

15th January 2004

INTERIM RESULTS FOR SIX MONTHS ENDED 31 OCTOBER 2003

FURTHER PROGRESS, SOLID RESULTS, MOVE INTO PROFIT

HIGHLIGHTS

Debt Free Direct PLC, the leading debt advice and solutions company, announces its results for the six months ended 31 October 2003.

Highlights include:

- • Successful fundraising of £3.7 million via the placing of 6,416,667 ordinary shares at 60p per share principally with institutional investors. Placing proceeds were used to reduce gearing, and to increase the Group's operating capacity and its flexibility to pursue new business opportunities
- • Offer made to acquire the outstanding preference shares and loan notes in order to strengthen the balance sheet and reduce the level of gearing
- • Further progress towards broader business model
- • Additional investment in IT and operational and management resources to support Debt Free Direct's philosophy of best advice, laying a firm foundation for future growth
- • New premises established to accommodate growth in the business
- • Financial performance in line with expectations with EBITDA of £318,127 and profit after tax of £111,172 compared with EBITDA of £54,404 and loss after tax of £114,850 for the five months included in the financial period ended 30 April 2003
- • Net cash position of £2.35 million
- • Net assets increased from £0.5 million to £4.3 million
- • Strong trading in the post Christmas period
- • Debt Free Direct is poised to exploit its distinct position in a large and growing market

Grenville Folwell, Chairman, said:

“I am delighted that the Group has continued to make progress and has made a profit before and after tax in the 6 months to October 2003. The Group has used the proceeds of the successful placing to invest in the business and increase its operating capacity.”

“The Group is poised to exploit its distinct position in a large and growing market. By providing best advice to our target sector and by maintaining our high ethical and regulated standards, we aim to become the leading provider of advice and appropriate solutions to over-indebted consumers in a rapidly expanding marketplace.”

Enquiries

| | |
|-------------------------|-----------------------------|
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| Paul Latham | 07967 746 005 |

Notes to Editors

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

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

Debt Free Direct has a distinct position in the marketplace in that unlike most of its competitors who sell specific products, Debt Free Direct looks to provide the best advice to the consumer and recommends to them the most appropriate service.

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

Chief Executive Report

The last 6 months have been particularly important in building on the existing foundations which were laid in the period following the successful admission to AIM in December, 2002.

Institutional Placing

The additional financing of £3.7m (net) achieved by the institutional placing in September 2003 has allowed the Group to continue to make progress and build for the future.

Investment in Resources

Good progress has been made towards broader business model.

Investments have been made in increasing operational and management resources as well as providing new premises to accommodate anticipated future growth.

The Group's registered office has changed to Cloth Hall Court, Infirmary Street, Leeds, Yorkshire LS1 2JB.

Strengthening the Balance Sheet

In December 2003, an offer was made by the company to acquire all of the preference shares and loan notes issued by its subsidiary (Debt Free Direct Limited). To date, acceptances of the offer have been received in respect of 91.5% by value of the preference shares and loan notes. Completion of the offer remains subject to shareholder approval at an EGM to be held on 10th February 2004.

A successful completion of the offer to acquire preference shares and loan notes would significantly reduce the level of gearing on the company's balance sheet and allow the business to increase its operating capacity as well as its flexibility to pursue new business opportunities.

Operating Performance

As a result of the existing growth strategy the group has continued to make good progress.

The EBITDA for the period for the group is £318,127 compared with £54,404 last year. Furthermore profit after tax was £111,172 compared with a loss of £114,850 for the five month trading period that were included in last years financials.

Going Forward

The market for our services continues to expand and we are now well placed to grow our business further. The building stage is nearly completed and we look forward over the coming months to further our ambition to become the leading provider of advice and appropriate solutions to over-indebted consumers.

A Redmond
Chief Executive Officer
15 January 2004

**CONSOLIDATED PROFIT AND LOSS
ACCOUNT**

**PERIOD FROM 1 MAY 2003 TO 31
OCTOBER 2003**

| | Period from 1 May 03 to 31 Oct 03 £ | Period from 26 Apr 02 to 30 Apr 03 £ |
|---|--|---|
| TURNOVER | 1,856,833 | 1,058,248 |
| Cost of sales | (590,055) | (738,877) |
| | <hr/> | <hr/> |
| GROSS PROFIT | 1,266,778 | 319,371 |
| Administrative expenses | (948,651) | (264,967) |
| | <hr/> | <hr/> |
| EBITDA | 318,127 | 54,404 |
| Depreciation | (26,375) | (23,074) |
| Goodwill amortisation | (152,006) | (126,641) |
| | <hr/> | <hr/> |
| OPERATING PROFIT/(LOSS) | 139,746 | (95,311) |
| Interest receivable | 7,403 | 963 |
| Interest payable and similar charges | (35,977) | (80,443) |
| | <hr/> | <hr/> |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION | 111,172 | (174,791) |
| Tax on loss on ordinary activities | 0 | 59,941 |
| | <hr/> | <hr/> |
| PROFIT/(LOSS) FOR THE FINANCIAL PERIOD | 111,172 | (114,850) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Profit/(Loss) per share - basic and diluted | 0.47p | (1.28p) |

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

CONSOLIDATED BALANCE SHEET**AS AT 31 OCTOBER 2003**

| | As at 31 Oct 03 | | As at 30 Apr 03 | |
|--|------------------------|-------------|------------------------|-------------|
| | £ | £ | £ | £ |
| FIXED ASSETS | | | | |
| Intangible assets | | 2,639,418 | | 2,791,424 |
| Tangible assets | | 206,656 | | 211,349 |
| | | <hr/> | | <hr/> |
| | | 2,846,074 | | 3,002,773 |
| CURRENT ASSETS | | | | |
| Debtors | 1,641,207 | | 1,254,124 | |
| Cash at bank | 3,682,134 | | 81,249 | |
| | <hr/> | | <hr/> | |
| | 5,323,341 | | 1,335,373 | |
| CREDITORS: Amounts falling due within one year | (1,717,430) | | (1,672,471) | |
| | <hr/> | | <hr/> | |
| NET CURRENT ASSETS | | 3,605,911 | | (337,098) |
| CREDITORS: Amounts falling due after more than one year | | (155,672) | | (168,392) |
| PROVISION FOR LIABILITIES AND CHARGES | | (1,987,987) | | (1,987,987) |
| | | <hr/> | | <hr/> |
| | | 4,308,326 | | 509,296 |
| | | <hr/> <hr/> | | <hr/> <hr/> |
| CAPITAL AND RESERVES | | | | |
| Called-up equity share capital | | 289,167 | | 225,000 |
| Share premium account | | 4,022,837 | | 399,146 |
| Profit and loss account | | (3,678) | | (114,850) |
| | | <hr/> | | <hr/> |
| SHAREHOLDERS' FUNDS | | 4,308,326 | | 509,296 |
| | | <hr/> <hr/> | | <hr/> <hr/> |

**CONSOLIDATED CASH FLOW
STATEMENT**

**PERIOD FROM 1 MAY 2003 TO 31
OCTOBER 2003**

| | Period from 1 May 03 to 31 Oct 03 | | Period from 26 Apr02 to 30 Apr 03 | |
|--|--|-----------------|--|-----------------|
| | £ | £ | £ | £ |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | | (36,717) | | (369,093) |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | |
| Interest received | 7,403 | | 963 | |
| Interest paid | <u>(35,977)</u> | | <u>(29,783)</u> | |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (28,574) | | (28,820) |
| CAPITAL EXPENDITURE | | | | |
| Payments to acquire tangible fixed assets | | <u>(21,681)</u> | | <u>(33,281)</u> |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | | (21,681) | | (33,281) |
| ACQUISITIONS | | | | |
| Cash acquired with subsidiaries | | | <u>271,822</u> | |
| NET CASH INFLOW FROM ACQUISITIONS | | | | 271,822 |
| NET CASH OUTFLOW BEFORE FINANCING | | (86,972) | | (159,372) |
| FINANCING | | | | |
| Issue of equity share capital | 3,850,000 | | 373,572 | |
| Professional costs charged to the share premium account | <u>(162,142)</u> | | <u>(168,167)</u> | |
| NET CASH INFLOW FROM FINANCING | | 3,687,858 | | 205,405 |
| INCREASE IN CASH | | 3,600,886 | | 46,033 |

**RECONCILIATION OF OPERATING PROFIT TO NET CASH
OUTFLOW FROM
OPERATING ACTIVITIES**

| | | |
|---|-----------------|------------------|
| Operating profit | 139,746 | (95,311) |
| Amortisation | 152,006 | 126,641 |
| Depreciation | 26,375 | 23,074 |
| Increase in debtors | (387,083) | (402,548) |
| Increase in creditors | 32,239 | (20,949) |
| | <hr/> | <hr/> |
| Net cash outflow from operating activities | (36,717) | (369,093) |
| | <hr/> <hr/> | <hr/> <hr/> |

RECONCILIATION OF NET CASH FLOW

| | | |
|---|-------------|-------------|
| Increase in cash in the period | 3,600,886 | 81,249 |
| Hire purchase agreements acquired with subsidiary | | (35,216) |
| | <hr/> | <hr/> |
| | 3,600,886 | 46,033 |
| | <hr/> <hr/> | <hr/> <hr/> |

**CONSOLIDATED ACCOUNTS FOR THE PERIOD FROM 1 MAY 2003 TO 31
OCTOBER 2003**

NOTES

1. EARNINGS PER SHARE

The earnings per share has been calculated using the profit for the financial period and a weighted average number of ordinary shares in issue during the six month period to 31 October 2003 of 23,790,308 (8,961,260 for the period ended 30 April 2003).

2. COMPARATIVE FIGURES

The comparative figures represent the period from incorporation on 26 April 2002 to 30 April 2003 and consolidate the results of subsidiary undertakings from their acquisition in December 2002.

**3. STATUS OF FINANCIAL
INFORMATION**

The unaudited financial information in this report has been prepared in accordance with applicable accounting standards and was approved by the Board on 15 January 2004.