

XREF

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2023

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.

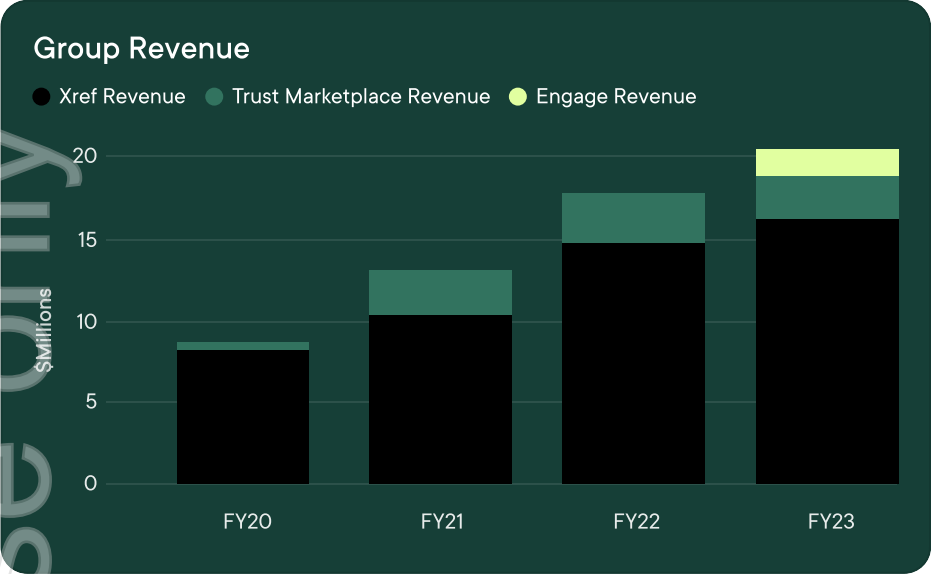
Xref Limited is a public listed company, limited by shares (ASX:XF1), incorporated and domiciled in Australia. Its registered office and principal place of business is:

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 2023. The directors have the power to amend and reissue the financial statements.

2023 Highlights

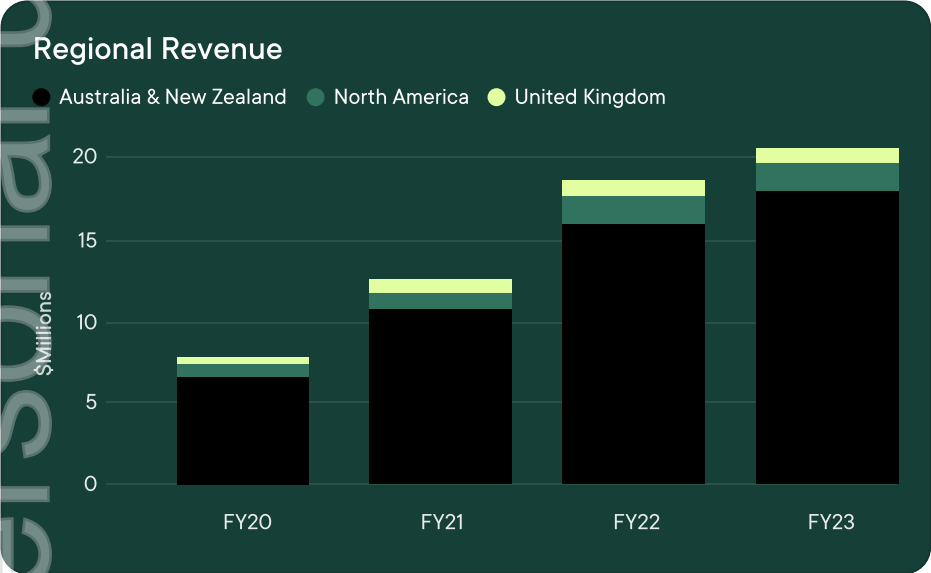


Increase

↑ **10%**

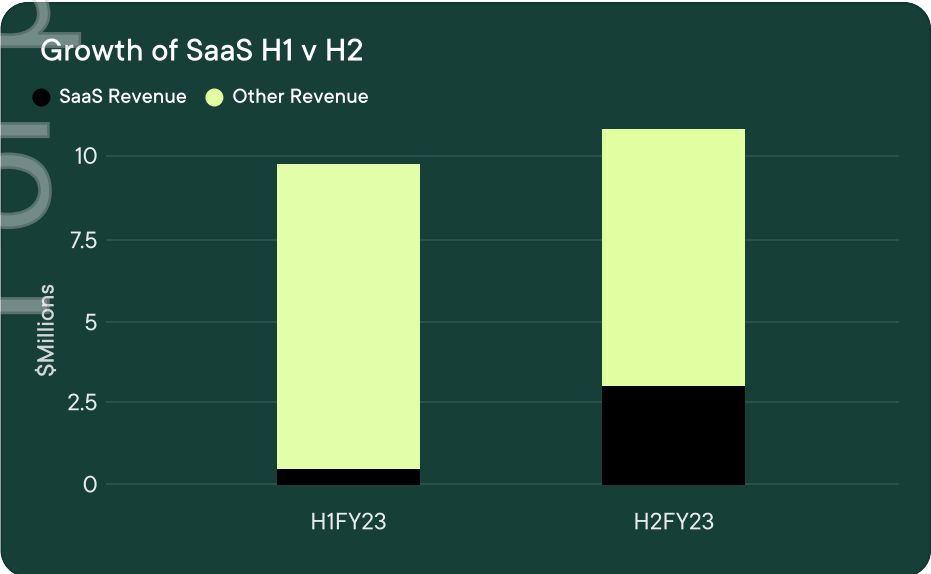
“Despite softening market conditions our revenue grew 10% to \$20.4m, aided by a \$1.8m contribution from Voice Project in the second half.”

Lee Seymour
CEO, Founder, Exec Director



“North America now represents 18% of the Group’s active users, 21% of references requested and 34% of the Pulse Surveys already launched demonstrating the demand from this important region for future growth.”

Lee Seymour
CEO, Founder, Exec Director



ARR

↑ **430%**

“The focus in FY2023 was transitioning clients to the new Enterprise Platform and the SaaS business model. As a result, Annualised Recurring Revenue (ARR) grew 430% to \$5.6m at June 2023 since the launch of that Enterprise Platform which included both legacy clients from Xref Recruiter and newly won Enterprise Platform clients.”

Lee Seymour
CEO, Founder, Exec Director

Group Profitability

● Group Net Profit ● Group Revenue



NPAT Net Loss

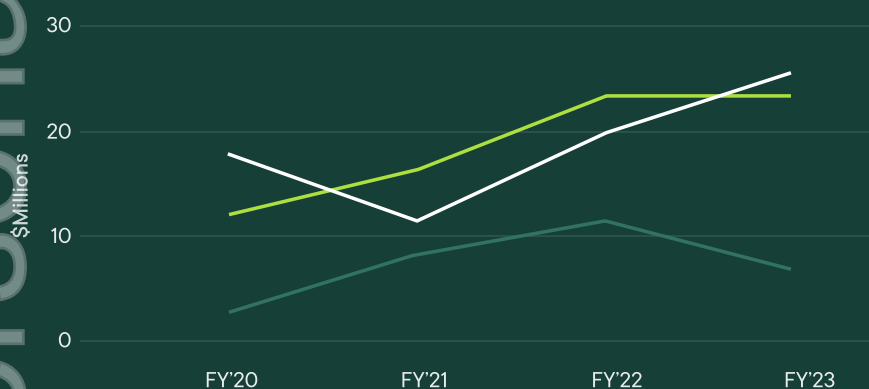
\$3.36m

"Operations delivered a cash surplus of \$0.5m but after taking into account non-cash items such as share based payments, depreciation and amortisation an NPAT loss of \$3.36m was incurred."

Lee Seymour
CEO, Founder, Exec Director

Cashflow

● Cash Expenses ● Cash at Bank ● Cash Collections



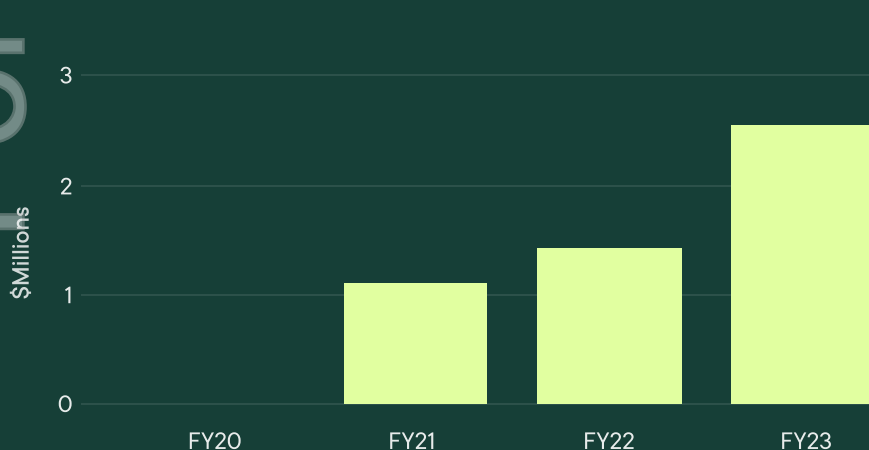
Operating Cash Surplus

\$0.5m

"Xref generated positive operating cash flow of \$0.5m, and during the year \$4.0m of cash was invested in developing new capability, (including \$1.5m to acquire Voice Project and \$2.5m on product development)."

Lee Seymour
CEO, Founder, Exec Director

Capitalised Investment in Product



Increase

↑ **79%**

"Xref has invested considerable time and resources into product development, including \$2.5m of new internally generated software assets being recognised during FY23. This was in addition to the \$2.5m already recognised in FY21 and FY22 (combined) and in addition to the acquisition of Voice Project in FY23."

Lee Seymour
CEO, Founder, Exec Director

*Prior to FY21, Xref expensed immediately all of its product development costs

2023 Operating Results

Financial Summary	2023 \$	2022 \$	Change
Total revenue	20,398,912	18,591,434	10%
EBITDA	(1,417,924)	1,774,730	(180)%
Net profit/(loss) after tax	(3,359,340)	729,575	(560)%
Net cash generated from operating activities	454,402	4,622,960	(90)%

Business results	2023 \$	2022 \$	Change
Xref revenue	16,018,222	15,568,389	3%
RapidID revenue	2,620,628	3,023,045	(13)%
Engage revenue	1,760,062	-	
Total revenue	20,398,912	18,591,434	10%
Cost of sales	(3,252,179)	(3,674,245)	(11)%
OPEX	(17,027,162)	(12,503,372)	36%
Share based payments	(1,605,954)	(767,885)	109%
Total Expenses	(21,885,295)	(16,945,502)	29%
Other income	68,459	128,798	(47)%
Depreciation & amortisation	(1,365,986)	(474,397)	188%
Operating profit	(2,783,910)	1,300,333	(314)%
Finance income	59,465	5,739	936%
Finance expense	(616,678)	(576,497)	7%
Income tax expense	(18,217)	-	
Net profit after tax	(3,359,340)	729,575	(560)%

EBITDA	2023 \$	2022 \$	Change
Net profit after tax	(3,359,340)	729,575	(560)%
Add back: net interest income and expense	557,213	570,758	(2)%
Add back: net depreciation and amortisation	1,365,986	474,397	188%
Add back: income tax expense	18,217	-	
EBITDA	(1,417,924)	1,774,730	(180)%

Chairman's Report



I am pleased to present the Xref annual report for the year ended 30 June 2023.

The 2023 financial year saw your company make significant investments in capability and functionality. During the year we:

- acquired Voice Project Pty Ltd in January 2023. This accelerated our launch of the engagement survey product;
- launched our Enterprise Platform offering reference checks, pulse checks, and exit surveys. The enterprise platform already has over 1,000 users and is expected to be a key growth driver for the Company;
- launched Trust MarketPlace, a single site providing access to a suite of checking services including identity checks, graduate verification, police checks, government document verification service (DVS). We plan to add more information vendors to the Trust MarketPlace such as the recently signed "Cern";
- implemented a new billing system allowing clients to use Xref via a SaaS subscription service; and
- released Survey Builder on the enterprise platform allowing clients to custom build over 500 staff surveys.

Investments in product innovation increased the size of our underlying software assets (or code base) during the year. This has been reflected in positive customer feedback and in a recent customer survey Xref received 92% customer satisfaction and an Net Promoter Score (NPS) of +35.

Despite softening market conditions and the resultant subdued demand for our services, revenue grew 10% to \$20.4m, aided by a \$1.8m contribution from Voice Project in the second half.

Operations delivered a cash surplus but disappointingly after taking into account non-cash items such as share based payments, depreciation and amortisation an NPAT loss of \$3.36m was incurred. The business has continued to innovate and invest in its products, and this increases the size of our addressable market and lays the foundation for ongoing growth in years to come

The RapidID identity verification service had a 13% reduction in revenue as a result of the reduction in demand from cryptocurrency clients. These were a significant proportion of RapidID revenue in FY22 but are now less significant as new clients have been added.

Xref generated positive operating cash flow of \$0.5m, however, \$4.5m of cash was invested in developing new capability (including \$1.5m to acquire Voice Project and \$2.5m on product development). These investments plus financing costs led to our cash balance for the year reducing from \$11.67m to \$6.83m.

In the year ahead, we will continue to innovate and invest in product development, however, we aim to scale that investment to match the growth in revenue so as to maintain a cash buffer. In addition, in order to give the Company more options for growth, we aim to extend or replace the current debt facility.

While Xref has already established a leading global position in reference checking, further development of product features are needed to ensure ongoing total addressable market expansion. Therefore, we will prioritise completing this development before investing further in USA expansion.

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.

A handwritten signature in black ink, appearing to read 'Tom Stianos'.

Tom Stianos
Chairman

Chief Executive Officer's Report



FY23 was a year of retention and transformation while Xref endured tough global economic conditions. During the year Xref launched numerous revenue-focused platforms, products and features, transitioned successfully to a SaaS business model, commenced marketing via a new website, acquired Voice Project, and won over 160 new enterprise clients.

Xref has established a global leadership position in automated applicant reference checking. Last year, Xref launched its Exit Survey product, and following the acquisition of Voice Project, it launched its Pulse and Engagement Survey offerings to complete the hire-to-retire product portfolio.

Acquisition

The acquisition of Voice Project, completed in January 2023, created an opportunity for cross-selling by giving Voice Project's 900 plus clients access to Xref's complementary services and offering Voice Project's services to Xref's 1,300 enterprise clients and 15,000 users. Furthermore, the Voice Project acquisition provided the foundation for the launch into Pulse and Engagement surveys and it is expected to add \$4 million in revenue in a full year.

Most importantly, the Voice Project acquisition accelerated Xref's product strategy and growth potential. As Xref integrates the Voice Project portal, into Xref's platform, employers will have access to its comprehensive suite of market-leading surveys and they will be able to view every single piece of information about a candidate, employee, or ex-employee in one place, and identify actionable insights.

Product Innovation

Xref invested considerable time and resources into product development during the year and successfully delivered key milestones in its product strategy. These have included the launch of:

- Xref Enterprise Platform, which includes the Reference, Pulse and Exit survey products and now has over 1,000 users;
- Survey Builder, a feature of the Enterprise Platform which has already allowed users to custom-build over 500 surveys; and
- Xref Engage (previously known as Voice Project), which is now integrated with the Xref Enterprise Platform and will be introduced to users worldwide as part of an aggressive go-to-market strategy during FY24.

FY2023 Results Summary

Group sales of \$21.3m were up 2.2% and revenue of \$20.4m was up 10% on FY22. The focus in FY23 was transitioning clients to the new Enterprise Platform and the SaaS business model. As a result, Annual Recurring Revenue (**ARR**) grew to \$5.6m at June 2023 which included both migrated clients from Xref Recruiter and newly won Enterprise Platform clients. An operating cash surplus of \$0.5m was generated. Xref cash was invested in the \$1.5m payment for the acquisition of Voice Project, a \$2.5m investment into product development and \$3.3m in related support activities.

User Activity and Customer Satisfaction

Despite the weaker market conditions references taken by Xref clients grew 5% and the number of net new clients grew 9% when compared to FY22. Xref now has over 16,000 active users across its three platforms, up 8% when compared to FY22. These users are part of 2,618 active accounts which grew 7% in FY23. Half of Xref's active users have been with Xref for more than 3 years with a further 15% joining in FY23, demonstrating Xref's client retention and global credibility and market standing. In June 2023, Xref conducted a customer survey which resulted in a 92% satisfaction score as well as an overall Net Promoter Score (NPS) of +35.

During the year 1,000 users across 160 accounts joined the new Xref Enterprise Platform, launched in October 2022, and 94% of all newly won clients chose Xref Enterprise over Xref Recruiter. 47 key accounts also migrated from Xref Recruiter to Enterprise during the financial year in order to access the new products and features. Pleasingly, North America now represents 18% of the Group's active users, 21% of references requested and 34% of the Pulse Surveys already launched demonstrating the demand from this important region for future growth.

The adoption of our new survey products, Pulse and Exit, was encouraging with over 3,000 Exit Surveys launched during the year as well as 50 new Pulse Surveys, in the 4 weeks since its launch in May 2023. There was strong client adoptions of all products within the Enterprise Platform and are now building insights across the entire hire-to-retain journey by using Reference, Pulse and Exit simultaneously. Xref Engage also sent 174,000 surveys during the year on behalf of 212 existing and 57 new clients. The Xref sales and marketing teams are now executing a go-to-market strategy to introduce Xref Engage to all Xref's global users.

Channel Partnerships and Integration Revenue

Xref now has 31 channel partners with direct integrations into their applicant tracking systems (ATS) such as Bullhorn, Oracle or Workday and 29% of active customers use Xref via integration with an ATS. In FY23 37% of reference requests were made via an integration and represented 30% of revenue from reference checking. Clients using Xref via an integration grew 22% in FY23 to 504 despite overall reference requests remaining flat for the year. This demonstrates that despite recruitment being slower, clients and channel partners continue to see the value in integrating Xref into their business-critical systems

Employee Engagement

There are now 114 employees in the Group, this has grown through Voice Project acquisition and organically during the year without the use of external recruiters and relying purely on Xref's strong employer brand. Overall employee retention remained at 87% and in May 2023 a company-wide employee engagement survey returned an overall engagement score of 81%. In order to further drive engagement, Xref launched meaningful employee initiatives such as a revised ESOP, better internal processes and policies including our new industry-leading parental leave policy, targeted training budgets, and multiple health and well-being initiatives. During the year Xref also announced its excellent gender and equality statistics and details of these can be seen in the recently released investor snapshot.

Outlook

During FY24 Xref will continue to focus on executing its product innovation strategy, delighting its customers and rewarding and retaining its employees. By leveraging its current clients Xref will increase share of wallet by offering its extended services and continue to attract new clients to increase revenue growth. Xref will measure its progress against these strategic priorities by building on the following opportunities:

Xref Enterprise: With a much larger addressable market and aggressive go-to-market strategy, we expect the enterprise platform will have an opportunity to grow revenue over time by migrating current clients to Xref Enterprise and continuing to attract new clients.

During FY24 Xref intends to increase the expected growth of Reference requests, Pulse Surveys, Exit Surveys, and thereby increase its ARR.



A typical client now has the opportunity to extend their use of Xref past recruitment, which tends only to be 15% of their business, to cover 100% of their employees with Pulse and a further 10% of exiting employees, helping to recruit, retain and remember their talent.

Xref Engage (formerly Voice Project) collected feedback from 174,000 employees across 271 key clients last year. Now integrated to Xref we have the opportunity to introduce Engage across 2,100 accounts which represent at least 6 million employees. Xref intends to grow surveys taken, new clients, and revenue as a result.

Trust Marketplace: As we increase the number of background checking vendors in the Marketplace (such as the newly signed Certn) we will, in turn, integrate those checks via Trust Marketplace into Xref Enterprise. This presents an opportunity to introduce all global customers to a suite of checking services that we have not been able to offer before. 12,000 background checks were consumed via Xref Recruiter last year which demonstrated the demand from clients to have all feedback, including background verifications in one place. The average margin for Trust Marketplace is 42% due to the majority of checks being for Identity and via the government document verification service (DVS). It is expected that as vendors and checks grow the margin will increase. Xref intends to share news about new partners, when the integration to Xref Enterprise is complete, margin growth and the increase in checks taken.

There are also cost strategies in place to offset expected expense growth in FY24 such as reducing marketing spend, relying on self-service features, extending the development team overseas and improving internal processes in a more efficient way.

Despite the tough global economic conditions, we remained resilient, and persevered with our strong focus on product innovation whilst keeping costs at an optimal level. With proven demand for our product, successful completion of the hire-to-retain strategy and the conversion to a SaaS business model, Xref elevates to a new level of competitiveness. We thank you for your support and we look forward to continue delivering on our future growth initiatives and company vision.

Lee-Martin Seymour,
Founder & Chief Executive Officer,



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 2023.

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
- Lee-Martin Seymour
- Nigel Heap
- Lija Wilson (resigned 18 July 2023, effective 31 July 2023)

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.

Operating and Financial Review

The loss for the Group after providing for income tax amounted to \$3,359,340 (30 June 2022: profit \$729,575).

Review of Operations

FY23 was a year of retention and transformation. During the year Xref launched numerous revenue-focused platforms, products and features, transitioned successfully to a SaaS business model, launched a new website, acquired Voice Project, and won over 160 new enterprise clients.

Xref increased investment into product innovation, employees, internal system efficiencies and strategies for long-term market awareness in preparation for the next stage of its growth when the market recovers. Xref also continued to display strong levels of staff engagement and client satisfaction and has demonstrated the ability to innovate whilst balancing costs and short-term cash flow in a demanding economic climate.

Xref has invested considerable time and resources into product development during the year and has successfully delivered on key milestones in its product strategy. These have included the launch of:

- a new billing system that allows clients to join Xref on a traditional SaaS subscription model and this has helped build ARR 430% to \$5.6m since its launch in October 2022. This in turn decouples revenue recognition from recruitment or seasonal trends and allows Xref to forecast more accurately;
- Xref Enterprise Platform which includes the Reference, Pulse and Exit survey products and now has over 1,000 users;
- Survey Builder, a feature of the Enterprise platform, which has allowed users to custom-build over 500 surveys; and
- Xref Engage (previously known as Voice Project) is now integrated with the Xref Enterprise Platform and will be introduced to users worldwide as part of an aggressive go-to-market strategy in FY24.

During the year, Xref focused on transitioning clients to the new Enterprise Platform under SaaS subscription agreements. This included both migrated clients from Xref Recruiter and newly won Enterprise Platform clients.

The Xref Enterprise, Trust Marketplace and Xref Engage platforms have provided the ability to build and launch integrated products such as Exit and Pulse Surveys and the ability to integrate all three with the goal of creating a best-in-class, hire-to-retire, feedback platform.

Review of Financial Performance

As a result of the above operating and investment decisions, financial results for the year were a net loss of \$3.36m, returning an underlying negative EBITDA of \$1.4m (positive EBITDA of \$1.77m in FY22) and cash generated from operations of \$0.5m (\$4.6m in FY22).

Group sales growth was 2.6%, and group revenue growth was 10% year on year. A part of this growth was due to the acquisition of Voice Project, which added \$1.8m to headline revenue since its acquisition on 3 January 2023. Sales from Xref and Trust Marketplace were, however, down 5% and 14% respectively when compared to FY22 due mainly to the difficult global economic environment and its impact on hiring.

Total operating expenses grew 29% due to increases in strategic expenditure in the following key areas:

- Voice Project - incurred \$1.3m in costs to the Group since acquisition;
- headcount increased by 42 to 114 full-time employees, 15 from the acquisition of Voice Project, 15 for the development team (of which 5 are based in Pakistan) and the remaining 12 were recruited across the operations, marketing and sales teams. Total salaries for the group were \$13.9m before capitalisation of \$2.2m related to software development projects delivered throughout the year;
- marketing expenses increased by \$0.8m to drive lead flows, launch the new products, and the new Xref website; and
- other expenses like rent, subscriptions and platform costs increased 34% to \$3.3m to support the services required for the extended platform architecture, Voice Project and general inflationary cost increases.

The increase in expenditure was in line with the budget and was part of Xref's planned investment to enable future profitable growth.

Likely developments, business strategies and prospects

During FY24 Xref will continue to focus on executing its product innovation strategy, delighting its customers and rewarding and retaining its employees. By leveraging its current clients it will increase share of wallet by offering its extended services and continue to attract new clients to increase revenue growth.

As Xref progresses development during FY24, it will focus on the features offered in its platforms as well as deeper integrations between systems and with channel partners.

At the same time, Xref will focus on cost efficiencies and maximising recurring revenue to build a pathway to sustainable and growing profit. Xref will measure its progress against these strategic priorities by reporting on the following opportunities:

- Xref Enterprise: With a much larger addressable market and aggressive go-to-market strategy, we expect the enterprise platform will have an opportunity to grow revenue over time by migrating current clients to Xref Enterprise and continuing to attract new clients. Xref intends to increase the expected growth of Reference requests, Pulse Surveys, Exit Surveys, and thereby increase its ARR in FY24. A typical client now has the opportunity to extend their use of Xref past recruitment, which tends to be 15% of their business and across 100% of their employees with Pulse as well as a further 10% of exiting employees, helping to recruit, retain and remember their talent.
- Xref Engage(formerly Voice Project): Xref Engage collected feedback from 174,000 employees across 271 key clients last year. Now integrated to Xref, we have the opportunity to introduce Engage across 2,100 accounts which represent at least 6 million employees and presenting opportunities for revenue synergies via cross sales, to grow surveys taken, expand client base and contract values, positively impacting revenue as a result.
- Trust Marketplace: As we increase the number of background checking vendors in the Marketplace (such as the newly signed Certn) we will, in turn, integrate those checks via Trust Marketplace into Xref Enterprise. This presents an opportunity to introduce all global customers to a suite of checking services that we have not been able to offer before. 12,000 background checks were consumed via Xref Recruiter last year which has demonstrated the demand by our clients to have all feedback, including background verifications in one place. The average margin for Trust Marketplace is 42% due to the majority of checks being for Identity and via the government document verification service (DVS). It is expected that as vendors and checks grow the margin will increase. Xref intends to share news about new partners, when the integration to Xref Enterprise is complete, margin growth and the increase in checks taken.
- Employee Engagement & Customer Satisfaction: Having now conducted both an employee engagement survey and a customer satisfaction survey, Xref will pulse these results throughout the year and via another full Engagement and Satisfaction survey in May 2024 which will benchmark the feedback as part of next year's results.
- Expense Management: Approximately two thirds of Xref's expenses relate to headcount and this expense is expected to increase in FY24 as a result of the increase in headcount in FY23 and wage and salary inflation. Current monthly salaries for the Group as of July 15th are \$1.3m and are forecast to total \$16m in FY2024.

To partially offset this expense growth, Xref will focus on other cost efficiencies including:

- Targeting a reduction in marketing spend by 39%, as Xref focuses on the growth of current clients by expanding their use of the platform and migrating them to subscription agreements;
- An increase of self-service features removing the need to increase support headcount;
- Complementing our Australian development team with the offshore team extension in Pakistan;
- Improved internal systems including billing, revenue recognition, performance reporting and talent management;
- Keeping travel and event costs to a minimum; and
- Increasing the speed to market of revenue-generating product initiatives.

In addition, in order to give the Company more options for growth, we aim to extend or replace the current debt facility.

Significant changes in the state of affairs

In the opinion of the directors, a significant change in the state of affairs of the Group that occurred during the financial year under review was the strategic acquisition of Voice Project Pty Limited (VP) on 03 January 2023. This acquisition enhances the Group's product position and expands its total addressable market in the global hire-to-retain market, by filling a niche product opportunity gap in its suite of products and is a significant business in Australia within the Group's target market. The cost of acquisition was \$3.6m; \$2.1m in cash, and \$1.5m in future allocation of shares contingent on future EBITDA and other performance-related covenants. An employee engagement mapping survey company, VP significantly enhances Xref's hire-to-retain suite of products by adding a key capability to map an employee's engagement journey throughout a period of employment providing invaluable insights to people managers and management teams. Xref has diligently worked on integrating VP into the fabric of its business to accelerate synergies to be extracted from this acquisition, and has successfully achieved the following milestones to this end, as on the date of this report -

- Rebranding as Xref Engage
- Integration as a distinct business division, and as a reportable operating segment
- Uniformity in accounting policies and aligning with corporate group policies and processes
- Migration onto Xref's management and financial reporting platforms
- Supported by Xref corporate, marketing and development teams to help achieve its growth vision

Events arising since the end of the reporting period

On the 18 July 2023, Mrs. Lija Wilson resigned as Non-Executive Director of the company effective on 31 July 2023. The board wishes to acknowledge her contribution to Xref as director, and as member of the Remuneration and Nomination Committee, and the Audit and Risk Committee respectively. Since her appointment to the board on the 2 June 2021, Lija has been a valued member whose guidance and contribution were invaluable. The board is thankful and wishes her all the best for her future endeavours.

No other matter or circumstances have arisen since the end of FY23, which could have had a notable impact on operations.

Environmental regulation

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

Information on directors

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. He 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 (FAICD)</p>
Date of appointment as a director	14 October 2021
Other current directorships:	Chairman of Soco Limited (ASX:SOC), Non-Executive director of Gale Pacific Limited (ASX:GAP), Chairman of Escient
Former directorships (last 3 years)	Non-Executive director of Inabox Group Limited, Chairman of Empired Limited (ASX:EPD)
Special responsibilities:	Chairman of the Remuneration & Nomination Committee and Member of the Audit & Risk Committee
Interests in shares:	200,000
Interests in options:	1,800,000
Contractual rights to shares:	None

Name: Lee-Martin Seymour	
Title:	Managing Director and Chief Executive Officer
Qualifications:	None
Experience and expertise:	Lee-Martin Seymour is the 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 & Nomination Committee (appointed 14 August 2023) Member of the Audit & Risk Committee (appointed 14 August 2023)
Interest in shares:	31,730,108
Interests in options:	None
Contractual rights to shares:	None

Name: Nigel Heap	
Title:	Non-Executive Director
Qualifications:	LLB, AMP
Experience and expertise:	Nigel has been a non-executive director at Xref since 2016 and is Chairman of the Audit & Risk Committee. He has 34 years of experience in the recruitment industry and spent his career at Hays PLC, one of the world's largest recruitment companies. Nigel joined Hays UK in 1988 as a trainee consultant. By 1997, he was Managing Director of Hays Australia, and consequently expanded operations to New Zealand, Hong Kong, China, Japan, Singapore and Malaysia. This led to his appointment as Managing Director of Asia Pacific. In 2012 he was appointed UK & Ireland Managing Director and Chairman of the Asia Pacific business and in 2017 Nigel was appointed Managing Director of 12 countries in the EMEA region. Nigel was also a member of the Management Board for many years until he left Hays in 2022
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 & Risk Committee and Member of the Remuneration & 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, Puffling, 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 Puffling, 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
Date ceased to be a director	31 July 2023
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration & Nomination Committee (ceased 31 July 2023) Member of the Audit & Risk Committee (ceased 31 July 2023)
Interests in shares:	None
Interests in options:	900,000
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

James Solomons, BCom, FCA, CTA, GAICD

James is a chartered accountant with over 22 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

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. In a prior role, she was a major corporate client manager at Square Peg, and also an IT&T Project Manager for recruitment specialists Hays.

Company Secretary

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

Robert has more than 44 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 2022-23 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
	14	3	2	0
Directors	Attended	Attended	Attended	Attended
Thomas Stianos *	14	3	2	-
Lee-Martin Seymour	14	N/A	N/A	-
Nigel Heap **	14	3	2	N/A
Lija Wilson	14	3	2	N/A

* Chairman of the Remuneration & Nomination Committee

** Chairman of the Audit and Risk Committee.

The Board has a Disclosure Committee, which meets as and when required to approve announcements when the full Board is not available for this purpose. It was not required to meet this past year.

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 people who have 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

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 23rd 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 an increase in shareholder 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:

- Thomas Stianos - Non-Executive Chairman
- Lee-Martin Seymour - Managing Director & Chief Executive Officer
- Nigel Heap - Non-Executive Director

- Lija Wilson - Non-Executive Director
- James Solomons – Chief Financial Officer / Chief Operating Officer
- Sharon Blesson – Chief Technology Officer
- Robert Waring – Company Secretary

2023	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>								
Thomas Stianos	110,000	-	-	11,550	-	-	-	121,550
Nigel Heap	55,000	-	-	5,775	-	-	-	60,775
Lija Wilson	55,000	-	-	5,775	-	-	-	60,775
<i>Executive Directors:</i>								
Lee-Martin Seymour	379,572	-	-	28,428	-	-	-	408,000
<i>Other Key Management Personnel:</i>								
James Solomons	353,208	-	-	27,865	-	-	25,050	406,123
Sharon Blesson	354,433	-	-	27,994	-	-	25,050	407,477
Robert Waring	84,203	-	-	-	-	-	62,550	146,753
	<u>1,391,416</u>	<u>-</u>	<u>-</u>	<u>107,387</u>	<u>-</u>	<u>-</u>	<u>112,650</u>	<u>1,611,453</u>

2022	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>								
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
Sharon Blesson	293,216	93,025	-	24,284	-	-	-	410,525
Robert Waring	87,877	-	-	-	-	-	-	87,877
	<u>1,293,521</u>	<u>211,388</u>	<u>-</u>	<u>96,288</u>	<u>-</u>	<u>-</u>	<u>1,160,606</u>	<u>2,761,803</u>

* Represents remuneration from 14 October 2021 to 30 June 2022

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

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
Non-Executive Directors:						
Thomas Stianos	100%	100%	-	-	-	-
Nigel Heap	100%	100%	-	-	-	-
Lija Wilson	100%	100%	-	-	-	-
Brad Rosser *	-	100%	-	-	-	-
Executive Directors:						
Lee-Martin Seymour	100%	80.60%	-	19.40%	-	-
Other Key Management Personnel:						
James Solomons	100%	91.31%	-	8.69%	-	-
Robert Waring	100%	100%	-	-	-	-
Sharon Blesson	100%	77.34%	-	22.66%	-	-

* Ceased to be a director on 26 November 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:	1 July 2022
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2023 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.

Name:	James Solomons
Title:	Chief Financial Officer & Chief Operating Officer
Agreement commenced:	1 July 2022
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2023 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:	1 July 2022
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2023 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 2023 and 30 June 2022 are set out below:

Name	No. of Shares Granted 2023	No. of Shares Granted 2022
Thomas Stianos	-	-
Lee-Martin Seymour	-	-
Nigel Heap	-	-
Lija Wilson	-	-
Brad Rosser *	-	-
James Solomons	-	-
Sharon Blesson	-	-
Robert Waring	-	-

*Ceased to be a director 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.

Number 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 2023 are set out below:

Name	Number of Options Granted during the year		Number of Options Vested during the year	
	2023	2022	2023	2022
Thomas Stianos	-	1,800,000	600,000	600,000
Nigel Heap	-	900,000	300,000	300,000
Lija Wilson	-	-	300,000	300,000
James Solomons	105,000	-	-	3,050,000
Sharon Blesson	105,000	-	-	2,711,111
Robert Waring	355,000	-	-	-

Details regarding the exercise price and valuation of the above options can be found in note 25.

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
Ordinary shares					
Thomas Stianos	-	-	200,000	-	200,000
Nigel Heap	32,103	-	-	-	32,103
Lee-Martin Seymour	31,730,108	-	-	-	31,730,108
James Solomons	400,000	-	-	(386,043)	13,957
Sharon Blesson	500,000	-	-	(150,000)	350,000
Robert Waring	276,350	-	-	-	276,350
	<u>32,938,561</u>	<u>-</u>	<u>200,000</u>	<u>(536,043)</u>	<u>32,602,518</u>

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
Options over ordinary shares					
Thomas Stianos	1,800,000	-	-	-	1,800,000
Nigel Heap	900,000	-	-	-	900,000
Lija Wilson	900,000	-	-	-	900,000
James Solomons	3,050,000	105,000	-	(750,000)	2,405,000
Sharon Blesson	2,711,111	105,000	-	(300,000)	2,516,111
Robert Waring	54,257	355,000	-	(20,714)	388,543
	<u>9,415,368</u>	<u>565,000</u>	<u>-</u>	<u>(1,070,714)</u>	<u>8,909,654</u>

Payments for company secretarial services from Oakhill Hamilton Pty Ltd (related entity of Robert Waring of \$84,203 (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

There were no non-audit services provided during the financial year by the auditor as outlined in Note 9 to the financial statements.

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
28 August 2023
Sydney



Thomas Stianos
Chairman
28 August 2023
Sydney

28 August 2023

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 period ended 30 June 2023, 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,

**Crowe Sydney****Ash Pather**

Partner

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.

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.

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

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Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

		2023 \$	Consolidated 2022 \$
	Note		
Revenue	8	20,398,912	18,591,434
Cost of sales		(3,252,179)	(3,674,245)
Gross profit		17,146,733	14,917,189
Finance costs		(616,678)	(576,497)
Employee expenses		(11,834,421)	(8,746,212)
Overhead and administrative expenses	9	(5,192,741)	(3,757,160)
Share based payments		(1,605,954)	(767,885)
Depreciation	10	(509,261)	(261,816)
Impairment and amortisation	10	(856,725)	(212,581)
Total expenses		(20,615,780)	(14,322,151)
Operating profit/(loss)		(3,469,047)	595,038
Other income	8	127,924	134,537
Profit/(loss) before income tax expense		(3,341,123)	729,575
Income tax expense	11	(18,217)	-
Profit/(loss) after income tax expense for the year attributable to the owners of Xref Limited		(3,359,340)	729,575
Other comprehensive income, net of income tax		-	-
Exchange differences on translating foreign controlled entities		(290,918)	(90,451)
Other comprehensive income/(loss) for the year, net of tax		(290,918)	(90,451)
Total comprehensive income/(loss) for the year attributable to the owners of Xref Limited		(3,650,258)	639,124
Earnings/(loss) per share for profit from continuing operations attributable to the owners of Xref		(cents)	(cents)
Basic earnings/(loss) per share	27	(1.81)	0.40
Diluted earnings(loss) per share	27	(1.81)	0.36

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 2023

		2023	Consolidated 2022
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents	12	6,835,478	11,673,989
Trade and other receivables	13	2,774,414	1,892,011
Contract assets	14	1,149,378	1,211,830
Prepayments		906,904	715,716
Total current assets		11,666,174	15,493,546
Non-current assets			
Financial assets	15	624,777	55,070
Property, plant and equipment	16	638,972	229,991
Right of use asset	17	528,489	321,282
Intangibles	18	9,440,498	4,073,676
Total non-current assets		11,232,736	4,680,019
Total assets		22,898,910	20,173,565
Liabilities			
Current liabilities			
Trade and other payables	19	2,448,524	1,816,991
Financial liabilities	20	849,871	554,749
Employee benefits	21	1,048,797	634,218
Contract liabilities	22	12,225,903	11,064,908
Other liabilities	23	812,000	-
Total current liabilities		17,385,095	14,070,866
Non-current liabilities			
Financial liabilities	20	4,482,469	4,405,732
Employee benefits	21	323,399	224,785
Contract liabilities	22	225,469	-
Other liabilities	23	685,000	-
Total non-current liabilities		5,716,337	4,630,517
Total liabilities		23,101,432	18,701,383
Net assets/(liabilities)		(202,522)	1,472,182
Equity			
Issued capital	24	55,470,213	55,100,613
Reserves	25	(20,742,001)	(21,492,803)
Retained earnings		(34,930,734)	(32,135,628)
Total equity		(202,522)	1,472,182

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 2023

Consolidated	Issued capital \$	Warrants \$	Share option reserves \$	Foreign currency translation reserve \$	Consolidation reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2022	55,100,613	308,571	1,596,643	(552,196)	(22,845,821)	(32,135,628)	1,472,182
Loss after income tax expense for the year	-	-	-	-	-	(3,359,340)	(3,359,340)
Other comprehensive income/(loss) for the year	-	-	-	(290,918)	-	-	(290,918)
Total comprehensive income/(loss) for the year	-	-	-	(290,918)	-	(3,359,340)	(3,650,258)
Transactions with owners in their capacity as owners							
Shares issued during the year	369,600	-	-	-	-	-	369,600
Options exercised	-	-	-	-	-	-	-
Options issued	-	-	1,605,954	-	-	-	1,605,954
Options lapsed	-	-	(79,399)	-	-	79,399	-
Options expired	-	-	(484,835)	-	-	484,835	-
Warrants exercised	-	-	-	-	-	-	-
Balance at 30 June 2023	<u>55,470,213</u>	<u>308,571</u>	<u>2,638,363</u>	<u>(843,114)</u>	<u>(22,845,821)</u>	<u>(34,930,734)</u>	<u>(202,522)</u>

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 2021	53,948,230	385,714	1,982,030	(461,745)	(22,845,821)	(34,017,235)	(1,008,827)
Profit after income tax expense for the year	-	-	-	-	-	729,575	729,575
Other comprehensive income/(loss) for the year	-	-	-	(90,451)	-	-	(90,451)
Total comprehensive income/(loss) for the 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 exercised	1,077,143	(77,143)	-	-	-	-	1,000,000
Balance at 30 June 2022	<u>55,100,613</u>	<u>308,571</u>	<u>1,596,643</u>	<u>(552,196)</u>	<u>(22,845,821)</u>	<u>(32,135,628)</u>	<u>1,472,182</u>

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 2023

		2023	Consolidated
	Note	\$	2022
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		22,981,974	21,070,575
Payments to suppliers and employees (inclusive of GST)		(22,587,037)	(16,453,354)
Interest received		59,465	5,739
Net cash provided by operating activities	29	<u>454,402</u>	<u>4,622,960</u>
Cash flows from investing activities			
Payment for intangibles		(2,515,407)	(1,410,675)
Payment for business acquisitions, net of cash acquired	32	(1,474,475)	-
Payment for acquisition transaction costs		(238,100)	-
Purchase of property, plant and equipment		<u>(112,120)</u>	<u>(50,075)</u>
Net cash used in investing activities		<u>(4,340,102)</u>	<u>(1,460,750)</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		(527,812)	(182,779)
Repayment of financial liabilities		<u>(425,000)</u>	<u>(450,514)</u>
Net cash provided by / (used in) financing activities		<u>(952,812)</u>	<u>380,707</u>
Net increase/(decrease) in cash and cash equivalents held		(4,838,511)	3,542,917
Cash and cash equivalents at beginning of year		<u>11,673,989</u>	<u>8,131,072</u>
Cash and cash equivalents at end of financial year	12	<u><u>6,835,478</u></u>	<u><u>11,673,989</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 (limited by shares) 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 global HR technology company that automates pre-employment recruitment checks, retention feedback surveys, and exit interviews.

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.

c. 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.

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. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 34.

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.

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.

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

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

Unsatisfied performance obligations associated with the unearned revenue balance for Xref and RapidID are expected to be satisfied within 12 months from the date of the balance sheet. Unearned revenue for Voice Project has a proportion where the platform subscription does not begin until post year end and will continue to be recognised through to the following financial year. It will however be recognised within 12 months of when the platform subscription starts. This is the value making up the non-current component.

Under Xref's candidate referencing & exit surveys business model, clients can purchase Xref credits to use our candidate referencing platform or they can take out a 12-month subscription which contains a profile cap to undertake candidate referencing or exit surveys which must be used within the 12-month subscription period. Unused profiles do not roll forward to the following year.

Where a client purchases credits in advance, the value of the deal is added to unearned revenue when the client has paid. 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 invoices are the 'conditional credits' represented in Note 22 and represents trade debtors (less goods & services tax). Where a client has purchased a subscription, the value of the deal is added to unearned revenue when the contract begins and this can be before or after payment and so 'conditional credits' exist for subscription related deals

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.

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.

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 (Capitalised development costs):

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. Software acquired in business combinations are amortised over the assessed period of their expected benefit, being their finite life of 5 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. Significant costs associated with acquisition of intellectual property rights in business combinations are amortised over an assessed finite useful life of 5 years.

Brand Names

Significant costs associated with acquisition of brand assets in business combinations are amortised over an assessed finite useful life of 5 years.

Customer Relationships

Significant costs associated with acquisition of customer relationship assets acquired in business combinations are amortised over an assessed finite useful life of 7 years.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised; it is instead 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.

i. 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.

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 pays.

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.

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 three main sources of Sales. The provision of candidate referencing services via the sale of credits & subscriptions through Xref, the sale of ID verification checks through RapidID and the provision of engagement surveys through Xref Engage (Voice Project)

Revenue Recognition

For Xref sales, there are two revenue recognition events. When a customer uses a credit the service has been performed and the revenue is recognised at the point in time when the customer uses the service. Or if the customer has purchased a subscription to the Xref platform, revenue is recognised over the life of the contract.

For RapidID sales, when customers request a Check and it is performed the service has been delivered. Revenue is recognised at the point in time when the customer uses the service.

For Voice Project sales, a customer will subscribe to the platform for 12 months to deliver and view results of engagement surveys over the contracted subscription period. Revenue for the subscription component is recognised over the life of the contract. During the course of the contracted service period, consultants will assist customers to design and deliver engagement surveys and provide back results & analysis to the customer. Revenue is recognised as these services are delivered.

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.

Other income

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

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.

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.

y. Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

z. Going concern

The financial report shows that a loss of \$3,359,340 (2022: a profit of \$729,575) has been incurred. There is also a deficiency of net current assets of \$5,718,921 (2022: positive net assets of \$1,422,680) and a deficiency of net assets of \$202,522 (2022: positive net assets of \$1,472,182).

The financial report has been prepared on the going concern basis which assumes that the company will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

This basis has been adopted by the directors of the company as they have;

- Prepared a cash flow forecast for the period to September 2024 which indicates that they would be able to meet their obligations and repay the debt facility at maturity which is 4 August 2024. In addition, in order to give the Company more options for growth, the directors may look to extend or replace the current debt facility
- Met all covenants pertaining to the debt facility since drawdown. The directors are confident that the covenants will continue to be met.
- Post year end and up to 28 August 2023, the unaudited management accounts show that the business results are consistent with the forecast. The directors therefore remain confident that the achievement of their forecast will continue to September 2024.

Given the Directors expectations, the financial statements have been prepared on the going concern basis which contemplates that the business will continue as normal and therefore realise its assets and extinguish its liabilities in the normal course of business.

aa. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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 2023.

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.

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, 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 18 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.

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 the 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. Further details are in note 11.

Research and development refundable tax offset

There were no research or developments costs identified in the group in 2023 that qualified for any government Research & Development Tax

Offsets.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 30 for further information.

Note 6. Group Information

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 3:

Name	Principal place of business/ Country of incorporation	2023 %	2022 %
Xref Limited	Australia	100.00	100.00
Xref (AU) Pty Limited	Australia	100.00	100.00
Xref Engage Pty Limited*	Australia	100.00	-
Rapid ID Pty Limited	Australia	100.00	100.00
TMP Digital Verifications Pty Limited**	Australia	100.00	-
Voice Project Pty Limited***	Australia	100.00	-
Xref (UK) Limited	United Kingdom	100.00	100.00
Xref Referencing (CA) Limited	Canada	100.00	100.00
Xref LLC	United States	100.00	100.00
Xref (NZ) Limited	New Zealand	100.00	100.00
Rapid ID Limited	New Zealand	100.00	100.00

* Established 13 December 2022

** Established 31 August 2022

*** Acquired 3 January 2023

Note 7. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments based on products and services sold: candidate referencing, ID verification and engagement surveys. 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 three business segments.

Products and services

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

Xref	Candidate referencing
Rapid ID	ID verification
Xref Engage (formerly Voice Project)	Engagement surveys

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.

Operating segment information

	Consolidated 2023			
	Candidate referencing \$	ID verification \$	Engagement Surveys \$	Total \$
Revenue				
Revenue from external customers	16,018,222	2,620,628	1,760,062	20,398,912
Intersegment sales	660	-	-	660
Total sales revenue	16,018,882	2,620,628	1,760,062	20,399,572
Other revenue	57,693	8,874	1,892	68,459
Total segment revenue	16,076,575	2,629,502	1,761,954	20,468,031
Intersegment eliminations	-	(660)	-	(660)
<i>Non trading revenue:</i>				
Interest revenue	57,481	-	1,984	59,465
Total revenue	16,134,056	2,628,842	1,763,938	20,526,836
EBITDA	(2,253,764)	353,321	482,519	(1,417,924)
Depreciation and amortisation	(740,156)	(232,016)	(393,814)	(1,365,986)
Interest revenue	57,481	-	1,984	59,465
Finance costs	(603,718)	-	(12,960)	(616,678)
Profit before income tax expense	(3,540,157)	121,305	77,729	(3,341,123)
Income tax expense	(18,217)	-	-	(18,217)
Profit after income tax expense	(3,558,374)	121,305	77,729	(3,359,340)
Assets				
Segment assets	23,098,787	1,202,267	4,513,102	28,814,156
Intersegment eliminations				(8,292,972)
Unallocated assets:				
Goodwill				2,377,726
Total Assets				22,898,910
<i>Total assets includes:</i>				
Investments in subsidiaries	8,292,972	-	-	8,292,972
Liabilities				
Segment liabilities	20,958,221	270,050	1,873,161	23,101,432
Intersegment eliminations				-
Total liabilities				23,101,432

	Candidate referencing \$	Consolidated 2022 ID verification \$	Total \$
Revenue			
Revenue from external customers	15,568,389	3,023,045	18,591,434
Intersegment sales	820	-	820
Total earned 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)	(820)
<i>Non trading revenue:</i>			
Interest revenue	5,739	-	5,739
Total revenue	15,688,557	3,037,414	18,725,971
EBITDA			
Depreciation and amortisation	(273,895)	(200,502)	(474,397)
Interest revenue	5,739	-	5,739
Finance costs	(576,497)	-	(576,497)
Profit before income tax expense	474,876	254,699	729,575
Income tax expense	-	-	-
Profit after income tax expense	474,876	254,699	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

Geographical information

	Revenue from external customers		Geographical non-current assets	
	2023	2022	2023	2022
	\$	\$	\$	\$
Australia	15,713,610	14,243,856	8,278,293	2,968,437
Canada	738,464	736,668	45,342	51,551
United Kingdom	951,137	927,677	2,808	4,609
New Zealand	1,860,858	1,726,849	78	154
United States	1,134,843	956,384	-	-
	20,398,912	18,591,434	8,326,521	3,024,751

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

	2023 \$	Consolidated 2022 \$
Revenue from contracts with customers		
- Xref	16,018,222	15,568,389
- Rapid ID	2,620,628	3,023,045
- Engage (Voice Project)	1,760,062	-
Total revenue	20,398,912	18,591,434
Other revenue		
Interest	59,465	5,739
Government subsidies	14,787	28,021
Other revenue	53,672	100,777
	127,924	134,537
Total revenue and other income	20,526,836	18,725,971

Disaggregation of revenue

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

	Candidate referencing \$	Consolidated 2023 ID verification \$	Engagement Surveys \$	Total \$
Revenue from customers				
Revenue	16,018,222	2,620,628	1,760,062	20,398,912
Geographical regions				
Australia	11,340,251	2,613,297	1,760,062	15,713,610
Canada	738,464	-	-	738,464
United Kingdom	943,806	7,331	-	951,137
New Zealand	1,860,858	-	-	1,860,858
United States	1,134,843	-	-	1,134,843
	16,018,222	2,620,628	1,760,062	20,398,912
Timing of revenue recognition				
Goods transferred at a point in time	14,298,913	2,620,628	794,877	17,714,418
Services transferred over time	1,719,309	-	965,185	2,684,494
	16,018,222	2,620,628	1,760,062	20,398,912

	Consolidated 2022		
	Candidate referencing \$	ID verification \$	Total \$
Revenue from customers			
Revenue	15,568,389	3,023,045	18,591,434
Geographical regions			
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 9. Overheads and administrative expenses

	2023 \$	2022 \$
Accounting and consulting fees	303,712	266,458
Auditing or reviewing the financial report	92,289	87,807
Legal expenses	126,329	41,867
Marketing fees	1,695,019	904,218
Consulting and professional fees	313,421	373,838
Administration expenses	1,879,680	1,543,178
Platform expenses	665,134	426,051
Operating lease payments	117,157	113,743
	5,192,741	3,757,160

Auditors remuneration

	2023 \$	2022 \$
Fees charged by Audit Firm		
Financial statement audit and review	92,289	87,807

Note 10. Depreciation, amortisation and impairment expenses

	2023 \$	Consolidated 2022 \$
Depreciation, amortisation and impairment expenses		
Depreciation	108,853	86,122
Depreciation ROU Asset	400,408	175,694
Impairment and amortisation	856,725	212,581
	<u>1,365,986</u>	<u>474,397</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.

(a). Reconciliation of effective tax rate :

	2023 \$	Consolidated 2022 \$
Profit (loss) before income tax expense	(3,341,123)	729,575
Tax at the statutory rate of 25% (2022: 25%)	(835,281)	182,394
Impact of tax effect:		
Reduction / (Increase) in deferred tax asset	705,781	(98,280)
Permanent differences	23,174	16,145
Adjustment for foreign tax rates	106,326	(100,259)
Income tax paid by subsidiaries	18,217	-
Income tax expense for the year	<u>18,217</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 \$7,923,596 (2022: \$7,217,815).

Note 12. Current assets—cash and cash equivalents

	2023 \$	2022 \$
Cash at bank and in hand	<u>6,835,478</u>	<u>11,673,989</u>

Note 13. Current assets—trade and other receivables

	2023 \$	2022 \$
Current		
Trade receivables	2,715,091	1,809,749
Other receivables	59,323	82,262
Total current trade and other receivables	2,774,414	1,892,011

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 2023, the ageing analysis of trade receivables post due but not impaired is detailed as follows:

	2023 \$	2022 \$
0-30 days in terms	2,297,488	1,711,817
30-90 days overdue	361,730	43,554
90 days+ overdue	55,873	54,378
	2,715,091	1,809,749

Note 14. Current assets—Contract assets

	2023 \$	2022 \$
Capitalised Commission Credit Sales	852,227	1,160,636
Capitalised Commission Subscriptions	297,151	51,194
	1,149,378	1,211,830

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

	2023 \$	2022 \$
Opening Balance	1,211,830	1,031,498
Additions	1,419,317	1,757,989
Recognition as expenses	(1,495,611)	(1,580,602)
Balancing adjustment due to forex	13,842	2,945
Closing balance	1,149,378	1,211,830

Note 15. Non current assets—financial assets

	2023 \$	2022 \$
Rental Bonds	255,177	55,070
Employee Share Trust *	369,600	-
Total	624,777	55,070

* The Xref Employee Share trust was set up to administer the Xref Employee Option Plan. Xref Limited issues shares to the 'Trust' to be held in trust on behalf of employees 'pending exercise of options under grant'. When an employee makes an exercise request, the share trust will honour this request by transferring ownership of the number of shares per the option grant document, from the 'Trust' to the employee (or their nominee) at the 'exercise price' stated in the employee grant document. A single issue of 880,000 FPO has been made to the trust during FY2023.

No employees have exercised their options and so the number of the shares held by the trust remains 880,000. The asset is valued at \$369,600 at the issue price of \$0.42.

Note 16. Non current assets—property, plant and equipment

	2023 \$	2022 \$
Office furniture at cost	98,617	98,230
Less: Accumulated depreciation	(44,235)	(38,554)
	54,382	59,676
Office equipment at cost	964,191	146,437
Less: Accumulated depreciation	(859,940)	(112,091)
	104,251	34,346
Computer equipment at cost	523,236	382,075
Less: Accumulated depreciation	(368,056)	(280,578)
	155,180	101,497
Office fitout	457,250	106,654
Less: Accumulated depreciation	(132,091)	(72,182)
	325,159	34,472
Total property, plant and equipment	638,972	229,991

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 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
Additions	-	-	667	111,453	112,120
Additions by acquisition	-	304,105	79,713	21,527	405,345
Disposals	-	-	(96)	(11,712)	(11,808)
Depreciation	(5,391)	(13,490)	(10,409)	(67,754)	(97,044)
Opening balance revaluation due to forex	97	72	30	169	368
Balance at 30 June 2023	54,382	325,159	104,251	155,180	638,972

Note 17. Non current assets—right of use assets

	2023 \$	2022 \$
Right of use assets—Land and Buildings	1,866,492	1,253,201
Less: Accumulated depreciation	(1,338,003)	(931,919)
Total	<u>528,489</u>	<u>321,282</u>

Additions to the right-of-use assets during the year were \$613,291 (unamortised / gross value). Of the total additions, \$466,723 relate to lease agreements with Voice Project Pty Limited, acquired and capitalised on 03 January 2023. The remaining \$146,568 relate to extensions to existing leased premises. These leases are subject to amortization in accordance with our accounting policy for leases, commencing on the date of capitalization.

The Group leases land and buildings for its offices under agreements which have terms remaining of no longer than 2 years and 2 months as at 30 June 2023. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 18. Non current assets—intangible assets

	Consolidated 2023 \$	2022 \$
Goodwill	2,377,726	1,333,986
Less: Accumulated impairment	-	-
	<u>2,377,726</u>	<u>1,333,986</u>
Website	325,000	325,000
Less: Accumulated amortisation	(270,388)	(162,055)
	<u>54,612</u>	<u>162,945</u>
Patents, trademarks and other rights	853,737	11,337
Less: Accumulated amortisation	(67,092)	(4,504)
	<u>786,645</u>	<u>6,833</u>
Customer relationships	847,000	-
Less: Accumulated amortisation	(42,350)	-
	<u>804,650</u>	<u>-</u>
Licenses	50,000	50,000
Less: Accumulated impairment	-	-
	<u>50,000</u>	<u>50,000</u>
Domain Names	113,958	113,958
Less: Accumulated amortisation	(27,738)	(16,316)
	<u>86,220</u>	<u>97,642</u>
Software development	6,004,846	2,514,439
Less: Accumulated amortisation	(724,201)	(92,169)
	<u>5,280,645</u>	<u>2,422,270</u>
Total intangibles	<u>9,440,498</u>	<u>4,073,676</u>

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 \$	Customer Relationships \$	Licenses \$	Domain Names \$	Software Development \$	Website \$	Goodwill \$	Total \$
Balance at 1 July 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
Additions	-	-	-	-	2,515,407	-	-	2,515,407
Additions by acquisition	842,400	847,000	-	-	975,000	-	1,043,740	3,708,140
Amortisation expense	(62,588)	(42,350)	-	(11,422)	(632,032)	(108,333)	-	(856,725)
Balance at 30 June 2023	<u>786,645</u>	<u>804,650</u>	<u>50,000</u>	<u>86,220</u>	<u>5,280,645</u>	<u>54,612</u>	<u>2,377,726</u>	<u>9,440,498</u>

Impairment testing

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

	Consolidated 2023 \$	2022 \$
RapidID	1,333,986	1,333,986
Voice Project	<u>1,043,740</u>	<u>-</u>
	<u>2,377,726</u>	<u>1,333,986</u>

1. RapidID

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:

- 16.83% post-tax discount rate;
- 15% per annum average projected revenue growth in FY2024 and 5% thereafter;
- 15% per annum in operating expenses;
- 35-45% per annum average in gross margin; and
- 2.5% terminal value growth rate.

The discount rate of 16.83% post-tax reflects Leadenhall'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. Overall, the discount rate has not changed drastically compared to last year and is not expected to go above 19%.

Management have estimated \$2.5M in revenue in FY24 similar to FY23, however as Trust Marketplace (where ID checks will be introduced into the employment sector) is being built and launched, revenue is expected to pick up at the end of FY24/start of FY25 and onwards.

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. Operating expenses represent 15% of the revenue with employment expenses slightly increasing in FY23 as a new General Manager was hired to lead RapidID into its new phase of growth. There were no other key assumptions for RapidID.

Based on the above, the recoverable amount of RapidID exceeded the carrying amount by \$4m.

Sensitivity

As disclosed in note 5, management has made judgements and estimates in respect of impairment testing of goodwill and intangibles assets including the ID Platform, Licence and Website. Should these judgements and estimates not occur the resulting carrying amount may decrease. The sensitivities are as follows:

- 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.

2. Voice Project

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 Voice Project:

- 20.32% post-tax discount rate;
- 10-11% per annum average projected revenue growth rate during the forecast period;
- 58-62% per annum in wages during the forecast period;
- 20-23% in operating expenses during the forecast period;
- 2-3% in marketing expenses during the forecast period;
- 2.5% terminal value growth rate.

The discount rate of 20.32% post-tax reflects Leadenhall's estimate of the time value of money and the Group's weighted average cost of capital adjusted for Voice Project, the risk-free rate and the volatility of the share price relative to market movements.

Voice Project's revenue is expected to grow 10-11% in the next four years from a boost in sales following full integration into Xref, then a stabilising 2.5-5% growth in the long-term. Wages are expected to be about 60% of the revenue with few additions to the team. Second largest expense is Occupancy & Office operations which will remain consistent with prior periods as the office will continue to be leased. There were no other key assumptions for Voice Project.

Based on the above, the recoverable amount of Voice Project exceeded the carrying amount by \$1.7m.

Sensitivity

As disclosed in note 5, management has made judgements and estimates in respect of impairment testing of goodwill and intangible assets including the Voice Project Software, customer contracts, IP and brand. 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 18-20% over the forecast period for Voice Project before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 38-42% for Voice Project 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 Voice Project's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Note 19. Current liabilities—trade and other payables

	2023 \$	2022 \$
Trade payables	956,048	366,429
GST payable	412,414	423,268
Accrued salaries, wages and related costs	355,800	277,114
Non trade payables and accrued expenses	431,466	545,118
Superannuation payable	292,796	205,062
	<u>2,448,524</u>	<u>1,816,991</u>

Refer to note 28 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 20. Financial liabilities

	2023 \$	2022 \$
Current		
Lease Liability	424,120	129,749
Borrowing [<i>refer note (a) below</i>]	425,751	425,000
Total current borrowings	<u>849,871</u>	<u>554,749</u>
Non-current		
Lease Liability	107,279	200,540
Borrowing [<i>refer note (a) below</i>]	4,375,190	4,205,192
Total non-current borrowings	<u>4,482,469</u>	<u>4,405,732</u>
Total borrowings	<u>5,332,340</u>	<u>4,960,481</u>

a. Borrowing facility with Pure Asset Management	2023 \$	2022 \$
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	1,643,466	1,086,885
Repayment of contractual payment	(1,247,066)	(822,065)
Gain on revaluation	-	(39,170)
Closing Balance	<u>4,800,942</u>	<u>4,630,192</u>

The loan from Pure Asset Management matures on 4 August 2024 at which time the the loan of \$5m is due to be repaid in full.

Note 21. Employee benefits

	2023 \$	2022 \$
Employee benefits - current (short-term)	1,048,797	634,218
Employee benefits - non-current (long-term)	323,399	224,786
Total Employee Benefits	1,372,196	859,004

Short-term employee benefits represent accruals for leave entitlements as at the reporting date, and the Group's obligation to its current employees that are expected to be settled within 12 months of the balance date.

Long-term employee benefits represent accruals for leave entitlements as at the reporting date, and the Group's obligation to its current employees that are expected to be settled beyond 12 months of the balance date.

Note 22. Contract Liabilities

	2023 \$	2022 \$
Xref unearned revenue movement		
Opening balance - Xref	10,987,225	8,783,300
Xref Sales	16,177,650	17,751,578
Add: Opening conditional credits	1,428,393	1,474,436
Less: Credit Usage & Subscriptions recognised	(16,332,384)	(15,551,723)
Less: Closing conditional credits	(992,194)	(1,428,393)
	281,465	2,245,898
Foreign exchange revaluation impacts	(50,956)	(41,973)
Closing balance – Unearned revenue Xref	11,217,734	10,987,225
RapidID unearned revenue movement		
Opening balance - RapidID	77,683	15,993
Add: Prepaid Checks Sold	4,300	102,240
Less: Prepaid Checks Used	(22,003)	(40,550)
Closing balance - Unearned revenue RapidID	59,980	77,683
Voice Project unearned revenue movement		
Opening balance - Voice Project (recognised at acquisition)	1,043,181	-
Add: Platform subscriptions sold	1,095,662	-
Less: Subscriptions recognised	(965,185)	-
Closing balance - Unearned revenue Voice Project	1,173,658	-
Total group unearned revenue	12,451,372	11,064,908
Current (within 12 months)	12,225,903	11,064,908
Non-Current (12-18 months)	225,469	-
Total contract liabilities	12,451,372	11,064,908

Note 23. Other Liabilities

Other liabilities represent the present value of the total earn-out consideration payable (\$2,000,000), valued at \$1,497,000 as at the balance date (refer note 31 for valuation details) payable in Xref shares subject to Voice Project Pty Limited (now rebranded Xref Engage) achieving performance hurdles as detailed in note 32 on the business combination completed on 03 January 2023.

	2023 \$	2022 \$
Contingent consideration - current	812,000	-
Contingent consideration - non-current	685,000	-
Total contingent consideration	<u>1,497,000</u>	<u>-</u>

Note 24. Equity—issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares—fully paid	<u>186,176,289</u>	<u>185,296,289</u>	<u>55,470,213</u>	<u>55,100,613</u>

	Date	Shares	Issued price / exercise price \$	Total \$
Balance	1 July 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		<u>2,857,142</u>	0.35	<u>1,077,143</u>
	30 June 2022	185,296,289		55,100,613
Issued to employee share trust		880,000	0.42	369,600
Issued under share based remuneration		-	-	-
Options exercised		-	-	-
Warrants exercised		-	-	-
	30 June 2023	<u>186,176,289</u>		<u>55,470,213</u>

During the year ended 30 June 2023

No shares were issued under share based remuneration or due to exercising of Options or Warrants.

During the year ended 30 June 2022

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 following the acquisition of Voice Project in January 2023 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 2023 Annual Report.

Note 25. Equity—other equity reserves

	2023 \$	2022 \$
Foreign currency reserve	(843,114)	(552,196)
Options reserve	2,638,363	1,596,643
Warrants	308,571	308,571
Consolidation Reserve	(22,845,821)	(22,845,821)
	<u>(20,742,001)</u>	<u>(21,492,803)</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.

a). Share option reserve

	Issue Date	Expiry Date	Average exercise price in \$A per share	Options	Option Reserve \$
Granted	4/12/2018	3/09/2023	\$0.66	300,000	36,570
Granted	20/07/2020	15/01/2024	\$0.35	1,613,558	50,020
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	26/11/2021	17/11/2024	\$0.35	900,000	332,948
Granted	26/11/2021	17/11/2024	\$0.54	2,700,000	768,340
Granted	5/07/2022	5/07/2025	\$0.00	626,859	244,629
Granted	5/07/2022	5/07/2026	\$0.50	4,670,000	662,795
Granted	5/07/2022	5/07/2026	\$0.42	1,460,741	230,078
Granted	20/02/2023	20/02/2026	\$0.00	275,000	27,424
Granted	20/02/2023	20/02/2027	\$0.50	1,010,000	25,181
Granted	20/02/2023	20/02/2027	\$0.42	687,500	22,038
Closing Balance		30/06/2023		<u>18,577,201</u>	<u>2,638,363</u>

	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
Granted	22/03/2018	12/2/2023	\$0.70	750,000	84,023
Granted	12/4/2018	3/9/2022	\$0.70	300,000	28,620
Granted	12/4/2018	3/9/2023	\$0.66	300,000	36,570
Granted	12/4/2018	1/8/2022	\$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	7/9/2020	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		<u>14,096,660</u>	<u>1,596,643</u>

Options Reserve

During the year ended 30/06/2023, 8,995,100 options were issued, 887,181 options lapsed, 3,702,378 options expired, and Nil (40,000 in FY2022) options were exercised.

Options vested and therefore exercisable	Expiry Date	2023	2022
Options Vested - Brad Rosser	25/11/2022	-	2,500,000
Options Vested - James Solomons	12/2/2023	-	750,000
Options Vested - James Solomons	15/01/2024	2,300,000	2,300,000
Options Vested - Employees and Contractors	1/8/2022	-	176,194
Options Vested - Sharon Blesson	3/9/2022	-	300,000
Options Vested - Sharon Blesson	3/9/2023	300,000	300,000
Options Vested - Sharon Blesson	15/01/2024	2,111,111	2,111,111
Options vested - Robert Waring	15/01/2024	33,543	33,543
Options Vested - Employees	15/01/2024	2,025,812	2,025,812
Options vested - Lija Wilson	17/11/2024	600,000	300,000
Options vested - Thomas Stianos	17/11/2024	1,200,000	600,000
Options vested - Nigel Heap	17/11/2024	600,000	300,000
		<u>9,170,466</u>	<u>11,696,660</u>

The weighted average share price for the current financial year was \$0.26 (2022: \$0.57)

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 loan facility agreement executed on 31 July 2020, a warrant deed was also signed with Pure Asset Management on the same date (note 20). Consequently, 14,285,714 detached warrants were issued to Pure Asset Management with an exercise option price 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 was \$385,714 as originally assessed. 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 the current carrying value of \$308,571.

Note 26. Equity—dividends

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

Note 27. 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 (where the exercise price is currently below the current share price). The Group recorded a loss for the year ended 30 June 2023 and a profit for the year ended 30 June 2022.

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

	2023	Consolidated	2022
	\$		\$
Profit after income tax attributable to the owners of Xref Limited	<u>(3,359,340)</u>		<u>729,575</u>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>186,101,549</u>		<u>184,003,268</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>186,101,549</u>		<u>202,802,306</u>
	Cents		Cents
Basic earnings / (loss) per share	(1.81)		0.40
Diluted earnings / (loss) per share	(1.81)		0.36

Note 28. 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

	Cash, Loans and receivables	Available-for- sale financial assets	Financial liabilities at fair value through profit and loss	Total \$
Group 2023				
Financial assets				
Cash and cash equivalents	6,835,478	-	-	6,835,478
Trade debtors and other receivables	2,774,414	-	-	2,774,414
Total	9,609,892	-	-	9,609,892
Financial liabilities				
Trade creditors and other payables	-	-	2,155,728	2,155,728
Financial liabilities	-	-	5,332,340	5,332,340
Total	-	-	7,488,068	7,488,068

	Cash, Loans and receivables	Available-for- sale financial assets	Financial liabilities at fair value through profit and loss	Total \$
Group 2022				
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

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 17.7% compared to 2022, against a revenue decrease of (2.2%) compared to 2022. This combined with the prior year raise of debt funding and positive cash flow is enabling adequate management of liquidity risk.

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 2023	Carrying amounts	Contractual cash-flow maturities					
		Total contractual cash-flows	0-6 months	6-12 months	1 - 2 years	2-5 years	Later than 5 years
Trade creditors and other payables	2,155,728	2,155,728	2,155,728	-	-	-	-
Superannuation payable	292,796	292,796	292,796	-	-	-	-
Financial liabilities	4,800,941	5,530,259	214,247	211,504	5,104,508	-	-
Total	7,249,465	7,978,783	2,662,771	211,504	5,104,508	-	-

Group 2022	Carrying amounts	Contractual cash-flow maturities					
		Total contractual cash-flows	0-6 months	6-12 months	1 - 2 years	2-5 years	Later than 5 years
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	5,956,433	214,247	210,753	426,925	5,104,508	-
Total	6,447,173	7,773,414	2,031,228	210,753	426,925	5,104,508	-

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.

The exposure to currencies of the Group is as follows:

	2023 \$	2022 \$
Canadian Dollars	852,133	275,869
UK Pound Sterling	867,256	778,710
New Zealand Dollars	821,480	2,392,516
United States Dollar	696,419	1,745,636
Total	3,237,288	5,192,731

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 Impact on valuation of holding in:	5%	10%	20%
	\$	\$	\$
Canadian Dollars	42,607	85,213	170,427
UK Pound Sterling	43,363	86,726	173,451
New Zealand Dollar	41,074	82,148	164,296
United States Dollar	34,821	69,642	139,284
Total impact of potential change in exchange rate	161,865	323,729	647,458

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:

30 June 2023 – Group	Australia	United Kingdom	Short-term exposure Canada	New Zealand	United States
Financial Assets	5,967,958	953,635	927,980	978,523	781,795
Financial Liabilities	(2,687,767)	(45,713)	(161,358)	(110,761)	-
Net statements of financial position exposure	3,280,191	907,922	766,622	867,762	781,795

30 June 2023 – Group	Australia	United Kingdom	Long-term exposure Canada	New Zealand	United States
Financial Assets	234,650	-	20,527	-	-
Financial Liabilities	(4,375,190)	-	(107,279)	-	-
Net statements of financial position exposure	(4,140,540)	-	(86,752)	-	-

30 June 2022 – Group	Australia	United Kingdom	Short-term exposure 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	6,118,528	827,727	77,148	2,455,482	1,859,684

30 June 2022 – Group	Australia	United Kingdom	Long-term exposure 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)	-	-

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 2023 (2022: 5%).

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

Group	2023		2022		+
	Profit for the year	Equity	Profit for the year	Equity	
5% (2022: 5%) increase in AUD against foreign currencies	(3,313,465)	(603,423)	703,986	(990,829)	+
5% (2022: 5%) decrease in AUD against foreign currencies	(3,373,887)	160,196	732,228	(1,907,692)	+

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.

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 29. 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:

	2023 \$	2022 \$
Operating profit	(3,359,340)	729,575
<u>Non cash flows in profit:</u>		
Unearned income	130,477	2,265,615
Shares based payments	-	60,000
Options expense	1,605,954	767,885
Foreign exchange	(28,426)	(117,519)
Bad debts written off	15,001	-
Depreciation, amortisation and impairment	1,365,986	474,397
Interest expense on borrowing	591,164	565,829
<u>Changes in assets and liabilities:</u>		
(Increase)/decrease in trade and other receivables	(882,402)	129,134
(Increase)/decrease in other assets	-	(927)
(Increase)/decrease in prepayments	(191,190)	(223,300)
(Increase)/decrease in contract assets	62,452	(180,332)
Increase/(decrease) in trade and other payables	631,533	(81,039)
Increase/(decrease) in employee benefits	513,193	233,642
Net cash from operating activities	454,402	4,622,960

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

	2023 \$	2022 \$
Key management personnel	84,203	87,877

b. Other related party balances

Other related party balances Loans to directors for the year ended 30 June 2023 amounted to \$0 (2022: \$0).

c. Key management compensation see information below

	2023 \$	2022 \$
Short term employee benefit	1,391,416	1,504,909
Post employment benefits	107,387	96,288
Share based payments	112,650	1,160,606
	1,611,453	2,761,803

Note 31. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 30 June 2023				
<i>Other liabilities</i>				
Contingent consideration	-	-	1,497,000	1,497,000
Total liabilities	-	-	1,497,000	1,497,000
Consolidated - 30 June 2022				
<i>Other liabilities</i>				
Contingent consideration	-	-	-	-
Total liabilities	-	-	-	-

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 3

The contingent consideration payable relates to acquisition of subsidiaries (refer to note 32 for further detail). The fair value of the contingent consideration is estimated by calculating the present value of the future expected cash flows. The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.

	Fair value at		Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2023	2022		
	\$	\$		
Subsidiary acquired				
Voice Project Pty Limited	1,497,000	-	Risk-adjusted discount rate 19.1%	The estimated fair value would increase (decrease) if the risk-adjusted discount rate were lower (higher).
Total	<u>1,497,000</u>	<u>-</u>		

Level 3 assets and liabilities

Movement in level 3 assets and liabilities during the current and previous financial year are set out below:

Contingent Consideration	Total \$
Consolidated	
Balance at 1 July 2021	-
Expense recognised in profit or loss	-
Additions	-
Balance at 30 June 2022	-
Expense recognised in profit or loss	-
Additions	1,497,000
Settlement	-
Balance at 30 June 2023	<u>1,497,000</u>

Applying a discount rate range of 16-21 % across the each of the contingent consideration payments results in a range of \$1.5m to \$1.6m of potential movement in total contingent consideration.

Note 32. Business Combinations

On 03 January 2023, Xref Limited, entered into a share sale agreement to acquire 100% of the ordinary shares of The Voice Project Pty Limited for a maximum purchase consideration of \$3,620,675. \$2,123,675 was settled on completion in cash and an earn out consideration of up to \$1,497,000 (refer note 31) in script subject to The Voice Project Pty Limited achieving performance hurdles based on the following criteria:

1. The first earnout payment in Xref shares of the value \$500,000 is contingent on Voice Project achieving an EBITDA of more than \$250,000 in the first year following completion and is payable on 24 March 2024.
2. The second earnout payment in Xref shares of the value \$500,000 is payable if, during the first year following completion, permanent employees of Voice Project work an average of 403 hours per week and is payable on 24 March 2024.
3. The third earnout payment in Xref shares of the value \$1,000,000 is contingent on Voice Project achieving an EBITDA of more than \$300,000 in the second year following completion and is payable on 24 March 2025.

The transaction was completed on 03 January 2023.

Established in 2002, Voice Project is a human resources consulting company that utilizes proprietary IP to help organizations track employee engagement, leadership, and customer satisfaction through research-backed surveys and expert guidance provided by organizational psychologists. Voice Project leverages its proprietary database to provide meaningful analytics and benchmarking, enabling organizations to make data-driven decisions.

The acquired business contributed revenues of \$1,760,062 from 03 January 2023 to 30 June 2023. If the acquisition occurred on 1 July 2022, the full year contributions would have been revenues of \$3,541,358.

Goodwill on acquisition

The goodwill of \$1,043,740 relates predominantly to the key management, specialised know-how of the workforce, employee relationships, competitive position and service offerings that do not meet the recognition criteria as an intangible asset at the date of acquisition.

The values identified in relation to the acquisition of The Voice Project Pty Limited are provisional as at 30 June 2023 as permitted by AASB 3 *Business Combinations*. Any true ups required to fair value of assets and liabilities taken on will be reflected as at 31 December 2023.

Details of the acquisition are set out below:

Fair Value
\$

Cash and cash equivalents	649,200
Trade and other receivables	324,892
Other assets	25,100
Property, plant and equipment	405,345
Intellectual Property	797,400
Voice Project Software	975,000
Brand	45,000
Customer contracts and relationships	847,000
Trade and other payables	(245,478)
Employee benefits	(203,343)
Unearned revenue	(1,043,181)
Net Assets acquired	2,576,935
Goodwill	1,043,740
Acquisition date fair value of total consideration	3,620,675

Representing:

Cash paid / payable to the vendor	2,123,675
Contingent consideration	1,497,000
Total	3,620,675

Acquisition costs expensed to profit or loss	238,100
--	---------

Cash used to acquire business, net of cash acquired:

Cash consideration payable	2,123,675
Less: Cash and cash equivalents acquired	(649,200)
Net cash paid	1,474,475

Note 33. Contingencies

There are two contingent liabilities relating to bank guarantees associated with the lease of office premises, totaling \$233,550 (2022: \$33,550). These are asset backed by term deposits of equal value.

In the opinion of the Directors, the Company did not have any other contingent assets or liabilities at 30 June 2023.

Note 34. Parent entity

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

	2023 \$	2022 \$
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	(1,617,376)	(778,832)
Total comprehensive income/ (loss)	(1,617,376)	(778,832)
Statement of Financial Position		
Assets		
Total non current assets	38,707,171	36,851,993
Total Assets	38,707,171	36,851,993
Liabilities		
Total current liabilities	812,000	-
Total non-current liabilities	685,000	-
Total Liabilities	1,497,000	-
Net Assets	37,210,171	36,851,993
Equity		
Issued capital	55,470,213	55,100,613
Reserves	2,946,934	1,905,214
Retained profits	(21,206,976)	(20,153,834)
Total Equity	37,210,171	36,851,993

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 2023 and 2022.

Contingent liabilities

In relation to the acquisition of Voice Project Pty Limited the parent entity has contingent consideration liabilities first recognised in 2023 (2022: Nil) dependent on successful achievement of earn out criteria. Further information can be found in the business combination note (Note 32).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment in 2023 and 2022.

Note 35. Events Occurring After the Reporting Date

On the 18 July 2023, Mrs. Lija Wilson resigned as Non-Executive Director of the company effective on 31 July 2023.

No other matters or events requiring adjustments have arisen since 30 June 2023, that relate to circumstances that existed as on the balance sheet date.

Director's Declaration

The directors of the Company declare that:

1. The financial statements and notes for the year ended 30 June 2023 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 Financial 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
28 August 2023
Sydney



Thomas Stianos
Chairman
28 August 2023
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 Ltd (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended;
- (b) and 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.

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.

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.

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

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

Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
<p>Software Development Costs (Note 18)</p> <p>According to AASB 138: <i>Intangible Assets</i>, the group has capitalised software development costs amounting to \$4,403,145 (as of 2022, it's \$2,422,270). These costs include both external expenses, and internal wage costs of Xref Limited's developers.</p> <p>This is a key audit matter because of the estimates, criteria, and judgments involved in capitalising internally developed intangible assets.</p>	<p>We critically analysed management's assessment in accordance with AASB 138: <i>Intangible Assets</i>, including performing the following procedures:</p> <ul style="list-style-type: none"> a) reviewed documentation produced by Management outlining the nature of the development projects, the benefits to the business that the projects would achieve and the project timeline and their introduction to the market. b) discussed with Management and certain employees their role in developing projects to determine the reasonableness of their input and work performed to confirm criteria was satisfied to capitalise certain internal (wage) costs. c) obtained management 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. d) 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. e) confirmed with management that consideration of redundant technology has been written off. f) evaluated costs capitalised against the requirements of AASB 138, ensuring the criteria for development was satisfied and any research was expensed in the period. g) evaluated the reasonableness of the Group's financial report disclosures in light of the requirements of Australian Accounting Standards.

Goodwill (Note 18)

Goodwill is required by Australian Accounting Standards to be tested annually for impairment at the Cash Generating Unit (CGU) level.

The Group performed an impairment assessment of goodwill by calculating the value in use for each CGU using discounted cash flow models.

The impairment assessment was a key audit matter due to the size of the goodwill balance and the judgement involved in determining the value in use of each CGU.

We critically analysed management's workings, including performing the following procedures:

- a) assessed whether the Group's identification of CGUs was consistent with our knowledge of the operations, internal reporting lines and level of integration of the acquired businesses
- b) discussed with management the basis for the significant assumptions and inputs used in the value in use model calculations as provided by management and its external expert and challenged its appropriateness. Additionally, assessed the expert's qualifications to provide such input
- c) obtained reports of relevant industries to compare to management's growth rates utilised in the calculation.
- d) interrogated the value in use model using different inputs as a means to perform sensitivity analysis.
- e) evaluated the reasonableness of the Group's financial report note disclosures in light of the requirements of Australian Accounting Standards.

Business Combinations (Note 32)

The Group acquired The Voice Project Pty Limited during the year.

The accounting for the acquisition of a business is complex. Australian Accounting Standards require the Group to identify all assets, liabilities and contingent liabilities of the acquired businesses and estimate the fair value at the date of acquisition.

The acquisition is a key audit matter because it is a significant transaction to the Group, and the Group made significant judgements when accounting for the acquisition, including the measurement of separately identifiable intangible assets and the measurement of contingent consideration.

We critically analysed the Group's business combination workings to ensure its appropriateness with AASB 3: *Business Combinations*, including performing the following procedures:

- a) developed an understanding of the relevant purchase agreements.
- b) obtained the purchase price allocated prepared by an independent valuer and evaluated the reasonability of estimates and judgements used within the fair value assessment.
- c) agreed the amount of the purchase consideration paid and/or payable to the transaction agreement, bank statements and ASX notices. Where there were contingent considerations, we assessed the appropriateness of management's assumptions in measuring the fair value of the consideration.
- d) assessed the reasonableness of the financial

	report note disclosures in light of the requirements of the Australian Accounting Standards.
Going Concern (Note 3 (z))	
<p>There was a deficiency in current assets and net assets for the Group, which amounts to \$5,718,920 and \$202,522, respectively. As a result, this was considered a key audit matter.</p> <p>Despite these deficiencies, the financial statements were prepared on a going concern basis, taking into account the measures implemented by management as described in the related note.</p>	<p>We critically analysed the Group's cashflow forecast, for at least twelve months from the date of this report, which was used to support the going concern assessment, including performing the following procedures:</p> <ul style="list-style-type: none"> a) obtained justification from management around the assumptions used within the cashflow forecast. b) critically evaluated assumptions used by management against historical performances. c) interrogated the cashflow forecast using different inputs as a means to perform sensitivity analysis. d) evaluated the reasonableness of the Group's financial report note disclosures in light of the requirements of Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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 in pages 14 to 19 of the directors' report for the year ended 30 June 2023.

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

Responsibilities

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



Crowe Sydney



Ash Pather

Partner

28 August 2023

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 4 August 2023, based on Substantial Shareholder Notices received by the ASX and the Company:

Substantial Shareholders	Shareholding
Lee-Martin John Seymour	31,730,108
Timothy David Griffiths	28,730,690
Herald Investment Trust PLC	11,540,775

Based on the market price at 4 August 2023 there were 547 shareholders with **less than a marketable parcel** of 2,632 shares at a share price of \$0.19.

Number of Ordinary Shares Held	Number of Holders	Ordinary Shares	% of Total Issued Capital
1 - 1,000	235	120,741	0.06
1,001 - 5,000	686	2,004,867	1.08
5,001 - 10,000	456	3,506,766	1.88
10,001 - 100,000	635	18,053,669	9.70
100,001 and over	101	162,490,246	87.28
Total	2,113	186,176,289	100.00

Top 20 Holders of Ordinary Shares (XF1) as at 4 August 2023

Rank	Name of Shareholder	Shares	% of Shares
1	West Riding Investments Pty Ltd <Seymour Family A/C>	30,090,353	16.16
2	Netwealth Investments Limited <Wrap Services A/C>	29,899,191	16.06
3	Squirrel Holdings Australia Pty Ltd <Griffiths Family A/C>	27,157,613	14.59
4	HSBC Custody Nominees (Australia) Limited	13,318,516	7.15
5	National Nominees Limited	10,298,552	5.53
6	UBS Nominees Pty Ltd	8,608,538	4.62
7	Citicorp Nominees Pty Limited	3,633,893	1.95
8	J P Morgan Nominees Australia Pty Limited	3,208,198	1.72
9	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	2,467,201	1.33
10	Mr Craig Graeme Chapman <Nampac Discretionary A/C>	2,320,924	1.25
11	Lightview Asset Pty Ltd	2,000,000	1.07
12	Seymour Superannuation Holdings Pty Ltd <Seymour Super Fund A/C>	1,639,755	0.88
13	Mijon Investments Pty Ltd <The Mijon S/F A/C>	1,500,000	0.81
14	DMX Capital Partners Limited	979,199	0.53
15	Schindler Investment Haus Pty Ltd <Schindler Super Fund A/C>	912,500	0.49
16	Assumo (Nominees) Pty Ltd <Assumo S/Fund A/C>	836,827	0.45
17	Mr Michael Charles Bowden	823,659	0.44
18	INGTBWTS Pty Limited <Alex Gotch Family A/C>	793,166	0.43
19	Solium Nominees (Aus) Pty Ltd <Unallocated A/C>	780,000	0.42
20	Mr Mark William Hoey	754,020	0.41
Total of Top 20 Holdings		142,022,105	76.29
Other Holdings		44,154,184	23.71
Total Fully Paid Shares Issued		186,176,289	100.00

Shareholder Information

Options (XF1AD to XF1AW) as at 4 August 2023

Name and Number of Option Holders	Shares the Option Holder is Entitled to	Exercise Price	Option Expiry Date
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
20 employees and contractors (under Employee Option Plan)	1,801,268	\$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	600,000	\$0.35	17 November 2024
53 employees and contractors (under Employee Option Plan)	494,359	Nil	5 July 2025
14 employees and contractors (under Employee Option Plan)	275,000	Nil	20 February 2026
53 employees and contractors (under Employee Option Plan)	1,380,741	\$0.42	5 July 2026
56 employees and contractors (under Employee Option Plan)	4,390,000	\$0.50	5 July 2026
14 employees and contractors (under Employee Option Plan)	687,500	\$0.42	20 February 2027
14 employees and contractors (under Employee Option Plan)	1,010,000	\$0.50	20 February 2027
Total Number of Options on Issue	17,638,868		

Warrants (XF1AN) as at 4 August 2023

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

Investor Hub
xf1.com

DIRECTORS

Thomas Stianos
Chairman

Lee-Martin Seymour
Managing Director

Nigel Heap
Non-Executive Director

OFFICERS

Lee-Martin Seymour
Chief Executive Officer,
Co-Founder

James Solomons
Chief Financial Officer,
Chief Operating Officer

Sharon Blesson
Chief Technology Officer

Robert Waring
Company Secretary

LEADERSHIP TEAM

Tracy Murdoch
General Counsel

Karina Guerra
GM – Customer
Intelligence

Sarah Mulvenna
GM - Revenue

Peter Langford
GM – Xref Engage

AUDITORS

Crowe Sydney
Level 24
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Sydney NSW 2000
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STOCK EXCHANGE

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

SHARE REGISTRY

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