



26 June 2007

**DEBT FREE DIRECT GROUP PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 30 APRIL 2007**

Debt Free Direct Group (DFD), the leading debt advice and solutions company, announces its results for the year ended 30 April 2007.

Highlights for the year include :

- **Strong financial growth**

- Turnover	Up 77% to £28m	(£15.8m in 2006)
- Gross profit	Up 84% to £21.9m	(£11.9m in 2006)
- Adjusted PBT (Profit Before Tax adjusted for goodwill Amortisation of £312k)	Up 100% to £9.4m	(£4.7m in 2006)
- EPS – basic	Up 119% to 17.39p	(7.93p in 2006)

- **Balance sheet continues to strengthen**

- Net assets	£21.4m	(£16.4m in 2006)
--------------	--------	------------------

- **Significant cash generated from trading**

- Cash inflows from trading *	£1.2m	(£0.6m in 2006)
-------------------------------	-------	-----------------

- **Increased advertising cost per new IVA**

- Average cost per new IVA	£981	(£807 in 2006)
----------------------------	------	----------------

- **Increased operational efficiency**

- Annual adjusted PBT as a percentage of turnover	34%	(30% in 2006)
--	-----	---------------

- **Significant growth in new IVA run-rate**

- New IVA case run-rate	Up 32% to 459 pm	(347pm in 2006)
- Counting joint cases = 2 (uplift of 136%)	(642 pm)	(471pm in 2006)

- **Significant growth in IVA cases under supervision**

- IVA cases under supervision	Up 80% to 9.9k	(5.5k in 2006)
-------------------------------	----------------	----------------

- **Revenues from non-core activities**

- Turnover from activities excluding core IVAs Up 144% to £4.4m (£1.8m in 2006)

- **Change of accounting policies**

- Required to reflect the contractual nature of the IVA and to adopt the latest developments in best practice with regard to UITF 40. The net impact of these changes is to increase adjusted PBT in the current year by approximately £1.0m (2006: decrease by £400k).

- Adjusted PBT under old accounting policy Up 65% to £8.4m (£5.1m in 2006)

* Cash inflows from trading represents cash outflow from operating activities (£0.5m) adjusted to exclude a prepayment of £1.7m (2006 : £Nil) with regard to an agreement for the exclusive generation of leads over the next 2 years. This was entirely funded by debt of £1.7m.

Mike Blackburn, Chairman, said:

"I am pleased to report a further year of substantial progress, with adjusted pre-tax profits increasing to £9.4m."

Andrew Redmond, Chief Executive Officer, said:

"The latter half of the financial year under review has been a turbulent time for all companies operating in the IVA market, as highlighted by the demise of a number of Debt Free Direct's competitors. I will not be surprised if further fall out occurs. Our own trading in the second half of the financial year has been impacted by increased competition, creditor reluctance to accept IVAs, and consumer unease caused by alarmist press coverage.

Debt Free Direct entered the new financial year trading at run rates in line with those achieved in the latter half of the previous financial year. However, with our advertising "share of voice" now improving and, with signs of renewed understanding within the creditor community, we are well positioned to build our volumes once more. Whilst fee levels have not, as yet, been impacted by creditor pressure, it is clear that their long term intention is to ensure their reduction. Debt Free Direct does, however, have the largest "bank" of IVAs, which will not be impacted by any change in fee levels and is, therefore, well placed to cope with the changes ahead.

In view of potential changes to fee structures and continued uncertainty surrounding advertising costs, it is too early to provide detailed guidance on the current financial year. Nevertheless, I remain confident that we are still on track to achieve our vision of becoming the most respected provider of advice and solutions to over-indebted consumers and that this achievement will maximise shareholder value."

Enquiries:

Debt Free Direct Group plc

Andrew Redmond, Chief Executive Officer
Paul Latham, Finance Director

0845 296 0100
0845 296 0200

Numis Securities

Iain McDonald
Lee Aston

020 7260 1000
020 7260 1000

Financial Dynamics

Ed Gascoigne-Pees
Nick Henderson

020 7269 7132
020 7269 7114

Notes

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, based in Chorley, Lancashire and admitted to AIM in December 2002, 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

DEBT FREE DIRECT GROUP PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 30 APRIL 2007

Introduction

This has been an eventful year for your company, with much focus in recent months being on the industry-wide debate with creditors over the way in which IVA providers are remunerated.

The outcome of that debate looks set to result in IVA providers being remunerated on a "percentage of realisations" basis. This has, in turn, led to discussions with our auditors with regard to the most appropriate revenue recognition policy.

The outcome is that IVA services (including nominee and supervisory fees) are considered to be a single service provision and should be "linked" or "bundled" for accounting purposes by virtue of the contractual definition of the IVA proposal.

Once the legally binding arrangement is in place, revenue should be recognised in line with the provision of the service (adjusted for failure rates, bad debt risk, and the likely total fee to be received during the IVA) the group perform under the contract.

As a consequence, prior year adjustments are appropriate in respect of the change of accounting policy required to reflect the contractual nature of the IVA and to adopt the very latest developments in best practice with regard to UITF 40. The net impact of these changes is to increase PBT in the current year by approximately £1.1m (2006 : decrease by £400k), whilst reducing net assets by approximately £460k (2006 : £1.2m).

With the above in mind, I am pleased to be able to report a further year of progress, with pre-tax profits (adjusted for goodwill amortisation of £312k in both 2007 and 2006), doubling to £9.4m (2006 : £4.7m). Had the previous accounting policy been adopted, the profit before taxation would have been approximately £8m and £4.8m on a comparative basis. The company is pleased to recommend a final dividend of 3p per share (2006 : 1.5p), making an aggregate of 6p for the full year (2006 : 3p), to be proposed at the Group's forthcoming Annual General Meeting.

The Directors have previously stated that the company will grow the dividend payment progressively in proportion with the Company's future growth. The Directors believe that this dividend reflects their confidence in the outlook for the company and note that it reflects their expectations earlier in the year for greater profitability for the year ended 30 April 2007 than has been delivered. The Directors therefore reiterate that their intention is for dividend levels, in future years, to be grown progressively, reflecting actual growth and performance of the business.

Overview

Our philosophy

In the long run, businesses only prosper if they treat their various stakeholders fairly. That is why, at Debt Free Direct, we have always been at the forefront of calling for greater industry regulation. We have firmly established our fundamental philosophy with regard to the three principal stakeholders in the debt advice process. Those principles are well worth repeating. At Debt Free Direct we strongly believe that :

- The **consumer** has an obligation to make their best sustainable offer to repay their debts (without causing undue hardship to themselves or their family).
 - The **debt advisor** has an obligation to appropriately verify the financial facts and provide the most appropriate (and least drastic) advice to the debtor based upon those facts.
 - The **creditor** has an obligation to "treat their customers fairly", assuming that the consumer and the debt advisor have both acted in accord with their stated obligations. Essentially, creditors should accept proposals from debtors that are built on these fundamental principles.
-

DEBT FREE DIRECT GROUP PLC

CHAIRMAN'S STATEMENT *(continued)*

YEAR ENDED 30 APRIL 2007

At Debt Free Direct we have been calling for industry regulation to cover the whole area of debt advice, not just that covering IVAs. Such regulation would ensure that debtors are treated fairly, whilst creditors achieve the best possible returns from all the potential debt options available.

By following this approach, we ensure the long-term sustainability of the business. For our **shareholders** this means that they can be confident in us achieving our aim to grow the value of the business year on year and maintain a progressive dividend policy. For the **community** in which we operate, we provide employment for a greater number of staff than we did last year and give them the opportunity to participate in the success of the business through widespread share option arrangements, whilst working in a modern environment.

Our industry sector

Much has been written during the last year about the business practices of debt advice companies, particularly in the IVA market, and much has been critical. We agree with a lot of that criticism about some of our competitors, which is why we have consistently called for tighter regulation, particularly insofar as advertising and financial verification is concerned. Our systems and procedures are open to view by creditors and we are confident that we are "Regulation Ready".

We have participated fully in the Working Parties established by The British Bankers' Association (BBA) in the wake of concerns expressed by lenders. Recognising those concerns, we are changing our fee structures to better align them with the amounts we realise from debtors. The effect will be predominantly one of cash flow.

Notwithstanding the emergence of new competition during the year, we have maintained our market-leading position. The sector will likely further consolidate in the near term, as pricing pressures force out the less efficient or those with inadequate critical mass; we expect to take suitable opportunities as they arise.

Corporate Governance

Whilst governance and reporting requirements associated with a listing on the Alternative Investment Market are less demanding than on the main market, we have adopted most of the Combined Code during the year. This document reflects those enhanced procedures and reports, hence its greater length and detail.

There have been no changes to the composition of the Board this year but the senior management team has been further strengthened to underpin the executive directors, whose workload has grown significantly over the period.

Strategy and Outlook

Our strategy is reviewed on a regular basis – not just annually – but at its core is a continuing desire to lead the field ethically, operationally and financially. We are well positioned to achieve all three. The Chief Executive Officer's Business Review covers these, and other areas in which progress has been made, in greater detail.

The board is confident of further progress being made this year.

DEBT FREE DIRECT GROUP PLC

CHIEF EXECUTIVE OFFICER'S REVIEW

YEAR ENDED 30 APRIL 2007

Financial performance

The past year has been one of significant growth in all aspects of our financial performance :

- Turnover has grown by 77% to £28m
- Gross profit has grown by 84% to £21.9m
- PBT (before goodwill amortisation of £312k) has grown by 100% to £9.4m
- PAT has grown to £6.5m, compared to £2.9m last year
- Shareholders' funds have grown to £21.4m from £16.4m last year

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

Further analysis of financial performance

Moving into the detail, impressive growth continues to be demonstrated on all fronts :

- IVA related turnover has grown by 74% to £25.8m
- Mortgage and loan related commissions have grown by 95% to £2m

The increase in IVA related turnover results from growth in both the new IVA run-rate and supervisory fee income generated from live cases.

My Business Review below highlights the impact that factors such as increased competition and creditor voting patterns have had upon the debt advice business environment. Consequently, the year on year growth in new IVA run-rate is particularly commendable in that context.

However, as I have commented previously, whilst the market has historically focused on the growth in new IVA cases, it is the growth in the "bank" of supervisory cases which is of greatest long term significance. Last year that "bank" grew to approximately 10,000 live cases. This "bank" of cases will be of particular relevance in the months ahead as IVA fee structures change in response to the market.

The increase in mortgage and loan related commissions follows our announcement in November 2006 that we had been granted FSA approval to take our broking and remortgage broking business in-house. This in-house broking business became fully operational in January 2007 and significantly enhanced our existing remortgage business and meant that we were able to cement our position as a consumer champion. We ensured that our customers continued to receive appropriate advice, whilst we maximised our income from those leads where an IVA would not be the appropriate solution, either for the consumer or the lender.

In a similar vein, we were also delighted to announce in January 2007 that Payplan were now our chosen business partner for certain cases considered to be appropriate for a (creditor funded) debt management solution. This meant that DFD would, henceforth, enjoy a significant new income stream, whilst maintaining the strong ethical position we have built since our inception. During the year, turnover from this new source amounted to £207k and is set to increase significantly in the years ahead.

Finally, Debt Free Direct Australia has continued to make good progress since we announced its launch in June 2006. In recent months it was one of the first debt advice company in Australia to receive Insolvency and Trust Service Australia (ITSA) authorisation in anticipation of the law reforms due on 1 July 2007. Significant progress has been made with regard to developing the current infrastructure of the business. Consequently, it is well placed to build on the £104k turnover generated during the current year.

DEBT FREE DIRECT GROUP PLC
CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*
YEAR ENDED 30 APRIL 2007

Business Review

1. The debt advice business environment

Macro-economic forces

Last year I confidently predicted continued organic growth in the year ahead. The debt advice market originally emerged against a backdrop of benign economic conditions. Low interest rates and full employment, combined with readily available credit and a buoyant housing market, resulted in consumer spending running well ahead of wage inflation. The increased spending was fuelled by debt.

Today the bubble in property prices still hasn't burst and, as a consequence, the bubble in consumer debt keeps growing.

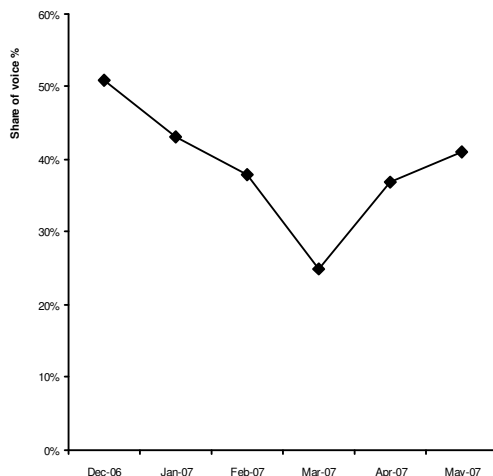
Rising interest rates and growing inflation have both conspired to make matters worse for the over-indebted consumer.

Both the Government and the Monetary Policy Committee are at one in wishing to see inflation rates cut back. Unfortunately for the consumer, this inevitably means that interest rates will continue to increase. I can only conclude that there is no let up in sight for the over-indebted consumer. Other things being equal, IVA numbers will continue to grow as the lending and borrowing excesses of the past reach their inevitable conclusion.

However, against that economic backdrop, there have been a number of other factors impacting the business environment.

Increased competition

Our advertising performance in the first half of the financial year was in line with our forecasts and with the prior year performance. Towards the end of calendar year 2006 we began to see early signs of reduced advertising response rates which continued to deteriorate into the New Year. An analysis of our share of advertising voice on key media indicated that a dramatic increase in competitor advertising was partly responsible for that erosion.



Source: WWAV Rapp Collins

DEBT FREE DIRECT GROUP PLC

CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*

YEAR ENDED 30 APRIL 2007

Towards the end of the financial year we were encouraged by the Advertising Standards Authority (ASA) response to our highlighting of misleading and untruthful IVA adverts. As a consequence, now that the more outrageous and untruthful claims of some advertisers have been banned, we anticipate that the debt advice and IVA advertising market will not remain as crowded as it has been in recent months. And, whilst "one swallow doesn't make a summer", the May share of voice is encouraging.

Creditor voting patterns

It is clear that creditor comment, beginning in the latter half of calendar year 2006, has impacted on confidence in the valuation of debt advice/IVA stocks. It is difficult to measure to what extent this has led to a consequent loss in consumer confidence in the IVA solution.

What is certain is that changing creditor voting patterns have resulted in an increased incidence of IVA case failure. IVA pass rates at Meetings of Creditors during the year have fallen from 93% to as low as 86%.

Moreover, we have also seen an increased incidence of case adjournments from creditors as they (certain creditors have been noticeably more aggressive than others) have sought to slow down the growth rate of new IVAs.

Clearly, there has been a growing requirement to build trust between creditors and debt advisors. I cover this area in detail in the following section.

Regulation

At Debt Free Direct we have, since inception, stressed the importance of our being "Regulation Ready". We have long campaigned for Government regulation that would ideally enshrine the principle of providing the consumer with appropriate, or "best", advice.

Notwithstanding the above, we have also always been strongly in favour of better regulation to protect creditors.

An IVA allows the debtor to make a proposal to their creditors, whereby they make a monthly contribution, representing the maximum that they can sustainably afford to pay. The Insolvency Practitioner on the case is there to protect the best interests of both the debtor and the lender.

However, at Debt Free Direct we have consistently called for regulation of the whole area of debt advice, not just that covering IVAs and bankruptcies. Such regulation should include advice on entering a debt management plan (DMP) and, critically, it must address those companies that market consolidation loans as a debt solution.

Debt advisors should be required to provide accurate details of how they arrive at their advice, as well as statistics to identify the advice given between the solutions available. Such a level of transparency would provide an industry benchmark against which all advisors can be judged.

Furthermore, advisors should also be required to provide relevant information to creditors and to consumers regarding the financial outcome of the advice provided, for example the amount and timing of prospective returns to creditors.

However, we have long been aware that not all debt advisors share Debt Free Direct's views and see themselves as acting primarily for the debtor or, even worse, providing advice skewed towards their own financial interest.

DEBT FREE DIRECT GROUP PLC

CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*

YEAR ENDED 30 APRIL 2007

Ideally, we would have liked to see Government regulation in the debt advice arena by now. However, it has been clear that necessary change would require to be industry led. In November 2006 Debt Free Direct hosted a creditor focused conference, which identified many common industry practices which we considered to be unacceptable and our suggestions for how the debt advice and credit industry could move together to deliver best practice. In particular, we highlighted :

- unacceptable advertising practices, including misleading and untruthful IVA adverts;
- the absence of robust financial verification to ensure that debtors are paying their creditors the most they can afford;
- the lack of systematic and consistent advice delivery;
- the resulting lack of trust between debt advisors and creditors.

It was the important point with regard to building creditor trust that prompted Debt Free Direct to first propose the concept of independent "audit and accreditation" of debt advice companies.

This would provide creditors with reassurance that :

- unacceptable advertising practices are not employed;
- appropriate advice is always provided on a systematic and consistent basis;
- debtor offers of repayment are always the best available;
- debt advice is robustly tested in the light of the financial facts;
- a fair balance between the interests of consumers and creditors is maintained.

Since the DFD conference in late 2006 the market has seen a number of initiatives. Particularly worthy of note are :

- the ASA initiative to remove the more outrageous and untruthful claims of certain advertisers;
- the British Bankers' Association (BBA) and The Insolvency Service (IS) initiatives to bring together the debt advice and credit industry;
- the formation of the Debt Resolution Forum (DRF).

These initiatives have led to significant progress being made, in particular towards higher debt advice industry standards, particularly in the areas of advertising and financial verification. We do remain concerned that the DRF allows membership of its organisation without a pre-requisite of membership being required to undertake an independent audit of business processes to demonstrate best practice. Nevertheless, we remain supportive of their broad concepts.

Moving into the new financial year, I am more confident than ever that peaceful and sustainable working relationships with creditors will develop quickly over the coming months. The difference between the genuine debt advisors and the less ethical sales orientated companies is already becoming increasingly apparent to creditors and I remain confident that ethical advisors like Debt Free Direct will prosper.

DEBT FREE DIRECT GROUP PLC
CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*
YEAR ENDED 30 APRIL 2007

2. Our strategy

Our vision has always been to become the most respected provider of advice and solutions to over-indebted consumers.

To achieve this vision we need to be both market leader and thought leader. We need to be respected by both consumers and creditors. And finally, we need financial strength both in terms of profits and cash flow.

Since coming to market in December 2002, the group has developed rapidly in the direction of achieving its vision. As always, there is still more to be done and I will set out below our objectives for the coming year, which I believe will progress us ever closer to achieving that vision.

Our main objectives for the new financial year are :

1. Profitable organic growth of the core debt advice and solutions business.
2. To win the "hearts and minds" of the creditor community.
3. To continue to broaden our range of solutions and deliver them in-house where cost effective to do so.
4. To make acquisitions that complement these objectives and, at the same time, are earnings accretive.

How we will implement our strategy

1. Profitable organic growth of the core debt advice and solutions business.
 - Debt Free Direct has been the largest and most ethical advertiser in this sector. We will continue to analyse carefully the forms of advertising that best attract consumers who need our services.
 - We will continue to focus on process improvement so as to continually improve our conversion rates and productivity.
 - We will develop non-advertising routes to market so as to increase our penetration into the market for over-indebted consumers beyond that achievable by advertising alone.
2. To win the "hearts and minds" of the creditor community
 - We will seek always to understand and address the legitimate concerns of the creditor community.
 - We will continue to put forward ground breaking proposals to enhance the outcomes for creditors when consumers become over-indebted.
 - We will direct more resource towards building and managing our relationships with the major creditors.

DEBT FREE DIRECT GROUP PLC

CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*

YEAR ENDED 30 APRIL 2007

3. To continue to broaden our range of solutions and deliver them in-house where cost effective to do so.
 - We will continue to innovate and develop new solutions to aid both the over-indebted consumer and the creditor community.
 - Where critical mass allows, we will deliver these solutions in house. Where this is not cost effective, we will seek "best of breed" partnerships.
4. To make acquisitions that complement these objectives and, at the same time, are earnings accretive.
 - We will continue to look for acquisition opportunities that will assist us in fulfilling our objectives and that are earnings accretive.

3. Key measures to track progress

Our board are strong believers of "what you measure you can manage". We have developed sophisticated reporting systems that are fully integrated into our operating systems. Our reports are distributed on a relevance basis so that all our managers have the information they need to manage their area of responsibility without being overloaded with information.

Our plc board has access to all our internal reporting and their attention is drawn to areas of variance. There are a number of key performance indicators that are used to track our progress in implementing our objectives and achieving our vision.

Market share Competitor information is not available to reliably measure our share of the debt advice market. We can, however, accurately measure our share of the IVA market and we believe this to be a useful proxy for market share.

	2004 %	2005 %	10 months to Oct. 2006 %	3 months to April 2007 %
DFD	14.6	18.2	16.4	14.75

Source: DTI statistics, TIX and DFD analysis

Marketing – cost per call Minimising the cost of generating a call or enquiry into our advice centre is clearly key to our profitability.

	2004 £	2005 £	2006 £	4 months to April 2007 £
	66	36	43	90

Revenue generating solutions sold per call % This key measure reflects our success in a number of our objectives. Improving our conversions, increasing our solutions portfolio and bringing solutions in house are all reflected in an improvement of this key measure. Over the course of the last 12 months this has increased to 16.75%.

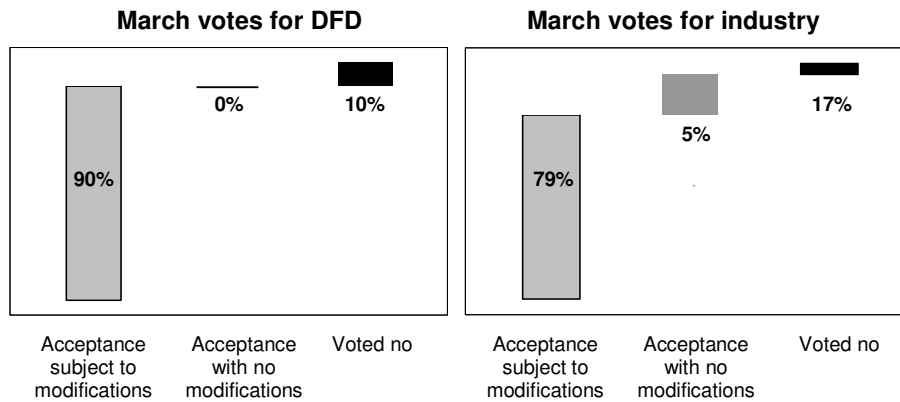
DEBT FREE DIRECT GROUP PLC

CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*

YEAR ENDED 30 APRIL 2007

Pass rate at Meeting of Creditors %

This is a good proxy (especially when compared with the levels achieved by our competitors) for how well we are perceived by the creditor community



Source: TIX

Creditor dividend (p)

This is a key measure (again, when compared with our competitors' performance). Maintaining this at industry leading levels will clearly help us to win the "hearts and minds" of creditors.

DFD March proposals	42.8p
Industry March proposals	38.8p

Source: TIX

Having set out our historic performance in each of these key performance measures, we will continue to update shareholders on our progress in each of these key statistics.

DEBT FREE DIRECT GROUP PLC
CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*
YEAR ENDED 30 APRIL 2007

4. Principal risks and uncertainties

In this section I describe some of the principal risks that the Directors believe could materially affect our business, revenues, operating income, net income, net assets, liquidity or capital resources. The nature of risk is such that no list can be comprehensive and it is quite possible that other risks may arise, or that risks not currently considered material may become so in the future.

Sound risk management is an essential discipline for running the business efficiently and pursuing our strategy successfully. Debt Free Direct has a business-wide risk management process, monitored by the Board, to ensure a consistent and coherent approach.

I have previously highlighted a number of current factors impacting the debt advice business environment. In that context I believe it is worthwhile separating those risks and uncertainties which are relevant to all businesses and those which are more debt advice industry specific.

Risks and uncertainties relevant to all businesses

People resources

Implementing our strategy depends on attracting and retaining key personnel across our business. The Group focuses on attracting and retaining the best personnel and ensuring that key deficiencies do not arise through employee training and development programmes, remuneration strategies and succession planning. However, the sudden unanticipated loss of particular teams of expertise may, in the short term, impact certain areas of Debt Free Direct's business.

Employment costs

We are a significant employer of labour. Any increased costs of employment could significantly impact operating costs and consequently reduce profitability. Debt Free Direct seek to control this risk by ensuring that employment costs are strongly linked to appropriate performance criteria.

Marketing

We depend on advertising for a very significant proportion of our revenue. Advertising and other related marketing spend tends to be variable in its nature and performance. At Debt Free Direct we address this risk by a policy of continual analysis and ensuring we adopt a highly blended approach to marketing spend.

IT systems

The implementation of bespoke software to improve the efficiency and effectiveness of various business processes is an important contributor to the Group's ongoing operational and growth strategy.

The Group continues to invest in IT, most notably the ongoing upgrades of our Information Management Systems (IMS) and Best Advice Model (BAM). These extensive change programmes are continually subject to implementation risks and require the application of strong project management. Failure to implement such changes effectively could result in unplanned costs or inefficiencies which could adversely affect the results of our operations and, ultimately, business profitability.

DEBT FREE DIRECT GROUP PLC
CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*
YEAR ENDED 30 APRIL 2007

Financial factors

Business forecasts identifying, in particular, the liquidity requirements for the Group are produced frequently. These are reviewed regularly by the Board to ensure that sufficient headroom exists for at least the forthcoming 12 month period.

Risks and uncertainties of particular relevance to the debt advice market

Reputational damage

The past year has seen creditors and many industry commentators casting doubt upon the ethics of debt advice companies. In many cases they were right to do so. Indeed, Debt Free Direct has consistently highlighted poor practice in such areas as inappropriate advertising of debt solutions and consumers being mis-sold IVAs.

Unfortunately, neither creditors nor industry commentators have been consistently able to separate "the good" from "the bad" from "the ugly". As a consequence, we have had to fight against unfair reputational damage, given that Debt Free Direct has always stood for the highest standards in the industry.

I strongly believe that the instigation of independent "audit and accreditation" (as previously outlined) will publicly demonstrate our standards and significantly reduce the risk of reputational damage to DFD, both in terms of creditor relationships and in the wider market context.

IVA fees

The past year has seen creditors and many industry commentators closely examining the IVA fees charged by debt advice companies.

Ultimately, we believe that IVA fees are likely to move towards being based upon a percentage of realisations, rather than being charged upon a fixed fee basis, as is currently the case. Given that Debt Free Direct has, for some time, considered itself to be the market leader in terms of achieving the best available return for creditors, we anticipate that such an initiative will only serve to further strengthen our position in the debt advice market relative to our weaker competitors.

Moreover, as the largest and longest established IVA provider in the market, we believe that we are the most able to withstand any future industry change with regard to IVA fee structure. Our "bank" of existing supervisory cases, which would not be impacted by any such changes, provides a substantial cushion, both in terms of cash generation and highly visible future income and profits.

In overview, I remain very confident that Debt Free Direct is in a very strong position and will certainly be less impacted by the changing face of the industry than some of our weaker competition. Furthermore, such changes will, in the longer term, heighten the barriers to entry.

DEBT FREE DIRECT GROUP PLC
CHIEF EXECUTIVE OFFICER'S REVIEW *(continued)*
YEAR ENDED 30 APRIL 2007

Regulatory change

We have previously highlighted that Debt Free Direct has, from its inception, been "Regulation Ready".

I believe that Debt Free Direct can only gain from a toughening of the regulatory regime. Many of our competitors will face increased costs and reduced conversions and income streams as they seek to come to terms with the changing face of debt advice. We do not believe that any of the above will adversely impact Debt Free Direct. Furthermore, any proposed legal regulatory change, such as the Simple IVA or SIVA, are only moving in our direction.

Competition

I have previously highlighted the impact of increased competition, particularly with regard to the deterioration of advertising response rates.

Competition is a fact of business life and is to be welcomed. Unfair competition, in the form of untruthful and misleading advertising claims, has been highlighted by Debt Free Direct and is being acted upon by the ASA. I believe that we are only now entering an arena where the playing field is level. At Debt Free Direct we are looking forward to fair competition with relish.

5. Current trading and prospects

The latter half of the financial year under review has been a turbulent time for anyone involved in IVAs. We have already seen casualties and I will not be surprised if further fall out occurs. Our own trading in the second half of the financial year has been impacted by increased competition, creditor reluctance to accept IVAs, and consumer unease caused by alarmist press coverage.

We entered the new financial year trading at run rates in line with those achieved in the latter half of last year. However, with our advertising share of voice now improving and, with signs of peace breaking out with the creditor community, we are well positioned to build our volumes once more. Whilst fee levels have not as yet been impacted by creditor pressure, it is clear that they intend to use their combined might to reduce them. Debt Free Direct does, however, have the largest "bank" of IVAs, which will not be impacted by any change in fee levels and is, therefore, again well placed to cope with the changes ahead.

I remain confident that we are still on track to achieve our vision of becoming the most respected provider of advice and solutions to over-indebted consumers and that this achievement will maximise shareholder value.

DEBT FREE DIRECT GROUP PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 APRIL 2007

	Note	Year ended 30 April 2007 £	Year ended 30 April 2006 As restated £
TURNOVER	2	27,994,900	15,828,133
Cost of sales		<u>(6,041,314)</u>	<u>(3,937,504)</u>
GROSS PROFIT		21,953,586	11,890,629
Administrative expenses			
Goodwill amortisation		(311,734)	(311,737)
Other administrative expenses		<u>(12,663,812)</u>	<u>(7,474,714)</u>
		<u>12,975,546</u>	<u>(7,786,451)</u>
OPERATING PROFIT	3	8,978,040	4,104,178
Interest receivable		165,627	288,796
Interest payable and similar charges	6	<u>(21,754)</u>	<u>(15,769)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,121,913	4,377,205
Tax on profit on ordinary activities	7	<u>(2,611,576)</u>	<u>(1,432,650)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR		<u>6,510,337</u>	<u>2,944,555</u>
Earnings per share – basic	10	17.39p	7.93p
Earnings per share – diluted	10	16.69p	7.71p

All of the activities of the Group are classed as continuing.

DEBT FREE DIRECT GROUP PLC
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
30 APRIL 2007

	Year ended 30 April 2007	Year ended 30 April 2006 As restated
	£	£
Profit for the year	6,510,337	2,944,555
Currency translation on difference on foreign currency net investments	(11,534)	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	6,498,803	2,944,555
	<hr/>	<hr/>
Prior year adjustment as explained in note 1		
Change in revenue recognition – IVA revenue recognition based on fair value	1,464,507	
Change in revenue recognition – point of revenue recognition	(3,206,902)	
Tax effect of change in revenue recognition	522,718	
	<hr/>	
Total gains and losses recognised since last annual report and financial statements	5,279,126	
	<hr/> <hr/>	

DEBT FREE DIRECT GROUP PLC
CONSOLIDATED BALANCE SHEET
30 APRIL 2007

	Note	2007 £	2006 As restated £
FIXED ASSETS			
Intangible assets	11	1,648,604	1,942,193
Tangible assets	12	2,899,897	927,837
		<u>4,548,501</u>	<u>2,870,030</u>
CURRENT ASSETS			
Debtors (including £3,299,945 due after more than one year (2006: £1,389,647))	14	20,995,202	10,222,116
Cash at bank		372,593	5,366,634
		<u>21,367,795</u>	<u>15,588,750</u>
CREDITORS: Amounts falling due within one year	15	<u>(3,426,074)</u>	<u>(2,036,172)</u>
NET CURRENT ASSETS		<u>17,941,721</u>	<u>13,552,578</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,490,222</u>	<u>16,422,608</u>
CREDITORS: Amounts falling due after more than one year	16	(971,429)	(25,202)
PROVISIONS FOR LIABILITIES	17	(97,261)	(38,561)
		<u>21,421,532</u>	<u>16,358,845</u>
CAPITAL AND RESERVES			
Called-up share capital	20	375,995	373,294
Share premium account	21	13,777,240	13,576,979
Profit and loss account	21	7,268,297	2,408,572
SHAREHOLDERS' FUNDS	22	<u>21,421,532</u>	<u>16,358,845</u>

These financial statements were approved and authorised for issue by the directors on 25 June 2007 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 2007

	Year ended 30 April 2007 £	Year ended 30 April 2006 £
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	(540,528)	565,162
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	165,627	288,796
Interest paid	(16,699)	(575)
Interest element of finance lease rental payments	(5,055)	(10,896)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	143,873	277,325
TAXATION	(2,156,033)	(1,201,778)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(2,591,757)	(481,256)
Payments to acquire intangible fixed assets	(20,454)	(4,085)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(2,612,211)	(485,341)
ACQUISITIONS		
Acquisition of DFD Limited preference shares	-	(68,462)
DIVIDENDS PAID	(1,683,324)	(557,988)
CASH OUTFLOW BEFORE FINANCING	(6,848,223)	(1,471,082)
FINANCING		
New bank loan taken up	1,700,000	-
Issue of ordinary share capital	202,962	124,627
Capital element of finance lease rental payments	(48,780)	(69,295)
NET CASH INFLOW FROM FINANCING	1,854,182	55,332
DECREASE IN CASH	(4,994,041)	(1,415,750)

DEBT FREE DIRECT GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT *(continued)*
YEAR ENDED 30 APRIL 2007

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

	Year ended 30 April 2007	Year ended 30 April 2006 As restated
	£	£
Operating profit	8,978,040	4,104,178
Amortisation	314,043	312,476
Depreciation	486,469	288,785
Loss on disposal of fixed assets	133,228	1,483
Increase in debtors	(10,773,086)	(4,903,667)
Increase in creditors and other provisions	288,066	721,679
Foreign exchange currency translation	(11,534)	-
Equity based share payment	44,246	40,228
Net cash (outflow) / inflow from operating activities	(540,528)	565,162

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year ended 30 April 2007	Year ended 30 April 2006
	£	£
Decrease in cash in the period	(4,994,041)	(1,415,750)
Cash outflow from decrease in lease financing	48,780	69,295
Cash inflow from increase in bank loans	(1,700,000)	-
Change in net debt resulting from cash flows	(6,645,261)	(1,346,455)
Movement in net debt in the period	(6,645,261)	(1,346,455)
Net cash at 1 May 2006	5,292,652	6,639,107
Net (debt)/cash at 30 April 2007	(1,352,609)	5,292,652

DEBT FREE DIRECT GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT *(continued)*
YEAR ENDED 30 APRIL 2007

ANALYSIS OF CHANGES IN NET FUNDS

	At 30 April 2006	Cash flow	At 30 April 2007
	£	£	£
Cash in hand and at bank	<u>5,366,634</u>	<u>(4,994,041)</u>	<u>372,593</u>
Bank loan			
< 1 year	-	(728,571)	(728,571)
> 1 year	-	(971,429)	(971,429)
	-----	-----	-----
	-	(1,700,000)	(1,700,000)
Hire purchase creditors	(73,982)	48,780	(25,202)
	-----	-----	-----
	<u>5,292,652</u>	<u>(6,645,261)</u>	<u>(1,352,609)</u>

DEBT FREE DIRECT GROUP PLC
NOTES TO THE PRELIMINARY ANNOUNCEMENT
YEAR ENDED 30 APRIL 2007

1. 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 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for the year ended 30 April 2007 will be delivered to the Registrar of Companies shortly. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under the Companies Act 1985 (S.237(2) or (3)).

This financial information has been prepared on the basis of the accounting policies set out in the most recently published set of annual financial statements, except where specified below.

Change in Accounting Policies

Revenue recognition

During the financial year the board has reconsidered the application of UITF 40 "Revenue recognition and service contracts" to revenues recognised from IVA business. As a consequence of this review, and to reflect the current consensus view on best practice application of UITF 40, the group has revised its Turnover accounting policies.

The group will recognise revenue from IVA fees once approval for an IVA has been obtained at the meeting of creditors, rather than on issue of a finalised IVA proposal to the debtor, with a provision for those cases that may not be approved at the meeting of creditors. This adjustment, treated as a prior year adjustment, increases Turnover and retained profit in 2007 by £29,178 and £41,811 respectively (2006 decrease of £1,144,295 and £801,006) and decreases Accrued Income by £3,177,724 (2006 : £3,206,902) and decreases Net Assets within the Balance Sheet by £2,203,272 (2006 : £2,244,832) at 30 April 2007. As a result, the Corporation Tax liability has decreased by £944,260 (2006 : £962,070).

Once a right to consideration has been earned by the group during an IVA arrangement, the group has revised its accounting policy to recognise revenue during the life of the IVA based upon the fair value of the service provided rather than on invoicing. Fair value for this purpose is based upon that proportion of the anticipated revenue on a case which is represented by the value of work done to date as a function of the total value of anticipated work. This adjustment, treated as a prior year adjustment, increases Turnover in 2007 by £1,022,602 (2006 : £742,244) and increases Accrued Income and Net Assets within the Balance Sheet at 30 April 2007 by £2,487,109 (2006 : £1,464,507) and £1,740,976 (2006 : £1,025,155). This has resulted in an increase in the corporation tax liability of £746,133 (2006 : £439,352).

The first prior year adjustment also serves to decrease the balance on the profit and loss reserve at 1 May 2005 by £1,443,825. The second prior year adjustment increases the profit and loss reserve at 1 May 2005 by £505,584 to give a combined net impact of a £938,241 decrease.

DEBT FREE DIRECT GROUP PLC
NOTES TO THE PRELIMINARY ANNOUNCEMENT *(continued)*
YEAR ENDED 30 APRIL 2007

1. STATUS OF FINANCIAL INFORMATION *(continued)*

These changes are summarised in the table below.

Net assets	Change in revenue recognition – point of recognition £	Change in revenue recognition – based upon fair value £	Total £
As previously stated at 30 April 2005			14,745,664
Accrued income	(2,062,607)	722,263	(1,340,344)
Corporation tax liability	618,782	(216,679)	402,103
As restated at 30 April 2005			<u>13,807,423</u>
As previously stated at 30 April 2006			17,578,522
Accrued income	(3,206,902)	1,464,507	(1,742,395)
Corporation tax liability	962,070	(439,352)	522,718
As restated at 30 April 2006			<u>16,358,845</u>
As stated prior to change in accounting policy at 30 April 2007			21,883,828
Accrued income	(3,177,724)	2,487,109	(690,615)
Accruals	30,192	-	30,192
Corporation tax liability	944,260	(746,133)	198,127
As restated at 30 April 2007			<u>21,421,532</u>

	Turnover £	Profit before tax £	Taxation £	Profit after taxation £
As previously stated at 30 April 2006	16,230,184	4,819,484	(1,553,265)	3,266,219
Change in revenue recognition – point of recognition	(1,144,295)	(1,144,295)	343,289	(801,006)
Change in revenue recognition – based upon fair value	742,244	742,244	(222,674)	519,570
Equity based share payments	-	(40,228)	-	(40,228)
As restated at 30 April 2006	<u>15,828,133</u>	<u>4,377,205</u>	<u>(1,432,650)</u>	<u>2,944,555</u>

The impact on profit after tax for the year ended 30 April 2007 of these adjustments is £757,380.

Share based payments

The Group has applied the requirements of FRS20, Share based payments. In accordance with the transitional provisions, FRS20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 May 2006. For year ended 2006 the change of policy has resulted in a net decrease in the profit for the year of £40,228 and for year ended 2007 the net decrease in the profit was £44,245. The share based expense has been included in administrative expenses in the profit and loss account with the credit entry to equity. All share based payments are equity settled.

DEBT FREE DIRECT GROUP PLC
NOTES TO THE PRELIMINARY ANNOUNCEMENT *(continued)*
YEAR ENDED 30 APRIL 2007

2. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 April 2007	Year ended 30 April 2006
	£	£
Current tax:		
UK Corporation tax based on the results for the period at 30%	2,534,876	1,401,930
Deferred taxation charge		
- origination and reversal of timing differences	76,700	30,720
Total tax charge	<u>2,611,576</u>	<u>1,432,650</u>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower/higher than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are reconciled below:

	2007	2006
	£	£
Profit on ordinary activities before tax (as restated)	<u>9,121,913</u>	<u>4,377,205</u>
Profit on ordinary activities at 30% (2005: 30%)	2,736,574	1,313,162
Expenses not deductible for tax purposes	211,004	77,370
Differences between capital allowances and depreciation	(76,700)	(24,958)
Effect of marginal tax rates	(3,298)	(4,936)
Utilisation of tax losses and other deductions	-	(5,762)
Other differences	(100,655)	47,054
Share option relief	(232,049)	-
	<u>2,534,876</u>	<u>1,401,930</u>

DEBT FREE DIRECT GROUP PLC
NOTES TO THE PRELIMINARY ANNOUNCEMENT *(continued)*
YEAR ENDED 30 APRIL 2007

3. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit of £6,510,337 (2006 (as restated) : £2,944,555) and a weighted average number of ordinary shares in issue during the year of 37,438,505 (2006: 37,143,181). The calculation of diluted earnings per share is based on the profit of £6,510,337 (2006 (as restated) : £2,944,555) and a diluted weighted average number of ordinary shares of 39,005,067 (2006: 38,185,719).

The calculations of earnings per share are based on the profit for the financial year and the following numbers of shares:

	2007	2006
	Number of	Number of
	shares	shares
Weighted average number of shares :		
For basic earnings per share	37,438,505	37,143,181
Potential exercise of share options	1,566,562	1,042,538
	<hr/>	<hr/>
For diluted earnings per share	39,005,067	38,185,719
	<hr/> <hr/>	<hr/> <hr/>

4. DIVIDENDS

A final dividend of 3p per share (2006 : 1.5p) is proposed for approval at the forthcoming AGM on 3rd August 2007.

5. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2007	2006
	£	(As restated)
		£
Profit for financial year	6,510,337	2,944,555
Dividends	(1,683,324)	(557,988)
Equity based share payments	44,246	40,228
Exchange rate differences	(11,534)	-
New equity share capital subscribed	2,701	3,802
Net premium on new share capital subscribed	200,261	120,825
	<hr/>	<hr/>
	5,062,687	2,551,422
Opening shareholders' equity funds (originally £17,578,522 before deducting prior year adjustment of £1,219,677)	16,358,845	13,807,423
	<hr/>	<hr/>
Closing shareholders' equity funds	21,421,532	16,358,845
	<hr/> <hr/>	<hr/> <hr/>