

ClearDebt Group Plc

Registered in England number 2441375

Registered Office: Nelson House, Park Road, Timperley, Cheshire, WA14 5BZ

INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED

31 DECEMBER 2008

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Chairman's Statement

I present our Interim results for the 6 months ended 31 December 2008.

I am delighted to report that during this period the Group made a maiden profit before taxation of £101,393 (2007: loss of £581,678) on revenue of £1,444,784 (2007: £794,839). These results reflect continued progress across all the Group's business activities and reinforce our confidence in ClearDebt's business model and its prospects for the future.

IVAs

As the general economic climate has worsened, the last two quarters of 2008 have seen increasing numbers of IVAs being approved, and the quarterly numbers are now recovering towards the levels recorded during 2006.

ClearDebt's results mirror this trend. The number of Individual Voluntary Arrangements (IVAs) approved in the six months ended 31 December 2008 was 200 (2007: 93). These results not only represent a substantial increase over the equivalent period last year and the previous six months, but also demonstrate continuing month on month progression throughout the period to December 2008.

	1 st Quarter		2 nd Quarter		
	2008	2007	2008	2007	
July	23	(15)	Oct	35	(24)
Aug	26	(12)	Nov	40	(14)
Sep	34	(9)	Dec	42	(19)
Total	83	(36)	Total	117	(57)

ClearDebt's conversion rate from fact find to IVA is currently approximately 18% (compared to 8% for the whole of the last financial year) and approximately 98% of all IVA proposals are now passed (2007: 65%). Last year's numbers were impacted by the creditor strike which preceded the IVA protocol agreement concluded in February 2008.

The number of IVAs generated by ClearDebt and approved by creditors in the second quarter compared with the first quarter has grown faster than the market as a whole. I am pleased to report that this momentum has continued since the end of the period and in the first two months of 2009 (the third quarter of our 2008-9 financial year) the number of IVAs increased by approximately 50% when compared to the same two months of 2008.

Jan 2009: 29 (2008: 17)

Feb 2009: 41 (2008: 30)

Although January case numbers habitually dip (there is less effective time in December in which to book creditor meetings), year on year growth was nevertheless significant.

Importantly, March 2009 looks like being a record month, with some 51 meetings (as at 17 March 2009) already held, or booked to be held in the month for creditor approval of IVA proposals.

The ClearDebt Model

ClearDebt continues to benefit from its low overhead, high quality model, which allows the company's cost base to be kept to a minimum level whilst still providing high levels of service. More importantly, the model also facilitates efficient and rapid growth as there is minimal need to hire new staff until high customer number thresholds have been breached.

ClearDebt's model also allows it to offer more effective debt resolution solutions than many of its rivals. ClearDebt can offer IVAs (if that is the appropriate solution) at a lower cost to both the creditor and the

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debtor - thereby increasing the chance that an IVA will be approved by the creditor and completed by the debtor, benefiting all parties involved.

This gives ClearDebt the capacity to handle lower levels of debt than many of our major competitors and thereby broadens our addressable market. Moreover, with IVAs increasingly demonstrating their value as an effective debt recovery tool and with re-financing options for debtors disappearing, the growth in market acceptance of IVAs should continue.

Debt Management Plans ("DMPs")

Excellent progress continues to be made by Abacus, with 3,398 DMPs (as at 17 March 2009) currently generating income. A steady run rate of approximately 250 new DMPs per month is currently being achieved.

Abacus provides services to indebted individuals by negotiating and putting in place a DMP with their creditors. The debtor makes a monthly payment to Abacus which then distributes the payment to the creditors as agreed in the plan, less an administration fee at an agreed percentage of the monthly payment. An initial set up fee is also charged. DMPs are suitable for individuals whose debts are more manageable and rely on the goodwill of creditors as they are not a formal insolvency procedure and interest usually continues to accrue on outstanding debts.

Many clients are cross referred between ClearDebt and Abacus allowing the Group to offer an appropriate advice solution to all individuals.

These intra-Group synergies will become more prevalent when the current consultation process being undertaken by the Ministry of Justice into the possibility of Regulated Debt Management Plans is completed. Representatives of the Group are closely involved with this consultation process which should introduce important changes to the industry in 2011. Abacus is well prepared to benefit from these changes.

Related Debt Advisory Services

Through Abacus, the Group is also extending its activities into related services, such as helping to prevent repossession of debtors' homes and obtaining redress for debtors who have had payment protection insurance incorrectly sold to them. Whilst these activities are at an early stage of development, we are encouraged by the progress that they are making.

Subsequent Events

In January 2009, the Group acquired the business trading as "The Debt Advice Portal" ("DAP"). ClearDebt is using DAP's web-based system to manage relationships with third party introducers of debt management and IVA business and to strengthen ClearDebt's ability to build relationships with financial intermediaries who can act as introducers of debt related business.

The Group also intends to formally launch its ClearCash pre-paid MasterCard debit card and bill payment facility in May 2009.

General

ClearDebt has now successfully integrated a debt management offering and a third party introducer and a contact management system into the Group, thereby diversifying our offering, allowing larger and more stable income streams and providing a strong platform for continued growth.

I therefore continue to be optimistic about the Group's prospects for the rest of the financial year to June 2009; the number of IVAs passed and Debt Management Plans being arranged continues to grow strongly and this growth is being augmented by the new services we have introduced.

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The Abacus debt management business is extremely busy and is now generating significant profits and cash flows as it maximises the cross selling opportunities and marketing synergies between it and the ClearDebt business. As at 17 March 2009, our cash at bank amounted to £410,054 which gives us sufficient flexibility for current purposes.

We believe that the Group is well positioned to continue its growth and to benefit from any consolidation opportunities which may occur in our industry.

Gerald Carey FCIB

23 March 2009

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ClearDebt Group Plc Consolidated Income Statement		6 Months ended 31 December 2008 Unaudited £	6 Months ended 31 December 2007 Unaudited £	Year ended 30 June 2008 Audited £
Revenue	Note 4	1,444,784	794,839	1,869,190
Cost of sales		(912,952)	(808,222)	(1,761,383)
Gross profit/(loss)		531,832	(13,383)	107,807
Administrative expenses		(448,862)	(530,530)	(1,139,757)
Separately disclosable items	7	77,500	-	(100,000)
Total administrative expenses		(371,362)	(530,530)	(1,239,757)
Profit/(loss) from operations		160,470	(543,913)	(1,131,950)
Finance costs		(63,300)	(59,205)	(122,505)
Finance income		4,223	21,440	32,595
Profit/(loss) before taxation		101,393	(581,678)	(1,221,860)
Taxation	6	(21,293)	-	524,596
Profit/(loss) after taxation for period		80,100	(581,678)	(697,264)
Earnings /(loss) per ordinary share – basic (pence)	5	0.03	(0.19)	(0.23)
Earnings/(loss) per ordinary share – diluted (pence)	5	0.03	(0.19)	(0.23)

The results for the period are derived from continuing activities.

There was no recognised income or expenditure other than the profit for the period. Accordingly no Statement of Recognised Gains and Losses has been prepared.

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ClearDebt Group Plc Consolidated Balance Sheet

	31 December 2008 Unaudited £	31 December 2007 Unaudited £	30 June 2008 Audited £
Assets			
Non-current assets			
Intangible assets	4,463,273	4,606,331	4,504,814
Property, plant and equipment	208,032	242,557	244,056
Deferred taxation	382,103	-	403,396
	5,053,408	4,848,888	5,152,266
Current assets			
Trade receivables	444,476	291,068	472,824
Corporation tax receivables	108,173	-	102,793
Other receivables	119,615	103,530	-
Cash and cash equivalents	222,517	662,212	265,537
	894,781	1,056,810	841,154
Total assets	5,948,189	5,905,698	5,993,420
Equity and liabilities			
Issued capital	6,091,812	6,091,812	6,091,812
Share premium account	279,948	279,948	279,948
Share based compensation	97,814	97,814	97,814
Retained losses	(2,336,218)	(2,300,732)	(2,416,318)
Total equity	4,133,356	4,168,842	4,053,256
Current liabilities			
Trade and other payables	614,833	343,517	740,164
Corporation tax payables	-	191,324	-
Deferred Tax	-	2,015	-
	614,833	536,856	740,164
Non-current liabilities			
Financial liabilities	1,200,000	1,200,000	1,200,000
Total liabilities	1,814,833	1,736,856	1,940,164
Total equity and liabilities	5,948,189	5,905,698	5,993,420

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ClearDebt Group Plc	6 Months ended 31 December 2008 Unaudited £	6 Months ended 31 December 2007 Unaudited £	Year ended 30 June 2008 Audited £
Consolidated Cash Flow			
Cash flow from continuing operating activities			
Profit/(loss) before taxation	101,393	(581,678)	(1,221,860)
Adjustments to reconcile profit/(loss) before taxation to net cash generated/(used) in operating activities			
Finance costs	63,300	59,205	122,505
Finance income	(4,223)	(21,440)	(32,595)
Depreciation of property, plant and equipment	45,574	27,334	75,464
Amortisation of intangible assets	41,541	120,533	243,582
(Increase)/decrease in trade and other receivables	(96,647)	239,281	160,486
(Decrease)/increase in trade and other payables	(125,331)	(175,575)	191,509
Cash generated/(used) in operations	25,607	(332,340)	(460,909)
Income tax expense	-	-	(191,324)
Cash generated/(used) in operating activities	25,607	(332,340)	(652,233)
Cash flow from investing activities			
Acquisition of subsidiary inclusive of costs, net of cash acquired	-	(1,250,014)	(1,250,014)
Acquisition of property, plant and equipment	(9,550)	(53,180)	(102,817)
Finance income	4,223	21,440	32,595
Sale of other intangible assets	-	-	25,000
Net cash absorbed by investing activities	(5,327)	(1,281,754)	(1,295,236)
Cash flow from financing activities			
Proceeds from new loans	-	1,600,000	1,600,000
Repayment of loans	-	(400,000)	(400,000)
Proceeds of share Issue	-	315,000	315,000
Share Issue costs	-	(29,284)	(29,284)
Interest on loans	(63,300)	(59,205)	(122,505)
Cash (absorbed)/generated from financing activities	(63,300)	1,426,511	1,363,211
Decrease in cash and cash equivalents	(43,020)	(187,583)	(584,258)
Opening cash and cash equivalents	265,537	849,795	849,795
Closing cash and cash equivalents	222,517	662,212	265,537

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ClearDebt Group Plc Consolidated Statement of Changes in Equity

	Issued capital £	Share premium account £	Share based compensation £	Retained losses £	Total £
Balance at 1 Jul 2007	5,776,812	407,046	-	(1,719,054)	4,464,804
Loss for the period	-	-	-	(581,678)	(581,678)
Issue of shares	315,000	-	-	-	315,000
Share issue costs		(29,284)			(29,284)
Share based compensation		(97,814)	97,814	-	-
Balance at 31 Dec 2007	6,091,812	279,948	97,814	(2,300,732)	4,168,842
Loss for the period	-	-	-	(115,586)	(115,586)
As at 1 Jul 2008	6,091,812	279,948	97,814	(2,416,318)	4,053,256
Profit for the period	-	-	-	80,100	80,100
Balance at 31 Dec 2008	6,091,812	279,948	97,814	(2,336,218)	4,133,356

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Notes to the Interim Financial Statements

1. General information

The Group's interim result consolidates the results of ClearDebt Group Plc and its subsidiary companies made up to 31 December 2008.

The interim financial information is presented in Sterling.

ClearDebt Group Plc is a limited liability company incorporated and domiciled in England and Wales whose shares have been admitted to trading on AIM, a market operated by the London Stock Exchange.

2. Accounting policies and basis of preparation

The financial information contained within the Interim Financial Statements has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 30 June 2008 have been delivered to the Registrar of Companies. The report of the Auditors on these accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The Group has not applied IAS 34, Interim Finance Reports, which is not mandatory for UK Groups, in the preparation of their interim financial statements.

The comparative results for the 6 months to 31 December 2007 have been re-stated to reflect subsequent fair value adjustments identified at the time of the audit in June 2008 in respect of the acquisition of Abacus (Financial Consultants) Limited. The effect on the half year to December 2007 is to increase the reported loss by £86,500 being the amortisation charge in the period in respect of additional intangible assets identified and capitalised at the time of acquisition in July 2007.

The accounting policies used in the preparation of the accounts for the six months ended 31 December 2008 are consistent with those which will be applied in the Annual Statutory Financial Statements for the year ended 30 June 2009.

3. Going Concern

The interim statements are prepared on a going concern basis, which assumes the Group will continue in operational existence for the foreseeable future. The Group's ability to meet its future working capital requirements and therefore continue as a going concern is dependent upon it being able to generate significant revenues and free cash flow. The Directors have prepared projections which they consider to be prudent and demonstrate that the business can operate within its existing cash resources, and have identified a series of realistically achievable actions that they are committed to taking to mitigate the rate of cash outflow should revenues not be secured as predicted. Forecasts suggest that no further injections of funding will be required for the Group to continue trading. The Group is currently dependent on the support of a director consisting of a £1.2m loan due for repayment in March 2010. There is a confirmation in place that this support will continue should the Group not be in a position to repay the loan and continue to meet other liabilities as they fall due. For this reason the directors consider that it is appropriate to prepare the accounts on a going concern basis.

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4. Segmental Information

The Group's total income, result before taxation and net assets were all derived from its principal activities being the provision of IVA and Debt Management Solutions and other financial advice and solutions to individuals experiencing personal debt problems. All the Group's activities were undertaken wholly in the United Kingdom.

6 months to 31 December 2008

	Insolvency £	Debt Management £	Total £
Revenue	376,458	1,068,326	1,444,784
Cost of sales	(268,081)	(644,871)	(912,952)
Gross profit	108,377	423,455	531,832
Administrative expenses	(101,329)	(270,033)	(371,362)
Profit from operations	7,048	153,422	160,470
Finance costs	-	(63,300)	(63,300)
Finance income	4,223	-	4,223
Profit before taxation	11,271	90,122	101,393
Taxation	(2,367)	(18,926)	(21,293)
Profit for period	8,904	71,196	80,100

6 months to 31 December 2007

	Insolvency £	Debt Management £	Total £
Revenue	192,974	601,865	794,839
Cost of sales	(245,021)	(563,201)	(808,222)
Gross(loss)/profit	(52,047)	38,664	(13,383)
Administrative expenses	(364,721)	(165,809)	(530,530)
Loss from operations	(416,768)	(127,145)	(543,913)
Finance costs	-	(59,205)	(59,205)
Finance income	21,440	-	21,440
Loss before taxation	(395,328)	(186,350)	(581,678)
Taxation	-	-	-
Loss for period	(395,328)	(186,350)	(581,678)

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4. Segmental Information (continued)

Year ended 30 June 2008

	Insolvency £	Debt Management £	Total £
Revenue	486,586	1,382,604	1,869,190
Cost of sales	(533,481)	(1,227,902)	(1,761,383)
Gross (loss)/profit	(46,895)	154,702	107,807
Administrative expenses	(842,163)	(397,594)	(1,239,757)
Loss from operations	(889,058)	(242,892)	(1,131,950)
Finance costs	-	(122,505)	(122,505)
Finance income	32,595	-	32,595
Loss before taxation	(856,463)	(365,397)	(1,221,860)
Taxation	387,161	137,435	524,596
Loss for year	(469,302)	(227,962)	(697,264)

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4. Segmental Information (continued)

Net operating assets are reconciled to equity funds as follows:

	31-Dec-08 £	31-Dec-07 £	30-June -08 £
Gross operating assets			
Insolvency	4,209,850	4,004,200	4,300,999
Debt management	1,738,339	1,901,498	1,692,421
	5,948,189	5,905,698	5,993,420
Gross liabilities			
Insolvency	247,936	177,168	485,977
Debt management	1,566,897	1,559,688	1,454,187
	1,814,833	1,736,856	1,940,164
Capital expenditure to acquire property, plant and equipment			
Insolvency	5,955	24,140	50,033
Debt management	3,595	29,040	52,784
	9,550	53,180	102,817
Depreciation of property, plant and equipment			
Insolvency	15,170	9,695	27,875
Debt management	30,404	17,639	47,589
	45,574	27,334	75,464
Amortisation of intangible assets			
Insolvency	34,041	34,033	68,082
Debt management	7,500	86,500	175,500
	41,541	120,533	243,582

The total income, result before taxation and net assets are attributable to the one principal activity of the Group, being the provision of financial solutions to individuals experiencing personal debt problems and the provision of advice regarding structured settlements and related financial services. All revenue and costs originate within the United Kingdom. The revenue shown in the Group Income Statement represents amounts in respect of the provision of financial solutions to individuals experiencing personal debt problems. Revenue is largely derived from nominee and supervisory fees which results from individual voluntary arrangements (IVA) and the fees charged for the arrangement of debt management plans (DMP).

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5. Earnings per ordinary share

	6 Months ended 31 December 2008 Unaudited £	6 Months ended 31 December 2007 Unaudited £	Year ended 30 June 2008 Audited £
Profit/(loss) attributable to equity holders of parent	80,100	(581,678)	(697,264)
Number of shares – basic	304,590,550	303,221,002	303,902,042
Number of shares - diluted	304,590,550	303,221,002	303,902,042
Earnings/(loss) per share – basic (pence)	0.03	(0.19)	(0.23)
Earnings/(loss) per share – diluted (pence)	0.03	(0.19)	(0.23)

The weighted average number of ordinary shares for calculating the diluted earnings/loss per share above is identical to those for the basic earnings/loss per share. This is because the outstanding share warrants would not be dilutive under the terms of International Accounting Standard (“IAS”) 33.

6. Taxation

	6 Months ended 31 December 2008 £	6 Months ended 31 December 2007 £	Year ended 30 June 2008 £
<u>Analysis of current year</u>			
Current tax			
UK corporation tax repayment due	-	-	(102,793)
UK corporation tax due (21%)	21,293	-	-
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Deferred tax			
Temporary differences, origination and reversal	-	-	(421,803)
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Total deferred tax credit	-	-	(421,803)
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Tax on profit/(loss) for the period	21,293	-	(524,596)
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7. Separately disclosable items

	6 Months Ended 31 December 2008 Unaudited £	6 Months Ended 31 December 2007 Unaudited £	Year Ended 30 June 2008 Audited £
Administrative expenses	77,500	-	(100,000)

ClearDebt Limited took legal action against several parties involved with the IVA Council for inter alia defamatory remarks after the IVA Council had sent correspondence to ClearDebt Limited's customers (and customers of other IVA companies) alleging that they had been mis-sold IVAs. The case was settled in November 2008 with a full apology and award covering costs. A provision of £100,000 had previously been made in relation to legal costs incurred to 30 June 2008 in the event the case was not successful. Following the successful judgement £77,500 of this provision has been released.

8. The Board of Directors approved the interim report on 23 March 2009. A copy of this Interim Statement is being sent to shareholders and copies are available for download by visiting our website at www.cleardebtgroup.co.uk