

27 June 2006



**DEBT FREE DIRECT GROUP PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 30 APRIL 2006
ADJUSTED PBT UP 177% TO £5.13M**

Debt Free Direct Group Plc, the leading debt advice and solutions company, announces its results for the year ended 30 April 2006.

Michael Blackburn, Chairman, said:

“The Company has continued to deliver outstanding profitable organic growth. With the benefit of a solid balance sheet and healthy cash position, the Board is able to recommend a final dividend of 1.5p per share following on from the maiden interim dividend of 1.5p per share announced in November 2005. It is the Company’s intention to grow the dividend payment progressively, in proportion with the Company’s future growth.”

Andrew Redmond, Chief Executive Officer, said:

“Our strong position in the rapidly growing IVA market is reflected in our 177% increase in adjusted PBT to £5.13m, compared to the prior period. This success has been built on very strong foundations and we are well positioned to continue our profitable growth in the year ahead.

In addition to our increased capacity in the UK, we are also delighted to announce the launch of our new business in Australia in the third quarter of 2006. Australian consumers’ levels of over-indebtedness are running at record levels and Debt Free Direct Australia is targeted to grow to represent in excess of 20% of the Australian Debt Agreements (IVAs) market over the next 2 – 3 years.”

Highlights for the year include

- **Financial growth** on all fronts with an overall performance ahead of expectations.
 - Turnover up 93% to £16.23m [£8.4m in 2005]
 - Gross profit up 104% to £12.29m [£6.0m in 2005]
 - Adjusted PBT up 177% to £5.13m [£1.85m in 2005]
 - PBT of £4.8m [£1.54m in 2005]
 - PAT of £3.3m [£0.98m in 2005]

- **Balance sheet strengthened** as a result of trading profits.
 - Net assets increased to £17.58m [£14.75m in 2005]

- **Positive net cash from trading** as a result of growth in supervisory fee income.

which, based on historic experience and case data, is subject to a provision for those cases that may not be approved by the meeting of creditors. In addition, the total includes referred IVA cases.

Advertising cost per new IVA has been calculated as the gross advertising spend in the year divided by total new IVAs in the year.

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 2006

Financial Performance

In this, my first statement as your chairman, I am pleased to be able to report on a strong period of growth in which turnover rose by 93% to £16.23million (2005 £8.4million) and profit before tax, adjusted for goodwill amortisation increased by 177% to £5.13million (2005 £1.85million). With the benefit of a solid balance sheet and healthy cash position, the Board is able to recommend a final dividend of 1.5p per share following on from the maiden interim dividend of 1.5p per share (2005 nil) announced in November 2005. It is the Company's intention to grow the dividend payment progressively, in proportion with the Company's future growth.

Before the stock market correction in May 2006, our shares moved from 140.7p as at 29 April 2005 to 431.5p per share as at April 28 2006. During the year, institutional investors took advantage of an increased free float as the founding directors re-balanced their personal portfolios. More recently, Debt Free Direct became a constituent member of the Alternative Investment Market top 50 companies.

Market overview

Excessive optimism on the part of an increasing number of consumers allied to some over-generous lending decisions have caused the market for individual voluntary arrangements to develop and grow. Despite the appearance of new entrants, our share of that market has increased even further. We welcome competition as it allows us to differentiate our service which sets out to provide best advice to individuals, which is crucial at a time when their anxiety may not only be financial. Annual growth rates of some 140% in the market also reflect a wider knowledge of this solution which our own advertising has helped to propagate. Even without the mooted rise in interest rates later this calendar year, the market will continue to show strong growth. In the medium term, the introduction of a simplified IVA will give further impetus to the marketplace.

Board and Management

Gren Folwell took the company through its flotation in 2002 and presided over the platform for growth which is coming through now. Having been involved with the business prior to its flotation, I was delighted to succeed Gren in September 2005 and I thank him on behalf of the Board for his successful period of service.

Derek Oakley joined the board in June 2005. Initially appointed as Insolvency Director, he has recently taken responsibility for Operations as well, allowing Andrew Redmond, the Chief Executive, to concentrate more on strategic and development matters. Derek brings a wealth of insolvency and practical experience to the business and is most welcome.

Our staff numbers grew from 152 as at 30 April 2005, to 214 at the year end. Recruitment at all levels in the business has strengthened our capabilities. On behalf of the Board, I extend our thanks to all employees for their sterling efforts throughout the year, which has enabled the Company to turn in another impressive performance.

Strategy and Outlook

We have a clear focus on growing our market share, profitability and shareholder value by being the biggest and best in our marketplace. That does not mean that we shall turn our back on diversification, however, we have much to do in our core business. The Chief Executive Officer covers this area in his review.

Our new financial year has got off to a strong start and your Board is confident of making further significant progress.

J M Blackburn
Chairman
26 June 2006

Chief Executive Officer's Review Year Ended 30 April 2006

Financial performance

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

- Turnover has grown by 93% to £16.23m
- Gross profit has grown by 104% to £12.29m
- PBT before goodwill amortisation has grown by 177% to £5.13m
- PAT has grown to £3.27m, compared to £978K last year
- Shareholders' funds have grown to £17.58m from £14.75m

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

Drilling down from the headline figures, impressive growth has been demonstrated on all fronts:

Turnover

- IVA related turnover has grown by 95% to £15.26m
- Commission income has grown by 66% to £974K

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

Whilst the market particularly focuses 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 in excess of 5,500 live cases, generating supervisory fee income of more than £4.65m. Supervisory fee income now accounts for 38% of our direct profit (turnover less advertising and direct labour costs).

Fundamentally, it is the growth in supervisory fee income, that has driven an increase in net cash from trading for the first full financial year since we were admitted to AIM. Those familiar with our business model will be aware that the cashflow dynamics mean that cash flows out on a case before it flows in. Historically this meant that as we grew new IVA run-rates we would experience cash outflows. Today, given the large bank of contracted supervisory cases, the impact of growth on cashflows is substantially outweighed by supervisory income.

Advertising cost per new IVA

- Average cost per new IVA has reduced by 36% this year to £807.

Over the last year we have benefited from media buying deals, which have allowed us to increase our advertising spend, whilst improving our margins. Our new TV creative launched in late 2005 has significantly increased our ability to generate IVA leads.

In addition, we have focused on improving conversions, which allow us to increase our new IVA run-rate without incurring additional advertising spend. We anticipate that significant gains will be made in this area in the months ahead.

Increased operational efficiency

Operational efficiency has improved significantly. This is perhaps best demonstrated by the fact that although total employee numbers have grown, annual turnover per employee has increased to £90K (an increase of 32%). More importantly, Adjusted PBT per employee has increased to £28K (an increase of 87%).

Insights into a rapidly growing market

Last year we confidently predicted organic growth in the year ahead. This year that message has not changed.

This market originally emerged against a long term 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. This increased spending was fuelled by debt.

Whilst the debate continues with regard to exactly how many over-indebted consumers are struggling with significant debts, nobody can be in any doubt that the total is in excess of a million people. However, this number is set to grow further.

Today, the growth in consumption continues to exceed the growth in earnings as does the growth in debt levels. Falling interest rates have kept many over-indebted consumers afloat so far, but interest rates are now moving in the wrong direction from their perspective.

Meanwhile the supply side of the marketplace continues to evolve. However, whilst many companies have moved towards being a multi-product supplier, we strongly believe that only Debt Free Direct can truly claim to be a "Best Advice Company".

Fee charging debt management companies are already in long-term decline, whilst consolidation loan advertising spend has peaked and is now falling. This has prompted more and more over-indebted consumers to move towards the IVA as the most appropriate solution to their problem.

This is evidenced by the growth in the IVA market. Numbers doubled in 2005 and are set to do so again in 2006. However, this only represents "the tip of the iceberg" and we believe that IVA numbers will continue to grow. We would in particular point towards the following:

- awareness of the IVA will grow through advertising. Our penetration of the market is set to treble over the forthcoming year.
- the USA continues to show the way. The US debt market developed earlier than the UK and evidence there would suggest that, even accounting for recent growth, the IVA market will more than treble.
- recent public opinion surveys suggest that the public will demand it.

We strongly believe that as a "Best Advice Company", Debt Free Direct is well placed to prosper in the years ahead. We are "Regulation Ready" and our long-term investment in IT means we can demonstrate scalability of the model.

Whilst we are delighted to have already grown our market share to in excess of 20% we do not believe that represents the limit of our potential.

Current trading and prospects

It is clear from the above analysis of the market that IVA providers have yet to deliver anywhere near the number of IVAs that are needed by over-indebted consumers.

The challenge, as it has been since we started, is threefold:

- find consumers who need IVAs in ever-increasing numbers
- build our capacity to deliver best advice and IVAs in ever-increasing numbers
- do both the above in a cost-effective way so as to deliver maximum profit to shareholders

In October we will move into new premises in Chorley, which combined with our recent expansion into Northern Ireland will mean that we can expand capacity significantly in the forthcoming year.

Notwithstanding the above, the potential exists to build upon our successful model. We expect that the existing market will grow and that the potential exists to maximise further the market opportunities. We expect to develop new routes to market (albeit strategic advertising will always remain at our core).

Furthermore, we anticipate that there will be opportunities to explore new markets beyond the confines of the UK market. In particular we are excited about the prospect of launching Debt Free Direct Australia later this calendar year.

However, we are as ever mindful of shareholder value. When we make any move it will only be when we consider that the time and opportunity is right.

A Redmond
Chief Executive Officer
26 June 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 APRIL 2006

	Note	Year ended 30 April 06 £	Year ended 30 April 05 £
TURNOVER		16,230,184	8,422,063
Cost of sales		(3,937,504)	(2,389,519)
GROSS PROFIT		12,292,680	6,032,544
Administrative expenses			
Goodwill amortisation		(311,737)	(311,920)
Other administrative expenses		(7,434,486)	(4,165,676)
		(7,746,223)	(4,477,596)
OPERATING PROFIT		4,546,457	1,554,948
Interest receivable		288,796	72,275
Interest payable and similar charges		(15,769)	(83,972)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,819,484	1,543,251
Tax on profit on ordinary activities	1	(1,553,265)	(564,815)
PROFIT ON ORDINARY ACTIVITIES		3,266,219	978,436
Dividends		(557,988)	-
RETAINED PROFIT FOR THE YEAR		2,708,231	978,436
Earnings per share – basic	2	8.79p	3.04p
Earnings per share – diluted	2	8.55p	2.97p

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 2006

	£	2006 £	2005 £
FIXED ASSETS			
Intangible assets		1,942,193	2,250,584
Tangible assets		927,837	736,848
		2,870,030	2,987,432
CURRENT ASSETS			
Debtors (including £1,389,647 due after more than one year (2004: £940,697))	11,964,511		6,668,952
Cash at bank	5,366,634		6,782,385
	17,331,145		13,451,337
CREDITORS: Amounts falling due within one year	(2,558,890)		(1,555,822)
NET CURRENT ASSETS		14,772,255	11,895,515
TOTAL ASSETS LESS CURRENT LIABILITIES		17,642,285	14,882,947
CREDITORS: Amounts falling due after more than one year		(25,202)	(73,119)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred Tax		(20,561)	-
Other provisions		(18,000)	(64,164)
		17,578,522	14,745,664
CAPITAL AND RESERVES			
Called-up equity share capital		373,294	369,492
Share premium account		13,576,979	13,456,154
Profit and loss account		3,628,249	920,018
SHAREHOLDERS' FUNDS		17,578,522	14,745,664

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 APRIL 2006

	Year ended 30 April 2006 £	Year ended 30 April 2005 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	565,162	(1,617,260)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	288,796	72,275
Interest paid	(575)	(93,381)
Interest element of finance lease rental payments	(10,896)	(9,813)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	277,325	(30,919)
TAXATION	(1,201,778)	
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(481,256)	(248,021)
Payments to acquire intangible fixed assets	(4,085)	(4,855)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(485,341)	(252,876)
ACQUISITIONS		
Acquisition of DFD Limited preference shares	(68,462)	(34,821)
EQUITY DIVIDENDS PAID	(557,988)	-
CASH OUTFLOW BEFORE FINANCING	(1,471,082)	(1,935,876)
FINANCING		
Issue of ordinary share capital	124,627	8,520,000
Issue costs charged to the share premium account	-	(200,209)
Capital element of finance lease rental payments	(69,295)	(61,599)
Repayment of loans	-	(711,106)
NET CASH INFLOW FROM FINANCING	55,332	7,547,086
DECREASE IN CASH	(1,415,750)	5,611,208
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
	Year ended 30 Apr 06	Year ended 30 Apr 05 £
Operating profit	4,546,457	1,554,948
Amortisation	312,476	311,920
Depreciation	288,785	160,076
Loss on disposal of fixed assets	1,483	-
Increase in debtors	(5,305,718)	(4,069,121)
Increase in creditors	721,679	424,917
Net cash inflow from operating activities	565,162	(1,617,260)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

YEAR ENDED 30 APRIL 2006

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended	Year ended
	30 Apr 06	30 Apr 05
	£	£
Decrease in cash in the period	(1,415,750)	5,611,208
Cash outflow from repayment of loans	-	711,106
Cash outflow from decrease in lease financing	69,295	61,599
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(1,346,455)	6,383,913
	<hr/>	<hr/>
New hire purchase agreement	-	(84,413)
	<hr/>	<hr/>
Change in net funds	(1,346,455)	6,299,500
Net funds at 30 April 2005	6,639,107	339,607
Net funds at 30 April 2006	5,292,652	6,639,107
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2006

1. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 Apr 06 £	Year ended 30 Apr 05 £
Current tax:		
UK Corporation tax based on the results for the period at 30%	1,522,545	522,779
Deferred taxation charge - origination and reversal of timing differences	30,720	42,036
Total tax charge	<u>1,553,265</u>	<u>564,815</u>

2. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit of £3,266,219 (2005: £978,436) and a weighted average number of ordinary shares in issue during the period of 37,143,181 (2005: 32,182,064). The calculation of diluted earnings per share is based on the profit of £3,266,219 (2005: £978,436) and a diluted weighted average number of ordinary shares of 38,185,719 (2005: 33,741,364).

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 2006, but is derived from those accounts. Statutory accounts for the year ended 30 April 2006 will be delivered to the Registrar of Companies shortly. The auditors have reported on the statutory accounts for the year ended 30 April 2006 and their opinion was unqualified for these financial statements.