

APPENDIX 4E

SUMMARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

Credit Clear

ABN: 48 604 797 033

Details of The Reporting Period and the Corresponding Reporting Period

Reporting period: Year ended 30 June 2023

Previous corresponding period: Year ended 30 June 2022

Results for Announcement to the Market

Key Information	2023 \$000	2022 \$000	% Change
Revenue from ordinary activities	34,951	21,462	63%
Loss after tax from ordinary activities attributable to owners	(11,058)	(11,132)	1%
Net Loss attributable to owners	(11,058)	(11,132)	1%
Net Tangible asset per share	2.98 cents	2.22 cents	34%

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 2023 Annual Report, including the Chairman's Letter and CEO Report.

This document should be read in conjunction with the 2023 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 PricewaterhouseCoopers and an unqualified opinion has been issued.



Andrew Smith, CEO & Executive Director



Michael Doery, Non-Executive Director

Annual Report

2023



creditclear **limited**

Our Mission

Credit Clear is transforming the debt collection industry after decades of under investment in **technology**, poor **regulatory adherence** and a failure to **change with customer behaviour**.

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.

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Chairman's Letter

Dear Fellow Shareholder,

In September of last year I accepted an invitation to join the board of our Company believing that Credit Clear could become a dominant and highly profitable player in the Australian debt resolution industry.

I'm focused on helping the company achieve that goal and have since taken on the role of Chairman. Today I'm more excited about Credit Clear's future today than ever before.

There are several internal and external drivers of the company and, importantly, our technology continues to provide a clear point of differentiation in an industry that has been slow to adapt to changing customer behaviour. Credit Clear is both disrupting the collections industry with a new digital capability, where its technology is deployed for clients internally, and simultaneously transforming third-party provider practices and approaches through the acquisition of ARMA Group.

The past financial year was the first full year where the combined Credit Clear and ARMA offering has been in place, and the success rate of new client wins has seen the Company quickly emerge as a provider to tier-1 organisations in Australia, significantly progressing our goal of becoming a dominant force in debt resolution.

In addition, we have a supportive external environment, with macroeconomic tailwinds benefiting the Company. The value and volume of debt files being referred to Credit Clear has grown appreciably during the year, a key leading indicator for future revenue growth.

While financial stress is undoubtedly growing in the community, near full employment means that most Australians retain the capacity to repay their debts, particularly if provided with the options and flexibility to do so. It is here where Credit Clear excels providing our clients end customers with individualised engagement strategies, a great customer experience and an uplift in debt resolution.

Our competitive landscape is much improved from 12 months ago. Ongoing M&A activity in the sector has consolidated the number of available providers. In addition, the trend away from selling debt has been extended, providing more work for Credit Clear.

With the growing momentum in new client wins, and particularly, several large tier-1 clients that have been already signed and that we still expect to win, and the increased volume of work being referred by existing clients, the board thought it prudent to strengthen the balance sheet. In May we successfully raised \$8.5m with new and existing institutional shareholders. In addition to strengthening the balance sheet, we have resolved some historical legal matters this year, removing the uncertainty associated with those matters.

It is worth repeating that our goal is to grow Credit Clear into a dominant and highly profitable provider in the debt resolution industry and FY23 was a significant step towards that goal. We are well funded, are winning and onboarding new tier-1 clients, have leading technology, supportive trading conditions, and a reduced competitive landscape. We are focused on profitable growth.

The Board expresses its gratitude for your continued interest and shareholding support. Your company is led by a committed and shareholder-aligned board and executive that is excited to continue the journey with you.



Paul Dwyer
Chairman
Credit Clear Ltd





CEO Letter

Dear Fellow Shareholder,

The Chairman has already touched on your Company's goal and focus to become a dominant and highly profitable provider in the Australian debt resolution industry, in my CEO letter I'll provide some additional details about how and why we are achieving success.

Before I get into the detail, I wanted to acknowledge and thank, our shareholders, for your patience and support in the past year. As a substantial shareholder myself, I've been affected from the decline in our share price. However, in my first role as the CEO of a public company, many shareholders, including many of the largest, have been generous with their valuable time, vast experience, and immense expertise. Much of the advice provided me has been to focus on what we can control, providing customers and clients with excellent service, winning and onboarding new clients, and driving efficiencies in the business through technology. Ultimately, if we focus on growing revenue and profitability, the share price will take care of itself.

Again, thank you for your reassuring words of support, patience, and belief in the team at Credit Clear. We hope to reward and repay your trust with above average returns in the coming years. And, like the Chairman, I've also never been as optimistic about Credit Clear's future and achieving our financial goals.

Macroeconomic environment

The total addressable market for debt under collections in Australia in December 2022 was estimated to be \$21bn according to the ACDBA4. Internal data shows that this could be substantially higher in 2023 given the increased collection activity on debt accumulated over the COVID-years, as well as new financial pressure on consumers due to higher interest rates and general inflation, which is compounding the growth in debt under collections.

Over one million Australians with home loans have or will roll off fixed interest rates in 2023 and 2024 (880k in 2023 and 450k in 2024). Debt files referred to ARMA's consumer collections team provide a clear indication that over and above new clients signed and winning addition work from existing clients, the value of debt under collections is rising rapidly across the economy. The average debt per file, particularly from clients in our consumer division, has risen significantly during the year. .

Credit Clear has previously emphasised that a more challenging economic environment, where a significantly larger portion of the population is likely to experience some financial vulnerability and be required to make budgetary adjustments, will highlight the need for its digitally-led hybrid offering to prospective tier-one clients, including several tier 1 clients in the insurance and banking sectors.

Financials

In FY23 Credit Clear made strong progress towards achieving profitability. Revenue is up to a record \$35.0m, up 63% PCP and we finished the year with strong momentum, posting a monthly revenue record in June. Ongoing and robust cost controls and fiscal discipline has seen expenses of \$41.0m increase at a lower rate than revenue. The combined effect led to an \$5.5m improvement in EBITDA.

We have a strong cash balance of \$12m, following the \$8.5m capital raise conducted in May 2023, to support the onboarding and integration of tier-1 clients already won and with several in the pipeline.



"During the year we have won 346 new clients with a combined potential revenue of \$11.6m"

New clients

If there is one measure that best defines the success of the past year, and the impact of bringing the Credit Clear and ARMA businesses together, it is the success of the sales team.

Last year we highlighted a strategy to pursue and win tier-1 clients and I'm delighted to say that we have surpassed our own very high sales expectations in that regard. During the year we have won 346 new clients with a combined potential revenue of \$11.6m. Importantly, the Company has quickly emerged as a provider to tier-1 organisations in Australia, with the team signing a big four bank, a large telecommunications provider, a large state-based utility provider and two of Australia's largest insurers. At least six tier-1 clients have been won and announced that have yet to contribute to any revenue.

The sales team has won six consecutive competitive tenders, bringing its tender success rate to over 70% for the year. For context, prior to the acquisition our tender win rate was approximately 30%, and ARMA was selective in its decision to pursue a tender, only entering tenders where the client was well known to the Company and our team had prior input into the tender process. In contrast, Credit Clear has won relatively blind tenders this year, where we had no previous relationship with the client. Highlighting our clear point of difference in the market.

There are several benefits to winning these high-profile tier-1 clients, aside from the meaningful revenue opportunity. They each help to validate our offering and provide a tacit endorsement of Credit Clear, lifting our national profile. Also, the sheer scale of these large organisation, often with hundreds of thousands or millions of end customers, helps Credit Clear to accelerate the growth of its data moat, improve our data-driven technology and create further barriers to entry for competition.

We also gain efficiencies when working through tier-1 due diligence and onboarding processes, as many of these organisations share similar requirements and burdens of proof.

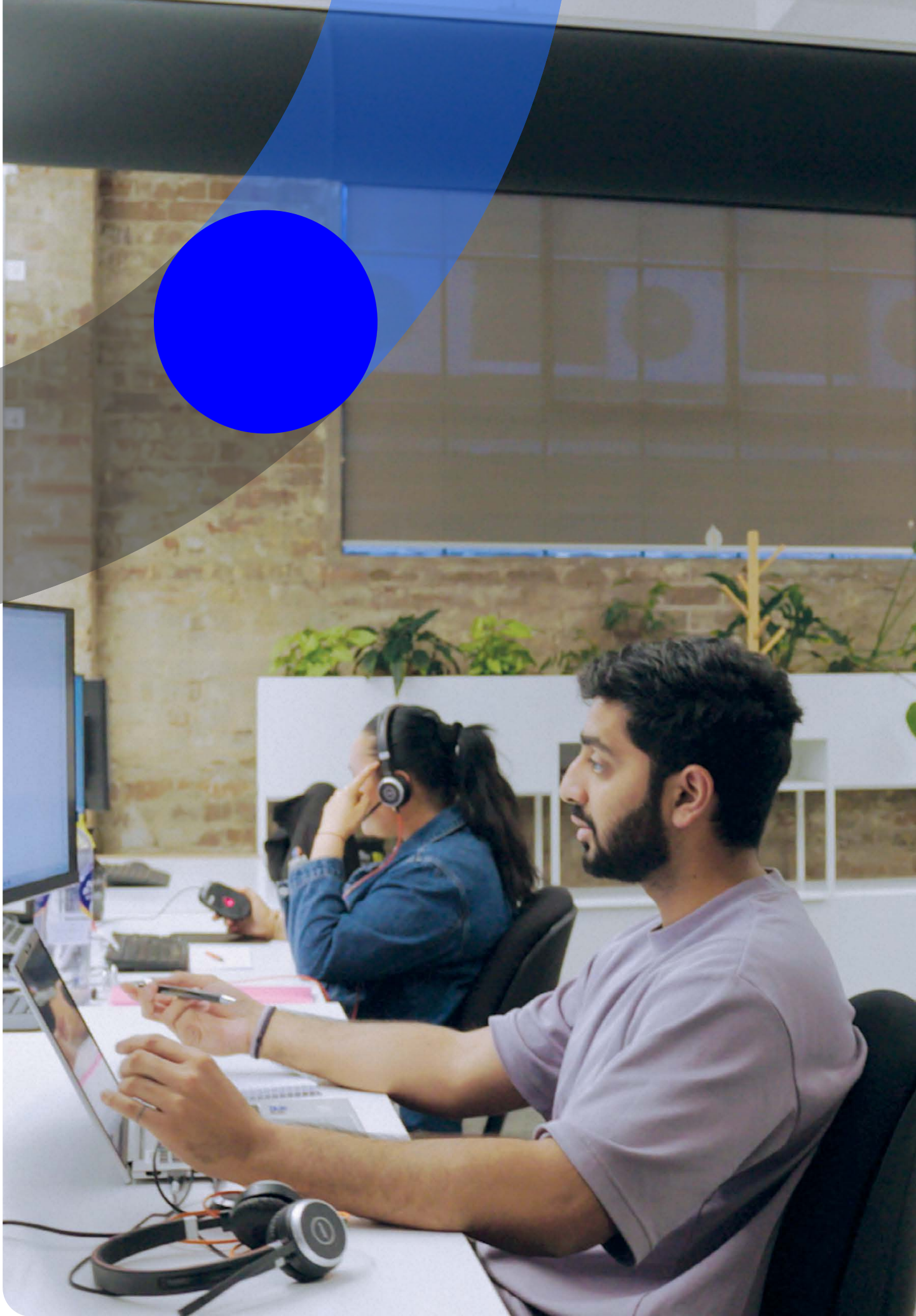
The most important take away from our sales success during the year is that Credit Clear, ARMA and Oakbridge Lawyers present a clear point of difference, that is unmatched in the market.

I acknowledge that shareholders have felt frustrated by the revenue lag experienced between winning new clients, onboarding and integrating those clients and then ramping up toward potential revenue. We have sought to explain this new-client process graphically, verbally and in writing in our market announcements. Our efforts to educate shareholders as well as keep them informed of the value of new clients has improved through the year.

We are confident that our potential revenue indications of \$11.4m for FY23 are accurate and that they will be realised.



Revenue is up
to a record
\$35.0m



"Credit Clear has positioned itself strategically to benefit from many global macro trends that are driving change in our industry."

Operations

In February 2022, the acquisition of ARMA was completed and in the past financial year we have fully integrated the operations of the two legal firms under the Oakbridge Legal brand and the two debt collection firms under the ARMA brand.

The integration projects and migration of systems and clients is substantially complete, and the Company is now beginning to benefit from the efficiencies, scale and capabilities of the combined entities. The effort and, at times, disruption of the integration projects should not be discounted. In Q4, for example, one of largest clients was on a complete pause for nearly the entire quarter while systems were migrated. This negatively impacted our Q4 revenue by ~\$450k. It is but one example of the one-off cost of integrating the Company's businesses that we will now be able to get back.

During this time the company has removed duplicate roles and redeployed resources into areas that required additional support. For example, experienced sales team members have been moved into management roles overseeing client onboarding and collections.

Technology

A centrepiece of the integration project was to deploy Credit Clear's technology across the ARMA business. We have prioritised our technology integration efforts at ARMA's consumer division, where the Company has been winning tier-1 Australian organisations that cumulatively have millions of Australian customers.

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.

The broad scale adoption of the Credit Clear technology by the ARMA consumer division is best illustrated by the increase in direct digital payments, growing from \$37.9m in FY22 to \$71.2m in 23, an 87.9% increase. In addition to these direct digital payments, the digital platform is being used extensively to engage customers where the end payment is made directly with our clients. Meaning the true impact of the technology is far larger than digital payments reflects.

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 several months of operational profitability in 2023 and is positioned to grow consistently and profitability during FY24, allowing us to reinvest our own cash into technology and growth.

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 digitally-led 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



FY23 Operational Achievements

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27k

Payment plans

1,128

Active clients
(+42% PCP)

99%

Client retention

346

New Clients
+61% YOY

+42

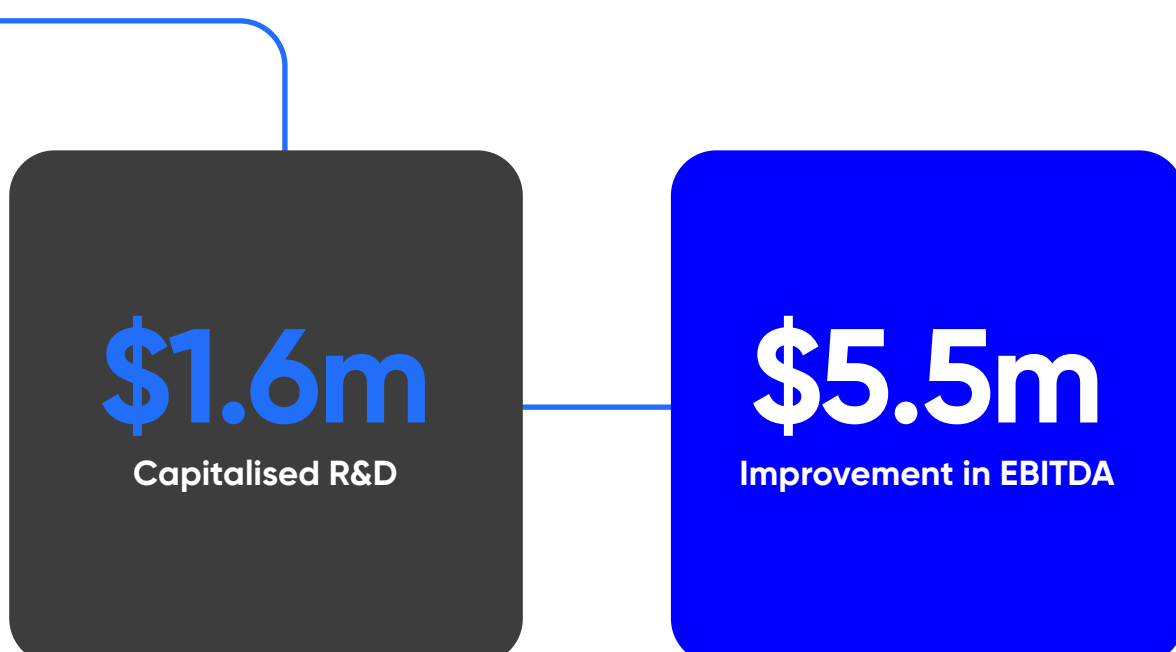
NPS

1.2m

Active files
(+40% PCP)

FY23 Financial Performance

In FY23 Credit Clear made strong progress towards achieving profitability. Revenue is up to a record \$35.0m, up 63% PCP and we finished the year with strong momentum, posting a monthly revenue record in June.



A diagram consisting of two rounded rectangular boxes connected by a horizontal line. The left box is dark grey and contains the text '\$1.6m Capitalised R&D'. The right box is blue and contains the text '\$5.5m Improvement in EBITDA'. A blue line starts from the top left, goes right, then down, then right again, connecting to the top of the left box.

\$1.6m

Capitalised R&D

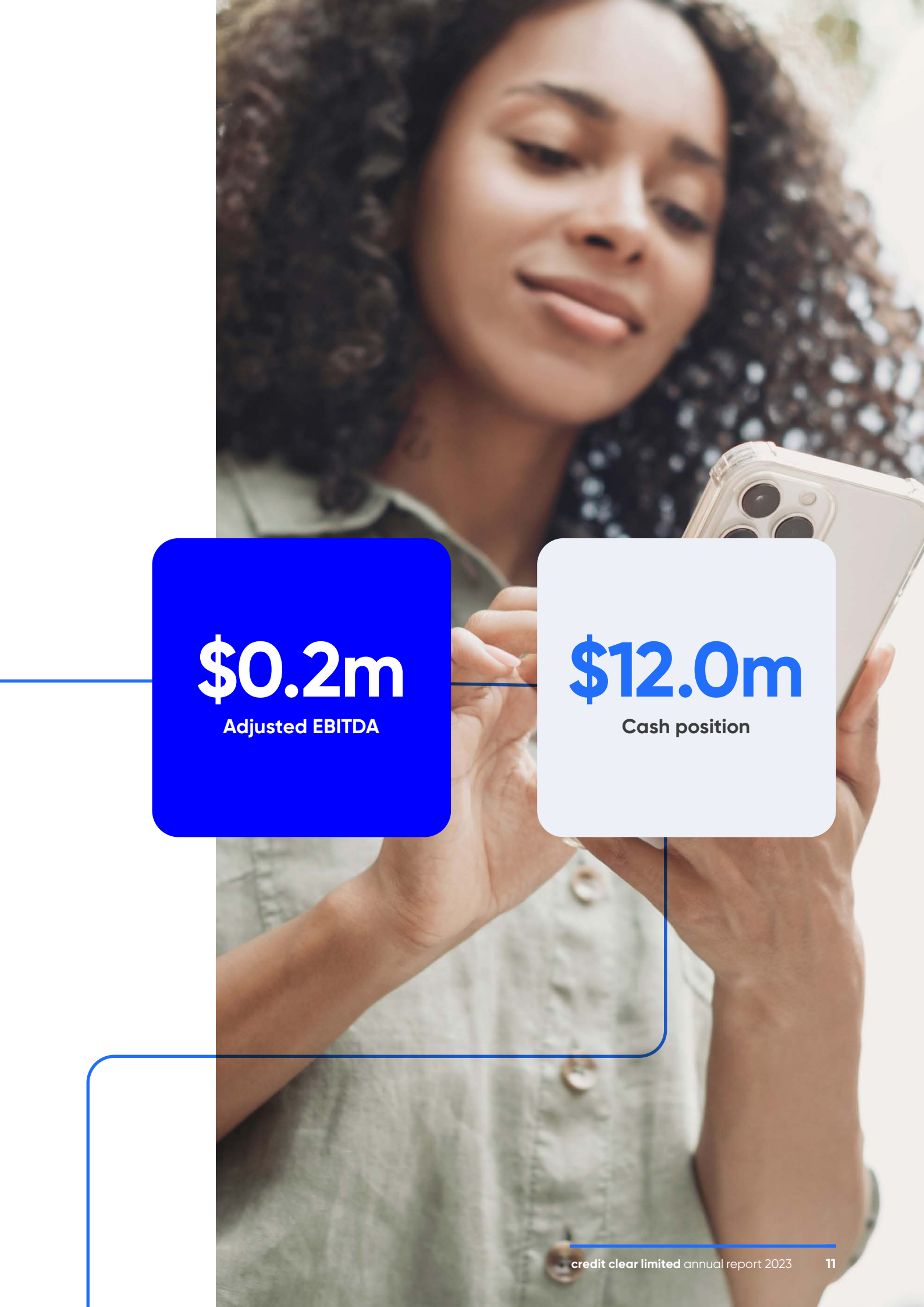
\$5.5m

Improvement in EBITDA

"We have a strong cash balance of \$12.0m, following the \$8.5m capital raise conducted in May 2023"

Ongoing and robust cost controls and fiscal discipline has seen expenses increase at a lower rate than revenue. The combined effect led to an \$5.5m improvement in EBITDA. We have a strong cash balance of \$12.0m, following the \$8.5m capital raise conducted in May 2023, to support the onboarding and integration of tier-1 clients already won and with several in the pipeline.

Thanks to high-margin digital collections, rapidly growing revenue and growing operational leverage, the business posted an operationally profitable month in June 2023.

A woman with dark, curly hair is looking down at a smartphone she is holding in her hands. The background is a soft-focus outdoor setting. Two blue callout boxes are overlaid on the image, connected by a thin blue line. The left box is blue with white text, and the right box is white with blue text.

\$0.2m

Adjusted EBITDA

\$12.0m

Cash position

Focus on Customer Experience

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.

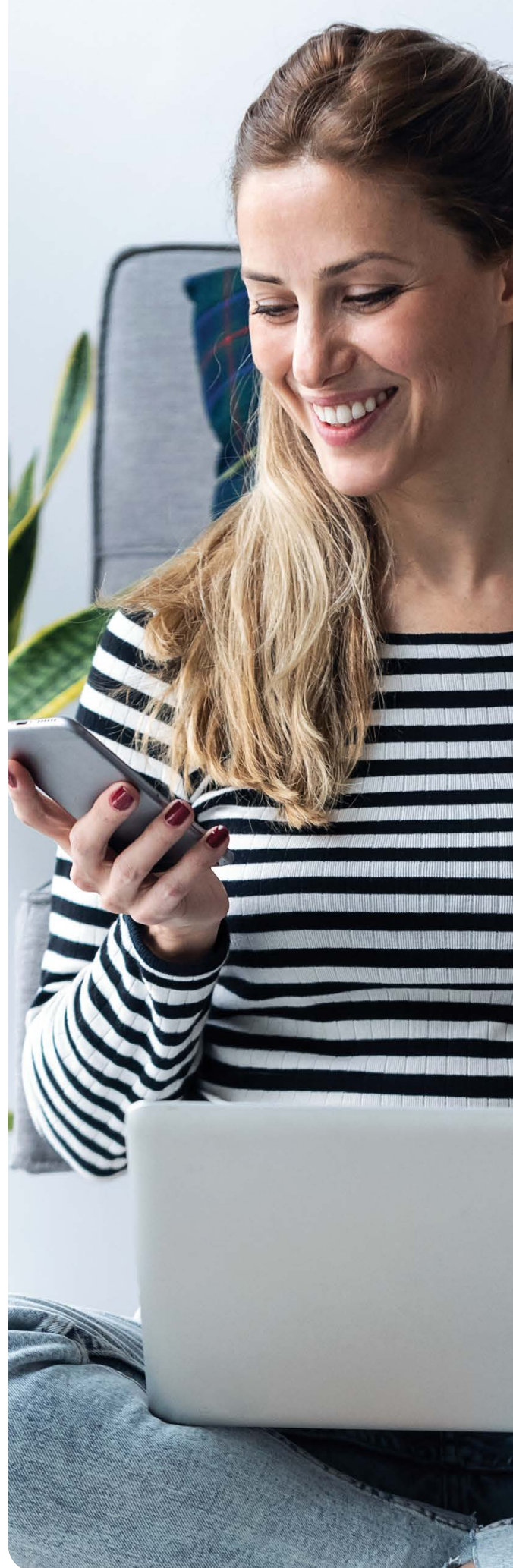
We are deeply conscious that customers engaging with our service, would often be experiencing financial challenges, which we know can have a significant impact on overall wellbeing.

One of the things we are most proud of is that we have achieved an NPS score of +42 across our portfolios with well over 300,000 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, education and training +12 and travel +7, with Apple having an NPS of +72.

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, a +42 score 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.

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.



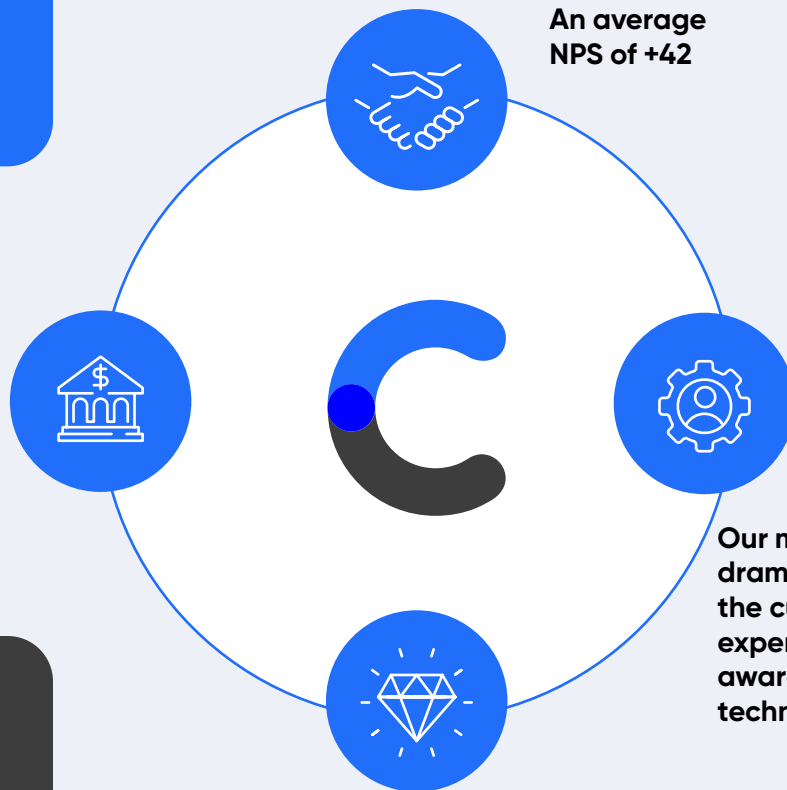
"Easy to do and helpful in being able to choose what instalments and dates that would suit the individual."

"Excellent and completely easy, every bill/payment should be this easy."

Over 300,000 customer responses

"Ease of use, simple and direct with clear language."

An average NPS of +42



Our mission is to dramatically improve the customer experience through award winning technology

Clients choose Credit Clear because their customers are treated better



Our Business Model

Credit Clear provides an end-to-end, full-service solution.

- › Credit Clear has proven capability to enhance outcomes for clients and provide a better end-user experience.
- › More efficient collections, larger addressable market 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 operational 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.



Targeting materially larger opportunities

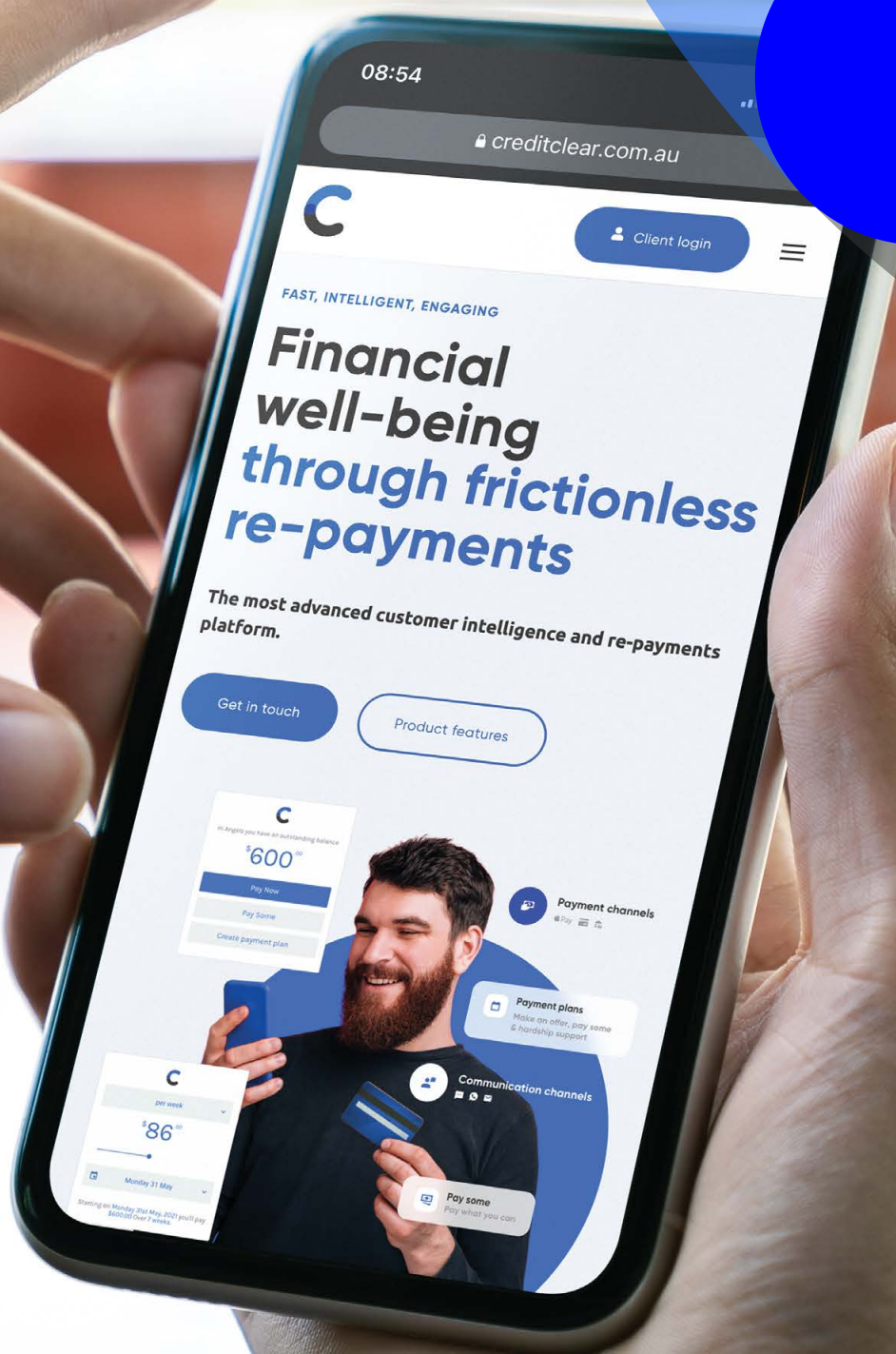
Strong pipeline for growth

New client wins are a strong indicator of future revenue growth and at the end of FY23 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 2023. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2023 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were directors of Credit Clear Limited for the duration of the financial year unless otherwise stated:

Hugh Robertson

Andrew Keith John Smith

Michael Doery

Paul Dwyer – Appointed 9 September 2022

Marcus Colin Price – Retired 29 November 2022

Mark James Casey – Retired 29 November 2022

Lewis James Romano – Resigned 8 August 2022

Information Relating to Directors and Company Secretary

Hugh Robertson	Non-executive Director
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	6,778,558 ordinary shares in Credit Clear Limited
Other current directorships	Maggie Beer Holdings (director since 2015), Envirosuite Limited (director since 2018), and Touch Ventures Limited (director since 2018).
Andrew Smith	Managing Director
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	24,729,847 ordinary shares 2,000,000 options to acquire ordinary shares, exercisable at \$0.60 per option, expiring 20 November 2025
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	217,515 ordinary shares 2,000,000 options to acquire ordinary shares, exercisable at \$0.60 per option, expiring 20 November 2025
Special Responsibilities	Michael is Chair of both the Risk & Audit Committee and the Nomination & Remuneration Committee
Paul Dwyer	Independent Chairman
Experience	Appointed Director of Credit Clear Limited on 9 September 2022 and appointed Chairman 1 March 2023. Paul is a co-founder of PSC Insurance Group (ASX: PSI) where he serves as a non-executive Director and Deputy Chairman. He has exceptional insurance experience along with a proven track record in business acquisition, growth and international scaling. Paul also serves as the Director of several private organisations across his investment, charitable and sporting interests.
Interest in Shares and Options	6,119,024 ordinary shares 2,000,000 options to acquire ordinary shares, exercisable at \$0.60 per option, expiring 20 November 2025
Special Responsibilities	Member of both the Risk & Audit Committee and the Nomination & Remuneration Committee
Other current directorships	PSC Insurance Group Limited (director since 2010)
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 with over 20 years of experience in debt and equity markets. 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 M&A, communications and strategy. 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. In the past financial year, we have fully integrated the operations of the two legal firms under the Oakbridge Legal brand and the two debt collection firms under the ARMA brand.

The integration projects and migration of systems and clients is substantially complete, and the Company is now beginning to benefit from the efficiencies, scale and capabilities of the combined entities.

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

Over one million Australians with home loans have or will roll off fixed interest rates in 2023 and 2024 (880k in 2023 and 450k in 2024). Debt files referred to ARMA's consumer collections team provide a clear indication that over and above new clients signed and winning addition work from existing clients, the value of debt under collections is rising rapidly across the economy. The average debt per file has increased significantly per file in FY23.

Credit Clear has previously emphasised that a more challenging economic environment, where a significantly larger portion of the population is likely to experience some financial vulnerability and be required to make budgetary adjustments, will highlight the need for its digitally-led hybrid offering to prospective tier-one clients, including several tier 1 clients in the insurance and banking sectors.

Record financial performance

In FY23 Credit Clear made strong progress towards achieving profitability. Revenue is up to a record \$35.0m, up 63% PCP and we finished the year with strong momentum, posting a monthly revenue record in June. Ongoing and robust cost controls and fiscal discipline has seen expenses increase at a lower rate than revenue. The combined effect led to an \$5.5m improvement in EBITDA. We have a strong cash balance of \$12.0m, following the \$8.5m capital raise conducted in May 2023, to support the onboarding and integration of tier-1 clients already won and with several in the pipeline.

Strong foundation established for long-term growth

There were 346 new clients signed during the financial year, taking the total number of active clients to 1,128, up 61% from FY22. 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 +42 (across over 310,000 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 \$8,000,000 in May 2023 as part of an \$8,500,000 capital raise for business growth purposes. The balance of \$500,000 was completed in July 2023.

Events Occurring after the Reporting Date

The Group initiated a \$8,500,000 capital raise in May 2023 of which \$500,000 was completed in July 2023.

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 2022	\$Nil
No dividend declared or payable in respect of the year ended 30 June 2023	\$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, PricewaterhouseCoopers, 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

PricewaterhouseCoopers were appointed auditors of the consolidated group by Shareholders at the Annual General Meeting on 29 November 2022.

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.

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 – Directors	8 Oct '32	\$0.00	5,300,000
19 Nov '20	Options – Directors	8 Oct '32	\$0.00	1,500,000
14 Feb '22	Options – Employees	8 Oct '33	\$0.577	1,590,000
21 Feb '22	Options – Employees	8 Oct '33	\$0.577	3,155,000
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 Sep '22	Options – Employees	30 Sep '25	\$0.60	9,000,000
30 Sep '22	Options – KMP's	30 Sep '25	\$0.60	1,500,000
28 Oct '22	Options – Employees	28 Oct '25	\$0.60	200,000
18 Nov '22	Rights – Employees	31 Oct '23	\$0.00	320,515
18 Nov '22	Rights – KMP's	31 Oct '23	\$0.00	106,838
24 Nov '22	Options – KMP's	24 Nov '32	\$0.577	10,000
21 Dec '22	Options – Directors	30 Nov '25	\$0.60	6,000,000
24 Jan '23	Options – Employees	14 Oct '25	\$0.60	500,000
				35,032,353

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.

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

Eligible attendance by each member of the Board and its committees during the year were as follows:

	Directors' Meetings		Risk & Audit Committee		Nomination & Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Andrew Smith	12	12	–	–	–	–
Hugh Robertson	12	11	–	–	–	–
Michael Doery	12	12	5	5	1	1
Paul Dwyer	10	10	3	3	1	1
Marcus Price	5	3	–	–	–	–
Mark Casey	5	3	–	–	–	–
Lewis Romano	1	1	–	–	–	–

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 nomination & 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 nomination & 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 10.5% of the individual's average weekly ordinary time earnings (AWOTE) during the year, increasing to 11% from 1 July 2023. 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 with the exception of share based payments which are valued at fair value on grant date.

Non-executive directors are paid fees in accordance with a schedule which is approved by shareholders. Fees are paid in the form of either cash or shares, depending on the preference of the respective director. 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 annual aggregate directors' fee pool limit is \$650,000 and was approved by shareholders at the annual general meeting on 31 January 2022. In addition to director fees, non-executive directors also received share options with terms that are aligned with shareholder interests.

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 nomination & 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.

Elements of Remuneration

(i) Fixed annual remuneration (FR)

Executives receive their fixed remuneration as cash. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual. Superannuation is included in FR.

Directors receive fees which have been approved by shareholders. They have the option of receiving fees in the form of cash or shares.

Fixed remuneration represented 29% of total KMP remuneration which is the maximum for the 2023 financial year.

(ii) Short-term incentives (STI)

The STI metrics align with our strategic priorities of market competitiveness, operational excellence, shareholder value and fostering talented and engaged individuals. The following STI's were granted to KMP's during the year:

- a. Share rights were issued to KMP's with a condition that they remain employed with the Group until 31 October 2023, after which, the rights convert to ordinary shares. These rights represent 2% of total STI's.
- b. Share rights were issued to KMP's with performance conditions relating to meeting the EBITDA budget for FY23 as well as remaining employed until 31 December 2023. The EBITDA budget for FY23 was not achieved, consequently, these rights lapsed worthless. These rights represented 2% of total STI's.
- c. Share options were granted to directors during the year. They have an exercise price of \$0.60, vested on 21 December 2022 and have an expiry date of 30 November 2025. These options represented 96% of total STI's.

Short-term incentives represented 65% of total KMP remuneration which is the maximum for the 2023 financial year.

Shares were also offered to the Chief Executive Officer as part of the ARMA acquisition earn-out.

(iii) Long-term incentives (LTI)

The LTI incentive conditions align with meeting shareholder interests as well as retain key personnel. The following LTI's were granted to KMP's during the year:

- a. Share rights were issued to KMP's with performance based vesting conditions relating to meeting the EBITDA budget for FY23 as well as remaining employed by 31 December 2024. The EBITDA budget for FY23 was not achieved, consequently, these rights lapsed worthless. These rights represent 5% of total LIT's.
- b. Share options were granted to KMP's during the year. They have an exercise price of \$0.60, a vesting date of 30 September 2024 and an expiry date of 30 September 2025. These options represent 95% of total LTI's.

Long-term incentives represented 6% of total KMP remuneration which is the maximum for the 2023 financial year.

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, rights 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.

	2023	2022	2021
Revenue (\$000)	34,951	21,462	10,980
Net profit/(Loss) attributable to owners of the Parent Entity (\$000)	(11,058)	(11,132)	(8,019)
Share price at year-end	\$0.22	\$0.335	\$0.575
STI & LTI remuneration (\$000)	\$2,329	\$1,191	\$1,481

STI and LTI figures for 2022 and 2023 include ARMA earn-out of \$962,619 and \$1,427,558 respectively.

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/Rights Issued)		Proportions of Elements of Remuneration Not Related to Performance
	Position Held as at 30 June 2023 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	Non-executive Director Chairman (role ceased 1 March 2023)		–	–	100
Michael Doery	Non-executive Director				
Marcus Price	Retired as Director 29 November 2022		–	–	100
Mark Casey	Retired as Director 29 November 2022		–	–	100
Paul Dwyer	Non-executive Director Chairman (appointed 1 March 2023)		–	–	100
Executive Directors					
Andrew Smith	CEO & Executive Director Appointed Managing Director 1 March 2023	Permanent Contract	–	–	100
Lewis Romano	Resigned 8 August 2022	Permanent Contract	–	–	100
Group KMP					
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 four weeks' notice prior to termination of contract. Fixed remuneration figures for KMP's are disclosed in the Table of Benefits and Payments. The general treatment of STI's and LTI's upon termination of a KMP is for the incentives to be cancelled, however the board has discretion to allow incentives to be retained. There were no termination payments made during the 2023 financial year.

Changes in Directors and Executives Subsequent to Year-End

There have been no changes to directors and executives subsequent to year end.

Remuneration Expense Details for the Year Ended 30 June 2023 and 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 2023 and 2022

		Short-term Benefits			Post-employment Benefits	Equity-settled Share-based Payments		
		Acquisition Earnout \$	Salary, Fees and Leave \$	Pension and Superannuation \$	Acquisition Earnout \$	Shares/Units \$	Options/Rights \$	Total \$
Non-Executive Directors								
Paul Dwyer	2023	–	88,336	–	–	–	220,000	308,336
Hugh Robertson	2023	–	–	–	–	71,123	–	71,123
Michael Doery	2023	–	47,558	4,994	–	51,882	220,000	324,434
Marcus Price	2023	–	–	–	–	37,479	28,973	66,452
Mark Casey	2023	–	–	–	–	33,315	9,271	42,586
Executive Directors								
Andrew Smith	2023	856,535 ¹	300,000	25,292	571,024 ¹	–	220,000	1,972,851
Lewis Romano	2023	–	15,000	1,575	–	–	1,653	18,228
Group KMP's								
Victor Peplow	2023	–	248,750	25,007	–	–	202,101	475,858
Total		856,535	699,644	56,868	571,024	193,799	901,998	3,279,868
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	577,571 ²	117,693	10,161	385,048 ²	–	–	1,090,473
Lewis Romano	2022	–	180,000	18,000	–	–	125,394 ³	323,394
Group KMP								
David Hentschke ⁴	2022	–	410,318	23,568	–	–	–	433,886
Victor Peplow	2022	–	230,000	23,000	–	–	102,693 ³	355,693
Total		577,571	944,253	75,353	385,048	191,788	228,087	2,402,100

1. The 2023 figures includes part of the ARMA earnout amounting to \$1,427,558 which is made up of \$856,535 cash and \$571,023 in shares.

2. The 2022 comparatives have been adjusted following the finalisation of the ARMA acquisition and the subsequent treatment of the earnout being classified for accounting purposes as remuneration. For 2002, this amounted to \$962,619 made up of \$577,571 in cash and \$385,048 shares.

3. The 2022 comparatives have been adjusted downward by an amount of \$33,793 to reflect an amendment to the amortisation methodology for the 2022 share option plans.

4. David Hentschke resigned as Chief Executive Officer on 17 June 2022.

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 during Year %	Percentage Remaining as Unvested	Expiry Date for Vesting %
Non-Executive Directors							
Paul Dwyer	Options	21 Dec '22	220,000		100	0	21 Dec '22
Michael Doery	Options	21 Dec '22	220,000		100	0	21 Dec '22
Marcus Price	Options	8 Oct '20	28,973		100	0	8 Oct '22
Mark Casey	Options	8 Oct '20	9,271		100	0	8 Oct '22
Executive Directors							
Andrew Smith	Options	21 Dec '22	220,000		100	0	21 Dec '22
Lewis Romano	Options	8 Oct '20	1,653		0	0	8 Oct '22
Group KMP							
Victor Peplow	Options	8 Oct '20	10,329		0	0	8 Oct '22
Victor Peplow	Options	28 Feb '22	65,171		0	100	8 Oct '23
Victor Peplow	Options	30 Sep '22	91,465		0	100	30 Sep '25
Victor Peplow	Rights	18 Nov '22	35,136		0	100	31 Oct '23

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.	No. (Note 2)	Value \$ (Note 3)	No. (Note 4)	Balance at End of Year No.	
Non-Executive Directors							
Paul Dwyer	–	21 Dec '22	2,000,000	–	–	–	2,000,000
Michael Doery	–	21 Dec '22	2,000,000	–	–	–	2,000,000
Marcus Price	2,500,000	–	–	–	–	–	2,500,000
Mark Casey	800,000	–	–	–	–	–	800,000
Executive Directors							
Andrew Smith	–	21 Dec '22	2,000,000	–	–	–	2,000,000
Lewis Romano	2,000,000	–	–	–	2,000,000	–	–
Group KMP							
Victor Peplow	1,650,000	Various	1,797,543	–	–	1,190,705	2,256,838
	6,950,000		7,797,543	–	–	3,190,705	11,556,838

		Vested		Unvested
	Balance at End of Year No.	Exercisable No.	Unexercisable No.	Total at End of Year No.
Non-Executive Directors				
Paul Dwyer	2,000,000	2,000,000	—	—
Michael Doery	2,000,000	2,000,000	—	—
Marcus Price	2,500,000	2,500,000	—	—
Mark Casey	800,000	800,000	—	—
Executive Directors				
Andrew Smith	2,000,000	2,000,000	—	—
Group KMP				
Victor Peplow	2,256,838	—	—	2,256,838
	11,556,838	9,300,000	—	2,256,838

Note 1 There were no rights exercised during 2023.

Note 2 There were no options exercised in the year 2023.

Note 3 There were 3,190,705 options and rights which lapsed in the year 2023.

Details of the options and rights 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 \$
30 September 2022	Credit Clear Limited	1,500,000	30 September 2024	\$0.60	\$0.1377	900,000
18 November 2022	Credit Clear Limited	106,838	31 October 2023	\$0.00	\$0.44	–
21 December 2022	Credit Clear Limited	6,000,000	21 December 2022	\$0.60	\$0.11	3,600,000

A further 190,705 share rights were issued on 18 November 2022 which lapsed prior to years' end. As a result of them lapsing, they are not included in the table above.

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 28.

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	5,833,029	153,148	–	357,598	6,343,775
Paul Dwyer	1,750,000	–	–	3,760,328	5,510,328
Michael Doery	108,600	65,437	–	–	174,037
Marcus Price	940,836	–	–	–	940,836
Mark Casey	33,518,506	–	–	–	33,518,506
Executive Directors					
Lewis Romano	5,180,223	–	–	–	5,180,223
Andrew Smith	21,041,908	2,600,983*	–	1,086,956	24,729,847
KMP					
Victor Peplow	565,000	–	–	–	565,000
	68,938,102	2,819,568	–	5,204,882	76,962,552

* Equity component of the Earnout consideration for the acquisition of ARMA Group due to Andrew Smith calculated at \$0.3676 per share and treated as remuneration under AASB.

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

The company loaned funds to Romano Family Holdings for legal fees incurred in relation to a legal matter that Credit Clear Ltd was a party to. The decision to provide funding was made in the interest of protecting the Group. The loan is made on commercial terms and conditions and is repayable over a period of 2 years up to August 2025.

An amount is owed to Credit Clear Ltd from Remitter International Inc in relation to a license fee for use of the digital collection system which is owned by Credit Clear Ltd.

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. Refer Note 30 for further details.

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 30th day of August 2023



Andrew Smith
Managing Director

Dated this 30th day of August 2023

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Credit Clear Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Credit Clear Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ben Gargett'.

Ben Gargett
Partner
PricewaterhouseCoopers

Melbourne
30 August 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated Group	
	Note	2023 \$000	2022 \$000
Revenue from customers	3a	34,951	21,462
Other income	3b	1,007	–
Employee benefits expense		(22,477)	(15,864)
Legal Fees		(800)	(1,609)
Consultancy Fees		(866)	(2,221)
Professional service fees		(2,593)	(2,157)
Service delivery fees		(5,869)	(3,427)
Share-based expenses		(1,976)	(1,614)
Acquisitions – earnout	26	(2,974)	(2,005)
Other expenses		(3,446)	(3,077)
EBITDA		(5,043)	(10,512)
Depreciation and amortisation	4a	(6,069)	(3,948)
EBIT		(11,112)	(14,460)
Interest income	3c	211	16
Interest expense	4b	(139)	(143)
Loss before income tax		(11,040)	(14,587)
Income tax	5, 16	(18)	3,455
Net Loss for the year		(11,058)	(11,132)
Total comprehensive income for the year		(11,058)	(11,132)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)	25	(\$0.03)	(\$0.04)
Diluted earnings per share (cents)	25	(\$0.03)	(\$0.04)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2023

		Consolidated Group	
	Note	2023 \$'000	2022 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	12,001	10,204
Trust funds	7	4,064	4,168
Trade and other receivables	8	4,371	4,704
Other assets	10	780	381
TOTAL CURRENT ASSETS		21,216	19,457
NON-CURRENT ASSETS			
Property, plant and equipment	11	297	411
Financial assets	9	1,167	622
Intangible assets	12	49,086	52,226
Right of use assets	13	5,077	1,659
TOTAL NON-CURRENT ASSETS		55,627	54,918
TOTAL ASSETS		76,843	74,375
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	3,297	3,002
Lease liabilities	13	1,032	840
Other liabilities	15	4,586	6,951
Provisions	17	1,868	1,722
TOTAL CURRENT LIABILITIES		10,783	12,515
NON-CURRENT LIABILITIES			
Lease liabilities	4, 13	4,106	832
Provisions	17	667	639
TOTAL NON-CURRENT LIABILITIES		4,773	1,471
TOTAL LIABILITIES		15,556	13,986
NET ASSETS		61,287	60,389
EQUITY			
Issued capital	18	99,684	89,307
Reserves	19	4,313	2,734
Accumulated Losses	20	(42,710)	(31,652)
TOTAL EQUITY		61,287	60,389

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

	Ordinary Share Capital \$000	Retained Earnings \$000	Reserves \$000	Total \$000
Balance at 1 July 2021	35,747	(20,520)	1,120	16,347
Other comprehensive income	–	–	–	–
Loss for the year	–	(11,132)	–	(11,132)
Total comprehensive income for the year	–	(11,132)	–	(11,132)
Transactions with owners, in their capacity as owners, and other transfers				
Transaction costs	(1,553)	–	–	(1,533)
Share-based payments	192	–	1,614	1,806
Shares issued during the period	54,921	–	–	54,921
Total transactions with owners and other transfers	53,560	–	1,614	55,174
Balance at 30 June 2022	89,307	(31,652)	2,734	60,389
Balance at 1 July 2022	89,307	(31,652)	2,734	60,389
Other comprehensive income	–	–	–	–
Loss for the year	–	(11,058)	–	(11,058)
Total comprehensive income for the year	–	(11,058)	–	(11,058)
Transactions with owners, in their capacity as owners, and other transfers				
Transaction costs	(419)	–	–	(419)
Share-based payments	443	–	1,579	2,022
Shares issued during the period	10,353	–	–	10,353
Total transactions with owners and other transfers	10,377	–	1,579	11,956
Balance at 30 June 2023	99,684	(42,710)	4,313	61,287

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated Group	
	Note	2023 \$000	2022 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		38,699	19,617
Payments to suppliers and employees		(38,493)	(26,390)
Acquisitions – Earnout		(2,988)	–
R&D tax incentive received		–	842
Net cash used in operating activities	28a	(2,782)	(5,931)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11a	(169)	(281)
Payment for purchase of business	26	–	(27,867)
Capitalised development costs		(1,586)	(1,152)
Payments – other		(287)	–
Net cash used in investing activities		(2,042)	(29,300)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		7,581	35,447
Repayment of lease liabilities	13b	(960)	(760)
Net cash provided by financing activities		6,621	34,687
Net increase/(decrease) in cash and cash equivalents		1,797	(544)
Cash and cash equivalents at the beginning of financial year		10,204	10,748
Cash and cash equivalents at the end of financial year	6	12,001	10,204

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

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 30 August 2023 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, financial liabilities and share based payments.

(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; and
- (ii) 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 are adjusted to reflect the changes in their relative interests in the subsidiaries.

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 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 and represent all entities which have a principal place of business in Australia. 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 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 (i.e. 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 (i.e. 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 (i.e. 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 (i.e. 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 (i.e. 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 (i.e. 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 (e.g. 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 simplified approach to impairment, as applicable under AASB 9: *Financial Instruments*:

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 (i.e. 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 (e.g. 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. Brand names 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 recognised at fair value at acquisition date 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 3 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 2023. 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 14% 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 3% subsequent to this period have been used. The rates used incorporate an allowance for inflation. Pre-tax discount rates of 14.4% 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 51% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying amount of \$49,086,000.

The Directors and management have considered and assessed reasonably possible changes for the key assumptions and have not identified any instances that could cause the carrying amounts to exceed the respective recoverable amounts.

Key judgements

(i) 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.

(ii) Provision for expected credit losses

Included in accounts receivable is an assessment of the expected credit loss on each debtor from the date of the amount owed. A provision for expected credit losses amounting to \$433,761 has been made.

(iii) 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. An assessment is made on whether capitalised technology development will generate future revenue. Such capitalised expenditure is carried at the end of the reporting period at \$1,892,730.

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 unallocated and 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 Chief Executive Officer (who is 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 2023				
Revenue				
External sales	29,703	5,248	–	34,951
Other income	1,007	–	–	1,007
Total segment revenue	30,710	5,248	–	35,958
EBITDA	6,039	598	(11,680)	(5,043)
Depreciation and amortisation	–	–	(6,069)	(6,069)
Interest revenue	–	–	211	211
Interest expense	–	–	(139)	(139)
Segment net profit/(loss) before tax	6,039	598	(17,677)	(11,040)
Tax expense	–	–	(18)	(18)
Net profit/(loss) after tax	6,039	598	(17,695)	(11,058)

	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	(12,178)	(10,512)
Depreciation and amortisation	–	–	(3,948)	(3,948)
Interest revenue	–	–	16	16
Interest expense	–	–	(143)	(143)
Segment net profit/(loss) before tax	1,329	337	(16,253)	(14,587)
Tax benefit	–	–	3,455	3,455
Net profit/(loss) after tax	1,329	337	(12,798)	(11,132)

(ii) Segment assets

	Collections \$000	Legal Services \$000	Head Office \$000	Total \$000
30 June 2023				
Segment assets	15,419	335	61,089	76,843
30 June 2022				
Segment assets	8,245	2,038	64,092	74,375

(iii) Segment liabilities

	Collections \$000	Legal Services \$000	Head Office \$000	Total \$000
30 June 2023				
Segment liabilities	14,590	9,66	–	15,556
30 June 2022				
Segment liabilities	8,352	1,825	3,809	13,986

Note 3: Revenue and Other Income

(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.

	Collections		Legal Services		Total	
Year to 30 June 2022	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Geographical markets						
Australia	29,443	17,340	5,248	3,904	34,691	21,244
New Zealand	260	218	–	–	260	218
	29,703	17,558	5,248	3,904	34,951	21,462

(b) Other income

	2023 \$000	2022 \$000
Government employment subsidies	1,007	–
Total other income	1,007	–

(c) Interest income

	2023 \$000	2022 \$000
Interest income	211	16
Total interest income	211	16

Note 4: Expenses

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

(a) Depreciation and amortisation

	Consolidated Group	
	2023 \$000	2022 \$000
Depreciation	234	139
Amortisation:		
– right of use asset	962	733
– office makegood	144	85
– intangibles	4,729	2,991
Total depreciation and amortisation	6,069	3,948

(b) Interest expense

	Consolidated Group	
	2023 \$000	2022 \$000
– lease liabilities	138	81
– other	1	62
	139	143

Note 5: Tax Expense

	Consolidated Group	
	2023 \$000	2022 \$000
(a) The components of tax expense/(benefit) comprise:		
Current tax	(18)	–
Deferred tax	–	3,455
	(18)	3,455
(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% (2022: 25%)	(2,760)	(3,130)
Add:		
Tax effect of:		
– Share Based Payments	452	403
– Amortisation	273	–
– Earn outs	744	–
– Non-deductible expenses	38	18
Less:	(1,253)	(2,709)
Tax effect of:		
Current year losses not recognised	1,270	2,709
Previously unrecognised deferred tax assets, now recognised	–	3,455
Income tax attributable to entity	(18)	3,455

Note 6: Cash and Cash Equivalents

	Consolidated Group	
	2023 \$000	2022 \$000
Cash at bank and on hand	12,001	10,204
	12,001	10,204

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	
	2023 \$000	2022 \$000
Cash and cash equivalents	12,001	10,204
	12,001	10,204

Note 7: Trust Funds

	Consolidated Group	
	2023 \$000	2022 \$000
Trust funds held	4,064	4,168
	4,064	4,168

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 1(n) for further information on the Group's Trust Fund policy.

Note 8: Trade and Other Receivables

	Consolidated Group	
	2023 \$000	2022 \$000
CURRENT		
Trade receivables	4,758	4,583
Provisions for expected credit loss	(434)	(9)
	4,324	4,574
Other receivables	47	130
	47	130
Total current trade and other receivables	4,371	4,704

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 2023 is determined as follows, the expected credit losses incorporate forward looking information.

30 June 2023	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Expected loss rate (%)	0.00	0.00	10.45	67.36	9.12
Gross carrying amount (\$)	2,919	790	479	570	4,758
ECL provision	—	—	50	384	434

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

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	
	2023 \$000	2022 \$000
NON-CURRENT	1,167	622
Term deposits held		
	1,167	622

Term deposits relate to office security bonds and are restricted in accordance with respective lease agreement terms.

Note 10: Other Assets

	Consolidated Group	
	2023 \$000	2022 \$000
CURRENT		
Prepayments	474	381
Other related parties (Refer to Note 30)	306	–
	780	381

Note 11: Property, Plant and Equipment

	Consolidated Group	
	2023 \$000	2022 \$000
Office equipment:		
At cost	411	437
Accumulated depreciation	(208)	(109)
	203	328
Computer equipment:		
At cost	230	290
Accumulated depreciation	(152)	(232)
	78	58
Leasehold Improvements		
At cost	28	28
Accumulated depreciation	(12)	(3)
	16	25
Total property, plant and equipment	297	411

(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:

	Leasehold Improvements	Computer Equipment	Office Equipment	Total
Consolidated Group:	\$000	\$000	\$000	\$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 2022	25	135	251	411

	Leasehold Improvements	Computer Equipment	Office Equipment	Total
Consolidated Group:	\$000	\$000	\$000	\$000
Balance at 1 July 2022	25	135	251	411
Additions	–	29	140	169
Disposals	–	(7)	(46)	(53)
Acquisitions Through Business Combinations	–	–	–	–
Depreciation Expense	(9)	(79)	(142)	(230)
Balance as at 30 June 2023	16	78	203	297

Note 12: Intangible Assets

Consolidated Group:	Capitalised Development Expenditure \$000	Goodwill \$000	Brand Names \$000	Customer Contracts \$000	Total \$000
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	–	34,201	520	13,300	48,021
Amortisation charge	(346)	–	(433)	(2,202)	(2,991)
Closing value at 30 June 2022	1,178	35,737	477	14,834	52,226
Year ended 30 June 2023					
Balance at the beginning of the year	1,178	35,737	477	14,834	52,226
Internal development	1,586	–	–	–	1,586
Additions through business combination 26b	–	–	–	–	–
Amortisation charge	(870)	–	(104)	(3,752)	(4,726)
Closing value at 30 June 2023	1,894	35,737	373	11,082	49,086

Impairment disclosures

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

	2023 \$000	2022 \$000
Receivable collections	49,086	52,226
Legal services	–	–
Total	49,086	52,226

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 terminal 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 revenue growth rate of 11% was used for FY24, 15% for FY25, 15% for FY26, 15% for FY27 and 15% for FY28. A pre-tax weighted average cost of capital rate of 14.4% was also used in the calculation.

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

	Terminal Growth Rate	Discount Rate
Receivable collections	3%	14.4%

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 3.18 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

	2023 \$000	2022 \$000
Leased office premises	6,684	2,724
Accumulated depreciation	(1,607)	(1,065)
Total Right of use asset	5,077	1,659
Movement in carrying amounts:		
Leased office premises:		
Opening net carrying amount	1,659	1,060
Additions, exercise of lease extension options	4,829 ¹	1,599
Disposals	(797)	(267)
Amortisation expense	(614)	(733)
Net carrying amount	5,077	1,659

1. The Group entered into a 5 year office lease agreement commencing May 2023 for its Sydney office. No fitout costs were incurred. The only makegood requirement is to leave the office in its original condition.

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

	2023 \$	2022 \$
Amortisation charge related to right-of-use assets	962	733
Interest expense on lease liabilities	138	81

	2023 \$000	2022 \$000
Total cash outflows for leases	960	760

	2023 \$000	2022 \$000
Lease Liabilities		
Current	1,032	840
Non-current	4,106	832

Note 14: Trade and Other Payables

Consolidated Group		
	2023 \$000	2022 \$000
CURRENT		
Unsecured liabilities:		
Trade payables	1,197	1,378
Sundry payables and accrued expenses	2,100	1,624
	3,297	3,002

Note 15: Other Current Liabilities

		Consolidated Group	
	Note	2023 \$000	2022 \$000
Contingent consideration	26b	–	2,005
Trust fund liabilities	7	4,064	4,168
Unearned revenue		522	778
		4,586	6,951

Note 16: Tax

Consolidated Group		
	2023 \$000	2022 \$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	558	5	–	–	–	563
Accruals	211	56	–	–	–	267
Lease liabilities	418	866	–	–	–	1,284
Provision for doubtful debts	2	93	–	–	–	95
Provision for make good	33	25	–	–	–	58
Black hole expenses	300	124	–	–	–	424
Tax Losses	2,355	(832)	–	–	–	1,523
Balance 30 June 2023	3,877	337	–	–	–	4,214
Deferred tax liabilities						
Right of use assets	416	849	–	–	–	1,265
Capitalised development costs	294	179	–	–	–	473
Acquisition of Intangible Assets	3,167	(691)	–	–	–	2,476
Balance 30 June 2023	3,877	337	–	–	–	4,214

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

- temporary differences \$nil (2022: \$180,716); and
- tax losses: operating losses \$4,647,671 (2022: \$4,295,442).

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	
	2023 \$000	2022 \$000
Current		
Annual leave	1,306	1,400
Long service leave	562	322
Non-current	1,868	1,722
Long service leave	421	508
Office Make Good	246	131
	667	639
	2,535	2,361
	Movement in Provisions \$000	Total \$000
Consolidated Group		
Opening balance at 1 July 2022	2,361	2,361
Additional provisions	2,464	2,464
Amounts used	(1,903)	(1,903)
Unused amounts reversed	(387)	(387)
Balance at 30 June 2023	2,535	2,535

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

	2023 \$000	2022 \$000
410,036,983 (2022: 366,918,261) Fully paid ordinary shares	99,684	89,307
	99,684	89,307

	Consolidated Group			
	2023 \$	2022 \$	2023 No.	2022 No.
(a) Ordinary Shares				
At the beginning of the reporting period			366,918,261	225,686,746
Shares issued during the year:				
– 21 February 2022		12,741,204		31,853,010
– 28 January 2022		12,758,795		31,896,990
– 28 February 2022		4,000,000		10,000,000
– 7 February 2022		17,171,126		45,789,661
– 11 February 2022		191,788		374,993
– 23 March 2022		690,000		1,725,000
– 30 March 2022		60,000		150,000
– 19 May 2022		–		2,000,000
– 10 June 2022		7,500,000		17,441,861
– 7 December 2022	293,163		703,028	
– 7 December 2022	47,998		107,620	
– 2 March 2023	48,125		115,964	
– 30 March 2023	1,991,813		5,418,713	
– 15 May 2023	8,000,000		34,782,608	
– 1 May 2023	53,644		185,234	
– 8 June 2023	361,111		1,805,555	
At the end of the reporting period			410,036,983	366,918,261

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.

On 7 December 2022, 703,028 shares were issued in lieu of Director fees in accordance with AGM shareholder approval.

On 7 December 2022, 2 March 2023 and 1 May 2023, the Group issued 632,402 shares to a manager as part of his employment terms in lieu of commission on revenue generated from clients which he introduced to the company.

On 30 March 2023, 5,418,713 shares were issued as part of the equity component of deferred consideration for the ARMA acquisition. This has been treated as remuneration for accounting purposes.

On 15 May 2023, 34,782,608 shares were issued as part of a capital raise to fund future business growth. Eight million dollars was raised. Transaction costs amounted to \$419,000.

On 8 June 2023, 1,805,555 shares were issued to settle a long outstanding legal matter. Refer to Note 30.

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 in May 2023 for growth purposes, 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	
	2023 \$000	2022 \$000
Opening balance	2,734	1,120
Options/rights granted	2,630	1,980
Options/rights forfeited	(1,051)	(366)
Closing balance	4,313	2,734

Options and Rights on issue 30 June 2023

Issue	Expiry Date	Exercise Price	Opening Balance 1 July 2022	Issued	Exercised	Forfeited	Closing Balance 30 June 2023
Options – KMP's	8 Oct '32	\$0.50	5,000,000	–	–	5,000,000	–
Options – Employees	8 Oct '32	\$0.50	6,520,000	–	–	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	500,000	–	–	–	500,000
Options – Directors	8 Oct '32	\$0.50	6,800,000	–	–	–	6,800,000
Options – Employees	8 Oct '33	\$0.577	6,325,000	–	–	880,000	5,445,000
Options – KMP's	8 Oct '33	\$0.577	1,150,000	–	–	500,000	650,000
Options – Directors	30 Nov '25	\$0.60	–	4,000,000	–	–	4,000,000
Options – KMP's	30 Nov '25	\$0.60	–	2,000,000	–	–	2,000,000
Options – KMP's	30 Sep '25	\$0.60	–	1,500,000	–	–	1,500,000
Options – Employees	30 Sep '25	\$0.60	–	13,000,000	–	4,000,000	9,000,000
Options – Employees	28 Oct '25	\$0.60	–	200,000	–	–	200,000
Options – Employees	24 Nov '32	\$0.577	–	10,000	–	–	10,000
Option – Employees	14 Oct '25	\$0.60	–	500,000	–	–	500,000
Rights – KMP's	31 Oct '23	\$0.00	–	106,838	–	–	106,838
Rights – Employees	31 Oct '23	\$0.00	–	384,618	–	64,103	320,515
Rights – KMP's	30 Jun '23	\$0.00	–	190,705	–	190,705	–
Rights – Employees	30 Jun '23	\$0.00	–	2,090,481	–	2,090,481	–
			30,295,000	23,982,642	–	19,245,289	35,032,353

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 – Employees	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

Note 20: Accumulated Losses

	Consolidated Group	
	2023 \$000	2022 \$000
Accumulated losses at the beginning of the financial year	(31,652)	(20,520)
Loss after income tax expense for the year	(11,058)	(11,132)
Accumulated losses at the end of the financial year	(42,710)	(31,652)

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.

	2023 \$000	2022 \$000
Statement of Financial Position		
ASSETS		
Current assets	13,919	10,958
Non-current assets	50,777	54,775
TOTAL ASSETS	64,696	65,733
LIABILITIES		
Current liabilities	12,062	5,765
Non-current liabilities	561	1,729
TOTAL LIABILITIES	12,623	7,494
EQUITY		
Issued capital	99,684	89,307
Accumulated Losses	(51,924)	(33,802)
Reserves	4,313	2,734
TOTAL EQUITY	52,073	58,239
	2023 \$000	2022 \$000
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	(18,122)	(14,680)
Total comprehensive income	(18,122)	(14,680)

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 2023.

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

	2023 \$000	2022 \$000
Short-term employee benefits	1,556	1,522
Long-term employee benefits	57	75
Share-based payments	1,667	805
Total KMP compensation	3,280	2,402

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 as well as the earnout payment to Andrew Smith.

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 and rights

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 either the vesting share price or exercise price being achieved on the vesting date. The options vest fully at the vesting date if the vesting price or exercise 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 do not have a vesting share price and vest immediately. This is consistent with ASX guidelines to promote long-term based decision making for the company.

Employee share options and rights

During the year, 13,700,000 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 30 September 2024 if the exercise price of \$0.60 is achieved. The options hold no voting or dividend rights and are not transferable.

Ten thousand 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.

During the year, 384,618 share rights were granted to employees under the Credit Clear Limited Employee Share Option Scheme to convert to ordinary shares. The rights are subject to retention conditions with a vesting date of 31 October 2023. The rights hold no voting or dividend rights and are not transferable.

Additionally, 2,090,481 share rights were granted to employees under the Credit Clear Limited Employee Share Option Scheme to convert to ordinary shares. The rights were subject to business performance conditions which were not met during the 2023 financial year. They subsequently forfeited.

(b) Options and rights granted to key management personnel are as follows:

Grant Date	Number
30 September 2023	1,500,000
18 November 2023	297,543
21 December 2023	6,000,000
	7,797,543

Details of these options and rights are provided in the directors' report. The options hold no voting or dividend rights and are not transferable. Options and rights lapse when a KMP who is an employee 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. No rights which vested during the year (2022: 2,000,000).

(c) 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 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

	Number	Weighted Average Exercise Price
Options and Rights outstanding as at 1 July 2022	12,950,000	\$0.51
Granted	7,797,543	\$0.60
Forfeited	5,690,705	–
Exercised	–	–
Expired	–	–
Other movements	(3,500,000)	–
Options exercisable as at 30 June 2023	6,000,000	–
Options exercisable as at 30 June 2022	–	–

The weighted average remaining life of options outstanding at year-end was 4.82 years. The weighted average exercise price of outstanding shares at the end of the reporting period was \$0.57.

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 \$0.11 (2022: \$0.23). 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:	4.8 years
Expected share price volatility:	55%
Risk-free interest rate:	3.22%

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.

- (d) There were 2,819,568 shares issued to directors and key management personal as share based payments during the year (2022: 374,993). This includes 2,600,983 shares issued to Andrew Smith as part of the ARMA acquisition earnout.

No payments were included under employee benefits expense in the statement of profit or loss which relates to equity-settled share-based payment transactions (2022: \$Nil).

Note 23: Auditor's Remuneration

	Consolidated Group	
	2023 \$	2022 \$
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	255,000	120,000
– taxation return services	–	4,500
– due diligence services	–	108,861
– other taxation services	–	8,000
– other auditing services	5,450	–
	260,450	241,361

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		
	2023 \$000	2022 \$000
Loss after income tax attributable to the owners of Credit Clear Limited	(11,058)	(11,132)
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	373,317,866	273,562,394
Weighted average number of ordinary shares used in calculating diluted earnings per share	373,317,866	273,562,394
	Cents	Cents
Basic earnings per share	(\$0.03)	(\$0.04)
Diluted earnings per share	(\$0.03)	(\$0.04)

Share options are considered to be potential ordinary shares but were anti-dilutive in nature for the 30 June 2023 financial year and were not included in the calculation of diluted earnings per share. These options and rights 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	2023 %	2022 %
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	100
Credit Clear Trading Pty Ltd	Australia	100	100
Credit Clear Legal Pty Ltd	Australia	100	100
ARMA Group Holdings Pty Ltd	Australia	100	100
Force Legal Pty Ltd	Australia	100	100
NZ Recoveries Ltd	New Zealand	100	100

(b) Finalisation of provisional accounting for ARMA Group acquisition

On 4 February 2022, Credit Clear Limited acquired a 100% interest in ARMA Group Holdings Pty Ltd, Force Legal Pty Ltd and NZ Recoveries Limited (ARMA Group). This acquisition was accounted for on a provisional basis at 30 June 2022. The acquisition has subsequently been finalised, resulting in the following adjustments:

- recognition of a Deferred Tax Liability of \$3.45 million and corresponding increase in Goodwill. Deferred Tax Assets of \$3.45 million were subsequently also recognised as a result of the finalisation of the acquisition accounting;
- the earnout component of the acquisition consideration has been classified for accounting purposes as post-combination remuneration for the ARMA shareholders who remain employees over the 12 month earnout period. This has resulted in a decrease in goodwill of \$4.0 million and increase in retained losses of \$2.0 million as at 30 June 2022; and
- the fair value of consideration paid in the form of Credit Clear Limited shares has been finalised resulting in a decrease in goodwill of \$1.1 million and a corresponding decrease in share capital.

All adjustments are recognised in the year ended 30 June 2022 financial result, as required by accounting standards.

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	17,255,259
Total purchase consideration	45,122,138
Assets or liabilities acquired:	
Deferred tax liability	(3,450,000)
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	(2,899,004)
Purchase consideration	45,122,138
Add: Identifiable net liabilities acquired	2,899,004
Intangible Assets Acquired	48,021,142

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	\$34,201,142
Intangible Assets Acquired	\$48,021,142

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 from its client base in the twelve-month period subsequent to the acquisition date of 4 February 2022. The final earnout figure amounted to \$4,979,536 and is treated as remuneration in accordance with accounting standards.

Note 27: Contingent Liabilities

The matter set out in Note 27 of the 2022 Report and the Proceedings therein were settled on a full and final basis on 9 June 2023, and were concluded on that date as disclosed to the market by ASX Notice dated and published on 9 June 2023. There were no other material contingent liabilities.

Note 28: Cash Flow Information

	Consolidated Group	
	2023 \$000	2022 \$000
(a) Reconciliation of Cash Flows from Operating Activities with Loss after Income Tax		
Loss after income tax	(11,058)	(11,132)
Non-cash flows in loss:		
– Amortisation of intangible assets	4,729	2,991
– Amortisation on right of use assets	962	733
– Depreciation	230	138
– Share-based payments	4,329	2,364
– Loss on disposal of assets	52	–
– Accrued Interest Revenue	(17)	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and other receivables	(676)	(789)
– (increase)/decrease in current tax receivable	–	–
– (increase)/decrease in other assets	(77)	(2,777)
– (decrease)/increase in trade payables and accruals	(1,933)	2,743
– (decrease)/increase in provisions and reserves	677	(202)
Net cash generated by/(used in) operating activities	(2,782)	(5,931)

(b) Changes in Liabilities arising from Financing Activities

	1 July 2022 \$000	Cash flows	Non-cash changes	30 June 2023 \$000
			Additional Office leases	
Short-term borrowings	–	–	–	
Lease liabilities	1,672	(960)	4,426	5,138
Total	1,672	(960)	4,426	5,138

Note 29: Events after the Reporting Period

The Group initiated a \$8,500,000 capital raise in May 2023 of which \$500,000 was completed in July 2023.

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.

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	
	2023 \$000	2022 \$000
(i) Casey Consulting Services Pty Ltd		
Office lease recoveries	270	216
Office lease receivable	45	42
(ii) Remitter International Inc		
License fee income	200	300
License fees receivable	300	120
(iii) Australian Recoveries & Mercantile Agents Pty Ltd		
Collection administration fees	(87)	(13)

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

The company loaned funds to Romano Family Holdings for legal fees incurred in relation to a legal matter that Credit Clear Ltd was a party to. The decision to provide funding was made in the interest of protecting the Group. The loan is made on commercial terms and conditions and is repayable over a period of 2 years up to August 2025.

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.

On 9 June 2023, the Company issued 1,805,555 fully paid ordinary shares at a deemed issue price of \$0.20 per share to settle and conclude the litigation proceedings. Refer also Note 18.

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	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Financial liabilities due for payment								
Trade and other payables	3,297	3,002	–	–	–	–	3,297	3,002
Lease liabilities	1,032	840	4,106	832	–	–	5,138	1,672
Total expected outflows	4,329	3,842	4,106	832	–	–	8,435	4,674
Financial assets – cash flows realisable								
Cash and cash equivalents	12,001	10,204	–	–	–	–	12,001	10,204
Trade and receivables	4,371	4,704	–	–	–	–	4,371	4,704
Term deposits held	260	–	907	622	–	–	1,167	622
Total anticipated inflows	16,632	14,908	907	622	–	–	17,539	15,530
Net (outflow)/inflow on financial instruments	12,303	11,066	(3,199)	(210)	–	–	9,104	10,856

(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:

	2023		2022	
	Weighted average interest rate %	Balance \$000	Weighted average interest rate %	Balance \$000
Consolidated Group				
Cash and cash equivalents	2.47	12,001	0.11	10,204
Financial assets	0.14	1,167	0.44	622
		13,168		10,826

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

At 30 June 2023, 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 \$8,644 (2022: \$10,826).

(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

Building 11, 41-43 Bourke Road
Alexandria NSW 2015

The principal place of business is:

Credit Clear Limited

Building 11, 41-43 Bourke Road
Alexandria NSW 2015

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 33 to 72, 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 2023 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 30th day of August 2023



Andrew Smith

Director

Dated this 30th day of August 2023

Independent Auditor's Report



Independent auditor's report

To the members of Credit Clear Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Credit Clear Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 & 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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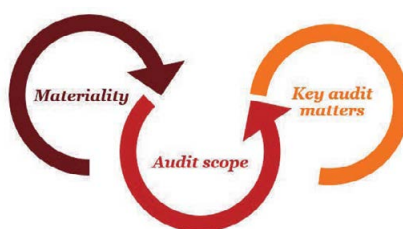
Liability limited by a scheme approved under Professional Standards Legislation.



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of \$340k, which represents approximately 1% of the Group's revenue from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group revenue from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured during this stage of the Group's development.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable revenue related thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Risk and Audit Committee.

Key audit matter	How our audit addressed the key audit matter
Carrying value of intangible assets (Refer to note 12) [\$49.1 million] At 30 June 2023, the Group recognised \$35.7 million of goodwill and \$13.3 million of other intangible assets with finite lives (together “the intangible assets”). As required under Australian Accounting Standards the Group tests goodwill annually for impairment and assesses other non-current assets for indicators of impairment. In the current period, the Group performed its impairment assessment using a value in use model (“the model”), based on future cash flow forecasts discounted to present value, to estimate the recoverable amount of the cash generating unit. The impairment assessment contains significant judgements, including; • Forecasting future revenue growth rates and terminal growth rate • Determining an appropriate discount rate This was considered a key audit matter due to the significance of the carrying value of the intangible assets to the consolidated statement of financial position and judgements and assumptions outlined above in determining the recoverable amount.	We performed the following procedures, amongst others: • Assessed whether the level at which the impairment assessment was performed was consistent with our knowledge of the Group’s operations and internal Group reporting. • Assessed whether the cash generating unit appropriately included all directly attributable assets and liabilities. • Assessed whether the valuation methodology, utilised is consistent with Australian Accounting Standards. • Compared the forecast cash flows used in the model to the most recent budget and business forecasts approved by the Board. • With the assistance of PwC valuation experts, assessed whether the forecast cash flows used in the discounted cash flow model were appropriate by; - Comparing a sample of the forecast cash flows to historical actual cash flows and growth rates achieved to assess the accuracy of the Group’s forecasting - Comparing a sample of the forecast operating costs and capital expenditure to the most recent budget - assessing whether the discount rate used in the model appropriately reflected the risks associated with the collections business and the markets in which they operate, by reference to externally derived data, where possible.



Key audit matter

How our audit addressed the key audit matter

Accounting for business combination (Refer to note 26b)

During the year ended 30 June 2022, the Group acquired ARMA Group Holdings Pty Ltd for total consideration of \$45.1 million and accounted for the business combination on a provisional basis.

As required by Australian Accounting Standards, the Group finalised the business combination accounting during the year, being within 12 months from the date of acquisition, as described in note 26b.

The finalisation of accounting for the acquisition was a key audit matter because the adjustments arising from it were material and complex in nature. Such adjustments related to the accounting for contingent consideration and deferred tax accounting.

- comparing the forecast terminal growth rate to external market data.
- Tested the mathematical accuracy of relevant calculations in the discounted cash flow model.
- Evaluated the reasonableness of the disclosures made in note 12 in light of the requirements of Australian Accounting Standards.

We performed the following procedures, amongst others, over the finalisation of Group's acquisition accounting for ARMA Group Holdings Pty Ltd:

- Evaluated the appropriateness of the Group's conclusions on the acquisition accounting adjustments in light of the requirements of Australian Accounting Standards. In doing so, we obtained and considered the relevant clauses in the key transaction agreement, selected minutes of the board of directors meetings, and selected correspondence with external advisors.
- Evaluated the appropriateness of the key judgements applied by the Group in relation to the nature of the contingent consideration associated with the earnout paid to relevant executives as post transaction income for accounting purposes, by reference to the requirements of Australian Accounting Standards.
- Assessed whether a deferred tax liability was recognised in accordance with the requirements of Australian Accounting Standards as part of the acquisition accounting.
- Reperformed the calculation of the adjustments to assess consistency with



Key audit matter

How our audit addressed the key audit matter

our understanding of the transaction and to check for mathematical accuracy.

- Evaluated the reasonableness of the disclosures made in note 26b in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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 on the other information that we obtained prior to the date of this auditor's report, 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 Company 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 have 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at 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.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 23 to 30 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Credit Clear Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in a dark grey or black ink.

PricewaterhouseCoopers

A handwritten signature of 'Ben Gargett' in a dark grey or black ink.

Ben Gargett
Partner

Melbourne
30 August 2023

Additional Information

FOR LISTED PUBLIC COMPANIES

The following information is current as at 10 August 2023:

1. SHAREHOLDING

(a) Distribution of Shareholders

	Number
Category (size of holding):	Ordinary
1–1,000	308
1,001–5,000	759
5,001–10,000	412
10,001–100,000	740
100,001 and over	315
	2,534

(b) The number of shareholdings held in less than a marketable parcel was 711 with total shares of 882,776.

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

	Number
Shareholder:	Ordinary
UBS NOMINEES PTY LTD	39,688,739
CASEY CONSULTING SERVICES PTY. LTD.	30,840,323
ASJS & ASSOCIATES PTY LTD	24,443,328
SMA INVEST PTY LTD	19,063,920
RUBI HOLDINGS PTY LTD	18,421,636
SANDHURST TRUSTEES LTD	16,083,376

(d) Voting Rights

The voting rights attaching to each class of equity securities are set out below.

Ordinary Shares

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.

Options

Options carry the standard voting rights available to ordinary shareholders when converted to ordinary shares.

Performance rights

Performance rights carry the standard voting rights available to ordinary shareholders when converted to ordinary shares.

(e) 20 Largest Shareholders – Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	UBS NOMINEES PTY LTD	39,688,739	9.62
2	CASEY CONSULTING SERVICES PTY. LTD. <CASEY CONSULTING SERVICES A/C>	30,840,323	7.48
3	ASJS & ASSOCIATES PTY LTD <ASJS FAMILY A/C>	24,443,328	5.93
4	SMA INVEST PTY LTD <SADA A/C>	19,063,920	4.62
5	RUBI HOLDINGS PTY LTD <JOHN RUBINO S/F A/C>	18,421,636	4.47
6	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	16,083,376	3.90
7	CITICORP NOMINEES PTY LIMITED	13,131,898	3.18
8	NATIONAL NOMINEES LIMITED	8,360,104	2.03
9	RACING CARS PTY LTD	6,696,386	1.62
10	CRATHRE PTY LTD	6,119,024	1.48
11	MS BELINDA NIXON	5,514,771	1.34
12	INVIA CUSTODIAN PTY LIMITED <BILLINGSBY ESTATE A/C>	5,487,483	1.33
13	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	5,187,918	1.26
14	BUNGEELTAP PTY LTD	5,027,429	1.22
15	BODHI INVESTMENT LIMITED	4,933,728	1.20
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	4,700,529	1.14
17	NAMARONG INVESTMENTS PTY LTD <THE HANSEN INVESTMENT A/C>	4,392,567	1.06
18	NAMARONG INVESTMENTS PTY. LTD. <THE HANSEN INVESTMENT A/C>	4,028,665	0.98
19	BOLLINGER INVESTMENTS LIMITED <BRIGHTSIDE A/C>	4,000,000	0.97
20	MR PIERRE JOSEPH SAFI	3,786,506	0.92
		229,908,330	55.73

2. COMPANY SECRETARY

The name of the Company Secretary is Adam Gallagher.

3. ADDRESS

The address of the principal and registered office is:
Building 11, 41-43 Bourke Road, Alexandria NSW 2015.
Telephone 02 9189 9541.

4. SECURITIES REGISTER

Register of securities are held at the following address:
Yarra Falls, 452 Johnstone Street, Abbotsford VIC 3067.

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

Unlisted options to acquire ordinary shares	34,605,000
Performance Rights over ordinary shares	427,353

Corporate Directory

Directors

Paul Dwyer
Hugh Robertson
Michael Doery
Andrew Smith

Company Secretary

Adam Gallagher

Company Website

www.creditclear.com.au

Registered Office

Credit Clear Limited

Building 11, 41-43 Bourke Road
Alexandria NSW 2015

Tax Accountant

Moore Australia (VIC) Pty Ltd

Level 44, 600 Bourke Street
Melbourne VIC 3000

Auditor

PricewaterhouseCoopers

2 Riverside Quay
Southbank VIC 3006

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnstone Street
Abbotsford VIC 3067

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creditclear **limited**