



**DEBT FREE DIRECT GROUP PLC:  
OFFER FOR PREFERENCE SHARES/LOAN NOTES**

Debt Free Direct Group plc (“the Company”) has today made an offer to acquire all of the preference shares and loan notes issued by its subsidiary Debt Free Direct Limited (“Debt Free Direct”).

**Background**

Debt Free Direct acquired its business in February 2002 from the former partners of Lathams, Chartered Accountants. Part of the consideration comprised the issue of loan notes aggregating £601,714 which remain outstanding. In addition, further payments are due to be made to the former partners of Lathams by way of redemption of preference shares held by them in the capital of Debt Free Direct amounting in aggregate to £2,325,033. These preference shares are redeemable between 2004 and 2007.

**The Offer**

The Company has today offered to acquire the preference shares and loan notes issued by Debt Free Direct (“the Offer”).

Under the terms of the Offer the loan notes will be acquired at their par value. The cash price being offered for the preference shares is the amount due on redemption less (save in the case of preference shares which are due for redemption in 2004) a 15% discount to their redemption value plus an additional 6% per annum discount (the effect of which is that the discount will be greater for preference shares which fall due for redemption later).

**Share Alternative**

Holders of preference shares/loan notes who accept the Offer may elect to receive ordinary shares of 1p each in the capital of the Company (“Ordinary Shares”) instead of some or all of the cash consideration under the Offer. These Ordinary Shares would be issued at a price of 60p per Ordinary Share (the price at which Ordinary Shares were issued pursuant to the recent placing) and would be subject to ‘lock-in’ arrangements for a two year period. No discount



will be applied to the redemption value of the preference shares/loan notes exchanged for Ordinary Shares in this way.

### **Position of the Directors**

Andrew Redmond, Paul Latham and John Reynard who are directors of the Company, are former partners of Lathams and hold in aggregate 233,606 loan notes and 167,016 preference shares and will therefore receive the Offer on the same terms as other holders of preference shares/loan notes. Mr Redmond, Mr Latham and Mr Reynard have irrevocably undertaken to accept the Offer in full and (save in respect of loan notes held by Mr Reynard in the sum of £28,564 which fall due for redemption in February 2004) have undertaken to elect to receive the share alternative in respect of their entire holding of preference shares/loan notes.

### **Effects of the Offer**

In view of the irrevocable undertakings given by the directors of the Company the maximum amount payable by the Company should the Offer be accepted in full for cash by other holders of preference shares/loan notes is £2,051,434. If the Offer does not proceed the aggregate amounts payable by Debt Free Direct upon redemption of the loan notes and preference shares would be £2,926,747.

### **Reason for the Offer**

When the Company announced on 25 September 2003 that it had successfully placed 6,416,667 Ordinary Shares, the Company indicated that it intended to reduce the level of gearing in its balance sheet. Completion of the Offer will help the Company to achieve this objective.

### **Conditions of the Offer**

The Offer is subject to certain conditions including the receipt of acceptances in respect of at least 65% in nominal value of each class of preference shares in Debt Free Direct.

Should the Offer become unconditional, it would be completed on 15 February 2004.

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