

8th July 2004

DEBT FREE DIRECT GROUP PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 30 APRIL 2004
FURTHER PROGRESS AND MOVE INTO NET PROFIT

Highlights

Debt Free Direct PLC, the leading debt advice and solutions company, announces its results for the year ended 30 April, 2004.

Highlights for the year include:

- Financial performance ahead of expectations with EBITDA of £507,766. Profit after tax of £56,431 compared with loss after tax of £114,850 for the five months included in the financial period ended 30 April 2003
- Balance sheet successfully restructured with an institutional placing raising £3.7 million and acquisition of 96.5% of the outstanding preference shares and loan notes. Balance sheet strengthened and level of gearing reduced
 - Net cash position of £339,607
 - Net assets increased from £0.5 million to £5.44 million
- New premises established to accommodate growth in the business
- Additional investment in IT and operational and management resources to support Debt Free Direct's philosophy of best advice, laying a firm foundation for future growth
- Further progress towards establishing broader business model and increasing number of referred leads
- Strong trading in the four months to April and a significant increase in trend run rate of new IVA cases
- Appointment of Lord Hoyle of Warrington, former Government Whip, as non-executive director
- Proposal put forward by Debt Free Direct for a new consumer IVA (CIVA) well received by the Government

Grenville Folwell, Chairman, said:

"I am delighted that the Group has continued to make progress and has moved into net profit in the year ended 30 April, 2004. The Group has used the proceeds of the successful placing to invest in the business and increase its operating capacity.

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

Enquiries

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Notes to Editors

Year Ended 30 April 2004

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.

Chairman's Statement

Year Ended 30 April 2004

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

Chief Executive Officer's Statement

Year Ended 30 April 2004

Background

The last 12 months have been fundamental in building on the foundations which were laid in the period following our 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 combined to result in 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.

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.

Chief Executive Officer's Statement (*Continued*)

Year Ended 30 April 2004

Strengthening the Balance Sheet

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.

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 placing and 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.

Investment in resources

Investments have been made in operational and management resources, additional marketing and advertising, and new premises to accommodate future growth.

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 thank Ian for his contribution to the business during his term of office.

Operating Performance

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

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, including moving into new premises.

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.

Chief Executive Officer's Statement (*Continued*)

Year Ended 30 April 2004

Current trading and prospects

The Group has continued its progress and profitability 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 we would positively welcome any future Government initiatives. Given our high ethical and regulatory standards, we believe 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 at which 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.

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 other companies will 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

Consolidated Profit And Loss Account

Year Ended 30 April 2004

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

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own profit and loss account.

Consolidated Balance Sheet

30 April 2004

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

Consolidated Cash Flow Statement

Year Ended 30 April 2004

	Year ended 30 April 2004	Period from 26 April 02 to 30 April 03
	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(764,097)	(369,093)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	42,797	963
Interest paid	(85,161)	(29,783)
Interest element of finance lease rental payments	(9,000)	-
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(51,364)	(28,820)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(317,531)	(33,281)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(317,531)	(33,281)
ACQUISITIONS		
Cash acquired with subsidiaries	-	271,822
Acquisition of DFD Limited preference shares and loan notes	(1,359,985)	-
NET CASH OUTFLOW FROM ACQUISITIONS	(1,359,985)	271,822
CASH OUTFLOW BEFORE FINANCING	(2,492,977)	(159,372)
FINANCING		
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)	-
NET CASH INFLOW FROM FINANCING	3,582,904	205,405
INCREASE IN CASH	1,089,927	46,033

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)
Net cash outflow from operating activities	(764,097)	(369,093)

Consolidated Cash Flow Statement (Continued)

Year Ended 30 April 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 30 Apr 04 £	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	-
		-
Change in net debt resulting from cash flows	1,770,936	81,249
Hire purchase agreements acquired with subsidiary	-	(35,216)
	<u>1,770,936</u>	<u>46,033</u>
New hire purchase agreement	(131,177)	-
Loans acquired with subsidiary	-	(1,346,185)
	<u>1,639,759</u>	<u>(1,300,152)</u>
Change in net debts	1,639,759	(1,300,152)
Net debt at 30 April 2003	(1,300,152)	-
Net debt at 30 April 2004	<u>339,607</u>	<u>(1,300,152)</u>

Notes

Year Ended 30 April 2004

1. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 Apr 04 £	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)	-
	<hr/>	<hr/>
Total tax charge/(credit)	7,746	(59,941)
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2. EARNINGS 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.

3 STATUS OF FINANCIAL INFORMATION

The financial information set out in this report does not constitute the company's statutory accounts for the year ended 30 April 2004, but is derived from those accounts. Statutory accounts for the year ended 30 April 2004 will be delivered to the Registrar of Companies shortly. The auditors have reported on the statutory accounts for the year ended 30 April 2004 and their opinion was unqualified for these financial statements.