



26 June 2007

DEBT FREE DIRECT GROUP PLC
("Debt Free Direct", the "Company" or the "Group")

Acquisition of Clear Start UK Limited ("Clear Start") (the "Acquisition")

Highlights:

Acquisition

- Initial consideration satisfied by the issue of 4,159,671 new ordinary shares
- Initial consideration values Clear Start at approximately £10.9 million
- Deferred consideration of up to a further 2,229,482 new ordinary shares dependent on share price performance of Debt Free Direct over next two years
- Acquisition is expected to be earnings enhancing
- Clear Start vendors (the "Vendors") to nominate two board members

Rationale for enlarged group

- Clear Start is a rapidly-growing consumer debt advice and solutions company that brings:
 - o A strong management team with a background in financial services;
 - o Top ten IVA volumes through proprietary online and referral channels;
 - o Industry-recognised creditor relationships and innovative creditor services.
- The directors of the Group (the "Directors") believe that the enlarged group will be clear market leaders in the IVA space, and will move quickly in a consolidating market to broaden the range of products and services it provides.

Share buyback

- Proposed share buyback of up to 4,500,000 shares
- Proposal is to buy back shares up to the number of shares issued as consideration in order to maximise the accretive earnings impact of the Acquisition, whilst ensuring that the Vendors' interests are aligned with other Debt Free Direct shareholders
- Share buyback to be funded by proposed new debt facility of approximately £16 million
- Shareholder approval will be required to authorise the Company to purchase its own shares and to cancel the Company's share premium account in order to effect the share buyback programme

Extraordinary General Meeting

- An Extraordinary General Meeting (“EGM”) of the Company will be convened for 18 July 2007, to consider the resolutions necessary to effect the proposed share buyback
- A circular containing a notice of EGM will be sent to shareholders shortly

Mike Blackburn, Chairman, commented:

“I am very pleased that our market leading position will be further strengthened by the expertise and experience which Clear Start brings to the Group.”

Andrew Redmond, Chief Executive Officer, commented:

“Clear Start is a company we have admired for some time and the potential for collaboration is compelling. We believe that this acquisition represents the logical next step in Debt Free Direct’s development and will provide an excellent opportunity for our continued success and further profitable growth for the enlarged group.”

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Acquisition of Clear Start

Introduction

Debt Free Direct, the consumer debt advisor and leading provider of IVAs today announces that it has entered into an agreement to acquire Clear Start UK Limited for initial consideration of approximately £10.9 million, to be satisfied by the issue of 4,159,671 new ordinary shares in Debt Free Direct.

Clear Start is a rapidly growing consumer debt advice and solutions company with a strong focus on creditor relations. Its creditor friendly *modus operandi*, combined with Debt Free Direct's market leading position and performance, should position the group to fulfil its vision of becoming the most respected provider of advice and solutions to over-indebted consumers. In the year ended 31 March 2007, Clear Start recorded a loss before tax of £1.4 million on turnover of £4.0 million. As at 31 March 2007, Clear Start had net liabilities of £0.3 million.

At the same time, the Company announces that it intends to raise approximately £16 million of new debt in order to facilitate the buy back of shares from the market.

The transaction has been structured in this way so as to ensure that the existing management of Clear Start are locked into the future fortunes of the Group, whilst at the same time maximising the earnings accretive impact of the acquisition and avoiding an enlargement of the share capital at a time when the Directors believe the Group to be undervalued.

Principal terms of the acquisition

Initial consideration for the acquisition is the issue of 4,159,671 new ordinary shares in Debt Free Direct ("New Ordinary Shares"), representing approximately 11.1 per cent. of the existing issued share capital of Debt Free Direct.

At the closing mid-market price of Debt Free Direct ordinary shares on 25 June 2007 (being the latest practicable date prior this announcement) of 262p per share, the aggregate initial consideration for the acquisition is approximately £10.9 million.

Application will be made for the admission of the New Ordinary Shares to be admitted to trading on AIM.

The initial number of New Ordinary Shares issued to shareholders of Clear Start has been agreed on the assumption that the share buyback programme proceeds and that 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.

In order to align the interests of the Vendors with those of other Debt Free Direct shareholders, further consideration of up to a further 2,229,482 new ordinary shares might become payable, during the period of two years from the date of the sale and purchase agreement between the Clear Start Vendors and Debt Free Direct (the "Sale and Purchase Agreement"), depending upon the share price performance of the enlarged group. The principal vendors have agreed to not sell any shares (including the 3,713, 337 initial consideration shares receivable by them and any shares payable under the deferred consideration arrangements) for a period of two years from completion other than in certain limited circumstances including in circumstances in which Paul Latham or Andrew Redmond have disposed of any of the Ordinary Shares which they hold (in which

event the Vendors would be entitled to sell a pro rata proportion of their own holdings of Ordinary Shares).

In addition, the Company has agreed to settle in cash loans outstanding to shareholders of Clear Start and certain other liabilities of Clear Start amounting to, in aggregate, approximately £1.5 million.

The company has also agreed to the rollover of outstanding Warrants and Options granted by Clear Start into new Warrants and Options of the Company. The maximum number of shares which could be issued on the exercise in full of these Options and Warrants is 503,394 shares.

Appointment of new directors of Debt Free Direct

Under the terms of the Sale and Purchase Agreement, the Vendors have the right to nominate two directors to the board of Debt Free Direct. Shareholders will be informed of the details of these nominees in due course.

Purchase of own shares

The Directors expect the acquisition to be earnings enhancing and believe that, in order to ensure that the existing management of Clear Start are locked into the future fortunes of the Group, whilst at the same time maximising the earnings accretive impact of the acquisition and avoiding an enlargement of the share capital at a time when the Directors believe the Group to be undervalued, it is appropriate for the Company to repurchase up to 4,500,000 New Ordinary Shares currently in issue, from Debt Free Direct 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 purchase programme.

The Company intends to fund market purchases of its own shares with a proposed new debt facility of approximately £16 million. The Company has received indicative proposals and is in discussions to secure such new debt facility.

Shareholder approval will be required to cancel the share premium account of the Company, so as to provide the Company with sufficient distributable reserves to effect the market purchases and to authorise the Company to make purchases of its own shares.

It is intended that the share repurchase programme would be implemented for a period of eight weeks immediately following the cancellation of the share premium account becoming effective.

To the extent that the Company does not repurchase 4,159,671 Ordinary Shares pursuant to the repurchase programme, further new ordinary shares will be issued to the Vendors such that, immediately following the repurchase programme, the Vendors hold, in aggregate, 11.1 per cent. of the then issued share capital of the Company.

Extraordinary General Meeting

A circular convening an EGM of the Company to be held on 18 July 2007, will be posted to shareholders shortly.

ENDS