

ClearDebt Group Plc

FINANCIAL STATEMENTS

for the year ended 30 June 2008

Registration number 02441375

ClearDebt Group Plc

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ClearDebt Group Plc
 FINANCIAL HIGHLIGHTS
 For the year ended 30 June 2008

	2008	2007
REVENUE	£1,869,190	£420,963
GROSS MARGIN	£107,807	(£226,494)
LOSS FROM OPERATIONS	(£1,131,950)	(£695,029)
LOSS AFTER TAXATION	(£697,264)	(£657,494)
CASH (USED)/GENERATED IN YEAR	(£584,258)	£128,196

Since 1 July 2006 , the following numbers of IVAs have been arranged:

	Year ended 30 June 2008	Year ended 30 June 2007
First quarter	36	74
Second quarter	57	53
Third quarter	67	46
Fourth quarter	87	31
	—	—
	247	204
	—	—

ClearDebt Group plc

CHAIRMAN'S STATEMENT

I present the Group's financial statements for the year ended 30 June 2008.

These are the first financial statements reported by the Group in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The principal change to the financial statements relates to the treatment of goodwill. Goodwill is no longer amortised but is instead reviewed by the Board on an annual basis and any impairment in the carrying value is immediately recognised through the income statement. A full explanation of the transition to IFRS is included in the notes to the financial statements.

The Group made an operating loss of £1,131,950 in the year (2007: loss of £695,029) resulting in a loss after taxation of £697,264 (2007: loss of £657,494) and whilst it is disappointing to continue to record a loss there has been much progress made in the year, particularly in relation to the successful diversification of the Group's IVA activities into the debt management arena via the acquisition of Abacus (Financial Consultants) Limited ("Abacus").

The Group's balance sheet shows net current assets of £100,990 (2007: £1,195,387) which includes cash of £265,537 (2007: £849,795) which is sufficient to continue to develop the Group's business over the next 12 months, given the positive cash flow now being enjoyed in ClearDebt and Abacus.

The Group is now starting to reap the rewards of the Abacus acquisition both through the provision of a complete offering of appropriate debt solutions to its clients and also via the cross referral opportunities being achieved in terms of client acquisition. This, together with savings being achieved through synergies in advertising spends across the 2 divisions, leads me to look forward to the coming year with increasing confidence.

Gerald Carey
Chairman

17 November 2008.

ClearDebt Group plc

CHIEF EXECUTIVE'S STATEMENT

The IVA Protocol reached with creditor banks in February 2008 resulted in the establishment of new benchmarks for IVA approvals. This enabled the number of IVA approvals to start to increase once again after a long period of rejections by creditors whilst the protocol was being agreed. The timing of the agreement however left it too late to show any significant improvement in our figures for the financial year as a whole. I am pleased to say however that Abacus has achieved profitability in the first quarter of the new financial year and has agreed 3,883 debt management plans ("DMP") since acquisition up and until 11 November 2008. ClearDebt Limited, since inception up and until 11 November 2008 has approved 766 cases. Income is currently being generated from 643 cases with 24 cases being successfully completed. With ClearDebt Limited having also achieved profitability in the first quarter of the new financial year the directors expect an improvement in ClearDebt's trading results as additional numbers of IVAs are processed during the coming year and Abacus continues to trade strongly.

Hence, I am guardedly optimistic regarding the future. Following the launch of our Partner Programme in June 2007, ClearDebt has now signed up over 1,100 mortgage brokers and financial advisors as ClearDebt introducers. We have also recently signed an exclusive distribution deal with The Mortgage Brain Limited making ClearDebt's Partner Programme available online to over 24,000 mortgage brokers and financial advisors within the UK.

We are also pursuing a number of other initiatives including the provision of our DMP Protect Policy with all plans undertaken by Abacus about to be rolled out and the introduction in the coming months of the ClearCash pre-paid VISA debit card which will also allow users to pay any of their bills online.

We are aware of, and closely monitor the prospects for consolidation within our industry. We still believe that our low cost model, which is closely aligned to creditors' current preferred positions, is an increasingly attractive proposition in the current market and that the Group is well positioned to capitalise on any opportunities that may arise.

THE CONSUMER DEBT MARKET

ClearDebt Group operates within the debt resolution sector, an established sub-category of financial services. Personal insolvencies have seen considerable growth over the last 3 years due to the expansion in consumer debt and the contraction in cheap credit.

The debate within the wider financial services industry with regard to the approval criteria for IVAs was resolved in February 2008 with a new protocol being agreed between the debt industry and the creditor community. Prior to this protocol however, the debate caused a reduction in the number of IVAs passed each quarter in 2007 and the first quarter of 2008.

Since then, the non seasonally adjusted second and third quarters of 2008 have seen increased numbers of IVAs as the economic climate has worsened, although the quarterly numbers are still not back to their peak in the quarter ended December 2006.

The new protocol has restricted the level of fees charged by the industry in general and has had the effect of bringing fees very much in line with ClearDebt's traditional low fee model.

Whilst this protocol has had little or no effect on ClearDebt's model it has resulted in wide scale industry changes as many other IVA providers' traditional models were no longer financially viable with the new fee structure.

As a leading member of the Debt Resolution Forum, ClearDebt has been in constant negotiation with the creditor community. We believe the new IVA Protocol launched in February 2008 will see the start of better relations with the creditor community and responsible and appropriate solutions being approved going forward.

THE CLEARDEBT MODEL

Unlike many of its major competitors in the consumer IVA market, ClearDebt has developed a low overhead, high quality model, based on Kaizen manufacturing principles and an intelligent internet interface - www.cleardebt.co.uk. This model allows the company's cost base to be kept to a minimum level whilst still providing high levels of service. It also facilitates efficient growth as there is minimal need to hire new staff until customer number thresholds have been breached.

ClearDebt Group plc

CHIEF EXECUTIVES'S STATEMENT

Due to this distinctive operating model, ClearDebt is able to offer a more effective debt resolution solution than many of its rivals. The model allows ClearDebt to offer IVAs (if that is the appropriate solution) at lower cost not only to the debtor, but also the creditor - thereby increasing the chance that an IVA will be approved by the creditor and completed by the debtor, benefiting all parties involved in the proposal.

It is significant that this provides the Group with a capacity to handle lower levels of debt than many of our major competitors. The Group believes that this will prove advantageous following the expected introduction of the proposed 'SIVA', a simplified IVA procedure scheduled for April 2009, following which the Company believes that there will be a rapid increase in lower level IVA cases. ClearDebt already has a low fee model in place and believes the introduction of SIVAs (to be known in future as Fast Track IVAs) could lead to the potential referral of large numbers of new clients directly from creditor institutions.

THE ABACUS MODEL – Debt Management Plans

Abacus provides services to indebted individuals by negotiating and putting in place a debt management plan with their creditors. The debtor makes a monthly payment to Abacus who 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.

Such plans 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.

This will become more prevalent when the current consultation process being undertaken by the Ministry of Justice into the possibility of a Regulated Debt Management Plan is completed and the industry in 2011 will see changes for which Abacus is well prepared.

OPERATIONAL REVIEW

ClearDebt Limited – IVA Division

Since 1 July 2007, the following numbers of IVAs have been arranged:

	Year ended 30 June 2008	Year ended 30 June 2007
First quarter	36	74
Second quarter	57	53
Third quarter	67	46
Fourth quarter	87	31
	247	204
	=====	=====

The impact on case numbers as a result of the rejections by creditors of cases in 2007 can be clearly seen from the drop in case numbers from the second quarter in 2007. The return to a growth trend in IVA cases follows the agreement between the British Bankers Association and The Insolvency Service of the new IVA Protocol which commenced in February 2008. Case numbers for the first quarter of the new financial year remain broadly in line with the fourth quarter level of last year with a record number of cases passed in September offsetting slightly lower numbers over July and August. The second quarter of the new financial year has started with record approvals in October, and November looks to be heading for even higher numbers.

ClearDebt Group plc

CHIEF EXECUTIVES'S STATEMENT

The Board monitors several key performance indicators (“KPI’s”) for the business on a monthly basis including the number of cases passed, various conversion ratios from lead to cases passed and the cost per case acquired.

Abacus (Financial Consultants) Limited – Debt Management Division

The acquisition of Abacus has been successfully completed and the division has achieved quarterly profitability for the first time in the first quarter of the new financial year.

As at the end of June 2008 Abacus had a total of 1,899 plans generating income. A steady run rate of approximately 300 new plans per month is currently being achieved which is leading to an increase in the net overall number of plans and generating income after allowing for failures. Currently Abacus has 2,499 paying plans in place (as at 11 November 2008).

Given that debtors often miss payments to the plans or delay in starting up newly agreed plans, the Board now only include plans which have made a payment in the current month in the KPI’s for total plans in place and new plans acquired in the month. The other main KPI monitored by the Board is in relation to the value of payments made by the plans each month as this has a direct bearing on fee income which is a fixed percentage of plan payments. Revenue is only recognised by Abacus upon receipt of fees which are drawn from debtor payments as received.

The costs of acquisition of cases and plans are also monitored closely and KPI’s continue to be refined following the purchase of Abacus. As a result of cross referral particularly, from ClearDebt to Abacus, the marketing spend by both divisions is increasingly being viewed as a single spend across the Group.

FINANCIAL REVIEW

Whilst the results for the year continue to show losses at an operating level it is nevertheless pleasing that the Group is now profitable at a gross profit level, achieving a gross profit of £107,807 (2007:loss £226,494). Refinement of marketing campaigns and synergies achieved across the two divisions with respect to marketing spend have contributed most to this turnaround together with marginally reduced staff overheads in ClearDebt Limited following further automation. This provides further evidence that our efficient back office processes can handle increased volumes without additional salary overhead.

FUTURE OUTLOOK

Following the agreement of the new IVA protocol with creditors in February 2008 the IVA market has returned to some measure of normality and our low cost model means that we can accept many cases at fee levels that may not be profitable for other providers with less efficient models than our own. However there are still one or two creditor banks that are being slow to lower their hurdle rates. We expect that Government pressure will be necessary to resolve the position.

Although the increased dividend criteria for the acceptance of IVA cases is still limiting growth in the IVA market as a whole, ClearDebt is passing a steadily rising volume of cases each month. We are however seeing a significant number of appropriate referrals from ClearDebt to Abacus for debt management plans and as a result Abacus is currently trading strongly.

Given the severe economic background in the UK and the economic outlook at present I am increasingly hopeful that the Group’s businesses will continue to make substantial progress in the coming year.

David Emanuel Merton Mond FCA FCCA
Chief Executive Officer

17 November 2008

ClearDebt Group Plc

DIRECTORS AND ADVISERS

DIRECTORS

G Carey FCIB
D E M Mond FCA FCCA
A F Smith
A J Leon FCA

SECRETARY

D E M Mond

REGISTERED OFFICE

Nelson House
Park Road
Timperley
Cheshire
WA14 5BZ

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants and
Registered Auditors
Brazennose House
Lincoln Square
Manchester
M2 5BL

BROKERS

St Helen's Capital Plc
15 St Helen's Place
London
EC3A 6DE

NOMINATED ADVISORS

W H Ireland Limited
11 St James's Square
Manchester
M2 6WH

REGISTRARS

Neville Registrars
Neville House
18 Laurel Lane
Halesowen
West Midlands

SOLICITORS

Halliwells LLP
St James's Court
Brown Street
Manchester
M2 2JF

BANKERS

Barclays Bank Plc
1 Bridge Street
Stockport
Cheshire
SK1 1XU

Anglo Irish Bank Corporation plc
10 Old Jewry
London
EC2R 8DN

ClearDebt Group Plc

DIRECTORS' REPORT

For the year ended 30 June 2008

The Directors present their report and the financial statements of the Group for the year ended 30 June 2008.

Principal Activities and Review of the Business

The principal activity of the Group is the provision of financial advice and appropriate solutions to individuals experiencing personal debt problems.

The principal activity of the Company is that of a holding company.

A review of the Group's activities and its future prospects is detailed in the Chairman's Statement on page 2 and the Chief Executive's Statement on pages 3 to 5.

Results and Dividends

The trading results for the year and the Group's financial position at the end of the year are set out in the attached financial statements.

The Directors do not recommend payment of a final dividend. (2007: nil)

Share Capital

Information regarding substantial shareholdings in the Company is contained in the notes to the Company balance sheet on page 46.

Directors who held Office during the Year

The Directors of the Company who held office during the year are as follows:

G Carey FCIB (Non-Executive Chairman)

D E M Mond FCA FCCA

A F Smith

A J Leon FCA (appointed 15 December 2006)

D Morris (appointed 17 July 2007 & resigned 10 July 2008)

Payment of Creditors

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and abide by them. Trade creditor days for the Group at 30 June 2008, calculated in accordance with the Companies Act 1985, were 53 days (2007: 30 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group in the period by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

Charitable and Political Contributions

The Group made no political contributions or donations to UK charities during the year (2007:£nil).

Employee Involvement

The Group recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Group.

The Group's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate employees regardless of sex, race, religion or disability.

The Group is committed to ensuring and communicating the requirements for a safe and healthy working environment for all employees, consistent with health and safety legislation and, wherever practicable, gives full consideration to applications for employment from disabled persons.

ClearDebt Group Plc

DIRECTORS' REPORT

For the year ended 30 June 2008

Going Concern

The financial 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. Whilst the group has been loss-making to date the performance has been improving on a monthly basis during the year and projections 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.

Principal Risks and Uncertainties

All businesses face a range of risks and uncertainties, being subject to risk factors from internal and external sources. The Board considers the likelihood and significance of risk factors when putting in place risk management procedures to ensure risk mitigation.

The following are considered to be the key risks facing the Group:-

1. Competition - the market for debt resolution solutions remains highly competitive. The Group seeks to manage the risk of losing referrers through providing innovative solutions supported by high quality delivery. The Group's main marketing channel still continues to be the internet and the Group monitors closely the strategies of competitors and the prices paid in the market place and reacts appropriately where necessary.
2. Credit risk – the Group's credit risk is attributable to its trade receivables and is managed by daily monitoring of client's payments into their programmes versus agreed contracted terms.
3. Funding arrangements – the Group monitors cash flow as part of its normal activities. Cash flow positions are discussed with the Board on a monthly basis to ensure that all possible treasury benefits are being taken and facilities are available if necessary. Advertising and marketing spend is monitored closely as it is a key component of funding requirements.
4. Economic environment – the current economic climate is extremely favourable and the market for indebted consumers is likely to grow in the next few years.
5. Creditor Pressure – Creditors can restrict the market for personal debt resolutions by refusing to agree to proposals which they do not deem acceptable. This can have the effect of restricting approvals and therefore the timing of fees. The Group is actively involved in talking to creditors constantly to ensure that all Group products are in line with creditor approval criteria as much as possible.

Risks associated with financial instruments entered into by the Group are detailed in note 20.

ClearDebt Group Plc
DIRECTORS' REPORT
For the year ended 30 June 2008

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the Board

D E M Mond
Company Secretary

ClearDebt Group Plc

CORPORATE GOVERNANCE

Principles of Corporate Governance

The Group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a company has met the principles (including those set out in the corporate governance guidelines for AIM companies published by the Quoted Companies Alliance in July 2005) of a number of specific rules and regulations. Rather the issue is one of applying corporate governance in a sensible and pragmatic fashion having regard to the individual circumstances of a particular company's business. The key objective is to enhance and protect shareholder value.

Board Structure

The Board is responsible to shareholders for the proper management of the Group. A statement of Directors' responsibilities in respect of the accounts is set out on page 12.

The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered.

To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The Board has a formal schedule of matters reserved to it and meets monthly. It is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following Committees have been set up, which have written terms of reference and deal with specific aspects of the Group's affairs.

1. The Remuneration Committee, consisting of the two Non-Executive Directors is responsible for making recommendations to the Board on the Company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including pension rights and compensation payments. The Board itself determines the remuneration of the Non-Executive Directors. The Committee meets as required.
2. The Audit Committee includes the two Non-Executive Directors. Its prime tasks are to review the scope of the external audit, to receive regular reports from Baker Tilly, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The Committee is responsible for monitoring the controls, which are in force to ensure the integrity of the information reported to the shareholders. The Committee acts as a forum for discussion of internal control issues and contribute to the Board's review of the effectiveness of the Group's internal control and risk management systems and processes. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. It reviews and monitors the independence of the auditors especially with regard to non audit work. It meets at least twice a year including immediately before the submission of the annual and interim financial statements to the Board.

Any new Non-Executive Directors will be asked to join both Committees.

No formal nomination Committee exists in view of the stage of development of the Group. Instead appointments to the Board by the Chief Executive and other Executive Directors are discussed with the Non-Executive Chairman. Appointments are made after an evaluation of the skills, knowledge, and expertise required to ensure that the Board as a whole has the ability to ensure that the Group can continue to compete effectively in its market place.

Internal Control

The Directors are responsible for the Group's system of internal control and reviewing its effectiveness. The Board has designed the Group's system of internal control in order to provide the Directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss. The key elements of the control system in operation are:

- a. The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- b. There are procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and projections;

The process adopted by the Group accords with the guidance contained in the document "Internal Control Guidance for Directors on the Combined Code" issued by the ICAEW.

The Audit Committee receives reports from the external auditors on a regular basis and from Executive Directors of the Group. During the period, the Board has reviewed the effectiveness of the system of internal control as described above. The Board has considered whether the Group's internal controls processes would be significantly enhanced by an internal audit function and has taken the view that at the Group's current stage of development, this is not required. The Board will continue to review this matter each year. The Board receives periodic reports from all Committees.

There are no significant issues disclosed in the financial statements for the period ended 30 June 2008 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

Relations with Shareholders

The Group values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. During the period the Directors have had meetings with analysts and institutions and will continue to do so.

There is also an opportunity, at the Company's Annual General Meeting for individual shareholders to raise general business matters with the full Board and notice of the Company's Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting. The Chairman of the Audit and Remuneration Committee will be available at the Annual General Meeting to answer questions.

ClearDebt Group Plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. for the Group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- d. prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the AIM Rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ClearDebt Group Plc

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLEARDEBT GROUP PLC

We have audited the group and parent company financial statements which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Shareholders' Equity and the related notes.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU"), and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities in respect of the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Chief Executive's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement, Chief Executive's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ClearDebt Group Plc
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CLEARDEBT GROUP PLC

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 June 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
Brazennose House
Lincoln Square
Manchester
M2 5BL

17 November 2008

ClearDebt Group Plc
GROUP INCOME STATEMENT
For the year ended 30 June 2008

	<i>Notes</i>	Before separately disclosable items 2008 £	Separately disclosable items (Note 5) 2008 £	Total 2008 £	Total 2007 £
Revenue					
- ongoing	3	486,586	-	486,586	420,963
- acquisitions		1,382,604	-	1,382,604	-
		<u>1,869,190</u>	<u>-</u>	<u>1,869,190</u>	<u>420,963</u>
Cost of sales		(1,761,383)	-	(1,761,383)	(647,457)
		<u>107,807</u>	<u>-</u>	<u>107,807</u>	<u>(226,494)</u>
Gross profit/(loss)					
Administrative expenses	5	(820,711)	(100,000)	(920,711)	(394,001)
		<u>(712,904)</u>	<u>(100,000)</u>	<u>(812,904)</u>	<u>(620,495)</u>
Losses before interest, tax, depreciation and amortisation					
Depreciation	11	(75,464)	-	(75,464)	(13,798)
Amortisation	10	(243,582)	-	(243,582)	(60,736)
		<u>(1,031,950)</u>	<u>(100,000)</u>	<u>(1,131,950)</u>	<u>(695,029)</u>
Loss from operations	3 & 4				
Finance costs	6	(122,505)	-	(122,505)	-
Finance income		32,595	-	32,595	37,535
		<u>(1,121,860)</u>	<u>(100,000)</u>	<u>(1,221,860)</u>	<u>(657,494)</u>
Loss before taxation					
Taxation	8	524,596	-	524,596	-
		<u>(597,264)</u>	<u>(100,000)</u>	<u>(697,264)</u>	<u>(657,494)</u>
Loss after taxation for year					
Loss per ordinary share – basic (pence)	9	(0.20)p	(0.03)p	(0.23)p	(0.24)P
Loss per ordinary share – diluted (pence)	9	(0.20)p	(0.03)p	(0.23)p	(0.24)p

The results for the period are derived from continuing activities.

The entire loss is attributable to the equity holders of the parent company.

No separate statement of total recognised income and expenditure is presented as all such income and expenses have been dealt with in the Group income statement above.

ClearDebt Group Plc
GROUP BALANCE SHEET
As at 30 June 2008

	<i>Notes</i>	2008 £	2007 £
Assets			
Non-current assets			
Intangible assets	10	4,504,814	3,232,102
Property plant and equipment	11	244,056	37,315
Deferred taxation	15	403,396	-
		<u>5,152,266</u>	<u>3,269,417</u>
Current assets			
Trade and other receivables	12	472,824	594,246
Corporation tax repayment receivables	8	102,793	-
Cash and cash equivalents		265,537	849,795
		<u>841,154</u>	<u>1,444,041</u>
Total assets		<u><u>5,993,420</u></u>	<u><u>4,713,458</u></u>
Equity and liabilities			
Equity			
Issued capital	16	6,091,812	5,776,812
Share premium account		279,948	407,046
Share based compensation	17	97,814	-
Retained losses		(2,416,318)	(1,719,054)
Total equity		<u>4,053,256</u>	<u>4,464,804</u>
Current liabilities			
Trade and other payables	13	740,164	248,654
		<u>740,164</u>	<u>248,654</u>
Non-current liabilities			
Financial liabilities	14	1,200,000	-
Total liabilities		<u>1,940,164</u>	<u>248,654</u>
Total equity and liabilities		<u><u>5,993,420</u></u>	<u><u>4,713,458</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 17 November 2008 and are signed on its behalf by:

D E M Mond
Director

ClearDebt Group Plc
GROUP STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2008

	Share Capital £	Share Premium £	Other Reserves £	Retained Losses £	Total Equity £
Balance as at 1 July 2006	5,141,891	52,167	-	(1,061,560)	4,132,498
Share issue	634,921	365,079	-	-	1,000,000
Share issue costs	-	(10,200)	-	-	(10,200)
Loss for the period	-	-	-	(657,494)	(657,494)
Balance as at 1 July 2007	<u>5,776,812</u>	<u>407,046</u>	<u>-</u>	<u>(1,719,054)</u>	<u>4,464,804</u>
Share issue	315,000	-	-	-	315,000
Share issue costs	-	(29,284)	-	-	(29,284)
Share based payment/charge	-	(97,814)	97,814	-	-
Loss for the period	-	-	-	(697,264)	(697,264)
Balance as at 30 June 2008	<u><u>6,091,812</u></u>	<u><u>279,948</u></u>	<u><u>97,814</u></u>	<u><u>(2,416,318)</u></u>	<u><u>4,053,256</u></u>

The whole of the total equity is attributable to the shareholders of the parent company.

ClearDebt Group Plc
GROUP CASHFLOW STATEMENT
For the year ended 30 June 2008

	Notes	Year ended 30 June 2008 £	Year ended 30 June 2007 £
Cash flow from Continuing Operating Activities			
Loss from operations		(1,131,950)	(695,029)
Depreciation of property, plant and equipment		75,464	13,798
Amortisation of intangible assets		243,582	60,736
Decrease/(increase) in trade and other receivables		160,486	(150,859)
Increase/(decrease) in trade and other payables		185	(37,783)
		(652,233)	(809,137)
Cash used in operations		(652,233)	(809,137)
Income tax expense		-	-
		(652,233)	(809,137)
Cash flows from investing activities			
Acquisition of subsidiary inclusive of costs, net of cash acquired	18	(1,250,014)	-
Acquisition of property, plant and equipment		(102,817)	(90,002)
Finance income		32,595	37,535
Sale of other intangible assets		25,000	-
		(1,295,236)	(52,467)
Cash flows from financing activities			
Proceeds from new loans		1,600,000	-
Repayment of loans		(400,000)	-
Proceeds of share issue		315,000	1,000,000
Share issue costs		(29,284)	(10,200)
Interest on loans		(122,505)	-
		1,363,211	989,800
Cash generated from financing activities		1,363,211	989,800
(Decrease)/increase in cash and cash equivalents		(584,258)	128,196
Opening cash and cash equivalents		849,795	721,599
		265,537	849,795
Closing cash and cash equivalents		265,537	849,795

ClearDebt Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. General Information

ClearDebt Group plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 1985. At the date of the authorisation of the financial statements the following standards and interpretations, which have not been applied in the financial statements, were in issue but not yet effective:

IFRS 8	Operating segments
IAS 1	Revised – Presentation of financial statements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a net investment in a foreign operation
IAS 23	Amendment – Borrowing costs
IAS 27	Amendment – Consolidated and Separate Financial Statements
IFRS 1	Amendment – First time adoption of IFRS
IFRS 2	Amendment – Share-based payment
IFRS 3	Amendment – Business Combinations
IAS32	Amendment – Financial instruments ‘Presentation’

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information when the relevant standards and interpretations come into effect.

The Group’s functional currency is £ sterling.

2. Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS for the first time.

IFRS 1 ‘First time adoption of International Financial Reporting Standards’ has been applied to these financial statements. The financial statements have been prepared using standards and interpretation that were issued and effective at 30 June 2008.

The financial statements have been prepared on the historic cost basis. The principal accounting policies adopted are set out below.

Going Concern

The financial 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. Whilst the group has been loss-making to date the performance has been improving on a monthly basis during the year and the projections 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.

ClearDebt Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

2. Significant Accounting Policies (continued)

Critical Accounting Estimates and Judgements

The preparation of the financial information in conformity with IFRS requires management to make judgement, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgements about carrying values of assets and liabilities that are both readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The principal balances that have been estimated relate to provisions in respect of ongoing litigation and the fair value of share based compensation as detailed in notes 5 and 17 in the notes to the consolidated financial statements.

Basis of Consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions are therefore eliminated in full.

Business Combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Under the exemption allowed by IFRS 1 the previous carrying value, after separation of other intangibles, has been used as the deemed cost.

Goodwill

Goodwill on acquisition of subsidiaries is recognised as a separate asset on the balance sheet after the recognition at fair value of any other intangible assets identified at the time of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being recognised immediately and charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the group income statement on the acquisition date. At the date of transition to IFRS, 1 July 2006, the goodwill carrying amount under UK GAAP was tested for impairment and based on the conditions existing at the transition date no impairment was identified. Thus, the carrying amount of goodwill in the Group's IFRS opening balance was equal to the goodwill carrying amount under UK GAAP. From the date of transition to IFRS, 1 July 2006, the Group discontinued the amortisation of goodwill and implemented annual impairment tests for goodwill. Impairment losses in respect of goodwill are recognised in the income statement. Impairment losses in respect of goodwill are not reversed.

Goodwill has been re-stated on transition to IFRS as certain intangible assets, which were not recognised under UK GAAP, have now been separately classified, as they meet the recognition criteria under IAS 38 for an individual company.

ClearDebt Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

2. Significant Accounting Policies (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its intangibles and property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent of other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Other Intangible Assets

Internal and externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives. The amortisation expense is shown separately on the face of the Group Income Statement. The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:-

Other intangibles	-	1 year straight line
Development costs	-	4 years straight line
Software development costs	-	4 years straight line

Under IAS 38 software development costs are now classified as intangible assets, whereas previously they were included within property plant and equipment.

Revenue

Revenue is recognised at the fair value of amounts receivable or received in relation to a range of services provided to clients as follows:

Individual Voluntary Arrangements (IVA)

Fees are earned for arranging and administering IVAs on behalf of individuals experiencing debt problems. Generally, revenue is accrued based upon the stage of completion of specific client contracts where the outcome can be assessed with reasonable certainty and the value for that service has been agreed between the Group and the client.

Nominee fees

Nominee fees are recognised upon the approval of an IVA proposal at a creditors meeting.

Supervisory fees

Supervisory fees are accrued on a monthly basis over the duration of the arrangement as the service is provided.

ClearDebt Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

2. Significant Accounting Policies (continued)

Debt management services

Fees are receivable for the management of debts on behalf of clients experiencing financial difficulties. Fees are recognised upon receipt of client payments on the basis that these arrangements are informal and there is no certainty that economic benefits will accrue until a payment is received.

Commissions

The Group also receives commission income from the referral of loans and other products. Commissions are recorded as they become due.

Property, Plant and Equipment

All property plant and equipment are initially recorded at cost.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold Improvements	-	25% straight line
Fixtures & fittings	-	25% straight line

Residual value and estimated remaining lives are reviewed annually.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Share-Based Compensation

Equity-settled share based payments are measured at the fair value of services received in exchange for the grant of options. The fair value determined is recognised as an expense if it relates to trading activities or in the share premium account if it relates to the issue of equity instruments. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options or warrants that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to reserves over the remaining vesting period.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are classified as loans and other receivables in accordance with IAS 39, measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

ClearDebt Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

2. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and are classified as other loans and receivables in accordance with IAS39.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise.

Borrowings

Interest-bearing bank loans and overdrafts are classified as "other liabilities" in accordance with IAS39. They are initially recorded at their fair value, net of any issue costs associated with borrowings. Borrowings are subsequently stated at amortised cost.

Finance charges, including premiums payable on settlement or redemption, are expensed to the income statement over the term of the instrument using an effective rate of interest and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Taxable losses differ from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Equity Reserves

Reserves in respect of issued share capital represent the nominal value of shares issued. Share premium reserves represent any premium received on the issue of shares in excess of the nominal value net of transaction costs incurred in the issuance of the shares.

Other reserves comprise reserves created in respect of equity-settled share based payments charged to the share premium account.

Retained losses are realised losses after the payment of dividends when dividends are paid.

ClearDebt Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

3. Segmental Information

The Group's total income, loss before taxation and net assets were all derived from its principal activities being the provision of IVA and other financial advice and appropriate solutions to individuals experiencing personal debt problems. All the Group's activities were undertaken wholly in the United Kingdom. During the year the Group acquired the entire issued share capital of Abacus (Financial Consultants) Limited and this business comprises the Debt Management segment.

Year ended 30 June 2008

	Insolvency £	Debt Management (acquired in year) £	2008 Total £	2007 Total £
Revenue	486,586	1,382,604	1,869,190	420,963
Cost of sales	(533,481)	(1,227,902)	(1,761,383)	(647,457)
Gross (loss)/profit	(46,895)	154,702	107,807	(226,494)
Administrative expenses	(666,663)	(573,094)	(1,239,757)	(468,535)
Loss from operations	(713,558)	(418,392)	(1,131,950)	(695,029)
Finance costs	-	(122,505)	(122,505)	-
Finance income	32,595	-	32,595	37,535
Loss before taxation	(680,963)	(540,897)	(1,221,860)	(657,494)
Taxation	387,161	137,435	524,596	-
Loss for year	(293,802)	(403,462)	(697,264)	(657,494)

The Group's income and loss before taxation were wholly derived from the insolvency segment in the year ended 30 June 2007.

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

3. Segmental Information (continued)

Net operating assets are reconciled to equity funds as follows:

	2008 £	2007 £
Gross operating assets		
Insolvency	4,300,999	4,713,458
Debt management	1,692,421	-
	<u>5,993,420</u>	<u>4,713,458</u>
Gross liabilities		
Insolvency	485,977	248,654
Debt management	1,454,187	-
	<u>1,940,164</u>	<u>248,654</u>
Capital expenditure to acquire property, plant and equipment		
Insolvency	50,033	90,002
Debt management	52,784	-
	<u>102,817</u>	<u>90,002</u>
Depreciation of property, plant and equipment		
Insolvency	27,875	13,798
Debt management	47,589	-
	<u>75,464</u>	<u>13,798</u>
Amortisation of intangible assets		
Insolvency	68,082	60,736
Debt management	175,500	-
	<u>243,582</u>	<u>60,736</u>

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

4. Loss from Operations

	2008	2007
	£	£
Loss from operations is stated after charging:		
Depreciation of owned assets	75,464	13,798
Amortisation	243,582	60,736
Rentals - building	56,086	-
Auditor's remuneration – audit	12,500	16,900
Auditor's remuneration – tax	-	2,500
Auditor's remuneration – other services	27,350	77,000

Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of both audit and non audit services:

	2008	
	£	%
Audit Services		
- Statutory audit	12,500	31%
Other Services		
The auditing of accounts of associates of the company pursuant to legislation.		
- Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP and their associates	17,500	44%
Other services supplied pursuant to such legislation		
- Other services	6,850	17%
Tax Services		
- Compliance services	-	
- Advisory services	-	
Corporate Finance	3,000	8%
	<u>39,850</u>	

Amounts payable to Baker Tilly and their associates in respect of both audit and non audit services:

	2007	
	£	%
Audit Services		
- Statutory audit	9,000	9%
Other Services		
The auditing of accounts of associates of the company pursuant to legislation		
- Audit of subsidiaries where such services are provided by Baker Tilly and their associates	7,900	9%
Other services supplied pursuant to such legislation		
- Interim results	-	
Tax Services		
- Compliance services	2,500	3%
Corporate finance	77,000	79%
	<u>96,400</u>	

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

5. Separately Disclosable Items

	2008	2007
	£	£
Administrative Expenses	100,000	-

ClearDebt Limited ("ClearDebt") is currently taking legal action against several parties involved with the IVA Council for defamation and libel after the IVA Council sent correspondence to ClearDebt's clients (and clients of other IVA companies) alleging they had been mis-sold IVAs. The Directors of ClearDebt are confident that they will win the case but have provided £100,000 in relation to legal costs incurred to 30 June 2008 in the event the case is not successful or the defendant fails to pay any favourable judgement in full. To date the defendant has paid £100,000 into Court as part of the ongoing litigation.

6. Finance Costs

	2008	2007
	£	£
Interest payable on loans	122,505	-

7. Employees

Number of Employees

The average monthly numbers of employees (including the Directors) during the period were:

	2008	2007
	Number	Number
Directors	5	3
Advice team, management and administration	7	2
IVA processing team	9	8
DMP processing team	37	-
	58	13

Employment costs

	2008	2007
	£	£
Wages and salaries	814,239	228,533
Social security costs	66,253	19,835
Pension costs	-	-
	880,492	248,368

Directors' Emoluments

	2008	2007
	£	£
Directors' fees	48,000	48,000
Directors' emoluments	77,156	19,656
	125,156	67,656
Social security costs	9,876	2,515
Key management compensation	135,032	70,171

Key management consist of the statutory directors of the Group.

	Number	Number
Number of Directors to whom retirement benefits are accruing under a money purchase scheme	-	-
	£	£

Highest paid director amounts included above:	57,500	19,656
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ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

8. Taxation	2008	2007
	£	£
<u>Analysis of current year</u>		
Current tax		
UK corporation tax repayment due	(102,793)	-
Deferred tax	(421,803)	-
Temporary differences, origination and reversal	-	-
Effect of tax rate changing on opening balance	-	-
Total deferred tax credit	(421,803)	-
Tax on loss for the period	(524,596)	-
Factors affecting charge for year		
	2008	2007
	£	£
Loss before taxation	(1,221,860)	(657,494)
Loss multiplied by standard rate of corporation tax in the UK of 21% (2007: 20%)	(256,590)	(131,499)
EFFECTS OF:		
Expenses not deductible	3,051	233
Un-used tax losses carried forward	-	131,266
Recognition of tax losses related to previous periods	(271,057)	-
Current tax expense for year	(524,596)	-

9. Loss per Ordinary Share

	2008			2007		
	£	No of shares	Pence per share	£	No of shares	Pence per share
Basic loss per share	(£697,264)	303,902,042	(0.23p)	(£657,494)	273,011,039	(0.24p)
Diluted loss per share	(£697,264)	303,902,042	(0.23p)	(£657,494)	273,011,039	(0.24p)

The calculation of the basic loss per ordinary share is based on losses of £697,264 (2007: £657,494) and on 303,902,042 (2007: 273,011,039) ordinary shares of 2p each being the weighted average number of ordinary shares in issue during the period.

The loss for the period and the weighted average number of ordinary shares for the purpose of calculating the diluted loss per share are the same as for the basic loss per share calculation. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of IAS 33.

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

10. Intangible Assets

	Goodwill	Other intangibles	Development costs	Software Development costs	Total
	£	£	£	£	£
Cost - 2008					
At 1 July 2007	3,068,986	-	80,312	155,293	3,304,591
Arising on acquisition of subsidiary	1,333,294	208,000	-	-	1,541,294
Disposals	-	(30,000)	-	-	(30,000)
At 30 June 2008	<u>4,402,280</u>	<u>178,000</u>	<u>80,312</u>	<u>155,293</u>	<u>4,815,885</u>
Amortisation – 2008					
At 1 July 2007	-	-	35,259	37,230	72,489
Charge for year	-	175,500	23,506	44,576	243,582
Disposals	-	(5,000)	-	-	(5,000)
At 30 June 2008	<u>-</u>	<u>170,500</u>	<u>58,765</u>	<u>81,806</u>	<u>311,071</u>
Net book value					
At 30 June 2008	<u>4,402,280</u>	<u>7,500</u>	<u>21,547</u>	<u>73,487</u>	<u>4,504,814</u>
Cost – 2007					
At 1 July 2006	3,068,986	-	80,312	80,760	3,230,058
Additions	-	-	-	74,533	74,533
At 30 June 2007	<u>3,068,986</u>	<u>-</u>	<u>80,312</u>	<u>155,293</u>	<u>3,304,591</u>
Amortisation – 2007					
At 1 July 2006	-	-	11,753	-	11,753
Charge for year	-	-	23,506	37,230	60,736
At 30 June 2007	<u>-</u>	<u>-</u>	<u>35,259</u>	<u>37,230</u>	<u>72,489</u>
Net book value					
At 30 June 2007	<u>3,068,986</u>	<u>-</u>	<u>45,053</u>	<u>118,063</u>	<u>3,232,102</u>
At 1 July 2006	<u>3,068,986</u>	<u>-</u>	<u>68,559</u>	<u>80,760</u>	<u>3,218,305</u>

Impairment Reviews

The total carrying value of £4,402,280 relating to goodwill is reviewed annually for impairment. This comprises £3,068,986 relating to the insolvency business and £1,333,294 relating to the debt management business.

For the purposes of impairment review the recoverable amount has been calculated as the value in use based on discounted future cash flow projections for a five year period.

ClearDebt Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

10. Intangible Assets (continued)

Goodwill arising on ClearDebt Limited acquisition (insolvency business)

Revenue projections assume that the number of IVA cases approved will double over three years and then remain constant. Nominee fees per case are expected to remain at current levels for the first three years and then to increase by 4% for the remaining two years. Average supervisory fees are expected to remain constant, with IVAs lasting a maximum of 5 years. Expenses are expected to rise 10% in the first year and then approximately 5% per year for the next four years. The appropriate discount factor used in the calculations is 10%.

Assumptions are based on recent experience and estimates of how economic conditions will affect levels of activity in the business.

The group's cost of capital could increase by 2% or insolvency income fall short of projections by 8% without a matching fall in expenses before the carrying value of this part of goodwill would exceed the value in use.

Goodwill arising on Abacus (Financial Consultants) Limited acquisition (debt management business)

Monthly projections have been produced covering a five year period. Revenues are expected to grow 40% on a monthly basis over the first year, 7% over the second year and 2% for the third year, then remain constant for the rest of the period. Expenses are expected to increase at about 2% per year on a monthly basis.

The assumptions are based on recent experience of monthly growth and estimates of how economic conditions will affect levels of activity in the business. The discount factor used in the calculations is 10%.

The Group's cost of capital could increase by 18% or debt management income fall short of projections by 50% with out a matching fall in expenses before the carrying value of this part of goodwill would exceed the value in use.

Other intangible assets recognised in respect of Abacus relate to monies due from the sale of a back book of DMP clients together with the estimated value of the future revenue expected from clients acquired between April 2007 and completion of the acquisition in July 2007.

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

11. Property, Plant and Equipment

	Fixtures and Fittings £	Leasehold Improvements £	Total £
Cost – 2008			
At 1 July 2007	56,082	-	56,082
Additions	77,636	25,181	102,817
Arising on acquisition of subsidiary	179,388	-	179,388
	<u>313,106</u>	<u>25,181</u>	<u>338,287</u>
Depreciation - 2008			
At 1 July 2007	18,767	-	18,767
Charge for the year	69,116	6,348	75,464
	<u>87,883</u>	<u>6,348</u>	<u>94,231</u>
Net book value			
At 30 June 2008	<u>225,223</u>	<u>18,833</u>	<u>244,056</u>
Cost – 2007			
At 1 July 2006	40,613	-	40,613
Additions	15,469	-	15,469
	<u>56,082</u>	<u>-</u>	<u>56,082</u>
Depreciation – 2007			
At 1 July 2006	4,969	-	4,969
Charge for the year	13,798	-	13,798
	<u>18,767</u>	<u>-</u>	<u>18,767</u>
Net book value			
At 30 June 2007	<u>37,315</u>	<u>-</u>	<u>37,315</u>
At 1 July 2006	<u>35,644</u>	<u>-</u>	<u>35,644</u>

12. Trade and other Receivables

	2008 £	2007 £
Trade Receivables	212,386	147,370
Prepayments	249,412	172,291
Other receivables	11,026	274,585
	<u>472,824</u>	<u>594,246</u>

Trade receivables are all due in less than one year and represent monies due in respect of IVA nominee and supervisors fees. These monies are collected from monthly debtor receipts. The trade receivables figure is shown net of provisions in respect of IVA failures amounting to £57,313 (2007:£31,823). There are no trade receivables that are past due that have not been impaired.

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

12. Trade and other Receivables (continued)

An analysis of the provision for impairment of receivables is as follows:

	2008	2007
	£	£
At beginning of year	31,823	12,432
Charge for the year	25,490	19,391
Utilised during the year	-	-
At end of year	<u>57,313</u>	<u>31,823</u>

13. Trade and other Payables

	2008	2007
	£	£
Trade payables	249,180	104,356
Accruals	402,514	22,510
Other payables	88,470	121,788
	<u>740,164</u>	<u>248,654</u>

14. Loans

Loans outstanding at 30 June 2008 were as follows:-

	2008	2007
	£	£
Loans	1,200,000	-

In July 2007 David Mond provided a loan of £1,600,000 to the Group on commercial terms. £400,000 of the loan has been repaid. The loan is repayable on 31 March 2010 or earlier at the Group's discretion. Interest of £122,505 was paid by the Group to David Mond in the year.

15. Deferred Taxation

	2008	2007
	£	£
Accelerated capital allowances	(2,015)	(12,304)
Tax losses carried forward	405,411	12,304
At 30 June 2008	<u>403,396</u>	<u>-</u>
Movement in the period	£	£
At 30 June 2007	-	-
Deferred tax arising on acquisitions	(18,407)	-
Deferred tax credit taken to the income statement	421,803	-
At 30 June 2008	<u>403,396</u>	<u>-</u>

ClearDebt Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

The recognition of the deferred tax asset in the current year is now justified based upon the improved performance of the Group's businesses and projections of adequate profits to realise the asset. No deferred tax asset was recognised in the prior year due to uncertainty about the timing of profits that would allow the asset to reverse. The deferred tax asset not recognised in 2007 amounted to £271,057.

16. Share Capital	2008	2007
	£	£
Company		
Authorised share capital		
750,000,000 (2007: 500,000,000) ordinary shares of 2 pence each	15,000,000	10,000,000
Allotted, called up and fully paid		
304,590,550 (2007: 288,840,567) ordinary shares of 2 pence each	6,091,812	5,776,812

On 17 July 2007 the Company issued 15,750,000 ordinary shares of 2p for cash consideration of 2p per share. The Company also increased its authorised share capital to 750,000,000 ordinary shares of 2p each.

On 22 June 2007 the Company issued 6,091,811 warrants to subscribers for new share capital at a price of 2p per ordinary share. These warrants are exercisable up until 17 July 2010. At 30 June 2008 these warrants were still outstanding.

On 22 June 2007 the Company issued 3,045,906 warrants to subscribers for new share capital at a price of 2p per ordinary share. These warrants are exercisable up until 17 July 2010. At 30 June 2008 these warrants were still outstanding.

At 30 June 2008 (2007: nil) there were no share options outstanding over the Company's shares.

Details of the warrants issued during the year and outstanding at 30 June 2008 are as follows:

	2008		2007	
	Number of Warrants	Weighted average exercise price in (p)	Number of warrants	Weighted average exercise price in (p)
Outstanding at beginning of year	31,599,058	2.0	31,599,058	2.0
Granted during the year	9,137,717	2.0	-	-
Outstanding at the end of the year	40,736,775	2.0	31,599,058	2.0

No warrants were exercised during the year. The warrants outstanding at 30 June 2008 had a weighted average exercise price of 2.0p, and a weighted average remaining contractual life of 2.1 years.

The fair value of the warrants issued is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model are as follows:-

	2008	2007
Share price (p)	2	4
Exercise price (p)	2	2
Expected life (years)	2	3
Risk-free rate (%)	5.75	5.75
Expected dividends (%)	-	-

Expected volatility was based upon the historical volatility of the Group's share price. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behaviour considerations.

There are no vesting conditions for the warrants issued above. On 13 March 2007 the Company entered into a referral agreement with Money Helper. The agreement provided for the issue of up to 10 million warrants subject to certain vesting conditions at a price of 3p per ordinary share. These warrants would be exercisable up until 28 March 2010. At 30 June 2008 no warrants had been issued

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

and the directors do not presently believe as at 30 June 2008 that any warrants will vest for issue under the agreement.

17. Share Based Compensation

The Group recognised the following expense related to share-based payments in respect of the issue of warrants to advisers in lieu of fees in the period: -

	2008	2007
	£	£
Charged to share premium account	97,814	-

18. Acquisition

On 17 July 2007, the Company purchased 100% of the issued ordinary shares in Abacus (Financial Consultants) Limited for total consideration of £1,200,000 plus costs which was satisfied by £1,200,000 in cash. At the date of acquisition Abacus (Financial Consultants) Limited had assets made up as follows:

	Book value	Fair value adjustment	Fair Value
	£	£	£
Other intangible assets	-	208,000	208,000
Property, plant and equipment	179,388	-	179,388
Receivables	39,064	-	39,064
Cash and cash equivalents	271,280	-	271,280
Payables	(297,755)	(27,288)	(325,043)
Deferred taxation	(2,015)	(16,392)	(18,407)
Provisions	(166,282)	-	(166,282)
	<u>23,680</u>	<u>164,320</u>	<u>188,000</u>
Goodwill arising on acquisition			1,333,294
			<u>1,521,294</u>
Settled by:			£
Cash consideration			1,200,000
Acquisition costs			321,294
Total			<u>1,521,294</u>
Cash Outflow			£
Cash consideration			1,200,000
Acquisition costs			321,294
Less cash and cash equivalents acquired			(271,280)
			<u>1,250,014</u>

Other intangible assets recognised in respect of Abacus relate to monies due from the sale of a back book of DMP clients together with the estimated value of the future revenue expected from clients acquired between April 2007 and completion of the acquisition in July 2007. Goodwill represents principally staff and potential cross referral synergies between Abacus and ClearDebt.

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

18. Acquisition (continued)

The results of the entities acquired during the year were:

	Revenue		Post tax profit (Loss)	
	15 months to 30 June 2008 £	Post acquisition £	15 months to 30 June 2008 £	Post acquisition £
Abacus (Financial Consultants) Limited	1,590,526	1,382,604	(290,130)	(122,562)
	=====	=====	=====	=====

19. Related party transactions

D E M Mond is a partner in Hodgsons, Chartered Accountants, by whom ClearDebt Group Plc and ClearDebt Limited were invoiced at cost for google advertising, travelling, book-keeping, accountancy and utility charges to the value of £51,115 in the year. ClearDebt Limited and Hodgsons operate a central payroll function and, at the balance sheet date £ 32,923 (2007 £15,510) of wages cost is due to Hodgsons and included within other creditors. ClearDebt Limited have also re-charged Hodgsons at cost £102,492 for certain staff salaries, council taxes and office refurbishment borne by ClearDebt Limited in the year, this amount is outstanding in full at the balance sheet date and included within prepayments and accrued income. ClearDebt Group plc made several payments on behalf of Hodgsons last year, of which £15,000 (2007: £15,000) was still due to be repaid by Hodgsons at the balance sheet date. Overall as at 17 November 2008 ClearDebt Limited owes Hodgsons £54,871 and D E M Mond £68,507. No interest is being charged for the outstanding amounts.

D E M Mond made a cash loan of £1,600,000 to the Company in July 2007, of which £400,000 was repaid, to help finance the acquisition of Abacus during the year. The loan carries interest at a fixed commercial rate and is repayable on 31 March 2010.

20. Financial instruments

It is not the Group's policy to invest in financial derivatives. Although the financial risks are considered to be minimal at present, future interest rate, liquidity and foreign currency risk could arise and the Board will review its existing policies in the coming period. The Group finances its operations from cash resources and short term loans.

Interest rate risk

The group's objective is to minimise its exposure to the effects of fluctuations in interest rates whilst balancing this against the need to minimise borrowing costs. To manage exposure to interest rate risk the group has taken all borrowings on a fixed interest rate

Liquidity risk

It is the Group's policy to manage liquidity in order to achieve continuity of funding. This is managed by detailed projections and monitoring of expenditure with significant items of expenditure requiring approval of senior management

Foreign currency risk

The Group has no overseas assets or liabilities.

Interest rate risk profile of financial assets

All the financial assets of the Group were floating rate assets. Floating rate financial assets comprise cash deposits on money market deposit at call and interest is received at a rate of between 5.43% and 6.39 %. At 30 June 2008 the financial assets of the Group totalled £265,537 (2007: £849,795).

ClearDebt Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

20. Financial instruments (continued)

Credit risk

The group's objective is to minimise credit risk as far as possible whilst maximising returns on financial assets. The financial assets of the Group are placed on money markets with the Group's bankers and other banks. As such the Group is exposed to counter party risks with respect to deposits placed with its bankers. Financial institutions in which deposits are made are selected based on their credit rating as well as the returns offered.

There is an inherent risk of default in trade debtors. The Group minimises its risk by ensuring that IVAs are only entered into appropriately to minimise the risk of failure of the IVA. The risk of default will generally only arise if an IVA fails in the first 6 months.

Details of the exposure and ageing of the trade receivables are shown at note 12. The total exposure to the Group at 30 June 2008 in respect of trade receivables and cash amounts to £477,923 (2007:£997,165).

Capital

The Group defines capital as equity and long term debt.

The Group's objectives for managing capital is to balance the risk and reward to shareholders by ensuring an appropriate level of gearing. There are no restrictions on the makeup of the Group's capital.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 30 June 2008 is as follows:

	Fixed rate financial liabilities £	Floating rate financial liabilities £	Financial liabilities on which no interest is paid £	Total £
2008 Sterling	1,420,500	-	-	1,420,500
2007 Sterling	-	-	-	-

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities as at 30 June 2008 was as follows:

	2008 £	2007 £
Payable within one year	-	-
Payable between one and two years	1,420,500	-
Payable between two and five years	-	-

Currency exposures

The Group has no overseas assets or liabilities.

Fair values of financial assets and financial liabilities

The fair values, based upon the market value or discounted cash flows of the financial instruments detailed above was not materially different from their book values.

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

21. Operating Lease Commitments

Total rentals under operating leases charged to the income statement were as follows:-

	2008 £	2007 £
Operating leases	56,086	-

The future minimum lease payments under operating leases that have initial or remaining terms in excess of one year at 30 June 2008 were as follows:

	2008 £	2007 £
Payable within one year	93,722	-
Payable between one and two years	93,722	-
Payable between two and five years	182,822	-
	370,266	-

22. Explanation of the transition to IFRS

For all periods up to and including the year ended 30 June 2007 the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP).

In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2006, the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first time adoption of IFRS.

IFRS 1 allows first time adopters certain exemptions from the general requirements to retrospectively apply IFRS as effective for the 30 June 2006 year end. The optional exemptions taken by the Group are as follows:

Business Combinations: The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations that took place prior to the transition date. Consequently goodwill arising on business combinations before transition date remains at its previous UK GAAP carrying value as at the date of transition except that other intangibles which meet the recognition criteria for an individual company have been split out.

The reconciliation between UK GAAP and IFRS for the Group's profit/ (loss), income statement, balance sheet and total equity are presented below together with the principal effects identified on adoption of IFRS:

Goodwill

IFRS 3 'Business Combinations', IAS 36 and IAS 38 resulted in a change to the carrying values of Goodwill. Until 30 June 2006, goodwill was amortised on a straight line basis over a period of up to 10 years from the year of acquisition and assessed for an indication of impairment at each balance sheet date.

Under IFRS 3, goodwill is no longer amortised and, instead, is assessed annually for impairment. As a result of this change, the goodwill will be increased by £323,052 in respect of goodwill previously amortised in the year ended 30 June 2007. There has been no change in the carrying value since the point of transition to IFRS.

Cash Flow Statement

IFRS has amended the layout and format of the cash flow statement. Changes have been made to the operating loss and depreciation and amortisation figures as a result of adjustments made in respect of goodwill amortisation and reclassification of certain tangible assets to intangible asset.

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

Reconciliation of income statement for year ended 30 June 2007

	UK GAAP £	IFRS 3 Business Combinations £	IFRS £
Revenue	420,963	-	420,963
Cost of Sales	(647,457)	-	(647,457)
Gross Loss	<u>(226,494)</u>	<u>-</u>	<u>(226,494)</u>
Administration expenses	(394,001)	-	(394,001)
Depreciation	(51,028)	37,230	(13,798)
Amortisation	(346,558)	285,822	(60,736)
Total Administration expenses	<u>(791,587)</u>	<u>323,052</u>	<u>(468,535)</u>
Loss from operations	(1,018,081)	323,052	(695,029)
Finance income	37,535	-	37,535
Loss before Taxation	<u>(980,546)</u>	<u>323,052</u>	<u>(657,494)</u>
Income tax expense	-	-	-
Loss for period	<u><u>(980,546)</u></u>	<u><u>323,052</u></u>	<u><u>(657,494)</u></u>

Reconciliation of equity as at 30 June 2007

	30 June 2007 £
Total equity under UK GAAP	4,141,752
Amortisation of goodwill	323,052
Total equity under IFRS	<u><u>4,464,804</u></u>

ClearDebt Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2008

Reconciliation of balance sheet as 30 June 2007

	UK GAAP £	IAS 38 Intangible Assets and IFRS 3 Business Combinations £	IFRS £
Assets			
Non-current assets			
Intangible assets	2,790,987	441,115	3,232,102
Property, plant & equipment	155,378	(118,063)	37,315
	<u>2,946,365</u>	<u>323,052</u>	<u>3,269,417</u>
Current assets			
Trade and other receivables	594,246	-	594,246
Cash and cash equivalents	849,795	-	849,795
	<u>1,444,041</u>	<u>-</u>	<u>1,444,041</u>
Total Assets	<u>4,390,406</u>	<u>323,052</u>	<u>4,713,458</u>
Equity and Liabilities			
Equity			
Issued capital	5,776,812	-	5,776,812
Share premium account	407,046	-	407,046
Retained losses	(2,042,106)	323,052	(1,719,054)
	<u>4,141,752</u>	<u>323,052</u>	<u>4,464,804</u>
Current liabilities			
Trade and other payables	248,654	-	248,654
Total current liabilities	<u>248,654</u>	<u>-</u>	<u>248,654</u>
Total equity and liabilities	<u>4,390,406</u>	<u>323,052</u>	<u>4,713,458</u>

Goodwill amortised in year ended 30 June 2007 of £323,052 has been written back to the value of goodwill in accordance with IFRS. Software development costs previously included within property plant and equipment with a net book value of £118,063 at 30 June 2007 have been reclassified to intangible assets in accordance with IFRS.

ClearDebt Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

Reconciliation of balance sheet as 1 July 2006 (date of transition to IFRS)

	UK GAAP £	IAS 38 Intangible Assets £	IFRS £
Non current assets			
Property, plant & equipment	116,404	(80,760)	35,644
Intangible assets	3,137,545	80,760	3,218,305
	<u>3,253,949</u>	<u>-</u>	<u>3,253,949</u>
Current assets			
Trade and other receivables	443,387	-	443,387
Cash	721,599	-	721,599
	<u>1,164,986</u>	<u>-</u>	<u>1,164,986</u>
Total Assets	<u>4,418,935</u>	<u>-</u>	<u>4,418,935</u>
Equity and Liabilities			
Equity			
Issued capital	5,141,891	-	5,141,891
Share premium account	52,167	-	52,167
Retained losses	(1,061,560)	-	(1,061,560)
	<u>4,132,498</u>	<u>-</u>	<u>4,132,498</u>
Current liabilities			
Trade and other payables	286,437	-	286,437
	<u>286,437</u>	<u>-</u>	<u>286,437</u>
Total liabilities	<u>286,437</u>	<u>-</u>	<u>286,437</u>
Total equity and liabilities	<u>4,418,935</u>	<u>-</u>	<u>4,418,935</u>

Software development costs previously included within property plant and equipment with a net book value of £80,760 at 1 July 2006 have been reclassified to intangible assets in accordance with IFRS.

ClearDebt Group Plc
COMPANY BALANCE SHEET
As at 30 June 2008

	<i>Notes</i>	2008 £	2007 £
Fixed Assets			
Investments	2	4,606,294	3,085,000
		4,606,294	3,085,000
Current Assets			
Debtors: amounts falling due within one year	3	1,843,858	1,540,487
Cash at bank		230,379	814,130
		2,074,237	2,354,617
Creditors: amounts falling due within one year	4	(60,430)	(113,124)
Net Current Assets		2,013,807	2,241,493
Creditors: amounts falling due after one year	5	(1,200,000)	-
Net Assets		5,420,101	5,326,493
Capital And Reserves			
Called up share capital	6	6,091,812	5,776,812
Share premium account		279,948	407,046
Share based compensation reserve	8	97,814	-
Profit and loss account	8	(1,049,473)	(857,365)
Equity Shareholders' Funds		5,420,101	5,326,493

The financial statements were approved by the Board of Directors and authorised for issue on 17 November 2008 and are signed on its behalf by:

D E M Mond
Director

ClearDebt Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are the differences between the Company taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax arrangements in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash Flow Statement

The Company has taken advantage of the exemption permitted by FRS1 not to present a cash flow statement.

Investments

Fixed asset investments are stated at cost except where in the opinion of the directors, there has been permanent diminution in the value of the investments, in which case an appropriate adjustment is made.

Share-Based Compensation

Equity-settled share based payments are measured at the fair value of services received in exchange for the grant of options. The fair value determined is recognised as an expense if it relates to trading activities or in the share premium account if it relates to a cost of acquisition of a subsidiary. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options or warrants that are expected to become exercisable. At each balance sheet date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to reserves over the remaining vesting period.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

ClearDebt Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Loss attributable to the Members of the Parent Company

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account for these financial statements. The loss dealt with in the accounts of the parent company was £192,108 (2007: £135,413).

2. Fixed Asset Investments

	Shares in subsidiary undertakings £
COST	
As at 1 July 2007	3,085,000
Acquisition of subsidiary undertaking	1,521,294
	<u>4,606,294</u>
At 30 June 2008	<u>4,606,294</u>
Net Book Values	
At 30 June 2008	<u>4,606,294</u>
	<u>3,085,000</u>
At 30 June 2007	<u>3,085,000</u>

Shares in subsidiary undertakings are stated at cost. ClearDebt Group plc owns directly the following principal subsidiaries which are included in the consolidated accounts:

Company	Activity	Class of Shares	Holding	Loss For Period	Reserves 30 June 2008
ClearDebt Limited	Financial Advisors	Ordinary	100%	(224,199)	(1,069,874)
ClearCash Limited	Dormant	Ordinary	100%	-	-
Abacus (Financial Consultants) Limited	Debt Management	Ordinary	100%	(290,130)	(98,982)

On 17 July 2007, the Company purchased 100% of the issued ordinary shares in Abacus (Financial Consultants) Limited for total consideration of £1,200,000 plus costs which was satisfied by £1,200,000 in cash.

Other intangible assets recognised in respect of Abacus relate to monies due from the sale of a back book of DMP clients together with the estimated value of the future revenue expected from clients acquired between April 2007 and completion of the acquisition in July 2007. Goodwill represents the referrer contacts, business systems, staff and potential cross referral synergies between Abacus and ClearDebt.

The results of the entities acquired during the year were:

	Revenue		Post tax profit (Loss)	
	15 months to 30 June 2008	Post acquisition	15 months to 30 June 2008	Post acquisition
	£	£	£	£
Abacus (Financial Consultants) Limited	<u>1,590,526</u>	<u>1,382,604</u>	<u>(290,130)</u>	<u>(122,562)</u>

ClearDebt Group Plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS

3. Debtors: amounts falling due within one year

	2008	2007
	£	£
Other debtors	11,026	31,097
Amounts owed by group undertakings	1,663,008	1,218,733
Acquisition advancement	-	258,090
Prepayments and accrued income	34,748	32,567
Deferred tax asset	135,076	-
	<u>1,843,858</u>	<u>1,540,487</u>

The deferred tax asset relates to tax losses available to offset against future taxable profits.

4. Creditors : amounts falling due within one year

	2008	2007
	£	£
Trade creditors	45,139	95,756
Accruals	15,291	17,368
	<u>60,430</u>	<u>113,124</u>

Included within Trade creditors is £16,061 (2007: £18,510) relating to amounts owed to related parties. See note 7

5. Creditors – amounts falling due after one year

	2008	2007
	£	£
Loan	1,200,000	-
At 30 June	<u>1,200,000</u>	<u>-</u>

6. Share Capital

	30 June 2008	30 June 2007
	£	£
Company		
Authorised share capital		
750,000,000 (2007: 500,000,000) ordinary shares of 2 pence each	15,000,000	10,000,000
Allotted, called up and fully paid		
304,590,567 (2007: 288,840,567) ordinary shares of 2 pence each	6,091,812	5,776,812

On 17 July 2007 the Company issued 15,750,000 ordinary shares of 2p for cash consideration of 2p per share. The Company also increased its authorised share capital to 750,000,000 ordinary shares of 2p each.

On 22 June 2007 the Company issued 6,091,811 warrants to subscribers for new share capital at a price of 2p per ordinary share. These warrants are exercisable up until 17 July 2010. At 30 June 2008 these warrants were still outstanding.

On 22 June 2007 the Company issued 3,045,906 warrants to subscribers for new share capital at a price of 2p per ordinary share. These warrants are exercisable up until 17 July 2010. At 30 June 2008 these warrants were still outstanding.

At 30 June 2008 (2007: nil) there were no share options outstanding over the Company's shares.

ClearDebt Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS

6. Share Capital (continued)

Details of the warrants issued during the year and outstanding at 30 June 2008 are as follows:

	2008		2007	
	Number of Warrants	Weighted average exercise price in (p)	Number of warrants	Weighted average exercise price in (p)
Outstanding at beginning of year	31,599,058	2.0	31,599,058	2.0
Granted during the year	9,137,717	2.0	-	-
Outstanding at the end of the year	<u>40,736,775</u>	<u>2.0</u>	<u>31,599,058</u>	<u>2.0</u>

No warrants were exercised during the year. The warrants outstanding at 30 June 2008 had a weighted average exercise price of 2.0p, and a weighted average remaining contractual life of 2.1 years.

The fair value of the warrants issued is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model are as follows:-

	2008	2007
Share price (p)	2	4
Exercise price (p)	2	2
Expected life (years)	2	3
Risk-free rate (%)	5.75	5.75
Expected dividends (%)	-	-

Notes to the company balance sheet continued

Expected volatility was based upon the historical volatility of the Group's share price. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behaviour considerations.

There are no vesting conditions for the warrants issued above. On 13 March 2007 the Company entered into a referral agreement with Money Helper. The agreement provided for the issue of up to 10 million warrants subject to certain vesting conditions at a price of 3p per ordinary share. These warrants would be exercisable up until 28 March 2010. At 30 June 2008 no warrants had been issued and the directors do not presently believe as at 30 June 2008 that any warrants will vest for issue under the agreement

7. Related Party Transactions

At 30 June 2008 £16,061 (2007:£18,510) was owed to Hodgsons and D E M Mond. The highest balance in the year was £18,510 and the lowest balance £1,762.

8. Equity Reserves

	Share based compensation £	Share premium £	Profit and loss account £
Company			
At 1 July 2007	-	407,046	(857,365)
Share issue costs	-	(29,284)	-
Share based compensation	97,814	(97,814)	-
Loss for the year	-	-	(192,108)
At 30 June 2008	<u>97,814</u>	<u>279,948</u>	<u>(1,049,473)</u>

ClearDebt Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS

9. Substantial shareholdings

The company has been notified, in accordance with S198-208 of the Companies Act 1985, of the following substantial interests in the ordinary share capital of the company as at 11 November 2008.

	Number of shares held	% of Total
D. E. M. Mond	119,054,616	39.1%
O. Mond	10,709,800	3.5%
S. Mond	12,848,798	4.2%
A. Mond	12,599,236	4.1%
D. Murray	11,921,125	3.9%

The Directors are not aware of any other person who is beneficially interested in 3% or more of the issued share capital.

Board of Directors

The Directors of the Company who held office during the year and are in office at the date of this report are as follows:

G Carey FCIB (Non-Executive Chairman)
D E M Mond FCA FCCA
A F Smith
A J Leon FCA (appointed 15 December 2006)
D Morris (appointed 17 July 2007 & resigned 10 July 2008)

ClearDebt Group Plc
SHAREHOLDERS' INFORMATION

3 Year Record

	2006	2007	2007	2008
	UK GAAP	UK GAAP	Restated	IFRS
	£	£	to IFRS	£
			£	
Revenue	174,796	420,963	420,963	1,869,190
Loss for the financial period	(771,332)	(980,546)	(657,494)	(697,264)
Cash (used)/inflow in operations	(709,963)	128,196	128,196	(584,258)