 £000</b>	<b>As at 31 Oct 03 £000</b>	<b>As at 30 Apr 04 £000</b>
<b>FIXED ASSETS</b>			
Intangible assets	2,400	2,639	2,558
Tangible assets	602	207	564
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	3,002	2,846	3,122
<b>CURRENT ASSETS</b>			
Debtors	3,753	1,641	2,642
Cash at bank	(182)	3,682	1,171
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	3,571	5,323	3,813
<b>CREDITORS: Amounts falling due within one year</b>	(1,044)	(1,717)	(1,330)
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<b>NET CURRENT ASSETS</b>	2,527	3,606	2,483
<b>CREDITORS: Amounts falling due after more than one year</b>	(42)	(156)	(64)
<b>PROVISION FOR LIABILITIES AND CHARGE</b>	(94)	(1,988)	(94)
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	5,393	4,308	5,447
	<hr/>	<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>	309	289	309
Called-up equity share capital	5,196	4,023	5,196
Share premium account	(112)	(4)	(58)
Profit and loss account	<hr/>	<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>	5,393	4,308	5,447
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**DEBT FREE DIRECT GROUP PLC****CONSOLIDATED CASH FLOW STATEMENT****PERIOD FROM 1 MAY 2004 TO 31 OCTOBER 2004**

	<b>Period from 1 May 04 to 31 Oct 04 £'000</b>	<b>Period from 1 May 03 to 31 Oct 03 £'000</b>	<b>Year from 1 May 03 to 30 Apr 04 £'000</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	(1,168)	(37)	(764)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received	14	7	43
Interest paid	(35)	(36)	(85)
Interest element of finance lease rental payments	(4)	0	(9)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	(25)	(29)	(51)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets	(87)	(22)	(318)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	(87)	(22)	(318)
<b>ACQUISITIONS</b>			
Acquisition of DFD Limited preference shares and loan notes	0	0	(1,360)
<b>NET CASH (OUTFLOW) / INFLOW FROM ACQUISITIONS</b>	0	0	(1,360)
<b>NET CASH OUTFLOW BEFORE FINANCING</b>	(1,280)	(87)	(2,493)
<b>FINANCING</b>			
Issue of equity share capital	0	3,850	3,850
Professional costs charged to the share premium account	0	(162)	(188)
Capital element of finance lease rental payments	(28)	(162)	(188)
Repayments of loans	0	0	(33)
<b>NET CASH INFLOW FROM FINANCING</b>	(28)	3,688	3,583
<b>(DECREASE)/INCREASE IN CASH</b>	(1,308)	3,601	1,090

**RECONCILIATION OF OPERATING PROFIT TO  
NET CASHOUTFLOW FROM OPERATING  
ACTIVITIES**

Operating profit	17	140	100
Amortisation	157	152	312
Depreciation	77	26	96
Increase in debtors	(1,111)	(387)	(1,396)
Increase in creditors	(308)	32	124
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<b>Net cash outflow from operating activities</b>	<b>(1,168)</b>	<b>(37)</b>	<b>(764)</b>
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**RECONCILIATION OF NET CASH FLOW**

(Decrease)/Increase in cash in the period	(1,308)	3,601	1,090
Hire purchase agreements acquired with subsidiary			0
	<hr/>	<hr/>	<hr/>
	<b>(1,308)</b>	<b>3,601</b>	<b>1,090</b>
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**DEBT FREE DIRECT GROUP PLC  
CONSOLIDATED ACCOUNTS FOR THE PERIOD FROM 1 MAY 2004 TO 31 OCTOBER 2004**

**NOTES**

**1. EARNINGS PER SHARE**

The earnings per share has been calculated using the loss for the financial period and a weighted average number of ordinary shares in issue during the six month period to 31 October 2004 of 30,949,200 (23,790,308 for the period ended 31 October 2003 and 26,744,493 for the year ended 30 April 2004).

**2. COMPARATIVE FIGURES**

The comparative figures represent the 6 month periods to 30 April 2004 and 31 October 2003 and the year from 1 May 2003 to 30 April 2004.

**3. STATUS OF FINANCIAL INFORMATION**

The accounts of the Group for the six months to 31 October 2004 were approved by the Board on 7 January 2005.

The interim financial statements have not been audited and do not constitute statutory accounts as defined under s.240 of the Companies Act 1985.

The interim financial statements have been prepared in accordance with applicable accounting standards and are consistent with those adopted and disclosed in the Group's statutory accounts for the year ended 30 April 2004. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

**4. 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, Cloth Hall Court, Infirmary Street, Leeds. In addition, an electronic version will be available on the Company's website, [www.debtfreedirect.co.uk](http://www.debtfreedirect.co.uk)