

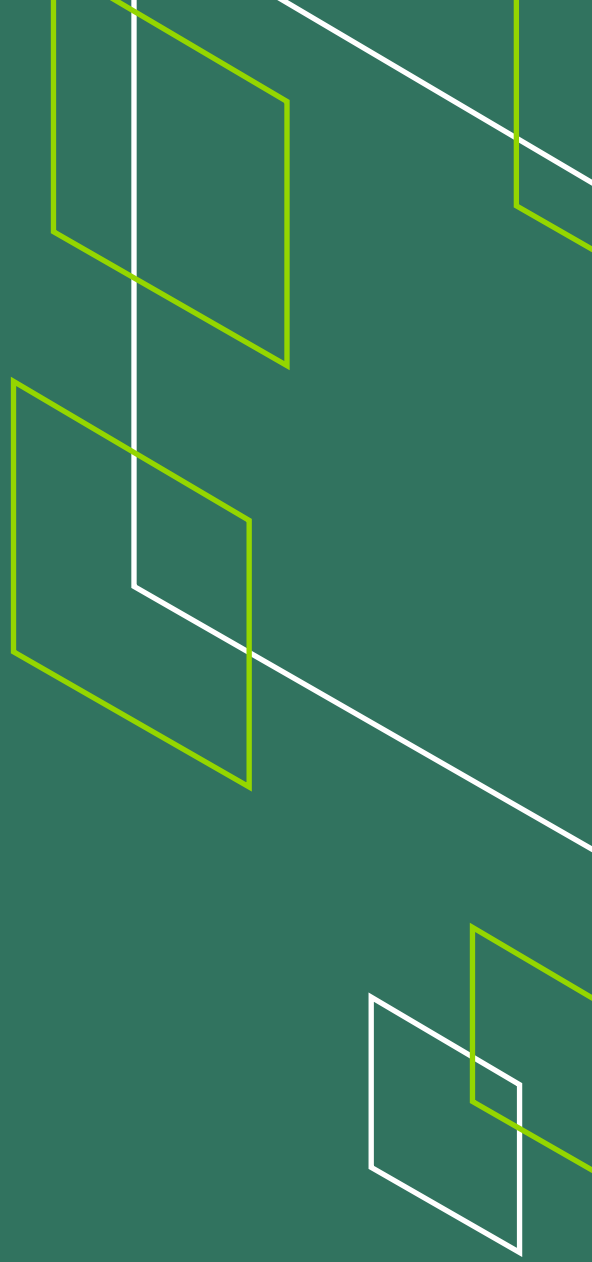
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XREF

|

2022

Annual Report



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General information

Xref Limited ABN 34 122 404 666

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 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 (ASX:XF1), incorporated and domiciled in Australia. Its registered office and principal place of business is:

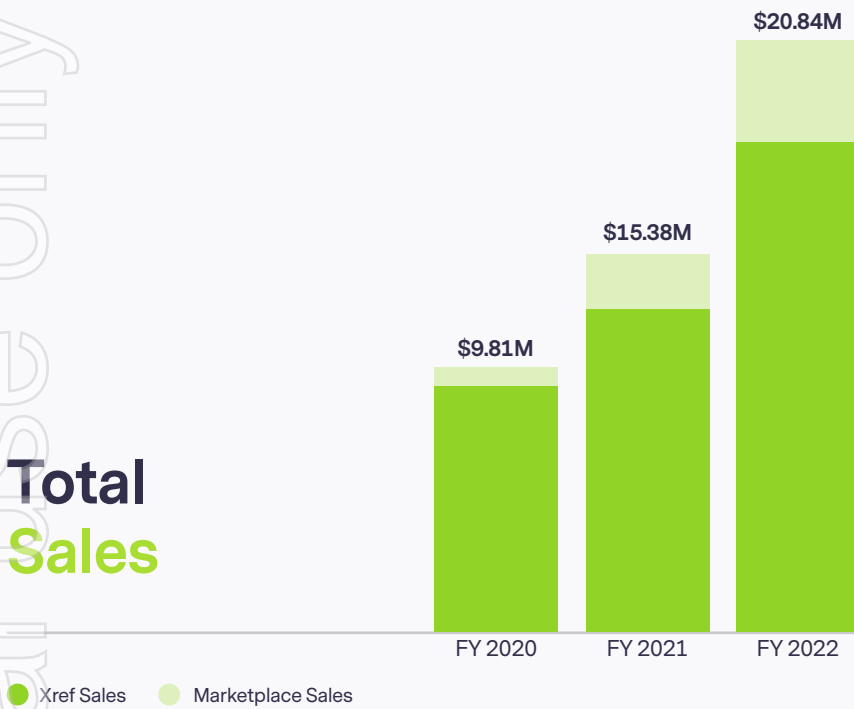
**Suite 13, 13 Hickson Road,
Dawes Point, New South Wales, Australia, 2000**

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2022. The directors have the power to amend and reissue the financial statements.

2022 Highlights

Total Sales

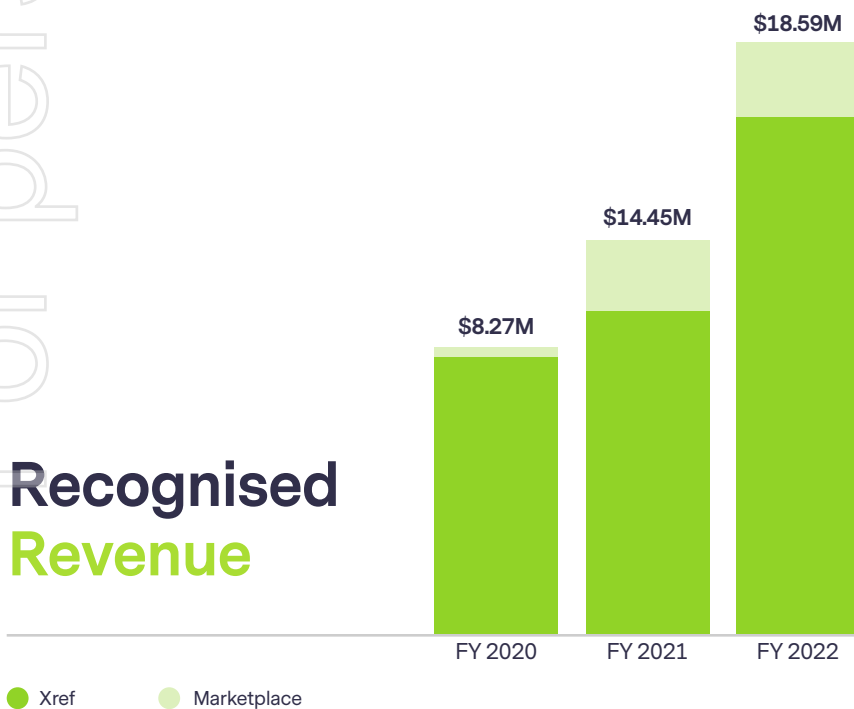


↑ Increase
36%

“The value of Xref credits sold in FY22 grew 41% year on year, to \$16.9 million, while Marketplace sales grew 15% to \$4 million. Overall the combined growth rate of 36% saw group sales reach \$20.8 million.”

Lee Seymour
CEO, Co-Founder, Exec Director

Recognised Revenue



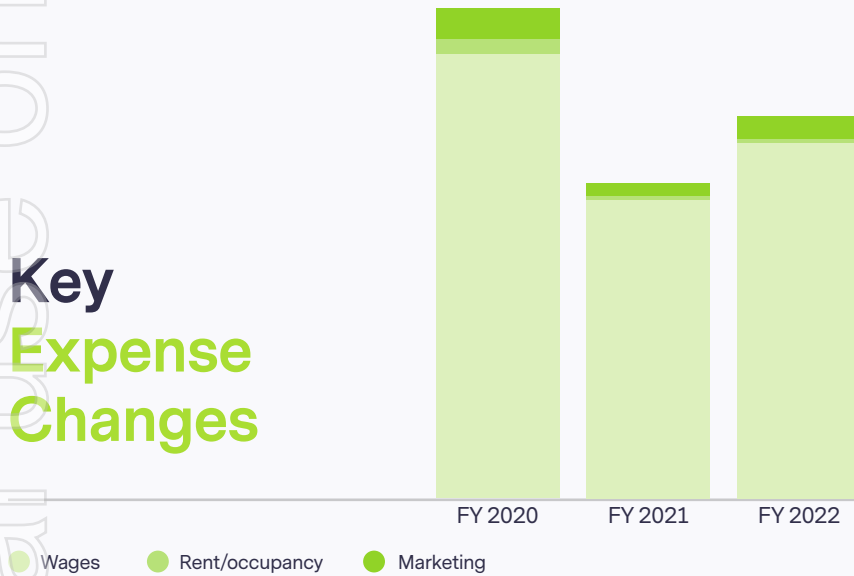
↑ Increase
29%

“Continuing on from the strong FY21 growth, Group revenue grew a further 29% year on year with Xref growing 33% and Marketplace growing 14% respectively.”

Lee Seymour
CEO, Co-Founder, Exec Director

2022 Highlights

Key Expense Changes



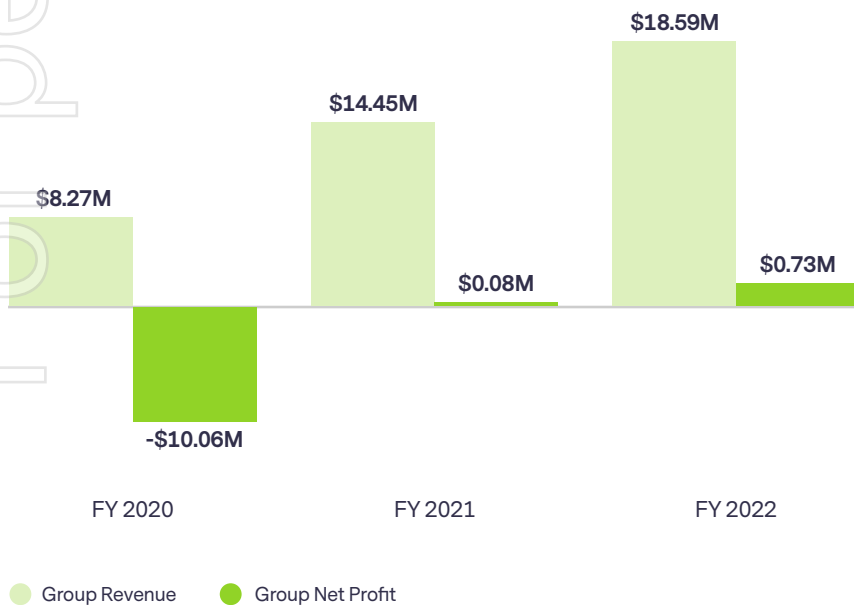
↑ Increase

20%

“Increases in marketing spend and wage costs to support continued revenue growth and product development were the key expense changes for FY22.”

Lee Seymour
CEO, Co-Founder, Exec Director

Group Profitability



↑ Increase

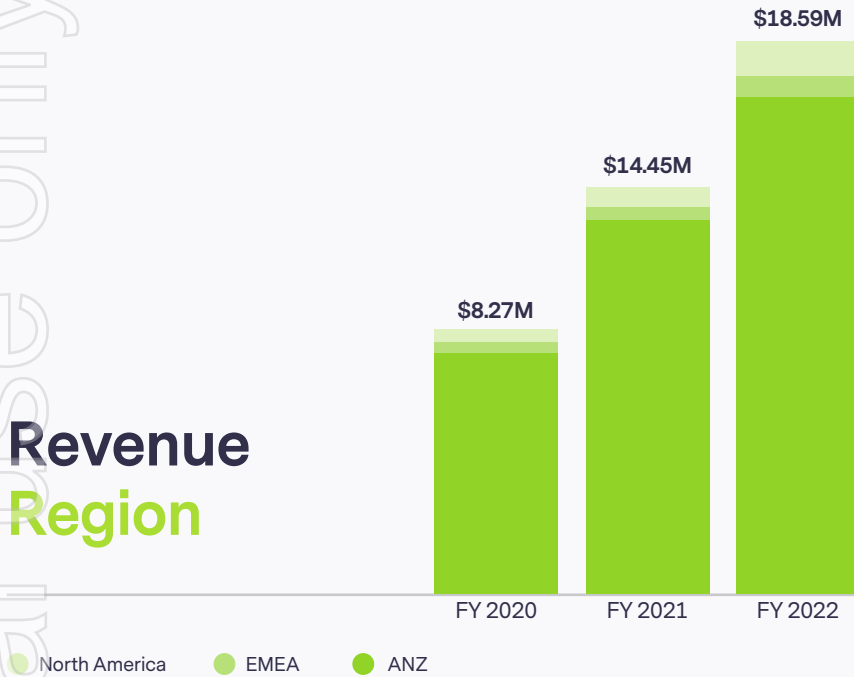
834%

“After achieving profitability in FY21, Xref remained profitable in FY22 growing NPAT 834% to \$0.73 million and EBITDA 75% to \$1.77 million.”

Lee Seymour
CEO, Co-Founder, Exec Director

2022 Highlights

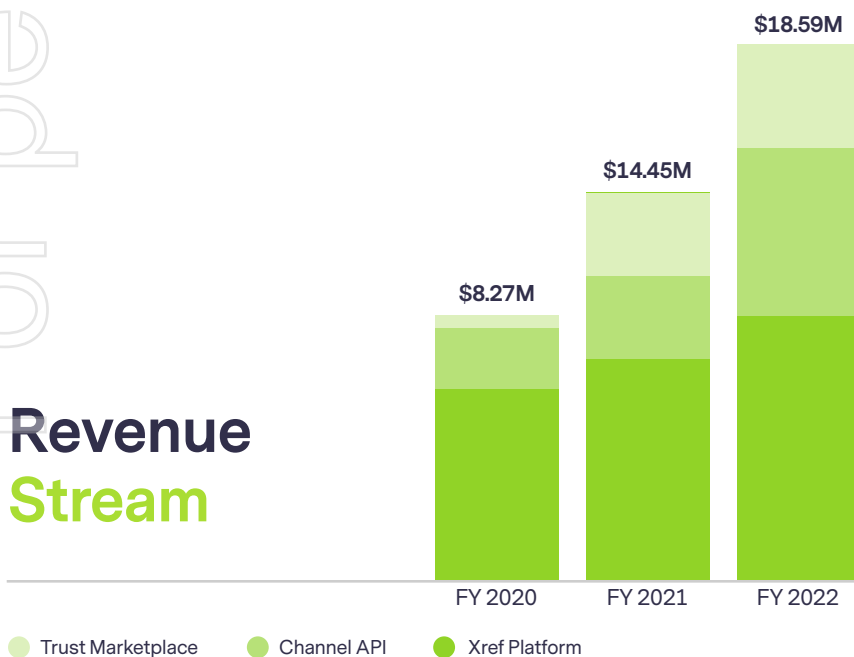
Revenue Region



“All regions grew strongly in FY22. North American revenue grew 49% year on year with revenue from the United States growing by 129% when compared to FY21 showing strong demand for Xref’s products from this area.”

Lee Seymour
CEO, Co-Founder, Exec Director

Revenue Stream

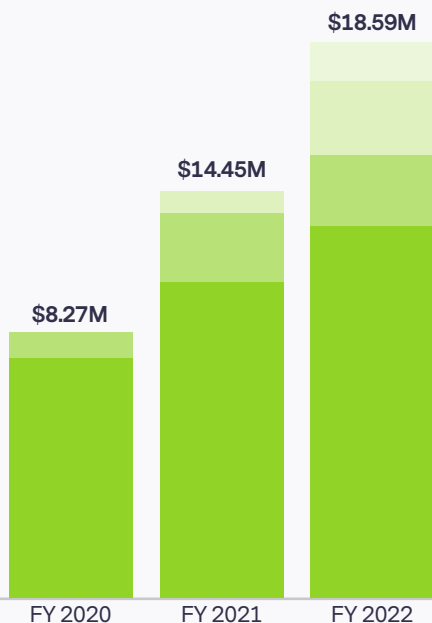


“Clients that use the Xref platform directly accounted for 52% of revenue and usage grew 22% during FY2022. Clients that use Xref’s services via a Channel partner accounted for 27% of revenue and grew 64% during FY2020. Trust Marketplace includes revenues from RapidID and Xref consumed via wholesale.”

Lee Seymour
CEO, Co-Founder, Exec Director

2022 Highlights

Client Cohort

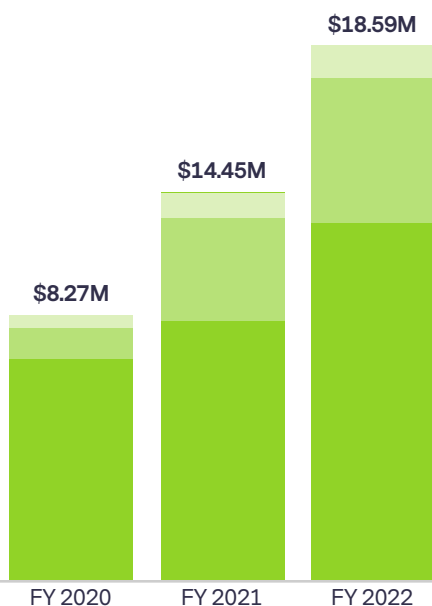


● Joined FY2022
 ● Joined FY2021
 ● Joined FY2020
 ● Pre Existing

“Clients who joined Xref prior to FY2020 accounted for 60% of revenue in FY2022. Clients who joined in FY2021 grew by 131% in FY2022 and revenue from new clients grew 32% when compared to the previous year. This demonstrates Xref’s strong track record in client retention and increasing customer life time value (LTV).”

Lee Seymour
 CEO, Co-Founder, Exec Director

Business Model



● Capped Subscription
 ● Postpaid Checks
 ● Prepaid Credits

“The purchase of prepaid credits accounted for 75% of revenue in FY2022 and grew 33% year on year. Capped subscriptions now contribute 4% of revenue and form a strong foundation for growth as the new Enterprise subscription platform is launched.”

Lee Seymour
 CEO, Co-Founder, Exec Director

2022 Operating Results

Financial summary	30 June 2022	30 June 2021	% Change
Total Revenue	18,591,434	14,454,868	29%
EBITDA	1,774,730	1,016,899	75%
Net profit after tax	729,575	78,084	834%
Net cash generated from operating activities	4,622,960	2,322,373	99%

Business results	30 June 2022	30 June 2021	% Change
Xref revenue	15,568,389	11,558,269	35%
RapidID revenue	3,023,045	2,896,599	4%
Total revenue	18,591,434	14,454,868	29%
Cost of Sales	(3,674,245)	(3,045,508)	21%
OPEX	(12,503,372)	(10,715,970)	17%
Share based payments	(767,885)	(318,550)	141%
Total Expenses	16,945,502	14,080,028	20%
Other income	128,798	642,059	(80%)
Depreciation & Amortisation	(474,397)	(440,206)	8%
Operating profit	1,300,333	576,693	125%
Finance income	5,739	11,779	(51%)
Finance expense	(576,497)	(510,388)	13%
Net profit after tax	729,575	78,084	834%

EBITDA	30 June 2022	30 June 2021	% Change
Net profit after tax	729,575	78,084	834%
Add back: net interest income and expense	570,758	498,609	14%
Add back: net depreciation and amortisation	474,397	440,206	8%
EBITDA	1,774,730	1,016,899	75%

Chairman's Report



I am pleased to present the Xref annual report for the year ended 30 June 2022. In my first year as Chair, I have been impressed with the passion and energy of the Xref management team and their determination to make Xref a world class software product. Your company has performed well, delivering revenue growth of 29% while also generating positive operating cash flow of \$4.6m. EBITDA also grew 75% to \$1.77m. This places us in a strong position to invest in product innovation and sales growth.

We launched an exit survey product to complement our core reference checking software and plan to further fill out our offering with pulse checks next year. We have made good progress in developing a subscription-based service and plan to launch the offering during FY23. The Company signed a number of significant contracts during the year that will underpin continued growth in future years. This included the Graduate Verification Service and the Coles employee identity verification system. We have begun to broaden the client base for our Rapid ID product which will reduce its dependence on Crypto clients and better integrate it with our core Xref client base.

The seasonally softer demand during the Australian summer was moderated this year by an increased contribution from our Europe and North America sales. All businesses have recovered well following natural disasters, impacts of the pandemic, and disruption from a national election.

Further investment in marketing has led to increased lead flow during the year. This further pivoted the company from salesperson led sales to marketing led sales and will allow us to scale the business without adding proportionally to sales staff costs.

We have provided comprehensive shareholder updates quarterly during the year and have recently published the new investor presentation that can be found at XF1.com.

The management team keep an unwavering focus on client satisfaction. As a result, Xref has repeatedly ranked the #1 reference checking company based on customer reviews from G2. This credibility boosts our brand and allows us to deliver new products and services in a collaborative and successful manner.

Testimonials and case studies from organisations across multiple geographies and industries are exemplary and demonstrate the support Xref has from its clients.

Our ability to deliver global, accessible technology with the aid of multi-language, multi-region data and certifications like ISO27001, allow us to compete globally. This is further enhanced through partnerships and integrations with industry peers.

Looking forward to 2023, I note that Xref is already credible, profitable and scalable - this is an excellent foundation from which to grow the business. Given the current challenging employment market, Xref has invested time and resources in people and culture, remuneration, and recognition to secure and retain top talent. This gives us confidence that we have the talent needed to execute on our growth plans.

We have also put in place a senior leadership team capable of driving profitable growth in FY2023. Our key focus areas for the year ahead include:

- Launch of new products such as Pulse Surveys, Engagement and the Trust Marketplace for checks
- Growth of subscription revenue (ARR)
- Growth of North American revenue
- Sustained profitability
- Positive operating cash flow

On behalf of the Board, I would like to thank our staff for their contribution during the year, our clients for their trust in Xref, and our shareholders for their support.

Tom Stianos
Chairman

Chief Executive Officer Report



Talent is on the Move

Talent remains on the move and employers are facing an extremely competitive market. Increased salary expectations, shorter tenures, and geographic barriers have all contributed to a chaotic employment market. Employers need to move quickly to hire the best talent, so having the right processes in place to make confident hiring decisions has never been more important.

Sector leaders are increasingly questioning legacy processes and seeking new technology solutions designed to tackle the pressures of remote working, talent sourcing, and candidate verification - while increasing engagement and retention, and combating attrition.

Product Development

Continual product development designed to meet the needs of our users is in our DNA at Xref.

In 2010, we launched the Xref Automated Reference Check platform and have continuously enhanced it over time with Template Builder, Xref Lite, People Search, and a range of integrations and added features.

As a response to the needs of our clients and the impact of the COVID-19 pandemic, we launched the Xref Exit Platform in November 2021.

During FY2022, we have been busy developing an all new subscription-based Xref platform that increases self-service and offers surveys at each stage of the complete employee lifecycle from References to Pulses and Exits.

Trust Marketplace

In conjunction with our new platform launch, we will also launch the Trust Marketplace that encompasses ID checks from RapidID, the new Graduate Verification Service via the HES (formerly 'Higher Ed Services'), and additional checks such as criminal, right to work, and employment checks via our partner network.

The Trust Marketplace brings together a range of online trust products in an agnostic, API-only marketplace. All Trust Marketplace products will be available via Xref Recruiter and the new Enterprise platform.

Client Acquisition and Customer Ratings

The attractiveness of our evolving product suite is reflected in the high levels of new and existing customer demand for our services, and the ratings we achieve from third-party sources.

During FY2022, all credibility ratings across referral sites such as G2, Capterra, Get App, and Google increased and promoted Xref as best in class globally.

Xref was rated the #1 referencing platform by G2 on multiple occasions throughout the year and continues to win multiple badges for leadership, usability, and customer satisfaction.

Our global Google star rating was 4.8 out of 5 stars. Referrals continue to form a major contributor to our overall lead flow.

Twenty-seven percent of our revenue originates from clients who use our service via an integration. These channel partnerships continue to drive lead flow and, as a result of those integrations, client retention remains high.

In FY2022, Xref secured a number of significant clients operating in a range of sectors globally, demonstrating the breadth of our addressable market. Twenty-four percent of sales in FY2022 came from new clients during the year. Sales from these clients converted to 8% of the revenue recognised during the year. Sales to new clients during the year grew by 55% when compared to FY2021.

Global Users

In FY2022, 1.3 million new users transacted on the Xref platform across 195 countries globally, including employers, candidates, and referees.

Xref referenced 60% more candidates during FY2022 compared to FY2021, demonstrating significantly increased demand within the global employment sector.

Profitable, Credible, Scalable

In FY2022, our profits and overall sales grew 834% and 36% respectively. Having turned a \$10 million loss in FY2020 into a profit in FY2021, we remain focused on generating cash and investing in growth.

Expenses grew by 20% in FY2022, driven by marketing expenditure and commissions paid to salespeople as a result of record sales results. Growth in sales far outweighed the increase in expenses, demonstrating our ability to scale and sustain profitability.

Lead flow grew by 100% during FY2022 when compared to FY2021. This demonstrates Xref's transition from being sales-led to marketing-led. This further supports our ability to scale, and strongly legitimises the decision to increase investment into marketing over time.

FY2022 Results

Following on from a record FY2021 in which Xref posted its maiden year of profitability, we continue to outperform in all areas in FY2022.



Sales grew by 36% to \$20.8 million and the Company saw a 29% increase in revenue to \$18.6 million. Strong controls on expenditure enabled Xref to increase net profit after tax by 834% to \$0.73 million and increase EBITDA 75% to \$1.77 million.

Xref generated an operating cash surplus of \$4.62 million for the year and net increase in cash of \$3.54 million after investing \$1.4 million into the development of the new platform. Cash reserves were strengthened during the year after receiving proceeds from the exercise of warrants and options of \$1 million, taking Xref's closing cash at bank to \$11.7 million compared to \$8.1 million at June 2021.

FY2023 Strategy

In FY2023, Xref intends to increase its addressable market and drive subscription revenues through the launch of the new platform, including self-service, Pulse Checks, and the Trust Marketplace.

The new Xref platform has been designed to leverage opportunities identified in the North American market, following revenue growth of 49% across the region. The United States saw 129% revenue growth during the year reaching \$1 million. In FY2022, when compared to FY2021, lead growth also increased in the North American region. Lead generation will continue via channel partners, through Xref products such as Template Builder and Xref Lite, referral sites such as G2, Capterra and Get App and online content such as thought-leadership blogs.

Leadership and People

Xref's internal culture is echoed through feedback from our clients and demonstrates the experience, tenure and quality of our people. The high calibre of our staff is a direct result of Xref's unwavering focus to continually attract, retain and develop industry-leading talent. Xref continues to invest in its team, with 14 senior promotions made in July 2022 as a result of individual achievement.

During FY2022, Xref's headcount rose to 74, with 43% of staff focusing on development, and 30% of staff working in sales and marketing.

Consistent and effective internal communication, plus rewards systems established by our leadership team, continue to drive Xref's primary goals to scale revenue globally and grow profits whilst delivering industry-leading, critical innovations to the employment sector. Our vision to create the most credible, best in class employment feedback platform is supported by our belief in and ability to execute a winning strategy over time.

In July 2022, we launched a new policy for awarding options under the Employee Option Plan for all staff in recognition of their achievement, drive and passion to date.

Environmental, Social, Governance (ESG)

Xref continues to work with our Environment, Social, and Governance (ESG) policy front of mind.

On an Environmental front, our people all work from home, resulting in a low carbon footprint while as a tech solution, we promote paperless automation. On a Social front, our multi-language capabilities and cloud-based solution increase the accessibility of our platform, helping to empower workforces around the globe. In terms of Governance, we remain ISO27001 certified and GDPR compliant offering assurances to all our users that Xref is built using the highest standard of data privacy, security and quality management practices.

Closing Remarks

Our digital-first approach has been vital to our growth in FY2022. The Company's outstanding results not only reflect the critical nature and demand for the Xref platform and services but demonstrate the brilliance and professionalism of the Xref team.

I am incredibly proud of the many strategic decisions the team made during FY2022, which resulted in our strongest position to date.

Our executive and senior leadership team were critical to our success, and I look forward to achieving many more years of growth and profitability with this high-calibre team.



Lee-Martin Seymour,
Chief Executive Officer,
Co-Founder



Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') 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 year ended 30 June 2022.

Directors

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

- Thomas Stianos (appointed 14 October 2021, Chairman 26 November 2021)
- Lee-Martin Seymour
- Nigel Heap
- Lija Wilson
- Brad Rosser (ceased 26 November 2021)

Principal activities

During the financial year, the consolidated entity continued to conduct its core activity which was to develop human resources technology that automates the candidate reference process for employers. It also embarked on significant product evolution, getting the development of a new platform, including additional offerings for the HR industry, underway.

Dividends

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

Review of operations

The profit for the Group after providing for income tax amounted to \$729,575 (30 June 2021: a profit of \$78,084).

Highlights of the financial year included:

- **Record results**—Another record year for sales and revenue with a 36% increase in group sales year on year and a 29% increase in group revenue.
- **Profitable**—Continued profitability with an increase in net profit after tax to \$729,575, an increase in EBITDA to \$1.77m (\$1.02m in FY2021) and an increase in surplus cash generated from operations to \$4.62m (\$2.32m in FY2021).
- **Credible**—Our best in class credibility as a leading online brand is evidenced by our continued ranking as #1 reference checking company on G2. On this review platform, our customers have awarded us an average 4.7 star rating. This is further supported by our global Google review rating of 4.8 stars, Capterra reviews also place us with 4.7 stars.
- **Scalable**—Our continual product development and imminent new platform release points to the scalability of our platform. The new subscription model leaves plenty of opportunity for growth as we follow the expansion and success of our customer base. As they grow and hire more people, Xref is with them on the talent journey. Specifically, the release of Xref Exit Surveys allows organisations to survey retrospectively for informed people analytics. The number of past exitees and potential future leavers, especially in the context of The Great Resignation, is unlimited.

Commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the period are contained in the Chairman's Report on page 7 and in the CEO's Report on page 8.

Matters subsequent to the end of the financial year

On August 1, 2022, the Board approved the issue of 880,000 fully paid ordinary shares to the Xref Employee Share Trust. The trust was established to administer the Xref Limited Employee Option Plan. Xref uses its Employee Option Plan to attract and motivate high performing team members to further the growth of the business globally.

On August 15, 2022, the Board approved the issue of 7,060,100 Options across three tranches with varying exercises prices and vesting periods to 71 eligible employees as part of the Xref Employee Option plan. Please refer to the announcement released to the market on 19 August 2022 for further details.

No other matter or circumstances have arisen since the end of FY22, which could have had a notable impact on operations.

Likely developments and expected results of operations

The first half of FY23 will see Xref preparing to launch products to grow the marketplace and platform subscriptions. It is a very exciting period in our growth journey.

Environmental regulation

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

Information on directors

Name:	Lee-Martin Seymour
Title:	Managing Director and Chief Executive Officer
Qualifications:	None
Experience and expertise:	Lee-Martin Seymour is a co-founder of Xref. He has 22 years recruitment experience across many geographic and market sectors. For 14 years Lee worked for one of the world's largest specialist recruitment companies. As a result, he understands the demands of the employment market and is passionate about pioneering positive change for the long term. As a serial entrepreneur Lee has identified and successfully leveraged market opportunities to aid innovation in the employment sector.
Date of appointment as a director	18 January 2016
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee (until 8 July 2021)
Interests in shares:	31,730,108
Interests in options:	None
Contractual rights to shares:	None

Directors' Report

Name:	Thomas Stianos
Title:	Non-Executive Chairman
Qualifications:	B. App Sc
Experience and expertise:	<p>Mr Stianos is widely recognised as one of the most successful and experienced leaders in the IT industry. He is currently a non-executive director of Gale Pacific Limited. (ASX: GAP) and Chairman of Escient. Mr Stianos was also previously a non-executive director of Inabox Group Limited and the Managing Director of SMS Management & Technology Limited.</p> <p>Mr Stianos has also previously held senior positions with the Department of Premier and Cabinet, Department of Justice, and Department of Treasury & Finance. He holds a Bachelor of Applied Science from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.</p>
Date of appointment as a director	14 October 2021
Other current directorships:	Non-Executive director of Gale Pacific Limited Chairman of Escient
Former directorships (last 3 years):	Non-Executive director of Inabox Group Limited Chairman of Empired Limited (ASX: EPD)
Special responsibilities:	Member of the Audit and Risk Committee (commenced 14 February 2022), Member and Chairman of the Remuneration and Nomination Committee (commenced 16 May 2022).
Interests in shares:	None
Interests in options:	1,800,000
Contractual rights to shares:	None

Name:	Nigel Heap
Title:	Non-Executive Director
Qualifications:	LLB, AMP
Experience and expertise:	<p>Nigel Heap is the Regional Managing Director of EMEA and ANZ for Hays PLC and is a member of their group Management Board. He joined Hays in 1988 in the UK and served as Managing Director of ANZ from 1997-2012. He also launched Hays operations in Asia and served as the Regional Managing Director of APAC from 2005 -2012. In 2012 he was appointed Managing Director of the UK & Ireland and served in this role until 2018.</p>
Date of appointment as a director	18 August 2016
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee
Interests in shares:	32,103
Interests in options:	900,000
Contractual rights to shares:	None

Name:	Lija Wilson
Title:	Non-Executive Director
Qualifications:	BCom
Experience and expertise:	Lija Wilson is the CEO and Founder of award-winning digital talent platform, Puffing, which launched in 2017 to design solutions to support diverse hiring and flexible work best practices. Prior to this, she held CMO-level roles at various organisations, including TEDx, Qantas Group and Fairfax Media. She is also a global ambassador for Flexible Work Day. Through her current work in Puffing, Lija has worked as a senior level career coach and advisor, further crediting her passion for developing and mentoring top female talent, particularly in tech.
Date of appointment as a director	2 June 2021
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Became a member of the Remuneration and Nomination Committee on 8 July 2021 and became a member of the Audit and Risk Committee on 1 September 2021
Interests in shares:	None
Interests in options:	900,000
Contractual rights to shares:	None

Name:	Brad Rosser (ceased to be a director 26 November 2021)
Title:	Non-Executive Chairman
Qualifications:	B.Com, MBA
Experience and expertise:	Brad Rosser is a business builder and entrepreneur who worked for McKinsey and Co from 1992 to 1995 before working directly for Richard Branson as Director of Corporate Development for Virgin from 1995 to 1999, helping to identify and implement start-up businesses. He holds an MBA from Cornell University's Johnson Graduate School of Management and a Bachelor of Commerce (Honors) from the University of Western Australia.
Date of appointment as a director	18 August 2016
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Ceased to be a member of the Audit and Risk Committee, and ceased to be the Chairman of the Remuneration and Nomination Committee on 26 November 2021
Interests in shares:	393,607
Interests in options:	2,500,000
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Key Management Personnel

Chief Financial Officer / Chief Operating Officer

Mr. James Solomons, BCom, FCA, CTA, GAICD

James is a chartered accountant with over 21 years of experience within the accounting and corporate finance industry. He has held various roles within the sector and has positioned himself as a leader in the accounting technology space bringing with him to Xref over 5 years of experiences as Xero Australia's Head of accounting. A successful entrepreneur in his own right James has a deep understanding of the need to find a balance between investing for growth whilst maintaining strong corporate governance processes across the business.

Chief Technology Officer

Mrs. Sharon Blesson

Recognised for her ability to bridge the gap between IT and business, Sharon has a rich history of program management in both delivery and operational environments. She has developed excellent leadership skills and expertise in managing diverse teams while providing motivation and strategic vision. Prior to joining Xref, Sharon spent over a year as director of the project management office at the Ivy College in Sydney, earlier she was a major corporate client manager at Square Peg, and also a IT&T Project Manager for recruitment specialists Hays.

Company Secretary

Mr. Robert Waring, BEc, ACA, FCIS, ASIA, FAICD

Robert has more than 43 years of experience in financial and corporate roles, including more than 27 years in company secretarial and director roles for ASX-listed companies. He is a director of Oakhill Hamilton Pty Ltd, a company that provides secretarial and corporate advisory services to a range of listed and unlisted companies. He is also the Company Secretary of ASX-listed companies Aeris Environmental Ltd and Vectus Biosystems Limited.

Meetings of directors

The number of meetings of the company's Board of Directors and of each Board committee held during the 2021-22 financial year, and the number of meetings attended by each Director were as follows:

	Board meetings held	Audit and Risk Committee meetings held	Remuneration and Nomination Committee meetings held	Disclosure Committee meetings held
	11	3	5	0
Directors	Attended	Attended	Attended	Attended
Thomas Stianos *	6	2	2	-
Lee-Martin Seymour **	11	N/A	N/A	-
Nigel Heap ***	11	3	5	N/A
Lija Wilson ****	11	2	5	N/A
Brad Rosser *****	5	1	3	-

* Joined the Board on 14 October 2021 as a Non-Executive Director and the Chairman of the Board, and joined as a member of the Audit and Risk Committee on 14 February 2022, and joined as a member and the Chairman of the Remuneration and Nomination Committee on 16 May 2022.

** Ceased to be a member of the Remuneration and Nomination Committee on 8 July 2021.

*** Chairman of the Audit and Risk Committee.

**** Joined as a member of the Remuneration and Nomination Committee on 8 July 2021, and joined as a member of the Audit and Risk Committee on 1 September 2021.

***** Ceased to be a Director on 26 November 2021 (ceased to be Chairman of the Board, Chairman of the Remuneration and Nomination Committee, and member of the Audit and Risk Committee on this date too).

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
 - Share-based compensation
 - Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives
- increasing return on assets as well as focusing the executive on key non-financial drivers of value

Directors' Report

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. In the Prospectus dated 23th December 2015, noted on page 18 the current maximum annual aggregate remuneration for directors was shown as \$200,000. This has changed and a resolution was passed at the 2016 AGM that the maximum aggregate cash-based remuneration payable to Non Executive Directors in any financial year be increased by \$300,000 from \$200,000 to \$500,000.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- long-term performance incentives
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') are primarily share based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the Group's direct competitors.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Xref Limited:

- Lee-Martin Seymour - Managing Director & Chief Executive Officer
- Nigel Heap - Non-Executive Director
- Thomas Stianos - Non-Executive Chairman (commenced 14 October 2021)
- Lija Wilson - Non-Executive Director
- Brad Rosser - Non-Executive Chairman (ceased 26 November 2021)

And the Key Management Personnel:

- James Solomons – Chief Financial Officer / Chief Operating Officer
- Sharon Blesson – Chief Technology Officer
- Robert Waring – Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Thomas Stianos*	73,333	-	-	7,333	-	-	540,000	620,666
Nigel Heap	55,000	-	-	5,500	-	-	270,000	330,500
Lija Wilson	55,000	-	-	5,500	-	-	350,606	411,106
Brad Rosser**	68,744	-	-	-	-	-	-	68,744
<i>Executive Directors:</i>								
Lee-Martin Seymour	320,216	83,363	-	26,034	-	-	-	429,613
<i>Other Key Management Personnel:</i>								
James Solomons	340,135	35,000	-	27,637	-	-	-	402,772
Robert Waring	87,877	-	-	-	-	-	-	87,877
Sharon Blesson	293,216	93,025	-	24,284	-	-	-	410,525
	1,293,521	211,388	-	96,288	-	-	1,160,606	2,761,803

* Represents remuneration from 14 October 2021 to 30 June 2022

** Represents remuneration from 01 July 2021 to 26 November 2021

Directors' Report

2021	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Brad Rosser	162,279	-	-	-	-	7,849	-	170,128
Nigel Heap	59,582	-	-	5,660	-	2,539	-	67,781
Lija Wilson*	2,597	-	-	247	-	-	394	3,238
<i>Executive Directors:</i>								
Lee-Martin Seymour	305,000	-	-	27,075	-	13,154	-	345,229
Timothy Griffiths**	319,827	-	-	25,015	-	13,154	-	357,996
<i>Other Key Management Personnel:</i>								
James Solomons	290,000	-	-	25,650	-	87,461	123,300	526,411
Robert Waring	84,440	-	-	-	-	2,280	1,040	87,760
Sharon Blesson	270,000	-	-	23,750	-	86,538	121,164	501,452
	1,493,725	-	-	107,397	-	212,975	245,898	2,059,995

* Represents remuneration from 02 June 2021 to 30 June 2021

** Represents remuneration from 01 July 2020 to 05 March 2021

Value of shares issued to Directors & KMP in lieu of forgone salaries as part of an agreed four day working week (April 1st 2020 to June 30th 2020) due to COVID-19. This scheme was applied to all staff within the business. James Solomons and Sharon Blesson includes value of shares awarded on 7 Sept 2020.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Thomas Stianos*	100%	-	-	-	-	-
Nigel Heap	100%	100%	-	-	-	-
Brad Rosser*	100%	100%	-	-	-	-
Lija Wilson**	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Lee-Martin Seymour	80.60%	100%	19.40%	-	-	-
Timothy Griffiths***	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
James Solomons	91.31%	100%	8.69%	-	-	-
Robert Waring	100%	100%	-	-	-	-
Sharon Blesson	77.34%	100%	22.66%	-	-	-

* Ceased on 26 November 2021

** Appointed on 14 October 2021

*** Resigned 05 March 2021

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Lee-Martin Seymour
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	01 January 2022
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2022 of \$329,707 p.a. plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 3 months termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non-compete clauses exist.

Directors' Report

Name:	James Solomons
Title:	Chief Financial Officer & Chief Operating Officer
Agreement commenced:	01 January 2022
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2022 of \$308,707 p.a. plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 3 months termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non-compete clauses exist.

Name:	Sharon Blesson
Title:	Chief Technology Officer
Agreement commenced:	01 January 2022
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2022 of \$308,707 p.a. plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 3 months termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non-compete clauses exist.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	No. of Shares Granted 2022	No. of Shares Granted 2021
Nigel Heap	-	14,103
Brad Rosser*	-	43,607
Lee-Martin Seymour	-	73,077
James Solomons	-	569,231
Sharon Blesson	-	564,103
Robert Waring	-	12,665
Thomas Stianos	-	-
Lija Wilson	-	-

*Ceased on 26 November 2021

Options granted carry no dividend or voting rights

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Number of Options Granted during the year		Number of Options Vested during the year	
	2022	2021	2022	2021
James Solomons	-	2,300,000	3,050,000	2,300,000
Sharon Blesson	-	2,111,111	2,711,111	2,411,111
Robert Waring	-	33,543	-	33,543
Lija Wilson	-	900,000	300,000	-
Thomas Stianos	1,800,000	-	600,000	-
Nigel Heap	900,000	-	300,000	-

Additional disclosures relating to key management personnel*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Nigel Heap	32,103	-	-	-	32,103
Brad Rosser*	393,607	-	-	-	393,607
Lee-Martin Seymour	31,730,108	-	-	-	31,730,108
James Solomons	578,231	-	-	(178,231)	400,000
Sharon Blesson	580,622	-	-	(80,622)	500,000
Robert Waring	276,350	-	-	-	276,350
	<u>33,591,021</u>	<u>-</u>	<u>-</u>	<u>(258,853)</u>	<u>33,332,168</u>

*Ceased on 26 November 2021

Directors' Report

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Brad Rosser*	7,000,000	-	-	(4,500,000)	2,500,000
Nigel Heap	900,000	900,000	-	(900,000)	900,000
James Solomons	3,800,000	-	-	(750,000)	3,050,000
Sharon Blesson	3,011,111	-	-	(300,000)	2,711,111
Robert Waring	70,569	-	-	(16,312)	54,257
Thomas Stianos	-	1,800,000	-	-	1,800,000
Lija Wilson	900,000	-	-	-	900,000
	15,681,680	2,700,000	-	(6,466,312)	11,915,368

*Ceased on 26 November 2021

Payments for company secretarial services from Oakhill Hamilton Pty Ltd (related entity of Robert Waring of \$87,877 (ex GST) were made.

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

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 9 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 9 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

Corporate Governance

The Group's Corporate Governance Statement and Appendix 4G checklist are released to ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance manual can be found on the Company's website at <https://xf1.com/#resources>.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Lee-Martin Seymour
Managing Director
24 August 2022
Sydney



Thomas Stianos
Chairman
24 August 2022
Sydney



Crowe Sydney
ABN 97 895 683 573
Level 24, 1 O'Connell Street
Sydney NSW 2000
Main +61 (02) 9262 2155
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www.crowe.com.au

24 August 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 audit of the financial report of Xref Limited for the financial year ended 30 June 2022, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

A handwritten signature in black ink that reads "Crowe Sydney".

Crowe Sydney

A handwritten signature in black ink that reads "AP" followed by a small flourish.

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 organization and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

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Financial Statements

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	Consolidated	
		2022	2021
Revenue	8	18,591,434	14,454,868
Cost of sales		(3,674,245)	(3,045,508)
Gross profit		14,917,189	11,409,360
Finance costs		(576,497)	(510,388)
Employee expenses		(8,746,212)	(7,692,632)
Overhead and administration expenses	9	(3,757,160)	(3,023,338)
Share based payments		(767,885)	(318,550)
Depreciation	10	(261,816)	(379,983)
Impairment and amortisation	10	(212,581)	(60,223)
Total expenses		(14,322,151)	(11,985,114)
Operating profit/(loss)		595,038	(575,754)
Other income		134,537	653,838
Profit before income tax expense		729,575	78,084
Income tax expense	11	-	-
Profit after income tax expense for the year attributable to the owners of Xref Limited		729,575	78,084
Other comprehensive income, net of income tax			
Exchange differences on translating foreign controlled entities		(90,451)	(100,116)
Other comprehensive income for the year, net of tax		(90,451)	(100,116)
Total comprehensive income for the year attributable to the owners of Xref Limited		639,124	(22,032)
Earnings per share for profit from continuing operations attributable to the owners of Xref		\$	\$
Basic earnings per share	26	0.40	0.04
Diluted earnings per share	26	0.36	0.04

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 30 June 2022

	Note	Consolidated	
		2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	12	11,673,989	8,131,072
Trade and other receivables	13	1,892,011	2,021,145
Capitalised commission	14	1,211,830	1,031,498
Prepayments		715,716	492,416
Total current assets		<u>15,493,546</u>	<u>11,676,131</u>
Non current assets			
Rental bonds		55,070	54,143
Property, plant and equipment	15	229,991	266,060
Right of use assets	16	321,282	127,316
Intangibles	17	4,073,676	2,875,582
Total non current assets		<u>4,680,019</u>	<u>3,323,101</u>
Total assets		<u><u>20,173,565</u></u>	<u><u>14,999,232</u></u>
Liabilities			
Current liabilities			
Trade and other payables	18	1,816,991	1,898,030
Financial liabilities	20	554,749	636,425
Employee entitlements	19	634,218	439,695
Unearned revenue	21	11,064,908	8,799,293
Total current liabilities		<u>14,070,866</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 30 June 2022

	Note	Consolidated	
		2022 \$	2021 \$
Non current liabilities			
Financial liabilities	20	4,405,732	4,048,950
Employee entitlements	22	224,785	185,666
Total non current liabilities		<u>4,630,517</u>	<u>4,234,616</u>
Total liabilities		<u>18,701,383</u>	<u>16,008,059</u>
Net assets/(liabilities)		<u>1,472,182</u>	<u>(1,008,827)</u>
Equity			
Issued capital	23	55,100,613	53,948,230
Reserves	24	(21,492,803)	(20,939,822)
Retained earnings		<u>(32,135,628)</u>	<u>(34,017,235)</u>
Total equity		<u>1,472,182</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 30 June 2022

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)
Profit after income tax for the year	-	-	-	-	-	729,575	729,575
Other comprehensive income for the half-year	-	-	-	(90,451)	-	-	(90,451)
Total comprehensive income for the half-year	-	-	-	(90,451)	-	729,575	639,124
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	-	-	767,885	-	-	-	767,885
Options lapsed	-	-	(110,406)	-	-	110,406	-
Options expired	-	-	(1,041,626)	-	-	1,041,626	-
Warrants issued	-	-	-	-	-	-	-
Warrants exercised	1,077,143	(77,143)	-	-	-	-	1,000,000
Balance at 30 June 2022	55,100,613	308,571	1,596,643	(552,196)	(22,845,821)	(32,135,628)	1,472,182

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 30 June 2022

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)
Profit after income tax expense for the year	-	-	-	-	-	78,084	78,084
Other comprehensive income for the year	-	-	-	(100,116)	-	-	(100,116)
Total comprehensive income for the year	-	-	-	(100,116)	-	78,084	(22,032)
Transactions with owners in their capacity as owners							
Shares issued during the year	713,004	-	-	-	-	-	713,004
Options issued	-	-	318,550	-	-	-	318,550
Options lapsed	-	-	(63,972)	-	-	63,972	-
Options expired	-	-	(69,670)	-	-	69,670	-
Warrants issued	-	385,714	-	-	-	-	385,714
Balance at 30 June 2021	53,948,230	385,714	1,982,030	(461,745)	(22,845,821)	(34,017,235)	(1,008,827)

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

Statement of cash flows

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		21,070,575	14,804,985
Payments to suppliers and employees (inclusive of GST)		(16,453,354)	(12,494,391)
Interest received		5,739	11,779
Net cash provided by operating activities	28	<u>4,622,960</u>	<u>2,322,373</u>
Cash flows from investing activities			
Payment for intangibles		(1,410,675)	(1,110,732)
Purchase of property, plant and equipment		(50,075)	(19,501)
Net cash used in investing activities		<u>(1,460,750)</u>	<u>(1,130,233)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,000,000	-
Proceeds from exercise of options		14,000	-
Repayments of lease liabilities		(182,779)	(348,566)
Proceeds from borrowings		-	5,000,000
Borrowing transaction costs		-	(209,744)
Repayment of financial liabilities		(450,514)	(371,552)
Net cash provided by financing activities		<u>380,707</u>	<u>4,070,138</u>
Net increase in cash and cash equivalents held		3,542,917	5,262,278
Cash and cash equivalents at beginning of year		<u>8,131,072</u>	<u>2,868,794</u>
Cash and cash equivalents at end of financial year	12	<u><u>11,673,989</u></u>	<u><u>8,131,072</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial Statements

Note 1. Reporting Entity

Xref Limited is a limited liability company incorporated on 28 January 2003 in New Zealand and from 21 September 2017 was domiciled in Australia. The address of its registered office is Unit 13, 13 Hickson Road, Dawes Point, New South Wales, Australia 2000. Xref is a human resources technology company that automates the candidate reference process for employers.

Note 2. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

a. Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available for sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

b. Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

Note 3. Significant Accounting Policies

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

a. Basis of consolidation

The Group financial statements consolidate the financial statements of the Parent and all entities over which the Parent is deemed to have controlling relationship (defined as "subsidiaries"). An entity is defined as a subsidiary when the Group is exposed, or has rights to variable returns from its relationship with the entity and has the ability to affect those returns through its power over the entity.

When the Group has less than a majority of the voting power or similar rights of another entity, the Group considers all relevant facts and circumstances in assessing whether it has power over the other entity.

The Group re assesses whether or not it controls another entity if facts and circumstances indicate that there are changes in one or more of the three elements of control. The financial statements of subsidiaries are included in the preliminary consolidated financial statements from the date that control commences until the date that control ceases.

The consolidation of the Parent and subsidiary entities involves adding together like terms of assets, liabilities, income and expenses on a line by line basis. All significant intra group balances are eliminated on consolidation of Group financial position, performance and cash flows.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction that is, as transactions with owners in their capacity as owners, recorded in the statement of movements in equity.

Note 3. Significant Accounting Policies *continued*

If the Group loses control over a subsidiary, it:

- » derecognises the assets (including goodwill) and liabilities of the subsidiary;
- » derecognises the carrying amount of any non controlling interest;
- » derecognises the cumulative carrying amount of foreign currency translation; differences recorded in reserves;
- » recognises the fair value of the consideration received;
- » recognises the fair value of any investment retained;
- » recognises any surplus or deficit in profit or loss; and
- » reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings as appropriate.

Interests in subsidiaries are held at cost less impairment in the Parent.

b. Foreign currency translation

The financial statements are presented in Australian dollars, which is Xref Limited's functional and presentation currency.

Foreign currency transactions are translated into the functional currency of the Parent, using exchange rates prevailing at the dates of the transactions (i.e. the spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from measurement of monetary items denominated in foreign currency at year end exchange rates are recognised in the reported profit or loss. Non monetary items measured at historical cost are not re translated at each year end, instead they are only translated once using the exchange rate at the transaction date.

Non monetary items measured at fair value are translated using the exchange rates at the date when the year end fair value was determined.

The net balance of foreign exchange gains and losses that relate to monetary items (such as borrowings, cash and cash equivalents) are presented in the Statement of Comprehensive Income within "finance income" or "finance costs". All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within "Other gains/(losses)".

Translation differences on non monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss. Translation differences on nonmonetary financial assets, such as equities classified as available for sale, are included in fair value movements disclosed within other comprehensive income.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Australian Dollars are translated into Australian Dollars upon consolidation.

The results and financial position of subsidiaries are translated into the presentation currency as follows:

- i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- ii. income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii. all resulting exchange differences are recognised in other comprehensive income.

Note 3. Significant Accounting Policies *continued*

The assets and liabilities of foreign operations, including any goodwill, are translated to AUDs at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to AUDs at exchange rates at the dates of the transactions.

Foreign currency differences are recognised on other comprehensive income, and presented in the foreign currency translation reserve within equity.

When a foreign operation is disposed of such that control is lost, the cumulative amount of the translation reserve related to the foreign operation is reclassified to the reported surplus or deficit as part of the gain or loss on disposal.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

d. Trade debtors and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

e. Contract assets—capitalised commission

Contract assets are recognised when the consolidated entity has transferred services to the customer but where the consolidated entity 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.

Costs 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 expensed 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.

f. Trade creditors and other payables

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non current liabilities.

Trade creditors and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

g. Contract liabilities—unearned revenue

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

h. Refund liabilities

A cooling off period of 28 days exists within all contracts. After this period has passed no refunds are provided even if the client does not use their purchased credits. If a client exercises their right to cancel their purchase during this cooling off period they can be refunded an amount equal to the value of credits not used.

Note 3. Significant Accounting Policies *continued*

i. Property, plant and equipment

Items of plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs and the cost replacing part of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In most instances, an item of plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to profit or loss in the year in which the expense is incurred.

When an item of plant or equipment is disposed of, the gain or loss recognised in the profit or loss is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

Depreciation is calculated on a straight line basis to write off the net cost of each item of plant and equipment of their expected useful lives as follows:

The depreciation rates used for each class of depreciable asset are shown below:

Office Furniture	10-20 years
Office Equipment	3-20 years
Computer Equipment	3-5 years
Office Fit Out	6-20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

j. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 3. Significant Accounting Policies *continued***k. Intangibles**

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.

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.

Note 3. Significant Accounting Policies *continued*

l. Impairment of non financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

m. Investment and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classifications. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movement are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Note 3. Significant Accounting Policies *continued*

n. Provisions

A provision is recognised for a liability when the settlement amount or timing is uncertain; when there is a present legal or constructive obligation as a result of a past event; it is probable that expenditures will be required to settle the obligation; and a reliable estimate of the potential settlement can be made. Provisions are not recognised for future operating losses.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Provisions are discounted to their present values, where the time value of money is material. The increase in the provision due to the passage of time is recognised as an interest expense.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

o. Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

p. Employee benefits

Short term employee benefits

Employee benefits, previously earned from past services, that the Group expect to be settled within 12 months of reporting date are measured based on accrued entitlements at current rate of pay.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

The Group recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed without realistic possibility of withdrawal, to terminate employment, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Long term benefits

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their services in the current and prior years. The obligation is calculated using the projected unit credit method and is discounted to its present value. Any actuarial gains and losses are recognised in profit or loss in the year in which they arise.

Note 3. Significant Accounting Policies *continued*

Share based payments

The Group operates an equity settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non market vesting conditions (for example, profitability). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statements of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. If the options lapse or expire, the accumulated balance will be reclassified to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

q. Revenue

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: 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

Group Sales

The Group has two main sources of Sales. The sale of candidate referencing credits through Xref and the sale of ID verification checks through RapidID.

For Xref sales, when customers use a credit the service has been performed. Revenue is recognised at the point in time when the customer uses the service.

For RapidID sales, when customers take an ID Check 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 3. Significant Accounting Policies *continued**Other income*

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

Government Grant—Covid-19 Subsidy

Government grant subsidies in relation to COVID-19 is recognised when it is received or when the right to receive payment is established. These government grant income related to JobKeeper and Cash Boost payments.

r. Income Tax*Current income taxes*

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustment to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax

Deferred tax is the amount of income tax payable or recoverable in future years in respect of temporary differences and unused tax losses (if any). Temporary differences are differences between the carrying amount of asset and liabilities in the financial statements and the corresponding tax bases used in the consumption of taxable surpluses.

Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects the tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available in future years, against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of income tax in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

s. Goods and services tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to the Australian Taxation Office (ATO), or tax offices in other jurisdictions is included as part of receivables and / or payables in the Statement of Financial Position. GST balances from different countries are not offset.

t. Share capital

Share capital represents the consideration received for shares that have been issued. All transaction costs associated with the issuing of shares are recognised as a reduction in equity, net of any related income tax benefits.

Note 3. Significant Accounting Policies *continued*

u. Dividend distribution

Dividend distributions to the parent's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Directors.

v. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

w. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is ultimately responsible for strategic decision, approving the allocation of resources and assessing the performance of the operating segments, has been identified as the Board of Directors.

x. 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 4. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022.

Note 5. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 13, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 17 for further information.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 5. Critical accounting judgements, estimates and assumptions *continued*

Employee benefits provision

As discussed in note 3, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to refund where the customer maintains a right of refund pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Internally generated software and research costs

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase.

To distinguish any research type project phase from the development phase, it is the Group's accounting policy to require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally generated intangible assets are based on the same data.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non taxable income and expenses and specific limits to the use of any unused tax losses or credits. The Group has taken the view that they will wait for another consecutive period of profitability prior to recognising any losses as a deferred tax asset.

Research and Development Refundable Tax Offset

There were no research or developments costs identified in the group in 2022 that qualified for any government Research & Development Tax Offsets.

Note 6. Group Information

The preliminary consolidated financial statements of the Group include

Name	Principal place of business/ Country of incorporation	2022 %	2021 %
Xref Limited	Australia	100.00	100.00
Xref (AU) Pty Limited	Australia	100.00	100.00
Xref (UK) Limited	United Kingdom	100.00	100.00
Xref Referencing (CA) Limited	Canada	100.00	100.00
Xref LLC	United State	100.00	100.00
Xref (NZ) Limited	New Zealand	100.00	100.00
Rapid ID Pty Ltd	Australia	100.00	100.00

Note 7. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on differences in products and services provided: candidate referencing and ID verification). The disclosures on the face of the statement of comprehensive income to operating loss and the statement of financial position (excluding the items designated for sale) represent the Group's two business segments

Types of products and services

The principal products and services of each of these operating segments are as follows:

Xref	Candidate referencing
Rapid ID	ID verification

Intersegment transactions

Intersegment transactions were made at market rates. Candidate referencing and ID verification are complementary in nature and intersegment transactions arise due to customer needs. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 7. Operating segments *continued**Operating segment information*

	Consolidated 2022		
	Candidate referencing \$	ID verification \$	Total \$
Revenue			
Revenue from external customers	15,568,389	3,023,045	18,591,434
Intersegment sales	820	-	820
Total sales revenue	15,569,209	3,023,045	18,592,254
Other revenue	113,609	15,189	128,798
Total segment revenue	15,682,818	3,038,234	18,721,052
Intersegment eliminations	-	-	(820)
<i>Unallocated revenue:</i>			
Interest revenue			5,739
Total revenue			18,725,971
EBITDA	1,319,529	455,201	1,774,730
Depreciation and amortisation			(474,397)
Interest revenue			5,739
Finance costs			(576,497)
Profit before income tax expense			729,575
Income tax expense			-
Profit after income tax expense			729,575
Assets			
Segment assets	20,750,980	2,760,896	23,511,876
Intersegment eliminations			(4,672,297)
<i>Unallocated assets:</i>			
Goodwill			1,333,986
Total Assets			20,173,565
<i>Total assets includes:</i>			
Investments in subsidiaries	4,672,297	-	4,672,297
Liabilities			
Segment liabilities	16,669,504	2,032,771	18,702,275
Intersegment eliminations			(892)
Total liabilities			18,701,383

Note 7. Operating segments *continued*

	Consolidated 2021		
	Candidate referencing \$	ID verification \$	Total \$
Revenue			
Revenue from external customers	11,558,269	2,896,599	14,454,868
Intersegment sales	4,628	-	4,628
Total earned revenue	11,562,897	2,896,599	14,459,496
Other revenue	612,662	29,397	642,059
Total segment revenue	12,175,559	2,925,996	15,101,555
Intersegment eliminations	-	-	(4,628)
<i>Unallocated revenue:</i>			
Interest revenue			11,779
Total revenue			15,108,706
EBITDA	563,697	453,202	1,016,899
Depreciation and amortisation			(440,205)
Interest revenue			11,779
Finance costs			(510,388)
Profit before income tax expense			78,084
Income tax expense			-
Profit after income tax expense			78,084
Assets			
Segment assets	16,321,739	2,015,808	18,337,547
Intersegment eliminations			(4,672,297)
<i>Unallocated assets:</i>			
Goodwill			1,333,986
Total Assets			14,999,236
<i>Total assets includes:</i>	4,672,297	-	4,672,297
Investments in subsidiaries			
Liabilities			
Segment liabilities	14,469,238	1,542,378	16,011,616
Intersegment eliminations			(3,557)
Total liabilities			16,008,059

Note 7. Operating segments *continued**Geographical information*

	Revenue from external customers		Geographical non-current assets	
	2022 \$	2021 \$	2022 \$	2021 \$
Australia	14,243,856	11,631,922	2,968,437	3,136,185
Canada	736,668	719,695	51,551	180,547
United Kingdom	927,677	674,483	4,609	6,051
New Zealand	1,726,849	1,011,173	154	318
United States	956,384	417,595	-	-
	<u>18,591,434</u>	<u>14,454,868</u>	<u>3,024,751</u>	<u>3,323,101</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 8. Revenue

	Consolidated	
	2022 \$	2021 \$
Revenue from contracts with customers		
Revenue of Xref	15,568,389	11,558,269
Revenue of Rapid ID	3,023,045	2,896,599
Total revenue	<u>18,591,434</u>	<u>14,454,868</u>
Other revenue		
Interest	5,739	11,779
Government subsidies	28,021	540,753
Other revenue	100,777	101,306
	<u>134,537</u>	<u>653,838</u>
Total revenue and other income	<u>18,725,971</u>	<u>15,108,706</u>

Note 8. Revenue *continued**Disaggregation of revenue*

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

	Consolidated 2022		
	Candidate referencing \$	ID verification \$	Total \$
<i>Revenue from customers</i>			
Revenue	15,568,389	3,023,045	18,591,434
<i>Geographical regions</i>			
Australia	11,229,585	3,014,271	14,243,856
Canada	736,668	-	736,668
United Kingdom	918,903	8,774	927,677
New Zealand	1,726,849	-	1,726,849
United States	956,384	-	956,384
	15,568,389	3,023,045	18,591,434
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	14,651,531	3,023,045	17,674,576
Services transferred over time	916,858	-	916,858
	15,568,389	3,023,045	18,591,434

Note 8. Revenue *continued*

	Consolidated 2021		
	Candidate referencing \$	ID verification \$	Total \$
<i>Revenue from customers</i>			
Revenue	11,558,269	2,896,599	14,454,868
<i>Geographical regions</i>			
Australia	8,735,323	2,887,941	11,623,264
Canada	719,695	-	719,695
United Kingdom	674,483	8,658	683,141
New Zealand	1,011,173	-	1,011,173
United States	417,594	-	417,595
	<u>11,558,269</u>	<u>2,896,599</u>	<u>14,454,868</u>
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	10,689,356	2,896,599	13,585,955
Services transferred over time	868,913	-	868,913
	<u>11,558,269</u>	<u>2,896,599</u>	<u>14,454,868</u>

Note 9. Overheads and administrative expenses

	Consolidated	
	2022	2021
	\$	\$
Accounting and consulting fees	266,458	246,842
Auditing or reviewing the financial report	87,807	85,901
Legal expenses deductible	41,867	177,471
Marketing fees	904,218	468,106
Consulting and professional fees	373,838	269,768
Administration expenses	2,047,651	1,809,634
Foreign exchange loss	(78,422)	(137,340)
Operating lease payments	113,743	102,956
Administrative expenses	<u>3,757,160</u>	<u>3,023,338</u>

Auditors remuneration

	2022	2021
	\$	\$
Fees charged by Audit Firm		
Financial statement audit and review	<u>87,807</u>	<u>85,901</u>

Note 10. Depreciation, amortisation and impairment expenses

	2022	2021
	\$	\$
Depreciation, amortisation and impairment expenses		
Depreciation	86,122	67,916
Depreciation ROU Asset	175,694	312,067
Impairment and amortisation expense	212,581	60,223
	<u>474,397</u>	<u>440,206</u>

Note 11. Income tax expense

Xref Limited has operating subsidiaries in Australia, the UK, New Zealand, USA and Canada which are expected to accumulate tax losses prior to returning a profit.

(a). Reconciliation of effective tax rate :

	2022 \$	2021 \$
Profit (loss) before income tax expense	729,575	78,084
Tax at the statutory rate of 25% (2021: 26%)	182,394	20,302
Impact of tax effect:		
Reduction in deferred tax asset	(98,280)	(211,501)
Permanent differences	16,145	5,864
Adjustment for foreign tax rates	(100,259)	185,335
Income tax expense for the year	<u>-</u>	<u>-</u>

b. Deferred tax assets and liabilities

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non taxable income and expenses and specific limits to the use of any unused tax losses or credits. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full.

The company has not yet raised a deferred tax entry as the Group is not certain whether the tax losses carried forward can be utilised in the foreseeable future. The deferred tax asset position of the Group, which has not been brought to account is \$7,217,815 (2021: \$7,316,089).

Note 12. Current assets—cash and cash equivalents

	2022 \$	2021 \$
Cash at bank and in hand	<u>11,673,989</u>	<u>8,131,072</u>

Note 13. Current assets—trade and other receivables

	2022 \$	2021 \$
Current		
Trade receivables	1,809,749	1,885,795
Other receivables	82,262	135,350
Total current trade and other receivables	<u>1,892,011</u>	<u>2,021,145</u>

Trade debtors and other receivables are non interest bearing and receipt is normally on 30 days terms. Therefore, the carrying value of trade debtors and other receivables approximates its fair value.

All receivables are subject to credit risk exposure.

The maximum exposure to credit risk at the reporting date is the carrying amount of trade debtors and other receivables as disclosed above. The Group does not hold any collateral as security.

The Group's management considers that all financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No allowance for expected credit losses was deemed to be necessary.

As at 30 June 2022, the ageing analysis of trade receivables post due but not impaired is detailed as follows:

	2022 \$	2021 \$
0-30 days in terms	1,711,817	1,848,329
30-90 days overdue	43,554	21,449
90 days+ overdue	54,378	16,017
	<u>1,809,749</u>	<u>1,885,795</u>

Note 14. Current assets—Capitalised Commission

	2022 \$	2021 \$
Capitalised Commission Credit Sales	1,160,636	1,013,035
Capitalised Commission Subscriptions	51,194	18,373
Capitalised Commission People Search	-	90
	<u>1,211,830</u>	<u>1,031,498</u>

(a). Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	2022 \$	2021 \$
Opening Balance	1,031,498	1,011,918
Additions	1,757,989	1,159,554
Recognition as expenses	(1,580,602)	(1,140,761)
Balancing adjustment due to forex	2,945	787
Closing balance	<u>1,211,830</u>	<u>1,031,498</u>

Note 15. Non current assets—property, plant and equipment

	2022 \$	2021 \$
Office furniture at cost	98,230	96,918
Less: Accumulated depreciation	(38,554)	(31,774)
	<u>59,676</u>	<u>65,144</u>
Office equipment at cost	146,437	146,264
Less: Accumulated depreciation	(112,091)	(105,759)
	<u>34,346</u>	<u>40,505</u>
Computer equipment at cost	382,075	337,182
Less: Accumulated depreciation	(280,578)	(238,684)
	<u>101,497</u>	<u>98,498</u>
Office fitout	106,654	103,027
Less: Accumulated depreciation	(72,182)	(41,114)
	<u>34,472</u>	<u>61,913</u>
Total property, plant and equipment	<u><u>229,991</u></u>	<u><u>266,060</u></u>

Note 15. Non current assets—property, plant and equipment *continued**Reconciliations*

Reconciliations of the carrying value at the beginning and end of the current and previous financial year are set out below:

	Office Furniture \$	Office Fitout \$	Office Equipment \$	Computer Equipment \$	Total \$
Balance at 1 July 2020	71,736	64,374	50,246	128,119	314,475
Additions	272	-	523	18,706	19,501
Depreciation	(6,864)	(2,461)	(10,264)	(48,327)	(67,916)
Balance at 30 June 2021	65,144	61,913	40,505	98,498	266,060
Additions	-	-	1,400	48,675	50,075
Disposals	-	-	-	(1,250)	(1,250)
Depreciation	(6,032)	(28,733)	(5,933)	(45,424)	(86,122)
Opening balance revaluation due to forex	564	1,292	(1,626)	998	1,228
Balance at 30 June 2022	59,676	34,472	34,346	101,497	229,991

Note 16. Non current assets—right of use assets

	2022 \$	2021 \$
Right of use assets—Land and Buildings	1,253,201	860,792
Less: Accumulated depreciation	(931,919)	(733,476)
Total	321,282	127,316

Additions to the right-of-use assets during the year were \$392,409.

The Group leases land and buildings for its offices under agreements which have terms remaining of no longer than 3 years and 2 months as at 30 June 2022. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Two leases were renegotiated during the year resulting in an increase of right of use assets.

Note 17. Non current assets—intangible assets

	Consolidated	
	2022 \$	2021 \$
Goodwill	1,333,986	1,333,986
Website	325,000	325,000
Less: Accumulated amortisation	<u>(162,055)</u>	<u>(53,722)</u>
	162,945	271,278
Patents, trademarks and other rights	11,337	10,231
Less: Accumulated amortisation	<u>(4,504)</u>	<u>(2,267)</u>
	6,833	7,964
Licenses	50,000	50,000
Domain Names	113,958	108,830
Less: Accumulated amortisation	<u>(16,316)</u>	<u>(5,638)</u>
	97,642	103,192
Software development	2,514,439	1,109,162
Less: Accumulated amortisation	<u>(92,169)</u>	<u>-</u>
	2,422,270	1,109,162
Total intangibles	<u>4,073,676</u>	<u>2,875,582</u>

Note 17. Non current assets—intangible assets *continued*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Movements in carrying amounts of intangible assets

Consolidated	Patents, trademarks and other rights \$	Licenses \$	Domain Names \$	Software Development \$	Website \$	Goodwill \$	Total \$
Balance at 1 July 2020	9,097	50,000	106,990	-	325,000	1,333,986	1,825,073
Additions	-	-	1,570	1,109,162	-	-	1,110,732
Amortisation expense	(1,133)	-	(5,368)	-	(53,722)	-	(60,223)
Balance at 30 June 2021	7,964	50,000	103,192	1,109,162	271,278	1,333,986	2,875,582
Additions	-	-	5,398	1,405,277	-	-	1,410,675
Amortisation expense	(1,131)	-	(10,948)	(92,169)	(108,333)	-	(212,581)
Balance at 30 June 2022	6,833	50,000	97,642	2,422,270	162,945	1,333,986	4,073,676

Xref is preparing for the growth that is anticipated to come from millions of returning workers globally. Xref is working with some of its largest global clients to expand the current platform and support their future requirements. The enhanced platform will dramatically increase the global addressable market through the provision of additional services, allowing for an entirely digital new client acquisition process and add a subscription-based ARR to the current credit-based model.

In addition RapidID has built a significant enhancement which will expand the capability of the existing platform.

As at 30 June the new products for Xref remained in development. After their launch the software will be amortised over their respective effective lives.

Note 17. Non current assets—intangible assets *continued*

Impairment testing

Goodwill acquired through business combination has been allocated to the following cash-generating units:

	Consolidated	
	2022	2021
	\$	\$
RapidID	1,333,986	1,333,986

The recoverable amount of the consolidated entity's goodwill has been determined as the higher of the asset's value in use and its fair value less cost of disposal using a discounted cash flow model, based on a 5 year projection period approved by management and the board, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for RapidID:

- 14.5% post-tax discount rate;
- 20% per annum average projected revenue growth rate;
- 4% per annum average improvement in gross margin;
- 2.5% terminal value growth rate.

The discount rate of 14.5% post-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for RapidID, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 20% growth in accordance with the acquisition strategy and have no reason to revise this estimation based on current performance.

Synergies achieved following the acquisition of RapidID combined with cost efficient customer acquisition strategies has result in the operational costs budgeted initially being lower than forecast

There were no other key assumptions for RapidID.

Based on the above, the recoverable amount of RapidID exceeded the carrying amount by \$4.1m.

Sensitivity

As disclosed in note 5, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Sales would need to decrease by more than 15% over the forecast period for RapidID before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 35% for RapidID before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of RapidID's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Note 18. Current liabilities—trade and other payables

	Note	2022 \$	2021 \$
Trade payables		366,429	471,405
GST payable		423,268	516,614
Accrued salaries, wages and related costs		277,114	364,835
Non trade payables and accrued expenses		545,118	379,933
Superannuation payable		205,062	165,243
		<u>1,816,991</u>	<u>1,898,030</u>

Refer to note 27 for further information on financial instruments. Trade creditors and other payables are non interest bearing and normally settled on 30 day terms; therefore, their carrying amount approximates their fair value.

Note 19. Current liabilities—employee entitlements

	2022 \$	2021 \$
Annual leave	<u>634,218</u>	<u>439,695</u>

Short-term employee entitlements represent the Group's obligation to its current and former employees that are expected to be settled within 12 months of balance date. These consist of accrued holiday entitlements at the reporting date.

Note 20. Financial liabilities

	2022 \$	2021 \$
Current		
Lease Liability	129,749	138,925
Borrowing—Pure Asset Management (a)	<u>425,000</u>	<u>497,500</u>
Total current borrowings	<u>554,749</u>	<u>636,425</u>
Non-current		
Lease Liability	200,540	3,072
Borrowing—Pure Asset Management (a)	<u>4,205,192</u>	<u>4,045,878</u>
Total non-current borrowings	<u>4,405,732</u>	<u>4,048,950</u>
Total borrowings	<u>4,960,481</u>	<u>4,685,375</u>

Note 20. Financial liabilities *continued*

	Note	2022 \$	2021 \$
a. Reconciliation			
Loan Facility		5,000,000	5,000,000
Fair value of warrants		(385,714)	(385,714)
Transaction Cost		(209,744)	(209,744)
		<u>4,404,542</u>	<u>4,404,542</u>
Amortisation of finance cost		1,086,885	510,388
Repayment of contractual payment		(822,065)	(371,551)
Gain on revaluation		(39,170)	-
		<u>4,630,192</u>	<u>4,543,378</u>

During the current year, Xref Limited negotiated a more favourable interest rate for the Pure Asset loan facility which resulted in a reduction of the interest rate 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 21. Current liabilities—Unearned Revenue

	2022 \$	2021 \$
Xref unearned revenue movement		
Opening balance - Xref	8,783,300	7,847,799
Credits sold	17,751,578	12,477,129
Add: Opening conditional credits	1,474,436	1,011,261
Less: Usage	(15,551,723)	(11,091,879)
Less: Closing conditional credits	(1,428,393)	(1,474,436)
	<u>2,245,898</u>	<u>922,075</u>
Foreign exchange revaluation impacts	(41,973)	13,426
Closing balance – Unearned revenue Xref	<u>10,987,225</u>	<u>8,783,300</u>
RapidID unearned revenue movement		
Opening balance - RapidID	15,993	-
Add: Prepaid Checks Sold	102,240	16,022
Less: Prepaid Checks Used	(40,550)	(29)
Closing balance – Unearned revenue RapidID	<u>77,683</u>	<u>15,993</u>
Balance carried forward	<u><u>11,064,908</u></u>	<u><u>8,799,293</u></u>

Note 21. Current liabilities—Unearned Revenue *continued**Unsatisfied performance obligations*

The performance obligations associated with the unearned revenue balance are expected to be satisfied within 12 months from the date of the balance sheet

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 22. Non current liabilities—Employee entitlements

	2022 \$	2021 \$
Long service leave	224,785	185,666

Note 23. Equity—issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares—fully paid	185,296,289	182,309,247	55,100,613	53,948,230

	Date	Shares	Issued price/ exercise price \$	Total \$
Balance	1 July 2020	178,055,751		53,235,226
Issued under share based remuneration		2,878,496	0.18	517,764
Issued under share based remuneration		300,000	0.10	30,240
Issued under share based remuneration		1,000,000	0.15	150,000
Issued under share based remuneration		75,000	0.20	15,000
	30 June 2021	182,309,247	-	53,948,230
Issued under share based remuneration		46,759	0.64	30,000
Issued under share based remuneration		43,141	0.70	30,000
Options exercised		40,000	0.35	15,240
Warrants exercised		2,857,142	0.35	1,077,143
	30 June 2022	185,296,289	-	55,100,613

Note 23. Equity—issued capital *continued*

Xref issued 43,141 shares at \$0.70 per share and 46,759 shares at \$0.64 per share to senior employees on 6 December 2021 as a bonus for good performance.

Xref issued 40,000 shares at \$0.35 per share to an employee on 6 December 2021 under the company's employee option plan.

Xref issued 2,857,142 shares at \$0.35 per share to Pure Asset Management on 6 December 2021 from an exercise of warrants.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is in compliance with its loan covenants and expects to meet all covenants at the next review. The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 24. Equity—other equity reserves

	2022 \$	2021 \$
Foreign currency reserve	(552,196)	(461,745)
Options reserve	1,596,643	1,982,030
Warrants	308,571	385,714
Consolidation Reserve	(22,845,821)	(22,845,821)
	<u>(21,492,803)</u>	<u>(20,939,822)</u>

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 24. Equity—other equity reserves *continued**a). Share option reserve*

	Issue Date	Expiry Date	Average exercise price in \$A per share	Options	Option Reserve \$
At 30 June 2017	7/12/2016	25/11/2022	\$0.70	2,500,000	357,000
At 30 June 2017	7/12/2016	25/11/2021	\$0.70	5,400,000	646,920
Granted	22/09/2017	3/07/2021	\$0.59	545,814	121,662
Granted	22/09/2017	3/07/2021	\$0.58	95,390	21,444
Granted	22/03/2018	5/02/2022	\$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	4/12/2018	3/09/2021	\$0.70	300,000	20,730
Granted	4/12/2018	3/09/2022	\$0.70	300,000	28,620
Granted	4/12/2018	3/09/2023	\$0.66	300,000	36,570
Granted	4/12/2018	1/08/2022	\$0.66	224,255	22,358
Granted	4/12/2018	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	7/09/2020	15/01/2024	\$0.18	2,000,000	114,000
Granted	7/09/2020	15/01/2024	\$0.18	2,000,000	114,000
Granted	14/06/2021	14/06/2024	\$0.35	300,000	395
Granted	14/06/2021	14/06/2025	\$0.35	300,000	-
Granted	14/06/2021	14/06/2026	\$0.35	300,000	-
Closing Balance		30/06/2021		21,308,359	1,982,030

Note 24. Equity—other equity reserves *continued*

	Issue Date	Expiry Date	Average exercise price in \$A per share	Options	Option Reserve \$
At 30 June 2017	07/12/2016	25/11/2022	\$0.70	2,500,000	357,000
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	176,194	17,567
Granted	20/07/2020	15/01/2024	\$0.35	2,136,923	66,245
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	4,000,000	228,000
Granted	26/11/2021	17/11/2024	\$0.35	900,000	232,665
Granted	26/11/2021	17/11/2024	\$0.54	2,700,000	535,613
Closing Balance		30/06/2022		14,096,660	1,596,643

Options Reserve

During the year ended 30/06/2022, 1,190,474 options lapsed, 8,681,228 options expired, and 40,000 options were exercised.

On 26/11/2021, 1,800,000 options, at a fair value of \$0.30, 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, at a fair value of \$0.30, 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.

Note 24. Equity—other equity reserves *continued*

Options vested and therefore exercisable	Expiry Date	2022	2021
Options Vested – Nigel Heap	25/11/2021	-	900,000
Options Vested - Brad Rosser	25/11/2022	2,500,000	7,000,000
Options Vested – James Solomons	12/02/2022	-	750,000
Options Vested – James Solomons	12/02/2023	750,000	750,000
Options Vested – James Solomons	15/01/2024	2,300,000	2,300,000
Options Vested - Employees and Contractors	03/07/2021	-	641,204
Options Vested - Employees and Contractors	05/02/2022	-	90,021
Options Vested - Employees and Contractors	01/08/2022	176,194	224,255
Options Vested – Sharon Blesson	30/09/2021	-	300,000
Options Vested – Sharon Blesson	03/09/2022	300,000	300,000
Options Vested – Sharon Blesson	03/09/2023	300,000	300,000
Options Vested – Sharon Blesson	15/01/2024	2,111,111	2,111,111
Options Vested – Senior Staff	29/11/2022	-	2,500,000
Options vested - Robert Waring	15/01/2024	33,543	33,543
Options vested - employees	15/01/2024	2,025,812	2,208,225
Options vested - Lija Wilson	17/11/2024	300,000	-
Options vested - Thomas Stianos	17/11/2024	600,000	-
Options vested - Nigel Heap	17/11/2024	300,000	-
		11,696,660	20,408,359

The weighted average share price for the current financial year was \$0.57 (2021: \$0.22)

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 (note 20). 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 as disclosed per the financials is \$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 25. Equity—dividends

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

Note 26. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Group recorded a profit for the year ended 30 June 2022 and the year ended 30 June 2021.

The following reflects the income and share data used in the basic and diluted EPS computations

	2022 \$	2021 \$
Profit after income tax attributable to the owners of Xref Limited	729,575	78,084
Weighted average number of ordinary shares used in calculating basic earnings per share	184,003,268	181,978,936
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,802,306	202,917,529
	Cents	Cents
Basic earnings per share	0.40	0.04
Diluted earnings per share	0.36	0.04

Note 27. Financial instruments**a. Classification of financial instruments**

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities

Group 2022	Loans and receivables	Available-for- sale financial assets	Financial liabilities at fair value through profit and loss	Total
Financial assets				
Cash and cash equivalents	11,729,059	-	-	11,729,059
Trade debtors and other receivables	1,892,011	-	-	1,892,011
Total	13,621,070	-	-	13,621,070
Financial liabilities				
Trade creditors and other payables	-	-	1,611,919	1,611,919
Financial liabilities	-	-	4,960,481	4,960,481
Total	-	-	6,572,400	6,572,400

Note 27. Financial instruments *continued*

Group 2021	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Total
Financial assets				
Cash and cash equivalents	8,185,215	-	-	8,185,215
Trade debtors and other receivables	2,021,145	-	-	2,021,145
Total	10,206,360	-	-	10,206,360
Financial liabilities				
Trade creditors and other payables	-	-	1,898,030	1,898,030
Financial liabilities	-	-	4,685,376	4,685,376
Total	-	-	6,583,406	6,583,406

b. Financial instrument risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity Risk
- Market Risk

The Group are exposed to market risk through their use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

The Group has a series of policies to manage the risk associated with financial instruments. Policies have been established which do not allow transactions that are speculative in nature to be entered into and the Group is not actively engaged in the trading of financial instruments. As part of this policy, limits of exposure have been set and are monitored on a regular basis.

i. Credit risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss.

The Group has no significant concentration of risk in relation to cash and cash equivalents, trade debtors and other financial assets.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls.

Further details in relation to the credit quality of financial assets is provided in Note 13.

ii. Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations as they fall due. The Group manages liquidity risk by managing cash flows and ensuring that adequate cash is in place to cover any potential short falls.

During the financial year expenses increased 19% compared to 2021, against a revenue increase of 29% compared to 2021. This combined with the prior year raise of debt funding and positive cash flow is enabling adequate management of liquidity risk.

Note 27. Financial instruments *continued*

All amounts shown as current financial liabilities are expected to be paid on demand and without interest. The Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Group 2022	Carrying amounts	Total contractual cash-flows	Contractual cash-flow maturities					
			0-6 months	6-12 months	1 - 2 years	2-5 years	Later than 5 years	
Non-derivative financial liabilities	-	-	-	-	-	-	-	-
Trade creditors and other payables	1,611,919	1,611,919	1,611,919	-	-	-	-	-
Superannuation payable	205,062	205,062	205,062	-	-	-	-	-
Financial liabilities	4,630,192	5,951,775	214,247	210,753	426,925	5,104,508	-	-
Total	6,447,173	7,768,756	2,031,228	210,753	426,925	5,104,508	-	-

Group 2021	Carrying amounts	Total contractual cash-flows	Contractual cash-flow maturities					
			0-6 months	6-12 months	1 - 2 years	2-5 years	Later than 5 years	
Non-derivative financial liabilities	-	-	-	-	-	-	-	-
Trade creditors and other payables	1,732,787	1,732,787	1,732,787	-	-	-	-	-
Superannuation payable	165,243	165,243	165,243	-	-	-	-	-
Financial liabilities	4,543,378	6,617,089	250,795	246,705	497,500	5,622,089	-	-
Total	6,441,408	8,515,119	2,148,825	246,705	497,500	5,622,089	-	-

iii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

iv. Foreign exchange risk

The Group is exposed to fluctuations in foreign currency exchange rates as a result of maintaining foreign currency denominated bank accounts and entering into foreign currency transactions. Thus, the Group will incur a foreign exchange gain or loss each year due to the appreciation and depreciation of the Australian dollar relative to other currencies including the United States dollar, the Canadian dollar and the UK Pounds Sterling.

Note 27. Financial instruments *continued*

The exposure to currencies of the Group is as follows:

	2022 \$	2021 \$
Canadian Dollars	275,869	343,684
UK Pound Sterling	778,710	128,279
New Zealand Dollars	2,392,516	1,204,091
United States Dollar	1,745,636	540,635
Total	<u>5,192,731</u>	<u>2,216,689</u>

The potential impact on the bank accounts, net deficits and equity movements in foreign currency exchange rates (calculated by applying the change in foreign exchange rate to foreign currencies held at balance date) is indicated below:

Potential Foreign Exchange Rate Fluctuation	5%	10%	20%
Impact on valuation of holding in:	\$	\$	\$
Canadian Dollars	13,793	27,587	55,174
UK Pound Sterling	38,936	77,871	155,742
New Zealand Dollar	119,626	239,252	478,503
United States Dollar	87,282	174,564	349,127
Total impact of potential change in exchange rate	<u>259,637</u>	<u>519,274</u>	<u>1,038,546</u>

Foreign exchange risk

Currency risk is the risk that the fair value of financial instruments will fluctuate due to a change in foreign exchange rates.

Most of the Group transactions are carried out in Australian Dollars (AUD). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in United Kingdom Pounds Sterling (GBP), Canadian dollars (CAD), New Zealand Dollar (NZD) and United States Dollar (USD).

The Group monitors foreign expenditure, seeking favourable terms when it is time to for further funding. By adopting this passive strategy, it expects its average foreign exchange rates to reflect the average foreign exchange rate for the year.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into AUD at the closing rate:

	Short-term exposure				
30 June 2022 – Group	Australia	United Kingdom	Canada	New Zealand	United States
Financial Assets	7,931,106	891,938	306,016	2,577,256	1,859,684
Financial Liabilities	1,812,578	64,211	228,868	121,774	-
Net statements of financial position exposure	<u>6,118,528</u>	<u>827,727</u>	<u>77,148</u>	<u>2,455,482</u>	<u>1,859,684</u>

Note 27. Financial instruments *continued*

Long-term exposure					
30 June 2022 – Group	Australia	United Kingdom	Canada	New Zealand	United States
Financial Assets	34,650	-	20,420	-	-
Financial Liabilities	4,205,192	-	139,787	-	-
Net statements of financial position exposure	4,170,542	-	119,367	-	-

Short-term exposure					
30 June 2021 – Group	Australia	United Kingdom	Canada	New Zealand	United States
Financial Assets	7,569,100	194,303	442,033	1,317,354	602,428
Financial Liabilities	2,157,948	40,249	208,583	127,675	-
Net statements of financial position exposure	5,411,152	154,054	233,450	1,189,679	602,428

Long-term exposure					
30 June 2021 – Group	Australia	United Kingdom	Canada	New Zealand	United States
Financial Assets	34,650	-	19,493	-	-
Financial Liabilities	4,045,879	-	3,071	-	-
Net statements of financial position exposure	4,011,229	-	16,422	-	-

Foreign exchange risk*Sensitivity analysis*

The following analysis illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities carried in foreign currencies. It assumes a 5+/- % change in exchange rates for the year ended at 30 June 2022 (2021: 3%).

The percentage movement has been determined based on the average exchange rate market volatility for the AUD in the previous 12 months.

Group	2022		2021	
	Profit for the year	Equity	Profit for the year	Equity
5% (2021: 3%) increase in AUD against foreign currencies	703,986	(990,829)	59,349	(1,010,926)
5% (2021: 3%) decrease in AUD against foreign currencies	732,228	(1,907,692)	122,958	(1,006,850)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Note 27. Financial instruments *continued***Interest rate risk**

Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates.

Revenue of the Group is exposed to interest rate risk on interest bearing financial assets only as it has immaterial bank overdraft balances. The Group is also exposed to interest rate risk on interest bearing financial assets. The Group's investment in bonds all pay fixed interest rates and the interest risk exposure on money market funds is considered immaterial.

Note 28. Cash Flow Information

(a). Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2022	2021
	\$	\$
Operating profit	729,575	78,084
Non cash flows in profit:		
Unearned income	2,265,615	922,076
Shares based payments	60,000	686,196
Options expense	767,885	318,550
Foreign exchange	(117,519)	(117,133)
Depreciation, amortisation and impairment	474,397	440,206
Interest expense on borrowing	565,829	525,442
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	129,134	(646,375)
(Increase)/decrease in other assets	(927)	16,111
(Increase)/decrease in prepayments	(223,300)	73,672
(Increase)/decrease in contract assets	(180,332)	(19,583)
Increase/(decrease) in trade and other payables	(81,039)	106,767
Increase/(decrease) in employee benefits	233,642	(61,640)
Net cash from operating activities	<u>4,622,960</u>	<u>2,322,373</u>

Note 29. Contingencies

There is a contingent liability of \$33,550 for a bank guarantee.

In the opinion of the Directors, the Company did not have any other contingent assets or liabilities at 30 June 2022.

Note 30. Related Parties

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the Group.

The Group has a related party relationship with its Shareholders, Directors and other key management personnel.

Unless otherwise stated transactions with related parties in the years reported have been on an arms length basis, none of the transactions included special terms, conditions or guarantees. The following transactions were carried out with related parties

a. Purchase of services

	2022	2021
	\$	\$
Key management personnel	87,877	84,440

b. Other related party balances

Other related party balances Loans to directors for the year ended 30 June 2022 amounted to \$0 (2021: \$0).

c. Key management compensation see information below

	2022	2021
	\$	\$
Short term employee benefit	1,504,909	1,493,725
Post employment benefits	96,288	107,397
Share based payments	1,160,606	458,874
	<u>2,761,803</u>	<u>2,059,996</u>

Note 31. Parent entity

Set out below is the supplementary information about the parent entity.

	2022	2021
	\$	\$
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	(778,832)	(284,684)
Total comprehensive income	<u>(778,832)</u>	<u>(284,684)</u>
Statement of Financial Position		
Assets		
Total non current assets	36,851,993	35,788,942
Total Assets	<u>36,851,993</u>	<u>35,788,942</u>
Liabilities		
Total current liabilities	-	-
Total non-current liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Equity		
Issued capital	55,100,613	53,948,230
Reserves	1,905,214	2,367,744
Retained profits	<u>(20,153,834)</u>	<u>(20,527,032)</u>
Total Equity	<u>36,851,993</u>	<u>35,788,942</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

There are no guarantees entered into by the parent entity in relation to any of its subsidiaries in 2021 or 2022.

Contingent liabilities

The parent entity had no contingent liabilities in 2021 or 2022.

Capital commitments Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment in 2021 and 2022.

Note 32. Events Occurring After the Reporting Date

On August 1, 2022, the Board approved the issue of 880,000 fully paid ordinary shares to the Xref Employee Share Trust. The trust was established to administer the Xref Limited Employee Option Plan. Xref uses its Employee Option Plan to attract and motivate high performing team members to further the growth of the business globally.

On August 15, 2022, the Board approved the issue of 7,060,100 Options across three tranches with varying exercises prices and vesting periods to 71 eligible employees as part of the Xref Employee Option plan. Please refer to the announcement released to the market on 19 August 2022 for further details.

No other matter or circumstances have arisen since the end of FY22, which could have had a notable impact on operations.

Director's Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2022 are in accordance with the Corporations Act 2001 and
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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 with the continuing support of creditors.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.



Lee-Martin Seymour
Managing Director
24 August 2022
Sydney



Thomas Stianos
Chairman
24 August 2022
Sydney

Independent Auditor's Report to the Members of Xref Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Xref Limited (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of 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 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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.

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

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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Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
Software Development Costs	
<p>As per Note 17, the Group has capitalised software development costs of \$2,422,270 (2021: \$1,109,162) in accordance with the requirements of AASB 138 Intangible Assets. The capitalised development costs are inclusive of external costs of being use of specialists, as well as internal wage costs primarily of developers employed by Xref Limited.</p> <p>We have determined this is to be a key audit matter because of the detailed recognition criteria which needs to be satisfied to capitalise development costs.</p>	<p>We critically analysed management's assessment in accordance with AASB 138 Intangible Assets, including performing the following procedures:</p> <ol style="list-style-type: none"> Reviewed documentation produced by Management which outlined the nature of the development projects, the benefits to the business that the projects would achieve and the timeline for the projects and their introduction to the market. Discussed with Management and certain employees their role in the development projects to determine the reasonableness of their input and work performed in order to confirm criteria was satisfied to capitalise certain internal (wage) costs. Obtained managements reports, along with timesheets in relation to the internal payroll costs capitalised. Performed detailed tests verifying the amounts capitalised in comparison to the work performed as recorded in timesheets. Obtained supporting documentation in relation to external costs capitalised to ensure the scope of work performed by experts was in relation to the development of software. Confirmed with management that consideration of redundant technology has been written off. Evaluated costs capitalised against the requirements of AASB 138 ensuring the criteria for development was satisfied and any research was expensed in the period.
Goodwill Impairment	
<p>The acquisition of Rapid ID resulted in a recognition of Goodwill on consolidation of \$1,333,986 as per Note 17. The Goodwill represents the expected synergies from merging Rapid ID with Xref along with the significant opportunity to increase Rapid</p>	<p>We obtained management's discounted cashflow forecast for the cash generating unit Rapid ID Pty Limited, critically evaluated the key assumptions and estimates used which have been disclosed in Note 17, to ascertain impairment, including</p>

ID's revenue through Xref's client base.

As per the requirements of AASB 136 Impairment of Assets, an annual review of Goodwill for the cash generating unit (CGU) Rapid ID Pty Limited was performed based on a value in use calculation.

Given the materiality of this item and the use of assumptions in the value in use calculation we have determined this to be a key audit matter.

performing the following procedures:

- a) Discussed with management the basis for the significant assumptions and inputs used in the value in use calculation as provided by management and its external expert and challenged its appropriateness. Additionally, assessed the expert's qualifications to provide such input.
- b) Obtained reports of relevant industries to compare to management's growth rates utilised in the calculation.
- c) Reperformed the discounted cashflow forecast using different inputs as a means to perform a sensitivity analysis.
- d) Reviewed the disclosures on this item to ensure that they were adequate.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included on pages 17 to 24 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Xref Limited, for the year ended 30 June 2022, 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.



Crowe Sydney



Ash Pather
Partner

24 August 2022
Sydney

Shareholder Information

Information relating to shareholders, as required by ASX Listing Rule 4.10, and not disclosed elsewhere in this Annual Report, is detailed below.

Substantial Shareholders of the Company as at 22 July 2022, based on Substantial Shareholder Notices received by the ASX and the Company:

Substantial Shareholders	Shareholding
Netwealth Investment Limited	30,472,161
Lee-Martin John Seymour	30,090,353
Timothy David Griffiths	28,657,613
National Nominees Ltd ACF Australian Ethical Investment Limited	18,230,579

Based on the market price at 22 July 2022 there were 281 shareholders with less than a marketable parcel of 1,163 shares at a share price of \$0.43.

Number of Ordinary Shares Held	Number of Holders	Ordinary Shares	% of Total Issued Capital
1 - 1,000	257	144,810	0.08
1,001 - 5,000	807	2,330,612	1.26
5,001 - 10,000	555	4,293,614	2.32
10,001 - 100,000	710	19,454,328	10.50
100,001 and over	101	159,072,925	85.85
Total	2,430	185,296,289	100.00

Top 20 Holders of Ordinary Shares as at 22 July 2022

Rank	Name of Shareholder	Shares	% of Shares
1	Netwealth Investments Limited <Wrap Services A/C>	30,472,161	16.45
2	West Riding Investments Pty Ltd <Seymour Family A/C>	30,090,353	16.24
3	Squirrel Holdings Australia Pty Ltd <Griffiths Family A/C>	28,657,613	15.47
4	National Nominees Limited	18,230,579	9.84
5	UBS Nominees Pty Ltd	8,608,538	4.65
6	HSBC Custody Nominees (Australia) Limited	6,403,645	3.46
7	J P Morgan Nominees Australia Pty Limited	3,094,357	1.67
8	Sweet As Developments Pty Ltd <Sweetman McNickle Family A/C>	2,000,000	1.08
9	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,666,423	0.90
10	Seymour Superannuation Holdings Pty Ltd <Seymour Super Fund A/C>	1,639,755	0.88
11	Mijon Investments Pty Ltd <The Mijon S/F A/C>	1,500,000	0.81
12	Mr Craig Graeme Chapman <Nampac Discretionary A/C>	1,320,924	0.71
13	Assumo (Nominees) Pty Ltd <Assumo S/Fund A/C>	1,136,827	0.61
14	Citicorp Nominees Pty Limited	1,124,174	0.61
15	DMX Capital Partners Limited	979,199	0.53
16	Gang-Gang Pty Ltd <Pippa A/C>	926,605	0.50
17	Schindler Investment Haus Pty Ltd <Schindler Super Fund A/C>	912,500	0.49
18	Daniel P Moses (Nominees) Pty Ltd <Daniel Moses Family A/C>	910,000	0.49
19	INGTBWTS Pty Limited <Alex Gotch Family A/C>	793,166	0.43
20	Mr Mark William Hoey	754,020	0.41
	Total of Top 20 Holdings	141,220,839	76.21
	Other Holdings	44,075,450	23.79
	Total Fully Paid Shares Issued	185,296,289	100.00

Options as at 22 July 2022

Name and Number of Option Holders	Shares the Option Holder is Entitled to	Exercise Price	Option Expiry Date
Brad Rosser	2,500,000	\$0.70	25 November 2022
James Solomons (under Employee Option Plan)	750,000	\$0.70	12 February 2023
16 employees and contractors (under Employee Option Plan)	164,241	\$0.66	1 August 2022
Three senior staff members (under Employee Option Plan), each holding 500,000 Options	1,500,000	\$0.70	29 November 2022
Sharon Blesson (under Employee Option Plan)	300,000	\$0.70	3 September 2022
Sharon Blesson (under Employee Option Plan)	300,000	\$0.70	3 September 2023
James Solomons and Sharon Blesson (under Employee Option Plan) – 2,000,000 options each	4,000,000	\$0.18	15 January 2024
40 employees and contractors (under Employee Option Plan)	2,324,633	\$0.35	15 January 2024
Thomas Stianos	1,800,000	\$0.54	17 November 2024
Nigel Heap	900,000	\$0.54	17 November 2024
Lija Wilson	900,000	\$0.35	17 November 2024
Total Number of Options on Issue	15,438,874		

Warrants as at 22 July 2022

Name of Warrant Holder	Warrants the Holder is Entitled to	Exercise Price	Expiry Date
Pure Asset Management Pty Ltd	11,428,572	\$0.35	23 July 2024

Voting Rights

At general meetings of the Company, all fully paid ordinary shares carry one vote per share without restriction. On a show of hands, every member present at a general meeting, or by proxy, shall have one vote and, upon a poll, each share shall have one vote. Option holders and Warrant holders have no voting rights until the Options are exercised and the Warrants are exercised, respectively.

On-Market Buy-Back

There is no current on-market buy-back of shares in the Company.

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Corporate Directory

PLACE OF BUSINESS

Australia (Head Office and Registered Office)

Suite 13, 13 Hickson Road
Dawes Point, NSW 2000
Tel: +61 2 8244 3099

United Kingdom

Kemp house
124 City Road
London

Canada

Suite 202
1 Adelaide Street East
Toronto, Ontario

United States

Suite 500
13809 Research Blvd
Austin, Texas

New Zealand

Level 10
11 Britomart Place
Auckland

Website

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,
Chief Operating Officer

Sharon Blesson

Chief Technology Officer

Karina Guerra

Group Marketing Director

Tracy Murdoch

General Counsel

David Haines

GM RapidID

AUDITORS

Crowe Sydney

Level 24
1 O'Connell Street
Sydney NSW 2000
Tel: +61 2 9262 2155

STOCK EXCHANGE

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

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Yarra Falls,
452 Johnston Street
Abbotsford, Victoria
Australia 3067
www.investorcentre.com/au

Tel: 1300 850 505
(within Australia)

Tel: + 61 3 9415 4000
(outside Australia)



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