

**DEBT FREE DIRECT GROUP PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2004**

**Company Registration Number 04425339**

**DEBT FREE DIRECT GROUP PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2004**

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**DEBT FREE DIRECT GROUP PLC**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 30 APRIL 2004**

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<b>The board of directors</b>	G J Folwell A Redmond P A Latham J A Reynard Lord EDH Hoyle	Chairman Chief Executive Officer Finance Director Non-Executive Director Non-Executive Director (1 March 2004)
<b>Company secretary</b>	P A Latham	
<b>Registered office</b>	Cloth Hall Court Infirmary Street Leeds Yorkshire LS1 2JB	
<b>Auditors</b>	Horwath Clark Whitehill LLP Chartered Accountants & Registered Auditors Arkwright House Parsonage Gardens Manchester M3 2HP	
<b>Bankers</b>	The Royal Bank of Scotland St Ann Street Manchester M60 2SS	
<b>Solicitors</b>	Eversheds House 70 Great Bridgewater Street Manchester M15 5ES LS1 2JB	
<b>Brokers and nominated advisors</b>	WH Ireland Limited 11 St James's Square Manchester M2 6WH	
<b>Registrars</b>	Capita Registrars (division of Capita IRG Plc) Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	

# **DEBT FREE DIRECT GROUP PLC**

## **CHAIRMAN'S STATEMENT**

**YEAR ENDED 30 APRIL 2004**

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The past year has seen particularly important and exciting developments which will significantly benefit the Group in future years.

The successful institutional placing has allowed the Group to make rapid operational improvements at all levels, whilst considerably strengthening the balance sheet.

As ever, our people have wholeheartedly embraced these changes. As outlined last year, they are at the heart of our philosophy of providing best advice and appropriate solutions to all over-indebted consumers who turn to us for help.

I have every confidence that Debt Free Direct will build successfully on this platform and create true value for all our shareholders.

**G J Folwell**  
**Chairman**  
**7 July 2004**

**DEBT FREE DIRECT GROUP PLC**  
**CHIEF EXECUTIVE OFFICER'S STATEMENT**  
**YEAR ENDED 30 APRIL 2004**

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**Background**

The last 12 months have been fundamentally important in building on the existing foundations which were laid in the period following the successful admission to AIM in December 2002.

Last year we anticipated that we were well placed to build shareholder value in the future, given that the fundamentals of the business were all in place. Essentially we have the right philosophy complemented by our Best Advice Model and high ethical standards in a market which will become increasingly regulated.

Furthermore, exceptional economic conditions have dynamically combined and resulted in ever-increasing record levels of secured and unsecured debt. We forecast last year that those economic conditions would not last indefinitely. It was clear in early 2003 that interest rates would rise and result in ever increasing numbers of over-indebted consumers requiring help.

Those forecasts have proved to be accurate and we have no reason to alter our view of the market looking towards 2005 and beyond.

**The Business**

**Our Vision**

Our vision remains; to be the UK's most respected provider of advice and appropriate solutions to over-indebted consumers.

**Debt Free Direct continues to be different**

We continue to be unique in the market by offering free, impartial advice to every caller without exception.

The Best Advice Model continues to be independently recognised as an industry leader; systematically and consistently delivering best advice on a timely basis to large volumes of consumers requiring our help.

**Building shareholder value**

We remain firmly of the view that, to continue to build shareholder value, we should concentrate on doing what is right and appropriate for all our customers in every circumstance.

**DEBT FREE DIRECT GROUP PLC**  
**CHIEF EXECUTIVE OFFICER'S STATEMENT**  
**YEAR ENDED 30 APRIL 2004**

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**Working towards a broader business model**

The business model is based upon continuing to take a share of the existing market and all our budgets and forecasts have been made upon that assumption.

However, during 2003 we recognised the potential for accelerated growth, as the market, and our share of it, increased.

**Institutional Placing**

On 1 October 2003 the Company placed 6,416,667 Ordinary Shares at 60p per share, which raised additional finance of approximately £3.7m (net) and has allowed the Group to continue to make progress and build for the future.

**Investment in resources**

Investments have been made in increasing operational and management resources, together with investment in additional marketing and advertising, as well as new premises to accommodate future growth.

**Strengthening the Balance Sheet**

On 22 December 2003, an offer was made by the Company to acquire all the preference shares and loan notes issued by its subsidiary, Debt Free Direct Limited.

We were pleased to announce on 16 February 2004 that acceptances of the offer were received in respect of 96.5% by value of the total preference shares and loan notes (£2,823,464).

The amount payable by the Company in February 2004 in cash in respect of the acquisition of preference shares and loan notes was £1,359,985. In addition, 2,032,520 Ordinary Shares were issued at a price of 60p per share. Those shares are subject to "lock-in" arrangements for a two year period.

The successful completion of the offer has significantly reduced the level of gearing on the Company's balance sheet and allowed the business to increase its operating capacity as well as its flexibility to pursue new business opportunities.

**Board changes**

On 1 March 2004 the Company appointed Lord Hoyle of Warrington to its Board as a non-executive director. We warmly welcome him onto the Board and look forward to him playing a valuable role in the future.

Lord Hoyle replaced Ian Currie on the Board, who stepped down to pursue other interests. We would like to place on record our thanks to Ian for his contribution to the business during his term of office.

**DEBT FREE DIRECT GROUP PLC**  
**CHIEF EXECUTIVE OFFICER'S STATEMENT**  
**YEAR ENDED 30 APRIL 2004**

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**Operating Performance**

As a result of the above growth strategy and investments, the Group was well placed to continue to build on its earlier success.

The EBITDA for the period for the Group is £507,766 which was ahead of expectations. It is a particularly impressive outcome given the significant operational changes being made during the second half of the year following the institutional placing.

The trading results for the year and the Group's financial position at the end of the year are shown in the financial statements, which follow this review.

**Current trading and prospects**

The Group has continued to make progress and be profitable in the period since 30 April 2004.

As stated above, the business model is based upon continuing to take a share of the existing market and all our budgets and forecasts have been made upon that assumption.

However, it is clear that overdue regulatory change is now on the horizon.

Last year we stated that this is a market which is ripe for increased regulation and that we would positively welcome any future Government initiatives. Given our high ethical and regulatory standards, we believed such changes could only strengthen our position in the marketplace.

To solve the problem of over-indebtedness, we believe that there needs to be appropriate rehabilitation for those who are already irreversibly over-indebted at the point they become insolvent.

In December 2003 the Government issued a Consumer Credit White Paper which, in part, focused on the problem of over-indebtedness. We have subsequently issued a response to that White Paper, which focuses in particular on a proposal for a new, simpler Consumer IVA (CIVA). Our response has been well received and we recently had an encouraging meeting with the Consumer Minister, Gerry Sutcliffe MP.

**DEBT FREE DIRECT GROUP PLC**  
**CHIEF EXECUTIVE OFFICER'S STATEMENT**  
**YEAR ENDED 30 APRIL 2004**

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The future introduction of the CIVA (or similar) would have a significant impact on the existing market size and dynamics. We would particularly benefit as others struggle to embrace the cultural change required from higher regulatory standards and operational efficiencies imposed upon them.

Notwithstanding the above we are continuing to examine prospects for future growth potential.

In particular we are already actively analysing the benefits of introducing either new solutions into existing markets or existing solutions into new markets. In so doing, we will, as ever, continue to be focused on maximising shareholder value whilst being mindful of the level of risk involved.

We look forward to being able to report on more progress in these areas in the months ahead.

**A Redmond**  
**Chief Executive Officer**  
**7 July 2004**

# DEBT FREE DIRECT GROUP PLC

## THE DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2004

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The directors present their report and the financial statements of the company for the year ended 30 April 2004.

### PRINCIPAL ACTIVITIES

The company was incorporated on 26 April 2002.

The company's name on incorporation was YPCS 120 plc and on 22 May 2002 the company changed its name to Debt Free Direct Group plc.

The principal activity of the group during the period was the provision of financial advice and appropriate solutions to individuals experiencing personal debt problems.

### RESULTS AND DIVIDENDS

The trading results for the period, and the group's financial position at the end of the period are shown in the attached financial statements.

Further to the Chairman's and Chief Executive Officer's statements above, the directors note that whilst the group made an operating profit of £100,312 for the period, this was after a charge for goodwill amortisation and depreciation of £407,454. Consequently, the EBITDA for the period was £507,766.

The notable year on year growth in profitability relates in part to the company's turnover accounting policy. Previously, given the early stage of the group's development, the directors made full provision for nominee fees where the meeting of creditors took place after the year end. At 30 April 2004, based on experience and case data available, the directors have improved their estimate of the provision required to more accurately reflect income earned by the balance sheet date. Further details of this change in estimation are given in Note 2 to the accounts on page 19.

On 1 October 2003 the company issued 6,416,667 ordinary shares of 1p each at a price of 60p per share. On 16 February 2004 the company issued 2,032,520 ordinary shares of 1p each at a price of 60p per share, in part consideration for 96.5% of the preference share capital of Debt Free Direct Limited.

### THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE PARENT COMPANY

The directors who served the company during the period together with their interests in the shares of the company were as follows:

	Ordinary Shares of £0.01 each	
	At 30 April 2004	At 30 April 2003
G J Folwell	20,000	20,000
A Redmond	5,298,526	5,015,447
P A Latham	5,131,348	5,015,446
J A Reynard	5,190,307	5,015,446
I W Currie (resigned 1 March 2004)	31,250	31,250
Lord EDH Hoyle (appointed 1 March 2004)	-	-

No right to subscribe for shares or debentures in the company was granted to any director during the year. However, on 24 May 2004, options to purchase 800,000 shares and 480,000 were granted to A Redmond and P A Latham respectively. These options are exercisable between 24 May 2006 and 24 May 2014, at an exercise price of 72p, depending upon the rate of growth in the capital value of the company. These options were granted in accordance with the ABI guidelines. There are 150,000 warrants in issue in respect of G J Folwell which may be exercised at 10p per share at any time up to the third anniversary of the date of admission to AIM, being 15 December 2005.

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# DEBT FREE DIRECT GROUP PLC

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2004

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### SUBSTANTIAL SHAREHOLDINGS

On 17 June 2004, the company was notified that the following were interested in 3% or more of the issued share capital of company:

Name	Number of ordinary shares	% of issued share capital
A Redmond	5,298,526	17.1%
J A Reynard	5,190,407	16.7%
P A Latham	5,131,348	16.6%
K Seeley	2,867,344	9.3%
D J Oakley	1,317,324	4.3%
Chase Nominees Limited	1,116,000	3.6%
HSBC Global Custody Nominee (UK) Limited	1,100,000	3.6%

### CREDITORS' PAYMENT POLICY

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible, within their terms of payment. The creditor effect of the group's payment policy is that its trade creditors at the financial year end represented 32 days purchases (2003:52 days).

# DEBT FREE DIRECT GROUP PLC

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2004

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### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group at the end of the year and of the group's profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 17 to 18, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts are in accordance with applicable law and United Kingdom accounting standards. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with Company Law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the AIM rules.

### AUDITORS

Following the transfer of substantially all of the business of Horwath Clark Whitehill to a limited liability partnership on 1 April 2004, Horwath Clark Whitehill resigned as auditors to the Company. The board has appointed Horwath Clark Whitehill LLP to fill the casual vacancy and Horwath Clark Whitehill LLP will be proposed for reappointment at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

### ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting to be held on 24 September 2004 will be issued separately.

Registered office:  
Cloth Hall Court  
Infirmery Street  
Leeds  
LS1 2JB

Signed by order of the directors

**P A Latham**  
Company Secretary

Approved by the directors on 7 July 2004

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# DEBT FREE DIRECT GROUP PLC

## CORPORATE GOVERNANCE

YEAR ENDED 30 APRIL 2004

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The requirements of the combined code of principles of corporate governance set out in the listing rules of the Financial Services Authority are not mandatory for companies traded on AIM. However, the directors are committed to complying with best practice in this area, and have adopted its principles where they have been considered appropriate.

### **Board of Directors and Board Committees**

The Board of Directors, which consists of two executive and three non-executive Directors, is responsible for the Group's system of corporate governance. The role of the non-executive Directors is to bring independent judgement to Board discussions and decisions.

The Board meets regularly throughout the year. It has a schedule of matters referred to it for decision, which includes Group strategy and future developments, allocation of financial resources, investments, annual and interim results, and risk management. The Company has two Board committees, which operate within defined terms of reference.

### **Audit Committee**

The Audit Committee, comprising J A Reynard (Chair) and G J Folwell are responsible for reviewing the full and half year results. In addition, the Audit Committee monitors the framework of internal control.

### **Remuneration Committee**

The Remuneration Committee, comprising G J Folwell (Chair) and Lord EDH Hoyle reviews the remuneration of the Executive Directors and any senior executive of the group and considers the grant of options and payment of performance related bonuses.

### **Internal Control**

The Directors are responsible for ensuring that the group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control. On the basis that such a system can only provide reasonable but not absolute assurance against material misstatement or loss and that it relates only to the needs of the business at the time, the system as a whole was found by the Directors at the time of approving the accounts to be generally appropriate to the size of the business.

### **Going Concern**

The Directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future and they have therefore adopted a going concern basis in preparing the accounts.

**DEBT FREE DIRECT GROUP PLC**  
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**  
**YEAR ENDED 30 APRIL 2004**

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We have audited the financial statements on pages 12 to 31, which have been prepared under the historical cost convention, and the accounting policies set out on pages 17 to 18.

This report is made solely to the shareholders of the company, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the shareholders of the company those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept nor assume responsibility to anyone other than the company and the shareholders of the company as a body, for our audit work nor for the opinion formed.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the chairman's statement, chief executive officer's statement, directors' report and corporate governance statement and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**UNQUALIFIED OPINION**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and group as at 30 April 2004 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

**HORWATH CLARK WHITEHILL LLP**, Chartered Accountants & Registered Auditors  
Arkwright House  
Parsonage Gardens  
Manchester  
M3 2HP

7 July 2004

**DEBT FREE DIRECT GROUP PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 APRIL 2004**

	Note	Year ended 30 April 04 £	Period from 26 April 02 to 30 April 03 £
<b>TURNOVER</b>	<b>2</b>	<b>4,210,513</b>	1,058,248
Cost of sales		<b>(3,008,548)</b>	(738,877)
<b>GROSS PROFIT</b>		<b>1,201,965</b>	319,371
Administrative expenses			
Goodwill amortisation		<b>(311,809)</b>	(126,641)
Other administrative expenses		<b>(789,844)</b>	(288,041)
		<b>(1,101,653)</b>	(414,682)
<b>OPERATING PROFIT/(LOSS)</b>	<b>3</b>	<b>100,312</b>	(95,311)
Interest receivable		<b>42,797</b>	963
Interest payable and similar charges	<b>6</b>	<b>(78,932)</b>	(80,443)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>64,177</b>	(174,791)
Tax on profit/(loss) on ordinary activities	<b>7</b>	<b>(7,746)</b>	59,941
<b>PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>		<b>56,431</b>	(114,850)
Earnings/(Loss) per share – basic	<b>9</b>	<b>0.21p</b>	(1.28p)
Earnings/(Loss) per share – diluted	<b>9</b>	<b>0.21p</b>	(1.28p)

The group has no recognised gains or losses other than the results for the year as set out above. All of the activities of the group are classed as continuing.

# DEBT FREE DIRECT GROUP PLC

## CONSOLIDATED BALANCE SHEET

30 APRIL 2004

	Note	£	2004 £	2003 £
<b>FIXED ASSETS</b>				
Intangible assets	10		<b>2,557,596</b>	2,791,424
Tangible assets	11		<b>564,530</b>	211,349
			<b>3,122,126</b>	3,002,773
<b>CURRENT ASSETS</b>				
Debtors (including £490,671 due after more than one year (2003:£249,066))	13	<b>2,641,878</b>		1,254,124
Cash at bank		<b>1,171,176</b>		81,249
		<b>3,813,054</b>		1,335,373
<b>CREDITORS: Amounts falling due within one year</b>	14	<b>(1,330,180)</b>		(1,672,471)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<b>2,482,874</b>	(337,098)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>5,605,000</b>	2,665,675
<b>CREDITORS: Amounts falling due after more than one year</b>	15		<b>(63,979)</b>	(168,392)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	16		<b>(93,585)</b>	(1,987,987)
			<b>5,447,436</b>	509,296
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	19		<b>309,492</b>	225,000
Share premium account	20		<b>5,196,363</b>	399,146
Profit and loss account	20		<b>(58,419)</b>	(114,850)
<b>SHAREHOLDERS' FUNDS</b>	21		<b>5,447,436</b>	509,296

These financial statements were approved by the directors on 7 July 2004 and are signed on their behalf by:

**A Redmond**  
*Director*

**P A Latham**  
*Director*

# DEBT FREE DIRECT GROUP PLC

## COMPANY BALANCE SHEET

30 APRIL 2004

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	Note	£	2004 £	2003 £
<b>FIXED ASSETS</b>				
Investments	12		2,998,237	418,740
<b>CURRENT ASSETS</b>				
Debtors	13	1,462,749		174,177
Cash		1,050,529		-
		<u>2,513,278</u>		
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(12,000)</u>		<u>(12,000)</u>
<b>NET CURRENT ASSETS</b>			<u>2,501,278</u>	<u>162,177</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>5,499,515</u>	<u>580,917</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	19		309,492	225,000
Share premium account	20		5,196,363	399,146
Profit and loss account	20		<u>(6,340)</u>	<u>(43,229)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>5,499,515</u>	<u>580,917</u>

These financial statements were approved by the directors on 7 July 2004 and are signed on their behalf by:

**A Redmond**  
*Director*

**P A Latham**  
*Director*

**DEBT FREE DIRECT GROUP PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 30 APRIL 2004**

	Year ended 30 April 2004	Period from 26 April 02 to 30 April 03
	£	£
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(764,097)</b>	<b>(369,093)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	42,797	963
Interest paid	(85,161)	(29,783)
Interest element of finance lease rental payments	(9,000)	-
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>(51,364)</b>	<b>(28,820)</b>
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire tangible fixed assets	(317,531)	(33,281)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<b>(317,531)</b>	<b>(33,281)</b>
<b>ACQUISITIONS</b>		
Cash acquired with subsidiaries	-	271,822
Acquisition of DFD Limited preference shares and loan notes	(1,359,985)	-
<b>NET CASH (OUTFLOW)/INFLOW FROM ACQUISITIONS</b>	<b>(1,359,985)</b>	<b>271,822</b>
<b>CASH OUTFLOW BEFORE FINANCING</b>	<b>(2,492,977)</b>	<b>(159,372)</b>
<b>FINANCING</b>		
Issuing of ordinary share capital	3,850,001	373,572
Professional costs charged to the share premium account	(187,802)	(168,167)
Capital element of finance lease rental payments	(45,930)	-
Repayment of loans	(33,365)	-
<b>NET CASH INFLOW FROM FINANCING</b>	<b>3,582,904</b>	<b>205,405</b>
<b>INCREASE IN CASH</b>	<b>1,089,927</b>	<b>46,033</b>

**RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	Year ended 30 Apr 04	Period from 26 Apr 02 to 30 Apr 03
	£	£
Operating profit/(loss)	100,312	(95,311)
Amortisation	311,809	126,641
Depreciation	95,645	23,074
Increase in debtors	(1,395,500)	(402,548)
Increase/(decrease) in creditors	123,637	(20,949)
<b>Net cash outflow from operating activities</b>	<b>(764,097)</b>	<b>(369,093)</b>

**DEBT FREE DIRECT GROUP PLC**  
**CONSOLIDATED CASH FLOW STATEMENT** *(continued)*  
**YEAR ENDED 30 APRIL 2004**

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>Year ended 30 Apr 04 £</b>	Period from 26 Apr 02 to 30 Apr 03 £
Increase in cash in the period	1,089,927	81,249
Cash outflow from acquisition of loan notes	601,714	-
Cash outflow from repayment of loans	33,365	-
Cash outflow from decrease in lease financing	45,930	-
	<hr/>	<hr/>
Change in net debt resulting from cash flows	1,770,936	81,249
Hire purchase agreements acquired with subsidiary	-	(35,216)
	<hr/>	<hr/>
	1,770,936	46,033
	<hr/>	<hr/>
New hire purchase agreement	(131,177)	-
Loans acquired with subsidiary	-	(1,346,185)
	<hr/>	<hr/>
<b>Change in net debts</b>	<b>1,639,759</b>	<b>(1,300,152)</b>
<b>Net debt at 30 April 2003</b>	<b>(1,300,152)</b>	<b>-</b>
<b>Net funds/(debt) at 30 April 2004</b>	<b>339,607</b>	<b>(1,300,152)</b>

**ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 30/4/03 £</b>	<b>Cash flow £</b>	<b>Non-cash movements £</b>	<b>At 30/4/04 £</b>
Cash in hand and at bank	81,249	1,089,927	-	1,171,176
	<hr/>	<hr/>	<hr/>	<hr/>
	81,249	1,089,927	-	1,171,176
Hire purchase creditors	(35,216)	45,930	(131,177)	(120,463)
Debt due within:				
1 year	(1,190,513)	479,407	-	(711,106)
Debt due after:				
1 year	(155,672)	155,672	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,300,152)	1,770,936	(131,177)	339,607

**ACQUISITIONS**

During the year the company acquired 96.5% of the Debt Free Direct Limited's preference shares and £601,714 of loan notes. This acquisition is reflected below.

	<b>£</b>
Preference shares	1,899,800
Loan notes	601,714
Total assets acquired	<u>2,501,514</u>
Goodwill	<u>77,983</u>
<b>Satisfied by</b>	
Cash	1,359,985
Shares allotted	<u>1,219,512</u>
	<u>2,579,497</u>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2004**

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**1. ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

**Basis of consolidation**

The consolidated accounts incorporate the accounts of the company and all group undertakings. The subsidiary undertakings accounts are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and amortised over its estimated useful life from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 230 of the Companies Act 1985.

**Turnover**

The turnover shown in the group profit and loss account represents amounts in respect of the provision of financial solutions to individuals experiencing personal debt problems. Turnover is largely derived from nominee and supervisory fees which result from individual voluntary arrangements (IVA). These fees are recognised as follows:

Nominee fees:	on issue of a finalised IVA proposal to the debtor, which is subject to provision for an estimate of those cases that may not be approved by the meeting of creditors
Supervisory fees:	on a monthly basis, commencing one month after the IVA has been agreed at the creditors' meeting

The directors have prudently agreed to adopt a policy of not recognising work in progress related to cases at an earlier stage in the process and consequently cost of sales are recognised as incurred.

**Amortisation**

Amortisation is calculated so as to write off the cost of intangible assets less their estimated residual value, over the useful economic life of the assets as follows:

Goodwill	-	10 years
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The directors review the carrying value of goodwill on a regular basis and if appropriate impair the value of goodwill as required.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & fittings	-	25% reducing balance
Computer equipment	-	25% reducing balance

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. ACCOUNTING POLICIES** *(continued)*

**Investments**

Fixed asset investments are stated at cost except where in the opinion of the Directors, there has been a permanent diminution in the value of the investments, in which case an appropriate adjustment is made.

**Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group profit and loss account on a straight line basis.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. TURNOVER**

The turnover and profit before tax are attributable to the one principal activity of the group, which is the provision of IVAs and other financial solutions to individuals experiencing personal debt problems. All turnover originated in the UK.

Nominee fees are recognised in accordance with the turnover accounting policy. In the previous period, given the early stage of the group's development, the directors made full provision for the nominee fees relating to cases where the meeting of creditors took place after the year end. At 30 April 2004, based on experience and case data available, the directors have improved their estimate of the provision required so that turnover more accurately reflects the nominee fee income earned by the balance sheet date. Had this improvement in the estimate not been made at 30 April 2004, the turnover for the year would have been understated by £413,000. Similarly if the provision had been made at 30 April 2003 on an equivalent basis, turnover in the period ended 30 April 2003 would have been increased by £142,000 with a corresponding reduction reported in turnover in the current year.

**3. OPERATING PROFIT/(LOSS)**

Operating profit/(loss) is stated after charging

	<b>Year ended 30 Apr 04 £</b>	Period from 26 Apr 02 to 30 Apr 03 £
Goodwill amortisation	311,809	126,641
Depreciation	95,645	23,074
Auditors' remuneration		
- as auditors	16,100	15,800
- for other services	2,575	3,000
Operating lease costs: plant and equipment	20,940	8,352
Operating lease costs: other operating leases	24,370	11,645
	<u>          </u>	<u>          </u>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2004**

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**4. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the group during the financial period amounted to:

	<b>Year ended 30 Apr 04 No.</b>	Period from 26 Apr 02 to 30 Apr 03 No.
Directors	5	5
Advice team	34	28
IVA processing team	30	12
	<u>69</u>	<u>45</u>

The aggregate payroll costs of the above were:

	<b>Year ended 30 Apr 04 £</b>	Period from 26 Apr 02 30 Apr 03 £
Wages and salaries	1,405,512	750,002
Social security costs	119,544	64,568
Pension costs	900	2,303
	<u>1,525,956</u>	<u>816,873</u>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2004**

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**5. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	<b>Year ended 30 Apr 04 £</b>	Period from 26 Apr 02 to 30 Apr 03 £
Directors' fees	55,500	5,000
Directors' emoluments	214,667	20,833
	<u>270,167</u>	<u>25,833</u>

Included within directors' fees are amounts of £15,000 payable to non-executive directors (2003:£5,000). Included within directors' emoluments are amounts of £26,667 (2003:£8,333) payable to non-executive directors.

Directors' fees include £40,500 in respect of P A Latham for the period to 31 December 2003. Thereafter, the payments for P A Latham's services are included within directors' emoluments.

The Chairman received total emoluments of £26,667 (2003: £8,333)

The highest paid director received total remuneration of £151,000 (2003:£12,500).

The emoluments in the period from 26 April 2002 to 30 April 2003 represent payments to the Chief Executive Officer for the month of April 2003. Prior to April 2003, a charge for the Chief Executive Officer's services was made by his former employer to Debt Free Direct Limited.

Pension benefits were accruing to no directors (2003:none) during the year.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>Year ended 30 Apr 04</b>	Period from 26 Apr 02 to 30 Apr 03 £
Loans	73,534	29,783
Non-equity share redemption finance charge	5,398	50,660
	<u>78,932</u>	<u>80,443</u>

**7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>Year ended 30 Apr 04</b>	Period from 26 Apr 02 to 30 Apr 03 £
Current tax:		
UK Corporation tax based on the results for the period at 19%	-	-
Deferred taxation charge/(credit)	-	-
- origination and reversal of timing differences	42,450	(59,941)
- effect of tax rate change on opening balances	(34,704)	-
Total tax charge/(credit)	<u>7,746</u>	<u>(59,941)</u>

**Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	<b>2004</b>	2003
	£	£
Profit/(Loss) on ordinary activities before tax	<u>64,177</u>	<u>(174,791)</u>
Profit/(Loss) on ordinary activities at 19%	12,194	(33,210)
Pre-acquisition losses and timing differences	-	(76,977)
Expenses not deductible for tax purposes	70,148	42,523
Differences between capital allowances and depreciation	9,536	8,293
General provision release	-	(570)
Effect of marginal tax rates	(950)	-
Utilisation of tax losses and other deductions	(90,757)	-
Tax losses available to carry forward	-	59,941
Other differences	(171)	-
	<u>-</u>	<u>-</u>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2004**

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**8. PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The profit in the accounts of the parent company was £36,959. (2003 loss:£43,229).

**9. EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings per share is based on the profit of £56,431 (2003 loss:£114,850) and a weighted average number of ordinary shares in issue during the period of 26,744,493 (2003: 8,961,260). The calculation of diluted earnings per share is based on the profit of £56,431 (2003 loss £114,850) and a diluted weighted average number of ordinary shares of 27,029,793.

**10. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill</b>
	<b>£</b>
<b>COST</b>	
At 1 May 2003	3,039,350
Additions	77,983
<b>At 30 April 2004</b>	<u>3,117,333</u>
<b>AMORTISATION</b>	
At 1 May 2003	247,928
Charge for the period	311,809
<b>At 30 April 2004</b>	<u>559,737</u>
<b>NET BOOK VALUE</b>	
<b>At 30 April 2004</b>	<u>2,557,596</u>
At 30 April 2003	<u>2,791,424</u>

Additions relate to the company's acquisition of 96.5% of the preference share capital of Debt Free Direct Limited in February 2004.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. TANGIBLE FIXED ASSETS**

Group	Fixtures & fittings £	Computer equipment £	Total £
<b>COST</b>			
At 1 May 2003	57,227	230,317	287,544
Additions	289,579	159,247	448,826
<b>At 30 April 2004</b>	<u>346,806</u>	<u>389,564</u>	<u>736,370</u>
<b>DEPRECIATION</b>			
At 1 May 2003	18,232	57,963	76,195
Charge for the period	40,273	55,372	95,645
<b>At 30 April 2004</b>	<u>58,505</u>	<u>113,335</u>	<u>171,840</u>
<b>NET BOOK VALUE</b>			
<b>At 30 April 2004</b>	<u>288,301</u>	<u>276,229</u>	<u>564,530</u>
At 30 April 2003	<u>38,995</u>	<u>172,354</u>	<u>211,349</u>

**Hire purchase agreements**

Included within the net book value of £564,530 is £171,623 (2003:£21,349) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets is £27,501 (2003:£15,391).

**12. INVESTMENTS**

**Company**

	2004 £
<b>COST:</b>	
At 1 May 2003	418,740
Additions	2,579,497
At 30 April 2004	<u>2,998,237</u>
<b>NET BOOK VALUE:</b>	
<b>At 30 April 2004</b>	<u>2,998,237</u>
At 30 April 2003	<u>418,740</u>

The additions during the year reflect the cost of the company's acquisition of 285,645 "A" preference shares, 567,286 "B" preference shares, 678,285 "C" preference shares, 690,534 "D" preference shares and £601,714 loan notes, all in Debt Free Direct Limited.

**DEBT FREE DIRECT GROUP PLC**  
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**12. INVESTMENTS** *(continued)*

Details of subsidiary undertakings at the balance sheet date are as follows:

<b>Name of company</b>	<b>Country of Incorporation</b>	<b>Class of Share</b>	<b>Nature of Business</b>	<b>Proportion of voting rights</b>
Debt Free Direct Limited	England	100% Ordinary 100% "A" Preference 94.2% "B" Preference 92.7% "C" Preference 97.9% "D" Preference	Provision of financial advice and appropriate solutions	100%
Debt Free Direct (Investments) Limited	England	Ordinary	Dormant	100%

The profit after tax for the year ended 30 April 2004, together with comparatives is set out below:

	<b>Year ended 30 April 2004</b>	<b>Period ended 30 April 2003</b>
	£	£
Debt Free Direct Limited	80,249	(554,700)
Debt Free Direct (Investments) Limited	-	-

**13. DEBTORS**

	<b>30 April 04</b>		<b>30 April 03</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	£	£	£	£
Trade debtors	2,133,581	-	727,500	-
Amounts owed by group undertakings	-	1,462,749	-	174,177
Other debtors	339	-	99,540	-
Prepayments and accrued income	454,864	-	367,143	-
Deferred tax asset	52,195	-	59,941	-
	<u>2,641,878</u>	<u>1,462,749</u>	<u>1,254,124</u>	<u>174,177</u>

Trade debtors include £490,671 (2003:£249,066) due after more than one year.

The deferred tax asset relates to accelerated capital allowances (£31,195) and other short term timing differences (£21,000).

**DEBT FREE DIRECT GROUP PLC**  
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**14. CREDITORS: Amounts falling due within one year**

	<b>30 April 04</b>		<b>30 April 03</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	174,493	-	230,200	-
Hire purchase agreements	56,484	-	22,494	-
Loan notes	-	-	446,042	-
Directors' loan	611,106	-	613,356	-
Directors' debenture loans	100,000	-	100,000	-
Other loans	-	-	31,115	-
Other creditors including taxation and social security:				
Taxation and social security	277,736	-	52,491	-
Other creditors	26,334	-	57,906	-
Accruals and deferred income	84,027	12,000	118,867	12,000
	<u>1,330,180</u>	<u>12,000</u>	<u>1,672,471</u>	<u>12,000</u>

The directors' debenture loans and directors' loans will not be repaid unless the general cashflow requirements of the business permit. Consequently certain loans currently classified as repayable within one year, may be repaid after one year. Interest on the loans will be charged at the National Westminster Bank base rate plus 5%.

The loan notes were acquired during the year.

If the loans currently shown as repayable within one year are shown as repayable after one year the net current assets as at 30 April 2004 would be £3,173,943.

**15. CREDITORS: Amounts falling due after more than one year**

	<b>30 April 04</b>		<b>30 April 03</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Hire purchase agreements	63,979	-	12,720	-
Loan notes	-	-	155,672	-
	<u>63,979</u>	<u>-</u>	<u>168,392</u>	<u>-</u>

The loan notes were acquired during the year.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2004**

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**16. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>30 April 04</b>		<b>30 April 03</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 May 2003	1,987,987	-	-	-
Acquired with subsidiary	-	-	1,937,327	-
Non-equity share redemption finance charge	5,398	-	50,660	-
Utilisation of provision	(1,899,800)	-	-	-
	<u>93,585</u>	<u>-</u>	<u>1,987,987</u>	<u>-</u>

The provision represents the net asset value of future redemption payable in respect of preference shares issued by the subsidiary, Debt Free Direct Limited. The utilisation of the provision is a result of the company acquiring 96.5% of the preference shares. The finance charge for the year was in respect of the remaining shares which are held by a third party.

**DEBT FREE DIRECT GROUP PLC**  
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**17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS**

	<b>30 April 04</b>		<b>30 April 03</b>	
	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
Amounts payable within 1 year	56,484	-	22,494	-
Amounts payable between 1 and 2 years	43,765	-	12,720	-
Amounts payable between 2 and 5 years	20,214	-		
	<u>120,463</u>	<u>-</u>	<u>35,214</u>	<u>-</u>

**18. COMMITMENTS UNDER OPERATING LEASES**

At 30 April 2004 the group had annual commitments under non-cancellable operating leases as set out below.

<b>Group</b>	<b>30 April 2004</b>		<b>30 April 2003</b>	
	<b>Land and buildings £</b>	<b>Other items £</b>	<b>Land and buildings £</b>	<b>Other items £</b>
Operating leases, which expire:				
Within 1 year	-	5,800	-	-
Between 2 to 5 years	101,600	7,688	-	44,686
	<u>101,600</u>	<u>13,488</u>	<u>-</u>	<u>44,686</u>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2004**

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**19. SHARE CAPITAL**

**Authorised share capital:**

	<b>30 Apr 04</b>	30 Apr 03
	£	£
40,000,000 ordinary shares of 1p each	400,000	400,000

**Allotted, called up and fully paid:**

	<b>30 Apr 04</b>	30 Apr 03
	£	£
30,949,200 ordinary shares of 1p each (2003:22,500,000)	309,492	225,000

On 1 October 2003 the company issued 6,416,667 ordinary shares of 1p each at a price of 60p per share. On 16 February 2004 the company issued 2,032,520 ordinary shares of 1p each at a price of 60p per share, in part consideration for preference shares and loan notes in Debt Free Direct Limited.

**Share option scheme**

The following share options were granted to employees during the year, through an approved EMI scheme:

Date granted	Number of shares	Price per share	Lapsed during year	At 30 April 2004
18/12/03	75,000	40.0p	-	75,000
18/12/03	195,000	60.0p	-	195,000
18/12/03	30,000	65.0p	-	30,000
10/02/04	307,422	67.5p	62,966	244,456
10/02/04	7,408	68.0p	-	7,408
10/02/04	14,815	1.0p	-	14,815
23/04/04	142,857	70.0p	-	142,857
23/04/04	35,714	70.0p	-	35,714

No share options were exercised during the year. During the year 62,966 share options lapsed, leaving 745,250 share options outstanding at 30 April 2004.

The share options that were issued on 18 December 2003 and 23 April 2004 may be exercised two years after the date of issue. These share options may only be exercised during a 42 day period following announcement of the group's interim and full year results.

Of the share options that were issued on 10 February 2004 two fifths become exercisable on 10 February 2006 and thereafter they become exercisable annually in tranches of 1/5<sup>th</sup>. These share options may only be exercised during a 42 day period following announcement of the group's interim and full year results.

In addition, there are 100,000 warrants in issue to WH Ireland Limited, the company's brokers and nominated advisors, which may be exercised at 40p per share at any time up to the third anniversary of the date of admission to AIM, being 15 December 2005.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**20. RESERVES**

<b>Group</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At beginning of the year	399,146	(114,850)	284,296
Premium on issue of shares	4,985,019	-	4,985,019
Share issue costs	(187,802)	-	(187,802)
Retained profit for the period	-	56,431	56,431
	<u>5,196,363</u>	<u>(58,419)</u>	<u>5,137,944</u>
 <b>Company</b>			
At beginning of the year	399,146	(43,229)	355,917
Premium on issue of shares	4,985,019	-	4,985,019
Share issue costs	(187,802)	-	(187,802)
Retained profit for the period	-	36,889	36,889
	<u>5,196,363</u>	<u>(6,340)</u>	<u>5,190,023</u>

**21. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS**

	<b>2004 £</b>	<b>2003 £</b>
Profit/(Loss) for the financial period	56,431	(114,850)
New equity share capital subscribed	84,492	225,000
Net premium on new share capital subscribed	<u>4,797,217</u>	<u>399,146</u>
Opening shareholders' equity funds	4,881,709	624,146
	<u>509,296</u>	<u>-</u>
Closing shareholders' equity funds	<u>5,447,436</u>	<u>509,296</u>

**DEBT FREE DIRECT GROUP PLC**  
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**22. FINANCIAL INSTRUMENTS**

The group's financial instruments comprise cash and liquid resources that arise directly from operations. The main purpose of financial instruments is to fund the Group's operations. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions.

The group's operations have been financed to date through the use of the funds raised on the placing of shares in December 2002 and October 2003. The Group has not borrowed funds during the year, although an overdraft facility of £250,000 is in place with the Group's bankers. The group has certain directors loans, loan notes and other loan notes as disclosed in note 14 and 15. It also has hire purchase creditors as disclosed in notes 14 and 15.

The directors have taken advantage of the exemption permitted by FRS 13 in not disclosing short term debtors and creditors as financial assets and financial liabilities respectively in the notes below.

The main risks to the group, and the policies adopted by the directors to minimise their effects on the group, are as follows:

*Credit risk*

The directors believe that credit risk is limited as debts are spread over a large a number of debtors. No individual debtor poses a significant risk.

*Foreign currency risk*

The Group's functional currency is sterling and all bank balances are held in sterling accounts. No transactions are carried out in foreign currencies, therefore there is no foreign currency exposure.

*Interest rate and liquidity risk*

All of the group's cash balances and short-term deposits are held in such a way that enables the achievement of the correct balance between access to working capital and a competitive rate of interest. The directors constantly monitor the working capital requirements of the group and they are satisfied that the group has sufficient working capital to continue as a going concern for a period of at least 12 months from the dates that the accounts are approved.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. RELATED PARTY TRANSACTIONS**

Details of amounts owed by Debt Free Direct Limited as at 30 April 2004 are as follows:

**Debentures**

A Redmond	£33,333
P A Latham	£33,333
J A Reynard	£33,334

**Directors Loans**

A Redmond	£353,152
P A Latham	£54,252
J A Reynard	£203,702

Interest is payable on both the directors' loan accounts and debenture loans at a rate of 5% above base rate. Total interest payable in the year ended 30 April 2004 was £54,284 on the directors' loan accounts, and £8,862 on the debentures, analysed as:

A Redmond	£34,229
P A Latham	£7,869
J A Reynard	£21,049

**Acquisitions**

During the year, the company acquired loan notes and preference shares in Debt Free Direct Limited from the directors as follows:

	Loan Notes A	Loan Notes B	Loan Notes D	A Preference shares	B Preference shares	C Preference shares	D Preference shares
A Redmond	28,563	40,608	8,697	-	-	-	55,672
PA Latham	28,564	40,608	8,697	-	-	-	55,672
JA Reynard	28,564	40,608	8,697	-	-	-	55,672

As consideration for the loan notes and preference shares acquired from the directors, the company paid the following:

A Redmond	222,567 ordinary 1p shares at a price of 60p each
PA Latham	222,568 ordinary 1p shares at a price of 60p each
JA Reynard	Cash of £28,564 and 174,961 ordinary 1p shares at a price of 60p each.

**24. BANK BALANCES HELD ON BEHALF OF INDIVIDUALS**

Total bank balances of £7,618,603 (2003:£4,006,157) was held by the company in trustee accounts on behalf of individuals who have entered into IVAs at 30 April 2004. These bank balances are not recognised on the group or company balance sheet.