APPENDIX 4E

SUMMARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

Credit Clear

ABN: 48 604 797 033

Details of The Reporting Period and the Corresponding Reporting Period

Reporting period: Year ended 30 June 2022

Previous corresponding period: Year ended 30 June 2021

Results for Announcement to the Market

Key Information	2021 $000	2020 $000	% Change
Revenue from ordinary activities	21,462	10,980	95%
Loss after tax from ordinary activities attributable to owners	(12,577)	(8,019)	(57%)
Net Loss attributable to owners	(12,577)	(8,019)	(57%)
Net Tangible asset per share	1.68 cents	4.65 cents	(64%)

Dividends Paid and Proposed

There were no dividends paid, proposed, or declared during the current or previous financial year.

Other

Revenues for the year ending 30 June 2022 include only 5 months of the ARMA Group which was acquired on 4 February 2022.

Additional Appendix 4E disclosure requirements and commentary on significant features of the operating performance, results of segments, business combination, trends in performance, foreign entities and other factors affecting the results for the period are contained in the 2022 Annual Report, including the Chairman's Letter and CEO Report.

This document should be read in conjunction with the 2022 Annual Report, including the Chairman's Letter and CEO Report, and any public announcements made in the period by Credit Clear Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

This report is based on consolidated financial statements which have been audited by Moore Australia Audit (VIC) and an unqualified opinion has been issued.

Andrew Smith, CEO & Executive Director

Michael Doery, Non-Executive Director

Annual Report

2022

Delivering A Better Collections Experience

creditclear limited

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Our Mission

Credit Clear's hybrid end-to-end collections offering helps people and businesses improve their financial relationships. Our mission is to dramatically improve the customer experience during the collections process and thereby enhance the collections outcome for our clients.

Chairman's Letter

Dear Fellow Shareholder,

After a tumultuous 2022 year, I can stand in front of you and say that your Company is now in great shape with exceptional leadership, in the form of Andrew Smith, a fellow Director, CEO and major shareholder.

While the past is the past, it is important to recognise that Credit Clear has frustrated loyal shareholders on a few fronts, and we as a Board are now completely committed to delivering above average returns based upon the combination of the Credit Clear technology, and the sales machine that was purchased earlier in the year, namely ARMA.

The thesis behind Credit Clear has always been that we are here to disrupt an industry – namely debt collection – by way of smart and user-friendly technology, with a technology suite that we believe is an outstanding offering. Often great technology fails, or falters, when not combined with great sales skills.

What we believe we have achieved with the combination of Credit Clear and ARMA is a sublime combination of the two. From my perspective the outcomes we as shareholders are seeing is a ferocious on boarding of new corporate customers, and as vitally, a rapid adoption of the technology suite by the ARMA team.

Your Company is adding new and large Customers at a rapid pace, and thanks to the professionalism of both the technology and sales teams, the on boarding of new customers is happening at a faster rate, with increasingly less friction.

At its heart Credit Clear is a technology company and it is this technology that we believe will continue to give Credit Clear a sustainable competitive advantage over our somewhat frayed competition.

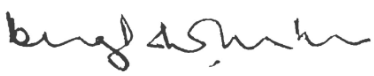
Apart from the strength of management and the fabulous momentum that is being achieved, the other critical ingredient in the business is the strong level of fiscal discipline, resulting in a steady – and now regular –move to operational profitability. While I reiterate we are a proud technology company, we are only proud if we are a PROFITABLE technology Company. Andrew Smith will deal with this further in his CEO report.

The industry we can address is big – very big. The opportunity for Credit Clear is immense. I believe we have the technology, management, and discipline to give you as fellow shareholders, a reason to expect a bright future.

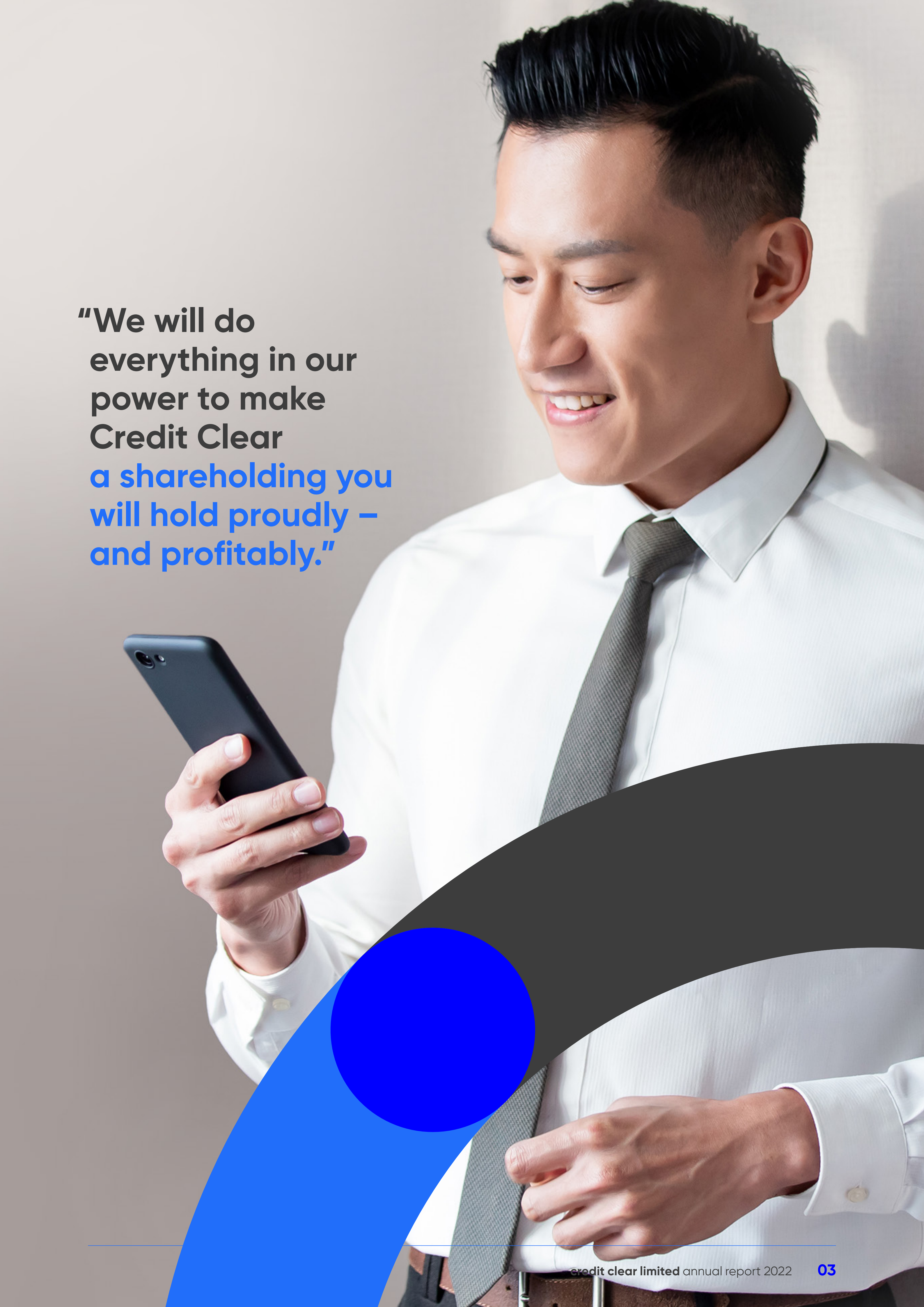
I would like to thank my fellow Directors for their commitment this year. As importantly –probably more so, I'd like to say to all our employees that it's my absolute passion to have them say in the future that they are proud to work for this Company.

Finally, to my fellow shareholders, thank you for your forbearance, patience and, I suppose, belief.

We will do everything in our power to make Credit Clear a shareholding you will hold proudly – and profitably.



Hugh Robertson
Chairman
Credit Clear Ltd



"We will do everything in our power to make Credit Clear **a shareholding you will hold proudly – and profitably.**"

CEO Report FY2022

Dear Shareholder,

It is a pleasure to address you as the Chief Executive Officer of Credit Clear. The financial year 2022 was a year of considerable change for our Company, and picking up on the Chairman's comments, I'm proud to say a year of significant delivery too.

In February 2022, Credit Clear acquired ARMA Group Holdings, a collections agency that I co-founded with Shane Ashton in February 2015. While the acquisition was completed in February, we had been in discussions for nearly 12 months prior. During our extensive due diligence, it became obvious that the two companies were exceptionally complementary from a cultural, operational, and strategic perspective.

Following completion of the acquisition, Shane and I become Credit Clear's largest shareholders. We further aligned ourselves when we accepted executive roles as CEO and COO, and I'm delighted to say that by combining Credit Clear's technology with ARMA's operations we present the market with a truly differentiated offering.

The results achieved since transitioning ARMA's clients onto the Credit Clear platform have exceeded our high expectations. ARMA provides the market with the perfect case study to demonstrate the performance uplift potential of the technology when a digital-first hybrid approach is adopted, using award-winning artificial intelligence software as broadly as possible supported by highly trained collections staff.

Strategic intent

Credit Clear's strategic priorities have expanded rapidly this year. We've adopted a "Continued Growth with Profitability" mindset, where our investment in technology is focused on maximising near-term revenue opportunities, while ensuring ongoing investment into our technology product roadmap.

The business achieved consecutive months of operational profitability in May and June 2022 and is positioned to grow profitability during FY23, allowing us to reinvest our own cash into technology and growth.

At the end of the year the business is well funded with $10.2m cash at bank.

Market positioning

We have also expanded our market positioning. As a hybrid end-to-end provider to collections solutions, Credit Clear's addressable market is significantly larger than before. From a new business perspective, the response to our hybrid end-to-end offering has again exceeded our expectations. I've never experienced a period when we've won so many material clients and where the pipeline of potential clients has ever looked stronger.

The hybrid end-to-end offering has allowed the business to pursue materially larger clients, and the resources and relationships within the combined group have seen us maintain exceptionally high levels of client service.

Our expansion into new markets has progressed and many exciting opportunities are being pursued. We've proven our ability to deploy the platform internationally, at low cost and within a few months with the successful launch in South Africa. We are taking a very considered approach to our international expansion strategy, and we will be led by partners or clients with an established presence in markets we choose to enter.

Importantly, our technology is being received in international markets with the same enthusiasm as we've seen in Australia.

At home, the growth opportunity in Australasia has strengthened significantly in the past year, and our key strategic priority is to achieve material growth from our local market.

Operations

The Company's performance on every operational metric shows the strength of the business with the second half of FY22 proving to be particularly strong. We added 150 new clients, several of which we expect to feature in the company's list of top clients. Adding these large, high-profile clients allows us to prove our capabilities and service offering at the highest level of corporate Australia.

The number of customer accounts referred to Credit Clear jumped 130% during the year, climbing to over 800k active customer files.

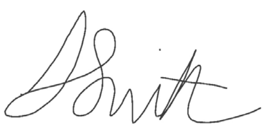
We continue to focus on adding new clients across targeted industry sectors. We've had much success in 2022 and, because of this success, we conducted a capital raise in June 2022 of $7.5 million to streamline and automate client onboarding.

Outlook

Credit Clear has positioned itself strategically to benefit from many global macro trends that are driving change in our industry. The investment over many years into technology has resulted in capabilities, such as artificial intelligence and adaptive workflows, that goes beyond what our largest clients could develop themselves, or source from other providers. With companies less likely or able to sell debt, our positioning as an end-to-end digital first provider allows clients to integrate deeply and work with us through the entire collections lifecycle. Our focus on customer experience, measuring Net Promoter Scores and specialist training for our staff to manage hardship customers is increasingly important to our clients.

With our market positioning, economic conditions creating more work and a tremendously talented and dedicated team who are strongly aligned with shareholder outcomes, I look forward to the year ahead.

Your sincerely,



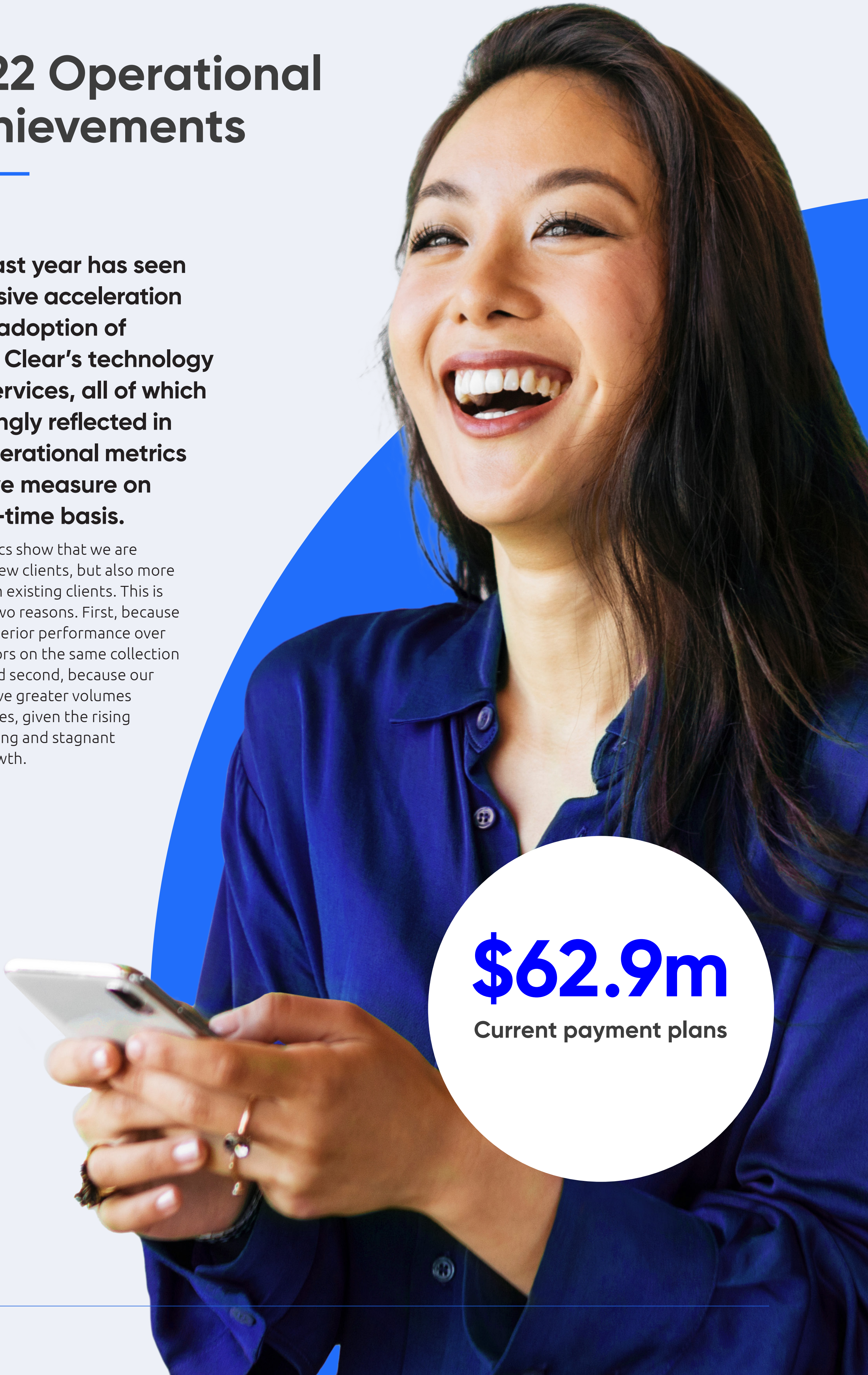
Andrew Smith
Chief Executive Officer
Credit Clear Limited

"business is well funded with $10.2m cash at bank."

FY22 Operational Achievements

The past year has seen a massive acceleration in the adoption of Credit Clear's technology and services, all of which is strongly reflected in the operational metrics that we measure on a real-time basis.

The metrics show that we are winning new clients, but also more work from existing clients. This is true for two reasons. First, because of our superior performance over competitors on the same collection panel, and second, because our clients have greater volumes of debt files, given the rising cost of living and stagnant wage growth.



696
Active clients[1]
122% YOY

831,270
Active customer accounts
127% YOY

841,918
Total transactions
61% YOY

13.4m
Digital communications
78% YOY

+47 NPS[2]
Across
97,089
respondents

99%
Client retention

1. Clients with more than $1,000 revenue in past 12 months.
2. Average Net Promoter Score (NPS) across FY22.

54%

Expenses $25.0m

$1.2m

Capitalised R&D

$37.4m

Revenue Run Rate

FY22 Financial Performance

The acquisition of ARMA Group in February 2022 achieved two critical financial outcomes for Credit Clear.

Firstly, it delivered ARMA's existing revenue to Credit Clear, largely offsetting Credit Clear's on-going investment into its award-winning and highly scalable technology. Secondly, it allowed the merged entity to organically grow revenue and gross profit thanks to the digitisation of ARMA clients and the compelling hybrid end-to-end service offering presented by the company.

Since the acquisition in February, Credit Clear has achieved record quarterly revenue in Q3 and Q4, with a 41% QoQ increase in revenue for Q4. The company ended the year in June with record monthly revenue of $3.12m, putting the business on a revenue run rate of $37.44m.

Thanks to high-margin digital collections, rapidly growing revenue and growing operational leverage, the business posted two operationally profitable months in May and June 2022.

($3.5)m

Normalised EBITDA

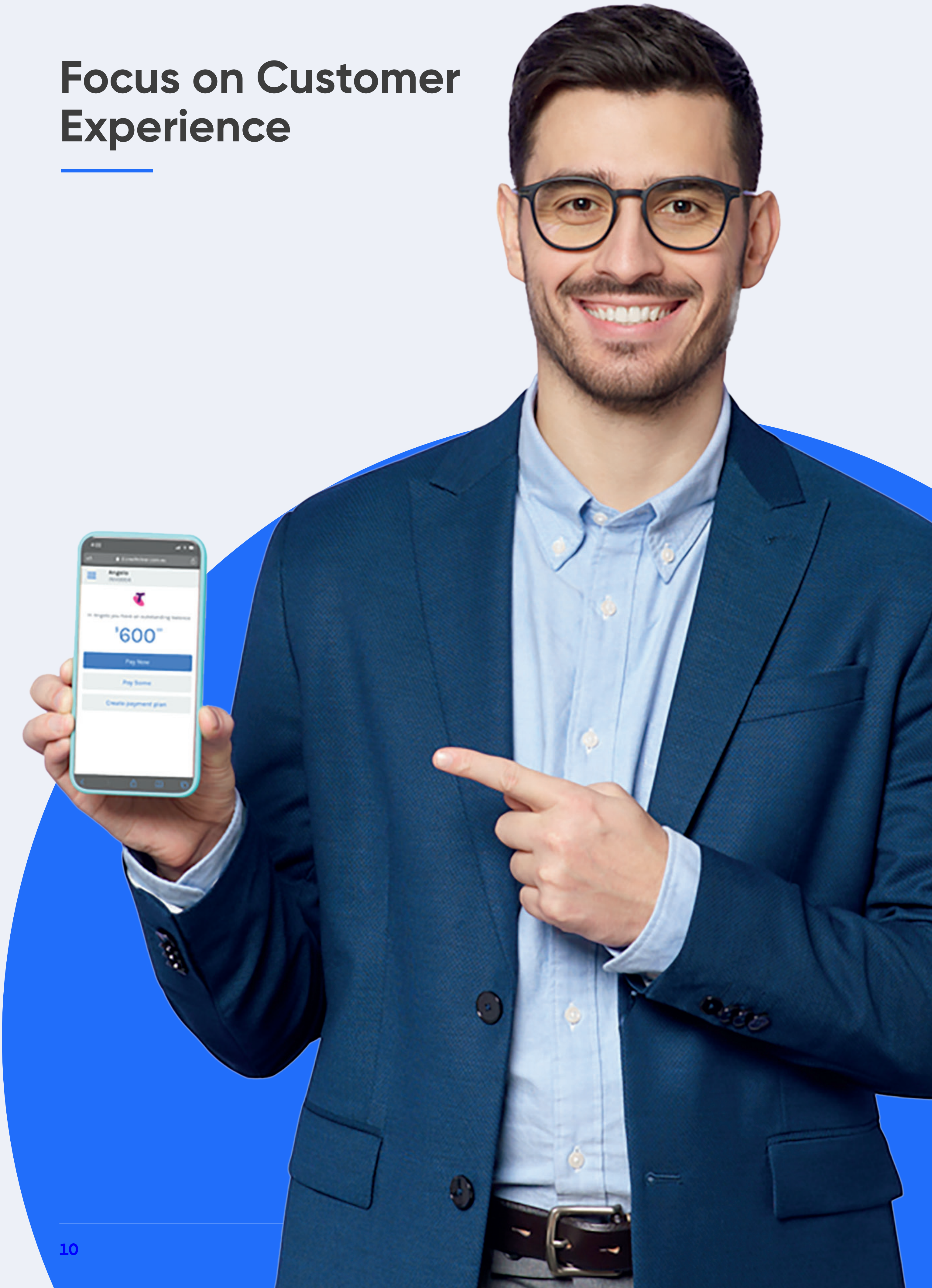
$10.2m

Strong balance sheet with $10.2m cash at bank

↑95%

Revenue of $21.5m

Focus on Customer Experience



What is NPS score?

Net Promoter Score (NPS) is a customer loyalty and satisfaction measurement taken from asking customers how likely they are to recommend your product or service to others on a scale of 0–10.

In 2020 Credit Clear introduced Net Promoter Scoring (NPS) to measure customer satisfaction with the platform. This was revolutionary for a business involved in debt collection to be measuring the satisfaction of customers. We are deeply conscious that customers engaging with our service, would often be experiencing financial challenges, which we know can have a significant impact on overall wellbeing.

One of the things we are most proud of is that we have achieved an NPS score of +47 across our portfolios with well over 120,000 customers having responded. Some individual portfolios have seen an NPS as high as +65. To give that further context, the industry benchmark NPS for the financial services sector is +20, energy providers +16 and real estate +7, with Apple having an NPS of +50.

Credit Clear's main focus is the customer experience, the better the experience for customers, the better the repayment rates. Considering that we are asking people how likely they would recommend us when we have just asked them to settle an outstanding bill, I think a +44 scores talks to how much customers appreciate being given the opportunity to resolve their accounts at a time of their choosing and in the method they prefer, be that digital or traditional.

NPS +47

Our Business Model

More efficient collections, larger addressable market

Hybrid approach to collections
(From bill presentment to ~150 days past due date)

1
Early stage
- Digital only (No human interaction)
- Enhances customer control
- Provides alternative repayment
- Options and flexibility for end-users

creditclear

2
Mid & late stage
- Digital first
- Modern empathetic approach
- Skilled negotiation
- Hardship specialists

ARMA a creditclear company

creditsolutions a creditclear company

Conversion to digital unlocks margin opportunity and broader capabilities in receivables cycle

(~150-180 days past due date)

3
Legal
- Strategic and cost effective
- Targeted matters

FORCE LEGAL a creditclear company

OAKBRIDGE LAWYERS a creditclear company

Offering underpinned by Credit Clear's award winning AI technology platform

Receivables Management timeline (illustrative)

Bill Presentment → Bill Due Date → -150 to 180 Days Past Due

Expanding our footprint in key industry sectors and globally

The nature and size of potential clients in the pipeline has changed.

Thanks to the maturity and operationally capability of the combined business. With award-winning digital technology, empathetic and highly skilled agents, and experienced legal recoveries, Credit Clear is competing for and attracting materially larger clients (ASX 50 companies and federal government agencies).

Our onboarding process continues to improve, and several new clients signed in the second half of the year have been onboarded faster, have grown faster, and are providing more customer accounts, than originally anticipated.

Global expansion

Credit Clear deployed its collections platform in South Africa during the year, the company's first expansion into an international market following the partnering and teaming agreement signed with Techub. In terms of the agreement, Techub is leveraging Credit Clear's technology platform to digitise its offering commencing with the migration of its existing multi-billion-dollar client portfolio for which Credit Clear receives ongoing commissions. Credit Clear has a separate agreement that covers the onboarding of new direct Techub clients that utilise the digital platform under which revenues are split equally.

The deployment of the South African platform occurred five months from signing the agreement and the platform's highly automated service offering demonstrates the Company's ability to rapidly scale the digital business into new global markets.

International target markets for FY23

- The UK, where the Company is in discussions with a large UK-based multinational BPO and debt collection service provider, and
- Singapore, where the Company is considering a licensing agreement.

Targeting materially larger opportunities

Consumer
- Transurban
- Foxtel
- Fitness and Lifestyle Group
- Healius
- Invocare

Trade Credit
- Orora
- InfraBuild
- Hilti
- Coates Hire
- Toll

Automotive
- Toyota
- Nissan
- Bridgestone

Financial services
- Global Tier 1 Organisation
- Humm
- Prospa
- Money3
- Bendigo and Adelaide

Government
- NSW TAFE
- Statutory Health Body
- Parks Victoria
- City of Stirling
- Public Transport Victoria

Utility
- Origin
- Water Corp
- Synergy
- South East Water
- Sumo

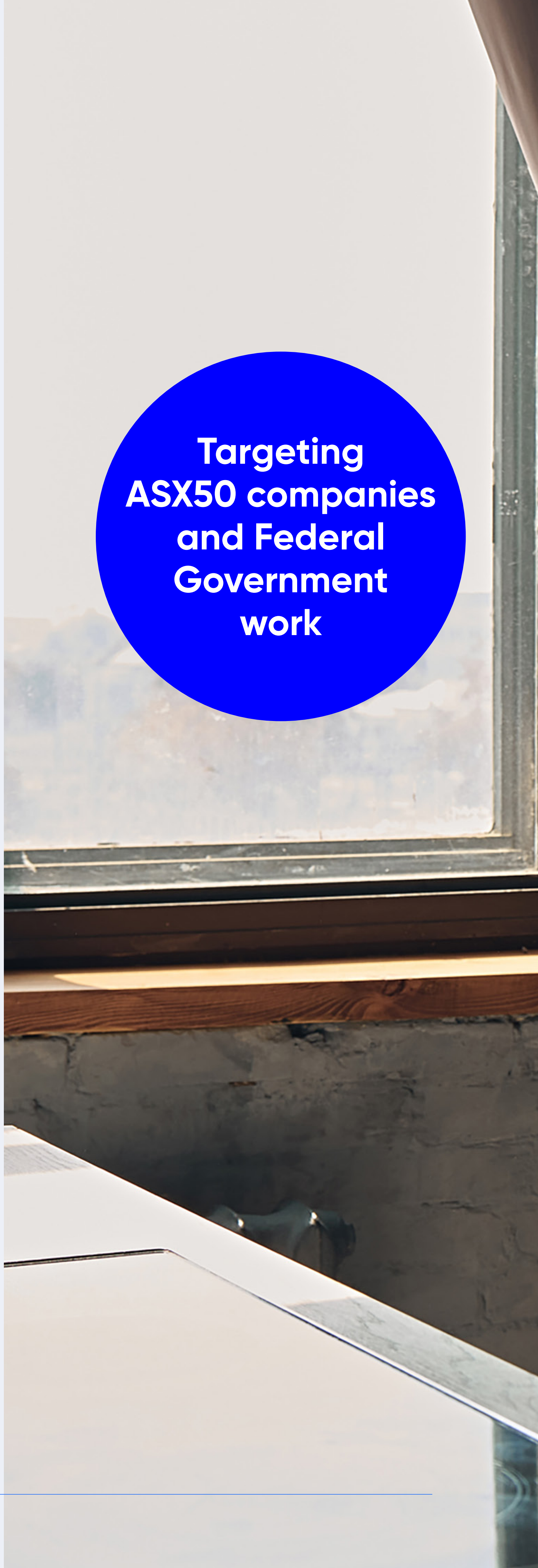
Insurance
- Suncorp
- Hollard
- Gallagher Bassett
- InsurX
- RAA

Strong pipeline for growth

New client wins are a strong indicator of future revenue growth and at the end of FY22 Credit Clear's new business pipeline has never been stronger.

The challenging macro-economic conditions, with rising interest rates, stagnant wage growth and materially higher cost of living create significant tailwinds for Credit Clear, with demand for collection services surging because of clients holding a higher volume and value of overdue accounts.

In addition, from a debt industry perspective, our strategic positioning as a fully integrated, end-to-end provider of debt collection services puts us in a significantly stronger position than other providers. Digital only collection providers have struggled to gain real traction or volume of business and those not yet profitable have struggled to raise new capital to fund operations. Debt purchase providers have also experienced a challenging environment, with rising cost of debt, interest rates and their own operational performance challenges.



Targeting ASX50 companies and Federal Government work

Directors' Report

Your directors present their report on the Consolidated Entity (referred to herein as the Group) consisting of Credit Clear Limited and its controlled entities for the financial year ended 30 June 2022. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2022 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were directors of Credit Clear Limited during or since the end of the financial year up to the date of this report:

Hugh Robertson – Independent, Non-Executive Chairman (Appointed 24 February 2022)

Gerd Guido Schenkel – Independent, Non-Executive Chairman (Resigned 16 May 2022)

Andrew Keith John Smith – Executive Director (Appointed 9 February 2022)

Michael Doery – Independent, Non-Executive Director (Appointed 6 May 2022)

Christine Christian – Independent, Non-Executive Deputy Chairperson (Resigned 21 October 2021)

Marcus Colin Price – Independent, Non-Executive Director

Mark James Casey – Non-Executive Director

Lewis James Romano – Executive Director (Resigned 8 August 2022)

Information Relating to Directors and Company Secretary

Hugh Robertson	Chairman
Experience	Hugh is a senior investment advisor with Bell Potter. He has worked in the stockbroking industry for 36 years with a variety of firms including Falkiners stockbroking, Investor First and Wilson HTM. Among his areas of interest is a concentration on small cap industrial stocks.
Interest in Shares and Options	5,716,199 ordinary shares in Credit Clear Limited

Andrew Smith	Executive Director and Chief Executive Officer
Qualifications	Andrew holds a Bachelor of Business, majoring in Economics and Management from the University of Newcastle
Experience	Andrew has more than 16 years' experience working in the credit and collections industry. He has founded three companies, the latest of which, ARMA Group Holdings, was recently acquired by Credit Clear. Following the acquisition, Andrew was appointed as CEO. He was also appointed to the Board of Credit Clear Limited as an Executive Director. Andrew's deep industry connections, collections knowledge and technological approach to collections has seen him emerge as a leading voice in the Australian collections industry.
Interest in Shares and Options	20,755,389 ordinary shares in Credit Clear Limited
Special Responsibilities	Andrew is a member of the Risk and Audit Committee

Michael Doery	Independent Director
Qualifications	University of New England – Bachelor of Finance & Administration Fellow Australian Institute of Company Directors Fellow Chartered Accountants
Experience	Appointed a director of Credit Clear Limited on 6 May 2022. Extensive Executive Director and Non-Executive Director experience in the public and private sectors spanning 15 years. Previously a Partner with KPMG followed by CFO, COO and CEO appointments with listed and public companies. Board experience includes roles as Chairman of the Board as well as Chair of Remuneration, and Audit and Risk Committees.
Interest in Shares and Options	108,600 ordinary shares in Credit Clear Limited
Special Responsibilities	Michael is Chair of the Risk & Audit Committee

Marcus Colin Price	Independent Director
Qualifications	Monash University – Bachelor of Science LaTrobe University – Master of Psychology Melbourne University – Graduate Diploma in Classic and Archaeology
Experience	Appointed director of Credit Clear Limited on 20 February 2020. Prior to joining the Credit Clear Board, Marcus was CEO of Property Exchange Australia Limited (PEXA). He has over 25 years' experience building successful businesses and maximising shareholder returns. He developed and exited financial services businesses as the CEO and Executive Director for both Equifax and Dun & Bradstreet.
Interest in Shares and Options	940,836 ordinary shares in Credit Clear Limited and options to acquire a further 2,500,000 ordinary shares.
Special Responsibilities	Marcus is Chair of the Technology and Strategy Committee and member of the Remuneration Committee as well as the Risk and Audit Committee

Mark James Casey	Director
Qualifications	Certificate of Business Management (Essendon Kangan Institute, Melbourne, Australia)
Experience	Appointed director of Credit Clear Limited on 22 September 2016. As Credit Clear's cornerstone investor Mark brings a wealth of knowledge with over 30 years' experience in property development, funds management and investment in early stage technology ventures
Interest in Shares and Options	33,518,506 ordinary shares in Credit Clear Limited and options to acquire a further 800,000 ordinary shares
Special Responsibilities	Mark is a member of the Remuneration Committee

Lewis James Romano	Executive Director (resigned 8 August 2022)
Qualifications	Bachelor of Business (Bond University, Gold Coast, Australia)
Experience	Appointed director of Credit Clear Limited on 16 November 2018. Prior to founding Credit Clear in 2016, Lewis was founder and MD of Australia's third largest job site. Lewis is a key driver of many fundamental client and strategic relationships for the business.
Interest in Shares and Options	5,180,223 ordinary shares in Credit Clear Limited and options to acquire a further 2,500,000 ordinary shares
Special Responsibilities	Lewis is a member of the Technology and Strategy Committee

Adam Gallagher	Company Secretary
Qualifications	Graduate Diplomas in Applied Corporate Governance and Information Systems, a Masters in Commerce and a Bachelor of Economics
Experience	Adam is a professional Company Secretary with a broad corporate skill set. Over the last decade he has held officeholder and executive roles in numerous ASX listed technology companies many of which he is publicly recognised as have being instrumental in shaping through his contribution to their corporate growth. In addition to Credit Clear Limited, he currently acts as Company Secretary for ASX codes: EVS, CCA and PHL.

Principal Activities

The principal activities of the Group during the financial period were the provision of receivable collection services and the ongoing technology development and implementation of the Company's receivables management platform. The Group also provides commercial legal services as part of its full end to end collections management service.

Review of Operations

Following the acquisition of ARMA Group Holdings in February 2022, Credit Clear has repositioned its market offering to become a hybrid, end-to-end provider of collection services. This strategic market positioning allows Credit Clear as a group to address a significantly larger market with its award-winning technology supported by exceptional traditional collection capabilities and legal recovery services.

Our technology continues to transform the receivables landscape through artificial intelligence, automation and smart analytics. Our hybrid solutions provide actionable communications, resulting in reduced costs, improved debt recoveries and a superior end-user experience.

Favourable Economic Tailwinds

The unexpected spike in inflation (cost of living), stagnant wage growth and higher interest rates have resulted in a significant increase in the number of customer accounts being referred to Credit Clear. In addition, the trend away from selling debt has continued, expanding Credit Clear's addressable market, and creating an opportunity to integrate internally and more deeply with our clients' invoicing and account receivables department. Furthermore, the unwinding of COVID-19-related restrictions, where companies were prevented from making normal collections through emergency regulations or self-imposed limits, has increased the volume of work being provided to Credit Clear. Management expect all three of these macroeconomic factors to continue to benefit the business into FY2023.

Record financial performance

Credit Clear's revenue was up over 95% on prior year, reaching a record $21.46m. This strong performance was underpinned by strong trading in Q4 FY22, noting record quarterly revenue of $8.6m up 162% PCP and 41% QoQ. Thanks to strong revenue growth and ongoing fiscal discipline, the business produced consecutive operationally profitable months in May and June 2022. Operating expenses increased from $16.1m in FY21 to $24.9m in FY22. This rise was necessary to facilitate the recruiting of additional headcount to advance our digital platform and to continue to drive growth. The increase also reflects the inclusion of the ARMA acquisition from 4 February 2022. During the period, operating expenses decreased as a proportion of total revenue to 116% in FY22 versus 146% in the prior year, demonstrating an improvement in operating leverage and increased scalability of the platform as digital comprises a larger portion of revenue.

Cash and cash equivalents at the end of the financial year were $10.2m.

Strong foundation established for long-term growth

There were 215 new clients signed during the financial year, taking the total number of active clients to 696, up 118% from FY21. Significantly, this included several new clients that are expected to become top 10 clients by revenue. This year portfolio of client wins reflects Credit Clear's success in expanding its presence in key target verticals, including government, utilities and water, financial services, insurance and transport. We continue to invest in our technology platform to expand the breadth of services and functionality offered to our clients and their end-users. We note several successful rollouts of enhanced platform functionality throughout the year, including enhanced artificial intelligence functionality with message send time optimisation (STO) and also introducing additional functionality with regards to managing hardships and disputes.

Credit Clear's evolving receivables technology delivers a superior end-user experience that promotes a positive relationship between client and end-user. This subsequently drives efficiencies and higher debt recoveries for Credit Clear's clients, which is reflected in the Company's 99% customer retention rate and NPS score of +47 (across 97,089 respondents).

Well positioned to accelerate growth agenda

Credit Clear has positioned itself strategically to benefit from many global macro trends that are driving change in our industry. The investment over many years into technology has resulted in a capabilities, such as artificial intelligence and adaptive workflows, that goes beyond what even our largest clients could develop themselves, or source from other providers. With companies less likely or able to sell debt, our positioning as an end-to-end digital first provider allows clients to integrate deeply and work with us through the entire collections lifecycle. Our focus on customer experience, measuring Net Promoter Scores and specialist training for our staff to manage hardship customers is increasingly important to our clients.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Group occurred during the financial period:

(i) The Group raised $29,500,000 to acquire a 100% interest in ARMA Group Holdings Pty Ltd, Force Legal Pty Ltd and NZ Recoveries Limited (ARMA Group). This resulted in Credit Clear Limited obtaining control of the ARMA Group business.

(ii) The Group raised an additional $7,500,000 in June 2022 for business growth purposes.

Events Occurring after the Reporting Date

On 8 August 2022, Lewis James Romano resigned as Director. However, he remains with the company to develop international business opportunities.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Future Developments

Information on likely developments in the operations of the consolidated entity and the expected results of operations are detailed in the Directors' Report.

Environmental Regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Dividends Paid or Recommended

Dividends paid during the financial year are as follows:

No dividend declared or payable in respect of the year ended 30 June 2021	$Nil
No dividend declared or payable in respect of the year ended 30 June 2022	$Nil

Indemnifying Officers or Auditor

During the financial year, the Company paid a premium to insure the Directors and Officers of the Group. The terms of the insurance policy prevent additional disclosure. The Group is not aware of any liabilities that arose under these indemnities as at the date of this report.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

During the year, Moore Australia Audit (Vic), the Company's auditor, has performed certain other services in addition to the audit and the review of the financial statements. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standards of independence of auditors imposed by the *Corporations Act 2001*.

Details of the amounts paid to the auditor of the Company, for audit and non-audit services provided during the year are set out at note 23.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 30 of the financial report.

Options and Rights

At the date of this report, the unissued ordinary shares of Credit Clear Limited under option or rights are as follows:

Grant Date	Issue	Date of Expiry	Exercise Price	Number under Option and Rights
1 Oct'20	Options – Employees	1 Oct'32	$0.50	2,000,000
1 Oct'20	Options – Employees	1 Oct'33	$0.55	2,000,000
1 Oct'20	Options – Employees	1 Oct'34	$0.60	500,000
8 Oct'20	Options – Employees	8 Oct'32	$0.50	5,280,000
8 Oct'20	Options – KMPs	8 Oct'32	$0.50	5,000,000
8 Oct'20	Options – Directors	8 Oct'32	$0.00	5,300,000
19 Nov'20	Options – Directors	8 Oct'32	$0.00	1,500,000
26 Apr'21	Options – Employees	8 Oct'32	$0.50	50,000
1 Jun'20	Options – Employees	8 Oct'32	$0.50	530,000
14 Jun'21	Options – Employees	8 Oct'32	$0.50	200,000
28 Jun'21	Options – Employees	8 Oct'32	$0.50	100,000
2 Sep'21	Options – Employee	8 Oct'32	$0.50	360,000
14 Feb'22	Options – Employees	8 Oct'33	$0.577	1,590,000
21 Feb'22	Options – Employees	8 Oct'33	$0.577	4,535,000
21 Feb'22	Options – KMP's	8 Oct'33	$0.577	1,150,000
25 May'22	Options – Employees	8 Oct'33	$0.577	200,000
				30,295,000

Option holders do not have any rights to participate in any issues of shares or other interests of the Company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2022, the following ordinary shares of Credit Clear Limited were issued on the exercise of options and rights granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

	Grant Date	Exercise Price	Number of Shares Issued
Rights – Directors	16 Nov 2018	$Nil	2,000,000
			2,000,000

No person entitled to exercise options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Meetings of Directors

During the financial year, 20 meetings of directors were held. Attendances by each director during the year as follows:

	Directors' Meetings		Risk Management & Audit Committee		Technology & Strategy Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Hugh Robertson	15	15	–	–	–	–	–	–
Gerd Schenkel	19	18	2	2	–	–	2	2
Christine Christian	6	6	2	2	–	–	–	–
Andrew Smith	4	4	1	1	–	–	–	–
Michael Doery	1	1	1	1	–	–	–	–
Marcus Price	20	17	1	1	8	7	2	2
Mark Casey	20	17	–	–	–	–	2	2
Lewis Romano	20	19	–	–	8	8	–	–

Remuneration Report (Audited)

Remuneration Policy

The remuneration policy of Credit Clear Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Group's financial results. The Board of Credit Clear Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Consolidated Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Consolidated Group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board.
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration committee will review KMP packages annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Consolidated Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations.

Any change must be justified by reference to measurable performance criteria. This is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which was 10% of the individual's average weekly ordinary time earnings (AWOTE) during the year, increasing to 10.5% from 1 July 2022. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination will lapse although the board has discretion to allow the KMP to retain the options.

All remuneration paid to KMP is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using either the Black-Scholes or Hoadley methodology.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using Credit Clear Limited shares as collateral in any financial transaction, including margin loan arrangements.

Engagement of Remuneration Consultants

Remuneration consultants were not engaged during the year.

Performance-Based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with incentives being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Credit Clear Limited bases the assessment on audited figures.

Relationship Between Remuneration and Company Performance

The approach to remuneration has been tailored to increase goal congruence between shareholders, directors and executives. This is done through the issue of options or shares to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy is effective to increasing shareholder wealth.

The following table shows the gross revenue, profits and dividends for the last two years for the listed entity, as well as the share price. The Company's revenue has improved materially over the last two years. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall revenue improvement and growth of the business since the initial public offering.

	2022 $000	2021 $000
Revenue	21,462	13,069
Net profit/(Loss) attributable to owners of the Parent Entity	(14,113)	(8,019)
Share price at year-end	$0.335	$0.575

Details of Directors and Key Management Personnel

The following table provides employment details of persons who were, during the financial year, directors or members of KMP of the Consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

			Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance
	Position Held as at 30 June 2022 and any Change during the Year	Contract Details (Duration and Termination)	Non-salary Cash-based Incentives %	Shares/ Units %	Fixed Salary/Fees %
Non-Executive Directors					
Hugh Robertson	Chairman		–	–	100
Gerd Schenkel	Resigned 16 May 2022		–	–	100
Christine Christian	Resigned 21 October 2021		–	–	100
Michael Doery	Non-executive				
Marcus Price	Non-executive		–	–	100
Mark Casey	Non-executive		–	–	100
Executive Directors					
Andrew Smith	CEO & Executive Director	Permanent Contract	–	–	100
Lewis Romano	Executive Director	Permanent Contract	–	–	100
Group KMP					
David Hentschke	Resigned as CEO 17 June 2022	Permanent Contract	–	–	100
Victor Peplow	CFO	Permanent Contract	–	–	100

The employment terms and conditions of all KMP are formalised in contracts of employment.

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of one months' notice prior to termination of contract. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least one months' notice.

Changes in Directors and Executives Subsequent to Year-End

On 8 August 2022, Lewis Romano resigned as a Director of the Company.

Remuneration Expense Details for the Year Ended 30 June 2022

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the Consolidated Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Year Ended 30 June 2022

		Short-term Benefits	Post-employment Benefits	Equity-settled Share-based Payments		
		Salary, Fees and Leave $	Pension and Super-annuation $	Shares/ Units $	Options/ Rights $	Total $
Non-Executive Directors						
Hugh Robertson	2022	–	–	24,288	–	24,288
Gerd Schenkel	2022	–	–	72,500	–	72,500
Christine Christian	2022	–	–	–	–	–
Michael Doery	2022	6,242	624	–	–	6,866
Marcus Price	2022	–	–	55,000	–	55,000
Mark Casey	2022	–	–	40,000	–	40,000
Executive Directors						
Andrew Smith	2022	117,692	10,161	–	–	127,854
Lewis Romano	2022	180,000	18,000	–	113,861	311,861
Group KMP's						
David Hentschke	2022	410,318	23,568	–	–	433,886
Victor Peplow	2022	230,000	23,000	–	148,019	401,019
Total		**944,252**	**75,353**	**191,788**	**261,880**	**1,473,274**
Non-Executive Directors						
Gerd Schenkel	2021	–	–	–	169,200	169,200
Christine Christian	2021	–	–	–	505,500	505,500
Marcus Price	2021	–	–	–	211,500	211,500
Mark Casey	2021	–	–	–	67,680	67,680
Executive Directors						
Frank Romano	2021	212,381	–	150,000	–	362,381
Lewis Romano	2021	180,000	17,100	–	150,800	347,900
Group KMP						
Brenton Glaister	2021	304,468	21,694	–	150,800	476,962
Victor Peplow	2021	230,000	21,694	–	75,400	327,094
Total		**926,849**	**60,488**	**150,000**	**1,330,880**	**2,468,217**

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to Directors and KMP's are as follows:

	Remuneration Type	Grant Date	Value $	Reason for Grant (Note 1)	Percentage Vested/ Paid during Year %	Percentage Remaining as Unvested or Payment	Expiry Date for Vesting %	Range of Possible Values Relating to Future Payments
Non-Executive Directors								
Hugh Robertson	Shares		24,288					
Gerd Schenkel	Shares		72,500					
Michael Doery	Cash		6,866					
Marcus Price	Shares		55,000					
Mark Casey	Shares		40,000					
Executive Directors								
Lewis Romano	Options	21 Feb'22	113,861		–	100	8 Oct'23	
Group KMP								
Victor Peplow	Options	21 Feb'22	148,019		–	100	8 Oct'23	

Note 1 — Options have been granted with incentives that align with those of shareholders.

Note 19(a) — Options were awarded as part of the Group's Incentive Scheme for the retention of key executives They have been granted subject to the completion of two years' continued employment with Credit Clear Limited and subject to the Company meeting a predetermined share price on the vesting date. One hundred percent of the options vest at the two year anniversary of the grant date if the target share price is achieved. Should the performance criteria not be met for a particular year, the options which were available for vesting for that year shall be considered forfeited.

Directors' report — The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments.

All options were issued by Credit Clear Limited and entitle the holder to one ordinary share in Credit Clear Limited for each option exercised.

There have not been any alterations to the terms or conditions of any grants since grant date.

		Grant Details			Exercised		Lapsed	
	Balance at Beginning of Year	Issue Date	No.	Value $ (Note 1)	No. (Note 2)	Value $ (Note 3)	No. (Note 4)	Balance at End of Year No.
Non-Executive Directors								
Gerd Schenkel (former director)	4,000,000				2,000,000	–		2,000,000
Marcus Price	2,500,000							2,500,000
Mark Casey	800,000							800,000
Executive Directors								
Lewis Romano	2,000,000	21 Feb'22	500,000	$113,861				2,500,000
Group KMP								
Victor Peplow	1,000,000	21 Feb'22	650,000	$148,019				1,650,000
	10,300,000		1,150,000	261,880	2,000,000	–	–	9,450,000

		Vested		Unvested
	Balance at End of Year No.	Exercisable No.	Unexercisable No.	Total at End of Year No.
Non-Executive Directors				
Gerd Schenkel	2,000,000	–	–	2,000,000
Marcus Price	2,500,000	–	–	2,500,000
Mark Casey	800,000	–	–	800,000
Executive Directors				
Lewis Romano	2,500,000	–	–	2,500,000
Group KMP				
Victor Peplow	1,650,000	–	–	1,650,000
	9,450,000	–	–	9,450,000

Note 1 The fair value of options granted as remuneration as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

Note 2 There were 2,000,000 rights exercised during 2022.

Note 3 There were no options exercised in the year 2022.

Note 4 There were no options lapsing in the year 2022.

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price $	Value per Option at Grant Date $	Amount Paid/ Payable by Recipient $
21 February 2021	Credit Clear Limited	1,150,000	8 October 2023	$0.577	$0.2277	663,550

Option values at grant date were determined using the Hoadley method.

Details relating to service and performance criteria required for vesting have been provided in the Cash Bonuses, Performance-related Bonuses and Share-based Payments table on page 27.

Director and KMP Shareholdings

The number of ordinary shares in Credit Clear Limited held by each Director and KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
Non-Executive Directors					
Hugh Robertson	3,018,598	47,601	–	2,650,000	5,716,199
Gerd Schenkel (former director)	201,667	141,707	2,000,000	(175,207)	2,168,167
Michael Doery	–	–	–	108,600	108,600
Marcus Price	833,334	107,502	–	–	940,836
Mark Casey	30,940,323	78,183	–	2,500,000	33,518,506
Executive Directors					
Lewis Romano	5,005,223	–	–	175,000	5,180,223
KMP					
Andrew Smith	–	–	–	20,755,389	20,755,389
Victor Peplow	500,000	–	–	65,000	565,000
	40,499,145	374,993	2,000,000	26,078,782	68,952,920

Other Equity-Related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:

Michael Doery, Non-Executive Director

Dated this 31 day of August 2022

Andrew Smith, Director

Dated this 31 day of August 2022

Auditor's Independence Declaration

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CREDIT CLEAR LIMITED & CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

31 August 2022

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

		Consolidated Group	
	Note	2022 $000	2021 $000
Revenue	3a	21,462	10,980
Other income	3b	–	2,089
Employee benefits expense		(15,864)	(9,064)
Finance costs		(234)	(152)
Share-based expenses		(1,614)	(1,075)
Other expenses	4c	(12,252)	(8,374)
EBITDA		**(8,502)**	**(5,596)**
Depreciation and amortisation	4a	(3,948)	(2,361)
EBIT		**(12,450)**	**(7,957)**
Interest received	3c	16	17
Interest expense	4b	(143)	(79)
Loss before income tax		**(12,577)**	**(8,019)**
Income tax	5, 16	**–**	**–**
Net Loss for the year		**(12,577)**	**(8,019)**
Total comprehensive income for the year		**(12,577)**	**(8,019)**
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)	25	($0.046)	($0.038)
Diluted earnings per share (cents)	25	($0.046)	($0.038)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022

		Consolidated Group	
	Note	2022 $000	2021 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	10,204	10,747
Trust funds	7	4,168	654
Trade and other receivables	8	4,704	2,963
Other assets	10	381	395
TOTAL CURRENT ASSETS		19,457	14,759
NON-CURRENT ASSETS			
Property, plant and equipment	11	411	138
Financial assets	9	622	327
Intangible assets	12	53,921	6,044
Right of use assets	13	1,659	1,060
Deferred tax assets	16	710	–
TOTAL NON-CURRENT ASSETS		57,323	7,569
TOTAL ASSETS		76,780	22,328
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	3,002	1,821
Lease liabilities	13	840	591
Other liabilities	15	8,946	1,321
Provisions	17	1,722	1,546
TOTAL CURRENT LIABILITIES		14,510	5,279
NON-CURRENT LIABILITIES			
Lease liabilities	4, 13	832	508
Provisions	17	639	194
Deferred tax liability	16	710	–
TOTAL NON-CURRENT LIABILITIES		2,181	702
TOTAL LIABILITIES		16,691	5,981
NET ASSETS		60,089	16,347
EQUITY			
Issued capital	18	90,452	35,747
Reserves	19	2,734	1,120
Accumulated Losses	20	(33,097)	(20,520)
TOTAL EQUITY		60,089	16,347

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Ordinary Share Capital $000	Retained Earnings $000	Reserves $000	Total $000
Balance at 1 July 2020	**21,179**	**(12,501)**	**195**	**8,873**
Other comprehensive income	–	–	–	–
Loss for the year	–	(8,019)	–	(8,019)
Total comprehensive income for the year	**–**	**(8,019)**	**–**	**(8,019)**
Transactions with owners, in their capacity as owners, and other transfers				
Transaction costs	(922)	–	–	(922)
Share-based payments	150	–	925	1075
Shares issued during the period	15,340	–	–	15,340
Total transactions with owners and other transfers	**14,568**	**–**	**925**	**15,493**
Balance at 30 June 2021	**35,747**	**(20,520)**	**1,120**	**16,347**
Balance at 1 July 2021	**35,747**	**(20,520)**	**1,120**	**16,347**
Other comprehensive income	–	–	–	–
Loss for the year	–	(12,577)	–	(12,577)
Total comprehensive income for the year	**–**	**(12,577)**	**–**	**(12,577)**
Transactions with owners, in their capacity as owners, and other transfers				
Transaction costs	(1,553)	–	–	(1,553)
Share-based payments	192	–	1,614	1,806
Shares issued during the period	56,066	–	–	56,066
Total transactions with owners and other transfers	**54,705**	**–**	**1,614**	**56,319**
Balance at 30 June 2022	**90,452**	**(33,097)**	**2,734**	**60,089**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	Consolidated Group 2022 $000	Consolidated Group 2021 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		19,617	10,421
Payments to suppliers and employees		(26,390)	(16,066)
Finance cost		–	(6)
Government stimulus payments received		–	1,248
R&D tax incentive received		842	435
Income tax paid	16	–	–
Net cash generated by operating activities	28a	(5,931)	(3,968)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11a	(281)	(134)
Payment for purchase of business	26	(27,867)	(284)
Capitalised development costs		(1,152)	(437)
Net cash (used in)/generated by investing activities		(29,300)	(855)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		35,447	14,079
Repayment of borrowings other		–	(84)
Repayment of lease liabilities	13b	(760)	(613)
Net cash provided by/(used in) financing activities		34,687	13,382
Net increase in cash and cash equivalents		(544)	8,559
Cash and cash equivalents at the beginning of financial year		10,748	2,189
Cash and cash equivalents at the end of financial year	6	10,204	10,748

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

The consolidated financial statements and notes represent those of Credit Clear Limited and Controlled Entities (the Group).

The financial statements were authorised for issue on 31 August 2022 by the directors of Credit Clear Limited.

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose consolidated financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent (Credit Clear Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls.

The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 26.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred at fair value;

(ii) any non-controlling interest (determined under either the fair value or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9: *Financial Instruments*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

b. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year. Deferred tax assets for unused tax losses have not been recognised.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which: (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised, unless the deferred tax asset relating to temporary differences arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

To the extent that uncertainty exists as it relates to the acceptability by a taxing authority of the company's tax treatments, the company estimates the probability of acceptance by the taxing authority and, where acceptance is not probable, recognises the expected value of the uncertainty in either income tax expense or other comprehensive income, as appropriate.

Tax consolidation

The company and its wholly-owned Australian resident entities intend to form a tax-consolidated Group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Credit Clear Limited. The members of the tax-consolidated Group are identified in Note 26. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group are recognised by the Company (as head entity in the tax-consolidated Group). Due to the expected tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated Group in accordance with the arrangement.

c. Fair Value of Assets and Liabilities

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

d. Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant & equipment	10% – 50%
Office equipment	20% – 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. Gains shall not be classified as revenue. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. Leases (the Group as lessee)

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

f. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value.

In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts); and
- loan commitments that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- the simplified approach.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

g. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years.

h. Intangible Assets other than Goodwill

Brand Names

Brand names are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives, being a 5 year period.

Customer contracts

Customer contracts obtained as part of the ARMA Group and Credit Solutions acquisitions were independently valued by an external accounting firm at the time of their purchase. Their carrying value has been amortising since being acquired and will be fully amortised over a 5 year period.

Capitalised Development Expenditure

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the group is able to use or sell the asset; the group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the Parent Entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except exchange differences that arise from net investment hedges.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at exchange rates on the date of transaction; and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position and allocated to non-controlling interest where relevant. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

j. Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments at grant date and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amounts are recognised in the option reserve and statement of profit and loss respectively. The fair value of options is determined using either the Hoadley or Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

m. Revenue and Other Income

Revenue from contracts with customers

Sales to external customers are recognised when the performance obligations are delivered over time. Once a contract has been entered into, the Group has an enforceable right to payment in exchange for services provided to date. For service or performance obligations satisfied over time, the Group measures the progress of its obligations over a contract service period to determine how much revenue should be recognised as the performance obligations are satisfied. Contracts with customers are presented in the Group's statement of financial position as a receivable, depending on the relationship between the Group's performance and the customers payment. Similarly, the Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. In effect, the consolidation entity recognises revenue from the provision of services over the period the contractually agreed tasks or service obligations are completed.

Revenue recognition

Revenue generated by the Group is categorised into the following reportable segments:

- Receivable collections, and
- Legal services.

See Note 2 for detailed disclosures on reportable segments.

Receivable Collections

Represents the provision of receivable collection services using a combination of technology solutions as well as traditional collection methods.

Legal Services

Legal Services: provides specialised credit legal services, which when combined with the Receivables Collections business, allows Credit Clear to provide a full service end to end offering for its clients. Revenue is recognised on a time and materials basis.

n. Trust Funds

The Group holds funds on trust as a part of the debt collection services. The Group holds a separate trust bank account and raises a liability equal to the balance of the trust account, representing that the funds are held in trust and that they are payable to various clients.

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

p. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

r. Rounding of Amounts

The Parent Entity has applied the relief available to it under ASIC *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest $1,000.

s. Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time during the financial year. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

New accounting standards and interpretations not yet mandatory or early adopted

Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group does not expect the adoption of these standards to have any impact on the reported position or performance of the Group.

t. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for receivable collections activity based in Australia, growth rates of 20% on average have been factored into valuation models for the next 5 years on the basis of management's expectations regarding the Group's continued ability to capture market share from competitors. Cash flow growth rates of 5% subsequent to this period have been used. The rates used incorporate an allowance for inflation. Pre-tax discount rates of 15.64% have been used in all models.

No impairment has been recognised in respect of goodwill at the end of the reporting period. Should the projected revenue figures be outside 42% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying amount of $53,921,000.

Key judgements

(i) Performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/type, cost/value, quantity and the period of transfer related to the goods or services promised.

(ii) Lease term and Option to Extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The decision on whether or not the options to extend are reasonably going to be exercised is a key management judgement that the entity will make. The Group determines the likeliness to exercise on a lease-by-lease basis looking at various factors such as which assets are strategic and which are key to future strategy of the entity.

(iii) Provision for expected credit losses

Included in trade receivables at the end of the reporting period are amounts which are considered to be doubtful. Therefore, a provision for expected credit losses amounting to $9,196 has been made.

(iv) Technology Development

The Group capitalises expenditure relating to technology development in relation to its digital collection system where it is considered likely to be recoverable from associated activity in future periods. Such capitalised expenditure is carried at the end of the reporting period at $1,178,000.

(v) Uncertainty over tax provision

The company has used its best estimate in instances where accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment.

Note 2: Operating Segments

a. General Information

Identification of reportable segments

The group has identified its operating segments to be the two major areas of services provided to customers; Receivable Collections and Legal Services.

Receivable Collections: represents the provision of receivable collection services using a combination of technology solutions as well as traditional collection methods.

Legal Services: provides specialised credit legal services, which when combined with the Receivables Collections business, allows Credit Clear to provide a full service end to end offering for its clients.

Head Office is not an operating segment, it represents Group overheads, corporate head office, Group tax balances, financing, payroll and treasury functions.

Revenue categorisation

Revenue is generated by the Group and is categorised into the reportable segments disclosed below.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

b. Basis of Accounting for Purposes of Reporting by Operating Segments

Intersegment transactions

Internal transfer pricing is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs and are on commercial terms.

c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and other liabilities with a direct nexus to the liability.

Segment information

(i) Segment performance

	Collections $000	Legal Services $000	Head Office $000	Total $000
30 June 2022				
Revenue				
External sales	17,558	3,904	–	21,462
Other income	–	–	–	–
Total segment revenue	**17,558**	**3,904**	**–**	**21,462**
EBITDA	**1,329**	**337**	**(10,168)**	**(8,502)**
Depreciation and amortisation	–	–	(3,948)	(3,948)
Interest revenue	–	–	16	16
Interest expense	–	–	(143)	(143)
Segment net profit/(loss) before tax	**1,329**	**337**	**(14,243)**	**(12,577)**
Tax expense	**–**	**–**	**–**	**–**
Net loss after tax	**1,329**	**337**	**(14,243)**	**(12,577)**

	Collections $000	Legal Services $000	Head Office $000	Total $000
30 June 2021				
Revenue				
External sales	8,383	2,597	–	10,980
Other income	841	–	1,248	2,089
Total segment revenue	**9,224**	**2,597**	**1,248**	**13,069**
EBITDA	**(2,040)**	**39**	**(3,595)**	**(5,596)**
Depreciation and amortisation	–	–	(2,361)	(2,361)
Interest revenue	–	–	17	17
Interest expense	–	–	(79)	(79)
Segment net profit/(loss) before tax	**(2,040)**	**39**	**(6,018)**	**(8,019)**
Tax expense	**–**	**–**	**–**	**–**
Net loss after tax	**(2,040)**	**39**	**(6,018)**	**(8,019)**

(ii) Segment assets

	Collections $000	Legal Services $000	Head Office $000	Total $000
30 June 2022				
Segment assets	8,245	2,038	66,497	76,780
30 June 2021				
Segment assets	3,736	285	18,307	22,328

(iii) Segment liabilities

	Collections $000	Legal Services $000	Head Office $000	Total $000
30 June 2022				
Segment liabilities	8,352	1,825	6,514	16,691
30 June 2021				
Segment liabilities	3,395	597	1,449	5,441

Note 3: Revenue and Other Income

The Group has recognised the following amounts relating to revenue in the statement of profit or loss.

	Note	2022 $000	2021 $000
Continued operations			
Revenue from contracts with customers	3a	21,462	10,980
Other income	3b	–	2,089
Total revenue		**21,462**	**13,069**

a. Disaggregated revenue

The Group has disaggregated revenue into various categories in the following table. The revenue is disaggregated by geographical market, products/service lines and timing of revenue recognition.

Year to 30 June 2022	Collections		Legal Services		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Geographical markets						
Australia	17,340	8,341	3,904	2,598	21,244	10,939
New Zealand	218	41	–	–	218	41
	17,558	8,382	3,904	2,598	21,462	10,980

b. Other income

	2022 $000	2021 $000
ATO JobKeeper payments	–	1,156
ATO cashflow boost and government grants	–	92
R&D Tax Incentive	–	841
Total other income	–	2,089

c. Interest received

	2022 $000	2021 $000
Interest received	16	17
Total interest received	16	17

Note 4: Expenses

Profit before income tax from continuing operations includes the following specific expenses:

a. Depreciation and amortisation

	Consolidated Group	
	2022 $000	2021 $000
Depreciation	139	44
Amortisation:		
– right of use asset	733	645
– office makegood	85	–
– intangibles	2,991	1,672
Total depreciation and amortisation	3,948	2,361

b. Interest expense

	Consolidated Group	
	2022 $000	2021 $000
– lease liabilities	81	71
– other	62	8
	143	79

c. Other expenses

	Consolidated Group	
	2022 $000	2021 $000
Normal expenses:		
Technology Expenses	2,041	1,158
Technology Development – OPEX	2,925	1,714
Consultant fees	653	1,406
Legal fees – General	88	341
Other	3,154	2,311
Total normal expenses	**8,861**	**6,930**
Abnormal expenses:		
ARMA acquisition due diligence expenses	2,370	–
IPO fees	–	608
Legal settlements and related fees	567	836
Redundancies	278	–
System rationalisation	102	–
International market feasibility	74	–
Total abnormal expenses	**3,391**	**1,444**
	12,252	8,374

Note 5: Tax Expense

	Consolidated Group	
	2022 $000	2021 $000
a. The components of tax expense/(benefit) comprise:		
Current tax	(2,051)	(1,515)
Deferred tax	(208)	631
	(2,259)	(884)
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax payable on profit from ordinary activities before Average income tax at 25% (2021: 25%)	(3,130)	(2,004)
Add:		
Tax effect of:		
– Employee superannuation	15	17
– Employee provisions	93	119
– Accrued expenses	85	(26)
– Non-deductible expenses	678	1,082
	(2,259)	(812)
Less:		
Tax effect of:		
– Non assessable income	–	(21)
– Share issue expense	–	(51)
Current year losses not recognised	(2,259)	(884)
Income tax attributable to entity	–	–

Note 6: Cash and Cash Equivalents

	Consolidated Group	
	2022 $000	2021 $000
Cash at bank and on hand	10,204	7,747
Short-term bank deposits	–	3,000
	10,204	10,747

The effective interest rate on short-term bank deposits was 0.44%; these deposits have an average maturity of 365 days, however, they are able to be liquidated at short notice.

Reconciliation of cash

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Consolidated Group	
	2022 $000	2021 $000
Cash and cash equivalents	10,204	10,747
	10,204	10,747

Note 7: Trust Funds

	Consolidated Group	
	2022 $000	2021 $000
Trust funds held	4,168	654
	4,168	654

As part of the collections process, funds received are held in trust on behalf of clients. Refer to Note 15 for trust fund liability owed by the Group and Note 1n for further information on the Group's Trust Fund policy.

Note 8: Trade and Other Receivables

	Consolidated Group	
	2022 $000	2021 $000
CURRENT		
Trade receivables	4,583	2,078
Provisions for expected credit loss	(9)	(84)
	4,574	1,994
Other receivables	130	128
R&D Tax Incentive	–	841
	130	969
Total current trade and other receivables	4,704	2,963

Trade receivables are non-interest bearing ranging from 15 to 45 day terms. An impairment loss is recognised based on an expected credit loss model. The Group assesses the expected credit loss based on individual debtor level expectations relative to credit terms.

Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2022 is determined as follows, the expected credit losses incorporate forward looking information.

30 June 2022	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Expected loss rate (%)	0.00	0.00	0.00	2.83	0.19
Gross carrying amount ($)	2,851	979	435	318	4,583
ECL provision	–	–	–	9	9

30 June 2021	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Expected loss rate (%)	0.64	0.28	0.00	51.37	4.04
Gross carrying amount ($)	1,559	358	19	142	2,078
ECL provision	10	1	–	73	84

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Note 9: Financial Assets

The Group has recognised the following financial assets:

	Consolidated Group	
	2022 $000	2021 $000
NON-CURRENT		
Term deposits held	622	327
	622	327

Note 10: Other Assets

	Consolidated Group	
	2022 $000	2021 $000
CURRENT		
Prepayments	381	391
Other	–	4
	381	395

Note 11: Property, Plant and Equipment

	Consolidated Group 2022 $000	Consolidated Group 2021 $000
Office equipment:		
At cost	437	94
Accumulated depreciation	(109)	(52)
	328	42
Computer equipment:		
At cost	290	179
Accumulated depreciation	(232)	(83)
	58	96
Leasehold Improvements		
At cost	28	–
Accumulated depreciation	(3)	–
	25	–
Total property, plant and equipment	411	138

a. Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Consolidated Group:	Leasehold Improvements $000	Computer Equipment $000	Office Equipment $000	Total $000
Balance at 1 July 2020	–	17	31	48
Additions	–	106	28	134
Disposals	–	–	–	–
Acquisitions Through Business Combinations	–	–	–	–
Depreciation Expense	–	(27)	(17)	(44)
Balance as at 30 June 2021	**–**	**96**	**42**	**138**

Consolidated Group:	Leasehold Improvements $000	Computer Equipment $000	Office Equipment $000	Total $000
Balance at 1 July 2021	–	96	42	138
Additions	28	112	141	281
Disposals	–	–	–	–
Acquisitions Through Business Combinations	–	–	130	130
Depreciation Expense	(3)	(73)	(62)	(138)
Balance as at 30 June 2021	**25**	**135**	**251**	**411**

Note 12: Intangible Assets

Consolidated Group:	Capitalised Development Expenditure $000	Goodwill $000	Brand Names $000	Customer Contracts $000	Total $000
Year ended 30 June 2021					
Balance at the beginning of the year	–	1,536	400	5,343	7,279
Internal development	437	–	–	–	437
Amortisation charge	(65)	–	–	(1,607)	(1,672)
Closing value at 30 June 2021	372	1,536	400	3,736	6,044
Year ended 30 June 2022					
Balance at the beginning of the year	372	1,536	400	3,736	6,044
Internal development	1,152	–	–	–	1,152
Additions through business combination 26b	–	35,896	520	13,300	49,716
Amortisation charge	(346)	–	(443)	(2,202)	(2,991)
Closing value at 30 June 2022	1,178	37,432	477	14,834	53,921

Impairment disclosures

Intangible assets are allocated to cash-generating units which are based on the Group's reporting segments:

	2022 $000	2021 $000
Receivable collections	53,921	6,044
Legal services	–	–
Total	53,921	6,044

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations.

Value-in-use is calculated based on the present value of cash flow projections over a five-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of a five-year weighted average cost of capital (WACC) at the beginning of the budget period. A growth rate of 30% was used for FY23, 20% for FY24, 19% for FY25, 18% for FY26 and 17% for FY27. A pre-tax weighted average cost of capital rate of 15.64% was also used in the calculation.

The following key assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Receivable collections	20%	15.64%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 13: Right of Use Assets and Lease Liabilities

The Group's lease portfolio relates to offices. These leases have an average of 2 years as their lease term.

The option to extend are contained in several of the property leases of the Group. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All the extension options are only exercisable by the Group.

a. AASB 16 related amounts recognised in the balance sheet

Right of use assets

	2022 $000	2021 $000
Leased office premises	2,724	1,659
Accumulated depreciation	(1,065)	(599)
Total Right of use asset	1,659	1,060
Movement in carrying amounts:		
Leased office premises:		
Opening net carrying amount	1,060	1,399
Additions, exercise of lease extension options	1,599	345
Disposals	(267)	(39)
Amortisation expense	(733)	(645)
Net carrying amount	1,659	1,060

b. AASB 16 related amounts recognised in the statement of profit or loss

	2022 $	2021 $
Amortisation charge related to right-of-use assets	733	645
Interest expense on lease liabilities	81	71

	2022 $000	2021 $000
Total cash outflows for leases	760	613

	2022 $000	2021 $000
Lease Liabilities		
Current	840	591
Non-current	832	508

Note 14: Trade and Other Payables

	Consolidated Group	
	2022 $000	2021 $000
CURRENT		
Unsecured liabilities:		
Trade payables	1,378	730
Sundry payables and accrued expenses	1,624	1,091
	3,002	**1,821**

Note 15: Other Current Liabilities

	Note	Consolidated Group 2022 $000	2021 $000
Contingent consideration	26b	4,000	–
Trust fund liabilities	7	4,168	654
Unearned revenue		778	667
		8,946	1,321

Contingent consideration in relation to the ARMA Group acquisition is payable one year from the completion date of 4 February 2022 in the form of cash and equity. The amount of $4,000,000 is an estimate and is based on the level of digital collection revenue generated during the 12 month period post completion. ARMA vendors will ultimately receive $1 for every $1 of digital revenue achieved.

Note 16: Tax

	Consolidated Group 2022 $000	2021 $000
CURRENT		
Income tax payable	–	–

	Opening Balance $000	Recognised in Profit and Loss $000	Recognised Directly to Equity $000	Other $000	Exchange Differences $000	Closing Balance $000
NON CURRENT						
Deferred tax assets						
Employee provisions	–	248	–	–	–	248
Accruals	–	93	–	–	–	93
Lease liabilities	–	185	–	–	–	185
Provision for doubtful debts	–	1	–	–	–	1
Provision for make good	–	15	–	–	–	15
Black hole expenses	–	133	–	–	–	133
Other deferred tax	–	35	–	–	–	35
Balance 30 June 2022	–	710	–	–	–	710
Deferred tax liabilities						
Right of use assets	–	416	–	–	–	416
Capitalised development costs	–	294	–	–	–	294
Balance 30 June 2022	–	710	–	–	–	710

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account:

- temporary differences $180,716 (2021: $1,444,431); and
- tax losses: operating losses $4,295,442 (2021: $2,708,004).

The benefits of the above temporary differences and unused tax losses will only be realised if the conditions for deductibility set out in Note 1(b) occur. These amounts have no expiry date.

Note 17: Provisions

Analysis of total provisions

	Consolidated Group	
	2022 $000	2021 $000
Current		
Annual leave	1,400	692
Long service leave	322	204
Legal dispute provision	–	650
	1,722	1,546
Non-current		
Long service leave	508	194
Office Make Good	131	–
	639	639
	2,361	1,740

	Movement in Provisions $000	Total $000
Consolidated Group		
Opening balance at 1 July 2021	1,740	1,740
Additional provisions	2,167	2,167
Amounts used	(1,445)	(1,445)
Unused amounts reversed	(101)	(101)
Balance at 30 June 2022	2,361	2,361

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(j).

Note 18: Issued Capital

	2022 $000	2021 $000
366,918,261 (2021: 225,686,746) fully paid ordinary shares	90,452	35,747
	90,452	35,747

	Consolidated Group	
	2022 No.	**2021 No.**
a. Ordinary Shares		
At the beginning of the reporting period	225,686,746	180,409,603
Shares issued during the year:		
– 18 August 2020		1,360,000
– 19 August 2020		560,000
– 20 August 2020		500,000
– 27 October 2020		42,857,143
– 21 February 2022	31,853,010	
– 28 January 2022	31,896,990	
– 28 February 2022	10,000,000	
– 7 February 2022	45,789,661	
– 11 February 2022	374,993	
– 23 March 2022	1,725,000	
– 30 March 2022	150,000	
– 19 May 2022	2,000,000	
– 10 June 2022	17,441,861	
At the end of the reporting period	**366,918,261**	**225,686,746**

On 28 January, 21 February and 28 February 2022, the Group issued 73,750,000 ordinary shares at $0.40 each to shareholders to raise funds for the ARMA acquisition. The capital raise was conducted in two tranches with an additional tranche in the form of a Share Purchase Plan for existing shareholders. An additional 45,789,661 shares were issued on 7 February 2022 as share consideration for the ARMA acquisition to the vendors

On 11 February 2022, 374,993 shares were issued to directors in lieu of director fees for 1H'22 in accordance with shareholder approval received at the 2022 AGM.

On 23 March and 30 March 2022, 1,875,000 shares were issued to service providers and a former employee.

On 19 May 2022, 2,000,000 rights issued to a former director were converted to shares.

On 10 June 2022, 17,441,861 were issued to raise funds for business growth purposes.

Ordinary shares participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

b. Options

(i) For information relating to the Credit Clear Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 22.

(ii) For information relating to share options issued to key management personnel during the financial year, refer to Note 22.

c. Capital Management

Management controls the capital of the Group to maintain adequate equity in the business, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and is supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Other than raising capital for the ARMA acquisition in December 2021 and January 2022, as well as additional capital raised for growth purposes in June 2022, there have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Note 19: Reserves

a. Share-based payments reserve

The share-based payments reserve records items recognised as expenses on valuation of employee share options/rights.

	Consolidated Group	
	2022 $000	2021 $000
Opening balance	1,120	195
Options/rights granted	1,980	925
Options/rights forfeited	(366)	–
Closing balance	2,734	1,120

Options and Rights on issue 30 June 2022

Issue	Expiry Date	Exercise Price	Opening Balance 1 July 2021	Issued	Exercised	Forfeited	Closing Balance 30 June 2022
Rights – Directors	27 Oct'27	$0.00	2,000,000	–	2,000,000	–	–
Options – KMP's	8 Oct'32	$0.50	5,000,000	–	–	–	5,000,000
Options – Employees	8 Oct'32	$0.50	6,590,000	810,000	–	880,000	6,520,000
Options – Employees	1 Oct'32	$0.50	2,000,000	–	–	–	2,000,000
Options – Employees	1 Oct'32	$0.55	2,000,000	–	–	–	2,000,000
Options – Employees	1 Oct'33	$0.60	2,000,000	–	–	1,500,000	500,000
Options – Employees	1 Oct'34	$0.65	2,000,000	–	–	2,000,000	–
Options – Employees	1 Oct'35	$0.70	2,000,000	–	–	2,000,000	–
Options – Directors	8 Oct'32	$0.50	6,800,000	–	–	–	6,800,000
Options – Employees	8 Oct'33	$0.577	–	6,890,000	–	565,000	6,325,000
Options – KMP's	8 Oct'33	$0.577	–	1,150,000	–	–	1,150,000
			30,390,000	8,850,000	2,000,000	6,945,000	30,295,000

Options and Rights on issue 30 June 2021

Issue	Expiry Date	Exercise Price	Opening Balance 1 July 2020	Issued	Exercised	Lapsed	Closing Balance 30 June 2021
Rights – Employees	27 Oct'27	$0.00	520,000	–	520,000	–	–
Rights – Service Providers	27 Oct'21	$0.00	40,000	–	40,000	–	–
Rights – Directors	27 Oct'27	$0.00	2,000,000	–	–	–	2,000,000
Options – KMP's	8 Oct'32	$0.50	–	5,000,000	–	–	5,000,000
Options – Employees	8 Oct'32	$0.50	–	6,590,000	–	–	6,590,000
Options – Employees	1 Oct'32	$0.50	–	2,000,000	–	–	2,000,000
Options – Employees	1 Oct'32	$0.55	–	2,000,000	–	–	2,000,000
Options – Employees	1 Oct'33	$0.60	–	2,000,000	–	–	2,000,000
Options – Employees	1 Oct'34	$0.65	–	2,000,000	–	–	2,000,000
Options – Employees	1 Oct'35	$0.70	–	2,000,000	–	–	2,000,000
Options – Directors	8 Oct'32	$0.00	–	6,800,000	–	–	6,800,000
			2,560,000	28,390,000	560,000	–	30,390,000

Note 20: Accumulated Losses

	Consolidated Group 2022 $000	2021 $000
Accumulated losses at the beginning of the financial year	(20,520)	(12,501)
Loss after income tax expense for the year	(12,577)	(8,019)
Accumulated losses at the end of the financial year	(33,097)	(20,520)

Note 21: Parent Information

The parent entity is Credit Clear Limited and a list of subsidiaries can be found at note 26.

The following information has been extracted from the books and records of the financial information of the Parent Entity set out below and has been prepared in accordance with Australian Accounting Standards.

	2022 $000	2021 $000
Statement of Financial Position		
ASSETS		
Current assets	11,612	14,727
Non-current assets	54,366	7,124
TOTAL ASSETS	65,978	21,851
LIABILITIES		
Current liabilities	8,649	4,854
Non-current liabilities	828	690
TOTAL LIABILITIES	9,477	5,544
EQUITY		
Issued capital	90,452	35,747
Accumulated Losses	(36,685)	(20,560)
Option reserve	2,734	1,120
TOTAL EQUITY	56,501	16,307

	2022 $000	2021 $000
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	(16,125)	(8,081)
Total comprehensive income	(16,125)	(8,081)

Note 22: Key Management Personnel Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2022.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	2022 $000	2021 $000
Short-term employee benefits	944	927
Post-employment benefits	75	60
Share-based payments	454	1,481
Total KMP compensation	1,473	2,468

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Long-term employee benefits

These amounts include compulsory superannuation contributions.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

Share-based Payments

a. Credit Clear Limited has in place two share option offers:

   Key management personnel and employee share options

   The number available to be granted is determined by the Board, based on performance measures.

   Additionally, options are granted subject to continued employment with Credit Clear Limited and subject to the vesting share price being achieved on the vesting date. The options vest fully at the two-year anniversary of the grant date if the vesting price is achieved on the vesting date.

   Should the performance criteria not be met for a particular year, the portion of the options which were available for vesting for that year shall be considered forfeited.

   Non-Executive Directors share options

   Terms of options issued to non-executive directors are the same as for key management and employees, except that they do not have a vesting share price to be achieved. This is consistent with ASX guidelines to promote long-term based decision making for the company.

b. During the year, 810,000 share options were granted to employees under the Credit Clear Limited Employee Share Option Scheme to take up ordinary shares at an exercise price of $0.50 each. The options are exercisable on 8 October 2022 if the vesting price of $0.60 is achieved. The options hold no voting or dividend rights and are not transferable.

Additionally, 8,040,000 share options were granted to employees under the Credit Clear Limited Employee Share Option Scheme to take up ordinary shares at an exercise price of $0.577 each. The options are exercisable on 8 October 2023 if the vesting price of $0.975 is achieved. The options hold no voting or dividend rights and are not transferable.

c. Options granted to key management personnel are as follows:

Grant Date	Number
8 October 2020	10,300,000
19 November 2020	1,500,000
14 February 2022	1,150,000
	12,950,000

The options vest fully at the two-year anniversary of the grant date if the vesting price is achieved on the vesting date. Further details of these options are provided in the directors' report. The options hold no voting or dividend rights and are not transferable. The options lapse when a KMP ceases their employment with the Group although the board has discretion for options to continue beyond cessation of employment. No options vested with key management personnel during the year. There were 2,000,000 rights which vested during the year (2021: 520,000).

d. A summary of the movements of all options and rights issued is as follows:

	Number	Weighted Average Exercise Price
Options and Rights outstanding as at 1 July 2020	2,000,000	$0.00
Granted	11,800,000	$0.50
Forfeited	–	–
Exercised	–	–
Expired	–	–
Options and rights outstanding as at 30 June 2021	**13,800,000**	**$0.43**

	Number	Weighted Average Exercise Price
Options and Rights outstanding as at 1 July 2021	13,800,000	$0.43
Granted	1,150,000	$0.60
Forfeited	–	–
Exercised	2,000,000	–
Expired	–	–
Options and rights outstanding as at 30 June 2022	**12,950,000**	**$0.51**
Options exercisable as at 30 June 2022	–	–
Options exercisable as at 30 June 2021	–	–

The weighted average remaining life of options outstanding at year-end was 10.75 years. The weighted average exercise price of outstanding shares at the end of the reporting period was $0.51.

The fair value of the options granted to employees is considered to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was $0.23 (2021: $0.08). These values were calculated using the Hoadley option pricing model applying the following inputs:

Weighted average exercise price:	$0.57
Weighted average life of the option:	6 years
Expected share price volatility:	56%
Risk-free interest rate:	2.5%

The share price has also been used as inputs into the Hoadley Valuation model in order to determine the fair value of share options granted.

Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

The life of the options is based on expected exercise patterns, which may not eventuate in the future.

e. There were 374,993 shares issued to directors and key management personal as share based payments during the year (2021: 500,000).

No payments were Included under employee benefits expense in the statement of profit or loss which relates to equity-settled share-based payment transactions (2021: $150,000).

Note 23: Auditor's Remuneration

	Consolidated Group	
	2022 $	2021 $
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	120,000	80,000
– taxation return services	4,500	1,900
– due diligence services	108,861	103,485
– other taxation services	8,000	14,500
	241,361	199,885

Note 24: Dividends

There were no dividends paid, recommended, or declared during the current or previous financial year.

Note 25: Earnings Per Share

	Consolidated Group	
	2022 $000	2021 $000
Loss after income tax attributable to the owners of Credit Clear Limited	(12,577)	(8,019)
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	273,562,394	210,576,848
Weighted average number of ordinary shares used in calculating diluted earnings per share	273,562,394	210,576,848
	Cents	Cents
Basic earnings per share	$0.046	$0.038
Diluted earnings per share	$0.046	$0.038

Share options are considered to be potential ordinary shares but were anti-dilutive in nature for the 30 June 2022 financial year and were not included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Note 26: Interests in Subsidiaries

a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

		Ownership Interest Held by the Group	
Name of Subsidiary	**Principal Place of Business**	**2022 %**	**2021 %**
Credit Clear IP Pty Ltd (formerly Credit Clear International Pty Ltd)	Australia	100	100
Oakbridge Lawyers Pty Ltd	Australia	100	100
Wired Payments Pty Ltd	Australia	100	100
Credit Clear International Pty Ltd	Australia	100	0
Credit Clear Trading Pty Ltd	Australia	100	0
Credit Clear Legal Pty Ltd	Australia	100	0
ARMA Group Holdings Pty Ltd	Australia	100	0
Force Legal Pty Ltd	Australia	100	0
NZ Recoveries Ltd	New Zealand	100	0

b. Acquisition of Controlled Entities

On 4 February 2022, Credit Clear Limited (parent entity) acquired a 100% interest in ARMA Group Holdings Pty Ltd, Force Legal Pty Ltd and NZ Recoveries Limited (ARMA Group). This resulted in Credit Clear Limited obtaining control of the ARMA Group. Further details are provided in the Directors Report.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	30 June 2022 Fair Value $
Purchase consideration:	
– Cash	27,602,000
– Net cash adjustment paid	264,879
– Shares issued in Credit Clear Limited	18,400,000
– Contingent consideration	4,000,000
Total purchase consideration	**50,266,879**
Assets or liabilities acquired:	
Cash	768,503
Trade receivables	393,710
Prepayments	74,202
Other assets	176,427
Plant and equipment	130,236
Trade payables	(131,200)
Sundry payables and accrued expenses	(149,331)
Employee provisions	(711,551)
Identifiable assets acquired and liabilities assumed	**550,996**
Purchase consideration	50,266,879
Less: Identifiable assets acquired	550,996
Intangible Assets Acquired	**49,715,883**

The Group undertook a valuation to calculate the identifiable intangible assets acquired on acquisition of the ARMA Group on 4 February 2022. The valuation determined that the Group's intangible asset balances before amortisation are as follows:

Customer Contracts	$13,300,000
Brand Name	$520,000
Goodwill	$35,895,883
Intangible Assets Acquired	$49,715,883

Contingent consideration

In accordance with the terms of the ARMA Group acquisition, Credit Clear agreed to pay the selling shareholders contingent consideration of $1 for every $1 of digital revenue generated in the twelve-month period subsequent to the acquisition date of 4 February 2022. Digital revenue is defined as revenue generated from collections received on the Credit Clear digital collection platform. Refer to Note 15 for further details on contingent consideration.

Note 27: Contingent Liabilities

On 15 July 2020 proceedings were commenced by originating process in the Supreme Court of Victoria by Trent Marshall McKendrick and ACN 604 594 621 Pty Ltd (formerly C Capital Pty Ltd) (C Capital Pty Ltd) (together the McKendrick parties) against the Company, Casey Consulting Services Pty Ltd as trustee for the Casey Consulting Services Trust (Casey Consulting) and Romano Family Holdings Pty Ltd as trustee for the Lewis Romano Family Trust (together the Defendants). The litigation concerns the circumstances in which Mr McKendrick ceased involvement with the Company and various allegations touching upon and connected with those circumstances.

The Defendants are defending the proceedings.

On 2 May 2022, the Court ordered that the second plaintiff ACN 604 594 621 (ACN 604 594 621) (formerly known as C Capital Pty Ltd) pay a certain sum into Court as security for the costs of the Defendants up to an including the second mediation. On 2 June 2022, the second plaintiff C Capital Pty Ltd paid the required security for costs into Court thus complying with the 2 May 2022 Order of the Court.

On 10 June 2022, the first plaintiff, Trent Marshall McKendrick ceased to be a party to the proceedings and was removed from the proceedings.

On 22 June 2022, Amended Points of Claim were filed by the second plaintiff C Capital Pty Ltd.

The proceedings have been referred to mediation which is scheduled for a date in October 2022.

Note 28: Cash Flow Information

	Consolidated Group	
	2022 $000	2021 $000
a. Reconciliation of Cash Flows from Operating Activities with Loss after Income Tax		
Loss after income tax	(12,577)	(8,019)
Non-cash flows in loss:		
– Amortisation of intangible assets	2,991	1,672
– Amortisation on right of use assets	733	645
– Depreciation	138	44
– Share-based payments	2,364	1,075
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and other receivables	(789)	(1,256)
– (increase)/decrease in current tax receivable	-	(406)
– (increase)/decrease in other assets	673	(217)
– (decrease)/increase in trade payables and accruals	738	1,325
– (decrease)/increase in provisions and reserves	(202)	1,169
Net cash generated by/(used in) operating activities	(5,931)	(3,968)

b. Changes in Liabilities arising from Financing Activities

			Non-cash changes	
	1 July 2021 $000	Cash flows	Additional Office leases	30 June 2022 $000
Short-term borrowings	–	–	–	
Lease liabilities	1,099	(760)	1,333	1,672
Total	1,099	(760)	1,333	1,672

Note 29: Events after the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Note 30: Related Party Transactions

a. Related parties

The Group's main related parties are as follows:

(i) Entities exercising control over the Group:

The ultimate Parent Entity that exercises control over the Group is Credit Clear Limited, which is incorporated in Australia.

(ii) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 22.

(iii) Other related parties:

Other related parties include entities controlled by the ultimate Parent Entity and entities over which key management personnel have joint control.

b. Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated Group	
	2022 $000	2021 $000
(i) Casey Consulting Services Pty Ltd		
Provision payable	–	650
Office lease recoveries	216	201
Office Lease receivable	42	–
(ii) Remitter International Inc		
License fees received	300	300
Fees receivable	120	75
(iii) Credit Solutions Pty Ltd		
Banking fees incurred	(201)	(187)
Banking fees payable	(13)	(24)

All transactions were made on normal commercial terms and conditions and at market rates.

Note 31: Financial Risk Management

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their values.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

Financial Risk Management Policies

The Risk and Audit Committee (RAC) has been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The RAC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, foreign currency risk, liquidity risk, and interest rate risk. The RAC meets on quarterly basis and updates are provided to the Board as a standing agenda item.

The RAC's overall risk management strategy seeks to assist the Consolidated Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk consisting of interest rate risk and foreign currency risk and other price risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 45 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the RAC has otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Group has significant credit risk exposures to Australia given the substantial operations in that country. Details with respect to credit risk of trade and other receivables are provided in Note 8.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 8.

Credit risk related to balances with banks and other financial institutions is managed by the RAC in accordance with board approvals where required. Such policy requires that surplus funds are only invested with counterparties with a high credit rating.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Financial liabilities due for payment								
Trade and other payables	3,002	1,821	–	–	–	–	3,002	1,821
Lease liabilities	840	591	832	508	–	–	1,672	1,099
Total expected outflows	3,842	2,412	832	508	–	–	4,674	2,920
Financial assets – cash flows realisable								
Cash and cash equivalents	10,204	10,747	–	–	–	–	10,204	10,747
Trade and receivables	4,704	2,963	–	–	–	–	4,704	2,963
Term deposits held	–	–	622	327	–	–	622	327
Total anticipated inflows	14,908	13,710	622	327	–	–	15,530	14,037
Net (outflow)/inflow on financial instruments	11,066	11,298	(210)	(181)	–	–	10,856	11,117

c. Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the Group to interest rate risk are cash, cash equivalents and term deposits.

The table below outlines the interest rate on cash at bank and financial assets:

	2022		2021	
Consolidated Group	Weighted average interest rate %	Balance $000	Weighted average interest rate %	Balance $000
Cash and cash equivalents	0.11	10,204	0.17	10,747
Financial assets	0.44	622	0.90	327
		10,826		11,074

The Group is not currently exposed to any material fluctuations in interest rates.

At 30 June 2022, if interest rates had changed by +/– 10 basis points from the year end rates, with all other variables held constant, post tax loss for the year would have changed by $10,826 (2021: $11,142).

(ii) Foreign currency risk

Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Group's exposure is limited to its operations in New Zealand. It is not currently exposed to any material fluctuations in foreign currency.

(iii) Price risk

The Group is not exposed to any significant price risk.

Fair Values

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

Note 32: Company Details

The registered office of the Company is:

Credit Clear Limited
Level 4, 6 Riverside Quay
Southbank, VIC 3006

The principal places of business are:

Credit Clear Limited
Level 4, 6 Riverside Quay
Southbank, VIC 3006

Directors' Declaration

In accordance with a resolution of the directors of Credit Clear Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 32 to 73, are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards applicable to the Entity, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   b. give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Consolidated Group;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Michael Doery, Non-Executive Director

Dated this 31 day of August 2022

Andrew Smith, Director

Dated this 31 day of August 2022

Independent Auditor's Report

Moore Australia Audit (VIC)
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CREDIT CLEAR LIMITED & CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Credit Clear Limited & Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.
In our opinion:

a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001,* including:

    i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

    ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MOORE

KEY AUDIT MATTER 1 – VALUE OF INTANGIBLE ASSETS Refer to Note 12 “Intangible Assets”	
As at 30 June 2022, the Group has recorded total intangible assets of $53.921m. The intangible assets recognised by the Group arose as part of the acquisition of the Group’s subsidiaries. Australian Accounting Standards state that goodwill and other intangible assets that have an indefinite useful life are required to be tested at least annually for impairment. We have focussed on this area due to the size of the balance, the Directors’ assessment of the value in use of the Group’s CGU’s requiring significant judgements about the future results of the Group and the discount rates applied to future cash flows being inherently uncertain.	Our procedures included, amongst others: • We evaluated management’s cash flow forecasts and the process by which they were developed, including verifying the mathematical accuracy of the underlying calculations. We also compared them to the latest board approved budgets. • We also challenged whether: 1. Management’s key assumptions for short and long term growth rates in the forecasts were appropriate, considering the historical reliability of the Group’s cash flow forecasting process; 2. The discount rate used in the model was appropriate by assessing the cost of capital for the Group by comparing it to market data and industry research. • We then tested the assumptions used by management, analysing the impact on the value in use calculation by adjusting the EBIT growth rate, WACC and terminal value growth rate used within a reasonably foreseeable range. • We independently developed expectations regarding the impairment testing results based on our understanding of the CGUs and the Group’s historical achievement of budgets. • We assessed the adequacy of the Group’s disclosure of key assumptions used and sensitivities to changes in assumptions as required by Australian Accounting Standards.

MOORE

KEY AUDIT MATTER 2 – ACCOUNTING FOR BUSINESS COMBINATIONS Refer to Note 26b "Acquisition of Controlled Entities"	
During the financial year, the Group completed its acquisition of ARMA Group Pty Ltd, Force Legal Pty Ltd and NZ Recoveries Limited, together known as "ARMA Group" in accordance with *AASB 3 Business Combinations*. This was considered a key audit matter as the accounting for a business combination is complex and involves significant judgement. This includes the recognition and valuation of consideration paid, including contingent consideration, the identification and valuation of intangibles assets acquired, as well as the fair value of the net tangible assets acquired and the liabilities assumed.	Our procedures included, amongst others: • Reviewing the signed share sale agreements to obtain the terms and conditions of each sale. • Validating the net tangible assets acquired and the liabilities assumed to supporting schedules and documentation. • Reviewing and engaging our internal valuation specialises to review the purchase price allocation valuation report prepared for the acquisition of the ARMA Group. • Evaluating the contingent consideration included in the purchase price, including assessing the reasonableness of the forecasts used to determine the contingent consideration. • Ensuring adequate disclosure was made in the financial report.

KEY AUDIT MATTER 3 – ISSUED CAPITAL AND SHARE BASED PAYMENTS Refer to Note 18 "Issued Capital" & Note 19 "Reserves"	
During the year ended 30 June 2022, the Group has issued a significant amount of new issued capital. Most notably, the Group was successful in raising $29.5m via various capital raises in order to fund of the ARMA Group purchase acquisition (refer Key Audit Matter 2 above). As part of the ARMA acquisition, the Group has issued a significant number of employee share options and share rights to several directors and employees of the Group. Given the material value of issued capital, as well as the fair value estimation and judgements required in accounting for share options under AASB 2 *Share Based Payments*, we have considered issued capital and share based payments as a key focus area of our audit.	Our procedures included, amongst others: • Ensuring that the ordinary shares issued were appropriately authorised and recognised in both the general ledger and ASX announcements. • Obtained supporting documentation for the capital raising costs incurred and offset against issued capital to ensure that these have been correctly recognised in the financial report. • Obtaining and reviewing management's fair value calculations of Employee Options issued during the period, ensuring that an appropriate methodology had been adopted to calculate the fair value of share options as well as ensuring inputs and assumptions made within the model were reasonable. • Assessing the adequacy of the Group's disclosure in line with Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

MOORE

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 29 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Credit Clear Limited & Controlled Entities, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

31 August 2022

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Additional Information

for listed public companies

The following information is current as at 30 June 2022:

1. SHAREHOLDING

a. Distribution of Shareholders

	Number
Category (size of holding):	Ordinary
1–1,000	348
1,001–5,000	868
5,001–10,000	471
10,001–100,000	830
100,001 and over	288
	2,805

b. The were no shareholdings held which are less than a marketable parcel.

c. The names of the substantial shareholders listed in the holding company's register are:

	Number
Shareholder:	Ordinary
UBS NOMINEES PTY LTD	34,749,736
CASEY CONSULTING SERVICES PTY. LTD.	30,840,323
ASJS & ASSOCIATES PTY LTD	20,755,389
SMA INVEST PTY LTD	16,896,434
RUBI HOLDINGS PTY LTD	16,762,791
SANDHURST TRUSTEES LTD	15,543,381

d. Voting Rights

Each ordinary share is entitled to one vote when a poll is called; otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders – Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	UBS NOMINEES PTY LTD	34,749,736	9.47
2	CASEY CONSULTING SERVICES PTY. LTD.	30,840,323	8.41
3	ASJS & ASSOCIATES PTY LTD	20,755,389	5.66
4	SMA INVEST PTY LTD	16,896,434	4.60
5	RUBI HOLDINGS PTY LTD	16,762,791	4.57
6	SANDHURST TRUSTEES LTD	15,543,381	4.24
7	FIFTY SECOND CELEBRATION PTY LTD	9,765,246	2.66
8	RACING CARS PTY LTD	8,267,140	2.25
9	MS BELINDA NIXON	5,514,771	1.50
10	THE STUART GROUP PTY. LTD.	5,302,499	1.45
11	ROMANO FAMILY HOLDINGS PTY LTD	5,005,223	1.36
12	BODHI INVESTMENT LIMITED	4,933,728	1.34
13	INVIA CUSTODIAN PTY LIMITED	4,818,199	1.31
14	NAMARONG INVESTMENTS PTY LTD	4,392,567	1.20
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	4,097,924	1.12
16	BOLLINGER INVESTMENTS LIMITED	4,000,000	1.09
17	PIERRE JOSEPH SAFI	3,786,506	1.03
18	NAMARONG INVESTMENTS PTY. LTD.	3,333,334	0.91
19	BUNGEELTAP PTY LTD	3,208,334	0.87
20	MUTUAL TRUST PTY LTD	2,867,715	0.78
		204,841,240	**55.82**

2. COMPANY SECRETARY

The name of the Company secretary is Adam Gallagher.

3. ADDRESS

The address of the principal registered office in Australia is Level 4, 6 Riverside Quay, Southbank VIC 3006.

Telephone 1300 909 934.

4. SECURITIES REGISTER

Register of securities are held at the following addresses:

NSW Level 12, 680 George Street, Sydney 2000

5. STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

6. UNQUOTED SECURITIES

Options and rights over unissued shares

A total of 30,295,000 options are on issue. 30,295,000 options and rights are on issue to 3 directors and employees under the Credit Clear Limited employee option plan.

Corporate Directory

Directors

Hugh Robertson
Andrew Smith
Michael Doery
Marcus Price
Mark Casey
Lewis Romano (resigned 8 August 2022)

Company Secretary

Adam Gallagher

Company Website

www.creditclear.com.au

Registered Office

Credit Clear Limited

Level 4, 6 Riverside Quay
Southbank VIC 3006

Investigating Accountant

Moore Australia (VIC) Pty Ltd

Level 44, 600 Bourke Street
Melbourne VIC 3000

Auditor

Moore Australia Audit (VIC)

Level 44, 600 Bourke Street
Melbourne VIC 3000

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

www.colliercreative.com.au #CCL0006

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creditclear limited