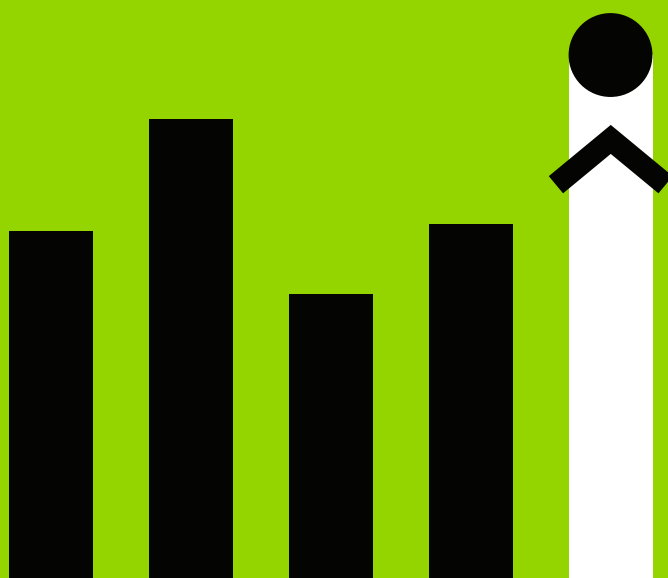


XREF



2019

ANNUAL 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 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:

**Unit 14, 13 Hickson Road,
Dawes Point, New South Wales, Australia, 2000**

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.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2019. The directors have the power to amend and reissue the financial statements.

2019 Highlights

Total Sales

\$10 million

42% ↑

TOTAL ANNUAL GROWTH

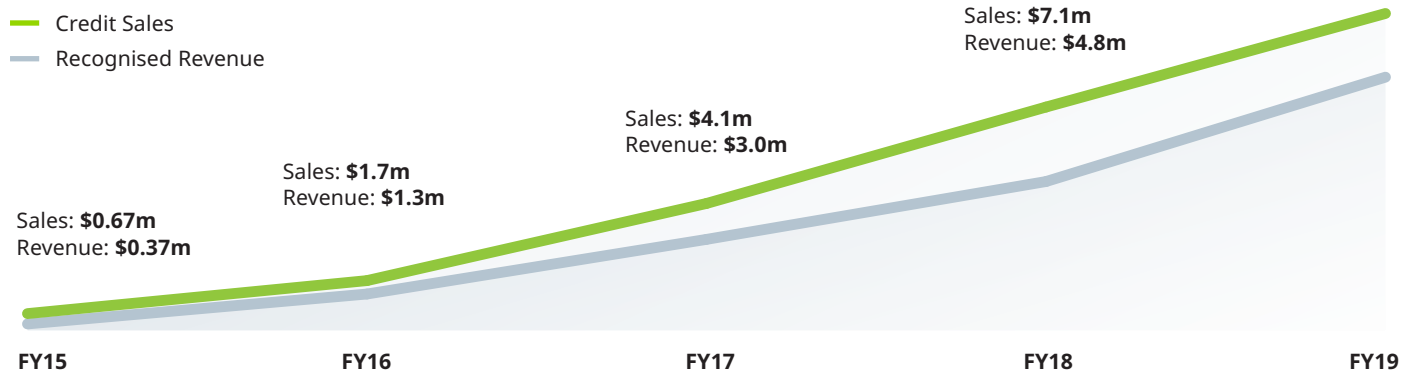
Recognised Revenue

\$8 million

66% ↑

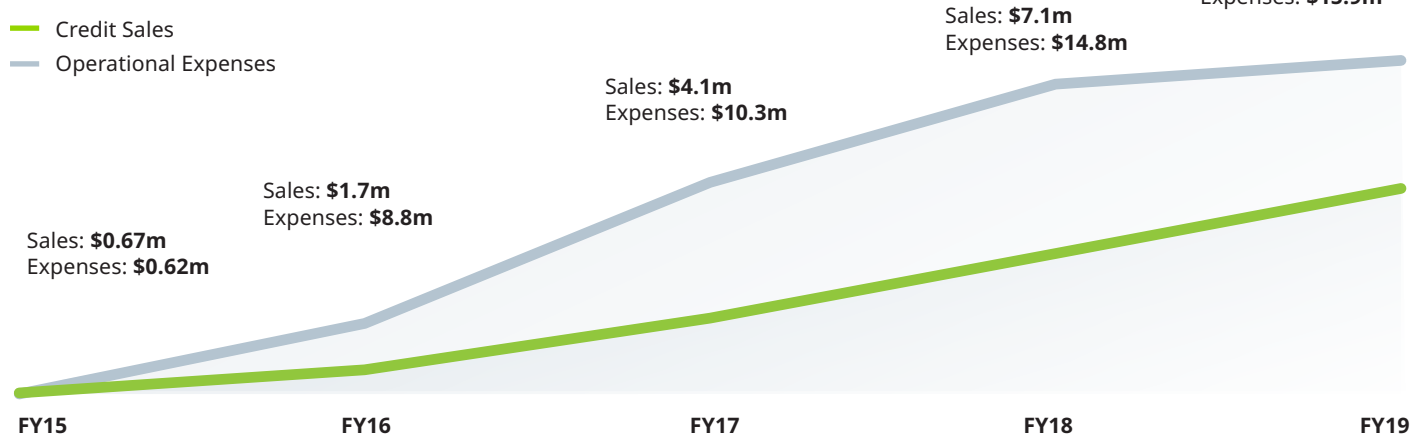
TOTAL ANNUAL GROWTH

Credit Sales vs. Recognised Revenue



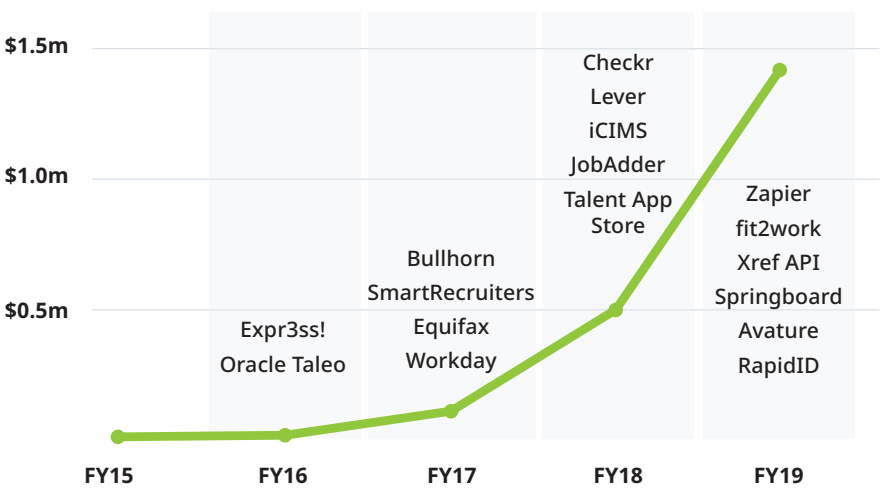
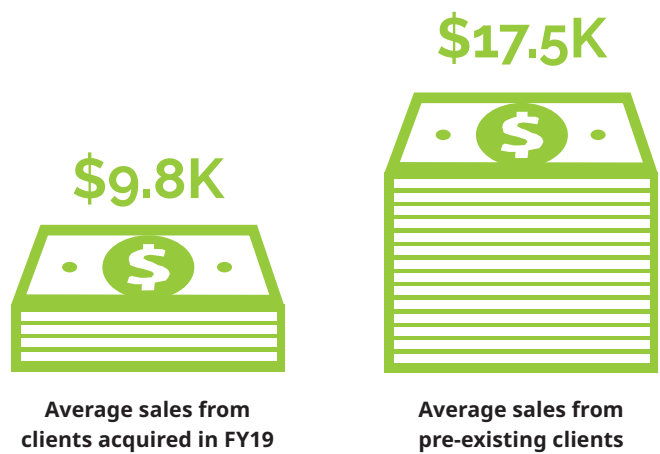
Under Xref's business model, clients purchase Xref credits to use our candidate referencing platform. These credit sales are reported initially as unearned income, and when clients pay for the credits, this is recognised as cash receipts. The credits are consumed when reference checks are ordered, and credit usage becomes recognised revenue.

Credit Sales vs. Operational Expenses



Average Revenue Per Account (ARPA)

The ARPA contributed by newly acquired clients joining us during FY19 was **\$9,756**, while pre-existing clients who topped up in the same period contributed, on average, **\$17,417**. This demonstrates the positive impact that an increase in platform usage over time has on ARPA.



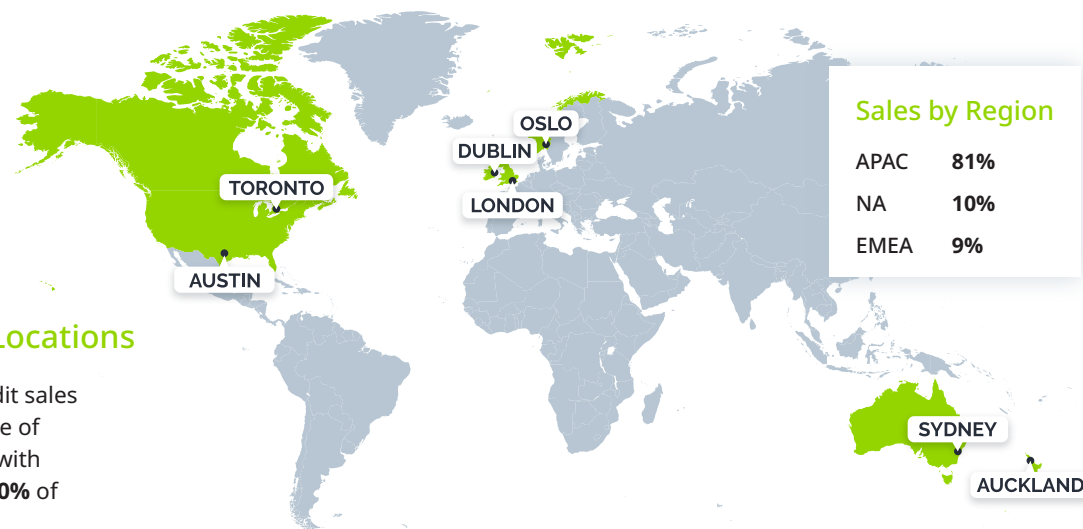
Partnerships

Since FY16, Xref has poggessively built 16 new integrations with gobal partners and launched its own public API platform to allow third-party organisations to more efficiently integrate their software with Xref.

The recognised revenue associated to credits consumed through an integration grew to **\$1.4m** in FY19 and contributed **17.5%** of revenue.

Overseas Sales and Locations

During the financial year, credit sales contributed by regions outside of APAC grew from **13%** to **19%** with North Amercia contributing **10%** of total credit sales.



Chairman's Report



Introducing Xref's fourth annual report

It's a pleasure to welcome shareholders to Xref's annual report for the 2019 financial year, which has been another significant period of growth, evolution and expansion for the company.

Xref introduced automated reference checking to the HR and recruitment industries a long time before the concept of tech-driven recruitment processes had been established. This first-mover advantage has always been a major catalyst for the growth of the company and remains the backbone of its success. Today, the narrative is changing for Xref as it continues to educate the market on the importance of prioritising data and knowledge when it comes to human capital decision making.

Xref's platform continues to evolve and lead the market

A consistent theme of the past year has been the ongoing evolution of the services and support offered to our customers, particularly in terms of the added security measures introduced. The strength of the platform's security was validated by the achievement of ISO27001 certification.

User experience also continues to be a key focus, along with adding and improving platform integrations. These partnerships are becoming an increasingly important sales channel, providing a growing number of users with ease of access to Xref from within their existing recruitment workflow systems.

Sales and client growth

Credit sales of \$10 million for the year, were up 42% when compared to FY18. We are also delighted that international sales during FY19 accounted for 19% of total credit sales, illustrating the strong demand for Xref's service in major global markets and the very significant international growth opportunities that lie ahead.

Active clients also grew significantly during FY19, with 915 clients now using the platform directly. A further 229 are using it via one of the 16 platform integrations the company now supports, and 17% of usage has come via an integrated solution provider.

RapidID acquisition

On 1st July 2019, we were delighted to announce the acquisition of RapidID. RapidID is a highly complementary and strategically important acquisition for Xref. Its technology has been integrated into Xref's core platform and it now allows Xref's clients and channel partners to perform identity checks on candidates.

HR professionals are looking for better ways to verify the backgrounds and identity of candidates and Xref now brings a seamless and integrated service to their platform of choice. This paid service is already beginning to gain traction.

Global team growth

It goes without saying that the ongoing success of Xref would not be possible without a highly skilled and dedicated team. As we continue to expand our offering and our reach into new markets, our global team continues to grow.

As well as leveraging the sales functions of our channel partners we have grown our own sales, account management and customer success teams across Australia, New Zealand, Norway, the UK, Ireland, Canada and the US. Across the business, more than 50% of our team is now client facing. As a "land and expand" business, we have worked hard to understand our customer journey and build highly skilled teams to support it.

Outlook

In our FY18 annual report, I talked about having laid the foundations for strong and sustainable growth, and the exciting path ahead for the company. I believe we have risen to that expectation in the year that has passed and I maintain a bold and positive outlook for the future.

This new financial year will again be transformational as we move from being an automated reference checking provider to a platform offering continuous verification of human capital, from hire to retire. We are now capable of verifying a candidate's journey, performance and identity on a global scale. The HR and recruitment industry has a growing focus on making sure the candidate has been where they say they have been, has done what they say they have done and are who they say they are. We are in a great position to leverage this opportunity, globally and at scale.

A handwritten signature in black ink, appearing to read 'Brad Rosser'.

Brad Rosser,
Chairman



Chief Executive Officer and Chief Strategy Officer Report



A year of achievement and new opportunity

This financial year has been another exciting and enlightening year for Xref. We started the year with a huge opportunity ahead of us, to continue to expand our core offering through the direct sales and indirect partner channels we had established and which were performing well. As we closed the year, we evolved our offering far beyond this core product and capability through the acquisition of RapidID.

Over the last eight years, we have supported clients in validating that the professional history claims made by candidates were accurate and true. The acquisition of RapidID now allows us to enable clients to go one major step further and verify their candidate's identity. This changes the Xref narrative and once again puts us in a first-mover position, recognising and embracing the opportunity presented by combining biometric verification technologies with global identity databases, something that is new to the market but will become absolutely critical to future human capital management.

Growth against key business metrics

Under our business model, when clients purchase credits (credit sales) to use the candidate referencing platform, the value of their purchases is recognised as unearned income. When they pay for the credits, the cash is recognised as cash receipts. Once the credits are used by the client (usage), we recognise the value of the credits used as revenue (recognised revenue).

We are delighted to report another year of record credit sales, finishing the year with a 42% increase to \$10 million, up from \$7.1 million in FY18. Our growth is underpinned by strong client acquisition and increasing adoption of our service by existing clients (ARPA). We expect both trends to continue and we are encouraged by our strong momentum heading into FY20.

Client acquisition continued to grow in FY19, and at 30 June 2019, 915 direct paying clients were using our services globally, excluding those accessing our platform through our partner network. We also had another positive year in the growth of client adoption, with 36% of sales revenue coming from new clients.

ARPA continues to increase

The ARPA (Average Revenue Per Account) across the business is now \$13,576, a 46% increase since the metric was first reported in January 2018. First year clients (which comprise 32% of all current clients) have an ARPA of \$9,756. Based on historical trends, the ARPA of these clients can be expected to almost double by their third year using Xref. During FY19, existing clients who topped up their credits contributed, on average, \$17,417.

As the average tenure of Xref's client base grows, ARPA will also continue to grow and, along with it, Xref's total revenue. This organic growth comes at a low incremental cost thereby accelerating Xref's progress towards cash flow break-even.

Changing market trends

One of the key market influences we have noticed this year is a more rapid recovery rate following the Christmas holiday period. Xref monitors hiring recovery rates and trends to predict the resilience of the industry and forecast activity. In previous years, Australian clients have typically taken around six weeks to return to peak credit usage levels due to the impact of the Australia Day holiday at the end of January.

However, by week four of 2019, credit usage had already achieved 85% recovery. In the Northern Hemisphere, Christmas and New Year holidays are shorter and, over time, we expect our geographic expansion will result in less seasonality in overall usage.

Security takes priority

Another increasingly important focus for all Xref users, regardless of industry, region or role in the hiring process, is data security, privacy and accessibility. Xref's clients, candidates and referees demand security standards compliant with regulations, such as the European Union's General Data Protection Regulation (GDPR), Australia's Privacy Act and Canada's Personal Information and Electronic Documents Act (PIPEDA). Our ability to meet and exceed these standards is a powerful differentiator.

Following two rigorous years of development and compliance, we were delighted, in September 2018, to secure ISO 27001 certification. This demonstrates best practice for a data management system and validates the security of our business, in terms of our platform structure, the behaviour of our people and the way we manage data as an organisation. .

Ongoing investment and platform development has enabled us to meet the highest security and data protection standards. This certification supports our strategy to be a global leader in candidate information management and has proven to aid the process of securing major client agreements while shortening the overall sales cycle by eliminating the need for clients' complex security diligence.

Integrations and partnerships

In 2016, partnering with the world's most successful ATS providers became a major component of our growth strategy and we continue to recognise the success of that decision. We build these integrations based on the requirements of our clients, they are feature-rich and ensure clients are afforded all of the functionality of the native Xref platform, as part of their existing recruitment workflow. This means every integration is built to meet clients' expectations and removes any risk of a poor client experience.

With every integration we agree a go-to-market strategy and work as a partner to leverage the opportunity. We have also become a partner of choice for many providers and have been recognised as SmartRecruiters' partner of the year.

Our partnerships provide us with access to thousands of sales people that can refer us to tens of thousands of businesses we are not yet supporting. Over the last year we have seen integrated clients improve their rate of adoption by using more Xref credits.

During the year, the number of clients using Xref via integrated platform partners grew to 229, up 92% on the previous year. Credit usage from this channel grew 290% to \$1.4 million and reached 18% of overall credit usage.

We are now able to offer Xref through 16 'live' platform integrations, which include JobAdder, Bullhorn, Checkr, Equifax, Expr3ss!, fit2work, iCIMS, Lever, Oracle Taleo, SmartRecruiters, Talent App Store, Workday, Zapier, Avature and RapidID. Our new public API platform now also allows third-party organisations to more efficiently integrate their software with Xref, reducing the time required to bring an integration with Xref's platform to market. In July 2018 we launched our first public API-driven integration with the recruitment tool, Springboard, a workforce solution offered by recruitment process outsourcing organisation PeopleScout.

Industry recognition

During the first half of the year, Xref was recognised by two awards programmes — the Deloitte Technology Fast 50 Awards, and the HRD Service Provider Awards. Our inclusion at number 22 on the Deloitte list is a testament to the significant growth and organisational maturity Xref has been able to achieve. Being named Gold Medalists in both the pre-employment screening and recruitment categories of the HRD Service Provider Awards demonstrates our point of difference and the value we offer customers.

In May 2019, we were also proud to be awarded the CRN IMPACT Award in the Exporting Innovation category. These awards celebrate Australian technology innovators and, through the exporting innovation category in particular, the companies that are successfully expanding their technology solutions globally.

With Xref now in use in almost 200 countries, this was an important accolade for us, demonstrating the impact we are having not just in Australia but internationally.

Future growth opportunities

We enter the new financial year with a positive outlook and an extremely exciting journey ahead. We have made the first step towards true platform diversification and, in turn, the first major evolution of our brand. We have spent eight years building a robust and reliable service for organisations looking to validate the claims made by candidates and we're delighted to now be able to take those customers on the verification journey with us, putting them ahead in their markets for the technology and services they use.

The number of active Xref platform users (staff of our clients) grew 55% during FY19 to 6,021. Xref marketing, customer success and account management teams are focused on these individuals to drive future growth via automated education support campaigns while continuing to also focus on bringing in new business from our core offering, additional platform features and tools, and new products. We wish to thank our clients, team and shareholders for their ongoing support as we continue to grow and evolve the company together.



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



Tim Griffiths,
Chief Strategy Officer,
Co-Founder

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Xref Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

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

- Lee-Martin Seymour
- Timothy Griffiths
- Timothy Mahony
- Brad Rosser
- Nigel Heap

Principal activities

During the financial year the consolidated entity continued to conduct its core activity which was to develop human resources technology that automates the candidate reference process for employers.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$8,181,826 (30 June 2018: \$8,912,898).

Highlights of the financial year included:

- **Sales** — \$10 million, up 42% from \$7.1 million in FY18
- **International sales** — continued to grow and now represent 19% of the total
- **Recognised revenue (credit usage)** — was a record \$8.04 million, up 66% from \$4.84 million in FY18
- **User growth** — the number of active users of the Xref platform grew 55% during FY19, to 6,021
- **ARPA** — continued to increase to \$13,576 as a result of growing platform adoption
- **Integrations** — 229 companies using Xref's platform through one of 16 integrations, up from 92% in FY18
- **Funding** — successful placement of shares to Australian institutional investors raising \$8 million before costs in September 2018
- **RapidID acquisition** — strategic acquisition of a disruptive ID verification business to grow the XRef portfolio and increase market opportunity globally
- **Landmark clients** — major enterprise accounts introduced during FY19, including Allianz, EY, Bunnings Group, the Department of Corrections, PageGroup, Queensland Police and Sky News in Australia; New Zealand Inland Revenue, The New Zealand Customs Service and New Zealand Post, in New Zealand; New York-based Compass Real Estate, Kipp LA Schools, Zoom Video Communications and Arbor Memorial Services in North America; and Sopra Steria, Color line AS, The Crown Estates, Ocean Installer AS, Sykehuspartner AS and Telia Norge AS and Sweco across the UK and Norway.

The company continued to capitalise on high demand for its core service, automated candidate referencing, in a growing human resources technology market. The major drivers behind revenue growth included:

- **Growth through integrations**— A focus on optimising partnerships with integrated platforms resulted in the number of companies using Xref through an integration increasing to 229 by the end of FY19. The company also completed the first integration using its public API platform. Sales of credits to clients using the Xref platform through an integration reached \$2,6 million and represented 26% of overall sales for the period. Credit usage by these customers was \$1,4 million, up 290% on FY18.
- **ISO 27001 certification** — This globally recognised standard confirms that Xref's platform meets the highest levels of data security and privacy measures. ISO 27001 certification is a mandatory requirement for providing services to many large organisations. Achieving certification has opened up a significant section of the market that was previously unable to be accessed
- **International expansion** — The company continues to grow its operations globally, from its headquarters in Sydney and offices in Toronto, London, Oslo and its most recently introduced office in Auckland, New Zealand.
- **Large addressable market** — Xref has a large addressable market, including more than 180 million people in North America, 120 million people in Europe, and 15 million people in Australia and New Zealand.

Corporate

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Only July 1st a share purchase agreement was entered into to acquire 100% of the issued capital of 'RapidID Pty Limited'. The purchase price for the acquisition of RapidID is a combination of cash and Xref Shares to a total value of \$1.5m AUD. The Cash component is \$600,000 AUD and shares to the value of \$900,000 AUD will be issued to the sellers. The transaction was settled on 9 August 2019. Further details can be found at Note 34 in the Financial Statements.

No other matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The group anticipates continued growth across all business metrics and, having a strong pipeline of new business opportunities across all markets in which it operates, continues to maintain a dynamic growth trajectory.

Environmental regulation

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

Information on directors

Name:	Lee-Martin Seymour
Title:	Managing Director and Chief Executive Officer
Qualifications:	None
Experience and expertise:	Lee-Martin Seymour is a co-founder of Xref. He has 19 years recruitment experience across many geographic and market sectors. For 13 years Lee worked for one of the world's largest specialist recruitment companies. As a result he understands the demands of the employment market and is passionate about pioneering positive change for the long term. As a serial entrepreneur Lee has identified and successfully leveraged market opportunities to aid innovation in the employment sector.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares:	30,857,612 ordinary shares
Interests in options:	None
Contractual rights to shares:	8,333,333 performance rights

Name:	Timothy Griffiths
Title:	Chief Strategy Officer
Qualifications:	MBA
Experience and expertise:	Timothy Griffiths is a co-founder of Xref. Mr Griffiths, an MBA-qualified technologist, has 22 years' experience advising companies, including Virgin and SkyTV. He worked for Benchmark Capital providing technical diligence for high tech start-up investment and was co-founder of media company a2a plc, which floated on the UK stock market. More recently Tim was CIO for Jcurve Solutions, an Australian cloud NetSuite ERP provider.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	30,857,613 ordinary shares
Interests in options:	None
Contractual rights to shares:	8,333,333 performance rights

Name:	Brad Rosser
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Title:	Chairman
Qualifications:	BCom, MBA
Experience and expertise:	Brad Rosser is a business builder and entrepreneur who worked for McKinsey and Co from 1992 to 1995 before working directly for Richard Branson as Director of Corporate Development for Virgin from 1995 to 1999, helping to identify and implement start-up businesses. He holds an MBA from Cornell University's Johnson Graduate School of Management and a Bachelor of Commerce (Honours) from the University of Western Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Remuneration and Nomination Committee
Interests in shares:	None
Interests in options:	7,000,000
Contractual rights to shares:	None

Name:	Nigel Heap
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Title:	Non-Executive Director
Qualifications:	LLB,AMP
Experience and expertise:	Nigel Hays is the UK Ireland Managing Director, and Chairman of the Asia Pacific business, of Hays plc, the leading global professional recruitment group, and a member of the group's management board. He joined Hays in 1988 and over the last 20 years has successfully led the growth of the Asia-Pacific business. He has completed INSEAD's Advanced Management Program and holds a Bachelor of Laws from Manchester University.
Other current directorships:	Hays UK Ltd
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	18,000 ordinary shares
Interests in options:	900,000
Contractual rights to shares:	None

Directors' Report

Name:	Tim Mahony
Title:	Non-Executive Director
Qualifications:	BFinAdmin
Experience and expertise:	Timothy Mahony spent 18 years in investment banking, specialising in capital markets and debt trading. Tim has been involved, as investor or founder, in a number of technology start ups, either successfully exiting the business or growing the business to a mature growth phase. He is a founder and director of Globalx Information, a digital information company providing information, software and services to the legal, corporate and spatial markets throughout Australia and the UK.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Remuneration and Nomination Committee
Interests in shares:	2,550,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

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

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

Key Management Personnel

Chief Financial Officer

Mr James Solomons, BComm, FCA, CTA, GAICD

James is a chartered accountant with over 19 years of experience within the accounting & corporate finance industry. He has held various roles within the sector and has positioned himself as a leader in the accounting technology space bringing with him to Xref over 3 years of experience as Xero Australia's Head of Accounting. A successful entrepreneur in his own right James has a deep understanding of the need to find a balance between investing for growth whilst maintaining strong corporate governance processes across the business.

Company Secretary

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

Robert has more than 40 years of experience in financial and corporate roles, including more than 25 years in company secretarial roles for ASX-listed companies. He is a director of Oakhill Hamilton Pty Ltd, a company that provides secretarial and corporate advisory services to a range of listed and unlisted companies. He is also the Company Secretary of ASX-listed companies Aeris Environmental Ltd, Cobalt Blue Holdings Limited and Vectus Biosystems Limited.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Lee-Martin Seymour	11	12	1	1	-	-
Timothy Griffiths	12	12	-	-	-	-
Timothy Mahony**	11	12	1	1	2	2
Nigel Heap	12	12	-	-	2	2
Brad Rosser*	10	12	1	1	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

At the 28 August 2018 Board meeting it was resolved to expand the role of the Audit Committee, which then became the Audit and Risk Committee (with only the second of the two meetings held during the 2018-19 financial year being a joint Audit and Risk Committee meeting), and to expand the role of the Remuneration Committee, which became the Remuneration and Nomination Committee (with the one meeting held during the 2018-19 financial year being a Remuneration Committee meeting only).

*Chairman of the Board, and Chairman of the Remuneration and Nomination Committee.

**Chairman of the Audit and Risk Committee.

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation

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

Directors' Report

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

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

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

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

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

Non-executive directors remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

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

The Company's 2019 Annual Meeting ("AGM")

A Remuneration Report has been prepared for the 2019 year and a resolution will be put to the 2019 AGM to ask shareholders to approve it.

Details of remuneration

Amounts of remuneration

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

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

- Lee-Martin Seymour – Managing Director & Chief Executive Officer
- Timothy Griffiths – Executive Director & Chief Strategy Officer
- Timothy Mahony – Non-Executive Director
- Nigel Heap – Non-Executive Director
- Brad Rosser – Chairman

And the Key Management Personnel:

- James Solomons – Chief Financial Officer
- Robert Waring – Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2019	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Brad Rosser	146,574	-	-	-	-	182,054	328,628
Tim Mahony	54,167	-	-	16,625	-	-	70,792
Nigel Heap	59,583	-	-	15,422	-	16,323	91,328
<i>Executive Directors:</i>							
Lee-Martin Seymour	270,000	-	-	23,750	-	-	293,750
Timothy Griffiths	270,000	-	-	23,750	-	-	293,750
<i>Other Key Management Personnel:</i>							
James Solomons	270,000	-	-	23,750	-	92,658	386,408
Robert Waring	75,054	-	-	-	-	1,872	76,926
	1,145,378	-	-	103,297	-	292,907	1,541,582

2018	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Brad Rosser	149,081	-	-	-	-	373,027	522,108
Tim Mahony	51,815	-	-	-	-	9,042	60,857
Nigel Heap	55,000	-	-	-	-	35,576	90,576
Executive Directors:							
Lee-Martin Seymour	271,167	25,000	-	23,750	-	-	319,917
Timothy Griffiths	270,000	25,000	-	23,750	-	-	318,750
Other Key Management Personnel:							
James Solomons	270,000	25,000	-	23,750	-	103,107	421,857
Robert Waring	64,732	-	-	-	-	3,628	68,360
	1,131,795	75,000	-	71,250	-	524,380	1,802,425

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Non-Executive Directors:</i>						
Brad Rosser (Chairman)	100%	100%	-	-	-	-
Timothy Mahony	100%	100%	-	-	-	-
Nigel Heap	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Lee-Martin Seymour	100%	92%	-	8%	-	-
Timothy Griffiths	100%	92%	-	8%	-	-
<i>Other Key Management Personnel:</i>						
James Solomons	100%	92%	-	8%	-	-
Robert Waring	100%	100%	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Remuneration and Nomination Committee.

Service agreements

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

Name:	Lee-Martin Seymour
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	1 July 2017
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2019 of \$250,000pa, plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 1 month termination notice by either party. Discretionary bonus may be paid as per Nomination and Remuneration Committee approval and KPI achievement. Non-solicitation and non- compete clauses exist.

Name:	Timothy Griffiths
Title:	Executive Director and Chief Strategy Officer
Agreement commenced:	1 July 2017
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2019 of \$250,000pa, plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 1 month termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non- compete clauses exist.

Name:	James Solomons
Title:	Chief Financial Officer
Agreement commenced:	1 July 2017
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2019 of \$250,000, plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 1 month termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement along with ability to receive options in Xref Limited. Non-solicitation and non-compete clauses exist.

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

Share-based compensation

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
4 December 2018	1 August 2019	1 August 2022	\$0.66	\$0.0997

Options granted carry no dividend or voting rights.

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

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Number of options granted during the year 2019	Number of options granted during the year 2018	Number of options vested during the year 2019	Number of options vested during the year 2018
Tim Mahony	-	-	-	300,000
Nigel Heap	-	-	600,000	300,000
Brad Rosser	-	-	2,500,000	2,000,000
James Solomons	-	2,500,000	750,000	1,000,000
Robert Waring	20,714	16,312	16,312	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Tim Mahony	-	45,900	-	-
Robert Waring	2,065	-	-	3%

Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
<i>Ordinary shares</i>					
Timothy Mahony	1,650,000	-	900,000	-	2,550,000
Nigel Heap	18,000	-	-	-	18,000
Lee-Martin Seymour	30,857,612	-	-	-	30,857,612
Timothy Griffiths	30,857,613	-	-	-	30,857,613
James Solomons	9,000	-	-	-	9,000
Robert Waring	213,885	-	-	-	213,885
	<u>63,606,110</u>	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>64,506,110</u>

Directors' Report

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Brad Rosser	7,000,000	-	-	-	7,000,000
Timothy Mahony	900,000	-	(900,000)	-	-
Nigel Heap	900,000	-	-	-	900,000
James Solomons	2,500,000	-	-	-	2,500,000
Robert Waring	16,312	20,714	-	-	37,026
	<u>11,316,312</u>	<u>20,714</u>	<u>(900,000)</u>	<u>-</u>	<u>10,437,026</u>

Other transactions with key management personnel and their related parties

During the financial year;

Payments for accounting services from Aptus Accounting & Advisory (related entity of James Solomons) of \$131,415 (ex GST) were made.

Payments for company secretarial services from Oakhill Hamilton Pty Ltd (related entity of Robert Waring) of \$75,054 (ex GST) were made.

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

Performance Rights

Lee-Martin Seymour had A Class Performance Rights converted into 8,333,334 fully paid ordinary shares after the achievement of the performance milestones set out in the conversion events, as approved by shareholders at the 26 November 2015 EGM, and as detailed in the terms and conditions of the Company's B Class Performance Rights released to ASX on 4 December 2017. As at the date of this report there is a balance of 8,333,333 Performance Rights available for Lee-Martin Seymour.

Timothy Griffiths had A Class Performance Rights converted into 8,333,333 fully paid ordinary shares after the achievement of the performance milestones set out in the conversion events, as approved by shareholders at the 26 November 2015 EGM, and as detailed in the terms and conditions of the Company's B Class Performance Rights released to ASX on 4 December 2017. As at the date of this report there is a balance of 8,333,333 Performance Rights available for Timothy Griffiths.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

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

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

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

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

Rounding of amounts

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

Auditor's independence declaration

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

Corporate Governance

The Group's Corporate Governance Statement and Appendix 4G checklist are released to ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Manual can be found on the Company's website at <https://xref.com/en/investor-centre/>.

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

On behalf of the directors



Lee-Martin Seymour
Managing Director



Brad Rosser
Chairman

29 August 2019



Crowe Sydney

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29 August 2019

The Board of Directors
Xref Limited
14/13 Hickson Street
Dawes Point
SYDNEY NSW 2000

Dear Board Members

Xref Limited

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

As lead audit partner for the audit of the financial report of Xref Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely

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

Crowe Sydney

A handwritten signature in dark ink, appearing to be "Ash Pather".

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. Liability limited other than for acts or omissions of financial services licensees.
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Financial Statements

Statement of profit or loss and other comprehensive income

	Note	Consolidated 2019 \$	2018 \$
Revenue			
Sales - Credits Sold in Current Year		10,011,929	7,071,723
Less adjustment for Unearned Revenue		(1,963,760)	(2,225,723)
	8	8,048,169	4,846,000
Other income	12	402,644	1,849,140
Expenses			
Employee expenses		(11,195,253)	(9,170,013)
Overheads and administrative expenses	9	(5,348,287)	(6,359,098)
Depreciation, amortisation and impairment expenses	10	(87,993)	(78,927)
Impairment of assets		(1,106)	-
Loss before income tax expense		(8,181,826)	(8,912,898)
Income tax expense	13	-	-
Loss after income tax expense for the year attributable to the owners of Xref Limited		(8,181,826)	(8,912,898)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(136,425)	(205,147)
Other comprehensive income for the year, net of tax		(136,425)	(205,147)
Total comprehensive income for the year attributable to the owners of Xref Limited		<u>(8,318,251)</u>	<u>(9,118,045)</u>

	Note	Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Xref Limited			
Basic earnings per share	26	(5.10)	(6.39)
Diluted earnings per share	26	(5.10)	(6.39)

Earnings per share for loss attributable to the owners of Xref Limited

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

Statement of financial position

		Consolidated	
	Note	2019	2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	14	8,035,939	4,451,896
Trade and other receivables	15	2,258,627	3,144,727
Capitalised Commission	16	613,757	-
Prepayments		399,955	229,886
Total current assets		11,308,278	7,826,509
Non-current assets			
Property, plant and equipment	17	349,610	322,105
Intangibles	18	130,678	117,953
Rental Bonds		109,757	120,196
Total non-current assets		590,045	560,254
Total assets		11,898,323	8,386,763
Liabilities			
Current liabilities			
Trade and other payables	19	1,813,560	1,646,024
Employee Entitlements	20	358,092	277,529
Superannuation payable		215,375	184,268
Lease Incentive		-	13,103
Unearned Revenue	21	6,262,763	4,268,871
Total current liabilities		8,649,790	6,389,795

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

Statement of financial position *continued*

		Consolidated	
	Note	2019	2018
		\$	\$
Non-current liabilities			
Employee entitlements	22	89,668	52,622
Total non-current liabilities		89,668	52,622
Total liabilities		8,739,458	6,442,417
Net assets		3,158,865	1,944,346
Equity			
Issued capital	23	48,832,200	40,087,991
Other equity reserves	24	(21,539,113)	(21,754,920)
Accumulated losses		(24,134,222)	(16,388,725)
Total equity		3,158,865	1,944,346

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

Statement of changes in equity

Consolidated	Issued capital \$	Performance rights reserve \$	Share option reserves \$	Foreign currency translation reserve \$	Consolidation reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	32,687,991	350,000	569,096	(34,915)	(22,845,821)	(7,475,827)	3,250,524
Loss after income tax expense for the year	-	-	-	-	-	(8,912,898)	(8,912,898)
Other comprehensive income for the year, net of tax	-	-	-	(205,147)	-	-	(205,147)
Total comprehensive income for the year	-	-	-	(205,147)	-	(8,912,898)	(9,118,045)
<i>Transactions with owners in their capacity as owners:</i>							
Shares Issued	7,500,000	-	-	-	-	-	7,500,000
Capital Raising Costs	(450,000)	-	-	-	-	-	(450,000)
Performance Rights	350,000	(350,000)	-	-	-	-	-
Options Issued	-	-	761,867	-	-	-	761,867
Balance at 30 June 2018	40,087,991	-	1,330,963	(240,062)	(22,845,821)	(16,388,725)	1,944,346

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

Statement of changes in equity *continued*

Consolidated	Issued capital \$	Performance rights reserve \$	Share option reserves \$	Foreign currency translation reserve \$	Consolidation reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	40,087,991	-	1,330,963	(240,062)	(22,845,821)	(16,388,725)	1,944,346
Adjustment for change in accounting policy	-	-	-	-	-	398,833	398,833
Balance at 1 July 2018 - restated	40,087,991	-	1,330,963	(240,062)	(22,845,821)	(15,989,892)	2,343,179
Loss after income tax expense for the year	-	-	-	-	-	(8,181,826)	(8,181,826)
Other comprehensive income for the year, net of tax	-	-	-	(136,425)	-	-	(136,425)
Total comprehensive income for the year	-	-	-	(136,425)	-	(8,181,826)	(8,318,251)
Transactions with owners in their capacity as owners:							
Shares Issued	8,000,000	-	-	-	-	-	8,000,000
Options Exercised	1,267,003	-	(229,954)	-	-	-	1,037,049
Capital Raising Costs	(522,794)	-	-	-	-	-	(522,794)
Options Issued	-	-	619,682	-	-	-	619,682
Options Lapsed	-	-	(37,496)	-	-	37,496	-
Balance at 30 June 2019	48,832,200	-	1,683,195	(376,487)	(22,845,821)	(24,134,222)	3,158,865

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

Statement of cash flows

		Consolidated	
	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,431,625	7,207,058
Payments to suppliers and employees (inclusive of GST)		(17,315,885)	(15,523,197)
		(6,884,261)	(8,316,139)
Interest received		133,522	117,452
Other revenue		1,724,281	1,731,688
Net cash used in operating activities	28	(5,026,457)	(6,466,999)
Cash flows from investing activities			
Payments for property, plant and equipment	17	(119,878)	(184,406)
Payments for intangibles	18	(13,831)	(16,272)
Net cash used in investing activities		(133,709)	(200,678)
Cash flows from financing activities			
Proceeds from issue of shares	23	8,000,000	7,500,000
Share issue transaction costs	23	(522,794)	(450,000)
Proceeds from Options Exercised	23	1,267,003	-
Net cash from financing activities		8,744,209	7,050,000
Net increase in cash and cash equivalents		3,584,043	382,323
Cash and cash equivalents at the beginning of the financial year		4,451,896	4,069,573
Cash and cash equivalents at the end of the financial year	14	8,035,939	4,451,896

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

Notes to the financial statements

Note 1. Reporting entity

Xref Limited is a limited liability company incorporated on 28 January 2003 and as at 21 September 2017 is domiciled in Australia. The address of its registered office is Unit 14, 13 Hickson Road, Dawes Point, New South Wales, Australia 2000.

Xref is a human resources technology company that automates the candidate reference process for employers.

Note 2. Basis of preparation

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

a. Historical cost convention

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

b. Critical accounting estimates

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

Note 3. Significant accounting policies

The 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.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Note 3. Significant accounting policies *continued*

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards is detailed below.

Adoption of AASB 9 'Financial Instruments'

The consolidated entity has adopted AASB 9 from 1 July 2018, using the full retrospective approach. The consolidated entity has applied the simplified approach to measuring expected credit losses. No retrospective adjustment is required.

Adoption of AASB 15 'Revenue from Contracts with Customers'

The consolidated entity has adopted AASB 15 from 1 July 2018 and retrospectively with the cumulative effect of initially applying this Standard recognised in the opening balance of retained earnings as at 1 July 2018. The retrospective adjustments for capitalised commission of \$398,833 was adjusted to the opening balance of retained earnings as at 1 July 2018.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

a. Basis of consolidation

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

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

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

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

Note 3. Significant accounting policies *continued*

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

If the Group loses control over a subsidiary, it:

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

b. Foreign currency translation

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

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Parent, using exchange rates prevailing at the dates of the transactions (i.e. the spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the reported profit or loss.

Non-monetary items measured at historical cost are not re-translated at each year-end, instead they are only translated once using the exchange rate at the transaction date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the year-end fair value was determined.

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

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

Foreign operations

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

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

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

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

Note 3. Significant accounting policies *continued*

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

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

c. Cash and cash equivalents

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

d. Trade debtors and other receivables

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

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

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

e. Contract assets - capitalised commissions

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

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

f. Trade creditors and other payables

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

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

g. Unearned revenue

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

h. Refund liabilities

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

Note 3. Significant accounting policies *continued*

i. Plant and equipment

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

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

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

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

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

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

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

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

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

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

j. 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 3. Significant accounting policies *continued*

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.

k. Leased assets

Leases where the Group assumes substantially all the risks and rewards incidental to ownership of the leased assets, are classified as finance leases. All other leases are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

l. Impairment of non-financial assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Intangible assets with indefinite useful life are tested for impairment annually.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the reported profit or loss.

The estimated recoverable amount of an asset is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting to their present value using a pre-tax discount rate that reflects current market rates and risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. An impairment loss on property carried at fair value is reversed through the relevant reserve. All other impairment losses are reversed through profit or loss.

Any reversal of impairments previously recognised is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

m. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents, other financial assets, trade creditors and other payables, borrowings, other financial liabilities and derivative financial instruments.

Initial recognition and measurement

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs attributable to the acquisition, except for those carried at fair value through profit or loss, which are measured at fair value.

Financial assets and financial liabilities are recognised when the Parent and Group becomes a party to the contractual provisions of the financial instrument.

De-recognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Note 3. Significant accounting policies *continued*

Impairment of financial assets

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

Equity investments are measured at cost less any impairment charges, where the fair value cannot currently be estimated reliably.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

n. Provisions

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

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

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

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

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

o. Employee benefits

Short-term employee benefits

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

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

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

Termination benefits

Termination benefits are recognised as an expense when the Group is committed without realistic possibility of withdrawal, to terminate employment, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Long-term benefits

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

Note 3. Significant accounting policies *continued*

Share-based payments

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

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

p. Revenue

Revenue from contracts with customers

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

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

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.

Other revenue

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

Note 3. Significant accounting policies *continued*

q. Income tax

Current income taxes

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

Deferred tax

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

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

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

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

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

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

r. Goods and Services Tax (GST)

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

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

s. Share capital

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

t. Dividend distribution

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

Note 3. Significant accounting policies *continued*

u. Earnings per share

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

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

v. Segment reporting

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

w. Going Concern

Notwithstanding the Group incurred a loss after tax for the year of \$8,181,826 (2018: \$8,912,898), the consolidated financial statements have been prepared on a going concern basis as the Group has a net asset position of \$3,158,865 (2018: \$1,944,346). The directors believe the Group can support its operating activities and pay its debts when they fall due in the next 12 months and the foreseeable future. As such the consolidated financial statements have been prepared on the going concern basis.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

As at the reporting date, the group has non-cancellable operating lease commitments of \$1,265,846, see note 33. Of these commitments, approximately \$173,023 relate to short-term leases which will both be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments the group expects to recognise right-of-use assets of approximately \$914,669 on 1 July 2019, lease liabilities of \$967,962 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and deferred tax assets of \$14,646. Overall net assets will be approximately \$38,638 lower, and net current assets will be \$106,588 lower due to the presentation of a portion of the liability as a current liability. The group expects that net profit after tax will decrease by approximately \$50,000 for 2020 as a result of adopting the new rules.

Note 5. Critical accounting judgements, estimates and assumptions

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

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

Share-based payment transactions

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

Impairment

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

These assumptions relate to future events and circumstances

Determination of variable consideration

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Internally generated software and research costs

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

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

Management has determined that for the 2019 financial year that no expenditure be capitalised as an asset. The basis for this decision is that over the past 5 years there has been significant development of the platform and that the current platform is completely different to that which previously existed. The system that currently exists is not a standalone asset and is constantly evolving. Additionally, the codebase and infrastructure regularly changes to keep up with technological advances.

Deferred tax assets

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

Research and Development Refundable Tax Offset

The Group has identified costs including hosting fees, market research, external contractors, system testing and remuneration which it has identified as research and development costs. The Research and Development tax refund is calculated as 43.5% of the total figure.

Note 6. Group information

The preliminary consolidated financial statements of the Group include

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Xref Limited	Australia	100.00%	100.00%
Xref (AU) Pty Limited	Australia	100.00%	100.00%
Xref (UK) Limited	United Kingdom	100.00%	100.00%
Xref Referencing (CA) Limited	Canada	100.00%	100.00%
Xref AS	Norway	100.00%	100.00%
Xref LLC	United States	100.00%	-
Xref (NZ) Limited	New Zealand	100.00%	-

a. Investments in subsidiaries

All investments in subsidiaries are carried at cost and eliminated through consolidation in the Group.

Note 7. Operating segments

There is only one operating segment (candidate referencing) for the year ended 30 June 2019. 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 one business segment.

Geographical information

	2019 \$	2018 \$
Credit sales to external customers		
Australia	8,148,721	6,150,386
Canada	956,787	455,107
United Kingdom	530,713	354,664
Norway	375,708	111,566
	<u>10,011,929</u>	<u>7,071,723</u>
Revenue from external customers		
Australia	6,754,930	4,316,355
Canada	772,576	222,011
United Kingdom	375,108	241,223
Norway	145,555	66,411
	<u>8,048,169</u>	<u>4,846,000</u>

Note 7. Operating segments *continued*

	Consolidated	
	2019	2018
	\$	\$
Revenue from external customers		
Service performed at a point in time	7,913,524	4,846,000
Services transferred over time	134,645	-
	<u>8,048,169</u>	<u>4,846,000</u>

	Consolidated	
	2019	2018
	\$	\$
Non-current operating assets		
Global	106,990	-
Australia	330,751	390,283
Canada	104,060	104,842
United Kingdom	30,047	58,113
Norway	2,475	7,016
New Zealand	15,722	-
	<u>590,045</u>	<u>560,254</u>

The information above is based on the locations of the customers.

Note 8. Revenue

	Consolidated	
	2019	2018
	\$	\$
Rendering of services		
The disaggregation of revenue from contracts with customers is as follows:		
Major product lines		
Sales of credits	7,913,524	4,846,000
Subscription services	134,645	-
	<u>8,048,169</u>	<u>4,846,000</u>

Note 9. Overheads and administrative expenses

	Consolidated	
	2019	2018
	\$	\$
Audit fees	85,578	90,678
Accounting	195,741	250,709
Directors fees	145,047	263,157
Legal fees	192,543	178,566
Marketing fees	1,572,628	1,559,137
Other Consultants	461,320	900,470
Share Option Expense	619,682	761,867
Administration expense	1,358,171	1,742,124
Foreign exchange loss	(42,129)	(76,477)
Operating lease payments	759,706	688,867
	<u>5,348,287</u>	<u>6,359,098</u>
Auditors remuneration		
Fees charged by Audit Firm:		
Financial statement audit and review	<u>85,578</u>	<u>90,678</u>

Note 10. Depreciation, amortisation and impairment expenses

	Consolidated	
	2019	2018
	\$	\$
Depreciation of property, plant and equipment	<u>87,993</u>	<u>78,927</u>

Note 11. Research and development costs

	Consolidated	
	2019	2018
	\$	\$
Research and development costs expensed	<u>472,189</u>	<u>3,931,717</u>

The Parent and Group research and development projects have focused on cloud-based solutions for candidate recruitment. Note 5 reflects the Groups policy on the expensing/capitalisation of development costs.

Research and development costs expensed amount to \$472,189 (2018: \$3,931,717) of which \$304,235 (2018: \$3,145,694) are recognised in employee expenses.

Note 12. Other income

Other Income

	Consolidated	
	2019 \$	2018 \$
Research & Development - Refundable Tax Offset	205,402	1,710,297
Interest Received	183,258	117,452
Other Income	13,984	21,391
	<hr/>	<hr/>
Other income	402,644	1,849,140
	<hr/>	<hr/>

Note 13. Income tax expense

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

	Consolidated	
	2019 \$	2018 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
a. Reconciliation of effective tax rate		
Loss before income tax expense	(8,181,826)	(8,912,898)
	<hr/>	<hr/>
Tax at the statutory tax rate of 27.5% (2017:27.5%)	(2,250,002)	(2,451,047)
	<hr/>	<hr/>
Deferred tax asset not recognised	1,999,462	1,401,252
Permanent differences	86,361	505,956
Adjustment for foreign tax rates	164,179	543,839
	<hr/>	<hr/>
Income tax expense	-	-
	<hr/>	<hr/>

b. Deferred tax assets and liabilities

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

The company has not yet raised a deferred tax entry as the company is not certain whether the tax losses carried forward can be utilised in the foreseeable future. The deferred tax asset position of the Group, which has not been brought to account is \$5,173,286 (2018: \$3,173,824)

Note 14. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank	7,960,482	4,381,389
Rental bonds	75,457	70,507
	<u>8,035,939</u>	<u>4,451,896</u>

The carrying amount of cash and cash equivalents approximates their fair value.

Cash at bank earns interest at floating rates on daily deposit balances.

Term deposits are for a period of 3 years and serve as security for leased premises maturing at renewal dates. Interest is paid annually.

Note 15. Current assets - trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Trade debtors	1,899,415	1,599,430
Less: Allowance for expected credit losses	-	(165,000)
	<u>1,899,415</u>	<u>1,434,430</u>
Other receivables	104,074	-
Research and development incentive grant	205,402	1,710,297
Interest receivable	49,736	-
	<u>359,212</u>	<u>1,710,297</u>
	<u>2,258,627</u>	<u>3,144,727</u>

Movements in the allowance for expected credit losses are as follows:

Opening balance	(165,000)	-
Additional provisions recognised	-	(165,000)
Receivables written off during the year as uncollectable	165,000	-
Closing balance	<u>-</u>	<u>(165,000)</u>

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

All receivables are subject to credit risk exposure.

Note 15. Current assets - trade and other receivables *continued*

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

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

As at 30 June 2019, the ageing analysis of trade receivables past due but not impaired is detailed as follows:

	Consolidated	
	2019	2018
	\$	\$
0-30 days overdue	1,876,873	1,192,135
30-90 days overdue	22,542	292,920
90 days+ overdue	-	12,375
	<u>1,899,415</u>	<u>1,434,430</u>

Note 16. Current assets - Capitalised Commission

	Consolidated	
	2019	2018
	\$	\$
Capitalised Commission - at cost - Credit Sales	604,256	-
Capitalised Commission - at cost - Subscriptions	9,180	-
Capitalised Commission - at cost - People Search	321	-
	<u>613,757</u>	<u>-</u>

Reconciliation

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

Opening balance	-	-
Retrospective adjustment as at 1 July 2018	398,833	-
Additions	1,010,836	-
Recognition as expenses	(807,601)	-
Balance adjustment due to forex	11,689	-
Closing balance	<u>613,757</u>	<u>-</u>

Note 17. Non-current assets - property, plant and equipment

	Consolidated	
	2019	2018
	\$	\$
Office Fitout	101,122	96,784
Less: Accumulated depreciation	(25,396)	(10,058)
	<u>75,726</u>	<u>86,726</u>
Computer equipment - at cost	266,989	183,028
Less: Accumulated depreciation	(124,564)	(76,275)
	<u>142,425</u>	<u>106,753</u>
Office equipment - at cost	131,865	116,087
Less: Accumulated depreciation	(69,408)	(50,815)
	<u>62,457</u>	<u>65,272</u>
Office furniture - at cost	85,635	72,915
Less: Accumulated depreciation	(16,633)	(9,561)
	<u>69,002</u>	<u>63,354</u>
	<u><u>349,610</u></u>	<u><u>322,105</u></u>

Reconciliations

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

	Office Fitout \$	Computer equipment \$	Office equipment \$	Office furniture \$	Total \$
Consolidated					
Balance at 1 July 2017	10,925	94,411	69,782	37,239	212,357
Additions	84,440	59,092	7,986	32,888	184,406
Adjustment	-	-	4,269	-	4,269
Depreciation expense	<u>(8,639)</u>	<u>(46,750)</u>	<u>(16,765)</u>	<u>(6,773)</u>	<u>(78,927)</u>
Balance at 30 June 2018	86,726	106,753	65,272	63,354	322,105
Additions	4,338	87,042	15,778	12,720	119,878
Disposals	-	(3,081)	-	-	(3,081)
Depreciation expense	<u>(15,338)</u>	<u>(48,289)</u>	<u>(18,593)</u>	<u>(7,072)</u>	<u>(89,292)</u>
Balance at 30 June 2019	<u><u>75,726</u></u>	<u><u>142,425</u></u>	<u><u>62,457</u></u>	<u><u>69,002</u></u>	<u><u>349,610</u></u>

Note 18. Non-current assets - intangibles

	Consolidated	
	2019	2018
	\$	\$
Patents and trademarks - at cost	11,337	10,963
Less: Impairment	(1,106)	-
	<u>10,231</u>	<u>10,963</u>
Preliminary expenses (a)	<u>13,457</u>	<u>-</u>
Domain: Xref.com	<u>106,990</u>	<u>106,990</u>
	<u><u>130,678</u></u>	<u><u>117,953</u></u>

a. Preliminary expenses relate to the acquisition of RapidID

Reconciliations

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

	Patents and trademarks	Preliminary expenses	Domain	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2017	-	-	-	-
Additions	10,963	-	106,990	117,953
	<u>10,963</u>	<u>-</u>	<u>106,990</u>	<u>117,953</u>
Balance at 30 June 2018	10,963	-	106,990	117,953
Additions	374	13,457	-	13,831
Impairment expense	(1,106)	-	-	(1,106)
	<u>10,231</u>	<u>13,457</u>	<u>106,990</u>	<u>130,678</u>
Balance at 30 June 2019	<u><u>10,231</u></u>	<u><u>13,457</u></u>	<u><u>106,990</u></u>	<u><u>130,678</u></u>

Note 19. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	450,452	162,894
Non trade payables and accrued expenses	246,528	525,139
Accrued salaries, wages and related costs	876,029	853,126
GST Payable	240,551	104,865
	<u>1,813,560</u>	<u>1,646,024</u>

Refer to note 27 for further information on financial instruments.

Trade creditors and other payables are non-interest bearing and normally settled on 30 day terms; therefore, their carrying amount approximates their fair value.

Note 20. Current liabilities - Employee Entitlements

	Consolidated	
	2019	2018
	\$	\$
Annual leave	<u>358,092</u>	<u>277,529</u>

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

Note 21. Current liabilities - Unearned Revenue

	Consolidated	
	2019	2018
	\$	\$
Unearned Revenue		
Balance Brought Forward	4,268,871	2,030,253
Unearned Revenue Movement		
Credits Sold	10,011,929	7,071,723
Add: Opening Conditional Credits	1,445,795	1,085,263
Less: Usage	(7,612,488)	(4,485,468)
Less: Closing Conditional Credits	(1,881,476)	(1,445,795)
Net Unearned Revenue Movement	<u>1,963,760</u>	<u>2,225,723</u>
Opening Balance Revaluation due to Forex	<u>30,132</u>	<u>12,895</u>
Balance Carried Forward	<u>6,262,763</u>	<u>4,268,871</u>

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

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

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

Note 22. Non-current liabilities - Employee entitlements

	Consolidated	
	2019 \$	2018 \$
Long service leave	89,668	52,622

Note 23. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 \$	2018 \$
Ordinary shares - fully paid	165,578,370	147,736,127	48,832,200	40,087,991
<i>Movements in ordinary share capital</i>				

Details	Date	Shares	Issue price/ exercise price	\$
Balance	1 July 2017	118,569,460		32,687,991
Issued for cash		12,500,000	\$0.60	7,500,000
Capital raising costs		-	\$0.00	(450,000)
Performance rights conversion		16,666,667	\$0.02	350,000
Balance	30 June 2018	147,736,127		40,087,991
Issued for cash		13,333,334	\$0.60	8,000,000
Capital raising costs		-	\$0.00	(522,793)
Option Conversion		4,508,909	\$0.23	1,267,003
Balance	30 June 2019	165,578,370		48,832,200

Note 23. Equity - issued capital *continued*

Xref issued 13,333,333 fully paid ordinary shares at \$0.60 per share, at a 2.4% discount to the trading five-day volume weighted average price and a 3.2 % discount to Xref's last traded share price on 1 October 2018.

Xref issued 13,300,000 shares at \$0.60 (a 2.4% discount to the five-day volume weighted average price) to Australian institutions and sophisticated investors on 28 September 2018 which support's the business' international expansion, ongoing focus on strategic integrations and partnerships, and help to drive the key business metrics of client acquisition, client adoption and annual revenue per account (ARPA)

The Class A Conversion Event was achieved and the Class A shares were issued 4 December 2017.

All issued shares are fully paid and do not have a par value. The holders of ordinary shares have equal voting rights and share equally in any dividend distribution and any surplus on winding up of the Parent.

Capital risk management

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. Other than as disclosed in note 34, the consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is not subject to certain financing arrangements covenants during the financial year ended 30 June 2019. The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Note 24. Equity - Other equity reserves

	Consolidated	
	2019 \$	2018 \$
Foreign currency reserve	(376,487)	(240,062)
Options reserve	1,683,195	1,330,963
Consolidation reserve	(22,845,821)	(22,845,821)
	<u>(21,539,113)</u>	<u>(21,754,920)</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 right reserve is used to record unutilised performance rights issued on 18 January 2016 as 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.

Note 24. Equity - Other equity reserves *continued*

Performance Rights Reserve Balance	Number Granted	Performance Right Reserve \$A	Weighted Average Fair Value \$/Right
Class C	16,666,666	-	-

Upon the Group, during any six month reporting period of the company that ends on or prior to 30 months after the date of issue of the rights, achieving Credit Sales of \$A2,500,000 or more.

The Class A Conversion Event was achieved and the Class A shares were issued 4 December 2017.

Class B Conversion Event

Upon the Company achieving a 20 day Volume Weighted Average Market Price of the shares equal to or greater than \$0.50 within two years after the date of issue of the rights and a minimum sale in the UK of either 1000 credits or £25,000 (whichever comes first).

The Class B Conversion Event was achieved and the Class B shares were issued 10 March 2017.

Class C Conversion Event

Upon the Group, during any six month reporting period of the Company that ends on or prior to five years after the date of issue of the rights, achieving EBITDA of \$A2,500,000 or more.

The conversion ratio of the Performance Rights into ordinary shares upon achievement of a relevant Performance Milestone is one ordinary share for each Performance Right. They were in escrow until 8 February 2018.

Class C options were considered based on likelihood of reaching the target EBITDA and a Nil valuation adopted. All rights may be converted immediately in the event of a change of control event.

a) Share option reserve

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Option Reserve \$A
At 1 July 2016		01/02/2019	\$0.230	4,508,909	229,954
At 30 June 2017 (b)	07/12/2016	25/11/2022	\$0.700	2,500,000	187,895
At 30 June 2017 (a)	07/12/2016	25/11/2021	\$0.700	5,400,000	586,862
Granted (c)	22/09/2017	03/07/2021	\$0.585	960,109	211,748
Granted (d)	22/09/2017	03/07/2021	\$0.580	95,390	21,217
Granted (e)	22/03/2018	05/02/2022	\$0.660	249,782	8,180
Granted (f)	22/03/2018	12/02/2021	\$0.700	1,000,000	69,670
Granted (g)	22/03/2018	12/02/2022	\$0.700	750,000	21,295
Granted (h)	22/03/2018	12/02/2023	\$0.700	750,000	12,142
Closing Balance		30/06/2018		16,241,190	1,330,963
At 30 June 2017 (b)	07/12/2016	25/11/2022	\$0.700	2,500,000	308,214
At 30 June 2017 (a)	07/12/2016	25/11/2021	\$0.700	5,400,000	646,920
Granted (c)	22/09/2017	03/07/2021	\$0.585	811,480	180,879
Granted (d)	22/09/2017	03/07/2021	\$0.580	95,390	21,444
Granted (e)	22/03/2018	05/02/2022	\$0.660	208,116	21,810
Granted (f)	22/03/2018	12/02/2021	\$0.700	1,000,000	69,670
Granted (g)	22/03/2018	12/02/2022	\$0.700	750,000	69,635
Granted (h)	22/03/2018	12/02/2023	\$0.700	750,000	56,460
Granted (i)	04/12/2018	03/09/2021	\$0.700	300,000	20,730
Granted (j)	04/12/2018	03/09/2022	\$0.700	300,000	21,806
Granted (k)	04/12/2018	03/09/2023	\$0.660	300,000	11,904
Granted (l)	04/12/2018	01/08/2022	\$0.660	315,664	27,275
Granted (m)	04/12/2018	29/11/2022	\$0.700	2,500,000	226,448
Closing Balance		30/06/2019		15,230,650	1,683,195

Note 24. Equity - Other equity reserves *continued*

The options have been valued using a binominal options method, using the following assumptions:

a)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.47yr
	Grant date	26/11/2016
	Measurement date	26/11/2016
	Exercise price	\$0.70
	Expiry date	25/11/2021
	Life of option	5.00 yr
	Price of underlying shares at measurement date	\$0.47
	Risk free rate = 5 year Government Bond (26/11/2016)	2.19%
	Expected volatility	40%
	Dividends expected on the shares	Nil
b)	Listing date (re-listing as Xref Limited)	09/02/2016
	Price history for volatility determination	5.00yr
	Grant date	25/11/2016
	Measurement date	25/11/2016
	Exercise price	\$0.70
	Expiry date	25/11/2022
	Life of option	6.00 yr
	Price of underlying shares at measurement date	\$0.47
	Risk free rate = 5 year Government Bond (26/11/2016)	2.7%
	Expected volatility	40%
	Dividends expected on the shares	Nil
c)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	1.63 yr
	Grant date	22/09/2017
	Measurement date	22/09/2017
	Exercise price	\$0.585
	Expiry date	03/07/2021
	Life of option	3.77 yr
	Price of underlying shares at measurement date	\$0.745
	Risk free rate = 5 year Government Bond (26/11/2016)	2.295%
	Expected volatility	40%
	Dividends expected on the shares	Nil

Note 24. Equity - Other equity reserves *continued*

d)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	1.63 yr
	Grant date	22/09/2017
	Measurement date	2/09/2017
	Exercise price	\$0.58
	Expiry date	03/07/2021
	Life of option	3.77 yr
	Price of underlying shares at measurement date	\$0.745
	Risk free rate = 5 year Government Bond (26/11/2016)	2.295%
	Expected volatility	40%
	Dividends expected on the shares	Nil
e)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.11 yr
	Grant date	22/03/2018
	Measurement date	22/03/2018
	Exercise price	\$0.66
	Expiry date	05/02/2022
	Life of option	3.88 yr
	Price of underlying shares at measurement date	\$0.57
	Risk free rate = 5 year Government Bond (26/11/2016)	2.395%
	Expected volatility	26.37%
	Dividends expected on the shares	Nil
f)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.11 yr
	Grant date	22/03/2018
	Measurement date	22/03/2018
	Exercise price	\$0.70
	Expiry date	01/02/2021
	Life of option	2.87 yr
	Price of underlying shares at measurement date	\$0.57
	Risk free rate = 5 year Government Bond (26/11/2016)	2.160%
	Expected volatility	26.3%
	Dividends expected on the shares	Nil

Note 24. Equity - Other equity reserves *continued*

g)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.11 yr
	Grant date	22/03/2018
	Measurement date	22/03/2018
	Exercise price	\$0.70
	Expiry date	12/02/2022
	Life of option	2.87 yr
	Price of underlying shares at measurement date	\$0.70
	Risk free rate = 5 year Government Bond (26/11/2016)	2.395%
	Expected volatility	26.340%
	Dividends expected on the shares	Nil
h)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.11 yr
	Grant date	22/03/2018
	Measurement date	22/03/2018
	Exercise price	\$0.70
	Expiry date	12/02/2023
	Life of option	4.90 yr
	Price of underlying shares at measurement date	\$0.57
	Risk free rate = 5 year Government Bond (26/11/2016)	2.395%
	Expected volatility	26.350%
	Dividends expected on the shares	Nil
i)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.82yr
	Grant date	04/12/2018
	Measurement date	04/12/2018
	Exercise price	\$0.70
	Expiry date	03/09/2021
	Life of option	2.75 yr
	Price of underlying shares at measurement date	\$0.475
	Risk free rate = 3 year Government Bond (04/12/2018)	1.990%
	Expected volatility	38.63%
	Dividends expected on the shares	Nil

Note 24. Equity - Other equity reserves *continued*

j)	Listing date (re-listing as Xref Limited)	09/02/2016
	Price history for volatility determination	2.82yr
	Grant date	04/12/2018
	Measurement date	04/12/2018
	Exercise price	\$0.70
	Expiry date	03/09/2022
	Life of option	3.75 yr
	Price of underlying shares at measurement date	\$0.475
	Risk free rate = 5 year Government Bond (04/12/2018)	2.17%
	Expected volatility	39.19%
	Dividends expected on the shares	Nil
k)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.82 yr
	Grant date	04/12/2018
	Measurement date	04/12/2018
	Exercise price	\$0.70
	Expiry date	03/09/2023
	Life of option	4.75yr
	Price of underlying shares at measurement date	\$0.475
	Risk free rate = 5 year Government Bond (04/12/2018)	2.170%
	Expected volatility	40.42%
	Dividends expected on the shares	Nil
l)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.82 yr
	Grant date	04/12/2018
	Measurement date	04/12/2018
	Exercise price	\$0.66
	Expiry date	01/08/2022
	Life of option	3.66 yr
	Price of underlying shares at measurement date	\$0.475
	Risk free rate = 5 year Government Bond (04/12/2018)	2.170%
	Expected volatility	39.23%
	Dividends expected on the shares	Nil

Note 24. Equity - Other equity reserves *continued*

m)	Listing date (re-listing as Xref Limited)	9/02/2016
	Price history for volatility determination	2.82 yr
	Grant date	04/12/2018
	Measurement date	04/12/2018
	Exercise price	\$0.70
	Expiry date	29/11/2022
	Life of option	3.99 yr
	Price of underlying shares at measurement date	\$0.475
	Risk free rate = 5 year Government Bond (04/12/2018)	2.170%
	Expected volatility	39.90%
	Dividends expected on the shares	Nil

Class A Vesting Event

Upon the Group, during any six month reporting period of the company that ends on or prior to 30 months after the date of issue of the rights, achieving Credit Sales of \$A2,500,000 or more.

Class B Vesting Event is the same as a Performance Right Class B Conversion Event Upon the Company achieving a 20 day Volume Weighted Average Market Price of the shares equal to or greater than \$0.50 within two years after the date of issue of the rights and a minimum sale in the UK of either 1000 credits or £25,000 (whichever comes first). The Class B Conversion Event was achieved and the Class B shares were issued 10 March 2017.

Class A and B option expense is being recognised over the two years during which the options may be exercised. If the options were to be exercised, the full remaining option expense if any would be immediately recognised and the Option Reserve figure transferred to Issued Capital.

The weighted average contractual life of the performance rights for the 2019 year was 1.55 years (2018: 2.55 years)

Option movements for the period

During the year ended 30 June 2019, 190,295 options lapsed and 4,508,909 options were exercised.

As approved at the 28 November 2018 AGM, 2,500,00 options were issued to 5 senior staff members of the company as a key component of their remuneration by the company. The Chief Operating Officer (COO) was issued with 900,000 with 300,000 vesting on date of issue and expiring on the 3 September 2021, the second tranche of 300,000 options vesting on 3 September 2019 and expire if not exercised by 3 September 2022, and the third tranche of 300,000 options vesting on 3 September 2020 and expire if not exercised by 3 September 2023)

Option movements during the previous year

At 26 September 2017, 1,055,499 options were issued under the terms of the Employee Option Plan to 52 employees and 5 of its contractors.

At 22 March 2018, 2,749,782 options were issued under the terms of the Employee Option Plan to 25 of its employees and to the Company's Chief Financial Officer (CFO).

Note 24. Equity - Other equity reserves *continued*

Options vested and therefore exercisable	Expiry Date	2019	2018
Acquisition of Xref Pty Ltd	01/02/2019	-	3,908,809
Options Vested – Tim Mahony	01/02/2019	-	900,000
Options Vested – Nigel Heap	25/11/2021	900,000	300,000
Options Vested - Brad Rosser	25/11/2021	4,500,000	2,000,000
Options Vested – James Solomons	01/02/2021	1,750,000	1,000,000
Options Vested - Employees and Contractors	03/07/2021	906,870	-
Options Vested - Employees and Contractors	05/02/2022	208,116	-
Options Vested – Sharon Blesson	30/09/2021	300,000	-
Options Vested – Senior Staff	29/12/2022	2,000,000	-
		<u>10,564,986</u>	<u>8,108,809</u>

The weighted average share price for the current financial year was \$0.555 (2018: \$0.624).

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 ref Pty Limited to the share capital of King Solomon Mines Limited immediately after the reverse acquisition.

Note 25. Equity - dividends

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

Note 26. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The Group recorded losses for the years ended 30 June 2018 and 30 June 2019. The effect of including the share options in the calculation would be anti-dilutive. Hence the diluted earnings per share is the same as the basic earnings per share.

Note 26. Earnings per share *continued*

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

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax attributable to the owners of Xref Limited	(8,181,826)	(8,912,898)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	160,330,586	139,516,949
Weighted average number of ordinary shares used in calculating diluted earnings per share	160,330,586	139,516,949
	Cents	Cents
Basic earnings per share	(5.10)	(6.39)
Diluted earnings per share	(5.10)	(6.39)

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

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

Group 2019	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Total
Financial assets				
Cash and cash equivalents	8,035,939	-	-	8,035,939
Trade debtors and other receivables	2,258,628	-	-	2,258,628
Total	10,294,567	-	-	10,294,567
Financial liabilities				
Trade creditors and other payables	-	-	2,387,028	2,387,028
Total	-	-	2,387,028	2,387,028

Note 27. Financial instruments *continued*

Group 2018	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Total
Financial assets				
Cash and cash equivalents	4,451,896	-	-	4,451,896
Trade debtors and other receivables	3,144,727	-	-	3,144,727
Total	7,596,623	-	-	7,596,623
Financial liabilities				
Trade creditors and other payables	-	-	2,107,821	2,107,821
Total	-	-	2,107,821	2,107,821

b. Financial instrument risk management

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

- Credit risk
- Liquidity Risk
- Market Risk

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

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

i. Credit risk

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

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

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

Further details in relation to the credit quality of financial assets is provided in Note 16

ii. Liquidity risk

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

During the financial year expense growth reduced from 44% in the 2018 year to 16% in 2019, with a growth in sales of credits of 42%. There is continued growth forecasted and ongoing strong cost control enabling adequate management of liquidity risk.

All amounts shown as current financial liabilities are expected to be paid on demand and without interest

Note 27. Financial instruments *continued*

The Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Group 2019	Contractual cash-flow maturities						
	Carrying amounts	Total contractual cash-flows	0-6 months	6-12 months	1 - 2 years	2-5 years	Later than 5 years
Non-derivative financial liabilities	-	-	-	-	-	-	-
Trade creditors and other payables	1,813,561	1,813,561	1,813,561	-	-	-	-
Superannuation payable	215,375	215,375	215,375	-	-	-	-
Total	2,028,936	2,028,936	2,028,936	-	-	-	-

Group 2018	Contractual cash-flow maturities						
	Carrying amounts	Total contractual cash-flows	0-6 months	6-12 months	1 - 2 years	2-5 years	Later than 5 years
Non-derivative financial liabilities	-	-	-	-	-	-	-
Trade creditors and other payables	1,646,024	1,646,024	1,646,024	-	-	-	-
Superannuation payable	184,268	184,268	184,268	-	-	-	-
Total	1,830,292	1,830,292	1,830,292	-	-	-	-

iii. Market risk

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

iv. Foreign exchange risk

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

The exposure to currencies of the Group is as follows:

	2019 \$	2018 \$
Canadian Dollars	290,205	176,044
UK Pound Sterling	227,165	100,975
Norwegian Krone	157,041	111,427
New Zealand Dollars	-	-
United States Dollar	13,631	-
Total	688,042	388,446

Note 27. Financial instruments *continued*

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

Potential Foreign Exchange Rate Fluctuation	5%	10%	20%
Impact on valuation of holding in:	\$	\$	\$
Canadian Dollars	14,510	29,021	58,041
UK Pound Sterling	11,358	22,717	45,433
Norwegian Krone	7,852	15,704	31,408
New Zealand Dollar	-	-	-
United States Dollar	682	1,363	2,726
Total impact of potential change in exchange rate	34,402	68,805	137,618

Foreign exchange risk

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

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

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

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

Short-term exposure						
30 June 2019 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	9,285,158	307,455	443,798	244,525	-	13,631
Financial Liabilities	(1,964,604)	(124,554)	(106,402)	(151,872)	(15,722)	-
Net statements of financial position exposure	7,320,554	182,901	337,396	92,653	(15,722)	13,631

Long-term exposure						
30 June 2019 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	50,948	24,245	18,843	-	15,722	-
Financial Liabilities	-	-	-	-	-	-
Net statements of financial position exposure	50,948	24,245	18,843	-	15,722	-

Note 27. Financial instruments *continued*

Short-term exposure						
30 June 2018 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	7,083,425	153,396	211,955	147,847	-	-
Financial Liabilities	1,842,269	62,332	75,948	127,272	-	-
Net statements of financial position exposure	5,241,156	91,064	136,007	20,575	-	-

Long-term exposure						
30 June 2018 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	50,948	51,411	17,836	-	-	-
Financial Liabilities	-	-	-	-	-	-
Net statements of financial position exposure	50,948	51,411	17,836	-	-	-

Foreign exchange risk*Sensitivity analysis*

The following analysis illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities carried in foreign currencies. It assumes a 3+/- % change in exchange rates for the year ended at 30 June 2019 (2018: 5%).

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

Group	2019		2018	
	Profit for the year	Equity	Profit for the year	Equity
3% (2018: 5%) increase in AUD against foreign currencies	(8,144,314)	2,963,850	(9,038,288)	1,707,900
3% (2018: 5%) decrease in AUD against foreign currencies	(8,059,861)	3,342,526	(8,850,009)	2,158,275

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

Interest rate risk

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

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

Note 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax expense for the year	(8,181,826)	(8,912,898)
Adjustments for:		
Depreciation, amortisation and impairment	87,993	78,927
Option expense	619,682	761,867
Foreign exchange	(136,425)	(205,147)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	886,100	(528,643)
(Increase) in prepayments	(170,069)	(37,266)
Decrease/(increase) in other financial assets	10,439	(45,198)
(Increase) in contract assets	(613,757)	-
Increase in trade and other payables	341,900	253
Increase in unearned revenue	1,963,760	2,225,723
Increase in employee benefits	117,609	144,990
Increase in other financial liabilities	48,137	50,393
Net cash used in operating activities	<u>(5,026,457)</u>	<u>(6,466,999)</u>

Note 29. Contingent assets

The Group has no contingent assets at 30 June 2019 (2018: \$Nil).

Note 30. Contingent liabilities

The Group has no contingent liabilities at 30 June 2019 (2018: \$Nil).

Note 31. Related party transactions

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

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

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

Note 31. Related party transactions *continued*

The following transactions were carried out with related parties

a. Purchase of services

	Consolidated	
	2019	2018
	\$	\$
Key management personnel	206,479	218,886

c. Other related party balances

Loans to directors for the year ended 30 June 2019 amounted to \$0 (2018: \$0).

d. Key management compensation

See Information below

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefit	1,145,378	1,206,795
Post employment benefits	103,297	71,250
Share-based payments	292,907	524,380
	<u>1,541,582</u>	<u>1,802,425</u>

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Loss after income tax	<u>(619,682)</u>	<u>(761,781)</u>
Total comprehensive income	<u>(619,682)</u>	<u>(761,781)</u>

Note 32. Parent entity information *continued**Statement of financial position*

	Parent	
	2019	2018
	\$	\$
Total current assets	-	-
Total non current assets	30,253,229	21,705,222
Total assets	30,253,229	21,705,222
Total current liabilities	-	(33,750)
Total liabilities	-	(33,750)
Equity		
Issued capital	48,832,200	40,087,991
Reserves	1,683,195	1,330,963
Retained profits	(20,262,166)	(19,679,982)
Total equity	30,253,229	21,738,972

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

There are no guarantees entered into by the parent entity in relation to any of its subsidiaries in 2018 or 2019.

Contingent liabilities

The parent entity had no contingent liabilities in 2018 and 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment in 2018 and 2019

Note 33. Commitments

Operating leases are held for premises used for office space. Lease commitments net of incentive payments are:

	Consolidated	
	2019\$	2018\$
<i>Non-cancellable operating leases are payable as follows:</i>		
Less than one year	797,727	507,020
Later than one year and not greater than two years	345,561	548,036
Later than two years and not greater than five years	122,558	461,506
	<u>1,265,846</u>	<u>1,516,562</u>

The Group had no other commitments at 30 June 2019 (2018: \$Nil).

Note 34. Events after the reporting period

Only July 1st a share purchase agreement was entered into to acquire 100% of the issued capital of 'RapidID Pty Limited'. The purchase price for the acquisition of RapidID is a combination of cash and Xref Shares to a total value of \$1.5m AUD. The Cash component is \$600,000 AUD and shares to the value of \$900,000 AUD will be issued to the sellers. The transaction settled 9 August 2019. RapidID is a disruptive ID verification and fraud prevention platform which aggregates leading customer verification technologies for flexible and seamless integration for onboarding and risk analysis monitoring.

RapidID's platform simplifies identification, screening and compliance in an all-in-one integrated API which enables real-time identity verification:

- Global ID Checks - one simple integration checking against more than 100 billion identity records across 180 countries and over 2.5 million risk entities in 50 countries;
- AML & KYC Compliance - Anti-Money Laundering ("AML") screening and background checks, including politically exposed persons and terrorism watch lists. Domestic and international AML and 'Know Your Customer' ("KYC") compliance.
- ID Document Verification - which allows customers to scan documents in seconds and verify against government sources; and
- Biometric Verification - confirms identity beyond a doubt, with facial recognition and liveness technology.

RapidID's Clients

Although still relatively early in its evolution, Rapid ID has already acquired some significant clients including Uber, Experian, Sunsuper, Creditor Watch, Coinspoit, Judobank, Easypay and Health Engine. RapidID's stand-a-lone revenues are not material to Xref at this point, however, a significant opportunity exists to increase revenues through sales to Xref's client base.

Strategic Fit

RapidID is a highly complementary acquisition for Xref. For eight years, Xref has checked that candidates have worked where and how they say they have. With RapidID, Xref now has the ability to also check candidates are who they say they are.

RapidID has been integrated into Xref's core platform and the additional paid identity checks will be available to Xref's clients from today. HR professionals are looking for better ways to verify the backgrounds and identity of candidates and Xref now brings a seamless and integrated service to their platform of choice.

RapidID will continue to evolve under its current branding and website but it will be identified as an Xref company. RapidID will also be able to develop further in non-HR markets and this will create opportunities for Xref in new sectors. RapidID's Queensland-based founder, Ashley Hoey, will join Xref along with his development team of two and will continue to develop the RapidID platform and business as General Manager, RapidID.

Director's Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Lee-Martin Seymour

Managing Director

29 August 2019

Sydney



Brad Rosser

Chairman

29 August 2019

Sydney

Independent Auditor's Report to the Members of Xref Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Xref Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
<i>Intangibles and Research and Development Costs</i>	
In the current year, the Group incurred expenditure, comprising mostly payroll costs, to develop its domain and to advance its cloud-based solutions for candidate recruitment.	We held discussions with management to understand the nature of the Group's research and development processes, recognising that the Group's systems are constantly evolving and its codebase and infrastructure is regularly being modified.
Whilst the Group generates revenue by delivering services through its website and related software applications, we focused our attention on the fact that the Group has not capitalised research and development costs as intangible assets in the financial report.	We challenged management's approach to exercising their key judgements in relation to internally generated software and research costs in the context of the period that management expects to recover economic benefits associated with these activities.
Management had outlined their key judgements made in relation to internally generated software and research costs in Note 5 of the financial report.	
<i>Operating Losses and Going Concern Assessment</i>	
The Group incurred losses before tax of \$8,181,826 (2018: loss \$8,912,898). Notwithstanding the continued losses the financial report has been prepared on a going concern basis as the Group obtained sufficient funds from its capital raising which allows the Group to continue operating as outlined in Note 3(w) of the financial report.	<p>We critically analysed the Group's cash flow forecast that was used to support the going concern assessment, including performing the following procedures:</p> <ol style="list-style-type: none"> We compared the prior year cash flow forecast prepared by management with the actual cash flows achieved and obtained justification from management on variances in order to evaluate the validity of management's current forecasting processes. We interrogated the cash flow forecast using different inputs as a means to perform a sensitivity analysis. We discussed with management the significant assumptions and inputs used in the cash flow forecast, comparing the inputs used with historical results, and

Key Audit Matter	How we addressed the Key Audit Matter
	obtained reasonable justification for those inputs that differ from historical results.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included on pages 13 to 20 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of the Company, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Crowe Sydney



Ash Pather

Partner

29 August 2019
Sydney

Shareholder Information

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

Substantial Shareholders of the Company as at 13 August 2019:

Substantial Shareholders	Shareholding	% Shares Issued
Squirrel Holdings Australia Pty Ltd	30,857,613	18.43
West Riding Investments Pty Ltd	30,857,612	18.43
FIL Limited	13,475,065	8.14
AustralianSuper Pty Ltd	10,000,000	6.04

Based on the market price at 13 August 2019 there were 155 shareholders with **less than a marketable parcel** of 1,076 shares at a share price of \$0.465.

Number of Ordinary Shares Held	Number of Holders	Ordinary Shares	% of Total Issue Capital
1 - 1,000	148	67,510	0.04
1,001 - 5,000	268	791,895	0.47
5,001 - 10,000	162	1,300,821	0.78
10,001 - 100,000	357	12,314,573	7.35
100,001 and over	93	152,987,013	91.36
Total	1,028	167,461,812	100.00

Top 20 Holders of Ordinary Shares as at 13 August 2019

Rank	Name of Shareholder	Shares	% of Shares
1	Squirrel Holdings Australia Pty Ltd <Griffiths Family A/C>	30,857,613	18.43
2	West Riding Investments Pty Ltd <Seymour Family A/C>	30,857,612	18.43
3	HSBC Custody Nominees (Australia) Limited	26,366,033	15.74
4	J P Morgan Nominees Australia Pty Limited	13,837,183	8.26
5	Netwealth Investments Limited <Wrap Services A/C>	5,720,941	3.42
6	Citicorp Nominees Pty Limited	4,835,984	2.89
7	UBS Nominees Pty Ltd	4,356,785	2.60
8	Austral Capital Pty Ltd <Austral Equity Fund A/C>	3,000,000	1.79
9	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	2,778,643	1.66
10	Mr Tim Mahony + Ms Jacki Pervan <Mahony Super Fund A/C>	1,900,000	1.14
11	Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	1,878,150	1.12
12	Merrill Lynch (Australia) Nominees Pty Limited <Equity Finance A/C>	1,648,804	0.98
13	Yeehah Pty Ltd	1,200,000	0.72
14	Parkstone House Pty Ltd	1,019,410	0.61
15	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	1,018,276	0.61
16	Debuscey Pty Ltd	996,592	0.60
17	Schindler Investment Haus Pty Ltd <Schindler Super Fund A/C>	912,500	0.54
18	Hoedog Enterprises Pty Ltd <Hoey Trust A/C>	829,422	0.50
19	Mr Mark William Hoey	754,020	0.45
20	Home Capital Finance Pty Ltd	674,981	0.40
	Total of Top 20 Holdings	135,442,949	80.88
	Other Holdings	32,018,863	19.12
	Total Fully Paid Shares Issued	167,461,812	100.00

Performance Rights as at 13 August 2019

Name of Performance Holder	Performance Shares the Holder is Entitled to
Squirrel Holdings Australia Pty Ltd <Griffiths Family A/C>	C Class Performance Rights: 8,333,333
West Riding Investments Pty Ltd <Seymour Family A/C>	C Class Performance Rights: 8,333,333
Total	16,666,666

The conversion ratio of the Performance Rights into ordinary shares upon achievement of a relevant performance milestone is one ordinary share for each Performance Right.

Options as at 13 August 2019

Name of Option Holder	Shares the Option Holder is Entitled to	Exercise Price	Option Expiry Date
Brad Rosser	4,500,000	\$0.70	25 November 2021
Brad Rosser	2,500,000	\$0.70	25 November 2022
Nigel Heap	900,000	\$0.70	25 November 2021
43 employees and contractors (under Employee Option Plan)	906,870	\$0.585	3 July 2021
16 employees (under Employee Option Plan)	194,331	\$0.66	5 February 2022
James Solomons (under Employee Option Plan)	1,000,000	\$0.70	12 February 2021
James Solomons (under Employee Option Plan)	750,000	\$0.70	12 February 2022
James Solomons (under Employee Option Plan)	750,000	\$0.70	12 February 2023
31 employees and contractors (under Employee Option Plan)	315,664	\$0.66	1 August 2022
Five senior staff members (under Employee Option Plan)	2,500,000	\$0.70	29 November 2022
Sharon Blesson (under Employee Option Plan)	300,000	\$0.70	3 September 2021
Sharon Blesson (under Employee Option Plan)	300,000	\$0.70	3 September 2022
Sharon Blesson (under Employee Option Plan)	300,000	\$0.70	3 September 2023
Total	15,216,865		

Voting Rights

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

On-Market Buy-Back

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

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Corporate Directory

PLACE OF BUSINESS

Australia (Head Office and Registered Office)

Suite 14, 13 Hickson Road
Dawes Point, NSW 2000
Tel: +61 2 8244 3099

United Kingdom

46 New Broad Street
London

Canada

Suite 202
1 Adelaide Street East
Toronto, Ontario

Norway

Karl Johans Gate 16,
Oslo

United States

Unit 1401
700 Lavaca Street
Austin, Texas

New Zealand

Level 10
11 Britomart Place
Auckland

DIRECTORS

Brad Rosser
Chairman

Lee-Martin Seymour

Tim Griffiths

Tim Mahony

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
xref.com

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

Tel: 1300 850 505
(within Australia)

Tel: + 61 3 9415 4000
(outside Australia)



XREF
xref.com