

Appendix 4D & Interim Financial Statements

for the Half-Year ended
31 December 2021

creditclear limited

ABN: 48 604 797 033

ASX Code: CCR

Appendix 4D – Half-Yearly report

Reporting Period

Reporting period: For the half-year ended 31 December 2021

Previous period: For the half-year ended 31 December 2020

Results for Announcement to the Market

Key Information

	Half-year Ended 31 December 2021 \$000	Half-year Ended 31 December 2020 \$000	% Change
Revenue from ordinary activities	6,651	4,885	36%
Profit / (Loss) after tax from ordinary activities attributable to members	(5,872)	(3,990)	-47%
Net profit / (loss) attributable to members	(5,872)	(3,990)	-47%

Dividends

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

Dividend Reinvestment Plans

Not applicable.

Net tangible assets per security

	Half-year Ended 31 December 2021 \$/Share	Half-year Ended 31 December 2020 \$/Share
Net tangible assets per security	0.06	0.05

Control Gained or Lost over Entities in the Half-year

Not applicable

Investments in Associates and Joint Ventures

Not applicable

Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Financial Report.

Signed

Signed  _____

Lewis Romano

Director

24 February 2022

Directors' Report

Your directors submit the financial report of the Consolidated Group for the half-year ended 31 December 2021.

Directors

The following persons were directors during all of the half-year and up to the date of this report, unless otherwise stated:

Gerd Guido Schenkel
Mark James Casey
Lewis James Romano
Marcus Colin Price
Christine Christian (resigned 21 October 2021)
Hugh Walter Robertson (appointed 22 September 2021)
Andrew Smith (appointed 9 February 2022)

Principal Activities

The principal activities of the Group during the financial period was the development and implementation of the receivables management system and the provision of receivable collection services. The Group also provides commercial legal services as part of its full end to end receivable management service.

Dividends

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

Review of Operations

Revenue from customers for the six months ending 31 December 2021 increased 36% to \$6.651 million (December 2020 \$4.880 m). Despite the increase, revenues continued to be negatively affected by Covid-19 related issues which led to clients reducing their collection volumes.

Earnings/losses before interest, tax depreciation and amortisation (EBITDA) was a loss of \$4.800 million (December 2020 \$2.780 million). The increase in the loss is mainly attributable to due diligence expenses for the ARMA acquisition which was completed on 4 February 2022. The company also continued to invest in the digital collection system to drive digital revenue.

The Board and Executives continue to focus on developing digital collections technology to enhance the customer experience and optimise receivables management for our clients.

Significant changes in the state of affairs

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

- (i) On 13 Dec'21, the company executed a legal agreement to acquire Australian Recoveries and Mercantile Agents Group Holdings (ARMA). The agreement was subject to specific conditions being achieved, which were completed on 4 February 2022.
- (ii) The company raised \$12,741,204 which partly funded the ARMA acquisition.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period

- (i) The conditions to finalise the ARMA acquisition were completed on 4 February 2022.
- (ii) In January 2022, the company raised a further \$12,758,795 as part funding of the ARMA acquisition.
- (iii) As part of the ARMA acquisition, the vendors of ARMA provided a loan to Credit Clear for \$3,000,000.
- (iv) As a result of the acquisition, Credit Clear has made two key management appointments. ARMA CEO and co-founder Andrew Smith has been appointed as Credit Clear Limited Chief Executive Officer (CEO).

Directors' Report

Previous CEO, David Hentschke, will take up the new role of MD International and Technology.

Rounding of Amounts

The Consolidated Group has applied the relief available to it in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

Auditors Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out immediately after this directors' report.

Signed in accordance with a resolution of the Board of the Directors.

Director  _____

Lewis Romano

Date: 24 February 2022

**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 half-year ended 31 December 2021, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

24 February 2022

Contents

Auditor's Independence Declaration	6
Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	18
Independent auditor's review report to the members of Credit Clear Limited	19

General information

The financial statements cover Credit Clear Limited as a consolidated entity consisting of Credit Clear Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Credit Clear Limited's functional and presentation currency.

Credit Clear Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Consolidated Group	
Note	Half-year Ended 31 December 2021 \$000	Half-year Ended 31 December 2020 \$000
Revenue from customers	6,651	4,885
Revenue - other	106	945
Interest Income	7	4
Employee benefits expense	(5,472)	(4,232)
Legal Fees	(1,134)	(634)
Consultancy	(783)	(682)
Share based payments	(779)	(448)
Other expenses	(3,396)	(2,618)
EBITDA	(4,800)	(2,780)
Depreciation and amortisation expense	(1,041)	(1,166)
EBIT	(5,841)	(3,946)
Interest Expense	(31)	(44)
Profit/(loss) before income tax	(5,872)	(3,990)
Income tax expense	-	-
Net profit/(loss) for the period	(5,872)	(3,990)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) for the period	(5,872)	(3,990)

attributable to the owners of Credit Clear Limited.

Earnings per share

	Cents	Cents
	\$	\$
– basic earnings per share (cents)	(0.02)	(0.02)
– diluted earnings per share (cents)	(0.02)	(0.02)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Consolidated Group	
		As at 31 December 2021 \$000	As at 30 June 2021 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		19,101	10,747
Trust Funds		569	654
Trade and other receivables		2,176	2,963
Other assets		635	395
TOTAL CURRENT ASSETS		22,481	14,759
NON-CURRENT ASSETS			
Financial Assets		318	327
Right of use assets		1,058	1,060
Property, plant and equipment		157	138
Intangible assets		6,000	6,044
TOTAL NON-CURRENT ASSETS		7,533	7,569
TOTAL ASSETS		30,014	22,328
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,037	1,821
Lease liabilities		597	591
Provisions for employee benefits		993	1,546
Other liabilities		1,545	1,321
TOTAL CURRENT LIABILITIES		5,172	5,279
NON-CURRENT LIABILITIES			
Lease liabilities		500	508
Provisions for employee benefits		250	194
Provisions - other		650	-
TOTAL NON-CURRENT LIABILITIES		1,400	702
TOTAL LIABILITIES		6,572	5,981
NET ASSETS		23,442	16,347
EQUITY			
Issued capital		47,936	35,747
Reserves		1,899	1,120
Accumulated losses		(26,393)	(20,520)
TOTAL EQUITY		23,442	16,347

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Consolidated Group

	Note	Ordinary Share Capital \$000	Retained Earnings \$000	Reserves \$000	Total \$000
Balance at 1 July 2020		21,179	(12,501)	195	8,873
Comprehensive income/(loss)					
Loss for the period		-	(3,990)	-	(3,990)
Total comprehensive income/(loss) for the period		-	(3,990)	-	(3,990)
Transactions with owners, in their capacity as owners, and other transfers					
Share based payments		150	-	298	448
Shares issued during the period		15,340	-	-	15,340
Transaction Costs		(922)	-	-	(922)
Dividends recognised for the period		-	-	-	-
Total transactions with owners and other transfers		14,568	-	298	14,866
Balance at 31 December 2020		35,747	(16,491)	493	19,749
Balance at 1 July 2021		35,747	(20,520)	1,120	16,347
Comprehensive income/(loss)					
Loss for the period		-	(5,872)	-	(5,872)
Total comprehensive income/(loss) for the period		-	(5,872)	-	(5,872)
Transactions with owners, in their capacity as owners, and other transfers					
Share based payments		-	-	779	779
Shares issued during the period		12,741	-	-	12,741
Transaction Costs		(553)	-	-	(553)
Dividends recognised for the period		-	-	-	-
Total transactions with owners and other transfers		12,188	-	779	12,967
Balance at 31 December 2021		47,935	(26,392)	1,899	23,442

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASHFLOW FOR THE
HALF-YEAR ENDED 31 DECEMBER 2021**

	Consolidated Group Half-year Ended	
	31 December 2021	31 December 2020
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	7,626	4,880
Payments to suppliers and employees	(10,574)	(8,749)
Short-term, low-value and variable lease payments	-	(87)
Interest received	7	4
Interest paid	-	(6)
Government stimulus payments received	-	824
R&D Tax Incentive received	-	435
Net cash (used in)/generated by operating activities	(2,941)	(2,699)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(60)	(33)
Payment for purchase of business	-	(284)
Capitalised Development Costs	(502)	-
Net cash (used in)/generated by investing activities	(562)	(317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of transaction costs	12,188	14,078
Repayment of borrowings – others	-	(84)
Repayment of lease liabilities	(331)	(347)
Net cash (used in)/generated by financing activities	11,857	13,647
Net increase/(decrease) in cash held	8,354	10,631
Cash and cash equivalents at beginning of period	10,747	2,189
Cash acquired from purchase of business	-	-
Cash and cash equivalents at end of period	19,101	12,820

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Credit Clear Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 23 February 2022.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

NOTE 2: BUSINESS COMBINATIONS

On 13 Dec'21, the company executed a purchase agreement to acquire the ARMA Group and related entities. This resulted in Credit Clear Limited acquiring a 100% interest in ARMA Group Holdings Pty Ltd, Force Legal Pty Ltd and NZ Recoveries Limited. The agreement was subject to specific conditions being achieved, which were completed on 4 February 2022.

The combined business was acquired for a consideration amount of \$46,000,000. Consideration was made up of 60% cash and 40% shares in Credit Clear. ARMA vendors will also receive an Earnout which will be calculated as \$1 for every \$1 of digital revenue generated during the 12 month period post completion date of 4 February 2022. As part of the ARMA acquisition, the vendors of ARMA provided a loan to Credit Clear for \$3,000,000.

NOTE 3: OPERATING SEGMENTS

Identification of reportable operating 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. 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 for work completed to date. Therefore, revenue is recognised over time. Additional billings are recognized when the performance obligations are delivered over time and are included within the sales to external customers.

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.

	Collections		Legal Services		Head Office		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Sales to external Clients	5,432	3,749	1,219	1,136	-	-	6,651	4,885
Other Income	106	162	-	-	-	783	106	945
Interest Income	-	-	-	-	7	4	7	4
Total revenue and other income	5,545	3,911	1,219	1,136	-	787	6,764	5,834
Gross margin	3,287	2,122	535	386	-	-	3,822	2,508
Overheads	(5,476)	(2,668)	(631)	(557)	(2,515)	(2,063)	(8,622)	(5,288)
EBITDA							(4,800)	(2,780)
Depreciation and Amortisation					(1,041)	(1,166)	(1,041)	(1,166)
EBIT							(5,841)	(3,946)
Interest Expense					(31)	(44)	(31)	(44)
Loss before income tax expense							(5,872)	(3,990)
Income tax expense							-	-
Loss after income tax expense							(5,872)	(3,990)
Segment assets	3,570	2,582	285	246	26,159	20,295	30,014	23,123
Segment liabilities	5,041	1,956	433	361	1,098	1,057	6,572	3,374
Net assets/liabilities	(1,471)	626	(149)	(115)	25,062	19,238	23,442	19,749

NOTE 4: INCOME TAX EXPENSE

The Group has an unrecognised deferred tax asset totalling \$4,973,555 (December 2020: \$3,012,633). The Group has not recognised a deferred tax asset on the basis that the group has not yet generated taxable profits to apply against these accumulated losses.

NOTE 5: EQUITY – ISSUED CAPITAL

	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$000	\$000
Ordinary shares – fully paid	257,539,757	225,686,746	47,936	35,747

Movements in ordinary share capital:

Details	Date	Shares	Issue Price	\$000
Balance	1 July 2021	225,686,746		35,747
Issue of shares – Capital Raise	23 December 2021	31,853,011	\$0.40	12,741
Capital raise transaction costs	23 December 2021			(552)
		-----		-----
Balance		257,539,757		47,936

NOTE 6: SHARE BASE PAYMENTS

The Group established the Credit Clear Limited Equity Incentive Plan on 19 August 2020 as a long-term incentive scheme to recognise talent and motivate employees to strive for Group performance. The purpose of the EIP is to allow the Board to make offers to employees, contractors, non-executive directors and other persons declared by the board to acquire securities in Credit Clear and to otherwise incentivise employees.

During the half year ending 31 December 2021, the company issued 810,000 options to directors and employees. Options were issued to the participant at no cost. Each option entitles the holder on exercise to one share in the company at exercise price per option as listed in the tables below. The exercise of these options is subject to certain tenure based and performance conditions. Vesting conditions are attached to options which are issued to management and employees. There are no performance conditions attached to options issued to non-executive directors. The options carry no entitlements to voting rights or dividends of the Group. There were no options that vested during the half-year.

Non-Executive Director share options

The company did not issue any options to non-executive directors during the period.

Employee share option scheme

All employees are entitled to participate in the share option scheme. Employees were granted 810,000 options during the period that vest if the share price is equal to or greater than the price set for the respective vesting dates. Should the performance criteria not be met, the options which were available for vesting for that respective year shall be considered forfeited.

Options granted to employees are as follows:

Issue Date	Number	Exercise Price	Vesting Date	Vesting Condition (share price)
28 June 2021	100,000	\$0.50	1 October 2022	\$0.60
2 September 2021	610,000	\$0.50	1 October 2022	\$0.60
4 October 2021	100,000	\$0.50	1 October 2022	\$0.60

NOTE 7: CONTINGENCIES

(a) Contingent Liabilities

The Group had the following contingent liabilities at the end of the reporting period:

1. 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, the value at which C Capital Pty Ltd sold its shares to Casey Consulting and the validity of the separation agreement and intellectual property assignment agreement which were all executed in 2016.

The proceedings are now at a stage where the McKendrick parties have filed a more substantive pleading in the form of Points of Claim and the Defendants have filed a defence in the form of Points of Defence. By summons filed on 25 November 2020, the Defendants sought security for costs from ACN 604 594 621 Pty Ltd. On 21 May 2021, the Court determined that an order for security for costs should be granted and invited the parties to provide further written submission in relation to quantum. On 2 September 2021, the Court fixed the quantum. On 5 October 2021, ACN 604 594 621 Pty Ltd filed a Notice of Appeal in respect of the security for costs order and the security for costs order has been stayed while the appeal is on foot.

The appeal is listed to be heard on 28 March 2022.

NOTE 8: EVENTS AFTER THE END OF THE INTERIM PERIOD

The outbreak and spread of Corona Virus (COVID-19) has disrupted many businesses both domestically and globally. As a result of this outbreak, there are further potential accounting, financial reporting and commercial implications that may arise, which management continue to monitor and manage. The directors believe the group remains financially resilient but are aware of the potential for further detrimental impacts and continue to manage these challenges, facts and circumstances as known.

On 13 Dec'21, the company executed a legal agreement to acquire ARMA Group Holdings Pty Ltd and related entities. The agreement was subject to specific conditions being achieved, which were completed on 4 February 2022

Following a capital raise of \$12,741,204 In December 2021, the company raised a further \$12,758,795 in January 2022 to part fund the ARMA acquisition. As part the ARMA Acquisition, the vendors of AMRA provided a loan to Credit Clear Limited of \$3,000,000.

As a result of the acquisition, Credit Clear has made two key management appointments. ARMA CEO and co-founder Andrew Smith has been appointed as Credit Clear Limited Chief Executive Officer (CEO). Previous CEO, David Hentschke, will take up the new role of MD International and Technology

Except for the above, no other matters or circumstances have arisen since the end of the financial period 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.

Directors' Declaration

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

1. The financial statements and notes, as set out on pages 9 to 17, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the Consolidated Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

Director



Lewis James Romano

Dated this 24 day of February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CREDIT CLEAR LIMITED & CONTROLLED ENTITIES

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Credit Clear Limited & Controlled Entities (**the Group**), which comprises the condensed statement of financial position as at 31 December 2021, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

24 February 2022