

9th July 2003

DEBT FREE DIRECT GROUP PLC
PRELIMINARY RESULTS FOR YEAR ENDED 30 APRIL 2003

HIGHLIGHTS

Debt Free Direct, a leading debt advice and solutions company, announces an encouraging maiden set of results for the year ended 30 April 2003.

Highlights include:

- The Group was admitted to the Alternative Investment Market of the London Stock Exchange in December 2002 following its acquisition of Debt Free Direct Ltd earlier in that month
- Debt Free Direct Ltd had invested heavily in both IT and people to support its philosophy of best advice, laying a firm foundation for future growth
- Group EBITDA for the period was in line with expectations at £54,000 with strong improvement quarter on quarter, resulting in the final quarter showing EBITDA of £190,000
- The Group has continued to make progress since the year-end
- Debt Free Direct is in a strong position to exploit its distinct position in a large and growing market.

Grenville Folwell, Chairman, said:

“I am delighted to report the solid progress the Group has achieved in its first year as a public listed company with particularly impressive fourth quarter results. 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”.

Enquiries

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Notes to Editors

Debt Free Direct helps individuals find the best solution to their debt problems, based upon an analysis of their particular financial circumstances. Financial information on an individual is processed through a computer model (the Best Advice Model) developed by Debt Free Direct in order to recommend a solution suitable for that individual's particular financial circumstances. The solutions offered range from basic advice, such as simply destroying credit cards and curbing unnecessary expenditure, to the following solutions:

- consolidation loan
- re-mortgage
- informal arrangement
- individual voluntary arrangement (IVA)
- bankruptcy

Debt Free Direct has a distinct position 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 to them the most appropriate service.

Debt Free Direct is based in Chorley, Lancashire and was admitted to AIM in December, 2002.

CHAIRMAN'S STATEMENT

The past year has been characterised by many significant factors within the business, which have laid the foundations to support the performance of the Group in 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 providing a service for people who turn to us for help. 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 create true value for all our shareholders.

G J Folwell
Chairman

7 July 2003

CHIEF EXECUTIVE OFFICER'S STATEMENT

Background

The principal activity of the Group is the provision of financial advice and solutions to individuals experiencing personal debt problems.

On 2 December 2002, the Group acquired the entire issued ordinary share capital of Debt Free Direct Limited by the issue of 19,230,807 ordinary share of 1p each. Debt Free Direct Limited had already embarked on a significant growth strategy prior to its acquisition by the Debt Free Direct Group Plc 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 to support the anticipated growth of the business.

On 16 December the Group 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 Group was successfully floated on AIM, and a further 9,337,927 shares were issued at 40p per share.

As well as providing a review of operating performance and current trading, this statement provides background information on the group philosophy and the business.

Operating performance

As a result of the above growth strategy, the Group was well placed to achieve early success.

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

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

Current Trading and Prospects

The Group has continued to make progress in the period since 30 April 2003.

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, or our share of it, increases. We believe that we are living through a period of quite exceptional levels of:-

- high employment;
- low inflation;
- low interest rates; and
- 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.

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.

Our purpose

Briefly our purpose is to:-

- provide the best advice to every over-indebted person who calls us; and
- 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; and
- 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 whose 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.

A Redmond
Chief Executive Officer

7 July 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003

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

CONSOLIDATED BALANCE SHEET

AS AT 30 APRIL 2003

£

FIXED ASSETS

Intangible assets
Tangible assets

2,791,424
211,349

3,002,773

CURRENT ASSETS

Debtors
Cash at bank

1,254,124
81,249

1,335,373

CREDITORS: Amounts falling due within one year

(1,672,471)

NET CURRENT LIABILITIES

(337,098)

TOTAL ASSETS LESS CURRENT LIABILITIES

2,665,675

CREDITORS: Amounts falling due after more than one year

(168,392)

PROVISION FOR LIABILITIES AND CHARGES

(1,987,987)

509,296

CAPITAL AND RESERVES

Called-up equity share capital
Share premium account
Profit and loss account

225,000
399,146
(114,850)

SHAREHOLDERS' FUNDS

509,296

CONSOLIDATED CASH FLOW STATEMENT

PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003

£

NET CASH OUTFLOW FROM OPERATING ACTIVITIES (369,093)

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Interest received 963
Interest paid (29,783)

NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE (28,820)

CAPITAL EXPENDITURE

Payments to acquire tangible fixed assets (33,281)

NET CASH OUTFLOW FROM CAPITAL EXPENDITURE (33,281)

ACQUISITIONS

Cash acquired with subsidiaries 271,822

NET CASH INFLOW FROM ACQUISITIONS 271,822

CASH OUTFLOW BEFORE FINANCING (159,372)

FINANCING

Issue of equity share capital 373,572
Professional costs charged to the share premium account (168,167)

NET CASH INFLOW FROM FINANCING 205,405

INCREASE IN CASH 46,033

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | Period from 26 Apr 02 to 30 Apr 03 £ |
|---|---|
| Operating loss | (95,311) |
| Amortisation | 126,641 |
| Depreciation | 23,074 |
| Increase in debtors | (402,548) |
| Decrease in creditors | (20,949) |
| Net cash outflow from operating activities | <u>(369,093)</u> |

CONSOLIDATED CASH FLOW STATEMENT (continued)

PERIOD FROM 26 APRIL 2002 TO 30 APRIL 2003

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | £ |
|---|---------------------------|
| Increase in cash in the period | 81,249 |
| Hire purchase agreements acquired with subsidiary | <u>(35,216)</u> |
| | 46,033 |
| Loans acquired with subsidiary | (1,346,187) |
| | <u>(1,381,401)</u> |
| Change in net debt | (1,300,152) |
| Net debt at 26 April 2002 | <u>-</u> |
| Net debt at 30 April 2003 | <u><u>(1,300,152)</u></u> |

NOTES

1. 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 |
| | <hr/> |
| | 59,941 |
| | <hr/> <hr/> |

2. 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.

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 2003, but is derived from those accounts. Statutory accounts for the year ended 30 April 2003 will be delivered to the Registrar of Companies shortly. The auditors have reported on the statutory accounts for the year ended 30 April 2003 and their opinion was unqualified for these financial statements.

The group's full financial statements will be issued to the shareholders on 11 July 2003.