



**Press Release**

**11 April 2007**

**Accuma Group Plc  
("Accuma" or "the Group")  
Interim Results**

Accuma Group Plc, a leading provider of consumer financial solutions, today announces its Interim Results for the six months ended 31 January 2007.

**Highlights**

- Turnover more than doubled to £10.6 million (£4.1 million)
- Fourfold increase in:
  - EBITDA, to £1.7 million
  - Adjusted profit (profit before tax and amortisation), to £1.6 million
  - Pre-tax profit, to £1.17 million
- Diluted adjusted E.P.S. increased 258% to 3.47p (0.97p)
- Future contracted revenue £15.5 million at period end (£11.9 million)
- Strong balance sheet with £5.8 million of cash at period end
- Management team strengthened

Commenting on the results, Charles Howson, Chief Executive of Accuma Group said:

"Given the difficult trading conditions in the IVA sector in the past six months, we believe that these results demonstrate the effectiveness of our strategy of broadening the range of our services to over-indebted consumers. Whilst we believe the IVA market will continue to experience significant growth, our ability to provide a full platform of solutions, from IVAs through to informal debt management and loans and mortgages, gives us a competitive advantage and will in due course maximise earnings for the Group".

- ends -

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## CHIEF EXECUTIVE'S STATEMENT

### Financial Overview

Despite difficult trading conditions, the first half of this financial year has seen significant progress. In particular we increased adjusted profit to £1.6m (pre goodwill amortisation), giving an operating margin of 15.5% (6.9%), on turnover which increased 157% from £4.1m to £10.6m. Our gross profit increased 144% to £3.5m and our diluted adjusted earnings per share increased 258% to 3.47p (0.97p).

Cash inflow from operations for the period was £701k (31 January 2006: outflow £970k) and our balance sheet is strong with £5.8m of cash at the end of January. Since the period end an amount of £2.4m has been paid to the vendors of Byrom Keeley, the debt management business we acquired in August 2006, in respect of the first earn out payment. We estimate our other earnout commitments to amount to £1.2m for the remainder of the current financial year, payable in October this year.

On a divisional basis , our revenues can be analysed as follows:

	Turnover - £'000s	EBITDA - £'000s
2006 Acquisitions		
▪ Byrom Keeley	1,293	648
▪ Loan Line	2,523	730
▪ Thomas Charles	909	146
Existing business	5,853	565
Group overheads	-	<476>
<b>Total</b>	<b>10,578</b>	<b>1,703</b>

### Operational Review

Following the acquisitions of Loan Line and Byrom Keeley, the Group now provides a full platform of consumer financial solutions from IVAs, to informal debt management, consolidation loans and re-mortgaging.

At present the Group companies continue to operate their own marketing activities and referral relationships from a range of sources and our IT development team are currently enhancing the systems and processes of exchanging leads within the Group in order to provide the most appropriate solution to our clients in a timely manner. We are already experiencing positive outcomes from the synergies within the Group and are confident that significant benefits are still to be derived.

The reasons for building a full consumer financial solutions platform were predominantly to maximise earnings by increasing the proportion of enquiries to which we could provide appropriate debt solutions. However, given recent trading conditions, creditor pressure and increased competition, it is clear that our recent acquisitions will mitigate the impact on the Group of what we believe will be more short-term pressure on the IVA sector. Prior to the acquisitions of Loan Line and Byrom Keeley, the conversion ratio of enquiries to IVAs was approximately 4%: we are now seeing overall conversion ratios of calls received by Accuma across the Group's business of approximately 24 %.

Given increased competition, particularly with direct advertising, the Group's platform is becoming an attractive model with which we are able to build stronger referral relationships. Our client acquisition strategy moving forward will have more emphasis on building such relationships because, compared to direct advertising, costs are only incurred on success.

## **Acquisitions**

Byrom Keeley was successfully relocated to our Group head office in March. This will provide a more efficient referral process of Group leads thus increasing revenue opportunities. It is expected that full integration of this business will be complete within this financial year.

Following a review of Accuma's in-house mortgage division, we have transferred all this activity to Loan Line, the FSA regulated loan and mortgage broker we acquired in August 2006. This will reduce compliance costs, should increase revenue through

volume overrides and by other operating efficiencies. In our trading update of February 1<sup>st</sup> we noted that, due to lower referral volumes received and in view of a tighter lending environment, we had revised our expectations for the business downwards for the second half of the financial year. We intimated at this time that discussions with a number of new referral sources were in progress and we are pleased that one such discussion, which could provide a significant volume of referrals, has progressed to a pilot operation. This business is materially integrated and with the transfer of all lending opportunities from within the Group, control and management information will become more streamlined.

Thomas Charles, the web based IVA packager, we acquired in July 2006 is trading in line with our expectations despite competitive pressure on marketing activity.

### **IVA Business**

As reported earlier this year and in common with our competitors, our IVA business suffered from a much more competitive environment and increased creditor pressure which resulted in lower approval rates, together with a poorly executed marketing strategy.

We have reacted by making significant changes to our marketing and business development strategy and in particular have implemented more robust and more timely reporting systems. Whilst it is too early to comment on the efficacy of our renewed marketing campaign, we believe that it will have a positive impact from the final quarter of this financial year.

The lower approval rates from creditors experienced during the latter part of the period together with lower call volumes resulted in our quarterly run rate of new IVA cases falling from 271 average per month in the first quarter to 221 average per month in the second quarter. The current average for February and March is 206 and moreover with the actions we have taken and widely expected changes in the IVA process, we expect our run rate to recover later this financial year.

Recent meetings orchestrated by the Insolvency Service and the British Bankers Association have enabled creditors and insolvency firms to engage in frank dialogue to address their concerns. Whilst we do not envisage the outcome of these meetings impacting as early as has been intimated by all parties (Easter), positive progress is being made on all fronts and it is particularly comforting to note that creditor organisations have now become involved at a more senior level than in previous discussions.

We now have six Insolvency Practitioners, which is a reduction of two from the same period last year, six Insolvency Practitioners give us a capacity of 420-480 cases per month which is ample given our current run rates. Thus, whilst that the number of IP practitioners determines our capacity, we are not seeking to hire replacements at this stage. Competition in the sector has grown with a number of new entrants seeking to recruit IPs and this has led to salary inflation which we have offset by efficiencies in our operational processes.

### **Management Changes**

We have made a number of appointments during the period to add strength and depth to our management team including Ian Campbell as Finance Director and Company Secretary on January 26<sup>th</sup>. Ian has spent the last 17 years working in the financial services sector and has held a number of senior appointments including most recently for a leading debt purchase specialist, Link Financial.

### **Outlook**

Future prospects for the Group remain positive despite trading conditions remaining difficult within the IVA division. The Group is now less reliant on its IVA revenues having widened its service offering in order to maximise its marketing spend and referral relationships through the addition of informal debt management services and loan consolidation and mortgage broking.

We are actively engaging in the high level discussions taking place in the IVA sector and believe that we will benefit in due course from resulting changes. Given our

comprehensive profiling and verification of each case coupled with providing creditor returns higher than the industry average at 42p in the £, Accuma remains well positioned to take advantage of such changes.

The market for informal debt management services and loan consolidation and mortgage broking remains strong. In particular in the area of debt management given the economic outlook together with adverse creditor sentiment towards IVAs, an informal debt management solution will be more attractive in most cases to the over-indebted consumer and indeed creditors, than bankruptcy.

In summary, the IVA division will continue to form a strategic and profitable part of the Group's future. Our client bank at the end of the period stood at 5,228 cases providing future contracted revenues for this division of £15.5 million. Moreover, given the breadth of our financial solutions platform, and in particular, our ability to offer a comprehensive range of solutions to over indebted consumers, we are positive about the outlook for the Group.

Accuma Group Plc  
Interim Results for the six months ended 31 January 2007  
Consolidated Profit & Loss Account

	Notes	Unaudited 6 months ended 31 January 2007  £000's	Unaudited 6 months ended 31 January 2006  (as restated) £000's	Year ended 31 July 2006  (as restated) £000's
<b>Turnover</b>				
From continuing and acquired operations		10,578	4,110	9,980
Cost of sales		<u>7,081</u>	<u>2,678</u>	<u>5,500</u>
<b>Gross Profit</b>		3,497	1,432	4,480
Administrative expenses		1,747	1,020	2,463
Share based compensation		<u>47</u>	<u>87</u>	<u>186</u>
<b>EBITDA</b>		1,703	325	1,831
Amortisation & Depreciation		629	127	324
<b>Operating Profit</b>				
From continuing and acquired operations		1,074	198	1,507
Interest Receivable		118	35	124
Interest Payable		<u>-24</u>	<u>-16</u>	<u>-37</u>
Profit on ordinary activities before taxation		1,168	217	1,594
Taxation		533	65	482
<b>Retained profit for the period</b>		<u><u>635</u></u>	<u><u>152</u></u>	<u><u>1,112</u></u>
Earnings per share				
Basic		1.99	0.68	4.71
Diluted		1.98	0.66	4.64
Diluted and adjusted		3.47	0.97	5.35

There were no recognised gains or losses for the period.

Accuma Group  
Plc  
Interim Results for the six months ended 31 January 2007  
Consolidated Balance Sheet

Notes	Unaudited 6 months ended 31 January 2007	Unaudited 6 months ended 31 January 2006  (as restated) £000's	Year ended 31 July 2006  (as restated) £000's
	£000's	£000's	£000's
<b>Fixed Assets</b>			
Intangible Assets	23,163	3,155	6,940
Tangible Assets	826	589	726
	<u>23,989</u>	<u>3,744</u>	<u>7,666</u>
<b>Current Assets</b>			
Debtors	7,350	4,280	6,064
Cash at bank and in hand	5,772	1,345	4,441
	<u>13,122</u>	<u>5,625</u>	<u>10,505</u>
Creditors: amounts falling due within one year	<u>5,083</u>	<u>2,297</u>	<u>2,121</u>
Net current assets	8,039	3,328	8,384
Total assets less current liabilities	32,028	7,072	16,050
Creditors: amounts falling due after one year	235	322	328
Provisions for liabilities and charges	3	0	1,503
<b>Net Assets</b>	<u><u>31,790</u></u>	<u><u>6,750</u></u>	<u><u>14,219</u></u>
<b>Capital &amp; Reserves</b>			
Share Capital	3,270	2,252	2,573
Share premium	28,412	6,130	11,720
Other Reserve	-1,262	-1,262	-762
Capital Reserve on share options	329	183	282
Profit & Loss Account	1,041	-553	406
<b>Total shareholders' funds</b>	<u><u>31,790</u></u>	<u><u>6,750</u></u>	<u><u>14,219</u></u>

Accuma Group Plc  
Interim Results for the six months ended 31 January 2007  
Group Cashflow Statement

	Unaudited 6 months ended 31 January 2007	Unaudited 6 months ended 31 January 2006	Year ended 31 July 2006
Notes	£000's	(as restated) £000's	(as restated) £000's
<b>Operating Activities</b>			
Operating profit	1,074	198	1,507
Loss on sale of fixed assets	0	0	13
Amortisation of intangible fixed assets	481	70	171
Depreciation of tangible fixed assets	148	57	154
(Increase) in debtors	-802	-1,681	-3,153
(Decrease)/Increase in creditors	-247	299	212
Share option charge (FRS20)	47	87	186
	<u>701</u>	<u>-970</u>	<u>-910</u>
<b>Returns on investment &amp; servicing of finance</b>			
Interest Received	119	35	124
Interest Paid	-14	-15	-26
Interest element of hire purchase	-9	-1	-11
	<u>96</u>	<u>19</u>	<u>87</u>
<b>Taxation</b>	-566	0	0
<b>Capital Expenditure</b>			
Payments to acquire tangible fixed assets	-197	-169	-518
Sale of tangible fixed assets	0	0	275
	<u>-197</u>	<u>-169</u>	<u>-243</u>
<b>Acquisitions</b>			
Purchase of subsidiary companies	<u>-15,997</u>	<u>-2,495</u>	<u>-4,138</u>
<b>Financing</b>			
Proceeds of issue of ordinary shares	17,968	3,000	8,162
Share Issue	-579	-124	-374

costs			
Movement in long term borrowing	-57	-19	-144
Capital element of finance lease rentals	-38	-7	-41
	<u>17,294</u>	<u>2,850</u>	<u>7,603</u>
Increase/(decrease) in cash	<u>1,331</u>	<u>-765</u>	<u>2,399</u>

**Reconciliation of Net Cash Flow to Movement in Net Funds**

Increase/(decrease) in cash	1,331	-765	2,399
Net cash inflow from debt and lease financing	95	-92	-108
Loans & Leases acquired with subsidiaries	<u>0</u>	<u>-29</u>	<u>-154</u>
Change in net funds	1,426	-886	2,137
Net funds at start of period	3,917	1,780	1,780
Net funds at end of period	<u>5,343</u>	<u>894</u>	<u>3,917</u>

Accuma Group Plc  
 Interim Results for the six months ended 31 January  
 2007  
 Notes to the Interim  
 Accounts

1. Basis of Preparation

The Group profit and loss accounts, balance sheets and cashflow statements for the six month periods ended 31 January 2007 and 31 January 2006 have been prepared on a basis consistent with the accounting policies disclosed in the groups annual accounts for the year ended 31 July 2006, with the exception of the adoption of FRS 20, Share Based Payments, which has been applied from 1 August 2006.

2. Earnings Per Share

The calculations of earnings per share are calculated by dividing the earnings attributable to ordinary shares by the weighted average number of shares in issue during the period/year. For diluted earnings per share, the weighted average number of ordinary shares is adjusted to take account of the dilutive effect of share options at that date.

The diluted adjusted EPS number uses the same number of shares as above, but is based on profit before tax, as adjusted by adding back amortisation and charging tax at the relevant tax rate.

	Unaudited 6 months ended 31 January 2007	Unaudited 6 months ended 31 January 2006 (as restated)	Year ended 31 July 2006 (as restated)
	£000's	£000's	£000's
Profit for the period/year	635	152	1,112
	No	No	No

For basic earnings per share	31,901,618	22,144,813	23,592,884
For diluted earnings per share	32,135,646	23,047,210	23,986,881

### 3. Status of Financial Information

The accounts of the Group for the six months to 31 January 2007 were approved by the Board on 10 April 2007. The interim financial information contained in this interim statement has not been audited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information has been prepared in accordance with applicable accounting standards and is consistent with those adopted and disclosed for the year ending 31 July 2006, except for the adoption of FRS 20 (as noted above).

The interim results include the impact of the FRS 20 charge and both comparative 2006 results have been restated to reflect the change in accounting policy. The accounts for the year ended 31 July 2006, 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 Report and Accounts may be obtained from the Company's Registered Office, City Tower, Piccadilly Plaza, Manchester, M1 4BT. In addition, an electronic version will be available on the Company's website, [www.accumair.com](http://www.accumair.com)