

# CLEARDEBT GROUP PLC

## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

for the year ended  
30 June 2007

# CLEARDEBT GROUP PLC

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# CLEARDEBT GROUP PLC

## DIRECTORS, OFFICERS AND ADVISERS

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### DIRECTORS

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

### SECRETARY

D E M Mond

### REGISTERED OFFICE

Nelson House  
Park Road  
Timperley  
Cheshire  
WA14 5BZ

### AUDITORS

Baker Tilly UK Audit LLP  
Chartered Accountants  
Brazenose House  
Lincoln Square  
Manchester  
M2 5BL

### BROKERS

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

### NOMINATED ADVISORS

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

### REGISTRARS

Neville Registrars  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands

### SOLICITORS

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

### BANKERS

Barclays Bank Plc  
1 Bridge Street  
Stockport  
Cheshire  
SK1 1XU

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

# CLEARDEBT GROUP PLC

## CHAIRMAN'S STATEMENT

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I present the Group's financial statements for the year ended 30 June 2007.

For the period under review, the Group made an operating loss of £1,018,081 (18 months ended 30 June 2006: £697,791) after amortisation of goodwill and capitalised development costs of £346,558 (2006: £173,277), a disappointing result. However, the figures cover a period of considerable turmoil within the industry resulting from the resistance of certain creditors to individual voluntary arrangements. The challenging market place is in line with that which we reported at the time of our interim results on 5 March 2007. We believe a resolution to these industry problems is nearing a satisfactory conclusion and we believe it is expected that a favourable announcement will be forthcoming from the Insolvency Service/British Bankers Association in the not too distant future.

The Group's balance sheet shows net current assets of £1,195,387 (2006:£878,549) including cash of £849,795 (2006: £721,599) which is sufficient to continue to develop the Group's strategy over the next 12 months.

I am happy to report the acquisition of Abacus (Financial Consultants) Limited which was completed on 17 July 2007. This will add considerable support to the ClearDebt model especially now that the Group has successfully consolidated its move to new offices, bringing Abacus and ClearDebt together within the same building.

I have every confidence regarding the Group's prospects and look forward to a successful future, encompassing the integration of Abacus and the provision of a complete offering of appropriate debt solutions to financially impaired debtors.

Gerald Carey FCIB  
Chairman  
1 October 2007

# CLEARDEBT GROUP PLC

## CHIEF EXECUTIVE'S STATEMENT

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### THE CONSUMER DEBT MARKET

ClearDebt Group operates within the debt relief sector, an established sub-category of financial services. The sector has seen considerable growth over the last 2 years due to the expansion in consumer debt and insolvency.

There is currently a debate within the wider financial services industry as to how best to deal with the UK's rising level of consumer debt, with a particular emphasis on the fees charged by IVA providers. ClearDebt believes that a number of banks and credit card companies have decided to reject certain IVAs on the grounds that the fees proposed are too high.

This policy has led to a reduction in the number of IVAs passed during the past six months, a theme that is reflected across the industry.

ClearDebt believes that this is part of a policy to persuade IVA providers to change their business models to charging a lower fee, based on the life of the IVA, rather than the model favoured by many IVA providers, which focuses on taking the majority of the fee at the start of the contract. This policy has led to a considerable level of failure and disenchantment within the creditor community.

As a leading member of the Debt Resolution Forum, ClearDebt has been in constant negotiation with the creditor community. There is a genuine will on both sides to come to an amicable agreement, with both creditors and debt resolution companies aware that the current governmental position is stated as being in favour of the provision of IVAs for consumer insolvency. As mentioned in the Chairman's statement the industry debate is coming to a satisfactory conclusion and an announcement is expected shortly.

ClearDebt believes that its model, based on a lower initial fee and with supervisory income taken as a percentage of contributions drawn over the life of the IVA, which matches the preferences of the creditor community, will become the industry standard. Whilst the current situation has put pressure across the sector, ClearDebt believes that once agreement has been reached, the Group will be in a relatively strong position.

### THE ClearDebt MODEL

Unlike many of its major competitors in the consumer IVA market, ClearDebt has developed a low overhead, high quality model, based on Kaizen manufacturing principles and an intelligent internet interface – [www.cleardebt.co.uk](http://www.cleardebt.co.uk). This model allows the Group's cost base to be kept to a minimum level that is still compatible with the higher level of service provided. It also facilitates efficient growth as there is minimal need to hire new staff until customer number thresholds have been breached.

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

It is significant that this provides the Group with a capacity to handle lower levels of debt than many of our major competitors. The Group believes that this will prove advantageous following the expected introduction of the proposed "SIVA", a simplified IVA procedure, following which the Company believes that there will be a rapid increase in lower level IVA cases.

This model is also vital in the emerging industry discussion between creditors and debt resolution companies. ClearDebt already has a model in place which meets many of the major creditors' arguments, which primarily focus on IVA providers taking the majority of fees upfront. ClearDebt believes that its model will eventually become an industry standard, and could lead to the potential referral of large numbers of new clients directly from creditor institutions.

# CLEARDEBT GROUP PLC

## CHIEF EXECUTIVE'S STATEMENT

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### OPERATIONAL REVIEW

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

	Year ended 30 June 2007	Year ended 30 June 2006
	No	No
First quarter	74	23
Second quarter	53	31
Third quarter	46	44
Fourth quarter	31	81
	<u>204</u>	<u>179</u>

Whilst the second half of the year shows a reduction in growth for reasons mentioned above, ClearDebt's web based model is attracting considerable interest and generating customers for our services. The increase in both website hits and current IVAs in the pipeline has been driven by an intelligent marketing mix. Natural search is augmented by search engine optimization, cost per click, recommendations and email newsletters, augmented by a growing band of independent referrers. This programme has established a strong brand awareness, built around the "Debt is a Monster – Tame it" campaign.

### FINANCIAL REVIEW

The results for the year are disappointing and steps have been implemented to address the slow acquisition of cases and to adjust our marketing expenditure accordingly. The increase in operating costs in the main reflects expenditure on advertising and other marketing initiatives which because of the industry problems referred to above has had a negative impact on our performance.

### ACQUISITION OF ABACUS

On 17 July 2007, the Group completed the acquisition of Abacus (Financial Consultants) Limited ("Abacus") for a total consideration of up to £6.2m. The rationale for the acquisition was threefold:

- to utilise the Abacus call centre as the first interface with prospective clients which will improve conversion rates and times;
- to broaden the Group's product offering by adding Abacus's developed debt management plan ("DMP") and loan services; and
- to build up our pipeline of IVAs.

The Group now has a more balanced product offering.

Abacus has proven its marketing expertise in the consumer debt market. The Board expects the integration of these skills to enhance ClearDebt's distribution capabilities.

The results from the transaction are yet to be seen. However, with the move to new premises on 7 September 2007, the integration of Abacus has now taken place and is beginning to show increases in business. The Board believes that the combination of low cost IVAs, DMPs and loan offerings as well as internal lead generation will provide the Group with the ability to compete in the debt resolution market and that the Group will be in a strong position to grow going forward.

The Group also welcomes Daniel Morris, now appointed as Business Development Director.

# CLEARDEBT GROUP PLC

## CHIEF EXECUTIVE'S STATEMENT

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### FUTURE OUTLOOK

The immediate outlook for the Group is highly dependent on the resolution of the current debate between creditors and the debt resolution companies. There are, however, numerous positives for the longer term.

Firstly, the Government's stated position is in favour of IVAs. Vitality, the long term commercial gain for creditors will be made through passing IVAs and not through constant moves towards bankruptcy. Unsecured consumer debt continues to rise. In combination with rising interest rates, this could cause a consumer insolvency explosion, for which IVAs are the only viable solution. Finally, ClearDebt's low cost model is closely aligned to the creditors' position and could be a source of referrals from creditors.

When taking these points into account, and considering the more diverse product offering created through the Abacus acquisition, the Board remains confident for the Group's long term future prospects.

David Emanuel Merton Mond FCA FCCA  
Chief Executive Officer  
1 October 2007

# CLEARDEBT GROUP PLC

## DIRECTORS' REPORT

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The directors submit their report and the group financial statements of ClearDebt Group Plc for the year ended 30 June 2007.

### PRINCIPAL ACTIVITIES

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.

### RESULTS AND DIVIDENDS

The Group profit and loss account is set out on page 14 and shows the loss for the year. The directors do not recommend the payment of a dividend.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions or donations to UK charities during the period (2006: £nil).

### REVIEW OF THE BUSINESS

The results for the period are shown in the profit and loss account and are reviewed in the Chairman's and Chief Executive's respective Statements on pages 3 to 6.

On the 29 December 2006 the Company issued 31,746,031 ordinary shares of 2p for cash consideration of 3.15p per share.

### FUNDING AND LIQUIDITY MANAGEMENT

The Group's funding and liquidity management policy during the year ended 30 June 2007 was to provide suitable, flexible funding arrangements to satisfy the Group's requirements. The Group uses financial instruments comprising borrowings, cash, and trade receivables and trade payables that arise directly for its operations to achieve its financial and operation objectives.

### MARKET RISK

Commentary is on page 4 of the Chief Executive's statement.

### KEY PERFORMANCE INDICATORS

Commentary is on pages 4 and 5 of the Chief Executive's Statement.

### FUTURE DEVELOPMENTS

The future developments for the business are discussed in the Chief Executive's Statement on page 6.

### EMPLOYEE INVOLVEMENT

The Group supports the employment of disabled persons wherever possible both in recruitment and by retention of those who become disabled during their employment.

Appropriate steps are taken to inform and consult employees regarding matters affecting them and the Group.

The Group's policy regarding health and safety is to ensure that, as far as is practicable, there is a working environment which will minimise the risk to health and safety of employees and those persons who are authorised to be on its premises.

# CLEARDEBT GROUP PLC

## DIRECTORS' REPORT

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### DIRECTORS

The following directors have held office during the period:

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

### THE DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

	30 June 2007		30 June 2006	
	Ordinary Shares No	Warrants No	Ordinary Shares No	Warrants No
G Carey	1,020,000	100,000	1,020,000	100,000
D E M Mond	119,054,616	10,451,047	103,700,000	9,870,000
A F Smith	6,750,000	675,000	6,750,000	675,000
A J Leon	-	-	-	-

On 3 July 2007 A J Leon subscribed for 500,000 ordinary shares.

### CORPORATE GOVERNANCE

A statement by the directors on corporate governance is given on page 9.

### CREDITOR PAYMENT POLICY

The Group does not follow a standard code of practice but operates a prompt payment policy in settling outstanding debts. It is Group policy that payments to suppliers are made in accordance with the terms agreed, provided that these suppliers have also complied with applicable terms and conditions. Creditor days at 30 June 2007 were 30 (2006: 30).

### AWARENESS OF RELEVANT AUDIT INFORMATION

At the date of approval of the financial statements, so far as each of the directors is aware, there is no relevant audit information of which the auditors are unaware. The directors have taken all the necessary steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### AUDITORS

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provision of the Companies Act 1989 section 26 Para (5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By Order of the Board.

**D E M Mond**  
Secretary  
1 October 2007

# CLEARDEBT GROUP PLC

## CORPORATE GOVERNANCE STATEMENT

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### PRINCIPLES OF CORPORATE GOVERNANCE

The Group is committed to applying the highest principles of corporate governance commensurate with its size.

### BOARD STRUCTURE

The Group is managed by a board consisting of a chairman, two executive directors and one non-executive director who retain responsibility for the formulation of corporate strategy, approval of acquisitions, divestments and major capital expenditure and treasury policy. The appointment of new directors is a matter reserved for the board as a whole rather than for a separate nomination committee.

The board meets regularly and has a schedule of matters specifically referred to it for decision. All directors have access to advice from the company secretary and training is available for directors as necessary.

### INTERNAL CONTROL

The directors have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can only provide reasonable and not absolute assurance. The board has reviewed the operation and effectiveness of the system of internal control in operation during the period.

The trading company is managed locally with a clearly defined responsibility for the operation of the business to meet standards required by both the Group and appropriate regulatory authorities. In addition, annual plans and longer term overviews of objectives are prepared by the business management team and reviewed at minuted meetings attended by at least one Group director.

Management is also responsible for assessing and minimising all business risks. The Group board has ultimate responsibility for ensuring the Group's business and financial risks are minimised and provides support to management in matters relating to regulatory compliance, health and safety, environment, quality systems and insurance cover for property and liability risks.

Monthly accounts with commentary on current period performance compared with planned performance, together with key ratio analysis and working capital information, are prepared in accordance with Group accounting policies and principles. They are consolidated and reviewed by the board to monitor overall performance and appropriate management intervention.

Management monitors the funding requirements of, and the banking facilities provided to the Group in addition to the management of investment and treasury procedures. Capital and significant investment expenditure is approved against performance criteria through a structure of authority limits.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The board has reviewed the effectiveness of the internal controls of the Group. The processes used in this review include:

- Reviewing reports from external auditors on the system of internal control, which highlights any material control weaknesses.
- Discussions with executive management regarding the actions taken on problem areas identified by board members or in the external audit reports.

Management control of the Group's operations is delegated to executive directors who exercise this control through an organisational structure with clearly defined levels of responsibility, authority and reporting.

# CLEARDEBT GROUP PLC

## CORPORATE GOVERNANCE STATEMENT

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### INTERNAL CONTROL (continued)

Financial performance, on a company and consolidated basis, is reported regularly throughout the period. Significant variances from budget and forecasts are investigated. Group financial policies are operated by the trading subsidiary. The Group finance director supplemented by external audit reviews monitors compliance with these policies. The results of such reviews are reported to the audit committee.

The board has considered the need for an internal audit function but has concluded that the size and complexity of the Group does not justify the expense at present. The need for an internal audit function will continue to be reviewed periodically.

### RELATIONS WITH SHAREHOLDERS

The board attaches great importance to maintaining good relationships with shareholders. The board regards the Annual General Meeting as an opportunity to communicate directly with investors, who are encouraged to participate.

### GOING CONCERN

The directors having considered the resources available to the Group, the trading and cashflow projections for the current financial year, and the alternative strategies open to them have confirmed that, in their opinion, the Group has sufficient financial resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# CLEARDEBT GROUP PLC

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CLEARDEBT GROUP PLC

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We have audited the financial statements of ClearDebt Group Plc for the year ended 30 June 2007 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, consolidated cash flow statement, reconciliation of shareholders' funds and related notes.

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

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, in our opinion, if the directors' report is consistent with the financial statements.

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

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

## **Basis of opinion**

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

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

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

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CLEARDEBT GROUP PLC

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## **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group at 30 June 2007 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK Audit LLP  
Registered Auditor  
Brazennose House  
Lincoln Square  
Manchester, M2 5BL

1 October 2007

**CLEARDEBT GROUP PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 30 June 2007

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	Notes	Year ended 30 June 2007 £	18 Months ended 30 June 2006 (Restated) £
TURNOVER	1	420,963	174,796
Cost of sales		(647,457)	(284,289)
<b>GROSS LOSS</b>		<u>(226,494)</u>	<u>(109,493)</u>
Administrative expenses excluding amortisation		(445,029)	(146,497)
Goodwill and capitalised development cost amortisation		(346,558)	(173,277)
Share based payment charge		-	(268,704)
Total administrative expenses		(791,587)	(588,478)
<b>OPERATING LOSS</b>	2	<u>(1,018,081)</u>	<u>(697,971)</u>
Interest receivable		37,535	16,151
Interest payable and similar charges	5	-	(89,512)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(980,546)</u>	<u>(771,332)</u>
Taxation on loss on ordinary activities	6	-	-
<b>RETAINED LOSS FOR THE FINANCIAL YEAR/PERIOD</b>	15	<u>(980,546)</u>	<u>(771,332)</u>
Loss per share (basic and diluted)	7	(0.36)p	(0.85)p

The Group has no recognised gains or losses other than the results for the year as set out above.

No note of historical cost profits and losses has been prepared as the historical cost profits and losses are the same as detailed in the above profit and loss account.

All items above from turnover to operating loss are derived from continuing operations.

**CLEARDEBT GROUP PLC**  
**CONSOLIDATED BALANCE SHEET**  
at 30 June 2007

	<i>Notes</i>	2007 £	2006 £
<b>FIXED ASSETS</b>			
Intangible assets	9	2,790,987	3,137,545
Tangible assets	10	155,378	116,404
		<u>2,946,365</u>	<u>3,253,949</u>
<b>CURRENT ASSETS</b>			
Debtors	12	594,246	443,387
Cash at bank and in hand		849,795	721,599
		<u>1,444,041</u>	<u>1,164,986</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	(248,654)	(286,437)
<b>NET CURRENT ASSETS</b>		<u>1,195,387</u>	<u>878,549</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,141,752</u>	<u>4,132,498</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	5,776,812	5,141,891
Share premium account	15	407,046	52,167
Profit and loss account	15	(2,042,106)	(1,061,560)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>4,141,752</u>	<u>4,132,498</u>

The financial statements were approved and authorised for issue by the Board on 1 October 2007

D E M Mond  
Director

**CLEARDEBT GROUP PLC**  
**COMPANY BALANCE SHEET**  
at 30 June 2007

	<i>Notes</i>	2007 £	2006 £
<b>FIXED ASSETS</b>			
Investments	11	3,085,000	3,085,000
<b>CURRENT ASSETS</b>			
Debtors	12	1,540,487	702,647
Cash at bank and in hand		814,130	714,380
		<u>2,354,617</u>	<u>1,417,027</u>
CREDITORS: Amounts falling due within one year	13	(113,124)	(29,921)
NET CURRENT ASSETS		<u>2,241,493</u>	<u>1,387,106</u>
NET ASSETS		<u>5,326,493</u>	<u>4,472,106</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	5,776,812	5,141,891
Share premium account	15	407,046	52,167
Profit and loss account	15	(857,365)	(721,952)
EQUITY SHAREHOLDERS' FUNDS		<u>5,326,493</u>	<u>4,472,106</u>

The financial statements were approved and authorised for issue by the board on 1 October 2007

D E M Mond  
Director

**CLEARDEBT GROUP PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 30 June 2007

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	<i>Notes</i>	Year ended 30 June 2007 £	18 months ended 30 June 2006 £
Net cash outflow from operating activities	17a	(809,137)	(291,781)
Returns on investments and servicing of finance	17b	37,535	16,151
Taxation		-	-
Capital expenditure and financial investment	17b	(90,002)	(31,333)
Acquisition of subsidiary		-	5,922
<b>CASH OUTFLOW BEFORE FINANCING</b>		<u>(861,604)</u>	<u>(301,041)</u>
Financing	17b	989,800	1,010,734
<b>INCREASE IN CASH IN THE YEAR / PERIOD</b>	17c	<u>128,196</u>	<u>709,693</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>		Year ended 30 June 2007 £	18 months ended 30 June 2006 £
Movement in cash		128,196	709,693
Net funds brought forward		721,599	11,906
Net funds carried forward		<u>849,795</u>	<u>721,599</u>

**CLEARDEBT GROUP PLC**  
**RECONCILIATION OF SHAREHOLDERS' FUNDS**  
for the year ended 30 June 2007

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GROUP

	Year ended 30 June 2007 £	18 months ended 30 June 2006 (Restated) £
Loss for the financial period	(980,546)	(771,332)
New equity share capital subscribed	634,921	4,892,078
Share premium on new share capital subscribed	365,079	52,167
Share premium utilised for new share issue	(10,200)	(336,766)
Credit to equity for share based payment	-	268,704
	<u>9,254</u>	<u>4,104,851</u>
Opening equity shareholders' funds	4,132,498	27,647
	<u>4,141,752</u>	<u>4,132,498</u>

COMPANY

	Year ended 30 June 2007 £	18 months ended 30 June 2006 (Restated) £
Loss for the financial period	(135,413)	(431,724)
New equity share capital subscribed	634,921	4,892,078
Share premium on new share capital subscribed	365,079	52,167
Share premium utilised for new share issue	(10,200)	(336,766)
Credit to equity for share based payment	-	268,704
	<u>854,387</u>	<u>4,444,459</u>
Opening equity shareholders' funds	4,472,106	27,647
	<u>5,326,493</u>	<u>4,472,106</u>

# CLEARDEBT GROUP PLC

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

### CHANGE IN ACCOUNTING POLICIES

The company has consistently applied all relevant accounting standards except for the changes in accounting standards as detailed below.

FRS 20 “Share based Payment” is effective for unlisted companies (including AIM companies) for accounting periods beginning on or after 1 January 2006. In accordance with the standard, the cost of share options awarded to employees measured by reference to their fair value at the date of grant is recognised over the vesting period of the options based on the number of options which in the opinion of the Directors will ultimately vest. An analysis of the impact of FRS 20 on prior year periods is shown at note 23.

### BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the Company and all Group undertakings. The subsidiary undertaking’s accounts are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and amortised over its estimated useful life from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent undertaking is omitted from the Group financial statements by virtue of Section 230 of the Companies Act 1985.

### GOING CONCERN

The financial statements are prepared on a going concern basis, which assumes the Group will continue in operational existence for the foreseeable future. The Group’s ability to meet its future working capital requirements and therefore continue as a going concern is dependent upon it being able to generate significant revenues and free cash flow. The directors have prepared projections, which they consider to be prudent and demonstrate that the business can operate within its existing cash resources. These projections are dependent on an increased number of new cases and the injection of new funds from one of the directors in the post balance sheet period. The directors have identified a series of realistically achievable actions that they are committed to taking to mitigate the rate of cash outflow should revenues not be secured as predicted.

### TURNOVER

The turnover shown in the group profit and loss account represents amounts in respect of the provision of financial solutions to individuals experiencing personal debt problems. Turnover is largely derived from nominee and supervisory fees which results from individual voluntary arrangements (IVA). These fees are recognised as follows:

*Nominee fees:* on the approval by the creditors of a finalised IVA proposal

*Supervisory fees:* on a monthly basis, commencing on approval by creditors of the IVA

### COST OF SALES

Cost of sales represent the direct staff costs, the cost of advertising, new advertising creative, promotional and disbursements on specific cases. The cost of advertising is carried forward for a period of four months from the date of inception of the campaign and then amortised over a period which the directors consider to match the benefits received from that campaign. This represents a departure from GAAP the effect of which has been quantified and confirmed as being immaterial.

### AMORTISATION

Amortisation is calculated so as to write off the cost of intangible assets less their estimated residual value, over the useful economic life of the asset as follows:

Development costs	- 25% straight line
Goodwill	- 10% straight line

The directors review the carrying value of development costs and goodwill on a regular basis and, if appropriate, impair the value of development cost and goodwill as required.

# CLEARDEBT GROUP PLC

## ACCOUNTING POLICIES

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### DEPRECIATION

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Software development	- 25% straight line
Fixtures and fittings	- 25% straight line

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

### 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.

### 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 difference 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 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 AND LIQUID RESOURCES

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

### SHARE BASED COMPENSATION

The Group has applied the requirements of FR20 Share-based Payments.

The Group has issued warrants to subscriber shareholders and one of its advisers. Equity-settled share-based payments (warrants) are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

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.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share based payments.

**CLEARDEBT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2007

1      **TURNOVER**

The whole of the turnover is attributable to the principal activity of the Group, which is the provision of IVA and other financial advice and appropriate solutions to individuals experiencing personal debt problems. All turnover originated in the United Kingdom.

2      **OPERATING LOSS**

	Year ended 30 June 2007	18 months ended 30 June 2006
	£	£
Operating profit is stated after charging:		
Amortisation	346,558	173,277
Depreciation:		
- owned assets	51,028	16,666
Auditors' remuneration		
Baker Tilly		
- audit services (2006 audit fees)	-	18,450
- tax compliance	-	2,000
Baker Tilly UK Audit LLP-		
- audit services (2007 audit fees)	16,900	-
- tax compliance	2,500	-
- corporate finance	77,000	-
	<u>                    </u>	<u>                    </u>

3      **EMPLOYEES**

	Year ended 30 June 2007	18 months ended 30 June 2006
	£	£
The aggregate payroll costs of the staff consist of:		
Wages and salaries	228,533	105,220
Social security costs	22,350	7,462
	<u>                    </u>	<u>                    </u>
	<u>250,883</u>	<u>112,682</u>

	Number	Number
The average monthly number of staff employed by the group during the financial period amounted to:		
Directors	3	3
Advice team, management and administration	2	2
IVA processing team	8	6
	<u>                    </u>	<u>                    </u>
	<u>13</u>	<u>11</u>

**CLEARDEBT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2007

4	DIRECTORS' EMOLUMENTS	Year ended 30 June 2007 £	18 months ended 30 June 2006 £
	The aggregate emoluments in respect of qualifying services were:		
	Directors' fees	48,000	27,000
	Directors' emoluments	19,656	12,667
		<u>67,656</u>	<u>39,667</u>
5	INTEREST PAYABLE AND SIMILAR CHARGES	Year ended 30 June 2007 £	18 months ended 30 June 2006 £
	Additional amounts payable on repayment of Sound Financial plc loan (see note 24)	-	89,512
		<u>-</u>	<u>89,512</u>
6	TAXATION	Year ended 30 June 2007 £	18 months ended 30 June 2006 £
	Corporation tax at 30% (2006: 30%)	-	-
	Total current tax	<u>-</u>	<u>-</u>
	Deferred tax:		
	Origination of and reversal of timing differences	<u>-</u>	<u>-</u>
	Tax on profit on ordinary activities	<u>-</u>	<u>-</u>
	Factors affecting the tax charge for the year		
		Year ended 30 June 2007 £	18 months ended 30 June 2006 £
	Loss on ordinary activities before taxation	(980,546)	(771,332)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2006: 30%)	<u>(294,164)</u>	<u>(231,399)</u>
	Effects of:		
	Non deductible expenses	233	49,721
	Depreciation in excess of capital allowances	93,543	2,631
	Origination of tax losses	200,388	179,047
		<u>-</u>	<u>-</u>
	Current tax charge	<u>-</u>	<u>-</u>

# CLEARDEBT GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 30 June 2007

The Group has unrecognised deferred tax assets of £338,132 at 30 June 2007 and £164,054 at 30 June 2006, which have arisen mainly due to trading losses carried forward. This asset will be recognised when the Group's ability to realise the asset becomes more certain.

#### 7 LOSS PER SHARE

The calculations of earnings per share are based on the following losses and numbers of shares.

	Year ended 30 June 2007	18 months ended 30 June 2006
	£	£
Loss for the financial year / period	(980,546)	(771,332)
	=====	=====
	2007	2006
Weighted average number of shares	No. of shares	No. of shares
For basic earnings per share	273,011,039	91,235,958
	=====	=====

There is no difference between the basic and diluted loss per share as the outstanding warrants would have had the effect of reducing the loss per ordinary share and would, therefore, not be dilutive under the terms of Financial Reporting Standard ("FRS") 22.

#### 8 LOSS ATTRIBUTABLE TO THE MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company for the year ended 30 June 2007 was £135,413 (2006: £431,724).

#### 9 INTANGIBLE FIXED ASSETS

	Goodwill	Development costs	Total
	£	£	£
<i>GROUP</i>			
<i>Cost</i>			
At 1 July 2006 and 30 June 2007	3,230,510	80,312	3,310,822
	=====	=====	=====
<i>Amortisation</i>			
At 1 July 2006	161,524	11,753	173,277
Charge for the year	323,052	23,506	346,558
At 30 June 2007	484,576	35,259	519,835
	=====	=====	=====
<i>Net Book Value</i>			
At 30 June 2007	2,745,934	45,053	2,790,987
At 30 June 2006	3,068,986	68,559	3,137,545
	=====	=====	=====

The company holds no intangible fixed assets.

**CLEARDEBT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2007

10	<b>TANGIBLE FIXED ASSETS</b>			
		Software Development	Fixtures & Fittings	Total
		£	£	£
	<i>GROUP</i>			
	<i>Cost</i>			
	At 1 July 2006	92,457	40,613	133,070
	Additions	74,533	15,469	90,002
	At 30 June 2007	<u>166,990</u>	<u>56,082</u>	<u>223,072</u>
	<i>Depreciation</i>			
	At beginning of period	11,697	4,969	16,666
	Charge for the year	37,230	13,798	51,028
	At 30 June 2007	<u>48,927</u>	<u>18,767</u>	<u>67,694</u>
	<i>Net book value</i>			
	At 30 June 2007	<u>118,063</u>	<u>37,315</u>	<u>155,378</u>
	At 30 June 2006	<u>80,760</u>	<u>35,644</u>	<u>116,404</u>

The company holds no tangible fixed assets.

11	<b>INVESTMENTS</b>		
		2007	2006
		£	£
	<i>COMPANY</i>		
	Investments in subsidiary undertakings:		
	Cost	3,085,000	3,085,000

The subsidiary undertakings at 30 June 2007, all of which were incorporated in England and Wales, are as follows:

Company	Activity	Class of Shares	Holding
ClearDebt Limited	Financial Advisors	Ordinary	100%
Carrwood Limited	Dormant	Ordinary	100%

**CLEARDEBT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2007

12	DEBTORS	2007 Group £	2006 Group £	2007 Company £	2006 Company £
	Trade debtors	147,370	209,380	-	-
	Other debtors	16,495	28,411	31,097	6,063
	Amounts owed by group undertakings	-	-	1,218,733	680,366
	Acquisition advancement (see note 18)	258,090	-	258,090	-
	Prepayments and accrued income	172,291	205,596	32,567	16,218
		<u>594,246</u>	<u>443,387</u>	<u>1,540,487</u>	<u>702,647</u>

Included within other debtors is £15,000 (2006: £nil) relating to amounts owed by related parties (Note 24).

Included within prepayments and accrued income is £50,636 (2006: £nil) relating to amounts owed by related parties (Note 24).

Regarding the amount owed by group undertakings of £1,218,733 at 30 June 2007, the Company has agreed, by way of a letter of support, that this debt shall not be payable by the subsidiary undertaking ClearDebt Limited until after more than one year from the date of approval of the balance sheet.

13	CREDITORS: Amounts falling due within one year	2007 Group £	2006 Group £	2007 Company £	2006 Company £
	Trade creditors	104,356	143,143	95,756	-
	Other creditors	15,510	35,097	-	22,627
	Other taxes and social security costs	7,000	5,133	-	-
	Accruals	121,788	103,064	17,368	7,294
		<u>248,654</u>	<u>286,437</u>	<u>113,124</u>	<u>29,921</u>

Included within other creditors is £15,510 (2006: £35,097) relating to amounts owed by related parties (Note 24).

**CLEARDEBT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2007

14	SHARE CAPITAL	30 June 2007	30 June 2006
		£	£
	Company		
	Authorised share capital		
	500,000,000 (2006: 500,000,000) ordinary shares of 2 pence each	10,000,000	10,000,000
		<u>                    </u>	<u>                    </u>
	Allotted, called up and fully paid		
	288,840,567 (2006: 257,094,536) ordinary shares of 2 pence each	5,776,812	5,141,891
		<u>                    </u>	<u>                    </u>

On 29 December 2006 the Company issued 31,746,031 ordinary shares of 2p for cash consideration of 3.15p per share.

On 4 January 2006 the Company issued 24,018,722 warrants to subscribers for new share capital. At 30 June 2007 these warrants were still outstanding.

On 4 January 2006 the Company issued 7,580,336 warrants to advisers in lieu of fees. At 30 June 2007 there were 7,580,336 warrants, each convertible into one ordinary share at an exercise price of 2p, were still outstanding.

Details of the warrants outstanding during the year are as follows:

	2007		2006	
	Number of share options	Weighted average exercise price in (p)	Number of warrants	Weighted average exercise price in (p)
Outstanding at beginning of year/period	31,599,058	2.0	-	-
Granted during the year	-	-	31,599,058	2.0
Outstanding at the end of the year	<u>31,599,058</u>	<u>2.0</u>	<u>31,599,058</u>	<u>2.0</u>

The Group recognised the following expense related to share-based payments made to advisers in lieu of fees:

	2007	2006
	£	£
Profit and loss account:		
Charged to Consolidated Profit and Loss Account	-	268,704
	<u>                    </u>	<u>                    </u>

No warrants were exercised during the year. The options outstanding at 30 June 2007 had a weighted average exercise price of 2.0p, and a weighted average remaining contractual life of 1.5 years.

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

	2007	2006
Share price (p)	-	4
Exercise price (p)	-	2
Expected life (years)	-	3
Risk-free rate (%)	-	5.75
Expected dividends (%)	-	-
	<u>                    </u>	<u>                    </u>

**CLEARDEBT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2007

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

15	RESERVES	Share premium £	Profit & Loss £	Total £
	<i>GROUP</i>			
	At beginning of year	52,167	(1,061,560)	(1,009,393)
	Premium on issue of shares	365,079	-	365,079
	Loss for the year	-	(980,546)	(980,546)
	Share issue costs	(10,200)	-	(10,200)
	Balance carried forward	<u>407,046</u>	<u>(2,042,106)</u>	<u>(1,635,060)</u>
	<i>COMPANY</i>			
	At beginning of year	52,167	(721,952)	(669,785)
	Premium on issue of shares	365,079	-	365,079
	Loss for the year	-	(135,413)	(135,413)
	Share issue costs	(10,200)	-	(10,200)
	Balance carried forward	<u>407,046</u>	<u>(857,365)</u>	<u>(450,319)</u>

16 DEFERRED TAXATION

GROUP AND COMPANY	2007 £	2006 £
The movement in the deferred taxation account during the year / period was:		
Balance brought forward	-	-
Charged in year/period	-	-
Balance carried forward	<u>-</u>	<u>-</u>

**CLEARDEBT GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2007

17	NOTES TO THE STATEMENT OF CONSOLIDATED CASH FLOWS	Year ended 30 June 2007  £	18 months ended 30 June 2006 (Restated) £
a	Reconciliation of operating loss to net cash outflow from operating activities		
	Operating loss	(1,018,081)	(697,971)
	Share based compensation	-	268,704
	Amortisation	346,558	173,277
	Depreciation	51,028	16,666
	Increase in debtors	(150,859)	(269,499)
	(Decrease)/increase in creditors	(37,783)	217,042
	Net cash outflow from operating activities	<u>(809,137)</u>	<u>(291,781)</u>
b	Analysis of cash flows for headings netted off in the cash flow statement	Year ended 30 June 2007  £	18 months ended 30 June 2006  £
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	37,535	16,151
	Net cash inflow from returns on investments and servicing of finance	<u>37,535</u>	<u>16,151</u>
	CAPITAL EXPENDITURE		
	Purchase of tangible fixed assets	(90,002)	(31,333)
	FINANCING		
	Issue of ordinary share capital	1,000,000	1,347,500
	Issue costs	(10,200)	(336,766)
	Net cash inflow from financing	<u>989,800</u>	<u>1,010,734</u>
c	Analysis of net funds	At 1 July 2006 £	Cash flow At 30 June 2007 £
	Net cash:		
	Cash at bank and in hand	721,599	849,795
	Net funds	<u>721,599</u>	<u>849,795</u>

# CLEARDEBT GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

### 18 POST BALANCE SHEET EVENTS

The Company acquired the whole of the issued share capital of Abacus (Financial Consultants) Limited on 17 July 2007 for consideration of £1.47m inclusive of the costs of acquisition. At 30 June 2006, £258,090 of the consideration had been advanced to the vendor and this prepayment is held within debtors and classed as an acquisition advancement.

The acquisition was financed by the issue of 15,750,000 ordinary shares of 2p each on 17 July 2007 and by a cash loan of £1.6m made by D E M Mond.

### 19 PENSION AND OTHER POST EMPLOYMENT COMMITMENTS

The Group intends to set up and operate a defined contribution pension scheme whose assets will be held separately from those of the group in an independently administered fund.

### 20 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2007 the Group and the Company had no annual commitments under non-cancellable operating leases.

### 21 DERIVATIVES AND FINANCIAL INSTRUMENTS

It is not the Group's policy to enter into financial derivatives for speculative or trading purposes. The financial instruments employed by the Group other than short term debtors and creditors are used to fund its operations and comprise cash and short term deposits.

The Group's policy during the year ended 30 June 2007 was to place the majority of its cash on short term deposit with its bankers.

The Group's exposure to interest rate risk is limited to cash deposits which are typically held at a floating rate. As permitted by Financial Reporting Standard ("FRS") No.13 the disclosures below with the exception of currency exposure, exclude short-term debtors and creditors.

#### *Interest rate risk profile of financial assets*

The interest rate profile of financial assets of the Group as at 30 June 2007 is as follows:

		Financial assets on which no interest is earned	Floating rate financial assets	Total
		£	£	£
2007	Sterling	-	849,795	849,795
2006	Sterling	-	721,599	721,599

Floating rate financial assets comprise cash deposits on money market deposit at call and interest is received at a rate of between 0.5% and 5%.

#### *Interest rate risk profile of financial liabilities*

The Group has no interest bearing financial liabilities at the year end.

# CLEARDEBT GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

### 21 DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

#### *Currency exposures*

The Group has no currency exposures at the year end.

#### *Borrowing facility*

At the year end the Group did not have a borrowing facility.

#### *Fair Values of financial assets and financial liabilities*

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

### 22 CONTINGENT LIABILITIES

Neither Group nor the Company have any contingent liabilities (2006: nil).

### 23 PRIOR PERIOD ADJUSTMENT

An analysis of the prior period adjustment is as follows:

	Total £
Profit and loss account:	
Loss for the period ended 30 June 2006 as originally stated	(502,628)
FRS 20 – share based payment charge for warrants issued in the period	(268,704)
	<u>(771,332)</u>
	<u><u>                    </u></u>

### 24 TRANSACTIONS WITH DIRECTORS

D E M Mond is a partner in Hodgsons, Chartered Accountants, by whom ClearDebt Limited were invoiced rent and utility charges to the value of £12,903 on normal commercial terms in the year. ClearDebt Limited and Hodgsons operate a central payroll function and, at the balance sheet date £15,510 (2006: £35,097) of wages cost is due to Hodgsons and included within other creditors. ClearDebt Limited have also re-charged Hodgsons £50,636 for certain staff salaries borne by ClearDebt Limited in the year, this amount is outstanding in full at the balance sheet date and included within prepayments and accrued income. ClearDebt Group plc made several payments on behalf of Hodgsons during the year, of which £15,000 (2006: £nil) was still due to be repaid by Hodgsons at the balance sheet date. No interest is being charged for the outstanding amounts.

D E M Mond is a shareholder and director of Sound Financial plc. On the 29 December 2006 Sound Financial plc subscribed for 31,746,031 ordinary shares of 2p for cash consideration of 3.15p per share. Sound Financial plc made a distribution in specie on the 22 March 2007. D E M Mond received 13,495,618 shares and 686,047 warrants in ClearDebt Group plc as a consequence. Interest payable to Sound Financial plc of £nil (2006: £89,512) is shown in note 5.

D E M Mond made a cash loan of £1.6m to the company on 17 July 2007 (Note 18 - Post balance sheet events).

### 25 CONTROL

D E M Mond, together with beneficial trusts, his immediate family and Sound Financial plc, has control over more than 50% of the voting rights of the company.