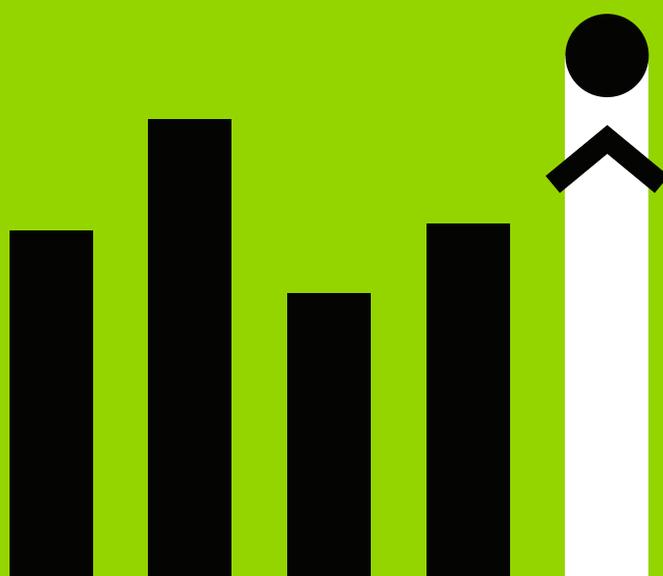


XREF



2018

INTERIM REPORT

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General information

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

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

**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.

Founders' Report



The first half of this financial year was characterised by strong revenue growth, landmark new client acquisitions and improved cash flow.

Our successful start to the year demonstrated our ongoing focus on the three key metrics set and announced in the FY18 interim report:

- Client acquisition
- Client adoption
- ARPA (Annual Revenue Per Account)

Client acquisition

The number of organisations we support globally grew significantly during the period, with the number of active clients using the platform increasing to more than 980 in the first half of the year.

During the half, 211 new clients adopted our platform — representing growth of more than 35% compared to the previous corresponding period. Of these clients, 108 were added during the second quarter. New clients added included Allianz, EY, Healthscope and Monadelphous in Australia, New Zealand Inland Revenue, New York-based Compass Real Estate, Idaho-based Albertsons Retail, Gold Care Housing and Sopra Steria in the UK and Sweco in Norway.

Australia currently represents 82% of the total global sales. As our client portfolio grows, this proportion is decreasing as our international client base increases.

Client adoption

Historical client adoption trends have seen new Xref clients use the platform for approximately 30% of total annual hires in their first year of use, rising to around 95% by the fourth year.

Xref's unwavering focus on ensuring customer success continues to set us apart in the market. Client retention rates remain very high at 94%. Xref benefits from consistent credit top-ups and renewals from existing clients as their use of the platform increases.

ARPA (Annual Revenue Per Account)

ARPA is our key focus for building scale and profitability.

With local teams now established in Australia, Europe, UK and North America, we are well positioned to capitalise on growth opportunities. The total addressable market for Xref includes more than 180 million people in the workforce in North America, 120 million people in Europe, and 15 million people in Australia and New Zealand.

Average sales from clients invoiced over the 12 months to the end of December 2018 was \$12,544, an average ARPA increase of 32% compared to the previous corresponding period. This demonstrates our ability to 'Land and Expand', an expression referring to the typical increase in client adoption over time.

Increased channel sales

Increasing sales through integrations with other HR technology platforms and solutions is an important component of our ongoing growth strategy. We now offer our services through 13 leading applicant tracking systems and HR technology solutions, including JobAdder, Bullhorn, Checkr, Equifax, Expr3ss!, iCIMS, Lever, Oracle Taleo, SmartRecruiters, SnapHire, Talent App Store, Workday and Zapier.

Our integration partners support more than 50,000 organisations worldwide. Joint marketing campaigns and the availability of Xref's platform through talent suites' marketplaces provides a conduit to international sales without the need for a large sales force. The number of companies using Xref through an integration has increased to 164, compared with 34 in H1 FY18.

Award-winning technology

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.

While we are a technology company, the people behind the technology are passionate about improving the lives of recruitment and HR professionals and committed to offering them support and service as we continue to grow.

We are capitalising on a first mover advantage and continue to build platform leadership. One example of this was the validation of our high levels of platform security, data privacy and accessibility through ISO 27001 certification. This ensures that we meet the most stringent security and data protection standards for information management systems.

A 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.

Strategic team building

As part of our ongoing strategy to drive international growth, we strengthened our North American team to help secure clients across Canada and the United States.

We have doubled the size of our team in North America to 10, including a regional sales manager in Vancouver. As a result, credit usage has grown by 300% from \$44,000 in H1 FY18 to \$219,000 in H1 FY19.



Lee-Martin Seymour
Chief Executive Officer, Co-founder

In recognising our strong sales pipeline globally, we have also bolstered the number of sales, customer success and account management staff servicing clients and now employ 76 people in total.

This enabled us to secure more than 400 sales meetings with potential clients during Q2 FY19 as the number of opportunities available continued to expand.

Financial overview

As we increase sales at a significantly higher rate than overall expenditure, our operating leverage continues to improve.

Our key financial performance metrics saw improvements year-on-year during H1 FY19:

- credit usage reached \$3.4 million, up 88% from \$1.8 million in H1 FY18
- credit sales reached \$4.2 million, up 59% from \$2.6 million in H1 FY18.

Sales of credits to clients through platform integrations reached \$750,000 during H1 FY19 and represented 18% of overall credit sales. Credit usage by these channel customers was \$600,000, a 300% increase on H1 FY18.

The group's ratio of credit sales as a proportion of expenditure continued to improve. Total expenditure for the half increased by 4% compared to H1 FY18.

Cash at the end of December was \$11.1 million and the company is debt-free.

Outlook

Xref remains focused on driving international expansion, demonstrated by improvements in key growth metrics. We anticipate that this will continue in the second half of the financial year, with a strengthened team and growing pipeline of high-value opportunities.



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 half-year ended 31 December 2018 (H1 FY19).

Directors

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

Brad Rosser, Non-Executive Chairman

Lee-Martin Seymour, Executive Director

Timothy Griffiths, Executive Director

Timothy Mahony, Non-Executive Director

Nigel Heap, Non-Executive Director

Principal activities

During the financial half-year, the principal continuing activities of the consolidated entity consisted of software development for the HR industry.

Review of operations

The loss for the consolidated entity for the financial half-year after providing for income tax amounted to \$4,592,778 (H1 FY18: \$5,073,229).

Xref achieved record first half revenue during H1 FY19 as the company continued to invest for future growth.

Key achievements for H1 FY19 included:

- **Sales** — \$4.2 million, up 59% from \$2.6 million in H1 FY19
- **International sales** — continued to grow and now represent 18% of the total
- **Credit usage** — was a record \$3.4 million, up 88% from \$1.8 million in H1 FY18
- **Client acquisitions** — 211 new clients added during H1 FY19, with about 25% of the company's direct clients using Xref's platform for the first time during the half
- **ARPA** — continued to increase as a result of growing platform adoption
- **Integrations** — 164 companies used Xref's platform through an integration at 31 December 2018, up from 34 at 31 December 2017
- **ISO 27001 certification** — globally recognised standard confirming Xref's platform meets the highest standards of data security and privacy
- **Tight control of costs** — expenditure increased 4% compared to H1 FY18, while sales grew 59%
- **Funding** — successful placement of shares to Australian institutional investors raising \$8 million before costs in September 2018

The company continued to capitalise on high demand for candidate referencing services and a growing human resources technology market. The drivers behind revenue growth included:

- **International expansion** — The company continues to grow its operations globally, from its headquarters in Sydney and offices in Toronto, London and Oslo. In North America, Xref doubled the size of its team from five to 10 people to capitalise on growth opportunities, resulting in credit usage by North American customers increasing by 300% compared to H1 FY18.
- **Integrations** — A focus on optimising channel partnerships resulted in the number of companies using Xref through an integration increasing to 164 by the end of H1 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 \$750,000 and represented 18% of overall sales for the period. Credit usage by these customers was \$600,000, up 300% on H1 FY18.
- **Sales and customer service focus** — The number of sales, customer success and account management staff servicing clients increased in H1 FY19, such that the company now employs 76 staff globally. This enabled the group to take advantage of its sales pipeline, reporting more than 400 sales meetings during Q2 FY19. Total direct and active clients grew to over 980 while overall retention rates remained at 94%.
- **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 provides clients with confidence that their data is protected and it is a mandatory requirement for providing services to many large enterprises.

Financial Highlights

The group continued to increase revenue while maintaining tight control of costs. Credit sales for H1 FY19 were \$4.2 million, up 59% from \$2.6 million in H1 FY18. Under Xref's business model, when clients purchase credits, which are reported as credit sales, the value of their purchase is recognised initially as unearned income. After the credits are used, they are recognised as usage.

Credit usage was \$3.4 million, up 88% from \$1.8 million in H1 FY18. This included strong growth in usage by North American clients of 300%. North American usage was \$219,000, up from \$44,000 in H1 FY18.

Against this backdrop, operating expenditure rose by just 4% compared to H1 FY18.

Cash at 31 December 2018 was \$11.11 million and the company is debt-free.

In September 2018, the company successfully completed a placement of shares to Australian institutional investors (the Placement), raising \$8 million before costs and welcoming several new institutional investors as shareholders.

In December 2018, the company also issued an additional 3,715,664 share options to eligible employees.

Auditor's independence declaration

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

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

On behalf of the board of directors



Lee-Martin Seymour
CEO & Co-Founder

26th February 2019

26 February 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 review of the financial report of Xref Limited for the financial half year ended 31 December 2018, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely



CROWE HORWATH SYDNEY



ASH PATHER
Partner

Financial Statements

Statement of profit or loss and other comprehensive income

	Note	Consolidated	
		31 Dec 2018 Unaudited \$	31 Dec 2017 Unaudited \$
Revenue			
Sales - Credits Sold in Current Year		4,165,791	2,617,523
Less adjustment for Unearned Revenue	10	(1,324,265)	(1,185,736)
		<u>2,841,526</u>	<u>1,431,787</u>
Total revenue		<u>2,841,526</u>	<u>1,431,787</u>
Expenses			
Employee expenses		(4,703,879)	(4,135,040)
Overheads and administrative expenses	3	(2,827,340)	(3,119,483)
Depreciation and amortisation expense		(40,241)	(36,058)
Impairment of assets		(550)	-
Total expenses		<u>(7,572,010)</u>	<u>(7,290,581)</u>
Operating loss		(4,730,484)	(5,858,794)
Other Income	4	<u>137,706</u>	<u>785,565</u>
Loss before income tax expense		(4,592,778)	(5,073,229)
Income tax expense		<u>-</u>	<u>-</u>

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

Statement of profit or loss and other comprehensive income *continued*

	Note	Consolidated	
		31 Dec 2018 Unaudited \$	31 Dec 2017 Unaudited \$
Loss after income tax expense for the half-year attributable to the owners of Xref Limited		(4,592,778)	(5,073,229)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		141,514	(112,255)
Other comprehensive income for the half-year, net of tax		141,514	(112,255)
Total comprehensive income for the half-year attributable to the owners of Xref Limited		<u>(4,451,264)</u>	<u>(5,185,484)</u>
Earnings per share		Cents	Cents
Basic earnings per share	18	(2.95)	(3.86)
Diluted earnings per share	18	(2.95)	(3.86)

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

Statement of financial position

	Note	Consolidated	
		31 Dec 2018 Unaudited \$	30 June 2018 Audited \$
Assets			
Current assets			
Cash and cash equivalents	5	11,113,171	4,451,896
Trade and other receivables	6	795,034	3,144,727
Capitalised Commission	19	538,710	-
Prepayments		454,669	229,886
Total current assets		<u>12,901,584</u>	<u>7,826,509</u>
Non-current assets			
Property, plant and equipment	7	318,943	322,105
Intangibles		117,403	117,953
Rental Bonds		76,751	120,196
Total non-current assets		<u>513,097</u>	<u>560,254</u>
Total assets		<u>13,414,681</u>	<u>8,386,763</u>
Liabilities			
Current liabilities			
Trade and other payables	8	898,380	1,646,024
Employee entitlements	9	326,517	277,529
Superannuation payable		151,983	184,268
Lease incentive		-	13,103
Unearned revenue	10	5,597,403	4,268,871
Total current liabilities		<u>6,974,283</u>	<u>6,389,795</u>

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

Statement of financial position *continued*

	Note	Consolidated	
		31 Dec 2018 Unaudited \$	30 June 2018 Audited \$
Non-current liabilities			
Employee entitlements	11	72,370	52,621
Total non-current liabilities		72,370	52,621
Total liabilities		7,046,653	6,442,417
Net assets		6,368,028	1,944,346
Equity			
Issued capital	12	48,147,744	40,087,991
Other equity reserves	13	(21,361,044)	(21,754,920)
Accumulated losses		(20,418,672)	(16,388,725)
Total equity		6,368,028	1,944,346

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

Statement of changes in equity

Unaudited Consolidated	Share		Share option reserve	Foreign Currency Translation Reserve	Consolidation Reserve	Retained	Non-	Total equity
	Capital	Performance rights reserve				profits	controlling interest	
	\$	\$	\$	\$	\$	\$	\$	\$
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 half-year	-	-	-	-	-	(5,073,229)	-	(5,073,229)
Other comprehensive income for the half-year, net of tax	-	-	-	(112,255)	-	-	-	(112,255)
Total comprehensive income for the half-year	-	-	-	(112,255)	-	(5,073,229)	-	(5,185,484)
Shares Issued	7,016,250	-	-	-	-	-	-	7,016,250
Options Issued	-	-	373,973	-	-	-	-	373,973
Performance Rights Issued	350,000	(350,000)	-	-	-	-	-	-
Balance at 31 Dec 2017	40,054,241	-	943,069	(147,170)	(22,845,821)	(12,549,056)	-	5,455,263

Statement of changes in equity *continued*

Unaudited Consolidated	Share		Share option reserve	Foreign Currency Translation Reserve	Consolidation Reserve	Retained	Non-	Total equity
	Capital	Performance rights reserve				profits	controlling interest	
	\$	\$	\$	\$	\$	\$	\$	\$
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 half-year	-	-	-	-	-	(4,592,778)	-	(4,592,778)
Other comprehensive income for the half-year, net of tax	-	-	-	141,514	-	-	-	141,514
Total comprehensive income for the half-year	-	-	-	141,514	-	(4,592,778)	-	(4,451,264)
Shares Issued	7,481,019	-	-	-	-	-	-	7,481,019
Options Exercised	578,734	-	(128,328)	-	-	128,328	-	578,734
Options Lapsed	-	-	(35,670)	-	-	35,670	-	-
Options Issued	-	-	416,360	-	-	-	-	416,360
Balance at 31 Dec 2018	48,147,744	-	1,583,325	(98,548)	(22,845,821)	(20,418,672)	-	6,368,028

Statement of cash flows

	Note	Consolidated	
		31 Dec 2018 Unaudited \$	31 Dec 2017 Unaudited \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,809,093	3,095,870
Payments to suppliers (inclusive of GST)		(8,677,653)	(7,741,991)
		(2,868,560)	(4,646,121)
Research & Development - Refundable Tax Offset		1,453,752	1,384,632
Interest received		52,916	62,295
Net cash used in operating activities	17	(1,361,892)	(3,199,194)
Cash flows from investing activities			
Payments for property, plant and equipment		(36,586)	(160,230)
Net cash used in investing activities		(36,586)	(160,230)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	12	8,000,000	7,500,000
Payments for Share Raising expenses		(518,981)	(483,750)
Proceeds from Options Exercised		578,734	-
Net cash from financing activities		8,059,753	7,016,250
Net increase in cash and cash equivalents		6,661,275	3,656,826
Cash and cash equivalents at the beginning of the financial half-year		4,451,896	4,069,573
Cash and cash equivalents at the end of the financial half-year		11,113,171	7,726,399

Notes to the financial statements

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

The following Accounting Standards and Interpretation are most relevant to the consolidated entity:

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 1. 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.

Revenue recognition

The consolidated entity recognises revenue as follows:

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.

Interest

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

Note 1. Significant accounting policies *continued*

Other revenue

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

Trade 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.

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or 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.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

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.

Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Right of return assets

Right of return assets represents the right to recover credits sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

Derecognition of financial asset

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

Note 1. 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.

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

Contract liabilities

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

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. At this point in time a refund liability is recognised.

Impact of adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers'

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. There is no financial impact on the group from adoption of this standard and therefore, no retrospective adjustment is required.

Adoption of AASB 15 'Revenue from Contracts with Customers'

The consolidated entity has adopted the modified retrospective approach of AASB 15 from 1 July 2018, with the cumulative effect of initially applying this standard recognised in the opening balance of retained earnings as at 1 July 2018. Contract assets in relation to capitalised commission of \$538,710 were recognised as at 31 December 2018 and the retrospectively adjustments for capitalised commission of \$398,333 was adjusted to the opening balance of retained earnings as at 1 July 2018.

Note 2. Operating segments

Identification of reportable operating segments

There is only one operating segment (candidate referencing) for the six months ended 31 December 2018. The disclosures on the face of the statement of comprehensive income to the operating loss and the statement of financial position represent the Group's one business segment.

	Consolidated	
	31 Dec 2018	31 Dec 2017
Credit sales to external customers		
Australia	3,405,512	2,301,309
Canada	360,277	116,818
Norway	176,743	28,348
United Kingdom	223,259	171,048
	<u>4,165,791</u>	<u>2,617,523</u>
Revenue from external customers		
Australia	2,370,087	1,255,452
Canada	302,590	64,732
Norway	60,319	9,026
United Kingdom	108,530	102,577
	<u>2,841,526</u>	<u>1,431,787</u>
Revenue from external customers		
Service performed at a point in time	2,798,814	1,431,787
Services transferred over time	42,712	-
	<u>2,841,526</u>	<u>1,431,787</u>
Non-current operating segments		
Global	106,440	106,546
Australia	395,945	272,356
Canada	99,467	111,602
Norway	3,454	8,055
United Kingdom	12,483	58,073
	<u>617,789</u>	<u>556,632</u>

Note 3. Overheads and administrative expenses

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Audit fees	26,931	24,802
Accounting fees	80,813	79,356
Directors' fees	72,374	124,350
Legal fees	86,896	121,904
Marketing expenses	547,821	847,787
Other consultants	208,651	405,049
Share option expense	416,360	373,973
Administration expense	853,644	819,931
Foreign exchange loss	177,731	(20,769)
Operating lease payments	356,119	343,100
	<u>2,827,340</u>	<u>3,119,483</u>

Note 4. Other Income

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Research & Development - Refundable Tax Offset	71,864	719,029
Interest Received	52,916	66,295
Other Income	12,926	241
	<u>137,706</u>	<u>785,565</u>

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Cash at bank	11,037,714	4,381,389
Rental Bond	75,457	70,507
	<u>11,113,171</u>	<u>4,451,896</u>

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

The Parent has arranged a legal right of set off between its bank trading account, call deposit accounts, and its bank overdraft.

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

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

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Trade receivables	885,072	1,599,430
Other receivable	3,098	-
Research and development incentive grant	71,864	1,710,297
Less: Allowance for expected credit losses	<u>(165,000)</u>	<u>(165,000)</u>
	<u>795,034</u>	<u>3,144,727</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$0: (\$165,000) in profit or loss in respect of the expected credit losses for the half year ended 31 December 2018.

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Leasehold improvements - at cost	98,373	96,784
Less: Accumulated depreciation	(17,376)	(10,058)
	<u>80,997</u>	<u>86,726</u>
Computer equipment - at cost	211,249	183,028
Less: Accumulated depreciation	(98,498)	(76,275)
	<u>112,751</u>	<u>106,753</u>
Office equipment - at cost	122,294	116,087
Less: Accumulated depreciation	(57,727)	(50,815)
	<u>64,567</u>	<u>65,272</u>
Office furniture - at cost	73,485	72,915
Less: Accumulated depreciation	(12,857)	(9,561)
	<u>60,628</u>	<u>63,354</u>
	<u>318,943</u>	<u>322,105</u>

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Trade payables	476,786	162,894
Non trade payables and accrued expenses	223,367	525,139
Accrued salaries, wages and related costs	55,636	853,126
GST payable	142,591	104,865
	<u>898,380</u>	<u>1,646,024</u>

Note 9. Current liabilities - Employee entitlements

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Annual Leave	326,517	277,529

Note 10. Current liabilities - Unearned revenue

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Balance Brought Forward	4,268,871	2,030,253
Unearned Revenue Movement		
Credits Sold	4,165,790	7,071,723
Add: Opening Conditional Credits	1,445,795	1,085,263
Less: Usage	(3,484,720)	(4,485,468)
Less: Closing Conditional Credits	(802,600)	(1,445,795)
Net Unearned Revenue Movement	1,324,265	2,225,723
Opening Balance Revaluation due to Forex	4,267	12,895
Balance Carried Forward	5,597,403	4,268,871

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 recognise revenue. At balance sheet date some clients will have purchased credits and have been issued with 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).

Note 11. Non-current liabilities - Employee entitlements

	Consolidated	
	31 Dec 2018 \$	30 June 2018 \$
Long Service Leave	72,370	52,621

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 June 2018 Shares	31 Dec 2018 \$	30 June 2018 \$
Ordinary shares - fully paid	163,585,697	147,736,127	48,147,744	40,087,991

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	147,736,127		40,087,991
Issued for Cash		13,333,334	\$0.60	8,000,000
Capital Raising Costs		-	\$0.00	(518,981)
Option Conversion		1,966,236	\$0.29	452,234
Option Conversion		300,000	\$0.23	69,000
Option Conversion		250,000	\$0.23	57,500
Balance	31 December 2018	163,585,697		48,147,744

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 13. Equity - Other equity reserves

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Foreign currency reserve	(98,548)	(240,062)
Options reserve	1,583,325	1,330,963
Consolidation reserve	(22,845,821)	(22,845,821)
	<u>(21,361,044)</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.

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

Note 13. Equity - Other equity reserves *continued**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 are in escrow until 8 February 2018. The key inputs used in the binomial valuation of the Xref PR's are summarised in the table below.

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.

Grant date	20/01/2016
Expiry date - Class A	20/07/2018
Expiry date - Class B	20/01/2018
Expiry date - Class C	20/01/2021
Xref share value at issue	\$0.03
Share price hurdle (150% above the issue price)	\$0.50
Period over which the VWAP must exceed the share price hurdle	20 days
Expected volatility	60% to 70%
Risk free rate	2.09%
Dividend yield	0.00%

Note 13. Equity - Other equity reserves *continued*

Share option reserve

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Option Reserve \$A
At 1 July 2016	01/01/2015	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	568,862
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 1 July 2016		01/02/2019	\$0.230	1,992,673	101,627
At 30 June 2017 (b)	07/12/2016	25/11/2022	\$0.700	2,500,000	248,548
At 30 June 2017 (a)	07/12/2016	25/11/2021	\$0.700	5,400,000	640,693
Granted (c)	22/09/2017	03/07/2021	\$0.590	811,480	181,310
Granted (d)	22/09/2017	03/07/2021	\$0.580	95,390	21,444
Granted (e)	22/03/2018	05/02/2022	\$0.660	220,070	20,260
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	60,478
Granted (h)	22/03/2018	12/02/2023	\$0.700	750,000	34,483
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	2,831
Granted (k)	04/12/2018	03/09/2023	\$0.660	300,000	1,545
Granted (l)	04/12/2018	01/08/2022	\$0.660	315,664	3,540
Granted (m)	04/12/2018	29/11/2022	\$0.700	2,500,000	176,166
Closing Balance		31/12/2018	\$0.000	17,235,277	1,583,325

Note 13. 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

Note 13. Equity - Other equity reserves *continued*

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
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

Note 13. Equity - Other equity reserves *continued*

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 13. 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

Note 13. Equity - Other equity reserves *continued*

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
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)	2.170%
	Expected volatility	39.19%
	Dividends expected on the shares	Nil

Note 13. Equity - Other equity reserves *continued*

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 13. 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 is the same as a Performance Right Class A Conversion 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

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 2018 year was 2.55 years (2017: 1.59 years)

Option movements for the year

During the half year ended 31 December 2018, 178,314 options lapsed and 2,516,236 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 13. Equity - Other equity reserves *continued*

Options vested and therefore exercisable

Acquisition of Xref Pty Ltd	01/02/2019	1,392,573	3,608,809
Options Vested – Tim Mahony	01/02/2019	900,000	900,000
Options Vested – Nigel Heap	25/11/2021	600,000	900,000
Options Vested - Brad Rosser	25/11/2021	4,500,000	2,000,000
Options Vested – James Solomons	12/02/2021	1,000,000	1,000,000
Options Vested - Employees and Contractors	03/07/2021	906,870	-
Options Vested – Sharon Blesson	30/09/2021	300,000	-
Options Vested – Senior Staff	29/12/2022	1,500,000	-
		<u>11,099,443</u>	<u>8,408,809</u>

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 14. Commitments

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

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Non-cancellable operating leases are payable as follows:		
Within one year	535,885	507,020
One to five years	746,383	1,009,542
	<u>1,282,268</u>	<u>1,516,562</u>

The Group had no other commitments at 31 December 2018 (30 June 2018: Nil).

Note 15. 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 a arms-length basis, none of the transactions included special terms, conditions or guarantees.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Purchase of services		
Related companies	104,065	90,038

Receivable from and payable to related parties

There were no loans to directors for the 6 months year ended 31 December.

Note 16. Events after the reporting period

At 27th January the only significant event is the exercising of the remainder of the original 23 cent options.

No other matter or circumstance has arisen since 31 December 2018 that has 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.

Note 17. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Loss after income tax expense for the half-year	(4,592,778)	(5,073,229)
Adjustments for:		
Depreciation and amortisation	40,420	36,058
Option expense	416,360	373,973
Unearned revenue	1,324,265	1,185,736
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,349,693	1,134,699
Increase in prepayments	(224,783)	(72,994)
Increase in financial assets	(96,063)	(43,424)
Decrease in trade and other payables	(606,623)	(827,134)
Increase in employee benefits	68,737	74,177
Increase/(decrease) in other operating liabilities	(41,120)	12,944
Net cash used in operating activities	<u>(1,361,892)</u>	<u>(3,199,194)</u>

Note 18. Earnings per share

Earnings per share

	Cents	Cents
Basic earnings per share	(2.95)	(3.86)
Diluted earnings per share	(2.95)	(3.86)
Weighted number of ordinary shares for basic earnings per share	<u>155,557,423</u>	<u>131,431,780</u>

Note 19: Capitalised Commission

	31 Dec 2018
	\$
Opening balance	
Additions – Modified Retrospective Approach Adjustment	398,333
Additions	490,605
Recognised in income statement	(350,728)
Closing balance	<u>538,710</u>

Director's Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Lee-Martin Seymour
Managing Director

26 February 2019

Sydney



Brad Rosser
Chairman

26 February 2019

Sydney

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Xref Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration for the Company and its controlled entities (the consolidated entity).

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Xref Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

Ash Pather

ASH PATHER

Partner

Dated at Sydney this 26th day of February 2019

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, EX2M 1JH

Canada

Suite 202
1 Adelaide Street East
Toronto, Ontario M5C 1X6

Norway

Karl Johans Gate 16,
0154 Oslo
Norway

Website

xref.com

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 Technology Officer,
Co-Founder

James Solomons
Chief Financial Officer

Sharon Blesson
Chief Operating Officer

COMPANY SECRETARY

Robert Waring

AUDITORS

Crowe Horwath
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**
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Abbotsford, Victoria
Australia 3067

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(within Australia)

Tel: + 61 3 9415 4000
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XREF

xref.com