

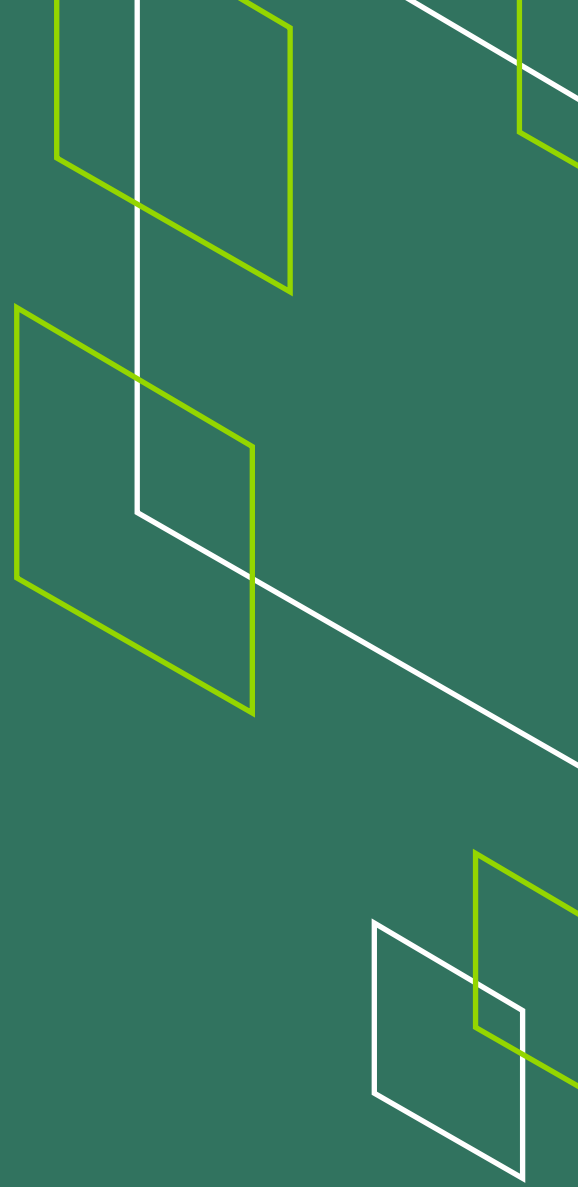
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XREF

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2021

Interim Report



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For the Year Ended 31 December 2021

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General information

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

Xref Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

**Suite 13, 13 Hickson Road,
Dawes Point, New South Wales, Australia, 2000
ACN: 122 404 666**

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

Directors' Report

31 December 2021

The directors present their report, together with the financial statements, for the consolidated entity (referred to hereafter as 'the Group') consisting of Xref Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021 (H1 FY22).

Directors

The following persons were directors of Xref Limited during the whole of the financial half-year and up to the date of this report unless otherwise stated:

Thomas Stianos, Non-Executive Chairman (Appointed on 14/10/2021)

Brad Rosser, Non-Executive Director (Resigned 26/11/2021) (Non-Executive Chairman until 14/10/2021)

Lee-Martin Seymour, Executive Director

Nigel Heap, Non-Executive Director

Lija Wilson, Non-Executive Director

Principal Activities

During the financial half-year, the principal continuing activities of the Group consisted of software development and service for the HR industry.

Review of Operations

Key achievements for H1 FY22 included:

- **Gross Sales** - a record first half period of upfront sales of \$10 million, up 95% from \$5.1 million in H1 FY21 with cash receipts from sales of \$10.3 million, up 65% from \$6.2 million in H1 FY21;
- **Revenue** - a record first half revenue result of \$8.9 million, up 73% from \$5.1 million in H1 FY21;
- **Net Loss** - a net loss for the half year of \$0.03 million, reduced by 98% from \$1.98 million in H1 FY21;
- **Operating Cash Surplus** - operating cash surplus of \$2.3 million generated during H1 FY22 compared to an operating cash deficit of \$0.5 million incurred during H1FY21;
- **Cash Balance** - \$10.4 million at 31 December 2021, compared to \$8.1m at 30 June 2021.

The loss for the Group for the financial half-year after providing for income tax amounted to \$36,987 (H1 FY21: \$1,987,182), an improvement of 98%.

Xref continues to execute a data-driven multi-channel marketing strategy generating 3,200 leads during H1 FY22, up 124% from the same period in the previous year.

Xref's growth trajectory continued throughout H1 FY22. The first half is traditionally the Company's lowest sales period due to seasonal fluctuations in the Australian recruitment industry following the financial year-end and the summer holiday season in the Northern Hemisphere. However, Xref achieved a record first-half revenue of \$8.9 million, resulting in 73% growth compared to the same period last year.

The evolution of Xref's business reflects the leadership team's unwavering focus on achieving positive free cash flow.

Operating Results

Financial Summary	31 December 2021	31 December 2020	% Change
Total revenue	8,873,451	5,139,669	73%
EBITDA	468,476	(1,552,769)	130%
NPAT	(36,987)	(1,987,182)	98%
Net cash generated from/(used in) operating activities	2,292,485	(538,637)	526%

Business Results	31 December 2021	31 December 2020	% Change
Xref revenue	7,030,558	4,489,110	57%
Rapid ID revenue	1,842,893	650,559	183%
Total revenue	8,873,451	5,139,669	73%
Cost of sales	(2,207,836)	(994,980)	122%
OPEX	(5,845,221)	(5,930,455)	-1%
Share based payments	(448,386)	(321,108)	40%
Total expenses	(8,501,443)	(7,246,543)	17%
Other income	96,468	554,105	-83%
Depreciation and amortisation	(212,623)	(227,400)	-6%
Operating profit	255,853	(1,780,169)	114%
Finance income	3,016	8,717	-65%
Finance expense	(295,856)	(215,730)	37%
Net profit/ loss after tax	(36,987)	(1,987,182)	-98%
EBITDA			
Net profit/(loss)	(36,987)	(1,987,182)	98%
Add back: net interest income and expense	292,840	207,013	-41%
Add back: net depreciation and amortisation	212,623	227,400	6%
EBITDA	468,476	(1,552,769)	130%

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Strong Post Pandemic Recovery

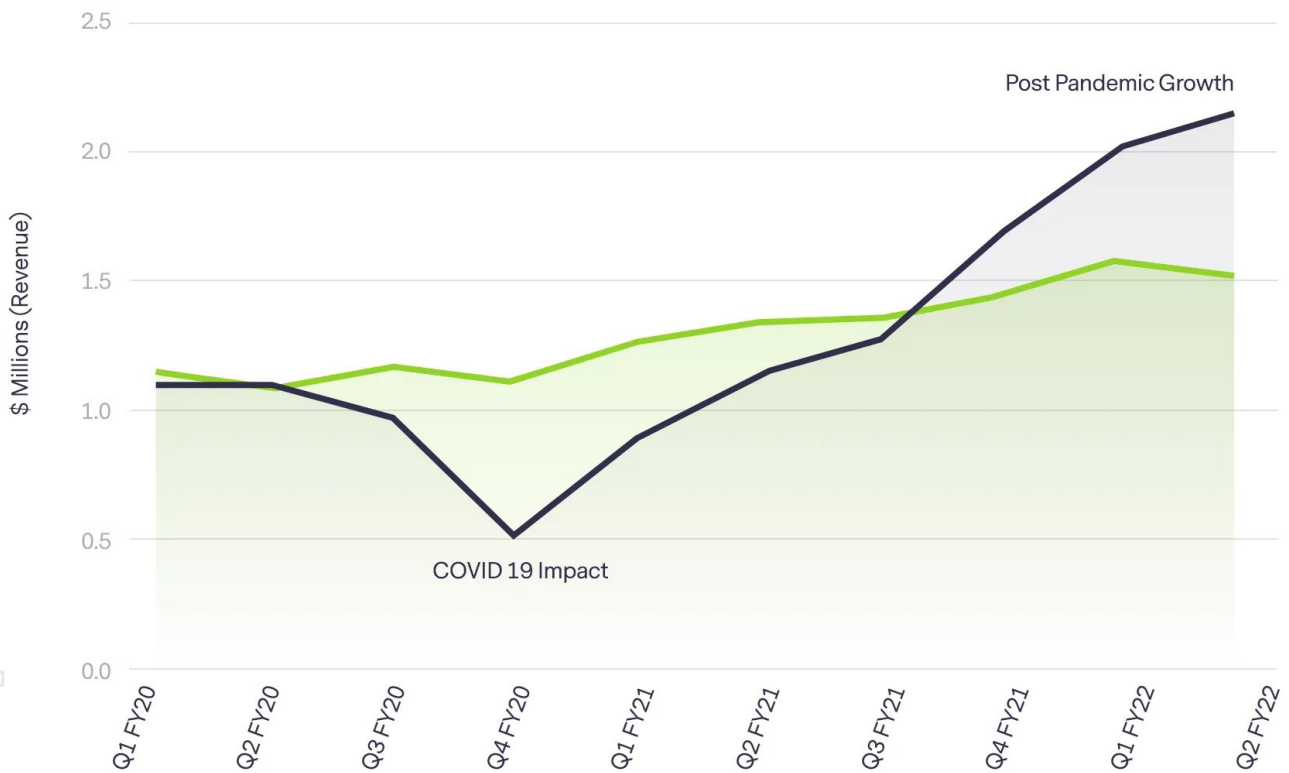
Over the last four years, Xref has focused on 'essential' sectors such as healthcare, government, not-for-profit and education. Prior to the pandemic, 50% of all credit usage originated from these 'essential' sectors.

Credit usage by clients grouped in non-essential industries outpaced essential business recruitment demonstrating confidence in returning to normalcy, post-pandemic. Usage by clients in non-essential services grew by 103% on the previous half to \$4.1 million, highlighting a return for many of these businesses to not only their prior recruitment levels but in many cases also exceeding their pre-pandemic levels.

Now, however, despite the tapering need for essential services, recruitment in these areas continues to grow 20% year on year.

Pandemic Impact and Recovery FY20 - FY22

● Essential industries ● Non-essential industries



Digital Marketing Strategy Impact

As a marketing led, data driven organisation, Xref continues to execute a data-driven multi-channel marketing strategy generating an increased number of inbound leads. B2B buyers are becoming increasingly reliant on reviews as a source of truth when considering a software purchase. Xref's online brand presence continues to be strong and successful on platforms such as G2, Capterra and Google My Business. On G2's review platform, Xref repeatedly ranks among the best SaaS in the reference check category, including Top 10 in ANZ. The most recent winter report saw Xref win seven badges for leadership, usability and relationships, ranking number one in usability.

During the pandemic, Xref has been successful in significantly increasing the digital acquisition of new clients, reducing reliance on traditional sales team outreach. Xref has improved all marketing metrics relating to effectiveness and lead generation with the continual optimisation of channels and marketing investment. Invoice value, client size, initial adoption and sales cycle periods have all improved as we continue to execute our digital marketing strategy and 3,200 leads were captured during H1 FY22 resulting in an 124% increase in lead flow over the same period in the previous year.

Continued Cashflow Profitability

During the 6 months ending 31 December, Xref generated \$2.3 million in cash from operations. After taking into account investment into product development as well as repayment of lease liabilities and debt servicing costs, the business generated free cash flow of \$1.3 million (excluding the receipt of funds due to the exercise of warrants/options). This has been achieved due to the continued focus on attracting new clients via digital channels and a strong control on all expenses, all with a view to maintaining profitability.

Product Investment Progress

Xref is working with some of its largest global clients to expand the current platform and develop the Xref Marketplace to support their future requirements. The enhanced platform will dramatically increase Xref's global addressable market through the provision of additional services, allow for an entirely digital new client acquisition process and add a subscription-based recurring revenue to the current credit-based model.

A staged release of Xref's new platform began during the half with the launch of the new 'Exit Survey' platform in November 2021 and will continue during the remainder of this financial year, including the launch of Xref Pulse surveys and Xref Marketplace.

During the half, Xref capitalised a proportion of internal and external development costs related to these new platform features.

FY 2022 Outlook

Xref

As talent acquisition grows to become increasingly remote on a more permanent basis, automated reference surveys, identity verification, and other pre-employment checks will continue to grow in demand. As a result, Xref Marketplace will be in a good position to broaden relationships with checking vendors for more integrated checks, increasing availability for the global marketplace of checks.

Talent remains on the move and employers are facing an extremely competitive market. Employees, many of whom may have stayed in 'safe' roles are now buoyed with confidence to make a transition to something new. Employers will face a need to move quickly to hire the best talent so having the right processes in place to make confident hiring decisions quickly has never been more important.

Similarly, the return of users in non-essential industries has grown above pre-pandemic levels reflecting business confidence in a positive period ahead. These trends are expected to drive further growth.

Xref will also continue to invest in growth through data-driven digital marketing with the self-serve initiative continuing to bring inbound leads. Through digital marketing, product innovation and leading customer service, Xref will continue to be a thought-leader and trusted partner to talent acquisition and HR teams globally.

The staged release of the enhanced platform, including Xref Pulse Surveys and Xref Marketplace will continue throughout the remainder of FY22. These new services will dramatically increase Xref's global addressable market. In particular, this strategy is expected to grow Xref's share of the North America market via channel partners, wholesale and self-serve subscription sales.

The strong finish to H1 FY22 together with the more recent rapid recovery from the Christmas period provide confidence for a promising second half. The Group expects geographic expansion will reduce seasonality in overall usage and along with the growing demand for additional pre-employment survey and checking services via the Xref Platform and connected Marketplace, Xref expects it will be able to maintain its achievement of a net profit after tax for FY22 along with cash flow profitability.

RapidID

RapidID has grown over 2,000% since the group acquired the business in July 2019. Growth is expected to continue as demand in the KYC (Know Your Customer) sector such as online banking, crypto currency and betting platforms increases. Identity services provided to other checking partners as well as the Xref platform will provide RapidID additional growth. The newly built Webflow tool will reduce 3rd party costs and volume discounts will further reduce COGS, therefore increasing net revenues. In addition, the recently announced Graduate Verification Service offered by RapidID will add further revenue as retail and wholesale distribution grow.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306 (3) (a) of the Corporations Act 2001.

On behalf of the board of directors



Lee-Martin Seymour
CEO & Co-Founder

28 February 2022

28 February 2022

The Board of Directors
Xref Limited
Suite 13, 13 Hickson Road
Dawes Point NSW 2000

Dear Board Members


Xref Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Xref Limited.

As lead audit partner for the review of the financial report of Xref Limited for the financial half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,



Crowe Sydney



Ash Pather
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021 Unaudited \$	31 Dec 2020 Unaudited \$
Revenue	3	8,873,451	5,139,669
Cost of sales		(2,207,836)	(994,980)
Gross profit		6,665,615	4,144,689
Finance costs		(295,856)	(215,730)
Employee expenses		(4,076,401)	(4,177,846)
Overhead and administration expenses	4	(1,768,820)	(1,743,892)
Share based payments		(448,386)	(321,108)
Depreciation		(121,668)	(226,830)
Impairment and amortisation		(90,955)	(570)
Total expenses		(6,802,086)	(6,685,976)
Operating (loss)		(136,471)	(2,541,287)
Other income		99,484	554,105
Loss before income tax expense		(36,987)	(1,987,182)
Income tax expense		-	-
Loss after income tax expense for the half year attributable to the owners of Xref Limited		(36,987)	(1,987,182)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign controlled entities		(107,542)	231,898
Other comprehensive income for the year, net of tax		(107,542)	231,898
Total comprehensive income for the half year attributable to the owners of Xref Limited		(144,529)	(1,755,284)
Earnings per share		\$	\$
Basic earnings per share		(0.0002)	(0.01)
Diluted earnings per share		(0.0002)	(0.01)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2021

	Note	Consolidated	
		31 Dec 2021 Unaudited \$	30 June 2021 Audited \$
Assets			
Current assets			
Cash and cash equivalents		10,440,986	8,131,072
Trade and other receivables		1,390,985	2,021,145
Contract assets	5	1,160,105	1,031,498
Prepayments		397,936	492,416
Right-of-use assets		136,043	-
Total current assets		<u>13,526,055</u>	<u>11,803,447</u>
Non-current assets			
Rental bonds		54,358	54,143
Property, plant and equipment		243,860	266,060
Right-of-use assets		-	127,316
Intangibles	6	3,501,148	2,875,582
Total non-current assets		<u>3,799,366</u>	<u>3,195,785</u>
Total assets		<u>17,325,421</u>	<u>14,999,232</u>
Liabilities			
Current liabilities			
Trade and other payables		1,423,351	1,732,787
Financial liabilities	7	587,490	636,425
Employee entitlements		523,194	439,695
Unearned revenue	8	9,907,917	8,799,293
Superannuation Payable		192,313	165,243
Total current liabilities		<u>12,634,265</u>	<u>11,773,443</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of Financial Position *continued*

As at 31 December 2021

	Note	Consolidated	
		31 Dec 2021 Unaudited \$	30 June 2021 Audited \$
Non-current liabilities			
Financial liabilities	7	4,129,167	4,048,950
Employee entitlements		192,959	185,666
Total non-current liabilities		<u>4,322,126</u>	<u>4,234,616</u>
Total liabilities		<u>16,956,391</u>	<u>16,008,059</u>
Net assets		<u>369,030</u>	<u>(1,008,827)</u>
Equity			
Issued capital		55,100,613	53,948,230
Reserves	9	(21,541,300)	(20,939,822)
Retained earnings		<u>(33,190,283)</u>	<u>(34,017,235)</u>
Total equity		<u>369,030</u>	<u>(1,008,827)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of Changes in Equity

For the year ended 31 December 2021

Unaudited consolidated	Issued capital \$	Warrants \$	Share option reserves \$	Foreign currency translation reserve \$	Consolidation reserve \$	Retained profits \$	Total \$
Balance at 1 July 2021	53,948,230	385,714	1,982,030	(461,745)	(22,845,821)	(34,017,235)	(1,008,827)
Loss after income tax for the year	-	-	-	-	-	(36,987)	(36,987)
Other comprehensive income for the half-year	-	-	-	(107,542)	-	-	(107,542)
Total comprehensive income for the half-year	-	-	-	(107,542)	-	(36,987)	(144,529)
Transactions with owners in their capacity as owners							
Shares issued during the year	60,000	-	-	-	-	-	60,000
Options exercised	15,240	-	(1,240)	-	-	-	14,000
Options issued	-	-	448,386	-	-	-	448,386
Options lapsed	-	-	(2,583)	-	-	2,583	-
Options expired	-	-	(861,356)	-	-	861,356	-
Warrants issued	-	-	-	-	-	-	-
Warrants exercised	1,077,143	(77,143)	-	-	-	-	1,000,000
Balance at 31 December 2021	55,100,613	308,571	1,565,237	(569,287)	(22,845,821)	(33,190,283)	369,030

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of Changes in Equity *continued*

For the year ended 31 December 2020

Unaudited consolidated	Issued capital \$	Warrants \$	Share option reserves \$	Foreign currency translation reserve \$	Consolidation reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2020	53,235,226	-	1,797,122	(361,629)	(22,845,821)	(34,228,961)	(2,404,063)
Loss after income tax expense for the year	-	-	-	-	-	(1,987,182)	(1,987,182)
Other comprehensive income for the year	-	-	-	231,898	-	-	231,898
Total comprehensive income for the year	-	-	-	231,898	-	(1,987,182)	(1,755,284)
Transactions with owners in their capacity as owners							
Shares issued during the year	713,004	-	-	-	-	-	713,004
Options issued	-	-	321,108	-	-	-	321,108
Options lapsed	-	-	(9,087)	-	-	9,087	-
Warrants issued	-	385,714	-	-	-	-	385,714
Balance at 31 December 2020	53,948,230	385,714	2,109,143	(129,731)	(22,845,821)	(36,207,056)	(2,739,521)

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of Cash Flows

For the year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021 Unaudited \$	31 Dec 2020 Unaudited \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,268,776	6,224,513
Payments to suppliers (inclusive of GST)		(7,979,307)	(6,771,867)
Interest received		3,016	8,717
Net cash provided by/(used in) operating activities		<u>2,292,485</u>	<u>(538,637)</u>
Cash flows from investing activities			
Purchase of intangible assets		(717,927)	(161,411)
Payments for property, plant and equipment		<u>(15,195)</u>	<u>(7,215)</u>
Net cash used in investing activities		<u>(733,122)</u>	<u>(168,626)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,014,000	-
Repayments of lease liabilities		(37,176)	(187,575)
Proceeds from borrowings		-	5,000,000
Borrowing transaction costs		-	(209,744)
Repayment of financial liabilities		<u>(226,273)</u>	<u>(125,055)</u>
Net cash provided by/(used in) financing activities		<u>750,551</u>	<u>4,477,626</u>
Net increase in cash and cash equivalents		2,309,914	3,770,363
Cash and cash equivalents at the beginning of the financial half-year		<u>8,131,072</u>	<u>2,868,794</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>10,440,986</u></u>	<u><u>6,639,157</u></u>

Notes to Financial Statements

For the Year Ended 31 December 2021

Note 1. Summary of Significant Accounting Policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001 as appropriate for the for profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal account policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue recognition

Revenue is recognised as follows.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sales of credits

The Group sells candidate reference credits. When customers use a credit, the service has been performed. Revenue is recognised at the point in time when the customer uses the service.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on agreed rates.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 1. Summary of Significant Accounting Policies *continued***Other revenue**

Other revenue is recognised when it is received or when the right to receive payment is established.

Contract assets - capitalised commission

Contract assets are recognised when the Group has transferred services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes. Contract assets include commissions paid and are amortised as performance obligations are met and an unconditional right to consideration is established.

Cost to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expenses as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Contract liabilities - unearned revenue

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Going Concern

The financial report has been prepared on the going concern basis which assumes that the Group will be able to meet its commitments, realise its assets, and discharge its liabilities in the ordinary course of business. This basis has been adopted by the directors of the Group for the following reasons.

As at 31 December 2021, the Group had net current assets of \$891,790 and net assets of \$369,030.

This includes the value of credits sold to but not yet used by clients of \$9,907,917. Under the standard terms and conditions of the contracts of Xref, clients are not entitled to refunds of amounts paid for prepaid credits after a 4 week cooling off period has passed. As at the date of these financial statements, no such refunds have eventuated and historically the incidence of refunds within the 4 week cooling off period is insignificant.

For the financial half year ended 2021, the group incurred a loss after tax of \$36,987 (2020 HY: \$1,987,182).

A cash flow forecast has been produced by the Group (unaudited) which demonstrates that if certain outcomes are achieved then the Group will be in a cashflow positive position for the foreseeable future.

Lastly, the business has demonstrated its ability to reduce costs and raise capital when required to support its operations and to ensure the cash position of the consolidated entity is protected.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 1. Summary of Significant Accounting Policies *continued*

Internally developed intangible assets:

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the reported profit or loss when incurred.

Development activities include a plan or design for the production of new or substantially improved products. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the reported surplus and deficit when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and any impairment losses.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Website

Significant costs associated with website development are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Domain

Significant costs associated with domains are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight line basis over the period of their expected benefit, being their finite life of 10 years.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Note 2. Operating Segments

Consolidated 31 December 2021	Candidate Referencing \$	ID Verification \$	Total \$
Revenue			
Revenue from external customers	7,030,558	1,842,893	8,873,451
Intersegment sales	296	-	296
Total revenue	<u>7,030,854</u>	<u>1,842,893</u>	<u>8,873,747</u>
Other revenue	86,375	10,093	96,468
Total segment revenue	<u>7,117,229</u>	<u>1,852,986</u>	<u>8,970,215</u>
Intersegment eliminations			(296)
Interest revenue			3,016
Total revenue			<u><u>8,972,935</u></u>
EBITDA	<u>271,930</u>	<u>196,546</u>	<u>468,476</u>
Depreciation and amortisation			(212,623)
Interest revenue			3,016
Finance costs			(295,856)
Profit before income tax			(36,987)
Income tax expense			-
Profit after income tax			<u><u>(36,987)</u></u>
Assets			
Segment assets	<u>16,848,870</u>	<u>2,480,874</u>	<u>19,329,744</u>
Intersegment eliminations			(3,338,311)
Unallocated assets:			
Goodwill			1,333,986
Total Assets			<u><u>17,325,419</u></u>
Total assets includes:			
Investments in subsidiaries	<u>4,672,297</u>	-	<u>4,672,297</u>
Liabilities			
Segment liabilities	<u>15,058,260</u>	<u>1,898,377</u>	<u>16,956,637</u>
Intersegment eliminations			(246)
Total liabilities			<u><u>16,956,391</u></u>

Note 2. Operating Segments *continued*

Consolidated 31 December 2020	Candidate Referencing \$	ID Verification \$	Total \$
Revenue			
Revenue from external customers	4,489,110	650,559	5,139,669
Intersegment sales	-	-	-
Total revenue	4,489,110	650,559	5,139,669
Other revenue	533,502	11,886	545,388
Total segment revenue	5,022,612	662,445	5,685,057
Intersegment eliminations			-
Interest revenue			8,717
Total revenue			5,693,774
EBITDA	(1,491,483)	(61,286)	(1,552,769)
Depreciation and amortisation			(227,400)
Interest revenue			8,717
Finance costs			(215,730)
Profit before income tax expense			(1,987,182)
Income tax expense			-
Profit after income tax			(1,987,182)
Assets			
Segment assets	14,002,931	848,046	14,850,977
Intersegment eliminations			(4,676,864)
Unallocated assets:			
Goodwill			1,333,986
Total Assets			11,508,099
Total assets includes:			
Investments in subsidiaries	4,676,864	-	4,676,864
Liabilities			
Segment liabilities	13,411,960	835,386	14,247,346
Intersegment eliminations			274
Total liabilities			14,247,620

Note 3. Revenue

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Revenue from contracts with customers		
Sales Xref	8,008,513	4,458,877
Less adjustment for unearned revenue	(977,955)	30,233
	<u>7,030,558</u>	<u>4,489,110</u>
Sales Rapid ID	1,935,398	650,559
Less adjustment for unearned revenue	(92,505)	
	<u>1,842,893</u>	<u>650,559</u>
Total revenue	<u><u>8,873,451</u></u>	<u><u>5,139,669</u></u>
Other revenue		
Interest	3,016	8,717
Government subsidies	23,487	527,052
Other revenue	72,981	18,336
	<u>99,484</u>	<u>554,105</u>
Total revenue and other income	<u><u>8,972,935</u></u>	<u><u>5,693,774</u></u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 31 December 2021	Candidate Referencing \$	ID Verification \$	Total \$
Revenue from customers			
Revenue	<u>7,030,558</u>	<u>1,842,893</u>	<u>8,873,451</u>
	<u><u>7,030,558</u></u>	<u><u>1,842,893</u></u>	<u><u>8,873,451</u></u>
Geographical regions			
Australia	5,118,385	1,840,077	6,958,462
Canada	289,088	-	289,088
United Kingdom	376,112	2,816	378,928
New Zealand	870,599	-	870,599
United States	<u>376,374</u>	<u>-</u>	<u>376,374</u>
	<u><u>7,030,558</u></u>	<u><u>1,842,893</u></u>	<u><u>8,873,451</u></u>

Note 3. Revenue *continued*

	Candidate Referencing \$	ID Verification \$	Total \$
Consolidated - 31 December 2021			
Timing of revenue recognition			
Goods transferred at a point in time	6,700,343	1,842,893	8,543,236
Services transferred over time	330,215	-	330,215
	<u>7,030,558</u>	<u>1,842,893</u>	<u>8,873,451</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Candidate Referencing \$	ID Verification \$	Total \$
Consolidated - 31 December 2020			
Revenue from customers			
Sales	4,489,110	650,559	5,139,669
	<u>4,489,110</u>	<u>650,559</u>	<u>5,139,669</u>
Geographical regions			
Australia	3,320,566	650,559	3,971,125
Canada	322,244	-	322,244
United Kingdom	399,850	-	399,850
New Zealand	328,329	-	328,329
United States	118,121	-	118,121
Norway	-	-	-
	<u>4,489,110</u>	<u>650,559</u>	<u>5,139,669</u>
Timing of revenue recognition			
Goods transferred at a point in time	3,924,197	650,559	4,574,756
Services transferred over time	564,913	-	564,913
	<u>4,489,110</u>	<u>650,559</u>	<u>5,139,669</u>

Note 4. Overheads and administrative expenses

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
Accounting and consulting fees	117,269	72,809
Auditing or reviewing the financial report	25,307	27,500
Legal expenses	15,639	81,577
Marketing fees	419,796	205,961
Consulting and professional fees	236,763	138,568
Administration expenses	963,180	887,849
Foreign exchange gain/(loss)	(89,007)	256,279
Operating lease payments	79,873	73,349
Overhead and administration expenses	1,768,820	1,743,892

Note 5. Contract assets - Capitalised Commission

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Current		
Capitalised Commission - at cost - Credit Sales	1,119,008	1,013,035
Capitalised Commission - at cost - Subscriptions	41,075	18,373
Capitalised Commission - at cost - People Search	22	90
Total current contract assets	1,160,105	1,031,498

Note 6. Intangible Assets

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Goodwill	1,333,986	1,333,986
Patents, trademarks and other rights	61,337	61,337
Accumulated amortisation and impairment	<u>(3,944)</u>	<u>(3,372)</u>
	57,393	57,965
Website	325,000	325,000
Accumulated amortisation and impairment	<u>(108,333)</u>	<u>(53,721)</u>
	216,667	271,279
Software development	1,825,983	1,108,891
Accumulated amortisation and impairment	<u>(30,836)</u>	<u>-</u>
	1,795,147	1,108,891
Domain Names	108,830	108,829
Accumulated amortisation and impairment	<u>(10,875)</u>	<u>(5,368)</u>
	97,955	103,461
Total intangibles	<u><u>3,501,148</u></u>	<u><u>2,875,582</u></u>

Note 7. Financial Liabilities

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Current		
Lease liability	161,326	138,925
Borrowings - Pure Asset Management (a)	<u>426,164</u>	<u>497,500</u>
Total current borrowings	<u><u>587,490</u></u>	<u><u>636,425</u></u>
Non-current		
Lease liability	-	3,071
Borrowings - Pure Asset Management (a)	<u>4,129,167</u>	<u>4,045,879</u>
Total non-current borrowings	<u><u>4,129,167</u></u>	<u><u>4,048,950</u></u>

Total borrowings

(a) During the half year, Xref Limited negotiated a more favorable interest rate for the Pure Asset loan facility which resulted in a reduction of the interest rate from from 9.95% to 8.5%. This reduction resulted in a change in the effective interest rate from 13.57% to 12.66%. The reduction in interest rate resulted in a gain on revaluation of \$39,170.

Note 8. Current liabilities - Unearned Revenue

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Balance brought forward	8,799,293	7,847,799
Xref unearned revenue movement		
Opening balance-Xref	8,783,300	7,847,799
Credits sold	8,008,511	12,477,129
Add: Opening conditional credits	1,474,436	1,011,261
Less: Usage	(7,555,948)	(11,091,879)
Less: Closing conditional credits	(949,044)	(1,474,436)
	977,955	922,075
Opening balance revaluation due to forex	46,642	13,426
Closing balance – Unearned revenue Xref	9,807,897	8,783,300
Unearned revenue Rapid ID	100,020	15,993
Balance carried forward	9,907,917	8,799,293

Under Xref's business model, clients purchase Xref credits to use our candidate referencing platform. The value of credits sold are added to unearned revenue when the client has paid. The credits are consumed when reference checks are ordered, and credit usage becomes recognised revenue. At balance date some clients will have purchased credits and have been issued an invoice but will not have paid. The value of these unpaid credit sale invoices are the 'conditional credits' above and represents trade debtors (less goods & services tax). In addition, clients that have subscribed to People Search or an Xref Subscription pay for 12 months in advance and each month a proportion of the upfront payment is recognised as revenue.

Note 9. Reserves

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Foreign currency reserve	(569,287)	(461,745)
Options Reserve	1,565,237	1,982,030
Consolidation reserve	(22,845,821)	(22,845,821)
Warrants	308,571	385,714
	(21,541,300)	(20,939,822)

Foreign Currency Reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Note 9. Reserves *continued***Share options reserve**

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Options Reserve \$A
At 30 June 2017	07/12/2016	25/11/22	\$0.70	2,500,000	357,000
At 30 June 2017	07/12/2016	25/11/21	\$0.70	5,400,000	646,920
Granted	22/09/2017	03/07/2021	\$0.59	545,814	121,662
Granted	22/09/2017	03/07/2021	\$0.58	95,390	21,444
Granted	22/03/2018	05/02/2022	\$0.66	90,021	9,434
Granted	22/03/2018	12/02/2022	\$0.70	750,000	69,635
Granted	22/03/2018	12/02/2023	\$0.70	750,000	84,023
Granted	04/12/2018	03/09/2021	\$0.70	300,000	20,730
Granted	04/12/2018	03/09/2022	\$0.70	300,000	28,620
Granted	04/12/2018	03/09/2023	\$0.66	300,000	36,570
Granted	04/12/2018	01/08/2022	\$0.66	224,255	22,358
Granted	04/12/2018	29/11/2022	\$0.70	2,500,000	253,000
Granted	20/07/2020	15/01/2024	\$0.35	2,319,336	71,899
Granted	20/07/2020	15/01/2024	\$0.35	300,000	9,300
Granted	20/07/2020	15/01/2024	\$0.35	33,543	1,040
Granted	07/09/2020	15/01/2024	\$0.18	2,000,000	114,000
Granted	07/09/2020	15/01/2024	\$0.18	2,000,000	114,000
Granted	14/06/2021	17/11/2024	\$0.35	900,000	394
Closing balance		30/06/2021		<u>21,308,359</u>	<u>1,982,029</u>

Share option reserve *continued*

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Options Reserve \$A
At 30 June 2017	07/12/2016	25/11/2022	\$0.70	2,500,000	357,000
Granted	22/03/2018	05/02/2022	\$0.66	90,021	9,434
Granted	22/03/2018	12/02/2022	\$0.70	750,000	69,635
Granted	22/03/2018	12/02/2023	\$0.70	750,000	84,023
Granted	04/12/2018	03/09/2022	\$0.70	300,000	28,620
Granted	04/12/2018	03/09/2023	\$0.66	300,000	36,570
Granted	04/12/2018	01/08/2022	\$0.66	198,343	19,775
Granted	04/12/2018	29/11/2022	\$0.70	2,000,000	202,400
Granted	20/07/2020	15/01/2024	\$0.35	2,279,336	70,659
Granted	20/07/2020	15/01/2024	\$0.35	300,000	9,300
Granted	20/07/2020	15/01/2024	\$0.35	33,543	1,040
Granted	07/09/2020	15/01/2024	\$0.18	2,000,000	114,000
Granted	07/09/2020	15/01/2024	\$0.18	2,000,000	114,000
Granted	26/11/2021	17/11/2024	\$0.35	900,000	136,072
Granted	26/11/2021	17/11/2024	\$0.54	2,700,000	312,709
Closing balance		31/12/2021		17,101,243	1,565,237

During the half year ended 31/12/2021, 6,867,119 options lapsed and 40,000 options were exercised.

On 26/11/2021, 1,800,000 options were issued to Mr Thomas Stianos as a key component of his remuneration. The first tranche of 600,000 options vested on 26/11/2021, the second tranche of 600,000 options will vest on 14/10/2022, and the third tranche of 600,000 options will vest on 14/10/2023. The options will expire on 17/11/2024.

On 26/11/2021, 900,000 options were issued to Mr Nigel Heap as a key component of his remuneration. The first tranche of 300,000 options vested on 26/11/2021, the second tranche of 300,000 options will vest on 14/10/2022, and the third tranche of 300,000 options will vest on 14/10/2023. The options will expire on 17/11/2024.

Consolidation reserve

The reserve was formed on the reverse acquisition of assets and liabilities of King Solomon Mines Limited by Xref Pty Limited which brought the share capital of Xref Pty Limited to the share capital of King Solomon Mines Limited immediately after the reverse acquisition.

Warrant reserve

In conjunction with the facility agreement being signed on 31 July 2020, a warrant deed was also signed with Pure Asset Management on the same date. 14,285,714 detached warrants were issued to Pure Asset Management with an exercise option of \$0.35 each exercisable within the next 4 year period. The fair value of the warrants was determined using the black scholes methodology with a volatility rate of 62% and a grant date share price of \$0.13. The fair value of the warrants issued was \$385,714.

On 6 December 2021 Pure Asset management exercised 2,857,142 warrants at \$0.35 each reducing the fair value of the warrant reserve to \$308,571.

Note 10. Related Parties**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:

a. Purchase of services

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Key management personnel	72,927	84,440

b. Key management compensation - See Information below

	Consolidated	
	31 December 2021 \$	30 June 2021 \$
Short term employee benefit	767,210	1,493,725
Post employment benefits	47,583	107,397
Share based payments	810,000	458,874
Total	<u>1,624,793</u>	<u>2,059,996</u>

Note 11. Events Occurring After the Reporting Date

The financial report was authorised for issue on 28 February 2022 by the board of directors.

No 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.

Director's Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Lee-Martin Seymour

Managing Director

28 February 2022

Sydney



Thomas Stianos

Chairman

28 February 2022

Sydney

Independent Auditor's Review Report to the Members of Xref Limited

Conclusion

We have reviewed the half-year financial report of Xref Limited ((the Company) and its controlled entities (the Group)), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

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

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Crowe Sydney



Ash Pather
Partner

28 February 2022

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xref.com

DIRECTORS

Thomas Stianos

Chairman

Lee-Martin Seymour

Nigel Heap

Lija Wilson

Robert Waring

Company Secretary

LEADERSHIP TEAM

Lee-Martin Seymour

Chief Executive Officer,
Co-Founder

James Solomons

Chief Financial Officer

Sharon Blesson

Chief Technology Officer

Karina Guerra

Group Marketing Director

Tracy Murdoch

General Counsel

David Haines

GM RapidID

AUDITORS

Crowe Sydney

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STOCK EXCHANGE

The company's ordinary shares are listed on the ASX under code XF1

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