



Xref Limited
Appendix 4D
Half-year report

Company details

Name of entity:	Xref Limited
ACN:	122 404 666
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

Results for announcement to the market

				\$
Revenues from ordinary activities	up	37%	to	4,685,009
Loss from ordinary activities after tax attributable to the owners of Xref Limited	down	71%	to	(1,987,182)
Loss for the half-year attributable to the owners of Xref Limited	down	74%	to	(1,755,284)

Earnings per share

	Reporting period	Previous period
	\$	\$
Basic earnings per share	(0.01)	(0.04)
Diluted earnings per share	(0.01)	(0.04)

Dividends

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

Review of operations

The loss for the Group for the financial half-year after providing for income tax amounted to \$1,987,182 (H1 FY20: \$6,892,122), a reduction of 71%

The evolution of Xref's offering and expansion of the company's reach has come at a time when the leadership team have an unwavering focus on reaching cash flow break even. Despite the impact of COVID-19, Xref has achieved a 37% increase in revenue, when compared to H1 FY20, and costs continue have been streamlined moving the company closer to its goal of achieving cash flow break even in the last quarter of the 2021 financial year.

Key achievements for H1 FY21 included:

- **Revenue** - a record first half revenue result of \$4.7 million, up 37% from \$3.4 million in H1 FY20;
- **Sales** - a record first half sales result of \$5.1 million, up 7% from \$4.8 million in H1 FY20;
- **Net Loss** - a net loss for the half year of \$1.98 million, down 71% from \$6.9 million in H1 FY20;
- **Cash Expenses** - a 40% reduction in gross operating cash outflows to \$6.8 million, compared to \$11.3 million in H1 FY20;
- **Net Operating Cash Outflow** - reduced cash outflows, down to \$0.54 million for the half, a reduction of 89% compared to \$4.7m in HY FY20

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Cash at 31 December 2020 was \$6.6 million.

Funding

On July 31, 2020 Xref entered into a secured \$5m debt facility with Pure Asset Management to support the Company's growth strategies. This included the issue of 14,285,714 detached warrants at an exercise price of 35 cents which expire on July 31, 2024. Full details of the facility were announced to the market on 31 July 2020

Outlook

Xref maintains a steadfast commitment to reaching cash flow break even by the end of this financial year and all decisions made and undertaken during the first half have been reflective of that. The team is now focused on introducing platform and feature enhancements at a steady rate, and will continue to expand its reach with international growth, both directly and through integration partnerships

A full report on the Group's performance for the half year is contained within the attached Interim Report

Net tangible assets

	Reporting period	Previous period
	\$	\$
Net tangible assets (liabilities) per ordinary security	(0.03)	(0.63)

Audit qualification or review

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

Attachments

The Interim Report of Xref Limited for the half-year ended 31 December 2020 is attached.

Signed



Lee-Martin Seymour
CEO & Co-Founder

26 February 2021

Authorised for release by the Board of Directors of Xref Limited



X REF

2020

Interim Report

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General information

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

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

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

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

Directors' Report

The directors present their report, together with the financial statements, for the consolidated entity (referred to hereafter as 'the Group') consisting of Xref Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020 (H1 FY21).

Directors

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

Brad Rosser, Non-Executive Chairman

Lee-Martin Seymour, Executive Director

Timothy Griffiths, Executive Director

Nigel Heap, Non-Executive Director

Principal activities

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

Review of operations

The loss for the Group for the financial half-year after providing for income tax amounted to \$1,987,182 (H1 FY20: \$6,892,122), a reduction of 71%.

The evolution of Xref's offering and expansion of the company's reach has come at a time when the leadership team have an unwavering focus on reaching cash flow break even. Despite the impact of COVID-19, Xref has achieved a 37% increase in revenue, when compared to H1 FY20, and costs have been streamlined moving the company closer to its goal of achieving cash flow break even in the last quarter of the 2021 financial year.

Key achievements for H1 FY21 included:

- **Revenue** - a record first half revenue result of \$4.7 million, up 37% from \$3.4 million in H1 FY20;
- **Sales** - a record first half sales result of \$5.1 million, up 7% from \$4.8 million in H1 FY20;
- **Net Loss** - a net loss for the half year of \$1.98 million, down 71% from \$6.9 million in H1 FY20;
- **Cash Receipts from Sales** - receipts of \$6.2 million, down 4% from \$6.5 million in H1 FY20;
- **Cash Expenses** - a 40% reduction in gross operating cash outflows to \$6.8 million, compared to \$11.3 million in H1 FY20;
- **Net Operating Cash Outflow** - reduced cash outflows, down to \$0.54 million for the half, down 89% from \$4.7m in H1 FY20; and
- **Cash Balance** - a resulting balance of \$6.6 million at 31 December 2020.

A Return to Strong Credit Usage & Sales Levels

Xref credits used during the half reached \$4.6 million. Continued demand from essential services and an increase in usage from businesses commonly regarded as non-essential services, led to a 22% increase in credits used during H2 FY20 and a 3% increase when compared to the previous corresponding half.

Over the past five years, Xref has focused on what are now commonly referred to as essential services organisations within the 'trust' economy. These include those in the health, government, not-for-profit and education sectors. A new Xref usage record of \$2.5 million by essential services clients alone in H1 FY21, demonstrated the strong foundation these organisations provided during the pandemic. Although still slightly behind pre-COVID-19 levels, credit usage by clients deemed non-essential grew by 33% on the previous half, to \$2.003 million, indicating the beginning of a return for many of these businesses to their usual recruitment levels.

COVID-19 has accelerated the global demand for remote working and, as a result, employers' desire to improve recruitment governance is increasing. Accordingly, organisations are seeking better ways to perform candidate referencing and verification. Xref's reliance on outbound, direct sales activities are fast being replaced by inbound, marketing-led demand. As a result, the company witnessed a rise in inbound leads from channel partner integrations, an improved global digital strategy and the network effect generated through the numerous sectors and global regions Xref's services are used in. The company can now acquire clients via its self-serve platform, its in-house enterprise sales teams or via its 30 channel partners.

Reduced Cash Outflows

Since December 2019, Xref has scaled back event costs, travel, development costs, and office leases and has reduced headcount from 98 to 56 people. This has driven a material reduction in cash expenses, while continuing to support growth in sales. Net operating cash outflows for the half were down 89%, to \$0.54 million, from \$4.7 million in H1 FY20. Xref's primary focus has been on preserving cash and reaching cash flow break even. The notable reduction in costs, when compared to those reported during H1 FY20, was achieved through a number of initiatives, including:

- redirecting marketing efforts from sales support to online lead generation, which led to a 60% reduction in marketing costs;
- building efficiencies in the acquisition, onboarding, support and growth of clients, which led to a reduction in headcount and, in turn, a 31% reduction in wages and salaries; and
- adopting a working-from-home policy, which has reduced current occupancy costs by 40%, with a further 45% reduction expected during H2 FY21.

Product Investment

Although the European and North American markets continue to be adversely impacted by the effects of COVID-19, Xref is preparing for the growth that is anticipated from millions of returning workers globally. In light of this, Xref is working with feedback and insights from some of its largest global clients to expand the current platform services in order to support their future requirements. The enhanced platform will dramatically increase the global addressable market, through the provision of additional services. It will also allow for new clients to be acquired through an entirely digitally-driven process and will include a subscription-based offering in addition to the current credit-based model.

Funding

On July 31, 2020 Xref entered into a secured \$5 million debt facility with Pure Asset Management, to support the Company's growth strategies. This included the issue of 14,285,714 detached warrants at an exercise price of 35 cents, which expire on July 31, 2024. Full details of the facility were announced to the market on 31 July 2020.

Outlook

Xref maintains a steadfast commitment to reaching cash flow break even by the end of this financial year and all decisions made and undertaken during the first half have been reflective of that. The team is now focused on introducing platform and feature enhancements at a steady rate, and will continue to expand its reach with international growth, both directly and through integration partnerships.

Auditor's independence declaration

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

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

On behalf of the board of directors



Lee-Martin Seymour

CEO & Co-Founder

26th February 2021

18 February 2021

The Board of Directors
Xref Limited
Suite 17
13 Hickson Road
Dawes Point NSW 2000

Dear Board Members

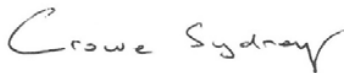
Xref Limited

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

As lead audit partner for the review of the financial report of Xref Limited for the financial half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely



Crowe Sydney



Ash Pather
Partner

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 the Crowe Australasia external audit division. 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. Liability limited by a scheme approved under Professional Standards Legislation.

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Financial Statements

Statement of profit or loss and other comprehensive income

For the half year ended 31 December 2020

	Note	Consolidated	
		31 Dec 2020 Unaudited \$	31 Dec 2019 Unaudited \$
Revenue	3	4,685,009	3,429,046
Finance costs		(215,730)	-
Employee expenses		(4,718,166)	(6,860,077)
Overhead and administration expenses	4	(2,065,000)	(3,192,201)
Depreciation		(226,830)	(329,060)
Impairment of assets		(570)	(571)
Total expenses		<u>(7,226,296)</u>	<u>(10,381,909)</u>
Operating loss		<u>(2,541,287)</u>	<u>(6,952,863)</u>
Other income	3	554,105	60,741
Loss before income tax expense		(1,987,182)	(6,892,122)
Income tax expense		-	-
Loss after income tax expense for the half year attributable to the owners of Xref Limited		<u>(1,987,182)</u>	<u>(6,892,122)</u>
Other comprehensive income, net of income tax			
Exchange differences on translating foreign controlled entities		231,898	72,839
Other comprehensive income for the year, net of tax		231,898	72,839
Total comprehensive income for the half year attributable to the owners of Xref Limited		<u>(1,755,284)</u>	<u>(6,819,283)</u>
Earnings per share		\$	\$
Basic earnings per share		(0.01)	(0.04)
Diluted earnings per share		(0.01)	(0.04)

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

Statement of financial position

As at 31 December 2020

	Note	Consolidated	
		31 Dec 2020 Unaudited \$	30 June 2020 Audited \$
Assets			
Current assets			
Cash and cash equivalents		6,639,157	2,868,794
Trade and other receivables		921,938	1,374,769
Contract assets	5	1,015,531	1,011,918
Prepayments		375,584	566,089
Total current assets		8,952,210	5,821,570
Non-current assets			
Rental bonds		53,052	70,254
Right of use assets		230,764	440,173
Property, plant and equipment		286,158	314,475
Intangibles	6	1,985,915	1,825,074
Total non-current assets		2,555,889	2,649,976
Total assets		11,508,099	8,471,546
Current liabilities			
Trade and other payables		820,615	1,620,096
Financial liabilities	7	684,182	336,689
Employee entitlements		519,613	533,835
Contingent consideration		43,800	30,240
Superannuation Payable		159,607	171,164
Contract liabilities	8	7,761,928	7,847,799
Total current liabilities		9,989,745	10,539,823

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

Statement of financial position *continued*

As at 31 December 2020

	Note	Consolidated	
		31 Dec 2020 Unaudited \$	30 June 2020 Audited \$
Non-current liabilities			
Contingent consideration		-	43,800
Financial liabilities	7	4,067,665	138,820
Employee entitlements		190,210	153,166
Total non-current liabilities		<u>4,257,875</u>	<u>335,786</u>
Total liabilities		<u>14,247,620</u>	<u>10,875,609</u>
Net liabilities		<u>(2,739,521)</u>	<u>(2,404,063)</u>
Equity			
Issued capital		53,948,230	53,235,226
Reserves	9	(20,480,695)	(21,410,328)
Retained earnings		<u>(36,207,056)</u>	<u>(34,228,961)</u>
Total equity		<u>(2,739,521)</u>	<u>(2,404,063)</u>

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

Statement of changes in equity
For the half year ended 31 December 2020

	Share capital	Foreign Currency Translation reserve	Share option reserve	Consolidation reserve	Accumulated losses	Total equity
Unaudited Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	48,832,200	(376,487)	1,683,195	(22,845,821)	(24,134,222)	3,158,865
Restatement due to adoption of AASB 16	-	-	-	-	(55,301)	(55,301)
Balance at 1 July 2019 - restated	48,832,200	(376,487)	1,683,195	(22,845,821)	(24,189,523)	3,103,564
Loss after income tax expense for the half-year	-	-	-	-	(6,892,122)	(6,892,122)
Other comprehensive loss for the half-year, net of tax	-	72,839	-	-	-	72,839
Total comprehensive income for the half-year	-	72,839	-	-	(6,892,122)	(6,819,283)
Transactions with owners in their capacity as owners						
Shares issued	3,496,000	-	-	-	-	3,496,000
Capital raising costs	(130,974)	-	-	-	-	(130,974)
Shares issued through business combination	1,038,000	-	-	-	-	1,038,000
Options issued	-	-	113,942	-	-	113,942
Balance at 31 December 2019	53,235,226	(303,648)	1,797,137	(22,845,821)	(31,081,645)	801,249

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

10 **Statement of changes in equity** *continued*

For the half year ended 31 December 2020

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

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

Statement of cash flows

For the half year ended 31 December 2020

	Note	Consolidated	
		31 Dec 20 Unaudited \$	31 Dec 19 Unaudited \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,224,513	6,505,932
Payments to suppliers (inclusive of GST)		(6,771,867)	(11,277,222)
Interest received		8,717	33,606
Net cash used in operating activities		<u>(538,637)</u>	<u>(4,737,684)</u>
Cash flows from investing activities			
Purchase of intangible assets		(161,411)	(80,155)
Payments for property, plant and equipment		(7,215)	(71,066)
Payments for purchase of business		-	(583,944)
Net cash used in investing activities		<u>(168,626)</u>	<u>(735,165)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	3,496,000
Repayments of lease liabilities		(187,575)	(334,812)
Proceeds from borrowings		5,000,000	-
Borrowing transaction costs		(209,744)	-
Repayment of financial liabilities		(125,055)	-
Net cash provided by/(used in) financing activities		<u>4,477,626</u>	<u>3,161,188</u>
Net increase in cash and cash equivalents		3,770,363	(2,311,661)
Cash and cash equivalents at the beginning of the financial half-year		<u>2,868,794</u>	<u>8,035,939</u>
Cash and cash equivalents at the end of the financial half-year	5	<u><u>6,639,157</u></u>	<u><u>5,724,278</u></u>

Notes to the financial statements

Note 1. Summary of Significant Accounting Policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001 as appropriate for the for profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Revenue recognition

Revenue is recognised as follows.

Revenue from contracts with customers

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

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

Sales of credits

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

Rendering of services

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

Interest

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

Note 1. Summary of Significant Accounting Policies *continued*

Other revenue

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

Contract assets - capitalised commission

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

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

Contract liabilities - unearned revenue

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

Going Concern

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

As at 31 December 2020, the Group had a net current asset deficiency of \$1,037,535 and a net asset deficiency of \$2,739,521. However this includes the value of credits sold to but not yet used by clients of \$7,761,928. Under the standard terms and conditions of the contracts of Xref, clients are not entitled to refunds of amounts paid for prepaid credits after a 4 week cooling off period has passed. As at the date of these financial statements, no such refunds have eventuated and historically the incidence of refunds within the 4 week cooling off period is insignificant.

For the financial half year ended, the group incurred a loss after tax of \$1,987,182 (2019 HY: \$6,892,122). Over the past 12 months the business has focused on streamlining its operations across the globe whilst moving to become a marketing-led business. This has allowed for cost reductions to be achieved whilst not impacting sales growth. The success to date of these measures is evident in the significant reduction in the net loss for the half as well as the significant reduction of cash used in operations.

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

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

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. However should these expectations not eventuate then there is uncertainty as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. No provision for this has been made in these financial statements

Note 1. Summary of Significant Accounting Policies *continued*

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. 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.

Goodwill

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

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight line basis over the period of their expected benefit, being their finite life of 10 years.

Where the useful life is deemed by the Group to be indefinite, the intangible asset is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

Borrowings

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

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

Note 2. Operating Segments

There are two operating segments (candidate referencing and ID verification) for the half year ended 31 December 2020. The disclosures on the face of the statement of comprehensive income to operating loss and the statement of financial position (excluding the items designated for sale) represent the Group's two business segments.

Geographical information	Consolidated	
	31 Dec 20 \$	31 Dec 19 \$
Sales to external customers – candidate referencing		
Australia	3,189,843	3,435,061
Canada	246,940	185,324
United Kingdom	278,002	126,283
Norway	-	170,262
New Zealand	432,619	450,899
United States	311,473	216,269
Total	<u>4,458,877</u>	<u>4,584,098</u>
Revenue from external customers – candidate referencing		
Australia	3,320,566	2,558,916
Canada	322,244	257,235
United Kingdom	399,850	138,773
Norway	-	138,779
New Zealand	328,329	143,936
United States	118,121	101,948
Total	<u>4,489,110</u>	<u>3,339,587</u>
Sales to external customers – identification verification		
Australia	<u>650,559</u>	<u>185,397</u>
Total	<u>650,559</u>	<u>185,397</u>
Revenue from external customers – identification verification		
Australia	<u>195,899</u>	<u>89,459</u>
Total	<u>195,899</u>	<u>89,459</u>

Note 2. Operating Segments *continued*

Geographical information	Consolidated	
	31 Dec 20 \$	31 Dec 19 \$
Revenue from external customers		
Service performed at a point in time	4,120,096	3,290,268
Services transferred over time	564,913	138,778
	<u>4,685,009</u>	<u>3,429,046</u>
Non-current operating assets		
Global	1,442,815	1,817,814
Australia	892,063	888,658
Canada	212,950	314,320
United Kingdom	7,582	36,480
Norway	-	34,321
New Zealand	479	16,819
Total	<u>2,555,889</u>	<u>3,108,412</u>

Note 3. Revenue and Other Income

	Consolidated	
	31 Dec 20 \$	31 Dec 19 \$
The disaggregation of revenue from contracts with customers is as follows:		
Sales Xref	4,458,877	4,584,097
Less adjustment for unearned revenue	30,233	(1,244,511)
	<u>4,489,110</u>	<u>3,339,587</u>
Sales Rapid ID	650,559	185,397
Less cost of sales Rapid ID	(454,660)	(95,938)
	<u>195,899</u>	<u>89,459</u>
	<u>4,685,009</u>	<u>3,429,046</u>
Interest	8,717	58,610
Government subsidies	527,052	-
Other revenue	18,336	2,131
	<u>554,105</u>	<u>60,741</u>
	<u>5,239,114</u>	<u>3,489,787</u>

Note 4. Overhead and administration expenses

	Consolidated	
	31 Dec 20 \$	31 Dec 19 \$
Auditing or reviewing the financial report	27,500	29,057
Accounting and consulting fees	72,809	183,361
Directors Fees	-	12,157
Legal expenses deductible	81,577	55,019
Marketing fees	205,961	517,945
Consulting and professional fees	138,568	207,030
Share based payment	321,108	113,942
Administration expenses	887,849	1,732,857
Foreign exchange loss	256,279	170,336
Operating lease payments	73,349	170,497
Overhead and administration expenses	2,065,000	3,192,201

Note 5. Contract asset - capitalised commission

	Consolidated	
	31 Dec 20 \$	30 Jun 20 \$
Current		
Capitalised Commissions at cost Credit Sales	966,003	990,155
Capitalised Commissions at cost Subscriptions	49,528	21,723
Capitalised Commissions at cost People Search	-	40
Total current contract assets	1,015,531	1,011,918

Note 6. Intangible Assets

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Goodwill	1,333,986	1,333,986
Patents, trademarks and other rights	61,337	61,337
Accumulated amortisation and impairment	(2,809)	(2,239)
Net carrying value	<u>58,528</u>	<u>59,098</u>
Platform development – RapidID	400,572	325,000
Domain names	108,829	106,990
Software development – Xref	84,000	-
Total Intangibles	<u><u>1,985,915</u></u>	<u><u>1,825,074</u></u>

Note 7. Financial liabilities

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Current		
Lease liability	183,963	336,689
Borrowings - Pure Asset Management (a)	<u>500,219</u>	<u>-</u>
Total current borrowings	<u><u>684,182</u></u>	<u><u>336,689</u></u>

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Non-current		
Lease liability	84,008	138,820
Borrowings - Pure Asset Management (a)	<u>3,983,657</u>	<u>-</u>
Total non current borrowings	<u><u>4,067,665</u></u>	<u><u>138,820</u></u>
Total borrowings	<u><u>4,751,847</u></u>	<u><u>475,509</u></u>

Note 7. Financial liabilities *continued*

	Note	31 Dec 20 \$
a. Reconciliation		
Loan Facility		5,000,000
Fair value of warrants	9	(385,714)
Transaction Cost		(209,744)
		<u>4,404,542</u>
Amortisation of finance cost		204,389
Repayment of contractual payment		(125,055)
		<u>4,483,876</u>

The Pure Asset loan facility over a 4 year term with a 9.95% interest rate, interest payable every 3 months. Transaction costs are costs that are directly attributable to the loan and include loan origination fees, legal fees, and warrants. 14,285,714 detached warrants were issued to Pure on 31/07/2020 with an exercise price of \$0.35 each. These have been included in transaction costs and have been valued using a Black-Scholes option pricing model. The balance of unamortised transactions cost of \$595,458 is offset against the borrowings of \$5,000,000. The security of the facility is a first-ranking general security over all assets of Xref Limited and its subsidiaries.

The Group is in compliance with its loan covenants and expects to continue to meet all covenants at the next review on 30 June 2021.

Note 8. Contract liabilities - unearned revenue

	Consolidated	
	31 Dec 20 \$	30 Jun 20 \$
Balance brought forward	7,847,799	6,262,763
Credits sold	4,458,877	9,325,579
Add: Opening conditional credits	1,011,261	1,881,476
Less: Usage	(4,890,592)	(8,648,269)
Less: Closing conditional credits	(609,779)	(1,011,261)
Net unearned revenue movement	<u>(30,233)</u>	<u>1,547,524</u>
Opening balance revaluation due to forex	(63,165)	37,511
Balance carried forward	<u>7,754,401</u>	<u>7,847,799</u>
Unearned Revenue – Rapid ID	7,527	-
Total Unearned Revenue	<u>7,761,928</u>	<u>7,847,799</u>

Note 8. Unearned Revenue *continued*

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

Note 9. Reserves

	Note	Consolidated	
		31 Dec 20 \$	30 Jun 20 \$
Foreign currency reserve		(129,731)	(361,629)
Options Reserve		2,109,143	1,797,122
Warrants	7	385,714	-
Consolidation Reserve		<u>(22,845,821)</u>	<u>(22,845,821)</u>
		<u>(20,480,695)</u>	<u>(21,410,328)</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.

Performance Rights Reserve

The performance rights reserve is used to record unutilised performance rights issued on 18 January 2016 as a part of the consideration for Xref Pty Ltd. Performance Rights operate as an equity-settled, share based compensation plan. When rights are realised, the balance less any attributable transaction costs will be transferred to issued capital. If rights are not used, they would be offset against the consolidation reserve.

The 16,666,666 C Class Performance Rights expired on the 20th January 2021 as the performance milestone was not achieved.

Note 9. Reserves *continued***Options reserve**

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Options Reserve \$A
At 30 June 2017	7/12/16	25/11/22	\$0.70	2,500,000	357,000
At 30 June 2017	7/12/16	25/11/21	\$0.70	5,400,000	646,920
Granted	22/09/17	3/07/21	\$0.59	746,025	166,289
Granted	22/09/17	3/07/21	\$0.58	95,390	21,444
Granted	22/03/18	5/02/22	\$0.66	154,480	12,270
Granted	22/03/18	12/02/21	\$0.70	1,000,000	69,670
Granted	22/03/18	12/02/22	\$0.70	750,000	69,635
Granted	22/03/18	12/02/23	\$0.70	750,000	84,023
Granted	4/12/18	3/09/21	\$0.70	300,000	20,730
Granted	4/12/18	3/09/22	\$0.70	300,000	28,620
Granted	4/12/18	3/09/23	\$0.66	300,000	36,570
Granted	4/12/18	1/08/22	\$0.66	315,664	31,472
Granted	4/12/18	29/11/22	\$0.70	2,500,000	253,000
Closing balance		30/06/20		15,111,559	1,797,123

Note 9. Reserves *continued*

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Options Reserve \$A
At 30 June 2017	7/12/16	25/11/22	\$0.70	2,500,000	357,000
At 30 June 2017	7/12/16	25/11/21	\$0.70	5,400,000	646,920
Granted	22/09/17	3/07/21	\$0.59	746,025	166,289
Granted	22/09/17	3/07/21	\$0.58	95,390	21,444
Granted	22/03/18	5/02/22	\$0.66	154,480	16,190
Granted	22/03/18	12/02/21	\$0.70	1,000,000	69,670
Granted	22/03/18	12/02/22	\$0.70	750,000	69,635
Granted	22/03/18	12/02/23	\$0.70	750,000	84,023
Granted	4/12/18	3/09/21	\$0.70	300,000	20,730
Granted	4/12/18	3/09/22	\$0.70	300,000	28,620
Granted	4/12/18	3/09/23	\$0.66	300,000	36,570
Granted	4/12/18	1/08/22	\$0.66	315,664	31,472
Granted	4/12/18	29/11/22	\$0.70	2,500,000	253,000
Granted	20/07/20	15/01/24	\$0.35	2,750,101	77,639
Granted	6/11/20	1/05/24	\$0.35	107,143	1,942
Granted	7/09/20	15/01/24	\$0.18	4,000,000	228,000
Closing balance		31/12/20		21,968,803	2,109,143

During the half year ended 31/12/2020, 214,179 options lapsed and no options were exercised.

On 20 July 2020, 2,931,099 options were issued to 50 eligible participants under the terms of the Employee Option Plan. Of these, 300,000 options were issued to the COO, and 33,543 were issued to the Company Secretary. These options vest on 15/01/21 and expire on 15/01/24.

On 7 September 2020, 2,000,000 options were issued to the CFO, and 2,000,000 options were issued to the COO under the terms of Xref's Employee option plan. These options vested on 07/09/20 and expire on 15/01/24.

On 6 November 2020, 107,143 options were issued to the General Manager – Global Sales as part of his remuneration compensation. The options vest on 01/05/21 and will expire on 01/05/24.

Consolidation reserve

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

Warrant reserve

In conjunction with the facility agreement being signed on 31 July 2020, a warrant deed was also signed with Pure Asset Management on the same date (note 7). 14,285,714 detached warrants were issued to Pure Asset Management with an exercise option of \$0.35 each exercisable within the next 4 year period. The fair value of the warrants was determined using the black scholes methodology with a volatility rate of 62% and a grant date share price of \$0.13. The fair value of the warrants as disclosed per the financials is \$385,714.

Note 10. Related Parties

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

a. Purchase of services

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Key management personnel	54,635	230,802

b. Key management compensation - See Information below

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Short term employee benefit	618,100	1,169,639
Post employment benefits	42,730	82,427
Share based payments	123,474	76,349
Total	<u>784,304</u>	<u>1,328,415</u>

Note 11. Events Occurring After the Reporting Date

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

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Director's Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Lee-Martin Seymour

Managing Director

26 February 2021

Sydney



Brad Rosser

Chairman

26 February 2021

Sydney

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

Conclusion

We have reviewed the half-year financial report of Xref Limited (the Company), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of Xref Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis of Conclusion

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

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 the Crowe Australasia external audit division. 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. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees.

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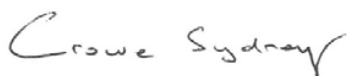
Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Crowe Sydney



Ash Pather
Partner

26 February 2021

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Brad Rosser

Chairman

Lee-Martin Seymour

Tim Griffiths

Nigel Heap

LEADERSHIP TEAM

Lee-Martin Seymour

Chief Executive Officer,
Co-Founder

Tim Griffiths

Chief Strategy Officer,
Co-Founder

James Solomons

Chief Financial Officer

Sharon Blesson

Chief Operating Officer

COMPANY SECRETARY

Robert Waring

Website

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STOCK EXCHANGE

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

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