

XREF



**2022**  
Interim Report

# Contents

For the Half Year Ended 31 December 2022

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## General information

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

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

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

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

# Directors' Report

31 December 2022

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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 2022 (H1 FY23).

## Directors

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

**Thomas Stianos**, Non-Executive Chairman

**Nigel Heap**, Non-Executive Director

**Lee-Martin Seymour**, Executive Director

**Lija Wilson**, Non-Executive Director

## Principal Activities

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

## Review of Operations

Key operating results for H1 FY23 included:

- Revenue up 8% to \$9.6 m
- NPAT loss of \$1.465m
- Group Sales up by 4% to \$10.2m
- Cash Collections from customers up 10% to \$11.3m
- Cash Balance at 31 December 2022 was \$11.4m
- Cash Generated from operations \$1.1m
- Cash Investment into platform development \$1m
- Acquired Engagement Platform Voice Project for \$4m (50% Cash + 50% script, finalised January 2023)
- Launched the all-new subscription platform - Xref Enterprise, the new Xref.com website and the Trust Marketplace

## Revenue Growth

Increasing client activity on the platform drove a 15% increase in revenues for Xref's core referencing products in the first half to \$8.1m. RapidID H1 revenue was, however, down 17% to \$1.5m due to the decline in demand from cryptocurrency clients. Overall, this resulted in Group revenue growing by 8% to \$9.6m.

In H1FY23, Xref launched its new platform offering a subscription-based service. We have begun to migrate clients from pre-paid credits to an annual subscription on this platform generating \$0.7m in subscription sales during the second quarter. Full migration of customers is expected to take more than a year to complete. We are particularly focused on this migration as it is expected to steadily increase revenue as well as the predictability of revenue.

Revenue from clients using our channel integrations grew 24% to \$3.3m in the half and represented 34% of overall Group revenue.

Revenues from Canada, USA and Europe grew by 36% to \$1.42m and represented 15% of overall Group revenue.

RapidID revenue was down 17% compared to H1FY22 largely due to a 73% decline in revenue from the cryptocurrency sector. Revenue is, however, being replaced with new sector clients such as H&R Block, Coles and Etax. Rapid ID is now less dependent on revenues from the cryptocurrency sector which represented only 15% of revenue in H1FY23 compared to 49% in H1FY22.

## Operating Results

Financial Summary	31 December 2022	31 December 2021	% Change
Total revenue	9,607,988	8,873,451	8%
EBITDA	(803,883)	468,476	-272%
NPAT	(1,465,111)	(36,987)	-3,862%
Net cash generated from operating activities	1,116,566	2,292,485	-51%

Business Results	31 December 2022	31 December 2021	% Change
Xref revenue	8,073,018	7,030,558	15%
Rapid ID revenue	1,534,970	1,842,893	-17%
<b>Total revenue</b>	<b>9,607,988</b>	<b>8,873,451</b>	<b>8%</b>
Cost of sales	(1,687,858)	(2,207,836)	-24%
OPEX	(7,945,594)	(5,845,221)	36%
Share based payments	(808,722)	(448,386)	80%
<b>Total expenses</b>	<b>(10,442,174)</b>	<b>(8,501,443)</b>	<b>23%</b>
Other income	30,303	96,468	-69%
Depreciation and amortisation	(388,311)	(212,623)	83%
<b>Operating profit/(loss)</b>	<b>(1,192,194)</b>	<b>255,853</b>	<b>-566%</b>
Finance income	22,008	3,016	630%
Finance expense	(295,225)	(295,856)	0%
<b>Net profit/loss after tax</b>	<b>(1,465,411)</b>	<b>(36,987)</b>	<b>3,862%</b>
<b>EBITDA</b>			
Net profit/(loss)	(1,465,411)	(36,987)	3,862%
Add back: net interest income and expense	273,217	292,840	-7%
Add back: net depreciation and amortisation	388,311	212,623	83%
<b>EBITDA</b>	<b>(803,883)</b>	<b>468,476</b>	<b>-272%</b>

## First Half Result

The Group result for the financial half-year after providing for income tax was a loss of \$1,465,411 (H1 FY22: Loss \$36,987).

The result was due to a strategic increase in expenditure in the following key areas:

- Non-cash share based payments of \$0.8m, up from \$0.4m in H1 FY22 associated with the issue of options to employees to lock in key talent
- \$0.2m of additional platform infrastructure costs associated with the implementation of the new Enterprise platform
- Marketing spend grew by 100% to \$0.9m to increase lead flow and to launch the new website
- An increase in salaries of \$1.1m compared to H1 FY22 which came as a result of an increase in headcount in the areas of sales, marketing and development in addition to salary adjustments such as annual reviews and a record number of promotions

The increase in expenditure was inline with budget and part of Xref's planned investment for future profitable growth.

## New Sales

H1FY23 saw slower growth of new customer sales with sales up 4% on the corresponding period last year. Xref signed a number of significant new customers during the half-year including Department of Communities and Justice (NSW), Visy, Department of the Prime Minister, Department of Home Affairs and Ausgrid in Australia, Gallager group in New Zealand, MullenLowe Group in the UK and Depop and Coast Medical in the US.

Our continual product development and the launch of our subscription service illustrate the scalability and flexibility of our platform. The new subscription model also provides an opportunity for further growth as it is expected to expand our customer base.

## Cash Flow

Cash collected from customers during the half was up 10% to \$11.3m and expenses were \$10.2m resulting in an operating cash flow surplus of \$1.1m.

## New Platform Launch - Xref Enterprise and The Trust Marketplace

Xref has extended its pre-employment offering with the launch of a full-service, hire-to-retain enterprise SaaS platform for employers called "Xref Enterprise". The Xref Enterprise platform extends Xref's addressable market tenfold and will shift Xref's global business model away from being solely usage-based to subscription, allowing Xref to decouple its revenue recognition from recruiting trends.

In unison with our new platform launch, we have launched the Trust Marketplace that encompasses ID checks from RapidID, the new Graduate Verification Scheme and additional checks such as Criminal, Right to Work and Employment checks via our partner network. The Trust Marketplace brings together a range of Online Trust products in an agnostic API-only Marketplace. All Trust Marketplace products will be available via Xref Recruiter and the new Enterprise platform.

"Recruit, Retain, and Remember your people" - this is how the all-new Xref.com website introduced the Exit Survey product. The Pulse Survey product will also be added in H2FY23. The site also showcases testimonials and Xref's impeccable ratings from all around the world and celebrates our history and the people that have driven our success.

## Voice Project Acquisition

Xref has established a global leadership position in automated applicant reference checking. Last year, Xref launched its Exit Survey product, and now with the acquisition of Voice Project, it accelerates the launch of our Pulse and Engagement Survey offering to complete the hire-to-retain product portfolio.

The acquisition, completed in January 2023, creates opportunities 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 bootstraps our launch into Pulse and Engagement and will add \$4 million in revenue in a full year.

Most importantly, the acquisition accelerates Xref's product strategy and growth potential. Xref will integrate the Voice Project portal, containing its comprehensive suite of market-leading surveys, into Xref's platform, so employers 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 Development

Xref will continue to invest in growth through data-driven digital marketing with the self-serve initiative continuing to bring inbound leads. Through digital marketing, product innovation and leading customer service, Xref aims to be a thought-leader and trusted partner to talent acquisition and HR teams globally. The Company plans to invest a further \$1.0m in product development in the second half.

## Outlook

As Xref continues to invest in product development and improving our offering, much of this work is aimed at generating profitable growth well beyond the current financial year. In the meantime, we aim to fund these developments from operating cash flow.

During the first half we invested \$1m in product development. We intend to invest a further \$1m in the second half to fill out the features of the new subscription platform. Many existing clients have indicated their preparedness to migrate to the new platform once these features are available.

There are also significant revenue opportunities in FY2024 and beyond resulting from the new platform. The product development investments scheduled in H2FY23 are necessary to fully capture this opportunity. Again, the cost of these investments will be funded from operating cash flow.

As part of increasing the scale of the business, we are focused on the following priorities in the year ahead:

- **Product Innovation.** Completing the development of the newly launched enterprise platform with the addition of Pulse Surveys and self-service, completing the build of Trust Marketplace API's as well as integrating the newly acquired Voice Project into Xref's platform
- **Internal processes, incentives and reporting.** These need to be updated as a result of the changing business model from credit based sales to subscriptions and the newly acquired Voice Project business
- **Marketing.** Executing go-to-market strategies to align with the newly launched Enterprise Platform and to cross sell Voice Project services. This includes new brand assets such as the new explainer videos, online help guides

We are confident of continued revenue growth for the remainder of the financial year as well as positive operating cash flow. We expect this will be achieved despite the disruption from migrating to the new operating model and subscription platform and the integration of Voice Project. Notwithstanding the planned ongoing investment in product development during H2 FY23, with the second half of the financial year traditionally being Xref's strongest, the business forecasts a return to a small NPAT profit in the second half.

## 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, Founder, Director  
**23 February 2023**

23 February 2023

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

Dear Board Members

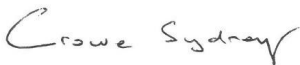
## Xref Limited

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 review of the financial report of Xref Limited for the financial half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely,



**Crowe Sydney**



**Ash Pather**  
Partner

*Liability limited by a scheme approved under Professional Standards Legislation.*

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

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# Financial Statements

## Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2022

	Note	Consolidated	
		31 December 2022 \$	31 December 2021 \$
Revenue	3	9,607,988	8,873,451
Cost of sales		(1,687,858)	(2,207,836)
<b>Gross profit</b>		<b>7,920,130</b>	<b>6,665,615</b>
Finance costs		(295,225)	(295,856)
Employee expenses		(5,146,407)	(4,076,401)
Overhead and administration expenses	4	(2,799,187)	(1,768,820)
Share based payments		(808,722)	(448,386)
Depreciation		(150,606)	(121,668)
Impairment and amortisation		(237,705)	(90,955)
<b>Total expenses</b>		<b>(9,437,852)</b>	<b>(6,802,086)</b>
<b>Operating loss</b>		<b>(1,517,722)</b>	<b>(136,471)</b>
Other income	3	52,311	99,484
Loss before income tax expense		(1,465,411)	(36,987)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Xref Limited		(1,465,411)	(36,987)
<b>Other comprehensive income / (loss), net of income tax</b>			
Exchange differences on translating foreign controlled entities		167,105	(107,542)
Other comprehensive income / (loss) for the half-year, net of tax		167,105	(107,542)
Total comprehensive loss for the half-year attributable to the owners of Xref Limited		(1,298,306)	(144,529)
<b>Earnings per share</b>			
Basic earnings per share		(0.0079)	(0.0002)
Diluted earnings per share		(0.0079)	(0.0002)

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



## Statement of Financial Position

As at 31 December 2022

		Consolidated	
		31 December	30 June
		2022	2022
	Note	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		11,445,533	11,673,989
Trade and other receivables		1,870,590	1,892,011
Capitalised commission	5	1,156,805	1,211,830
Prepayments		507,444	715,716
Total current assets		<u>14,980,372</u>	<u>15,493,546</u>
<b>Non-current assets</b>			
Financial Assets		423,877	55,070
Property, plant and equipment		219,489	229,991
Right-of-use assets		339,307	321,282
Intangibles	6	4,834,196	4,073,676
Total non-current assets		<u>5,816,869</u>	<u>4,680,019</u>
<b>Total assets</b>		<u>20,797,241</u>	<u>20,173,565</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,907,816	1,816,991
Financial liabilities	7	611,501	554,749
Employee entitlements		577,270	634,218
Unearned revenue	8	11,688,519	11,064,908
Total current liabilities		<u>14,785,106</u>	<u>14,070,866</u>

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

**Statement of Financial Position** *continued***As at 31 December 2022**

		Consolidated	
		31 December	30 June
		2022	2022
	Note	\$	\$
<b>Non-current liabilities</b>			
Financial liabilities	7	4,434,144	4,405,732
Employee entitlements		225,793	224,785
Total non-current liabilities		4,659,937	4,630,517
Total liabilities		19,445,043	18,701,383
<b>Net assets</b>		1,352,198	1,472,182
<b>Equity</b>			
Issued capital		55,470,213	55,100,613
Reserves	9	(20,935,439)	(21,492,803)
Retained earnings		(33,182,576)	(32,135,628)
<b>Total equity</b>		1,352,198	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 half year ended 31 December 2022

Consolidated	Issued capital \$	Warrants \$	Share option reserves \$	Foreign currency translation reserve \$	Consolidation reserve \$	Retained profits \$	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 for the half-year	-	-	-	-	-	(1,465,411)	(1,465,411)
Other comprehensive income for the half-year	-	-	-	167,105	-	-	167,105
Total comprehensive income/(loss) for the half-year	-	-	-	167,105	-	(1,465,411)	(1,298,306)
<b>Transactions with owners in their capacity as owners</b>							
Shares issued during the half-year	369,600	-	-	-	-	-	369,600
Options issued	-	-	808,722	-	-	-	808,722
Options lapsed	-	-	(17,652)	-	-	17,652	-
Options expired	-	-	(400,811)	-	-	400,811	-
Balance at 31 December 2022	55,470,213	308,571	1,986,902	(385,091)	(22,845,821)	(33,182,576)	1,352,198

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

**Statement of Changes in Equity** *continued***For the half year ended 31 December 2021**

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

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

## Statement of Cash Flows

For the half year ended 31 December 2022

	Note	Consolidated	
		31 December 2022 \$	31 December 2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		11,311,655	10,268,776
Payments to suppliers (inclusive of GST)		(10,217,097)	(7,979,307)
Interest received		22,008	3,016
<b>Net cash provided by operating activities</b>		<u>1,116,566</u>	<u>2,292,485</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(998,224)	(717,927)
Payments for property, plant and equipment		(21,178)	(15,195)
<b>Net cash used in investing activities</b>		<u>(1,019,402)</u>	<u>(733,122)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	1,014,000
Repayments of lease liabilities		(111,193)	(37,176)
Repayment of financial liabilities		(214,427)	(226,273)
<b>Net cash provided by/(used in) financing activities</b>		<u>(325,620)</u>	<u>750,551</u>
Net increase/(decrease) in cash and cash equivalents		(228,456)	2,309,914
Cash and cash equivalents at the beginning of the financial half-year		<u>11,673,989</u>	<u>8,131,072</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>11,445,533</u></u>	<u><u>10,440,986</u></u>

# Notes to Financial Statements

## For the Half Year Ended 31 December 2022

### Note 1. Summary of Significant Accounting Policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 half-year ended 31 December 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

#### Revenue recognition

Revenue is recognised as follows.

##### *Revenue from contracts with customers*

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

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

##### *Group Sales*

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

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

For RapidID sales, when customers take an ID Check the service has been performed. Revenue is recognised at the point in time when the customer uses the service.

##### *Rendering of services*

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

## Note 1. Summary of Significant Accounting Policies *continued*

### *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 income is recognised when it is received or when the right to receive payment is established.

### **Contract assets - capitalised commission**

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

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

### **Contract liabilities - unearned revenue**

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

### **Intangible assets**

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

### *Internally developed intangible assets*

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

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

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

**Note 1. Summary of Significant Accounting Policies *continued****Software*

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

*Website*

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

*Domain*

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

*Patents and trademarks*

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

*Goodwill*

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

**Borrowings**

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

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



**Note 2. Operating Segments**

Consolidated 31 December 2022	Candidate Referencing \$	ID Verification \$	Total \$
<b>Revenue</b>			
Revenue from external customers	8,074,950	1,533,038	9,607,988
Intersegment sales	-	-	-
Total revenue	8,074,950	1,533,038	9,607,988
Other revenue	26,026	4,277	30,303
Total segment revenue	8,100,976	1,537,315	9,638,291
Intersegment eliminations			-
Interest revenue			22,008
<b>Total revenue</b>			<u>9,660,299</u>
<b>EBITDA</b>	<u>(1,029,730)</u>	<u>225,847</u>	<u>(803,883)</u>
Depreciation and amortisation			(388,311)
Interest revenue			22,008
Finance costs			(295,225)
Loss before income tax			(1,465,411)
Income tax expense			-
<b>Loss after income tax</b>			<u>(1,465,411)</u>
<b>Assets</b>			
Segment assets	<u>22,323,476</u>	<u>2,181,676</u>	<u>24,505,152</u>
Intersegment eliminations			(5,041,897)
Unallocated assets:			
Goodwill			1,333,986
<b>Total Assets</b>			<u>20,797,241</u>
Total assets includes:			
Investments in subsidiaries	<u>5,041,897</u>	<u>-</u>	<u>5,041,897</u>
<b>Liabilities</b>			
Segment liabilities	<u>18,100,378</u>	<u>1,344,665</u>	<u>19,445,043</u>
Intersegment eliminations			-
<b>Total liabilities</b>			<u>19,445,043</u>

**Note 2. Operating Segments** *continued*

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

**Note 3. Revenue**

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
<b>Revenue from contracts with customers</b>		
Sales Xref	8,695,593	8,008,513
Less adjustment for unearned revenue	<u>(620,643)</u>	<u>(977,955)</u>
	8,074,950	7,030,558
 Sales Rapid ID	 1,517,604	 1,935,398
Less adjustment for unearned revenue	<u>15,434</u>	<u>(92,505)</u>
	1,533,038	1,842,893
 Total revenue	 <u>9,607,988</u>	 <u>8,873,451</u>
 <b>Other revenue</b>		
Interest	22,008	3,016
Government subsidies	-	23,487
Other revenue	<u>30,303</u>	<u>72,981</u>
	52,311	99,484
 Total revenue and other income	 <u>9,660,299</u>	 <u>8,972,935</u>

## Disaggregation of revenue

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

Consolidated 31 December 2022	Candidate Referencing \$	ID Verification \$	Total \$
<b>Revenue from customers</b>			
Revenue	<u>8,074,950</u>	<u>1,533,038</u>	<u>9,607,988</u>
	<u>8,074,950</u>	<u>1,533,038</u>	<u>9,607,988</u>
 <b>Geographical regions</b>			
Australia	5,699,393	1,528,873	7,228,266
Canada	343,622	-	343,622
United Kingdom	353,436	4,165	357,601
New Zealand	961,259	-	961,259
United States	<u>717,240</u>	<u>-</u>	<u>717,240</u>
	<u>8,074,950</u>	<u>1,533,038</u>	<u>9,607,988</u>

**Note 3. Revenue** *continued*

Consolidated 31 December 2022	Candidate Referencing \$	ID Verification \$	Total \$
Timing of revenue recognition			
Goods transferred at a point in time	8,376,438	1,533,038	9,909,476
Services transferred over time	(301,488)	-	(301,488)
	<u>8,074,950</u>	<u>1,533,038</u>	<u>9,607,988</u>

## Disaggregation of revenue

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

Consolidated 31 December 2021	Candidate Referencing \$	ID Verification \$	Total \$
Revenue from customers			
Revenue	<u>7,030,558</u>	<u>1,842,893</u>	<u>8,873,451</u>
	<u>7,030,558</u>	<u>1,842,893</u>	<u>8,873,451</u>
Geographical regions			
Australia	5,118,385	1,840,077	6,958,462
Canada	289,088	-	289,088
United Kingdom	376,112	2,816	378,928
New Zealand	870,599	-	870,599
United States	<u>376,374</u>	<u>-</u>	<u>376,374</u>
	<u>7,030,558</u>	<u>1,842,893</u>	<u>8,873,451</u>
Timing of revenue recognition			
Goods transferred at a point in time	6,700,343	1,842,893	8,543,236
Services transferred over time	<u>330,215</u>	<u>-</u>	<u>330,215</u>
	<u>7,030,558</u>	<u>1,842,893</u>	<u>8,873,451</u>

**Note 4. Overheads and administrative expenses**

	Consolidated	
	31 December	31 December
	2022	2021
	\$	\$
Administration expenses	1,303,514	963,180
Marketing fees	865,765	419,796
Consulting and professional fees	228,187	236,763
Accounting and consulting fees	141,939	117,269
Legal expenses	84,694	15,639
Foreign exchange gain/(loss)	74,264	(89,007)
Operating lease payments	61,035	79,873
Auditing or reviewing the financial report	39,789	25,307
<b>Overhead and administration expenses</b>	<b>2,799,187</b>	<b>1,768,820</b>

**Note 5. Contract assets - Capitalised Commission**

	Consolidated	
	31 December	30 June
	2022	2022
	\$	\$
<b>Current</b>		
Capitalised Commission - at cost - Credit Sales	1,055,545	1,160,636
Capitalised Commission - at cost - Subscriptions	101,260	51,194
<b>Total current contract assets</b>	<b>1,156,805</b>	<b>1,211,830</b>

## Note 6. Intangible Assets

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
Goodwill	1,333,986	1,333,986
Patents, trademarks and other rights	61,337	61,337
Accumulated amortisation and impairment	(5,074)	(4,504)
	<u>56,263</u>	<u>56,833</u>
Website	325,000	325,000
Accumulated amortisation and impairment	(216,667)	(162,055)
	<u>108,333</u>	<u>162,945</u>
Software development	279,266	2,019,710
Software	3,233,126	494,729
Accumulated amortisation and impairment	(268,934)	(92,169)
	<u>2,964,192</u>	<u>402,560</u>
Domain Names	114,229	113,958
Accumulated amortisation and impairment	(22,073)	(16,316)
	<u>92,156</u>	<u>97,642</u>
<b>Total intangibles</b>	<u><u>4,834,196</u></u>	<u><u>4,073,676</u></u>

**Note 7. Financial Liabilities**

	Consolidated	
	31 December	30 June
	2022	2022
	\$	\$
<b>Current</b>		
Lease liability	186,501	129,749
Borrowings - Pure Asset Management	425,000	425,000
<b>Total current borrowings</b>	<u>611,501</u>	<u>554,749</u>
<b>Non-current</b>		
Lease liability	147,974	200,540
Borrowings - Pure Asset Management	4,286,170	4,205,192
<b>Total non-current borrowings</b>	<u>4,434,144</u>	<u>4,405,732</u>

**Note 8. Current liabilities - Unearned Revenue**

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
<b>Xref unearned revenue movement</b>		
Opening balance — Xref	10,987,225	8,783,300
Credits sold	8,702,108	17,751,578
Add: Opening conditional credits	1,428,394	1,474,436
Less: Usage	(8,187,979)	(15,551,723)
Less: Closing conditional credits	(1,292,897)	(1,428,393)
	649,626	2,245,898
Foreign exchange revaluation impacts	(13,607)	(41,973)
Closing balance — Unearned revenue Xref	11,623,244	10,987,225
<b>RapidID unearned revenue movement</b>		
Opening balance — RapidID	77,683	15,993
Add: Prepaid Checks Sold	4,300	102,240
Less: Prepaid Checks Used	(16,708)	(40,550)
Closing balance — Unearned revenue RapidID	65,275	77,683
<b>Balance carried forward</b>	<u>11,688,519</u>	<u>11,064,908</u>

**Unsatisfied performance obligations**

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

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



**Note 9. Reserves**

	Consolidated	
	31 December	30 June
	2022	2022
	\$	\$
Foreign currency reserve	(385,091)	(552,196)
Options Reserve	1,986,902	1,596,643
Consolidation reserve	(22,845,821)	(22,845,821)
Warrants	308,571	308,571
	<u>(20,935,439)</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.

**Share options reserve**

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Options Reserve \$A
At 30 June 2017	07/12/2016	25/11/2022	\$0.70	2,500,000	357,000
Granted	22/03/2018	12/02/2023	\$0.70	750,000	84,023
Granted	04/12/2018	03/09/2022	\$0.70	300,000	28,620
Granted	04/12/2018	03/09/2023	\$0.66	300,000	36,570
Granted	04/12/2018	01/08/2022	\$0.66	176,194	17,567
Granted	20/07/2020	15/01/2024	\$0.35	2,136,923	66,245
Granted	20/07/2020	15/01/2024	\$0.35	300,000	9,300
Granted	20/07/2020	15/01/2024	\$0.35	33,543	1,040
Granted	07/09/2020	15/01/2024	\$0.18	4,000,000	228,000
Granted	26/11/2021	17/11/2024	\$0.35	900,000	232,665
Granted	26/11/2021	17/11/2024	\$0.54	2,700,000	535,613
Closing balance		30/06/2022		<u>14,096,660</u>	<u>1,596,643</u>

**Share options reserve** *continued*

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Options Reserve \$A
Granted	22/03/2018	12/02/2023	\$0.70	750,000	84,023
Granted	04/12/2018	03/09/2023	\$0.66	300,000	36,570
Granted	20/07/2020	15/01/2024	\$0.35	1,644,113	50,968
Granted	20/07/2020	15/01/2024	\$0.35	300,000	9,300
Granted	20/07/2020	15/01/2024	\$0.35	33,543	1,040
Granted	07/09/2020	15/01/2024	\$0.18	2,000,000	114,000
Granted	07/09/2020	15/01/2024	\$0.18	2,000,000	114,000
Granted	26/11/2021	17/11/2024	\$0.35	900,000	302,516
Granted	26/11/2021	17/11/2024	\$0.54	2,700,000	696,811
Granted	05/07/2022	05/07/2025	\$0.00	629,359	123,847
Granted	05/07/2022	05/07/2026	\$0.50	4,660,000	337,648
Granted	05/07/2022	05/07/2026	\$0.42	1,453,241	116,179
Closing balance		31/12/2022		<u>17,370,256</u>	<u>1,986,902</u>

**Options Reserve**

During the half-year ended 31/12/2022, 516,626 options lapsed and 2,952,378 options expired.

On 05/07/2022, 6,742,600 options were issued to employees based on position and tenure, with a vesting date of 05/07/2023 and expiry date of 05/07/2026.

**Consolidation reserve**

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

**Warrant reserve**

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

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

## Note 10. Related Parties

### Transactions with related parties

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

The following transactions occurred with related parties:

#### a. Purchase of services

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
Key management personnel	59,634	72,927

## Note 11. Events Occurring After the Reporting Date

The financial report was authorised for issue on 23 February 2023 by the board of directors.

On 3 January 2023, Xref acquired employee engagement company Voice Project. The purchase price is a combination of cash of \$2 million AUD and also Xref Shares of up to \$2 million to be issued on the 1st and 2nd anniversaries following completion, conditional on performance. The acquisition will add approximately \$4 million to Xref's revenues and increase staff from 85 to 100.

For more information, please refer to ASX release of 23 November 2022.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Director's Declaration

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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 2022 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

23 February 2023

Sydney



**Thomas Stianos**

Chairman

23 February 2023

Sydney

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

## Conclusion

We have reviewed the half-year financial report of Xref Limited (the Company) and its controlled entities (the Group)), which comprises the statement of financial position as at 31 December 2022, 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 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Basis of Conclusion

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

*Liability limited by a scheme approved under Professional Standards Legislation.*

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

*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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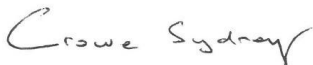
## Responsibility of the Directors for the Financial Report

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 2022 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

23 February 2023

## 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  
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London

### Canada

Suite 202  
1 Adelaide Street East  
Toronto, Ontario

### United States

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13809 Research Blvd  
Austin, Texas

### New Zealand

Level 10  
11 Britomart Place  
Auckland

### Website

xref.com

## DIRECTORS

### Thomas Stianos

Chairman

### Lee-Martin Seymour

### Nigel Heap

### Lija Wilson

### Robert Waring

Company Secretary

## LEADERSHIP TEAM

### Lee-Martin Seymour

Chief Executive Officer,  
Co-Founder

### James Solomons

Chief Financial Officer &  
Chief Operating Officer

### Sharon Blesson

Chief Technology Officer

### Karina Guerra

Group Marketing Director

### Tracy Murdoch

General Counsel

## AUDITORS

### Crowe Sydney

Level 15  
1 O'Connell Street  
Sydney NSW 2000  
Tel: +61 2 9262 2155

## STOCK EXCHANGE

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

## SHARE REGISTRY

### Computershare

### Investor Services Pty Ltd

Yarra Falls,  
452 Johnston Street  
Abbotsford, Victoria  
Australia 3067  
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