

3 October 2005



DEBT FREE DIRECT GROUP PLC
TRADING UPDATE FOLLOWING AGM

**Michael Blackburn appointed
Non-executive Chairman to Debt Free Direct PLC
("Debt Free Direct" or the "Company")**

The board of Debt Free Direct Group, the leading debt advice and solutions company, is pleased to announce that all the resolutions proposed at its Annual General Meeting on 29 September 2005 were passed.

In particular we are delighted to confirm that Michael Blackburn has been appointed to the Board as Non-executive Chairman, further to our previous release on 19 August 2005.

Michael replaces Gren Folwell as Chairman. Gren steps down after serving on the board for nearly 3 years.

Reporting new IVA cases

In recent months we have become aware that there has been some confusion in the marketplace with regard to the different methods of reporting new IVA cases.

Traditionally, Debt Free Direct has reported a new IVA case as one, whether it was a single or joint IVA (two inter-related debtors; ie a couple). This reflected the practicality of the situation. For the overwhelming majority of joint IVA's Debt Free Direct receives just one (joint) contribution, and administratively we treat it as one for all other internal purposes.

However, in the official statistics the DTI record joint IVA's as two cases. It is this practice which has no doubt prompted other IVA providers to similarly report joint cases as two.

Henceforth, we intend to report both numbers. For historical consistency we will continue to identify joint cases as one, but to facilitate industry comparisons we will also separately disclose the impact of counting joint cases as two.

From the historical perspective, previously disclosed new IVA case run-rate trends can be re-stated as per the table below.

New IVA's monthly case run-rate

	Joint cases =1	Joint cases=2
- 6 months to 31 October 2003	72	96
- 6 months to 30 April 2004	95	130
- 6 months to 31 October 2004	110	147
- 6 months to 30 April 2005	208	285

Outsourcing arrangements

Since April 2005, Debt Free Direct has been outsourcing certain cases to another IVA provider. Those cases are outsourced in two circumstances, where either:

- (a) The consumer resides in Northern Ireland, which requires an IP resident in Northern Ireland;
- (b) The consumer is self-employed, which requires more in-depth accountancy work.

The result of this arrangement is that the individual consumer is provided appropriate access to an IVA, whilst ensuring that Debt Free Direct maximizes its income. This will benefit the Company further in that it will provide a future potential capacity increase as a result of the case displacement.

At present, Debt Free Direct receives a fee for work carried out prior to referral, whilst the case itself is registered in the name of the IVA providers IP's.

In September 2005 it is anticipated that the following referred cases will become IVA's:

	New IVA's	
	Joint cases =1	Joint cases=2
- Northern Ireland cases	6	8
- Self-employed cases	33	48

These cases will appear under the official DTI statistics in the name of the IVA providers IP's. However they were won by Debt Free Direct through advertising and Debt Free Direct derives a significant commercial benefit.

New IVA case run-rate

In August and September, Debt Free Direct issued internally new IVA proposals that the Company anticipates will result in approximately 250 / 344 new IVA cases per month.

Accordingly, including the outsourced cases of 39 / 56 above, the total new IVA run-rate will be approximately 289 / 400 per month. Consequently, the annualised new IVA run-rate has increased to approximately 3468 / 4800 from approximately 3036 / 4212 in April 2005.

Advertising cost per new IVA

As previously reported, we have enjoyed considerable success over the past year in securing media buying deals at less than forecast costs. We have previously indicated that the benefits of this would be felt over future months, and that in particular, those savings would allow us to increase our advertising spend in the more expensive, high volume media areas, whilst maintaining our margins.

We are pleased to confirm that those anticipated benefits are now being tangibly achieved. In the five months to 30 September 2005 our advertising cost per new IVA reduced from £1,252 in the year ending 30 April 2005 to £962. The above includes the impact of the outsourced cases but excludes the impact of counting joint cases as two. On that basis, the respective costs would be £922 for the year ended 30 April 2005 and £701 for the five months to September 2005.

Cash generation

As a result of our ever-increasing bank of recurring fees, Debt Free Direct became cash generative in the five months to 30 September 2005. We will become increasingly cash generative going forward (subject to future growth not exceeding forecasts).

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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.