

**DEBT FREE DIRECT GROUP PLC  
(FORMERLY YPCS 120 PLC)  
FINANCIAL STATEMENTS**

**30 APRIL 2003**

**Company Registration Number 04425339**

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

**DEBT FREE DIRECT GROUP PLC**  
**FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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<b>CONTENTS</b>	<b>PAGE</b>
Officers and professional advisers	1
Chairman's statement	2
Chief executive officer's statement	3
The directors' report	6
Corporate governance	9
Independent auditors' report to the shareholders	10
Consolidated profit and loss account	11
Consolidated balance sheet	12
Company balance sheet	13
Consolidated cash flow statement	14
Notes to the financial statements	16

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**DEBT FREE DIRECT GROUP PLC**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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<b>The board of directors</b>	G J Folwell A Redmond J A Reynard P A Latham I W Currie	Chairman Chief Executive Officer  Finance Director
<b>Company secretary</b>	J A Reynard	
<b>Registered office</b>	55 St Thomas's Road Chorley Lancashire PR7 1JH	
<b>Auditors</b>	Horwath Clark Whitehill 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 London Scottish House 24 Mount Street Manchester M2 3DB	
<b>Brokers and nominated advisors</b>	WH Ireland Limited 11 St James's Square Manchester M2 6WH	
<b>Registrars</b>	Northern Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	

# **DEBT FREE DIRECT GROUP PLC**

## **CHAIRMAN'S STATEMENT**

**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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The past year has been characterised by many significant factors within the business, which have laid the foundations to support the impressive performance of the group, both during the past year and looking towards the future.

There have been important and exciting operational improvements at all levels. These have been primarily directed towards our core objectives of providing best advice for every over-indebted consumer who calls us.

Our people have embraced these changes with energy and enthusiasm. They are looking forward to the challenges ahead with both optimism and passion. Above all else, our people are at the heart of our philosophy of best advice and helping people who turn to us. They are a significant part of why we are different from our competition.

Indeed our philosophy now and for the future is clear. By providing best advice to our target sector and by maintaining our high ethical and regulated standards we aim to become the leading provider of advice and appropriate solutions to over-indebted consumers in a rapidly expanding marketplace.

I have every confidence that Debt Free Direct will build successfully on the foundation now in place and will build true value for all our stakeholders.

**G J Folwell**  
**Chairman**

**7 July 2003**

**DEBT FREE DIRECT GROUP PLC**  
**CHIEF EXECUTIVE OFFICER'S STATEMENT**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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The primary objective of this statement is to set out our group philosophy within the context of our core business goals and reveal how we intend to build shareholder value.

***Our purpose***

Briefly our purpose is to:-

- Provide the best advice to every over-indebted person who calls us.
- Be the leading provider of advice and appropriate financial solutions to over-indebted consumers with particular focus on the "quality sector".

***The "quality sector"***

Essentially these are generally responsible, mature people who through unforeseen life events have become unable to pay their bills on time. This is a situation that they do not like and they are "the unfortunates" in what is often perceived as an irresponsible market.

These are people, who having been pointed in the right direction will stick to the most appropriate solution found for them and will become good customers for us.

***Building shareholder value***

To continue to build shareholder value we will:

- Target the appropriate market sector.
- Provide the appropriate advice to a high technical and ethical standard.
- Provide appropriate empathy to their difficulties.
- Use the law and the regulatory framework which is appropriate for their benefit.

In other words shareholder value will be derived by doing what is right and appropriate for all of our customers in every circumstance.

***Debt Free Direct is different***

We offer free, impartial, best advice to every caller.....without exception.

Best advice is systematically delivered through a sophisticated computer advice model. This has been independently recognised as an industry leader.

Furthermore, in a largely unregulated market our business operations are highly regulated; something which we welcome. We provide advice in all financial areas to include the most formal, legal insolvency processes and we employ highly qualified Licensed Insolvency Practitioners who's advice and working practices are monitored and regulated by the appropriate authorities,

We believe that this is a market which is ripe for increased regulation in the future and we will positively welcome that when it happens.

We are encouraged to see that others share our view as highlighted by the OFT guidelines issued to debt management companies and the recently announced investigation into consolidation loans. Any increased regulations resulting from these or any other government initiatives can only strengthen our position in the marketplace.

We will particularly benefit as others struggle to embrace the cultural change required from higher regulatory standards imposed upon them.

**DEBT FREE DIRECT GROUP PLC**  
**CHIEF EXECUTIVE OFFICER'S STATEMENT**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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***Background to the acquisition of Debt Free Direct Limited***

Debt Free Direct Limited had already embarked on a significant growth strategy prior to its acquisition by the group in December 2002. By that date the business had:-

- An embedded culture and philosophy of providing best advice to all over-indebted consumers.
- Developed it's best advice model and route to market which we believe is better than anything else on offer in the market.
- Built an operating platform, which was ready for growth.

***Operating performance***

As a result of the above growth strategy, the group was well placed to achieve early operating profitability.

The EBITDA for the period for the group is £54,404. Even more significant were the results in the final quarter. In this period the group accounts showed an EBITDA of approximately £190,000.

The group has continued to be profitable in the period since 30 April 2003.

***Going forward***

We believe that we are well placed to build shareholder value in the future. The fundamentals are all in place; we have the right philosophy complimented by the best advice model and we have existing high ethical and regulated standards in a market, which will become increasingly regulated. Our results in recent months demonstrate that our model is working and that profits will grow.

The 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 there is the potential for accelerated growth if the market size increases. We believe that we are living through a period of quite exceptional levels of:-

- High employment.
- Low inflation.
- Low interest rates.
- High house equity values.

The above have dynamically combined and resulted in ever increasing record levels of secured and unsecured debt. This is increasingly being used to fund expenditure in excess of income. Essentially, too many people are living beyond their means and are funding the gap with secured and unsecured debt.

At this time most people can afford the repayments on increased debt because the interest they pay, notably on their mortgage, has been falling.

**DEBT FREE DIRECT GROUP PLC**  
**CHIEF EXECUTIVE OFFICER'S STATEMENT**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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However the economic factors outlined above will not last indefinitely. We believe that the time will arrive when interest rates will rise and this will impact on the existing delicate economic balance prompting a vicious circle resulting in ever increasing numbers of over-indebted people requiring our help.

We are confident that we are well placed to help them and that our business will continue to grow even more rapidly in the years ahead.

**A Redmond**  
**Chief Executive Officer**

**7 July 2003**

# DEBT FREE DIRECT GROUP PLC

## THE DIRECTORS' REPORT

### PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003

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The directors present their report and the financial statements of the company for the year ended 30 April 2003.

#### 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 solutions to individuals experiencing personal debt problems.

On 2 December 2002 the company acquired the entire issued ordinary share capital of Debt Free Direct Limited by the issue of 19,230,807 ordinary share of 1p each.

On 16 December 2002 the company acquired the entire issued ordinary share capital of DFD (Investments) Limited by the issue of 2,335,066 ordinary of 1p each.

On the same day the company was successfully floated on AIM and a further 9,337,927 shares were issued at 40p per share.

#### 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 Chief Executive Officer's Statement above, the directors note that whilst the group made an operating loss of £95,311 for the period, this was after a charge for goodwill amortisation and depreciation of £149,715. Consequently, the EBITDA for the period was £54,404.

In addition, the groups' accounts showed that in final quarter of the year ended 30 April 2003, the group achieved an EBITDA of approximately £190,000. The group has continued to be profitable in the period since 30 April 2003.

#### 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
		At	26 April 2002
		30 April 2003	or later date
			of appointment
G J Folwell	(Appointed 3 December 2002)	-	-
A Redmond	(Appointed 22 May 2002)	5,015,447	-
J A Reynard	(Appointed 22 May 2002)	5,015,446	-
P A Latham	(Appointed 22 May 2002)	5,015,446	-
I W Currie	(Appointed 3 December 2002)	160,156	-

#### SUBSTANTIAL SHAREHOLDINGS

On 25 June 2003, the company was notified that other than directors, 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 Byrne	843,753	3.8
DJ Oakley	1,317,324	5.9
K Seeley	2,867,344	12.7

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**DEBT FREE DIRECT GROUP PLC**  
**THE DIRECTORS' REPORT**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**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 effect of the group's payment policy is that its trade creditors at the financial year end represented 52 days purchases.

# DEBT FREE DIRECT GROUP PLC

## THE DIRECTORS' REPORT *(continued)*

### PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003

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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 period and of the group's profit or loss for the period then ended.

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

select suitable accounting policies, as described on pages 15 to 16, 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**

A resolution to re-appoint Horwath Clark Whitehill as auditors for the ensuing year will be proposed 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 25 September 2003 is included in this document.

Registered office:  
55 St Thomas's Road  
Chorley  
Lancashire  
PR7 1JH

Signed by order of the directors

**J A Reynard**  
Company Secretary

Approved by the directors on 7 July 2003

# DEBT FREE DIRECT GROUP PLC

## CORPORATE GOVERNANCE

PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003

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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 three executive and two 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 IW Currie (Chair) and GJ Folwell 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 GJ Folwell (Chair) and IW Currie 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**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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We have audited the financial statements on pages 11 to 29, which have been prepared under the historical cost convention, and the accounting policies set out on pages 16 to 17.

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 8.

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 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 2003 and of the loss of the group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Arkwright House  
Parsonage Gardens  
Manchester  
M3 2HP

**HORWATH CLARK WHITEHILL**  
Chartered Accountants & Registered Auditors

7 July 2003

**DEBT FREE DIRECT GROUP PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

	Note	Period from 26 April 02 to 30 April 03 £
<b>TURNOVER</b>	<b>2</b>	1,058,248
Cost of sales		(738,877)
<b>GROSS PROFIT</b>		<u>319,371</u>
Administrative expenses		
Goodwill amortisation	(126,641)	
Other administrative expenses	(288,041)	
		<u>(414,682)</u>
<b>OPERATING LOSS</b>	<b>3</b>	(95,311)
Interest receivable		963
Interest payable and similar charges	6	(80,443)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION</b>		<u>(174,791)</u>
Tax on loss on ordinary activities	7	59,941
<b>LOSS FOR THE FINANCIAL PERIOD</b>		<u><u>(114,850)</u></u>
Loss per share – basic and diluted	9	(1.28p)

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.

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

# DEBT FREE DIRECT GROUP PLC

## CONSOLIDATED BALANCE SHEET

30 APRIL 2003

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	Note	£
<b>FIXED ASSETS</b>		
Intangible assets	10	2,791,424
Tangible assets	11	211,349
		<u>3,002,773</u>
<b>CURRENT ASSETS</b>		
Debtors	13	1,254,124
Cash at bank		81,249
		<u>1,335,373</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(1,672,471)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(337,098)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,665,675</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	(168,392)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	16	<u>(1,987,987)</u>
		<u>509,296</u>
<b>CAPITAL AND RESERVES</b>		
Called-up equity share capital	19	225,000
Share premium account	20	399,146
Profit and loss account	20	(114,850)
<b>SHAREHOLDERS' FUNDS</b>	21	<u>509,296</u>

These financial statements were approved by the directors on the 7 July 2003 and are signed on their behalf by:

**A Redmond**  
*Director*

**P A Latham**  
*Director*

# DEBT FREE DIRECT GROUP PLC

## COMPANY BALANCE SHEET

30 APRIL 2003

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	Note	£
<b>FIXED ASSETS</b>		
Investments	12	418,740
<b>CURRENT ASSETS</b>		
Debtors	13	174,177
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(12,000)</u>
<b>NET CURRENT ASSETS</b>		162,177
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>580,917</u>
<b>CAPITAL AND RESERVES</b>		
Called-up equity share capital	19	225,000
Share premium account	20	399,146
Profit and loss account	20	<u>(43,229)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>580,917</u>

These financial statements were approved by the directors on the 7 July 2003 and are signed on their behalf by:

**A Redmond**  
*Director*

**P A Latham**  
*Director*

**DEBT FREE DIRECT GROUP PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

	£
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	(369,093)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	
Interest received	963
Interest paid	<u>(29,783)</u>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	(28,820)
<b>CAPITAL EXPENDITURE</b>	
Payments to acquire tangible fixed assets	<u>(33,281)</u>
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	(33,281)
<b>ACQUISITIONS</b>	
Cash acquired with subsidiaries	<u>271,822</u>
<b>NET CASH INFLOW FROM ACQUISITIONS</b>	<u>271,822</u>
<b>CASH OUTFLOW BEFORE FINANCING</b>	(159,372)
<b>FINANCING</b>	
Issue of equity share capital	373,572
Professional costs charged to the share premium account	<u>(168,167)</u>
<b>NET CASH INFLOW FROM FINANCING</b>	205,405
<b>INCREASE IN CASH</b>	<u><u>46,033</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	
	<b>Period from</b>
	<b>26 Apr 02 to</b>
	<b>30 Apr 03</b>
	<b>£</b>
Operating loss	(95,311)
Amortisation	126,641
Depreciation	23,074
Increase in debtors	(402,548)
Decrease in creditors	<u>(20,949)</u>
<b>Net cash outflow from operating activities</b>	<u><u>(369,093)</u></u>

# DEBT FREE DIRECT GROUP PLC

## CONSOLIDATED CASH FLOW STATEMENT *(continued)*

**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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

	£	£
Increase in cash in the period		81,249
Hire purchase agreements acquired with subsidiary		<u>(35,216)</u>
Loans acquired with subsidiary		46,033
		<u>(1,346,185)</u>
<b>Change in net debts</b>		<b>(1,300,152)</b>
<b>Net debt at 26 April 2002</b>		<b>-</b>
<b>Net debt at 30 April 2003</b>		<b><u>(1,300,152)</u></b>

### ANALYSIS OF CHANGES IN NET DEBT

	At 26/4/02	Acquired with subsidiary	Cashflow	At 30/4/03
	£	£	£	£
Cash in hand and at bank	-	-	81,249	81,249
Hire purchase	-	(44,586)	(9,370)	<u>(35,216)</u>
	-			46,033
Debt due within:				
1 year	-	(1,190,513)	-	(1,190,513)
Debt due after:				
1 year	-	(155,672)	-	<u>(155,672)</u>
	<u>-</u>	<u>(1,390,771)</u>	<u>71,879</u>	<u>(1,300,152)</u>

### ACQUISITIONS

	Debt Free Direct	Debt Free Direct (Investments)	Total
	£	£	£
Intangible fixed assets	1,957,914	-	1,957,914
Tangible fixed assets	201,142	-	201,142
Trade debtors	582,741	-	582,741
Prepayments and other debtors	208,894	-	208,894
Cash at bank	45,390	226,432	271,822
Trade creditors	(289,747)	-	(289,747)
Loans	(1,346,185)	-	(1,346,185)
Other creditors	(131,877)	-	(131,877)
Accruals and deferred income	(58,790)	-	(58,790)
Non-equity interest	<u>(1,937,325)</u>	<u>226,432</u>	<u>(1,937,325)</u>
<b>Net assets acquired</b>	<b>(767,843)</b>	<b>226,432</b>	<b>(541,411)</b>
Goodwill	<u>960,151</u>	-	<u>960,151</u>
<b>Satisfied by</b>			
Shares allotted	<u>192,308</u>	<u>226,432</u>	<u>418,740</u>

The net assets acquired above represent the book value and fair value of those assets.

### Major non-cash transactions

The cashflow statement sets out an analysis of the acquisitions made in the period, which include non-cash transactions.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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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 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 advice and solutions during the period. 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 agreement of an IVA at a creditors' meeting
Supervisory fees:	on a monthly basis, commencing one month after the IVA has been agreed at the creditors' meeting

**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 write down 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

**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.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**1. ACCOUNTING POLICIES** *(continued)*

**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**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**2. TURNOVER**

The turnover and loss before tax are attributable to the one principal activity of the group, which is the provision of financial advice to individuals experiencing personal debt problems.

**3. OPERATING LOSS**

Operating loss is stated after charging

	<b>Period from 26 Apr 02 to 30 Apr 03 £</b>
Goodwill amortisation	126,641
Depreciation	23,074
Auditors' remuneration	
- as auditors	15,800
- for other services	3,000
Operating lease costs: plant and equipment	<u>8,352</u>

**4. PARTICULARS OF EMPLOYEES**

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

	<b>Period from 26 Apr 02 to 30 Apr 03 No.</b>
Advice team	30
IVA processing team	12
Directors	<u>3</u>
	<u>45</u>

The aggregate payroll costs of the above were:

	<b>Period from 26 Apr 02 30 Apr 03 £</b>
Wages and salaries	354,113
Social security costs	30,979
Pension costs	449
	<u>385,541</u>

**5. DIRECTORS' EMOLUMENTS**

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

	<b>Period from 26 Apr 02 to 30 Apr 03 £</b>
Emoluments receivable	<u>12,500</u>

The emoluments 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. The Chief Executive Officer's salary for the year ended 30 April 2004 will be approximately £150,000.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**6 INTEREST PAYABLE AND SIMILAR CHARGES**

	Period from 26 Apr 02 to 30 Apr 03 £
Loans	29,783
Non-equity share redemption finance charge	50,660
	80,443
	80,443

**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

	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	59,941
	59,941
	59,941

A deferred tax asset has been recognised on the basis that taxable losses and reversible timing differences as at 30 April 2003 will be utilized against future trading profits of the group, which is supported by management's future forecasts.

**Factors affecting current tax charge**

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

	<b>2003</b>
	<b>£</b>
Loss on ordinary activities before tax	(174,791)
	(174,791)
Loss on ordinary activities at 19%	(33,210)
Pre-acquisition losses and timing differences	(76,977)
Permanent differences	42,523
Differences between capital allowances and depreciation	8,293
General provision release	(570)
	(59,941)
	(59,941)

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

---

**8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The loss dealt with in the accounts of the parent company was £43,229.

**9. LOSS PER SHARE**

The calculation of loss per share is based on the loss of £114,850 and a weighted average number of ordinary shares in issue during the period of 8,961,260.

**10. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill Total £</b>
<b>COST</b>	
At 26 April 2002	-
Additions	960,151
Acquired with acquisition of subsidiary	2,079,201
	<hr/>
<b>At 30 April 2003</b>	<b>3,039,352</b>
	<hr/> <hr/>
<b>AMORTISATION</b>	
At 26 April 2002	-
Charge for the period	126,641
Acquired with acquisition of subsidiary	121,287
	<hr/>
<b>At 30 April 2003</b>	<b>247,928</b>
	<hr/> <hr/>
<b>NET BOOK VALUE</b>	
<b>At 30 April 2003</b>	<b>2,791,424</b>
	<hr/> <hr/>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**11. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Fixtures &amp; fittings £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<b>COST</b>			
At 26 April 2002	-	-	-
Acquired with subsidiary	55,798	198,466	254,264
Additions	1,429	31,852	33,281
<b>At 30 April 2003</b>	<u>57,227</u>	<u>230,318</u>	<u>287,545</u>
<b>DEPRECIATION</b>			
At 26 April 2002	-	-	-
Acquired with subsidiary	12,327	40,795	53,122
Charge for the period	5,905	17,169	23,074
<b>At 30 April 2003</b>	<u>18,232</u>	<u>57,964</u>	<u>76,196</u>
<b>NET BOOK VALUE</b>			
<b>At 30 April 2003</b>	<u>38,995</u>	<u>172,354</u>	<u>211,349</u>

**Hire purchase agreements**

Included within the net book value of £211,349 is £46,172 relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets is £15,391.

**12. INVESTMENTS**

<b>Company</b>	<b>Total £</b>
<b>COST:</b>	
At 26 April 2002	-
Additions	418,740
<b>At 30 April 2003</b>	<u>418,740</u>
<b>NET BOOK VALUE:</b>	
<b>At 30 April 2003</b>	<u>418,740</u>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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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	Ordinary	Provision of individual voluntary arrangements and financial advice.	100%
Debt Free Direct (Investments) Limited	England	Ordinary	Dormant	100%

The loss after tax for the period 1 May 2002 to 2 December 2002, the date of acquisition, together with comparatives is set out below:

	<b>7 months period ended 2 December 2002 £</b>	<b>Period From 15 Feb 2001 to 30 April 2002 £</b>
Debt Free Direct Limited	(633,344)	(245,097)
Debt Free Direct (Investments) Limited	-	-
	<u>                    </u>	<u>                    </u>

**13. DEBTORS**

	<b>Group £</b>	<b>Company £</b>
Trade debtors	727,500	-
Amounts owed by group undertakings	-	174,177
Other debtors	99,540	-
Prepayments and accrued income	367,143	-
Deferred tax asset (note 7)	59,941	-
	<u>1,254,124</u>	<u>174,177</u>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

**14. CREDITORS: Amounts falling due within one year**

	<b>Group</b> £	<b>Company</b> £
Trade creditors	230,200	-
Amounts owed to group undertakings	-	-
Hire purchase agreements	22,494	-
Debenture Loans	100,000	-
Loan notes	446,042	-
Directors' loan	613,356	-
Other loans	31,115	-
Other creditors including taxation and social security:		
Taxation and social security	52,491	-
Other creditors	57,906	-
Accruals and deferred income	<u>118,867</u>	<u>12,000</u>
	<u>1,672,471</u>	<u>12,000</u>

The debenture loans, directors' loans and other 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%.

If the loans currently shown as repayable within one year are shown as repayable after one year the net assets as at 30 April 2003 would be £407,373.

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

	<b>Group</b> £	<b>Company</b> £
Hire purchase agreements	12,720	-
Loan notes	<u>155,672</u>	<u>-</u>
	<u>168,392</u>	<u>-</u>

The loan notes are split between 'A', 'B' and 'D' loan notes.

The loan notes are to be repaid during the years ending 30 April 2004, 30 April 2005 and 30 April 2007 as follows:

£446,042 'A' loan notes will be repayable on or before 28 February 2004.

£129,581 'B' loan notes will be repayable on or before 31 January 2005.

£26,091 'D' loan notes will be repayable on or before 31 January 2007.

No interest is to be charged on these loan notes provided they are repaid within the time scale above. The loan notes repayable on or before 28 February 2004 have been included in creditors less than one year.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**16. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Group</b> £	<b>Company</b> £
At 26 April 2002	-	-
Acquired with subsidiary	1,937,327	-
Non-equity share redemption finance charge	50,660	-
	<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 movement in the provision has been recognised as a finance charge.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS**

	<b>Group</b>	<b>Company</b>
	£	£
Amounts payable within 1 year	22,494	-
Amounts payable between 1 and 2 years	12,720	-
	<u>35,214</u>	<u>-</u>

**18. COMMITMENTS UNDER OPERATING LEASES**

At 30 April 2003 the group had annual commitments under non-cancellable operating leases as set out below.

<b>Group</b>	<b>30 April 2003</b>	
	<b>Land and buildings</b>	<b>Other items</b>
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>25,250</u>	<u>19,436</u>

**19. SHARE CAPITAL**

**Authorised share capital:**

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

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

	<b>30 Apr 03</b>
	£
22,500,000 ordinary shares of 1p each.	<u>225,000</u>

The company was incorporated with an authorised share capital of £100,000 comprising 100,000 ordinary shares of £1 each of which 2 subscriber shares were issued.

On 2 December 2002, the company's authorised share capital was subdivided into 10,000,000 ordinary shares of 1p each and increased to 40,000,000 ordinary shares of 1p each. Also on 2 December 2002 the company acquired the entire issued ordinary share capital of Debt Free Direct Limited by the issue of 19,230,807 ordinary shares of 1p each at par.

On 16 December 2002 the company issued a further 2,335,066 ordinary shares of 1p each in full consideration for the entire issued ordinary share capital of DFD (Investments) Limited at a price of 9.7p per share.

On 16 December 2002 the company's issued ordinary shares were admitted to trading on AIM and a further 933,927 ordinary 1p shares were issued at 40p per share.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**20. RESERVES**

<b>Group</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Premium on shares issued	567,313	-
Share issue costs	(168,167)	-
Retained loss for the period	<u>-</u>	<u>(114,850)</u>
	<u>399,146</u>	<u>(114,850)</u>
 <b>Company</b>		
Premium on shares issued	567,313	-
Share issue costs	(168,167)	-
Retained loss for the period	<u>-</u>	<u>(43,229)</u>
	<u>399,146</u>	<u>(43,229)</u>

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

Loss for the financial period	£ (114,850)
New equity share capital subscribed	225,000
Net premium on new share capital subscribed	<u>399,146</u>
	<u>624,146</u>
Closing shareholders' equity funds	<u>509,296</u>

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003**

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**22. FINANCIAL INVESTMENTS**

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. The Group has not borrowed funds during the year and there are no borrowing facilities 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.

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.

*Business risk*

The key business risks, which could also be potential opportunities, are the economical and legislative changes, which could impact on personal debt circumstances and levels, as described ion the Chief Executive Officer's statement. The directors monitor such developments and is appropriate would reflect this in the group's strategic decision.

**DEBT FREE DIRECT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 19 NOVEMBER 2001 TO 31 DECEMBER 2002**

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**23. RELATED PARTY TRANSACTIONS**

During the year the company has partially repaid an amount owed to DFD (Realisations) Limited, a company in which the directors have an interest. The balance owed to DFD (Realisations) Limited at 30 April 2003 is £2,986 (2002: £95,855).

Details of amounts owed by Debt Free Direct Limited as at 30 April 2003 are as follows:

**Debentures**

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

**Directors Loans**

A Redmond £204,452  
J A Reynard £204,452  
P A Latham £204,452

**Loan Notes**

J A Reynard £28,564 'A' loan notes, £40,608 'B' loan notes, £8,697 'C' loan notes  
A Redmond £28,563 'A' loan notes, £40,608 'B' loan notes, £8,697 'C' loan notes  
P A Latham £28,564 'A' loan notes, £40,608 'B' loan notes, £8,697 'C' loan notes

**Acquisitions**

*Debt Free Direct Limited*

P A Latham, A Redmond and J A Reynard were directors of Debt Free Direct Limited at the date it was acquired by Debt Free Direct Group Plc. On acquisition, these directors received ordinary shares in Debt Free Group Plc as detailed below.

PA Latham	-	5,015,447
A Redmond	-	5,015,377
JA Reynard	-	5,015,377