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If you have sold or transferred all of your shares in Debt Free Direct Group plc, please send this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

Debt Free Direct Group plc

Proposed cancellation of the share premium account and authority to make market purchases of Ordinary Shares

Notice of Extraordinary General Meeting

Notice of an Extraordinary General Meeting of Debt Free Direct Group plc to be held at Fairclough House, Church Street, Adlington, Lancashire PR7 4EX at 1pm on Friday 24 August 2007 is set out at the end of this document.

The Proposals described in this document are conditional on Shareholder approval. Shareholders are therefore requested to complete and return their enclosed reply-paid Form of Proxy as soon as possible. To be valid, the Form of Proxy should be completed and returned, in accordance with the instructions printed thereon, so as to be received by the Company's Registrar, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham BR3 4ZB not later than the close of business on 22 August 2007. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the meeting.

Your attention is drawn to the paragraph headed "Further information with respect to the Proposals and action to be taken" of Part I of this document on page 6 which gives further details of the action to be taken by Shareholders.

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EXPECTED TIMETABLE OF EVENTS

2007

Last time and date for receipt of Forms of Proxy	5pm Wednesday, 22 August
Extraordinary General Meeting	1pm Friday, 24 August

The Company will notify shareholders of the details of the Court timetable in relation to the cancellation of the Company's share premium account, via the London Stock Exchange's Regulatory News Service, at such time as the relevant dates become available.

DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy unless the context otherwise requires:

“Act”	the Companies Act 1985, as amended
“Board” or “Directors”	the board of directors of the Company
“Cancellation of the Share Premium Account”	the cancellation of the share premium account of the Company as described in this document
“Circular”	this document
“City Code”	The City Code on Takeovers and Mergers
“Clear Start”	Clear Start UK Limited (registered number 5384991)
“Court”	The High Court of Justice
“Court Approval”	confirmation by the Court of the Cancellation of the Share Premium Account
“Company”	Debt Free Direct Group plc
“Effective Date”	the date on which the proposed Cancellation of the Share Premium Account becomes effective
“Extraordinary General Meeting” or “EGM”	the Extraordinary General Meeting of the Company convened for 1pm on 24 August 2007 (or any adjournment thereof), notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy for use by Shareholders in connection with the Extraordinary General Meeting
“Ordinary Shares” or “Shares”	ordinary shares of 1p each in the capital of the Company
“Proposals”	the proposal for the cancellation of the share premium account of the Company and the proposal to authorise the Company to make market purchases of its own Shares, each described in Part I of this document
“Register”	the register of members of the Company
“Registrars”	Capita Registrars
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting
“Shareholders”	holders of Ordinary Shares

PART I

LETTER FROM THE CHAIRMAN OF DEBT FREE DIRECT GROUP PLC

Debt Free Direct Group plc

(incorporated and registered in England with number 4425339)

Directors:

Jeffrey Michael Blackburn, *Non-executive Chairman*
Andrew Redmond, *Chief Executive Officer*
Paul Alan Latham, *Finance Director*
Derek John Oakley, *Insolvency Director*
Lord Hoyle of Warrington, *Non-executive Director*
John Anthony Reynard, *Non-executive Director*

Registered Office

70 Great Bridgewater Street
Manchester
M1 5ES

1 August 2007

To the shareholders of Debt Free Direct Group plc

Dear Shareholder

Proposed cancellation of the share premium account of the Company and authority to make market purchases of Ordinary Shares

1. Introduction

On 18 July 2007 the Company announced that an extraordinary general meeting of the Company had taken place and that the resolutions proposed to effect the Cancellation of the Share Premium Account, and to authorise a share buyback, had been passed.

Due to a technical procedural oversight, the Company is required to issue notice of the EGM at which the same resolutions will be put to the Shareholders in order for the Court to consider the Cancellation of the Share Premium Account.

On 26 June 2007, the Company announced that it had entered into an agreement to acquire the entire issued share capital of Clear Start. The consideration for the acquisition has been settled by the issue of new Ordinary Shares in the Company. The number of Ordinary Shares issued as consideration initially was 4,159,671. The Directors expect the acquisition to be earnings enhancing and believe that, in order to maximise earnings enhancement, it is in the best interests of Shareholders for the Company to purchase up to 4,500,000 Ordinary Shares currently in issue, from Shareholders, for cancellation. The Directors believe that the most effective method of effecting such purchase of Shares is by way of an on market share buyback programme, to be executed by Numis Securities Limited acting as agent for the Company. Since the Company's cash reserves are insufficient to fund such a buyback in full, the Company intends to fund the buyback with a new debt facility of approximately £16 million which has yet to be arranged.

In order to effect the buyback of Shares, the Company must first create sufficient distributable reserves to allow the purchase of Shares. It is proposed that such distributable reserves shall be created by cancelling the Company's share premium account.

The initial number of Ordinary Shares issued to shareholders of Clear Start has been agreed on the assumption that the share buyback programme proceeds and that at least 4,159,671 Ordinary Shares are purchased by the Company. To compensate the Clear Start shareholders for the diluting effect of the share buyback programme not being implemented, or not being implemented in full, up to a maximum of 490,968 additional Ordinary Shares would, in such circumstances, be issued to them.

The Clear Start Shareholders may become entitled to additional consideration in the form of a maximum of a further 2,363,940 Ordinary Shares in the Company depending upon the performance of the share price of the Company over the next two years.

The purpose of this document is to provide you with information in relation to the proposed cancellation of the share premium account of the Company and to recommend that you vote in favour of the resolutions at the EGM to cancel the Company's share premium account and to authorise the Company to make market purchases of its own Shares.

It is proposed that the Company will use the distributable reserves created by the cancellation of the share premium account to fund the buyback of Shares and for general corporate purposes. If approved, the Cancellation of the Share Premium Account will increase the distributable reserves of the Company by approximately £24.7 million.

2. Current Trading

In the Company's preliminary results for the year ended 30 April 2007, which were announced on 26 June 2007, Andrew Redmond, Chief Executive Officer commented:

"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."

3. The Proposals

Cancellation of the Share Premium Account

Subject to the approval of Shareholders and Court Approval, the Company's share premium account (standing at £24,664,689 as at 1 August 2007) will be cancelled. The reserve created will constitute a realised profit and be transferred to the profit and loss account of the Company and create additional distributable reserves. The Cancellation of the Share Premium Account will not reduce the net assets of the Company.

The Court's sanction of the cancellation of the share premium account of the Company will be sought at a hearing on a date which is yet to be confirmed by the Court. If the Court's sanction is granted on the date of this hearing, the Cancellation of the Share Premium Account is expected to become effective shortly thereafter (being the date on which the court order will be registered with the Registrar of Companies).

The Court will be concerned to protect the interests of creditors of the Company as at the date the Cancellation of the Share Premium Account becomes effective. The precise form of creditor protection will be determined by the Court and the Company will take such steps as it thinks appropriate in order to satisfy the Court in that regard.

Authority to make market purchases of own Shares

The Company is, in addition, seeking authority to purchase Shares in the market to enable it to conduct the proposed share buyback.

The Board is seeking authority to purchase up to 4,500,000 Shares in the market, representing approximately 10.77 per cent. of the issued share capital of the Company at not more than 105 per cent of the average middle market price of a Share for the five days preceding the purchase and not less than 1p per Share for purchases of Shares under this authority. Any Shares purchased under the share buyback will be cancelled and the number of shares in issue reduced accordingly.

The authority will expire on the earlier of the Company's annual general meeting in 2008 and 23 February 2009.

The amount of the reserve arising on the proposed Cancellation of the Share Premium Account may be greater than the final amount required to buy back Shares under the share buyback. In this event the additional distributable reserves will be available for other corporate purposes of the Company.

4. Directors' intentions

In the unlikely event that Shareholders do not take up the opportunity to participate in the share buyback, Directors (other than the executive Directors) might be requested to make Shares available in order to ensure the success of the share repurchase programme.

5. Shareholder approval

Implementation of the Proposals requires the passing by Shareholders of Resolutions 1 and 2 to be proposed at the Extraordinary General Meeting which has been convened for 1pm on Friday 24 August 2007.

Notice of the Extraordinary General Meeting is set out at the end of this document. Descriptions of the Resolutions to be proposed at the Extraordinary General Meeting are set out below.

Resolution 1 to be proposed at the Extraordinary General Meeting

Resolution 1, which is to be proposed as a special resolution and which is set out in the notice of Extraordinary General Meeting, will, if passed (and subject to receipt of Court Approval), cancel the share premium account of the Company.

Resolution 2 to be proposed at the Extraordinary General Meeting

Resolution 2, which is to be proposed as a special resolution and which is set out in the notice of Extraordinary General Meeting, will, if passed, generally and unconditionally authorise the Board for the purpose of section 166 of the Companies Act 1985 to make one or more market purchases of Shares provided that:

- (a) the maximum aggregate number of Shares authorised to be purchased is 4,500,000, representing 10.77 per cent, of the Company's issued share capital;
- (b) the minimum price which may be paid for such shares is 1p per Share (exclusive of expenses);
- (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be not more than an amount equal to 105 per cent of the average of the middle market price of a Share as derived from the Official List of the London Stock Exchange for the five business days immediately preceding the date on which the Share is purchased; and
- (d) unless previously renewed, varied or revoked, the authority conferred shall expire on the earlier of the holding of the Company's annual general meeting for 2008 and 23 February 2009.

All previous authorities to make market purchases of Ordinary Shares (to the extent unused) will be revoked.

6. Further Information with respect to the Proposals and action to be taken

Your attention is drawn to the financial information set out in Part II of this document.

Shareholders will find enclosed a Form of Proxy for use in connection with the Extraordinary General Meeting. Whether or not you intend to attend the EGM, you are requested to complete and return the Form of Proxy so as to be received by Capita Registrars at Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, BR3 4ZB not later than the close of business on 22 August 2007. Completion and return of the Form of Proxy will not prevent you from attending and voting in person at the EGM should you wish to do so.

7. Recommendation

The Board considers the Proposals to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as they intend to do in respect of their own beneficial holdings of 11,530,405 Ordinary Shares, representing in aggregate 27.60 per cent. of the issued share capital of the Company.

Yours faithfully,

Jeffrey Michael Blackburn
Chairman

PART II
FINANCIAL INFORMATION

The financial information set out in Part II of this document has been extracted from the Company's preliminary results for the year ended 30 April 2007, which were announced on 26 June 2007

The Note references referred to in the tables below relate to the Notes contained in the Company's full audited accounts for the year ended 30 April 2007.

Consolidated Profit and Loss Account
Year Ended 30 April 2007

	<i>Note</i>	<i>Year ended 30 April 2007</i>	<i>Year ended 30 April 2006 As restated</i>
		£	£
TURNOVER	2	27,994,900	15,828,133
Cost of sales		(6,041,314)	(3,937,504)
GROSS PROFIT		<u>21,953,586</u>	<u>11,890,629</u>
Administrative expenses			
Goodwill amortisation		(311,734)	(311,737)
Other administrative expenses		(12,663,812)	(7,474,714)
		<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	(21,754)	(15,769)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,121,913	4,377,205
Tax on profit on ordinary activities	7	(2,611,576)	(1,432,650)
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.

Consolidated Statement of Total Recognised Gains and Losses
Year Ended 30 April 2007

	<i>Year ended 30 April 2007</i>	<i>Year ended 30 April 2006 As restated</i>
	£	£
Profit for the year	6,510,337	2,944,555
Currency translation on difference on foreign currency net investments	(11,534)	—
Total recognised gains and losses relating to the year	<u>6,498,803</u>	<u>2,944,555</u>
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	
Total gains and losses recognised since last annual report and financial statements	<u>5,279,126</u>	

Consolidated Balance Sheet
30 April 2007

		2007	2006
			<i>As restated</i>
	<i>Note</i>	£	£
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		22,490,222	16,422,608
CREDITORS: Amounts falling due after more than one year	16	(971,429)	(25,202)
PROVISIONS FOR LIABILITIES	17	<u>(97,261)</u>	<u>(38,561)</u>
		<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

Consolidated Cash Flow Statement
Year Ended 30 April 2007

	<i>Year ended</i> <i>30 April 2007</i>	<i>Year ended</i> <i>30 April 2006</i>
	£	£
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)

Reconciliation of Operating Profit to Net Cash (Outflow) / Inflow From Operating Activities

	<i>Year ended</i> <i>30 April 2007</i>	<i>Year ended</i> <i>30 April 2006</i> <i>As restated</i>
	£	£
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

	<i>Year ended</i> 30 April 2007 £	<i>Year ended</i> 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	<u>(6,645,261)</u>	<u>(1,346,455)</u>
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	<u>(1,352,609)</u>	<u>5,292,652</u>

Analysis of Changes in Net Funds

	<i>At 30 April 2006</i> £	<i>Cash flow</i> £	<i>At 30 April 2007</i> £
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	<u>(73,982)</u>	<u>48,780</u>	<u>(25,202)</u>
	<u>5,292,652</u>	<u>(6,645,261)</u>	<u>(1,352,609)</u>

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.

These changes are summarised in the table below.

Net assets

	<i>Change in revenue recognition – point of recognition £</i>	<i>Change in revenue recognition – based upon fair value £</i>	<i>Total £</i>	
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>	
	<i>Turnover £</i>	<i>Profit before tax £</i>	<i>Taxation £</i>	<i>Profit after taxation £</i>
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.

2. Tax on Profit on Ordinary Activities

	<i>Year ended</i> 30 April 2007 £	<i>Year ended</i> 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 per cent. (2006: 30 per cent.). The differences are reconciled below:

	<i>2007</i> £	<i>2006</i> £
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>

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:

	<i>2007</i> <i>Number of</i> <i>shares</i>	<i>2006</i> <i>Number of</i> <i>shares</i>
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
For diluted earnings per share	<u>39,005,067</u>	<u>38,185,719</u>

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
	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
Closing shareholders' equity funds	21,421,532	16,358,845

DEBT FREE DIRECT GROUP PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Debt Free Direct Group plc will be held at Fairclough House, Church Street, Adlington, Lancashire PR7 4EX, on Friday 24 August 2007 at 1pm for the purposes of considering and, if thought fit, passing the following resolutions, both of which will be proposed as special resolutions:

SPECIAL RESOLUTIONS

1. THAT the amount standing to the credit of the share premium account of the Company be and is hereby cancelled.
2. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163(3) of the said Act) of Ordinary Shares of 1p each in the capital of the Company ("Ordinary Shares") provided that:
 - 2.1 the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 4,500,000 Ordinary Shares;
 - 2.2 the minimum price which may be paid for such Ordinary Shares is 1p per Ordinary Share (exclusive of expenses);
 - 2.3 the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be not more than an amount equal to 105 per cent of the average of the middle market price of an Ordinary Share as derived from the Official List of the London Stock Exchange for the five business days immediately preceding the date on which the Ordinary Share is purchased;
 - 2.4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of the annual general meeting of the Company in 2008 or 23 February 2009;
 - 2.5 the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Registered Office:
70 Great Bridgewater Street
Manchester
M1 5ES

By Order of the Board

Paul Latham
Company Secretary
1 August 2007

Notes:

1. A member who is entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him or her in respect of such shares. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed which, to be valid, must be completed and delivered, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such authority) to the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZB so as to arrive not later than close of business on 22 August 2007.
3. Completion and return of a Form of Proxy does not preclude a member from attending and voting in person should they wish to do so.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members as at close of business on 22 August 2007 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjournment meeting) shall be entitled to attend or vote at the meeting in respect of the ordinary shares registered in their name at that time. Changes to entries on the register of members after close of business on 22 August 2007 (or, in the event that the meeting is adjourned, on the register of members less than 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

DEBT FREE DIRECT GROUP PLC

Extraordinary General Meeting

FORM OF PROXY

I/We (block capitals please) [NAMES[S]]
of [ADDRESS]
being (a) member(s) of the above-named Company hereby appoint the Chairman of the Meeting,
or (see Note 2) as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary
General Meeting of the Company to be held on 24 August 2007 at 1.00 p.m. and at any adjourn-
ment thereof, and thereat to vote as indicated below.

Date this day of 2007

Signature(s)

.....

Please indicate with an X in the spaces below how you wish your vote to be cast.

	FOR	AGAINST
Special Resolution to cancel share premium account		
Special Resolution to authorise market purchases		

Notes

1. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.
2. If any other proxy is preferred, delete the words "the Chairman of the Meeting or," insert the name of the proxy you wish to appoint and initial the alteration. A proxy need not be a member of the Company.
3. In the case of a corporation this form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.
5. If this form of proxy is returned duly signed but without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes and whether or not he abstains from voting.
6. To be effective, this form of proxy, duly executed together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified or office copy thereof) must be lodged at the Company Registrars not later than the close of business on 22 August 2007 (or in the event that the meeting is adjourned, 48 hours before the time of any adjourned meeting).
7. Any alterations made in this form of proxy should be initialled.
8. Appointment of a proxy will not preclude a member from attending and voting in person should he subsequently decide to do so.

BUSINESS REPLY SERVICE
Licence No. RLUB-TCHH-JEBH

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**Capita Registrars
Proxy Department
The Registry
34 Beckenham Road
Beckenham
BR3 4ZB**