

27 November 2007

## **DEBT FREE DIRECT GROUP PLC**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2007**

Debt Free Direct Group (DFD), the leading debt advice and solutions company, today announces its interim results for the six months ended 31 October 2007.

#### **HIGHLIGHTS**

- Group to be renamed Fairpoint Group Plc. (“Fairpoint” or the “Group”)
- Clarity on agreed fee structures and confirmation of Fairpoint’s successful audit and “accreditation ready” status
- Growing consumer debt problem and the “credit-crunch” provides an increasingly favourable market backdrop
- The benefits of the Group’s scale and industry-leading performance increasingly important and already becoming evident
- Fairpoint’s new strategic direction set:
  - continue industry consolidation plans as market leader, following the successful integration of Clear Start UK Limited (“Clear Start”), which is anticipated to deliver greater-than-expected synergies of £2m over the next 12 months
  - develop as a broader based financial services company with full range of solutions for “financially stressed” consumers
  - accelerate the growth of non-IVA products and services
- Total Group revenue in H1 FY08 of £20.1m, including a £4.7m non-recurring item (H1 FY07: £13.0m)
- Adjusted profit before tax in H1 FY08 of £5.4m, including net £4m non-recurring items (H1 FY07: £5.4m)
- Watershed in industry providing marked change in trading environment. Positive outlook, with significant profitability and growth expected. We are now able to forecast with greater confidence given agreed fee structures and a more stable backdrop.

Mike Blackburn, Chairman, said:

“It has been a challenging first half where the well-documented issues affecting the IVA industry impacted on the Group’s profitability, particularly as we continued to invest heavily in marketing in order to grow our market share and build up our back book. We have seen a material improvement in the key factors influencing trading in the last two months.

The competitive landscape has changed following a period of uncertainty in the industry. We now have an equilibrium in which the newly named Fairpoint Group can prosper as a market leader in providing solutions for the increasingly financially stressed UK consumer.

The board is approaching the future with considerable optimism for a return to significant growth and profitability. Against that background the Board itself is undergoing further changes. Paul Latham, Finance Director and one of the founders of the business, has chosen to step down today

but will remain available to ensure a smooth handover to his successor. I would like thank Paul for his invaluable contribution in building up the market leading position of DFD. Further details are provided later in this announcement.”

## **INTRODUCTION TO FAIRPOINT**

Following the acquisition of Clear Start UK Limited in June 2007 and the creation of an enlarged group with a broadening service range, it is proposed that the Group will change its name to Fairpoint Group Plc. A resolution to that effect will be put to shareholders at a forthcoming EGM (notices to be given as soon as practicable). The Group will continue to operate all its existing consumer brands.

The new board of Fairpoint has agreed a strategic plan for the group which is to continue its growth as a Financial Services provider of advice and solutions to ‘financially stressed’ consumers. We expect to 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 products and services aimed at assisting consumers as they rehabilitate their finances and thereafter. These will be added by both organic development and consolidating in-fill acquisitions.

Commensurate with the values that have guided the Group to date and helped us create a market leading position:-

*“We continue to believe that 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.”*

## **MARKET BACKDROP**

The issues impacting the Individual Voluntary Arrangement (IVA) industry as a solution for over-indebted consumers in the recent past have been well documented. Trading in this half year has been dominated by a backdrop of considerable uncertainty, as creditors have sought to negotiate higher standards in the industry and an agreed and consistent basis for fees. Whilst we have long shared the creditors’ concerns, the Group has been equally keen to ensure that debtors have appropriate access to the IVA process. A new industry accreditation process to drive these standards has been launched in the last few weeks which we support and have campaigned for. This accreditation process should further improve our competitive position, as well as raise standards across the industry.

Creditor pressures have reduced the number of IVAs being processed from a high of 51,000 cases annualised in the three months to December 2006 to a low of 41,000 cases annualised in the three months to September 2007. This pressure created increased competition in the industry and increased advertising costs per lead. Conversion rates were also impacted due to lower acceptances of IVA proposals by creditors. During this period many of our competitors have either withdrawn from the market or found themselves unable to operate profitably. In the last couple of months there has been a significant change in the market dynamics. IVAs being processed by the Group have nearly doubled from a low during H2 FY07 of 382 per month to 755 (949 joint cases) per month in October.

The current macro-economic conditions are creating greater numbers of financially stressed consumers, which creates a favourable market backdrop for the Group. Furthermore, the “credit crunch” has the potential to reduce the opportunity for those financially stressed consumers to refinance their way out of trouble in the short term, increasing the likelihood of those consumers requiring Fairpoint’s debt advice and solutions. This has finally accelerated an equilibrium in the market. The IVA is the most effective way of dealing with the problem of over-indebtedness when re-financing options run-out, and IVAs continue to be of fundamental importance to the UK banking industry and Government policy. Market growth is expected to resume as the “accreditation” process continues.

## WHAT WE HAVE DONE IN RESPONSE

Our approach during the first half year in these challenging market conditions was to use our financial strength and strong balance sheet and build market share, in the knowledge that we had the lowest cost base in the industry and were likely to emerge as the strongest market player, with an opportunity for further consolidation in the sector.

Clear Start represented the first step in this process, and has contributed to us growing market share to around 28%, as well as increasing our run-rate of both leads and IVAs over this difficult period. Our recent IVA run-rate is 755 [or 949 counting joint cases as 2] IVAs per month, which we have achieved at an advertising cost per IVA of £1,195 during October.

## A STABLE OPERATING ENVIRONMENT GOING FORWARDS

During this period we have also continued to press creditors for the introduction of “audit and accreditation” of debt advisors, something we first proposed in October 2006. The benefit of accreditation from the creditors’ perspective is that it means that they can confidently trust the IVA process. From the debt advisors’ perspective, it favours those with best practice, both professionally and ethically.

TDX, who operate on behalf of major creditors are developing such a process. TDX have undertaken an audit of the advice delivery process of DFD and one other advisor. We are pleased to confirm today that DFD has successfully passed this audit and are “accreditation ready”.

Overall, we believe that the fee agreement reached has achieved a balance of interests and stability in the trading environment. It is an outcome that materially benefits the lowest cost providers with the best recovery records and therefore is a favourable outcome for Fairpoint.

Based on Fairpoint’s high average case debt levels and our industry leading realisation rates, average income per IVA will be 10% higher than the average of the top 10 providers.

As a consequence of “audit and accreditation” and the agreement on fee structures, we now have much higher visibility regarding our potential future earnings than we have had for a considerable period.

## WHY THE FAIRPOINT GROUP IS UNIQUELY WELL POSITIONED

Fairpoint will benefit relative to the rest of the industry due to scale and industry-leading performance levels. The directors believe that Fairpoint is by a considerable margin the market leader and our business foundations are secure. In particular, the directors believe that:

- **The new fee structure** based upon realisations means that the Group should open a fee gap against the competition, given that we achieve the best realisations in the market;
- **Our bank of existing cases** provides a substantial cushion, both in terms of cash generation and highly visible future income;
- **Our IVA systems** mean that we remain the only IVA provider in the market with systems designed for scale, which is a huge advantage as we grow organically and in a market poised for consolidation;
- **Our long term ethical stance** means that we will not need to make any changes to our processes as a result of advisor “accreditation” at a time when many of our competitors will have to face up to reduced conversion rates and increased costs as a consequence;
- **Innovators and thought leaders**

DFD has always led the IVA industry. We believe that, going forward, change will continue to happen and, in view of the Company's expertise and knowledge, we will continue to be at the vanguard of driving that change.

## FINANCIAL COMMENTARY

### Financial Highlights

	H1 FY08 £'m	H1 FY07 £'m
Revenue	20.1	13.0
Gross profit	13.1	10.6
Adjusted PBT	5.4	5.4
Diluted EPS	8.4p	9.7p

### Non-recurring items

- During the period, and as a result of new fee negotiations, management have reappraised their recognition profile to better reflect the actual mix of costs and revenues over time in an IVA case, bringing forward some of the back-book profits into a non-recurring item in this financial period. The impact of revised estimates on our brought forward supervisory book is £4.7m, which is accounted for in the current period. After this adjustment our contracted but not yet recognised supervisory profit increased in the period by £3.8m to £9.4m.
- The integration of Clear Start and investment in overheads during the period result in additional non-recurring costs of £0.7m

### IFRS

- The company has reported its results for the first time under IFRS. An analysis of the impact of adopting IFRS from 1<sup>st</sup> May 2006 is available from the Group's website at [www.debtfreedirect.co.uk](http://www.debtfreedirect.co.uk).

### Balance sheet

- Net Assets £33.5m (£18.8m in H1 FY07)
- The share premium account was cancelled during the period and £13.6m transferred to reserves
- Gross off balance sheet, contracted for but not yet recognised, supervisory fee income up 60% to £27.9m (£17.4m in H1 FY07)

### Cash flow and borrowings

- Net Cash Outflow from operating activities £(2.3)m (£1.9m inflow in H1 FY07)

## OPERATING REVIEW

	FY 2007		FY 08
	H1	H2	H1
<b>New Business</b>			
Leads ('000's)	54	52	62
Marketing cost per lead (£)	40	89	105
Contribution per lead net of marketing (£)	123	70	55

During the first half the number of leads grew by nearly 20% to 62,000, at an average cost of £105 per lead on which we generated a contribution of £160 per lead. The average cost of acquisition increased by 160%, which led to the low level of profitability in the first half, as we chose to grow market share in a competitive market. We have now achieved a market share of around 28%.

Despite the reduction in IVA fees, revenues per lead were broadly maintained as our non IVA income increased. 20% of our revenue is now generated from non IVA products and services.

These overall results led to a fall of 49% (£6.7m H1 FY07) in contributions from new business.

<b>Back book</b>	FY 2007		FY 08
	H1	H2	H1
Average number of cases	7,992	9,117	12,529

The average contribution per case from our back book activity was impacted by higher operating costs and lower average realisation levels in the Clear Start business with contribution falling from £16 per case per month to £9 per month. This fall is expected to be reversed as the Clear Start cases are migrated to the DFD centre of excellence. The reduction in contribution was offset by a 57% increase in the average number of live cases under supervision in the period.

The acquisition of Clear Start added £0.7m to group overheads accounting for the greater part in overhead growth from £2.1m in H1 FY07 to £3.0m in H1 FY08.

### Current Trading

We have seen a significant improvement in trading in the last three months, following the more favourable market conditions described above. Our IVA run-rate for October was 755 IVAs per month (949 joint cases per month) against a run-rate of 614 IVAs per month (775 joint cases) over H1 FY08. The October cases have been acquired at an advertising cost of £1,195 per IVA, falling from £1,935 over the past six months, as a result of a marketing review and easing competitive pressures.

We have also been able to increase contribution per lead to £189 from an average of £160 in H1 FY08, despite fee reductions, as a result of improvements in operational efficiency and recent improvement in meeting of creditor pass rates.

### Post-merger integration of Clear Start

Greater-than-expected synergies have been identified in the successful integration of Clear Start. We estimate that these will deliver approximately £2m cost savings in the year to 31 December 2008.

## Outlook

Given the broader range of products and services, the business now focuses on measuring the number and profitability of leads, rather than just IVAs. The contribution from new business can be summarised as:

- number of leads x (contribution per lead – marketing cost per lead)

This, combined with the contribution from our back book and overhead costs, determines the EBITDA of the business as a whole.

Seasonally-adjusted lead volumes are currently in excess of 12,200 per month. With a strongly favourable macro-economic outlook, we expect to continue to grow these and to build on October's contribution per lead of £107 (net of marketing costs).

Following a review of our marketing processes and effectiveness, we expect to be able to maintain the marketing cost per lead near recently lower levels. The cost per lead has reduced to £82 in October from £105 during the first half, as a result of easing competitive pressure and broader routes to market.

We also expect to see increased contribution from the back book due to the integration of Clear Start and the natural growth of the portfolio. Our back book continues to provide a profitable and stable base to the business and is expected to contribute £2.6m in FY08, including £0.5m from identified synergies. We expect further synergies to reduce central overheads to £6m in FY08.

The business is poised for further volume and profitability growth, with each 5% delivering an extra £1m EBITDA.

Aside from our in-house solutions, most notably IVAs, secured loans and re-mortgages, we have profitable and ethical outsourced solutions, notably debt management plans, trust deeds and self-employed IVAs. Looking ahead we will be looking to add to these solutions through both organic and inorganic growth.

## Board

We plan to develop the composition of the board over the course of the next six months in order to manage successfully the transition towards broadening the product range and our increased scale. As a result and given the improved business backdrop we have put into effect the following changes:

- Lord Hoyle of Warrington will retire from his role as Non-Executive Director with effect from 31 December 2007 and transition to consultant to the Company
- Paul Latham today announces he will be stepping down from the Board, with the role of Finance Director designate being taken by Andrew Heath FCA. Andrew joined Clear Start as Finance Director in April 2007, from his previous role of Vice President, Corporate Accounting, at Capital One. Having trained and qualified with KPMG, he has also worked with Vision Express, Nedbank and American Express.

The Board intends to appoint two new Non-Executive Directors.

The appointment of both Simon Gilbert (Hanover Investors) and Charles Mindenhall (Agilisys and Clear Start) were announced during the period.

## **FURTHER MATTERS**

### **Change of year end**

We are changing our year end to 31 December, with the current accounting period shortened to 31 December 2007. This is more appropriate to the business cycle and also brings forward the opportunity to be able to report on a period of normal trading in the current positive environment.

### **Share buy back**

Provision was made for the buy-back of shares in late 2007. The Group has not yet made use of this authority. In the light of increased opportunities for consolidation in the industry and the potential to deploy cash profitably in the current trading environment, the share buy back programme has been suspended for the time being.

### **Dividend**

Resulting from the decision to change the year end, the Board anticipate that they will be recommending a final dividend of 4p per share in respect of the 8 months ending 31 December, 2007, at the time of the Preliminary Results announcement which is expected to be in February 2008. This would maintain the dividend at the level paid in the year ended 30 April 2007

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### **About Debt Free Direct (to become Fairpoint Group Plc.)**

Fairpoint 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 Fairpoint 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

Fairpoint is unique in the marketplace in that, unlike most of its competitors who sell specific products, Fairpoint looks to provide the best advice to the consumer and recommend them the most appropriate service. Fairpoint is the UK's leading provider of IVAs.

The recent acquisition of Clear Start, a private competitor in the IVA market, will support Fairpoint's growth and has genuine synergies, bringing together DFD's superior IVA operations and creditor realisations with Clear Start's low-cost online channel and strong creditor relations.

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

**DEBT FREE DIRECT GROUP PLC**

**CONSOLIDATED INCOME STATEMENT**

**PERIOD FROM 1 MAY 2007 TO 31 OCTOBER 2007**

	Period from 1 May 07 to 31 Oct 07	Period from 1 May 06 to 31 Oct 06	Year from 1 May 06 to 30 Apr 07
	Unaudited	Unaudited	Unaudited
	£'000	£'000	£'000
<b>REVENUE</b>	20,103	12,978	26,575
Cost of sales	(6,988)	(2,364)	(7,225)
	<hr/>	<hr/>	<hr/>
<b>GROSS PROFIT</b>	13,115	10,614	19,350
Administrative expenses	(7,241)	(5,142)	(10,866)
	<hr/>	<hr/>	<hr/>
<b>EBITDA</b>	5,874	5,472	8,484
Depreciation	(350)	(141)	(406)
Amortisation	(208)	(29)	(80)
	<hr/>	<hr/>	<hr/>
<b>PROFIT FROM OPERATIONS</b>	5,316	5,302	7,998
Finance income	77	105	166
Finance cost	(229)	(4)	(22)
	<hr/>	<hr/>	<hr/>
<b>PROFIT BEFORE TAXATION</b>	5,164	5,403	8,142
Tax expense	(1,662)	(1,628)	(2,318)
	<hr/>	<hr/>	<hr/>
<b>PROFIT FOR THE PERIOD</b>	3,502	3,775	5,824
Earnings per share - basic	8.64	10.10	15.57
Earnings per share - diluted	8.44	9.73	14.95
	<hr/>	<hr/>	<hr/>
Earnings per share - diluted and adjusted	9.06	9.80	14.77

All of the profit is attributable to equity holders of the parent

**DEBT FREE DIRECT GROUP PLC**

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

**PERIOD FROM 1 MAY 2007 TO 31 OCTOBER 2007**

	<b>Period from 1 May 07 to 31 Oct 07</b>	<b>Period from 1 May 06 to 31 Oct 06</b>	<b>Year from 1 May 06 to 30 Apr 07</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Exchange differences on translation of foreign operations	(56)	-	(12)
Net expense recognised directly in equity	<hr/> (56)	<hr/> -	<hr/> (12)
Profit for the period	3,502	3,775	5,824
Total recognised income and expense in the period	<hr/> 3,446	<hr/> 3,775	<hr/> 5,812

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

**DEBT FREE DIRECT GROUP PLC**

**CONSOLIDATED BALANCE SHEET AS AT 31ST OCTOBER 2007**

	Period from 1 May 07 to 31 Oct 07 Unaudited £'000	Period from 1 May 06 to 31 Oct 06 Unaudited £'000	Year from 1 May 06 to 30 Apr 07 Unaudited £'000
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	2,293	1,959	2,153
Goodwill	9,863	1,933	1,934
Other intangible assets	5,527	407	774
Deferred tax assets	237	-	-
<b>Total Non Current Assets</b>	17,920	4,299	4,861
<b>Current Assets</b>			
Trade receivables	15,891	9,344	13,896
Other current assets	13,024	5,409	5,630
Cash and cash equivalents	-	3,996	373
<b>Total Current Assets</b>	28,915	18,749	19,899
<b>TOTAL ASSETS</b>	46,835	23,048	24,760
<b>EQUITY</b>			
Share capital	419	374	376
Share premium account	-	13,644	13,777
Merger reserve	10,857	-	-
Retained earnings	22,273	4,799	5,750
Translation reserve	(56)	-	(12)
<b>Total equity attributable to equity holders of the parent</b>	33,493	18,817	19,891
<b>LIABILITIES</b>			
<b>Non Current Liabilities</b>			
Long-term borrowings	1,159	11	972
Deferred tax liabilities	-	21	97
<b>Total Non Current Liabilities</b>	1,159	32	1,069
<b>Current Liabilities</b>			
Trade and other payables	5,485	2,587	3,027
Current tax liabilities	1,013	1,612	44
Short-term borrowings (including overdraft)	5,685	-	729
<b>TOTAL CURRENT LIABILITIES</b>	12,183	4,199	3,800
<b>TOTAL LIABILITIES</b>	13,342	4,231	4,869
<b>TOTAL EQUITY AND LIABILITIES</b>	46,835	23,048	24,760

**DEBT FREE DIRECT GROUP PLC**

**CONSOLIDATED CASH FLOW STATEMENT AS AT 31ST OCTOBER 2007**

	Period from 1 May 07 to 31 Oct 07	Period from 1 May 06 to 31 Oct 06	Year from 1 May 06 to 30 Apr 07
	Unaudited	Unaudited	Unaudited
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Profit before tax	5,164	5,403	8,142
Adjustments for:			
Share based payments charge	23	22	44
Depreciation of property, plant and equipment	302	141	273
Amortisation of intangible assets and development expenditure	208	29	80
Loss (profit) on sale of property, plant and equipment	48	-	133
Interest received	-77	-105	-166
Interest expense	229	4	22
Foreign exchange translation	0	0	-12
Decrease (increase) in trade and other receivables	(9,087)	(4,536)	(9,805)
Increase / (decrease) in trade and other payables	925	899	748
<b>Cash (absorbed by) generated from operations</b>	<b>(2,265)</b>	<b>1,857</b>	<b>(541)</b>
Interest paid	(102)	(4)	(22)
Interest received	8	105	166
Income taxes (paid) received	(651)	(1,022)	(2,156)
<b>Net cash (absorbed by) generated from operating activities</b>	<b>(745)</b>	<b>(921)</b>	<b>(2,012)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, inclusive of costs	(636)	-	-
Cash acquired with subsidiary	99	-	-
Purchase of property, plant and equipment	(701)	(1,778)	(2,612)
<b>Net cash absorbed by investing activities</b>	<b>(1,238)</b>	<b>(1,778)</b>	<b>(2,612)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid	(1,129)	(561)	(1,683)
Proceeds from issue of share capital	188	67	203
Proceeds from long-term borrowings	-	-	1,700
Payment of long-term borrowings	(243)	-	-
Payment of finance lease liabilities	(29)	(35)	(49)
<b>Net cash generated from (absorbed by) financing activities</b>	<b>(1,213)</b>	<b>(529)</b>	<b>171</b>
<b>Net change in cash and cash equivalents</b>	<b>(5,461)</b>	<b>(1,371)</b>	<b>(4,994)</b>
<b>Cash and cash equivalents at start of period</b>	<b>373</b>	<b>5,367</b>	<b>5,367</b>
<b>Cash and cash equivalents at end of period</b>	<b>(5,088)</b>	<b>3,996</b>	<b>373</b>

## **DEBT FREE DIRECT GROUP PLC**

### **NOTES TO THE INTERIM STATEMENT AS AT 31ST OCTOBER 2007**

#### **1. Basis of preparation**

The AIM Rules for Companies require that the annual consolidated financial statements of the company for the year ending 31 December 2007 be prepared in accordance with International Financial Reporting Standards adopted for use in the EU ("IFRS").

Consequently this half year financial statement has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that are either endorsed by the EU and effective (or available for early adoption) at 31 December 2007, the group's first annual reporting date at which it is required to use IFRS. Based on these IFRS, the directors have made assumptions about the accounting policies expected to be applied when the first set of IFRS financial statements are prepared for the period ending 31 December 2007. This first set of financial statements prepared under IFRS will be for the 8 months ended 31 December 2007 following a decision by the Board to change the year end from April to December, effective for December 2007.

The IFRS that will be effective in the financial statements for the period ending 31 December 2007 are still subject to change and to additional interpretations and therefore cannot be determined with complete certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the financial statements are prepared for the year ending 31 December 2007.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the group together with a summary of significant accounting policies was provided to shareholders in the Restatement of Financial Information under International Financial Reporting Standards issued on 27 November 2007 ("the Restatement Report"). This includes reconciliations of equity and profit or loss for the comparative periods under UK Generally Accepted Accounting Practice ("UK GAAP") to those reported for those periods under IFRS.

The preparation of the half year financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These half year financial statements have been prepared under the historical cost convention

This interim statement is unaudited. The comparatives for the full year ended 30 April 2007 are not the Group's statutory accounts for that year as they are restated under IFRS. A copy of the statutory accounts for that year, which were prepared under UK GAAP, have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any 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)-(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 31 October 2007 of 40,522,509, 37,373,577 for the period ended 31 October 2006 and 37,395,044 for the year ended 30 April 2007.

	Period from 1 May 07 to 31 Oct 07	Period from 1 May 06 to 31 Oct 06	Year from 1 May 06 to 30 Apr 07
	Unaudited	Unaudited	Unaudited
	£'000	£'000	£'000
<b><u>EPS - Basic</u></b>			
Net profit for the period	3,502	3,775	5,824
Weighted average shares in issue during the period	40,523	37,374	37,395
Basic EPS(pence)	<b>8.64</b>	<b>10.10</b>	<b>15.57</b>
	<b>6 Months</b>	<b>6 Months</b>	<b>Year</b>
<b><u>EPS - Diluted</u></b>			
Net profit for the period	3,502	3,775	5,824
Weighted average diluted shares in issue during the period	41,494	38,803	38,962
Diluted EPS(Pence)	<b>8.44</b>	<b>9.73</b>	<b>14.95</b>
	<b>6 Months</b>	<b>6 Months</b>	<b>Year</b>
<b><u>EPS - Diluted and adjusted</u></b>			
Profit before taxation	5,164	5,403	8,142
Add back; Amortisation charges	208	29	80
Adjusted profit before tax	5,372	5,432	8,222
Less; 30% tax charge	(1,612)	(1,630)	(2,467)
Adjusted profit after tax	3,760	3,802	5,755
Weighted average diluted shares in issue during the period	41,494	38,803	38,962
Diluted EPS(Pence)	<b>9.06</b>	<b>9.80</b>	<b>14.77</b>
	<b>6 Months</b>	<b>6 Months</b>	<b>Year</b>

The diluted EPS number takes the weighted average number of ordinary shares in issue during the six month period to 31 October 2007 and increases this to take account of the dilutive share options existing at this date, resulting in a denominator of 41,494,113, 38,802,513, for the period ending 31 October 2006 and 38,961,606 for the year ended 30 April 2007.

The diluted and adjusted EPS number uses the same number of shares as above, but is based on profits before tax with amortisation charges added back, with the new profit number then subjected to a 30% tax charge

## 3. CHANGE IN ACCOUNTING ESTIMATES

The group recognizes revenue during the life of an IVA based upon the fair value of service provided rather than on invoicing. Fair value for this purpose is based upon that proportion of the anticipated revenue on a case which is represented by the value of work done to date as a function of the total value of anticipated work. During the period new information became available which resulted in management reconsidering their estimate of the profile appropriate. On the bank of cases in existence at the start of the period this has given rise to an exceptional increase, recognised during the current period, in non-recurring turnover of £4,741,213 and increases in accrued income of £4,471,213 and the corporation tax liability of £1,422,364

#### 4. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 26th June 2007 the company acquired the entire issued share capital of Clearstart Limited. The consideration was £12.4m satisfied on completion by £11.1m in shares with £1.3m of deferred share consideration

The following table sets out the book values of the identifiable assets and liabilities acquired and their values to the group:

	<b>Book value</b>	<b>Fair value adjustment</b>	<b>Provisional fair value to the group</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>			
Property, plant and equipment	299	(40)	259
Other intangible assets	-	4,530	4,530
Deferred tax assets	465	(174)	291
Trade receivables	41	-	41
Other current assets	1,677	671	2,348
Cash and cash equivalents	99	-	99
			-
<b>Liabilities</b>			
			-
Trade and other payables	<u>(2,439)</u>	<u>-</u>	<u>(2,439)</u>
<b>Net assets</b>	142	4,987	5,129
Goodwill			7,929
Costs of acquisition			(636)
			<u>12,422</u>
Consideration			<u>12,422</u>
Satisfied by			
Shares issued			11,123
Deferred shares			<u>1,299</u>
			<u>12,422</u>

## 5. CONSOLIDATED RECONCILIATION OF CHANGES IN EQUITY

	Period from 1 May 07 to 31 Oct 07	Period from 1 May 06 to 31 Oct 06	Year from 1 May 06 to 30 Apr 07
	Unaudited	Unaudited	Unaudited
	£'000	£'000	£'000
<b>Opening equity</b>	19,891	15,514	15,514
Total recognised income and expense	3,446	3,775	5,812
Dividends	(1,129)	(562)	(1,683)
Issue of ordinary shares, net of costs	43	68	204
Share based payments	197	22	44
Creation of merger reserve	10,857	-	-
Increase in distributable reserves (cancellation of share premium reserve)	188	-	-
<b>Closing equity</b>	<u>33,493</u>	<u>18,817</u>	<u>19,891</u>

## 6. COMPARATIVE FIGURES

The comparative figures represent the 6 month period to 31 October 2006 and the year from 1 May 2006 to 30 April 2007.

## 7. STATUS OF FINANCIAL INFORMATION

The accounts of the Group for the six months to 31 October 2007 were approved by the Board on 26th November 2007. The interim financial statements have not been audited and do not constitute statutory accounts as defined under s.240 of the Companies Act 1985.

## 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.debtfreedirect.co.uk](http://www.debtfreedirect.co.uk)