

ClearDebt Group plc

FINANCIAL STATEMENTS

for the year ended 30 June 2011

Registration Number 02441375

ClearDebt Group plc

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ClearDebt Group plc
FINANCIAL HIGHLIGHTS
For the year ended 30 June 2011

	2011	2010
	£	£
Revenue	7,776,362	6,633,995
Gross profit	3,963,959	3,300,688
Profit before interest, tax, depreciation and amortisation*	2,222,411	1,515,271
Profit from operations	756,150	671,330
Profit before taxation	227,219	465,709
Profit after taxation	71,036	342,235
Cash generated by operations	1,045,707	1,466,180

* after separately disclosable items (note 5)

Since 1 July 2010 (2010: 1 July 2009), the following numbers of new Individual Voluntary Arrangements (IVAs) have been arranged through ClearDebt:-

	Year ended 30 June 2011	Year ended 30 June 2010
First quarter	355	176
Second quarter	407	173
Third quarter	411	184
Fourth quarter	428	266
	1,601	799

In June 2011 953 IVAs were acquired from Invocas Group plc and as at 30 June 2011 the total number of IVAs and PTDS generating income was 5,893 (2010: 4,894).

During the year, two books of Debt Management Plans (DMPs) aggregating in total to approximately 1,000 DMP's were acquired. As at 30 June 2011, the total number of DMPs generating income was 5,761 (2010: 6,316).

ClearDebt Group plc

CHAIRMAN'S STATEMENT

Chairman's Statement

I am delighted to present the Group's financial statements for the year ended 30 June 2011. The Group performance has again been driven by the IVA division which doubled the number of new IVAs arranged during the year.

The Group increased revenue to **£7,776,362** (2010: £6,633,995) producing a much increased gross profit of **£3,963,959** (2010: £3,300,688). Earnings before interest, tax, depreciation and amortisation increased to **£2,222,411** (2010: £1,515,271) resulting in a pre-tax profit for the year of **£227,219** (2010: £465,709). This was after finance charges of **£532,404** (2010: £206,660) relating to the convertible secured loan note issued in 2010 and other loans together with amortisation relating to the acquisition of back books and other intangibles of **£1,388,809** (2010: £993,980).

During the year the Group acquired two further back books of Debt Management Plans (DMPs) and completed the purchase of a sizeable IVA book from Invocas Group plc (Invocas) just prior to the year end. The acquisitions resulted in a gain on bargain purchase of £54,985 which was offset by the write off of £55,612 of goodwill relating to the Debt Advice Portal acquisition in January 2009. A tax charge of £156,183 for the year includes a £75,000 provision against holding company tax losses previously recognised as a deferred tax asset which, although they may ultimately be recoverable, will take a number of years to be fully utilised.

In June 2011, just prior to the year end, a decision was made in favour of Paymex Limited against HM Revenue & Customs (HMRC) which ruled that fees for services in relation to IVAs should be treated as exempt from VAT. HMRC confirmed in July that they would not appeal the outcome of the case. Accordingly, as a result of the ruling, we have put a protective claim into HMRC to recover net output tax of some £850,000 incorrectly paid to HMRC over the last 4 years. A proportion of this VAT may be due to us and a proportion due to creditors. The timing, quantum and split of any refunds received will very much be dependent on the stance that HMRC adopt in relation to such reclaims by us and many other companies in the sector. No entries have been made in the accounts due to the uncertainty on the timing and recoverability of any claim. We expect the loss of input tax recovery on our costs going forward to be broadly neutral.

At the year end the group had net assets of **£5,150,582** (2010: £5,016,621) including cash of **£336,636** (2010: £541,504) after spending some **£1.1m** on acquisitions (2010: £2.7m) in the year financed out of cash flow and net new loans of £315,000.

The Group finances continue on a sound footing and I am pleased to report continued growth in the number of new IVAs being passed since the year end with a record number of cases passed in August 2011. Client retention of debt management clients remains excellent which is a testament to the service our teams provide to creditors and clients alike. Growth in new debt management clients remains limited going forward, given an increasing acceptance by debtors and creditors alike that the IVA product is generally more appropriate to debtor's circumstances than a DMP.

I look forward to another profitable year as we continue to nurture and expand our referral base whilst maintaining our web marketing presence and we continue to look for opportunities to acquire back books of clients wherever possible at sensible prices.

Gerald Carey FCIB
Chairman

23 September 2011

ClearDebt Group plc

CHIEF EXECUTIVE'S STATEMENT

The Group has enjoyed another excellent year underpinned by further substantial growth in the numbers of new IVA cases arranged during the past financial year, which doubled to 1,601 (2010: 799). In addition 953 IVAs were acquired from Invocas in June 2011 and as at 30 June 2011 the total number of IVAs and PTDs generating income was 5,893 (2010: 4,894).

This is a pleasing result against a backdrop of an IVA market that has remained flat over the last 2 years at approximately 50,000 new IVAs per annum with slight declines in case numbers being seen in the first 2 quarters of 2011.

During the year, two books of DMPs totalling approximately 1,000 clients were acquired and as at 30 June 2011, the total number of active DMPs was 5,761 (2010: 6,316). Client retention rates remain at excellent levels although the fall in numbers reflects natural attrition in the DMP books, the majority of new clients opting for an IVA rather than DMP, together with existing DMP clients converting to an IVA where appropriate.

For the majority of clients we see, the IVA remains the most appropriate solution freezing interest and charges and writing off the balance of debts generally after 5 years. Whereas in previous years clients have preferred to opt for the DMP solution as a short term fix awaiting improved prospects to clear their debts, there is now general acceptance that this will not happen in the short to medium term and the IVA solution is now the preferred option. ClearDebt has always felt that DMP's are only applicable for clients who expect to see a rapid recovery in their finances.

In November 2010 we rationalised the debt management operation in Staveley and closed the office transferring the DMP book to our main operation in Timperley where it was absorbed without the need for any additional staff recruitment.

The IVA operation in Staveley continues to perform well and is now receiving new IVAs drafted by Timperley as spare capacity has been freed up through the natural completion of the older IVA cases acquired in 2009. The Invocas cases acquired in June have been transferred to Staveley and the electronic case management data will shortly be migrated onto our standard systems. In addition we are continuing to purchase new cases referred to us by Invocas on a monthly basis over the next few months on a trial basis. We continue to balance our workload between the two sites as required.

I would like to take this opportunity to thank all our staff for their dedication and hard work over the last year and I am proud of the work they do to provide continuing advice and assistance to our thousands of clients - as well as advice to many others to whom we have spoken over the same period. We continue to train and encourage all of our staff to obtain the Certificate of Debt Resolution (CertDR), exclusively offered by the DRF and presently all of our client advisers who have been with us over 3 months are qualified, which we believe is one of the highest rates in the industry. Industry regulation and consultation are increasingly focusing on the formal training and qualification of staff and we are therefore well placed to deal with the ever changing demands being made by the regulatory authorities.

Cash flow from the former Relax cases remains good and well ahead of our expectations at the time of acquisition in December 2009. Total fees of £5.7m have been received to the end of June 2011 against a purchase price inclusive of costs of circa £3.2m, showing the value that can be generated by acquisitions bought at the right price and successfully and efficiently integrated into our systems and processes.

We continue to maintain our internet activities across the Group acquiring web leads at cost effective rates wherever possible although we continue to see competitors paying for leads at prices we view as uneconomic. We have in the last year actively expanded our referral base and continue to explore new opportunities for lead sources and referrals. We have a strong pipeline of potential referrers whom we are currently in discussions with, some of whom may substantially boost the numbers of leads to our sales operation. We are also investing in new software to manage our sales operation which we expect to be in place in the next month or so which we anticipate will boost conversion and allow the marketing of more products to our substantial databases of leads and clients.

ClearDebt Group plc

CHIEF EXECUTIVE'S STATEMENT

We are closely monitoring consolidation opportunities within our industry and will finance smaller acquisitions through cash flow. Our successful history in profitably integrating acquired back books - both operationally and financially means we are confident of raising additional finance for larger acquisitions, although the cost of such funding in the current economic climate is high.

THE CONSUMER DEBT MARKET

ClearDebt Group operates within the debt resolution sector, an established sub-category of financial services. Personal insolvencies saw a step change in 2006 with a 58% increase in individual insolvencies to over 100,000 per annum which has grown steadily each year to 136,000 in 2010. In 2010 IVAs showed growth of 6% although the first half of 2011 has seen a decline of 13% on the same period last year.

Traditional refinancing options through secured or unsecured lending remain closed to the majority of people leading us to believe that demand in our sector will remain robust although slightly off its peak in 2011/12.

Against this background the government is actively looking to increase regulation and has already started to enforce much stricter compliance monitoring of companies in the sector and it is now much more difficult to renew existing consumer credit licences or obtain new ones. We continue to see this as an opportunity for ourselves and those larger organisations with cash who maintain the highest standards to purchase back books and consolidate the sector as the many smaller players are unwilling or unable to comply with the increased regulation.

THE CLEARDEBT MODEL – IVAs and PTDs

Unlike most 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 even on lower levels of debt and disposable income.

Demand for lower value IVAs has been evident which favours our low cost model allowing us to service levels of the market other providers will not touch. Due to this distinctive operating model, ClearDebt is able to offer a more effective debt resolution solution than many of its rivals.

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 debtor's 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 although today the majority of creditors that we work with are prepared to waive the interest for short periods.

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

As a leading member of the trade body, The Debt Resolution Forum, ClearDebt has been in regular communication with the creditor community, the Office of Fair Trading (OFT), the Department of Business Innovation and Skills and the Ministry of Justice who have issued several consultation papers intending that stricter guidance on practices in the debt resolution industry which will need to be adhered to if operators wish to maintain their Consumer Credit Licence without which they cannot operate.

ClearDebt Group plc

CHIEF EXECUTIVE'S STATEMENT

OPERATIONAL REVIEW

ClearDebt – IVA Division

Since 1 July 2010 (2010: 1 July 2009), the following numbers of new IVAs have been arranged through ClearDebt:-

	Year ended 30 June 2011	Year ended 30 June 2010
First quarter	355	176
Second quarter	407	173
Third quarter	411	184
Fourth quarter	428	266
	—	—
	1,601	799
	—	—

The growth of new IVAs continues to be strong and ClearDebt enjoyed an excellent year with a 100% increase in the number of IVAs passed in the year with 1,601 new cases (2010: 799). I am pleased to say this growth has continued and case numbers in the first quarter of our current financial year are expected to be ahead of the fourth quarter with 362 cases already passed by the end of August.

In addition we purchased 953 IVAs from Invocas in June 2011 which will generate additional income in the new financial year and we continue to be referred a number of new cases by them going forward. Including this purchase, we had as at 30 June 2011 a total of 5,893 (2010: 4,894) IVAs and PTDs generating income.

The Board monitors several key performance indicators (“KPIs”) for the business on a monthly basis including the number of cases passed, various conversion ratios from lead to cases passed, the cost per case acquired and the staff to caseload numbers. Your Board is pleased to advise that these KPIs continue to deliver positive messages about the business and we are hopeful of gaining additional referral sources in the first half of the current year.

Revenue in respect of nominee fees is recognised on the approval of the IVA whilst supervisory fees are recognised evenly over the expected life of the IVA.

Abacus– Debt Management Division

The division made a profit in the period although we have seen a slowdown in the recruitment of new clients and an increase in the number of plans that cease as the age of the relatively young DMP book at Abacus matures. There have also been a number of clients who have ceased a DMP and commenced an IVA with us.

In the year 2010/11, Abacus has arranged 1,570 new plans (2009/10: 2,366). During the year two books of DMPs totalling approximately 1,000 were acquired and as at 30 June 2011 the total number of DMPs generating income was 5,761 (2010: 6,316). Our attrition rates on DMPs are well within our normal expectations and we are actively looking for further back books to acquire as a means of boosting income over the short and medium term.

The Board has KPIs to monitor the number of active income generating plans as well as the value of monthly payments made by debtors. Revenue is only recognised by Abacus upon receipt of fees which are drawn from debtor payments as received.

Generally the costs of acquisition of cases and plans are also monitored closely. We continue to resist the temptation to grow the book through lead sources providing leads at what are, in our view uneconomic prices.

ClearDebt Group plc

CHIEF EXECUTIVE'S STATEMENT

ClearCash – prepaid MasterCard

Steady progress continues to be made with our Pre-Paid MasterCard, ClearCash, as the new version of the card, without a monthly fee, is taken up in larger numbers than the original which included the monthly fee. The rate of new card signings continues to grow and as at 30 June 2011 there were 5,749 ClearCash cards in issue (2010: 1,662). The card currently makes a small loss each month after referral costs, but revenue from card usage has increased steadily month on month since inception.

The card can effectively be used as a bank account with the exception of direct debit and we see the ClearCash card as an integral service offering to our clients who often find it difficult to obtain normal banking facilities. As numbers increase we expect it to produce a profit in due course.

FINANCIAL REVIEW

Group turnover increased by **17%** to **£7,776,362** (2010: £6,633,995) and gross profit by **20%** to **£3,963,959** (2010: £3,300,688). The performance was driven by good demand for IVAs and the benefit of the increased supervisory revenue which is growing steadily as the number of IVA cases under management grows. Amortisation charges in respect of acquisitions and impairment amounted to **£1,388,809** (2010: £993,980).

Finance costs rose to **£532,404** (2010: £206,660) reflecting a full years charge of **£467,960** (2010:£91,147) in respect of the 3yr 10% secured convertible loan notes issued in April 2010. Actual interest paid in respect of the convertible totalled £230,000 with the balance being an accounting charge for the redemption premium due on maturity in 2013.

Cash resources at the year end amounted to **£336,636** (2010: £541,504) after acquisitions of £1.1m in the year financed with net new loans of £315,000 advanced by David Mond. Operational cash flow remains strong and £350,000 of loans have been repaid since the year end.

GOING CONCERN

As part of its going concern review the Board has followed the guidelines published by the Financial Reporting Council entitled “Going Concern and Liquidity Risk: Guidance for UK Companies 2009. The Board has prepared detailed financial forecasts and cash flows for the three years to 30 June 2014 and in drawing up these forecasts the Board has made assumptions based upon its view of the current and future economic conditions in the UK that will prevail over the forecast period - given that the business is likely to be solely focused on the UK market for the foreseeable future. The timing of the cash flows and covenants to the debt holders in respect of loans provided have been taken into consideration and in addition to the forecasts we have also produced sensitivities to these forecasts to test our ability to trade as a going concern for at least the following 12 months based upon a 12% rise or fall in projected turnover without any reduction in overhead costs. In practice the Board believes that it can quickly realign overheads, in particular marketing spend, to allow for any reduced levels of activity within the business that may occur going forward.

The Board believes that the use of the going concern basis of accounting is appropriate and there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

FUTURE OUTLOOK

The IVA market is still at high levels and we continue to gain market share as our monthly run rate for new IVAs grows against the background of a static to slightly declining IVA market.

The last quarter of the financial year produced a record number of IVAs for the Group and the first two months of the current year have continued in a similar vein.

ClearDebt Group plc
CHIEF EXECUTIVE'S STATEMENT

We continue to look for acquisitions of client books wherever we can at reasonable prices to supplement our growth as we know these can be highly profitable given the ease with which we can assimilate them into our scaleable business model and systems.

Given the current economic outlook in the UK with unemployment showing no signs of falling together with high taxation and continued public sector cuts I believe the Group is well placed for another highly profitable and successful year.

Once again I would like to pay tribute to all our employees who continue to offer the highest standards of service and commitment to all our clients at all levels.

David Emanuel Merton Mond FCA FCCA
Chief Executive Officer

23 September 2011

ClearDebt Group plc
DIRECTORS AND ADVISERS

DIRECTORS

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

SECRETARY

D E M Mond FCA FCCA

REGISTERED OFFICE

Nelson House
Park Road
Timperley
Altrincham
Cheshire
WA14 5BZ

AUDITORS

Baker Tilly UK Audit LLP
3 Hardman Street
Manchester
M3 3HF

BROKERS AND NOMINATED ADVISER

Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

REGISTRARS

Neville Registrars
Neville House
18 Laurel Lane
Halesowen
West Midlands

SOLICITORS

DWF LLP
1 Scott Place
2 Hardman Street
Manchester
M3 3AA

BANKERS

Barclays Bank PLC
1 Bridge Street
Stockport
Cheshire
SK1 1XU

The Royal Bank of Scotland PLC
P O Box 157
2 Chestergate
Macclesfield
SK11 6BQ

ClearDebt Group plc

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Group for the year ended 30 June 2011.

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 7.

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 (2010: nil).

Share Capital

The Company is aware of the following substantial interests in the ordinary share capital as at 23 September 2011.

	Number of shares held	% of Total
D E M Mond	119,054,616	38.61
O Mond	17,459,800	5.66
S Mond	15,305,734	4.96
A Mond	14,555,733	4.72
D Murray	11,921,125	3.87
Ms M Joseph	11,351,467	3.68

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

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
D M Shalom
A J Leon FCA (Non-Executive)

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 2011, were 16 days (2010: 35 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 charities during the year (2010: £nil).

ClearDebt Group plc

DIRECTORS' REPORT

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.

Going Concern

As part of its going concern review the Board has followed the guidelines published by the Financial Reporting Council entitled "Going Concern and Liquidity Risk: Guidance for UK Companies 2009". The Board has prepared detailed financial forecasts and cash flows for the three years to 30 June 2014 and in drawing up these forecasts the Board has made assumptions based upon its view of the current and future economic conditions in the UK that will prevail over the forecast period - given that the business is likely to be solely focused on the UK market for the foreseeable future. The timing of the cash flows and covenants to the debt holders in respect of loans provided have been taken into consideration and in addition to the forecasts we have also produced sensitivities to these forecasts to test our ability to trade as a going concern for at least the following 12 months based upon a 12% rise or fall in projected turnover without any reduction in overhead costs. In practice the Board believes that it can quickly realign overheads, in particular marketing spend, to allow for any reduced levels of activity within the business that may occur going forward.

The Board believes that the use of the going concern basis of accounting is appropriate and there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

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

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

Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office and a resolution that they should be re-appointed as auditors will be put to the members at the annual general meeting.

By order of the Board

D E M Mond
Company Secretary

23 September 2011

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 September 2010) 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 14.

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, includes D E M Mond and 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 D E M Mond and 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 UK Audit LLP, 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 ensuring that the Board as a whole has the ability to ensure that the Group can continue to compete effectively in its market place.

ClearDebt Group plc

CORPORATE GOVERNANCE

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 2011 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 Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company Financial Statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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 accounting 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;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the ClearDebt Group plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ClearDebt Group plc

DIRECTORS' REMUNERATION REPORT

The Board's Remuneration Committee, which currently comprises Gerald Carey (Non-Executive Chairman), Anthony Leon (Non-executive director) and David Mond (Chief Executive Officer), makes recommendations to the Board within agreed terms of reference in determining specific remuneration packages for each of the Directors, including pension rights.

Members of the Committee who have a personal financial interest in the matters to be decided are not involved in decisions. In arriving at its recommendations, the Committee has access to professional advice from both within and outside the Company.

Remuneration Policy

Each remuneration package is reviewed against a background of published comparative information on the remuneration of Executive Directors in similar positions, taking into account the industry, the region of employment, the type of work and the size of the Company. The extent to which the recommended remuneration is above or below average takes account of the Director's qualifications and length of service with the Company, the Director's actual performance and the performance of the Company. This will remain the policy for forthcoming years.

Directors' Emoluments

The emoluments of the Directors during the financial year ended 30 June 2011 were as follows:

	2011 Salary £'000	2011 Pensions/ Benefits £'000	2011 Total Salary & Benefits £'000	2010 Total Salary & Benefits £'000
Executive Directors				
David Mond (<i>Chief Executive</i>)	125	-	125	72
David Shalom (<i>Finance Director</i>)	79	4	83	35
Andrew Smith (<i>Marketing Director</i>)	50	4	54	48
Non-Executive Directors				
Gerald Carey (<i>Chairman</i>)	18	-	18	18
Anthony Leon	12	-	12	12
	—	—	—	—
Aggregate remuneration	284	8	292	185
	==	==	==	==

The present Directors' positions are currently not pensionable although David Shalom entered into an agreement on 1st February 2011 to sacrifice part of his salary in return for pension payments into his SIPP.

Options

Options have been granted to directors under an EMI scheme. The granting of options ensures that the holders are incentivised to concentrate on growing shareholder value. During the year 1,000,000 options were granted leaving options outstanding over 2,125,000 ordinary shares at a weighted average exercise price of 1.98p per ordinary share.

The mid-market price of the Company's shares on 30 June 2011 was 2.37p and the high and low share prices during the year were 1.35p and 3.38p respectively.

Directors' Service Agreements

Andrew Smith has a service agreement subject to 12 months notice. David Mond and Gerald Carey both have agreements subject to 6 months notice. A service agreement is presently being drawn up for David Shalom.

ClearDebt Group plc
DIRECTORS' REMUNERATION REPORT

Directors' Interests

The interests of the Directors in the ordinary shares of the Company as at 30 June 2011 and 23 September 2011 were as follows:-

	Ordinary Shares	
	At 0.005p each At 30 June 2011	At 0.005p each At 30 June 2010
David Mond	119,054,616	119,054,616
Andrew Smith	6,750,000	6,750,000
David Shalom	2,150,000	2,150,000
Gerald Carey	1,020,000	1,020,000
Anthony Leon	500,000	500,000

The directors held the following interests in share options as at 30 June 2011 and 23 September 2011.

	Scheme	At 30 June 2011	At 30 June 2010	Option Price	Date Exercisable	Expiry Date
David Mond	EMI	375,000	375,000	2.0p	07.10.12	07.10.19
David Mond	EMI	500,000	-	1.75p	21.09.13	21.09.20
Andrew Smith	EMI	375,000	375,000	2.0p	07.10.12	07.10.19
David Shalom	EMI	375,000	375,000	2.0p	07.10.12	07.10.19
David Shalom	EMI	500,000	-	1.75p	21.09.13	21.09.20

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

We have audited the Group and Parent company financial statements ("the financial statements") which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, the Company Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As more fully explained in the Directors' Responsibilities Statement set out on page 14 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

GRAHAM BOND FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

23 September 2011

ClearDebt Group plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Notes	2011 £	2010 £
Revenue			
- ongoing	3	7,582,367	6,633,995
- acquisitions		193,995	-
		<u>7,776,362</u>	<u>6,633,995</u>
Cost of sales		<u>(3,812,403)</u>	<u>(3,333,307)</u>
Gross profit		3,963,959	3,300,688
Administrative expenses (before separately identifiable items)		(1,678,623)	(1,293,371)
Separately identifiable items	5	-	(449,473)
Administrative expenses		(1,678,623)	(1,742,844)
Share based payment	17	(62,925)	(42,573)
Profit before interest, tax, depreciation and amortisation		2,222,411	1,515,271
Depreciation	11	(132,437)	(102,875)
Amortisation	10	(1,388,809)	(993,980)
Gain on bargain purchase	18	54,985	252,914
Profit from operations	3 & 4	756,150	671,330
Finance costs	6	(532,404)	(206,660)
Finance income		3,473	1,039
Profit before taxation		227,219	465,709
Taxation	8	(156,183)	(123,474)
Profit after taxation for year		71,036	342,235
Amount attributable to:			
Owners of the parent		71,036	342,235
Earnings per ordinary share - basic (pence)	9	0.02p	0.11p
Earnings per ordinary share - diluted (pence)	9	0.02p	0.11p

The results for the period are derived from continuing activities.

ClearDebt Group plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	2011	2010
	£	£
Profit for the year	71,036	342,235
Other comprehensive income net of tax	-	-
	<hr/>	<hr/>
Total comprehensive income for the year	71,036	342,235
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Owners of the parent	71,036	342,235
	<hr/> <hr/>	<hr/> <hr/>

ClearDebt Group plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 June 2011

Company Number 02441375

	Notes	2011 £	2010 £
Assets			
Non-current assets			
Intangible assets	10	6,476,691	6,765,047
Property, plant and equipment	11	252,998	227,992
Deferred taxation	15	78,188	163,720
		<u>6,807,877</u>	<u>7,156,759</u>
Current assets			
Trade and other receivables	12	2,181,959	1,153,226
Corporation tax receivable		-	8,372
Cash and cash equivalents		336,636	541,504
		<u>2,518,595</u>	<u>1,703,102</u>
Total assets		<u>9,326,472</u>	<u>8,859,861</u>
Equity and liabilities			
Equity			
Issued capital	16	6,166,812	6,166,812
Share premium		279,948	279,948
Share based compensation		203,312	140,387
Other reserves		96,495	96,495
Retained losses		(1,595,985)	(1,667,021)
Total equity attributable to the owners of the parent		<u>5,150,582</u>	<u>5,016,621</u>
Current liabilities			
Trade and other payables	13	698,255	1,009,151
Corporation tax payable	13	92,662	-
		<u>790,917</u>	<u>1,009,151</u>
Non-current liabilities			
Financial liabilities	14	3,318,309	2,765,350
Deferred taxation	15	66,664	68,739
Total liabilities		<u>4,175,890</u>	<u>3,843,240</u>
Total equity and liabilities		<u>9,326,472</u>	<u>8,859,861</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 September 2011 and are signed on its behalf by:

D E M Mond
Director

ClearDebt Group plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

	Share Capital £	Share Premium £	Share Based Compensation £	Other Reserve £	Retained Losses £	Total Equity £
Balance as at 1 July 2009	6,166,812	279,948	97,814	-	(2,009,256)	4,535,318
Equity component on issue of convertible loan notes	-	-	-	96,495	-	96,495
Share based compensation	-	-	42,573	-	-	42,573
Total comprehensive income for the year	-	-	-	-	342,235	342,235
Balance as at 30 June 2010	6,166,812	279,948	140,387	96,495	(1,667,021)	5,016,621
Share based compensation	-	-	62,925	-	-	62,925
Total comprehensive income for the year	-	-	-	-	71,036	71,036
Balance as at 30 June 2011	6,166,812	279,948	203,312	96,495	(1,595,985)	5,150,582

Share capital

Share capital has arisen on the issue of shares and represents the nominal value of shares issued.

Share premium

The share premium account arose from the issue of equity shares above the nominal value less share issue costs.

Share based compensation

This reserve is the result of the Company's grant of equity settled share options and warrants and measured in accordance with IFRS2 share-based payment transactions.

Other reserve

This reserve is the result of the Company's issue of convertible loan notes in April 2010 in accordance with IAS 32 – Financial Instruments: Presentation.

Retained losses

The retained losses reflect losses incurred to date.

ClearDebt Group plc
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2011

	Notes	2011 £	2010 £
Cash flow from continuing operating activities			
Profit before taxation		227,219	465,709
Depreciation of property, plant and equipment		132,437	102,875
Amortisation of intangible assets		1,388,809	993,980
Gain on bargain purchase		(54,985)	(252,914)
Share based payment		62,925	42,573
Increase in trade and other receivables		(928,733)	(423,916)
Finance costs		532,404	206,660
Finance income		(3,473)	(1,039)
(Decrease)/increase in trade and other payables		(310,896)	332,252
		<hr/>	<hr/>
Cash generated by operations		1,045,707	1,466,180
Corporation tax refund		8,794	10,317
		<hr/>	<hr/>
Net cash generated by operating activities		1,054,501	1,476,497
Investing activities			
Acquisition of business and assets	18	(1,088,783)	(2,700,000)
Acquisition of intangibles		(37,170)	(143,728)
Acquisition of property, plant and equipment		(157,443)	(144,251)
Finance income		3,473	1,039
Sale of property, plant and equipment		-	3,184
		<hr/>	<hr/>
Net cash used in investing activities		(1,279,923)	(2,983,756)
Financing activities			
Proceeds from issue of convertible loan notes		-	1,800,000
Issue costs		-	(184,379)
Proceeds from new loans advanced		315,000	-
Interest on loans		(294,446)	(151,451)
		<hr/>	<hr/>
Cash generated by financing activities		20,554	1,464,170
Decrease in cash and cash equivalents		(204,868)	(43,089)
Opening cash and cash equivalents		541,504	584,593
		<hr/>	<hr/>
Closing cash and cash equivalents		336,636	541,504
		<hr/> <hr/>	<hr/> <hr/>

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

1. General information

ClearDebt Group plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

The Group's functional and presentational currency is £ sterling.

Interpretations of standards

The following accounting standards and interpretations became effective during the period:

IAS 27 (revised), "Consolidated and Separate Financial Statements" requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions no longer result in the recognition of goodwill or gains and losses. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Company has applied the revised standard from 1 July 2010 with no material impact in the year ended 30 June 2011. The revision to IAS 27 contained consequential amendments to IAS 28, "Investments in Associates" and IAS 31 "Interests in Joint Ventures".

The following accounting standards, interpretations and amendments have been adopted by the Company since 1 July 2010 with no significant impact on its results or financial position:

IFRS 1	(revised), "First-time Adoption" and amendment to IFRS1 for Additional Exemptions.
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments" is effective from 1 July 2010.
IFRS 2	Amendment "Group Cash-settled Share-based Payment Transactions"
IAS 32	Amendment "Financial Instruments: Presentation - Classification of Rights Issues"
IAS 39	Amendment "Financial Instruments: Recognition and Measurement – Eligible Hedged Items"

Annual Improvement to IFRSs (2009)

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2011 or later periods, but which have not been adopted by the Company:

IAS 24	Amendment "Related Party Disclosures" is effective from 1 January 2011.
IFRIC 14	Amendment "Pre-payments of a Minimum Funding Requirement" is effective from 1 January 2011.
IFRS 1	Amendment "Hyperinflation and Fixed Dates" is effective from 1 July 2011.
IFRS 7	Amendment "Financial Instrument Disclosures": Transfers of Financial Assets is effective from 1 July 2011.
IAS 12	Amendment "Deferred Tax: Recovery of Underlying Assets" is effective from 1 January 2012.
IAS 27	(revised 2011) "Separate Financial Statements" is effective from 1 January 2013.
IAS 28	(revised) "Associate and Joint Venture" is effective from 1 January 2013.
IFRS 9	"Financial Instruments" is effective from 1 January 2013.
IFRS 10	"Consolidated Financial Statements" is effective from 1 January 2013.
IFRS 11	"Joint Arrangements" is effective from 1 January 2013.
IFRS 12	"Disclosures of Interest in Other Entities" is effective from 1 January 2013.
IFRS 13	"Fair Value Measurement" is effective from 1 January 2013.

Annual improvements to IFRSs (2010) is primarily effective from 1 January 2011.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

2. Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS) and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis for the reasons outlined in the Directors' Report on page 10.

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

Critical Accounting Estimate and Judgements

The preparation of the financial information in conformity with IFRS requires management to make judgements, 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 of 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 in the revision affects both current and future periods.

The principal balances that have been estimated relate to:-

- estimates of future cash flows for the goodwill impairment review (see note 10)
- estimates in respect of the future recoverability of the deferred tax asset in respect of losses brought forward (see note 15)
- estimates of the fair value of intangible assets acquired (see note 18)

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 statement of financial position, 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.

Goodwill

Goodwill arising on acquisition of subsidiaries or business is recognised as a separate asset on the statement of financial position 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

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

statement on the acquisition date. The Group carries out annual impairment tests for goodwill. Impairment losses in respect of goodwill are not reversed.

Negative Goodwill

Negative goodwill arising on acquisition of subsidiaries or business is recognised in full on the date of acquisition and is recorded in the consolidated income statement.

Impairment

At each reporting 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, in which case the impairment loss is treated as expenses in the consolidated income statement.

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 Consolidated 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:-

Development costs	- 4 years straight line
Software development costs	- 4 years straight line
Intangible assets - Debt management back books	- 12-18 months straight line
Intangible assets – Insolvency back books	- 3-4 years straight line
Other intangibles	- 1 year straight line

Expenditure arising from the Group's development costs and software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the Group has the intention to complete the asset and the ability and intention to use or sell it;
- sufficient resources are available to complete the development and to either sell or use the asset.

Where the criteria have not been achieved, software development expenditure is recognised as an expense in the period in which it is incurred.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

Segmental Reporting

Management determines its operating segments by identifying components:

- a) That engages in business activities that earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group),
- b) Whose operating results are regularly reviewed by the entity's chief operating decision maker, the board of directors of ClearDebt Group plc, to make decisions about resources to be allocated to the segment, and
- c) For which discrete financial information is available.

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.

Protected Trust Deeds (PTD)

Fees earned in respect of PTDs are recognised when received.

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.

Prepayment Card services

The Group receives a revenue share from the issue and usage charges in respect of the ClearCash prepaid MasterCard. Income and charges are recognised in the period in which they were incurred by the card user.

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 and 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 as a pre-tax rate that reflects current market assessments of the time value of money.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

Share-based Compensation

Equity-settled share-based payments are measured at the fair value of services received in exchange for the grant of options or warrants. 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 reporting date, the Group revises its estimates of the number of options or warrants 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 attributed transaction costs are credited to share capital (nominal value) and share premium when the options or warrants are exercised.

Non vesting conditions which are not satisfied during the vesting period, are treated as cancellations and any remaining expense is accelerated in the period of failure.

Share based payments associated with share options granted to employees of subsidiaries of the parent company are treated as an expense of the subsidiary company to be settled by equity of the parent company. The share based payment expense increases the value of the parent company's investment in the subsidiaries and is credited to the Share based payment reserve.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

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 in the statement of financial position 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 consolidated 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.

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 IAS 39.

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

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

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.

Trade and other payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method. They are classified as “Other liabilities” in accordance with IAS 39.

Borrowings

Interest-bearing bank loans and overdrafts are classified as “other liabilities” in accordance with IAS 39. 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 reporting date.

Secured Convertible Loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

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 Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are next 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 reporting 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 probably that taxable profits will be available against which the 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.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

2. Significant Accounting Policies (continued)

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 exacted or substantively enacted by the reporting 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.

3. Segmental Information

The Group's total income, profit 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.

Year ended 30 June 2011

	Insolvency £	Debt Management £	Total 2011 £	Insolvency £	Debt Management £	Total 2010 £
Revenue						
- Ongoing	4,843,540	2,738,827	7,582,367	3,408,373	3,225,622	6,633,995
- Acquisition	-	193,995	193,995	-	-	-
Total Revenue	4,843,540	2,932,822	7,776,362	3,408,373	3,225,622	6,633,995
Cost of sales	(2,355,997)	(1,456,406)	(3,812,403)	(1,522,269)	(1,811,038)	(3,333,307)
Gross Profit	2,487,543	1,476,416	3,963,959	1,886,104	1,414,584	3,300,688
Administrative expenses	(1,072,653)	(605,970)	(1,678,623)	(701,513)	(591,858)	(1,293,371)
Share based payment	(30,380)	(32,545)	(62,925)	(19,579)	(22,994)	(42,573)
Separately disclosable items	-	-	-	(363,543)	(85,930)	(449,473)
Profit before interest, tax depreciation and amortisation	1,384,510	837,901	2,222,411	801,469	713,802	1,515,271
Depreciation	(59,674)	(72,763)	(132,437)	(30,307)	(72,568)	(102,875)
Amortisation	(892,425)	(496,384)	(1,388,809)	(468,193)	(525,787)	(993,980)
Gain on bargain purchase	33,648	21,337	54,985	202,914	50,000	252,914
Profit from operations	466,059	290,091	756,150	505,883	165,447	671,330
Finance costs	(374,368)	(158,036)	(532,404)	(67,577)	(139,083)	(206,660)
Finance income	3,473	-	3,473	1,039	-	1,039
Profit before taxation	95,164	132,055	227,219	439,345	26,364	465,709
Taxation	(121,849)	(34,334)	(156,183)	(116,093)	(7,381)	(123,474)
Profit after tax	(26,685)	97,721	71,036	323,252	18,983	342,235

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

3. Segmental Information (continued)

Net operating assets are reconciled to equity funds as follows:

	2011 £	2010 £
Gross assets		
Insolvency	7,492,638	6,752,690
Debt management	1,833,834	2,107,171
	<u>9,326,472</u>	<u>8,859,861</u>
Gross liabilities		
Insolvency	2,530,762	2,597,551
Debt management	1,645,128	1,245,689
	<u>4,175,890</u>	<u>3,843,240</u>
Capital expenditure to acquire property, plant and equipment		
Insolvency	152,063	86,337
Debt management	5,380	57,914
	<u>157,443</u>	<u>144,251</u>
Capital expenditure to acquire intangible assets		
Insolvency	799,806	2,260,728
Debt management	300,647	961,000
	<u>1,100,453</u>	<u>3,221,728</u>
Depreciation of property, plant and equipment		
Insolvency	59,674	30,307
Debt management	72,763	72,568
	<u>132,437</u>	<u>102,875</u>
Amortisation of intangible assets		
Insolvency	892,425	468,193
Debt management	496,384	525,787
	<u>1,388,809</u>	<u>993,980</u>

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

4. Profit from Operations

	2011	2010
	£	£
Profit from operations is stated after charging:		
Depreciation of owned assets	132,437	102,875
Amortisation	1,388,809	993,980
Share based payment	62,925	42,573
Operating lease rentals – buildings	133,591	95,395
Operating lease rentals – other	20,022	6,075
Auditor’s remuneration – audit	11,250	10,750
Auditor’s remuneration – other services	34,175	45,895
	—————	—————

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

	2011		2010	
	£	%	£	%
Audit services				
- Statutory audit of parent and consolidated accounts	11,250	25%	10,750	19%
Other services				
Fees payable to the company’s auditor and its associates for other services:				
- Audit of subsidiaries pursuant to legislation	24,775	55%	22,200	39%
- Tax compliance services	2,500	5%	2,500	4%
- Corporate finance transactions	4,500	10%	11,000	20%
- Other services	2,400	5%	10,195	18%
	—————		—————	
	45,425		56,645	
	—————		—————	

ClearDebt Group plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2011

5. Separately Identifiable Items

	2011	2010
	£	£
Administrative expenses		
Expenses relating to the acquisition and restructuring of the business of Relax	-	(449,473)
	<u> </u>	<u> </u>

On 2 December 2009 the Group acquired the back books of IVA, DMP and PTD cases from the Administrator of various companies of Relax Group plc. In 2010 included in administration expenses were various legal costs related to the acquisition, restructuring and shareholders circular as well as additional costs and incidentals incurred as part of the acquisition process.

6. Finance Costs

	2011	2010
	£	£
Interest payable on loans	64,444	115,513
Interest payable on convertible loan notes	230,000	44,924
Interest payable on redemption of convertible loan notes	237,960	46,223
	<u>532,404</u>	<u>206,660</u>

7. Employees

Number of Employees

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

	2011	2010
	Number	Number
Directors	4	5
Sales and marketing	30	24
Advice team, management and administration	19	13
IVA and PTD processing team	29	27
DMP processing team	30	35
	<u>112</u>	<u>104</u>

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

7. Employees (continued)

Employment costs	2011	2010
	£	£
Wages and salaries	2,545,435	2,276,166
Social security costs	195,847	161,015
Pension costs	4,253	-
	<u>2,745,535</u>	<u>2,437,181</u>
Directors' Emoluments	2011	2010
	£	£
Directors' fees	30,000	101,500
Directors' emoluments	262,176	83,000
	<u>292,176</u>	<u>184,500</u>
Social security costs	30,827	10,624
Key management compensation – short term benefits	<u>323,003</u>	<u>195,124</u>

Key management consist of the statutory directors of the Group. The share based payment with regard to key management amounted to £4,938 (2010 £4,098).

	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>-</u>	<u>-</u>
	Number	Number
Number of directors who exercised share options in the year	<u>-</u>	<u>-</u>

Further information about the remuneration of the individual directors is disclosed in the Directors' Remuneration Report on pages 15 and 16.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

8. Taxation

	2011	2010
	£	£
<u>Analysis of current year</u>		
Current tax		
UK corporation tax payable	92,662	-
UK corporation tax repayment due	-	(8,372)
Over provision from prior years	(422)	(15,273)
	<hr/>	<hr/>
Total corporation tax	92,240	(23,645)
	<hr/>	<hr/>
Deferred tax		
Temporary differences, origination and reversal	(7,170)	147,119
Provision for irrecoverable losses	75,000	-
Effect of tax rate changing on opening balance	(3,887)	-
	<hr/>	<hr/>
Total deferred tax charge	63,943	147,119
	<hr/>	<hr/>
Tax on profit for the year	156,183	123,474
	<hr/> <hr/>	<hr/> <hr/>
Factors affecting charge for year		
	2011	2010
	£	£
Profit before taxation	227,219	465,709
	<hr/>	<hr/>
Profit multiplied by standard rate of corporation tax in the UK of 26% (2010: 28%)	59,077	130,398
	<hr/>	<hr/>
Effects of:		
Expenses not deductible	4,878	1,873
Adjustment due to change of tax rate	(3,887)	-
Unrelieved tax losses	75,000	6,476
Other prior year adjustment	21,115	(15,273)
	<hr/>	<hr/>
Current tax expense for year	156,183	123,474
	<hr/> <hr/>	<hr/> <hr/>

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

9. Earnings per Ordinary Share

	2011	2010
	£	£
Profit for the financial year	71,036	342,235
Weighted average number of ordinary shares in issue during the year	308,340,567	308,340,567
Dilutive potential of share options	-	-
Dilutive potential of convertible loan notes	-	-
	308,340,567	308,340,567
Earnings per share		
Basic	0.02p	0.11p
Diluted	0.02p	0.11p

The calculation of the basic earnings per ordinary share of 0.02p (2010: 0.11p) each has been based on the profit for the relevant financial year and on 308,340,567 shares (2010: 308,340,567). This represents the weighted average number of ordinary shares in issue. The profit for the period for the purpose of calculating the diluted earnings per share is the same as for the basic earnings per share calculation adjusted in respect of the interest charges in relation to the convertible loan notes. After using this adjusted profit the diluted earnings per share is higher than the basic earnings per share and would therefore not be dilutive under the terms of IAS 33.

10. Intangible Assets

	Goodwill	Other Intangibles - back books	Software Development costs	Total
	£	£	£	£
Cost – 2011				
At 1 July 2010	4,457,892	3,078,000	258,493	7,794,385
Arising on acquisition of back books	-	1,063,283	-	1,063,283
Additions	-	-	37,170	37,170
At 30 June 2011	4,457,892	4,141,283	295,663	8,894,838
Amortisation – 2011				
At 1 July 2010	-	944,234	85,104	1,029,338
Charge for year	55,612	1,267,224	65,973	1,388,809
At 30 June 2011	55,612	2,211,458	151,077	2,418,147
Net book value At 30 June 2011	4,402,280	1,929,825	144,586	6,476,691

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

10. Intangible Assets (continued)

	Goodwill	Other Intangibles - back books	Software Development costs	Total
	£	£	£	£
Cost – 2010				
At 1 July 2009	4,457,892	178,000	208,789	4,844,681
Arising on acquisition of back books	-	3,078,000	-	3,078,000
Additions	-	-	143,728	143,728
Disposals	-	(178,000)	(94,024)	(272,024)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2010	4,457,892	3,078,000	258,493	7,794,385
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation – 2010				
At 1 July 2009	-	178,000	129,382	307,382
Charge for year	-	944,234	49,746	993,980
Disposals	-	(178,000)	(94,024)	(272,024)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2010	-	944,234	85,104	1,029,338
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 2010	4,457,892	2,133,766	173,389	6,765,047
	<hr/>	<hr/>	<hr/>	<hr/>

Impairment reviews

The total carrying value of £4,402,280 relating to goodwill is reviewed annually for impairment. This comprises £3,013,374 relating to the insolvency business and £1,388,906 relating to the debt management business.

During the year the goodwill of £55,612 relating to the acquisition of the Debt Advice Portal was provided for in full. Whilst the software is still available for use the referrals that might be received are not presently being channelled through the Portal and accordingly the goodwill has been written down.

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 based on approved budgets for 3 years and assuming no growth for the remaining 2 years.

Goodwill arising on ClearDebt acquisition (insolvency business) – critical accounting estimates and judgements in relation to the impairment review on the insolvency business

Monthly revenue projections assume that the number of IVA cases approved will double over the next 2 years through the acquisition of new lead sources and remain steady thereafter. Nominee fees per case are expected to remain at current levels together with average supervisory fees, and IVAs lasting a maximum of 5 years. Expenses are expected to rise 25% in the first year and remaining steady thereafter. The appropriate discount factor used in the calculations is 10%.

Assumptions are based on recent experience and estimates of how economic conditions may affect levels of activity in the business taking into account managements strategy for growth.

The Group's cost of capital could increase to 43% or insolvency income fall short of projections by 31% without a matching fall in expenses before the carrying value of this part of goodwill would exceed the value in use.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

10. Intangible Assets (continued)

Impairment review on the debt management business

Projections have been produced covering a five year period. Revenues are expected to fall by 10% in the first and second year and remain flat over the remaining period. Expenses are expected to increase by 10% in year 1 and remain constant in the remaining years.

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 debt management income would need to fall short of projections by 68% without a matching fall in expenses or the Group's cost of capital increase to 34% before the carrying value of this part of goodwill would exceed the value in use.

11. Property, Plant and Equipment

	Fixtures and fittings £	Leasehold improvements £	Total £
Cost – 2011			
At 1 July 2010	466,679	48,698	515,377
Additions	156,293	1,150	157,443
	<hr/>	<hr/>	<hr/>
At 30 June 2011	622,972	49,848	672,820
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation – 2011			
At 1 July 2010	264,373	23,012	287,385
Charge for the year	121,854	10,583	132,437
	<hr/>	<hr/>	<hr/>
At 30 June 2011	386,227	33,595	419,822
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value At 30 June 2011	236,745	16,253	252,998
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cost – 2010			
At 1 July 2009	348,295	26,015	374,310
Additions	121,568	22,683	144,251
Disposals	(3,184)	-	(3,184)
	<hr/>	<hr/>	<hr/>
At 30 June 2010	466,679	48,698	515,377
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation – 2010			
At 1 July 2009	171,539	12,971	184,510
Charge for the year	92,834	10,041	102,875
	<hr/>	<hr/>	<hr/>
At 30 June 2010	264,373	23,012	287,385
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value At 30 June 2010	202,306	25,686	227,992
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

12. Trade and other Receivables

	2011 £	2010 £
Trade receivables	1,420,150	1,005,163
Prepayments	265,164	126,134
Other receivables	496,645	21,929
	<u>2,181,959</u>	<u>1,153,226</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 £189,799(2010: £135,674). There are no trade receivables that are past due that have not been impaired.

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

	2011 £	2010 £
At the beginning of the year	135,674	52,133
Charge for the year	191,943	124,480
Utilised during the year	(137,818)	(40,939)
	<u>189,799</u>	<u>135,674</u>

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

13. Current Liabilities

	2011 £	2010 £
Trade and other payables:		
Trade payables	167,700	315,562
Accruals	331,845	458,620
Other payables	198,710	234,969
	<u>698,255</u>	<u>1,009,151</u>

The directors consider that the carrying value of trade and other payables approximates to their fair value.

Corporation tax payable	<u>92,662</u>	<u>-</u>
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ClearDebt Group plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 30 June 2011

14. Financial Liabilities

Loans outstanding at the reporting date were as follows:-

	2011	2010
	£	£
Secured convertible loan notes	2,303,309	2,065,350
Loans	1,015,000	700,000
	<hr/>	<hr/>
	3,318,309	2,765,350
	<hr/> <hr/>	<hr/> <hr/>

On 16 April 2010 £2.3m of 3 year 10% Secured Convertible Loan notes were issued by CDG (Guernsey) Limited, a wholly owned subsidiary of ClearDebt Group plc, to investors. Holders of the loan notes are entitled to interest on the loan notes at a rate of 10% per annum payable on a quarterly basis and have an option to convert all or part of their holdings at par into ordinary shares at any time in ClearDebt Group plc at a price of 1.8p per share. At the end of the 3 year period the principal is repayable in cash plus a premium of 25% in respect of any holdings that are not converted into ordinary shares at the loan note holder's option.

The Loan Notes are secured by way of a debenture dated 19 April 2010 over the assets of the Group. The Company has also entered into a cross guarantee with CDG (Guernsey) Limited in respect of the convertible loan notes.

In 2010 the directors determined the financial liability component of this compound instrument by calculating the net present values of the cash flows in respect of the interest and principal payments (assuming all are redeemed in cash and not taken as shares) over the next three years using a discount rate of 17% which the directors consider would have been the interest payable on a bank loan without the convertible element. Accordingly the loan notes are recorded at £2,303,309 (2010: £2,065,350).

At 30 June 2011 D E M Mond was interested in £500,000 of the secured convertible loan notes (2010: £500,000).

The loan from D E M Mond of £1,015,000 (2010: £700,000) is repayable on 31 March 2013 or earlier at the Group's discretion although 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. Loan repayments may only be made with permission of the secured convertible loan note holders on condition that forecasts show minimum working capital of £500,000 for the 6 months following repayment. Interest at a rate of 10.5% totalling £64,444 (2010: £115,513) was paid by the Group to D E M Mond in the year in respect of his loans. Interest of £230,000 was paid to the secured convertible loan note holders in the year (2010: £44,924).

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

15. Deferred Taxation

	2011 £	2010 £
Temporary differences	(61,510)	(92,147)
Losses	73,034	187,128
At 30 June	<u>11,524</u>	<u>94,981</u>

Analysed as follows:

	2011 £	2010 £
Deferred tax asset	78,188	163,720
Deferred tax liability	(66,664)	(68,739)
At 30 June	<u>11,524</u>	<u>94,981</u>

Movement in the period

	2011 £	2010 £
At 1 July	94,981	347,940
Arising on acquisition of intangible assets	(19,514)	(105,840)
Deferred tax charge taken to the income statement	(63,943)	(147,119)
At 30 June	<u>11,524</u>	<u>94,981</u>

The deferred tax asset primarily relates to tax losses available to offset against future taxable profits in ClearDebt Group plc. Forecasts have been prepared for the next 5 years which show that there will be insufficient profits in the holding company to enable all of the losses brought forward to be utilised in this time frame. Accordingly an additional provision of £75,000 has been charged to the income statement in respect of these losses carried forward. It is the directors' opinion that the remaining losses will be recoverable over this time period.

Unrecognised deferred tax

	2011 £	2010 £
Losses	222,000	147,000
At 30 June	<u>222,000</u>	<u>147,000</u>

Provision for liabilities and charges – deferred taxation

During the year the Group purchased goodwill and assets from certain companies (see note 18). Following the estimation of the fair values of the assets purchased the Group provided £19,514 (2010:£105,840) in respect of deferred taxation in relation to the acquisitions. During the year £49,986 (2010: £37,101) of provision relating to acquisitions has been released to the profit and loss account based upon the revenue received to date as a proportion of the total estimated revenue to be received at the time of acquisition.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

16. Share Capital

	2011	2010
	£	£
Allotted, called up and fully paid:		
Ordinary share capital		
308,340,567 (2010: 308,340,567)	1,541,703	1,541,703
Ordinary shares of 0.5 pence each		
Deferred ordinary share capital		
308,340,567 (2010: 308,340,567)	4,625,109	4,625,109
Deferred shares of 1.5p each		
	6,166,812	6,166,812

The Deferred Ordinary Shares of 1.5p each carry the same rights as the Ordinary 0.5p shares save that they do not carry any rights to vote at general meetings or any rights to receive dividends. The Deferred Ordinary Shares are not capable of transfer at any time without the prior written consent of the Directors and have the right to repayment of the paid up capital only on any winding up or return of capital. It is the intention of the Board to seek Court approval to cancel the Deferred Ordinary Shares and the Share Premium Account in due course.

The Company has granted equity settled share options to selected directors and employees under an EMI scheme. The exercise price is the market value of the shares at the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant then they are forfeited.

At 30 June 2011 there were 11,312,500 (2010: 11,750,000) share options outstanding over the Company's ordinary shares at a weighted average exercise price of 1.98p per share.

Details of the share options issued during the year and outstanding at 30 June 2011 are as follows:-

	2011		2010
	Number of	Weighted	
	Options	average exercise	Number of
		price in (p)	options
			Weighted
			average exercise
			price in (p)
Outstanding at beginning of year	11,750,000	2.00	-
Granted during year	1,000,000	1.75	13,062,500
Forfeited during year	(1,437,500)	2.00	(1,312,500)
	11,312,500	1.98	11,750,000
Outstanding at the end of the year			2.00
Exercisable at 30 June	-	-	-

These share options are normally exercisable between 7 October 2012 and 21 September 2020 providing the employee has been in continuous service for 3 years following the granting of the options.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

16. Share Capital (continued)

The options outstanding at 30 June 2011 had a weighted average exercise price of 1.98p and a weighted average remaining contractual life of 8 years and 4 months.

The fair value of options granted under the scheme is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model for options granted during the year are as follows:

Grant date	21 September 2010
Share price at grant date	1.75p
Exercise price	1.75p
Number of employees	2
Share options granted	1,000,000
Vesting period (years)	3
Expected volatility	211%
Option life (years)	10
Expected life (years)	3
Risk free rate	5.75%
Expected dividends expressed as a dividend yield	0%
Fair value per option	1.75p

Expected volatility was based upon the historical volatility of the Company'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.

Details of the warrants issued during the year and outstanding at 30 June 2011 are as follows:

	2011		2010	
	Number of warrants	Weighted average exercise price in pence	Number of warrants	Weighted average exercise price in pence
Outstanding at beginning of year	9,137,717	2.0	9,137,717	2.0
Granted during year	-	-	-	-
Lapsed during year	(9,137,717)	2.0	-	2.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Outstanding at the end of the year	-	-	9,137,717	2.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17. Share Based Compensation

The Group recognised the following expense related to share-based payments in the year relating to the issue of EMI share options to certain directors and employees of the Group.

	2011	2010
	£	£
Charged to consolidated income statement	62,925	42,573
	<u> </u>	<u> </u>

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

18. Acquisition

In November 2010 and February 2011 the Company purchased two back books of Debt Management clients from One Aim Group Limited which has subsequently gone into liquidation.

The assets acquired were exclusively intangible assets represented by the future income due from the collection of the back book of DMP cases.

At the date of acquisition the fair values of the assets purchased comprised the following:

	Book value	Fair value	Fair Value
	£	Adjustment	£
		£	
Other intangible assets- Debt Management	-	330,282	330,282
Deferred taxation	-	(8,298)	(8,298)
Gain on bargain purchase – negative goodwill	-	(21,337)	(21,337)
	<u>-</u>	<u>300,647</u>	<u>300,647</u>
Settled by:			£
Cash consideration			<u>300,647</u>

The intangible debt management assets acquired are being amortised over 18 months which, in the directors' opinion, is the useful economic life of the assets.

On 22 June 2011 the Company purchased from Invocas a book of IVA cases together with certain debtors relating to the cases and the right to the future income due on those cases. The total consideration due to Invocas was £788,136 which has been paid in full in cash.

The assets acquired were intangible assets represented by the future income due from the collection of the back book of IVA cases together with certain debtors in relation to invoices already raised for fees on the cases which had not yet been paid. At the date of acquisition the fair values of the assets purchased comprised the following:

	Book value	Fair value	Fair Value
	£	Adjustment	£
		£	
Other intangible assets	-	733,000	733,000
Trade receivables	216,000	(116,000)	100,000
Deferred taxation	-	(11,216)	(11,216)
Gain on bargain purchase	-	(33,648)	(33,648)
	<u>216,000</u>	<u>572,136</u>	<u>788,136</u>
Settled by:			£
Cash consideration			<u>788,136</u>

The intangible IVAs acquired are being amortised over 4 years which, in the directors' opinion, is the useful economic life of the assets.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

18. Acquisition (continued)

Included in the results for the year are revenues of £193,995 and a pre-tax profit of £9,038 excluding the gain on purchase of a bargain asset of £54,985.

We have estimated the timing of, and the expected future income due, from the back books acquired less a provision for future expected delinquency together with the estimated costs necessary to collect in the income. This has been produced on a net present value basis to provide an estimate of the fair value of the intangible assets acquired.

The fair value of the net assets acquired was £1,143,768 which is in excess of the £1,088,783 cost of acquisition. Accordingly under IFRS the Consolidated Income Statement has been credited with a gain on bargain purchase of £54,985 in the period.

19. Related party transactions

D E M Mond is a partner in Hodgsons, Chartered Accountants, by whom ClearDebt Group plc ("Group"), ClearDebt Limited ("ClearDebt") and Abacus (Financial Consultants) Ltd ("Abacus") were recharged at cost for Google advertising, travelling, book-keeping, accountancy and utility charges to the value of £85,820 in the year (2010: £340,854). ClearDebt and Abacus have also re-charged Hodgsons at cost £69,704 (2010: £154,954) for certain staff salaries, council taxes and office refurbishment borne by ClearDebt in the year. At 30 June 2011 Hodgsons owed ClearDebt and Abacus £22,595 (2010: £102,304). Group made no payments on behalf of Hodgsons in the year.

As at 30 June 2011 Group had net amounts due from Hodgsons of £49,788 (2010: due to Hodgsons £47,376).

Overall as at 30 June 2011 Hodgsons owed ClearDebt £72,384 (2010: £54,928). No interest is being charged on the outstanding amounts.

D E M Mond made a further loan of £625,000 in the year to 30 June 2011 (2010: £ nil) and received a partial repayment of £310,000 (2010: £nil). As at 30 June 2011 the loan balance was £1,015,000 (2010: £700,000). The loan is repayable on 31 March 2013 or earlier at the Group's discretion. The loan carries interest at a fixed rate of 10.5% per annum and £64,444 (2010: £115,113) was paid by the Group to D E M Mond in the year in respect of interest on the loan.

20. Financial instruments

It is not the Group's policy to enter into financial derivatives. The nature of the Group's operating activities exposes it to credit risk. The Group finances its operations from cash resources, short term loans and convertible debt. At present the financial risks arising from the Group's financing arrangements are considered to be minimal but the Board will continue to review its existing policies on an ongoing basis.

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. The only assets that attract a cash flow risk are cash and cash equivalents.

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.

ClearDebt Group plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

20. Financial instruments (continued)

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 or non interest bearing assets. Floating rate financial assets comprise cash deposits on call and interest was received at a rate of 1.25%. At 30 June 2011 interest bearing financial assets of the Group totalled £53,489 (2010: £30,016).

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 receivables. 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 exposure of the trade receivables are shown at note 12. The total exposure to the Group at 30 June 2011 in respect of trade receivables and cash amounts to £1,756,786 (2010: £1,546,667).

Capital

The Group defines capital as equity and long term debt.

The Group's objective 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 financial liabilities of the Group are all non interest bearing other than the loans which attract a fixed rate of interest as described in note 14.

Maturity of financial liabilities

The maturity profile of the Group's loans as at 30 June 2011 was as follows:

	2011	2010
	£	£
Payable within one year	336,575	303,848
Payable between one and two years	3,739,931	285,386
Payable between two and five years	-	2,928,974
	<u> </u>	<u> </u>

All other financial liabilities are due within one year.

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 2011

21. Operating Lease Commitments

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

	2011	2010
	£	£
Operating leases	153,613	101,470
	<u> </u>	<u> </u>

The future minimum lease payments under operating leases that have initial or remaining terms in excess of one year at 30 June 2011 were as follows:

	2011	2010
	£	£
Payable within one year	133,142	163,156
Payable between one and five years	70,444	127,005
Payable in more than five years	4,685	-
	<u> </u>	<u> </u>
	208,271	290,161
	<u> </u>	<u> </u>

The operating leases represent leases on the office premises used by the Group at its Timperley and Chesterfield sites as well as office equipment and motor vehicles. These leases are due to expire between April 2012 and May 2017.

22. Contingent Liabilities

In December 2009 certain insolvency assets of Relax were purchased from its Administrator and the insolvency related employees were taken on as part of the purchase. Claims have been received from four former employees of Relax Group plc who did not work in the insolvency businesses alleging that they should have transferred to Company as a result of the acquisition. These claims are being vigorously defended and are listed for tribunal hearings over the coming months. We are confident of success given the legal advice received at the time of the acquisition. To date all legal costs have been borne by the Company's employment insurers although there may be potential liabilities in respect of any awards that may ultimately be made against the Company.

The directors are satisfied on the basis of information presently held that no provision is required at the present time.

ClearDebt Group plc
COMPANY BALANCE SHEET
AS AT 30 JUNE 2011

Company Number 02441375

	Notes	2011 £	2010 £
Fixed Assets			
Intangible assets	2	18,472	30,139
Tangible assets	3	6,944	8,112
Investments	4	4,697,757	4,644,769
		<u>4,723,173</u>	<u>4,683,020</u>
Current Assets			
Debtors: amounts falling due within one year	5	82,118	185,090
Debtors: amounts falling due after one year	6	2,840,771	2,626,159
Cash at bank		65,853	350,657
		<u>2,988,742</u>	<u>3,161,906</u>
Creditors: amounts falling due within one year	7	(32,535)	(118,098)
		<u>2,956,207</u>	<u>3,043,808</u>
Net Current Assets		2,956,207	3,043,808
		<u>7,679,380</u>	<u>7,726,828</u>
Total assets less current liabilities		7,679,380	7,726,828
Creditors: amounts falling due after one year	8	(3,414,805)	(2,861,846)
		<u>4,264,575</u>	<u>4,864,982</u>
Net Assets		4,264,575	4,864,982
		<u>6,166,812</u>	<u>6,166,812</u>
Capital and Reserves			
Called up share capital	9	6,166,812	6,166,812
Share premium account	11	279,948	279,948
Share based compensation reserve	11	203,312	101,912
Profit and loss account	11	(2,385,497)	(1,683,690)
		<u>4,264,575</u>	<u>4,864,982</u>
Equity Shareholders' Fund		4,264,575	4,864,982

The financial statements were approved by the Board of Directors and authorised for issue on 23 September 2011 and are signed on its behalf by:

D E M Mond
Director

ClearDebt Group plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Significant Accounting Policies

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 or warrants. 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 company revises its estimates of the number of options or warrants 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 or warrants are exercised.

Non vesting conditions which are not satisfied during the vesting period are treated as cancellations and any remaining expense is accelerated in the period of failure. Share based payments associated with share options granted to employees of subsidiaries of the parent company are treated as an expense of the subsidiary company to be settled by equity of the parent company. The share based payment expense increases the value of the parent company's investment in the subsidiaries and is credited to the Share based payment reserve.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

ClearDebt Group plc
 NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Significant Accounting Policies (continued)

Tangible Fixed Assets

All tangible fixed assets 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:

Fixtures and fittings - 25% straight line

Residual value and estimated remaining lives are reviewed annually.

Other Intangible Assets

Internal and externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives. 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 – websites and databases - 3 years straight line

Loss attributable to the Members of the Parent Company

The Company has taken advantage of Section 408 of the Companies Act 2006 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 £701,807 (2010: £435,574).

2. Intangible Assets

	Other Intangibles £
Cost – 2011	
At 1 July 2010 and 30 June 2011	35,000
Amortisation – 2011	
At 1 July 2010	4,861
Charge for year	11,667
At 30 June 2011	16,528
Net book value	
At 30 June 2011	18,472
Net book value	
At 30 June 2010	30,139

ClearDebt Group plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS

3. Tangible assets

	Fixtures and fittings £
Cost – 2011	
At 1 July 2010	9,316
Additions	2,405
At 30 June 2011	<u>11,721</u>
Depreciation – 2011	
At 1 July 2010	1,204
Charge for the year	3,573
At 30 June 2011	<u>4,777</u>
Net book value	
At 30 June 2011	<u>6,944</u>
Net book value	
At 30 June 2010	<u>8,112</u>

4. Fixed Asset Investments

	Shares in Subsidiary undertakings £
Cost	
As at 1 July 2010	4,644,769
Investment in subsidiaries -Share based payments	52,988
As at 30 June 2011	<u>4,697,757</u>

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

Company	Activity	Class of shares	Holding	Profit/ (loss) for period £	Reserves 30 June 2011 £
ClearDebt Limited	Financial Advisors	Ordinary	100%	780,471	748,089
ClearCash Limited	Pre-Paid Card	Ordinary	100%	(41,154)	(48,121)
Abacus (Financial Consultants) Limited	Debt Management	Ordinary	100%	80,867	254,082
The Debt Advice Portal Limited	Dormant	Ordinary	100%	-	-
Clear Finance Solutions Limited	Dormant	Ordinary	75.1%	-	-
Reclaim Assistance Limited	Dormant	Ordinary	100%	-	-
CDG (Guernsey) Limited	Investments	Ordinary	100%	-	96,496

ClearDebt Group plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS

5. Debtors: amounts falling due within one year

	2011 £	2010 £
Other debtors	55,188	-
Prepayments and accrued income	26,930	26,117
Deferred tax asset	-	158,973
	<u>82,118</u>	<u>185,090</u>

The deferred tax asset relates to tax losses available to offset against future taxable profits. The balance in 2010 has been reclassified to debtors amounts falling due after more than one year. Detailed forecasts have been prepared for the next 5 years. A provision of £75,000 has been made in 2011 against the recoverability of the brought forward balance as present forecasts show that these will not be utilised in the next 5 years. See note 6.

6. Debtors: amounts falling due after one year

	2011 £	2010 £
Amounts owed by Group undertakings	2,762,583	2,626,159
Deferred tax asset	78,188	-
	<u>2,840,771</u>	<u>2,626,159</u>

7. Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	16,069	23,958
Accruals	16,466	94,140
	<u>32,535</u>	<u>118,098</u>

8. Creditors: amounts falling due after one year

	2011 £	2010 £
Amounts owed to Group undertakings	2,399,805	2,161,846
Loan	1,015,000	700,000
	<u>3,414,805</u>	<u>2,861,846</u>

The loan to D E M Mond of £1,015,000 (2010: £700,000) is repayable on 31 March 2013 or earlier at the Company's discretion although there is a confirmation in place that this support will continue should the Company not be in a position to repay the loan and continue to meet other liabilities as they fall due. Loan repayments may only be made with permission of the secured convertible loan note holders on condition that forecasts show minimum working capital of £500,000 for the 6 months following repayment. Interest of £64,444 (2010: £115,513) was paid by the Company to D E M Mond in the year in respect of his loans.

ClearDebt Group plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS

9. Share capital

	2011 £	2010 £
Company		
Allotted, called up and fully paid:		
Ordinary share capital		
308,340,567 (2010: 308,340,567)	1,541,703	1,541,703
Ordinary shares of 0.5 pence each		
Deferred ordinary share capital 308,340,567 (2010: 308,340,567)	4,625,109	4,625,109
Deferred shares of 1.5p each		
	6,166,812	6,166,812

The Deferred Ordinary Shares of 1.5p each carry the same rights as the Ordinary 0.5p shares save that they do not carry any rights to vote at general meetings or any rights to receive dividends. The Deferred Ordinary Shares are not capable of transfer at any time without the prior written consent of the Directors and have the right to repayment of the paid up capital only on any winding up or return of capital. It is the intention of the Board to seek Court approval to cancel the Deferred Ordinary Shares and the Share Premium Account in due course.

Details of the share options issued during the year and outstanding at 30 June 2011 are as follows:-

	2011 Number of Options	2011 Weighted average exercise price in (p)	Number of options	2010 Weighted average exercise price in (p)
Outstanding at beginning of year	11,750,000	2.00	-	-
Granted during year	1,000,000	1.75	13,062,500	2.00
Forfeited during year	(1,437,500)	2.00	(1,312,500)	2.00
Outstanding at the end of the year	11,312,500	1.98	11,750,000	2.00
Exercisable at 30 June	-	-	-	-

These share options are normally exercisable between 7 October 2012 and 21 September 2020 providing the employee has been in continuous service for 3 years following the granting of the options.

The options outstanding at 30 June 2011 had a weighted average exercise price of 1.98p and a weighted average remaining contractual life of 8 years and 4 months.

ClearDebt Group plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS

9. Share capital (continued)

The fair value of options granted under the scheme is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model for options granted during the year are as follows:

Grant date	21 September 2010
Share price at grant date	1.75p
Exercise price	1.75p
Number of employees	2
Share options granted	1,000,000
Vesting period (years)	3
Expected volatility	211%
Option life (years)	10
Expected life (years)	3
Risk free rate	5.75%
Expected dividends expressed as a dividend yield	0%
Fair value per option	1.75p

Expected volatility was based upon the historical volatility of the Company'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.

Details of the warrants issued during the year and outstanding at 30 June 2011 are as follows:

	2011		2010	
	Number of warrants	Weighted average exercise price in (p)	Number of warrants	Weighted average exercise price in (p)
Outstanding at beginning of year	9,137,717	2.0	9,137,717	2.0
Granted during year	-	-	-	-
Lapsed during year	(9,137,717)	2.0	-	-
Outstanding at the end of the year	-	-	9,137,717	2.0

10. Related party transactions

At 30 June 2011 £49,788 was owed by Hodgsons and D E M Mond (2010: owed to £47,377). The highest balance in the year was £55,188 and the lowest balance £39,457.

ClearDebt Group plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS

11. Equity reserves

	Share based compensation £	Share premium £	Profit and loss account £
Company			
At 1 July 2010	101,912	279,948	(1,683,690)
Share based compensation	101,400	-	-
Loss for the year	-	-	(701,807)
	<hr/>	<hr/>	<hr/>
At 30 June 2011	203,312	279,948	(2,385,497)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. Contingent Liabilities

In December 2009 certain insolvency assets of Relax were purchased from its Administrator and the insolvency related employees were taken on as part of the purchase. Claims have been received from four former employees of Relax Group plc who did not work in the insolvency businesses alleging that they should have transferred to Company as a result of the acquisition. These claims are being vigorously defended and are listed for tribunal hearings over the coming months. We are confident of success given the legal advice received at the time of the acquisition. To date all legal costs have been borne by the Company's employment insurers although there may be potential liabilities in respect of any awards that may ultimately be made against the Company.

The directors are satisfied on the basis of information presently held that no provision is required at the present time.

ClearDebt Group plc
SHAREHOLDER INFORMATION

Trading Record

	IFRS 2011 £	IFRS 2010 £	IFRS 2009 £	IFRS 2008 £
Revenue	7,776,362	6,633,995	3,386,935	1,869,190
Profit/(loss) for the financial period	71,036	342,235	407,062	(697,264)
Cash generated by/(used in) operations	1,045,707	1,466,180	380,807	(652,233)