

28 November 2005



## DEBT FREE DIRECT GROUP PLC

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2005

#### **Full year profits anticipated to be at least 10% ahead of current consensus market expectations on the back of excellent interim results**

Debt Free Direct Group (DFD), the leading debt advice and solutions company, today announces its interim results for the six months ended 31 October 2005.

Michael Blackburn, Chairman, commented:

“DFD’s impressive results speak for themselves. We continue to deliver strong, profitable growth and have consolidated our leadership in the fast growing IVA market. We anticipate that our market share will continue to grow in the months ahead.

In the light of this, the board is declaring a maiden interim dividend of 1.5p per share in respect of the six months ended 31 October 2005. The board intends to recommend a dividend of 3p in aggregate for the full year. The interim dividend will be paid on 4 January 2006 to shareholders on the register as at 9 December 2005. In future, we intend to adopt a progressive dividend policy, whilst continuing to deliver growth to shareholders.”

#### **Results highlights**

- Turnover for the six months to 31 October 2005 more than doubled to £6.4 million, compared to £3.1 million in the corresponding period to 31 October 2004.
- This growth in turnover reflects the average activity level for the period. This activity level, best represented by the new IVA run-rate, continued its upward trend throughout the period, as demonstrated below.

	New IVAs monthly case run-rate		Average monthly turnover £K
	Joint cases = 1	Joint cases = 2	
3 months to October 2005	346	475	1,318
3 months to April 2005	250	342	1,042
3 months to October 2004	117	156	542

- The growth in IVA run-rate was achieved by taking an increased share of a rapidly growing market. Year on year the IVA market has approximately doubled.
- Gross profit margin has increased to 74% compared to 65% in the prior period.

- The improvement in gross profit margin arises largely as a result of a reduced advertising cost per IVA. In the six months to October 2005, our advertising cost per new IVA reduced from £1,252 in the year ended 30 April 2005 to £850, a reduction of 32%.

The business model is based upon an acceptable acquisition cost per new IVA of £1,500. During the last 6 months the business has been operating well within these limits (£850 cost per new IVA), clearly demonstrating that further expansion is readily achievable. Gross profit margins are anticipated to return to normal levels as the run-rate continues to increase.

- The Group continued to expand its operational capacity, increasing its workforce by 41% and IP numbers from 5 to 7. Overall labour costs as a percentage of turnover reduced by 10%.
- We have made notable senior management appointments during the period in Derek Oakley and Grahame Crofton. Derek, Director of Insolvency, takes responsibility for strategic development in insolvency-related matters. Grahame, who joined us recently from Cable & Wireless, will focus on process efficiency and operational development
- Financial performance is ahead of management's expectations, with EBITDA profit of £1.8m, adjusted PBT of £1.86m and PAT of £1.2m, compared to £251K, £148K and a loss after tax of £54K respectively for the same period in 2004.
- As a result of our ever-increasing bank of recurring supervisory fees, DFD became cash-generative from trading in the six months to 31 October 2005. Net cash increased by £212K in that period.
- Reported profits for the full year are now anticipated to be at least 10% ahead of current consensus market expectations. In the light of this, the board is declaring a maiden dividend of 1.5p per share in respect of the six months ended 31 October 2005. The board intends to recommend a dividend of 3p in aggregate for the full year.

#### **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 2005 TO 31 OCTOBER 2005**

	Period from 1 May 05 to 31 Oct 05	Period from 1 May 04 to 31 Oct 04	Year from 1 May 04 to 30 Apr 05
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>TURNOVER</b>	6,427	3,089	8,422
Cost of sales	(1,683)	(1,076)	(2,389)
<b>GROSS PROFIT</b>	<u>4,744</u>	<u>2,013</u>	<u>6,033</u>
Administrative expenses	(2,940)	(1,762)	(4,006)
<b>EBITDA</b>	<u>1,804</u>	<u>251</u>	<u>2,027</u>
Depreciation	(94)	(77)	(160)
Goodwill amortisation	(156)	(157)	(312)
<b>OPERATING PROFIT</b>	<u>1,554</u>	<u>17</u>	<u>1,555</u>
Interest receivable	158	14	72
Interest payable and similar charges	(6)	(40)	(84)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<u>1,706</u>	<u>(9)</u>	<u>1,543</u>
Tax on profit/(loss) on ordinary activities	(512)	(45)	(565)
<b>PROFIT/LOSS FOR THE FINANCIAL PERIOD</b>	<u>1,194</u>	<u>(54)</u>	<u>978</u>
Profit/(loss) per share - basic	<b>3.23p</b>	<b>-0.17p</b>	<b>3.04p</b>
Profit/(loss) per share - diluted	<b>3.14p</b>	<b>-0.17p</b>	<b>2.97p</b>
Profit/(loss) per share - diluted and adjusted	<b>3.43p</b>	<b>0.33p</b>	<b>3.95p</b>

The group has no recognised 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 2005**

	As at 31 Oct 05	As at 31 Oct 04	As at 30 Apr 05
	£000	£000	£000
<b>FIXED ASSETS</b>			
Intangible assets	2,096	2,400	2,251
Tangible assets	738	602	737
	—————	—————	—————
	2,834	3,002	2,988
<b>CURRENT ASSETS</b>			
Debtors	8,369	3,753	6,669
Cash at bank	6,966	(182)	6,782
	—————	—————	—————
	15,335	3,571	13,451
<b>CREDITORS: Amounts falling due within one year</b>	(2,079)	(1,044)	(1,556)
	—————	—————	—————
<b>NET CURRENT ASSETS</b>	13,256	2,527	11,895
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	16,090	5,529	14,883
<b>CREDITORS: Amounts falling due after more than one year</b>	(51)	(42)	(73)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	(64)	(94)	(64)
	—————	—————	—————
	15,975	5,393	14,746
	—————	—————	—————
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	372	309	370
Share premium account	13,489	5,196	13,456
Profit and loss account	2,114	(112)	920
	—————	—————	—————
<b>SHAREHOLDERS' FUNDS</b>	15,975	5,393	14,746
	—————	—————	—————

**DEBT FREE DIRECT GROUP PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**PERIOD FROM 1 MAY 2005 TO 31 OCTOBER 2005**

	Period from 1 May 05 to 31 Oct 05 £'000	Period from 1 May 04 to 31 Oct 04 £'000	Year from 1 May 04 to 30 Apr 05 £'000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	93	(1,168)	(1,617)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received	158	14	72
Interest paid	0	(35)	(93)
Interest element of finance lease rental payments	(6)	(4)	(10)
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<b>NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	152	(25)	(31)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets	(68)	(115)	(248)
Payments to acquire intangible fixed assets	0	0	(5)
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<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	(68)	(115)	(253)
<b>ACQUISITIONS</b>			
Acquisition of DFD Limited preference shares and loan notes	0	0	(35)
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<b>NET CASH INFLOW/(OUTFLOW) FROM ACQUISITIONS</b>	0	0	(35)
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<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>	177	(1,308)	(1,936)
<b>FINANCING</b>			
Issue of equity share capital	35	0	8,520
Professional costs charged to the share premium account	0	0	(200)
Capital element of finance lease rental payments	(28)	(28)	(62)
Repayment of loans	0	0	(711)
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<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING</b>	7	(28)	7,547
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<b>INCREASE/(DECREASE) IN CASH</b>	184	(1,336)	5,611
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**RECONCILIATION OF OPERATING PROFIT TO  
NET CASH INFLOW/(OUTFLOW) FROM OPERATING  
ACTIVITIES**

Operating profit	1,554	17	1,555
Amortisation	156	157	312
Depreciation	94	77	160
Increase in debtors	(1,700)	(1,111)	(4,069)
(Decrease)/increase in creditors	(11)	(308)	425
	—	—	—
<b>Net cash inflow/(outflow) from operating activities</b>	<b>93</b>	<b>(1,168)</b>	<b>(1,617)</b>
	—	—	—

**RECONCILIATION OF NET CASH FLOW**

(Decrease)/Increase in cash in the period	184	(1,336)	5,611
Hire purchase agreements acquired with subsidiary	0	0	0
	—	—	—
	<b>184</b>	<b>(1,336)</b>	<b>5,611</b>
	—	—	—

## **DEBT FREE DIRECT GROUP PLC**

### **CONSOLIDATED ACCOUNTS FOR THE PERIOD FROM 1 MAY 2005 TO 31 OCTOBER 2005**

#### NOTES

##### 1. 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 2005 of 37,019,872 (30,949,200) for the period ended 31 October 2004 and 32,182,064 for the year ended 30 April 2005.

The diluted EPS number takes the weighted average number of ordinary shares in issue during the six month period to 31 October 2005 and increases this to take account of the dilutive share options existing at this date, resulting in a denominator of 38,021,058 (31,657,662) for the period ending 31 October 2005 and 32,890,526 for the year ended 30 April 2005.

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.

##### 2. COMPARATIVE FIGURES

The comparative figures represent the 6 month period to 31 October 2004 and the year from 1 May 2004 to 30 April 2005.

##### 3. STATUS OF FINANCIAL INFORMATION

The accounts of the Group for the six months to 31 October 2005 were approved by the Board on 25th November 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 2005. 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)