

DEBT FREE DIRECT GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 APRIL 2005

A YEAR OF STRONG AND PROFITABLE GROWTH

Debt Free Direct Group Plc, the leading debt advice and solutions company, announces its results for the year ended 30 April 2005.

Andrew Redmond, Chief Executive Officer, said:

"I am delighted to announce an excellent set of results for the year ended 30 April 2005 that shows significant growth on all fronts. This has been achieved as a result of planning and building for growth since our successful admission to AIM in December 2002. Turnover has increased by 100% to £8.4m and EBITDA grew by 299% to £2.0m.

The market for IVA's grew by 40% from Q1 2004 to Q1 2005. Debt Free Direct significantly out-performed the market, increasing its market share from 15% to 21% by the end of the first quarter of 2005.

We are well positioned to continue our growth and confidently predict continued organic growth in the year ahead. In light of this, we are reviewing our dividend policy and feel confident that a maiden dividend will be declared for the financial year ended April 2006. At the same time, due regard will be given to the capital requirements of the Company, the appropriate level of dividend cover for the business and the sector, and the expectations of a progressive dividend policy going forward."

Highlights for the year include:

- **Financial growth** on all fronts with an overall performance in line with expectations.
 - Turnover grown by 100% to £8,422k [£4,211k in 2004]
 - Gross profit grown by 121% to £6,032k [£2,728k in 2004]
 - EBITDA grown by 299% to £2,027k [£508k in 2004]
 - PBT of £1,543k [£64k in 2004]
 - PAT of £978k [£56k in 2004]

- **Balance sheet strengthened** as a result of trading profit and institutional placing raising £8.3m (net)
 - net cash increased to £6,639k [£340k in 2004]
 - net assets increased to £14,746k [£5,447k in 2004]

- **Growth in resources**
 - total employees grown by 74% to 153
 - annual turnover per employee has increased by 15% to £82k
 - number of insolvency practitioners grown from 2 to 5

- **New Director of Insolvency**
 - Derek Oakley has been appointed onto the Board, and joins us with over 10 years' of experience as an Insolvency Practitioner, having previously been head of Tenon Group plc's North West insolvency practice.

- **Growth in IVA run-rate and market share**
 - completed IVAs have grown by 90% over the year
 - the run-rate of new completed IVA cases in the final quarter was in excess of 250 per month, compared with 95 in the corresponding period last year
 - market share had grown to 21% by the end of Q1 2005, an increase of 6%

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Note 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 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 is based in Chorley, Lancashire, and was admitted to AIM in December 2002.

CHAIRMAN'S STATEMENT

YEAR ENDED 30 APRIL 2005

I am delighted that the Group has made such huge strides in the year ended 30 April 2005.

Last year I forecast that the Group was poised to exploit its distinct position in a large and growing market. This year we have delivered on that potential.

By making over-indebted consumers aware of us, providing them with best advice and by maintaining our high ethical and regulated standards in the delivery of appropriate solutions, we will see the group continue to achieve impressive growth in the years ahead.”

G J Folwell
Chairman

27 June 2005

CHIEF EXECUTIVE OFFICER'S STATEMENT

YEAR ENDED 30 APRIL 2005

Background

Since our successful admission to AIM in December 2002, we have been planning and building for growth. This year has seen significant growth on all fronts.

The business fundamentals have long been established and have guided us as we work towards achieving our vision to be the UK's most respected provider of advice and appropriate solutions to over-indebted consumers. Those fundamentals continue to be:

- Focus on **business generation** and thereby raise awareness amongst over-indebted consumers;
- Focus on providing free, accessible and impartial **best advice**, delivered systematically;
- Focus on **ethical and appropriate solutions** at no cost to the consumer.

We have always been firmly of the view that if we concentrate on doing what is right and appropriate for all our customers in every circumstance, then we will continue to build shareholder value. The past **year of strong and profitable growth** has proved the point.

Growth in financial performance

The headline financial growth achievements speak for themselves :

- Turnover has grown by 100% to £8,422k;
- Gross profit has grown by 121% to £6,032k;
- EBITDA grown by 299% to £2,027k;
- PBT has grown to £1,543k, compared with £64k last year;
- Shareholders' funds have grown to £14,746k from £5,447k.

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

Growth in resources

The above financial growth has been achieved as a result of a significant investment in resources :

- total employee numbers have grown by 74% to 153, whilst annual turnover per employee has increased to £82k (an increase of 15%);
- premises workspace has grown by 64% to 12,800 square feet, whilst annual turnover per square foot has increased to £977 (an increase of 22%).

Management capability has been strengthened in all areas of the business, but most notably in the area of IP resource, which has increased from 2 to 5 over the year.

We are particularly pleased to announce and welcome Derek Oakley onto the Board as Director of Insolvency who joins us with over 10 years' of experience as an Insolvency Practitioner, having previously been head of Tenon Group plc's North West insolvency practice. We look forward to him playing a valuable role in this important area of the business.

As a result of the above growth strategy and investments, we not only benefited during the last financial year but are well placed to continue to grow further in the months ahead.

Growth in IVA run-rate and market share

Over recent months we have provided regular updates as our run-rate trends have continued to increase rapidly:

- completed IVAs have grown by 90% over the last financial year;
- the run-rate of new completed IVA cases in the final quarter of our financial year was in excess of 250 per month.

Consequently, it is no surprise that we gained market share during the last year.

Perhaps more surprising to some will be the fact that our pace of growth is significantly out-performing our competitors, despite the significantly higher base from which we start. The market for IVA's grew by 40% from Q1 2004 to Q1 2005. Debt Free Direct significantly out-performed the market, increasing its market share from 15% to 21% by the end of the first quarter of 2005.

As previously stated, our impressive growth can be traced back to the business fundamentals that we have worked hard to establish :

- we generate high volumes of business, cost-effectively because we constantly analyse and adapt to the changing market conditions. We believe our in depth analysis and monitoring of the market is key to our success and growth.
- we have made significant investment in IT systems, which means we have the ability to scale the business. This helps us to :
 - systematically provide advice in volume;
 - systematically draft cases in volume;
 - efficiently supervise live cases in volume.

Without the above, the ability to sustain significant growth would have proved elusive.

Growth in shareholder value

On 14 February 2005 the company placed 6,000,000 new Ordinary Shares at 142 pence per share, which raised additional finance of approximately £8.3m (net) and has allowed the Group to increase the rate of organic growth above that previously planned.

Furthermore, a significant number of Ordinary Shares came out of lock-in, such that by the end of the year only 4% remained locked-in, compared to 25% at the beginning of the year.

Overall, the above has meant that our free-float has grown from 24% to 54% over the course of the year.

We are reviewing our distribution policy with regard to paying a maiden dividend in the financial year ended April 2006. We feel confident that a dividend will be declared, whilst taking due regard of the capital requirements of the Company, the appropriate level of dividend cover for the business and the sector, and the expectations of a progressive dividend policy going forward.

Current trading and prospects

The Group has continued its progress and profitability in the period since April 2005.

The Board has previously stated that it is increasingly confident that the scale of the consumer debt problem is significantly greater than previously estimated. Every day news is released that substantiates that view.

With the housing market stagnating and house prices beginning to fall, home owners will have less capacity to re-mortgage and release equity. At the same time, lenders are tightening their criteria, further reducing consumers' capacity to release house equity.

The result is that an increasing number of consumers are finding it impossible to sustain the record levels of debt that they have built up over recent years. The signs of consumer debt fatigue are there for all to see.

We are likely to benefit from this consumer downturn and confidently predict continued organic growth in the year ahead.

Furthermore, the additional funds raised at the recent placing will allow us to pursue potential acquisitions selectively and broaden our business model.

We continue to evaluate and analyse the benefits of introducing either new solutions into existing markets or existing solutions into new markets.

However, we are as ever mindful of shareholder value. We will only make such a move when we consider that the time and opportunities are right. Given the dynamic and changing nature of the market place, we will remain watchful.

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

A Redmond
Chief Executive Officer
27 June 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 APRIL 2005

	Note	Year ended 30 April 05 £	Year ended 30 April 04 £
TURNOVER		8,422,063	4,210,513
Cost of sales		(2,389,519)	(1,482,592)
GROSS PROFIT		6,032,544	2,727,921
Administrative expenses			
Goodwill amortisation		(311,920)	(311,809)
Other administrative expenses		(4,165,676)	(2,315,800)
		(4,477,596)	(2,627,609)
OPERATING PROFIT		1,554,948	100,312
Interest receivable		72,275	42,797
Interest payable and similar charges		(83,972)	(78,932)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,543,251	64,177
Tax on profit on ordinary activities	1	(564,815)	(7,746)
PROFIT ON ORDINARY ACTIVITIES		978,436	56,431
Earnings per share – basic	2	3.04p	0.21p
Earnings per share – diluted	2	2.90p	0.21p

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

CONSOLIDATED BALANCE SHEET

30 APRIL 2005

	£	2005 £	2004 £
FIXED ASSETS			
Intangible assets		2,250,584	2,557,596
Tangible assets		736,848	564,530
		2,987,432	3,122,126
CURRENT ASSETS			
Debtors (including £940,697 due after more than one year (2004: £490,671))	6,668,952		2,641,878
Cash at bank	6,782,385		1,171,176
	13,451,337		3,813,054
CREDITORS: Amounts falling due within one year	(1,555,822)		(1,330,180)
NET CURRENT ASSETS		11,895,515	2,482,874
TOTAL ASSETS LESS CURRENT LIABILITIES		14,882,947	5,605,000
CREDITORS: Amounts falling due after more than one year		(73,119)	(63,979)
PROVISION FOR LIABILITIES AND CHARGES		(64,164)	(93,585)
		14,745,664	5,447,436
CAPITAL AND RESERVES			
Called-up equity share capital		369,492	309,492
Share premium account		13,456,154	5,196,363
Profit and loss account		920,018	(58,419)
SHAREHOLDERS' FUNDS		14,745,664	5,447,436

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 APRIL 2005

	Year ended 30 April 2005 £	Year ended 30 April 2004 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,617,260)	(764,097)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	72,275	42,797
Interest paid	(93,381)	(85,161)
Interest element of finance lease rental payments	(9,813)	(9,000)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(30,919)	(51,364)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(248,021)	(317,531)
Payments to acquire intangible fixed assets	(4,855)	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(252,876)	(317,531)
ACQUISITIONS		
Acquisition of DFD Limited preference shares and loan notes	(34,821)	(1,359,985)
CASH OUTFLOW BEFORE FINANCING	(1,935,876)	(2,492,977)
FINANCING		
Issue of ordinary share capital	8,520,000	3,850,001
Issue costs charged to the share premium account	(200,209)	(187,802)
Capital element of finance lease rental payments	(61,599)	(45,930)
Repayment of loans	(711,106)	(33,365)
NET CASH INFLOW FROM FINANCING	7,547,086	3,582,904
INCREASE IN CASH	5,611,208	1,089,927

RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 30 Apr 05 £	Year ended 30 Apr 04 £
Operating profit	1,554,948	100,312
Amortisation	311,920	311,809
Depreciation	160,076	95,645
Increase in debtors	(4,069,121)	(1,395,500)
Increase in creditors	424,917	123,637
Net cash outflow from operating activities	(1,617,260)	(764,097)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

YEAR ENDED 30 APRIL 2005

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 30 Apr 05 £	Year ended 30 Apr 04 £
Increase in cash in the period	5,611,208	1,089,927
Cash outflow from acquisition of loan notes	-	601,714
Cash outflow from repayment of loans	711,106	33,365
Cash outflow from decrease in lease financing	61,599	45,930
	<u>6,383,913</u>	<u>1,770,936</u>
Change in net debt resulting from cash flows		
New hire purchase agreement	(84,413)	(131,177)
	<u>(84,413)</u>	<u>(131,177)</u>
Change in net funds	6,299,500	1,639,759
Net funds/(debt) at 30 April 2004	339,607	(1,300,152)
	<u>339,607</u>	<u>(1,300,152)</u>
Net funds at 30 April 2005	6,639,107	339,607
	<u>6,639,107</u>	<u>339,607</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2005

1. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 Apr 05 £	Year ended 30 Apr 04 £
Current tax:		
UK Corporation tax based on the results for the period at 30%	522,779	-
Deferred taxation charge/(credit)		
- origination and reversal of timing differences	42,036	42,450
- effect of tax rate change on opening balances	-	(34,704)
Total tax charge	<u>564,815</u>	<u>7,746</u>

2. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit of £978,436 (2004: £56,431) and a weighted average number of ordinary shares in issue during the period of 32,182,064 (2004: 26,744,493). The calculation of diluted earnings per share is based on the profit of £978,436 (2004: £56,431) and a diluted weighted average number of ordinary shares of 33,741,364 (2004: 27,029,793).

3. STATUS OF FINANCIAL INFORMATION

The financial information set out in this report does not constitute the company's statutory accounts for the year ended 30 April 2005, but is derived from those accounts. Statutory accounts for the year ended 30 April 2005 will be delivered to the Registrar of Companies shortly. The auditors have reported on the statutory accounts for the year ended 30 April 2005 and their opinion was unqualified for these financial statements.