XREF

2019

Interim Report

Contents

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
ACN: 122 404 666

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

Founders' Report

The first half of FY20 saw the achievement of some significant milestones in the Xref journey, with notable partnerships formed, further international expansion and the launch of Xref Lite, a new self-serve version of the Xref platform which provides access to a significantly wider pool of potential users who are looking for an on-demand solution backed by the breadth and power of Xref's enterprise platform.

The evolution of our offering and expansion of our reach has come at a time when we have an unwavering focus on reaching cash flow break even and, with revenue continuing to grow and costs being reduced in the second half of the year, we are moving closer to our goal of achieving this in the last quarter of the 2020 financial year.

A record first half

Record first half results in all key business metrics:

> **Sales**—Xref credit sales reached $4.6 million, up 10% from $4.2 million in H1 FY19;

> **Revenue**—credit usage reached $4.4 million, up 29% from $3.4 million in H1 FY19; and

> **Receipts**—cash receipts totalled $6.0 million, a 25% increase on the $4.8 million in H1 FY19.

The 10% uplift in sales was supported by three particularly high-performing months - August, October and November - during which we achieved $3 million in credit sales.

Impressive client acquisition continues

The volume and significance of the brands we added to the list of organisations we support globally is also something to be celebrated. The number of active clients using the platform increased to more than 1,100 during the first half of the year.

During the half-year, 190 new clients joined Xref increasing more than 67% on the previous corresponding period. Q2 was the most successful for client acquisition, with 104 of the new clients added during that time.

New clients during the first half of the year included, the Ministry of Social Development in New Zealand; Tourism Australia, Tennis Australia, Cricket Australia, Knox Grammar School, Sigma Healthcare and Schneider Electric in Australia; Turner & Townsend, Kelly Service and Lenovo in the UK, Texas A&M University, the University of Alberta and Mastery Schools in the US, EY and Trondheim Kommune in Norway, and Brussels Airlines in Belgium.

Client adoption and satisfaction

Xref benefits from consistent credit top-ups and renewals from existing clients as their use of the platform increases. 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.

Our unwavering focus on ensuring customer success continues to set us apart in the market and client retention rates also remain very high at 94%.

Xref Lite opens up new opportunities

The Xref Lite platform was launched in October 2019, delivering the core functionality and capability of the Xref platform, in a self-service, single-user format.

Xref Lite dramatically reduces the time-to-purchase, allowing for a one-day customer journey, whereby a potential user can search for a solution, find Xref, create an account, use a free credit and then buy credits for future use, transforming the way their organisation references, all within the same day.

Xref Lite also significantly expedites the time taken to onboard new clients, allowing Xref's global sales and customer success teams to exclusively focus on finding, securing and supporting new enterprise users.

We saw our first customers joining the Xref Lite service within a week of its launch and, by the end of the first half of the year, 235 new customers had registered to use it prior to any material marketing.

Xref Lite allows potential customers to experience our market leading reference checking service quickly and inexpensively. For smaller organisations (which were not historically Xref’s target market) the Lite product may remain their primary reference checking service. For larger organisations, Lite provides a quick and effective means to trial our services before moving to our enterprise solution.

Continued growth through channel

Credit usage by integrated customers was $1 million for the first half, representing a 60% increase on H1 FY19. The number of organisations using Xref through an integration increased to 223.

Notable channel announcements in the first half of the year included partnerships with PageUp and CVCheck.

Once the integration is live, PageUp users will be able to use Xref through their existing PageUp dashboard, and the reference checking tool will become available via the PageUp’s online marketplace. At launch, more than 50 mutual clients will have access to the benefits of the integration.

The integration with CVCheck’s platform comes as a result of demand for a best-of-breed solution for all candidate verification requirements. Across the ANZ region. Xref and CV Check are leaders in their respective market segments and the partnership offers `new capabilities that build on the strengths of each company and offers each greater reach across a region they are already performing exceptionally well in.

Notable expansion into the US

During the first half of the year, we were delighted to announce the introduction of Texas A&M to the Xref platform - one of the largest universities in the United States. Given the power and security of the Xref platform, we were able to demonstrate our ability and capacity to meet Texas A&M University’s strict technical and compliance requirements. Importantly, it was the combination of both the product and the team that led to Texas A&M University’s decision to work with us as noted by the university’s Director of Human Resources Services, Scott Bauer, who said: “We have formed a partnership that will not only add value to our recruitment and acquisition of new talent, but will allow us to work collaboratively on state-of-the-art solutions to advance the employee life cycle.”

As well as Texas A&M University, Xref has secured other US education wins such as Kipp LA Schools, Uncommon Schools, New York, the University of Alberta, Teach for America and Mastery Schools, Philadelphia. We see the US education market as a significant opportunity for Xref now that we have secured key reference customers.

Our increasing reach through integration partners, such as SmartRecruiters, Bullhorn and PageUp, will also continue to be a major driver for client adoption within the region.

Outlook

We maintain our steadfast focus on reaching cash flow break even by the end of this financial year and all decisions made and undertaken during the first half have been reflective of that. We are introducing platform and feature updates at a steady rate, and continue to expand our reach with international growth, both directly and through integration partnerships. This ensures we benefit from ongoing client acquisition, while also prioritising existing client adoption and a focus on expenditure.

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, for 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 2019 (H1 FY20).

Directors

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

Brad Rosser, Non-Executive Chairman

Lee-Martin Seymour, Executive Director

Timothy Griffiths, Executive Director

Nigel Heap, Non-Executive Director

Timothy Mahony, Non-Executive Director (Resigned Nov 22, 2019)

Principal activities

During the financial half-year, the principal continuing activities of the consolidated entity consisted of software development and service 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 $6,892,122 (H1 FY19: $4,592,778).

Xref achieved record first-half sales, revenue and cash receipts during H1 FY20 illustrating the company's continued focus on growth and supporting its goal of reaching cash flow break-even by the end of this financial year.

Key achievements for H1 FY20 included:

> **Sales**—credit sales reached $4.6 million, up 10% from $4.2 million in H1 FY19;

> **Credit usage**—credit usage reached $4.4 million, up 29% from $3.4 million in H1 FY19, with $1 million coming from integrated customers;

> **Receipts**—cash receipts totalled $6.0 million, a 25% increase on the $4.8 million in H1 FY19;

> **Product expansion**—Xref Lite launched as a means to reach a wider pool of organisations looking for a self-serve, single-user solution with all the power of the Xref enterprise platform;

> **Client acquisitions**—190 new clients added during H1 FY20;

> **Integration growth**—23 live integrations by end of H1 FY20, with growth in the number of organisations using Xref through an integration increasing to 223;

> **Notable integrations**—strategic partnerships formed with PageUp and CVCheck;

> **International growth**—key education sector clients secured in the United States; and,

> **Funding**—completed a placement of new shares to Australian institutional and professional investors raising $3.496 million before costs in December 2019.

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

> **New clients**—during the half-year, 190 new enterprise clients and 235 Xref Lite clients were added to the platform—an increase of more than 67% on the previous corresponding period. Q2 was the most successful for client acquisition, with 104 new enterprise clients and 235 Xref Lite clients added during that period;

> **Sales focus**—the sales and account management team expanded across new regions, with a new office opening in New Zealand and remote sales executives added in Ireland. Xref also welcomed Steve Sutcliffe as APAC GM of Sales. The release of Xref Lite has allowed the sales teams to be 100% focused on identifying enterprise customers in all regions, while small organisations and trial clients can self-serve using Xref Lite;

> **Channel integrations**—a continued focus on growth through strategic partnerships saw credit usage by integrated customers reach $1 million during the first half, representing a 60% increase on H1 FY19. Credit usage by integrated customers was $0.5 million for both the first and second quarters, representing a 51% and 70% year-on-year increase, respectively. The number of organisations using Xref through an integration also increased to 223. Notable announcements for the first half of the year included partnerships with PageUp and CVCheck; and

> **US success**—a notable effort was made to increase traction in the United States and the announcement that Texas A&M University had been introduced as a client was a major milestone in the company’s growth in the region. Xref continues to grow its client base in the US, with particular focus and success in the education sector.

Financial Highlights

Credit sales for H1 FY20 were $4.6 million, up 10% from $4.2 million in H1 FY19. 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 $4.4 million, up 29% from $3.4 million in H1 FY19. This included $1 million of usage from integrated customers.

Cash at 31 December 2019 was $5.7 million and the company is debt-free.

In December 2019, the company announced it had received commitments from institutional and professional investors to raise $3,496,000 before costs through a placement of 10,593,939 fully-paid ordinary shares.

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
28th February 2020

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28 February 2020

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 half year ended 31 December 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

Crowe Sydney

Crowe Sydney

Ash Pather
Partner

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

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

Statement of profit or loss and other comprehensive income

For the half year ended 31 December 2019

	Note	Consolidated 31 Dec 19 Unaudited $	 31 Dec 18 Unaudited $
Revenue			
Revenue	3	3,429,046	2,841,526
Total revenue		3,429,046	2,841,526
Expenses			
Employee expenses		(6,860,077)	(4,703,879)
Overheads and administrative expenses	4	(3,192,201)	(2,827,340)
Depreciation and amortisation expense		(329,060)	(40,241)
Impairment of assets		(571)	(550)
Total expenses		(10,381,909)	(7,572,010)
Operating loss		(6,952,863)	(4,730,484)
Other Income	3	60,741	137,706
Loss before income tax expense		(6,892,122)	(4,592,778)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Xref Limited		(6,892,122)	(4,592,778)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		72,839	141,514

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*

For the half year ended 31 December 2019

		Consolidated	
	Note	**31 Dec 19 Unaudited $**	**31 Dec 18 Unaudited $**
Other comprehensive income for the half-year, net of tax		72,839	141,514
Total comprehensive income for the half-year attributable to the owners of Xref Limited		(6,819,283)	(4,451,264)
Earnings per share		**$**	**$**
Basic earnings per share	18	(0.04)	(0.03)
Diluted earnings per share	18	(0.04)	(0.03)

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

Statement of financial position

As at 31 December 2019

	Note	Consolidated 31 Dec 19 Unaudited $	Consolidated 30 Jun 19 Audited $
Assets			
Current assets			
Cash and cash equivalents	5	5,724,278	8,035,939
Trade and other receivables	6	1,061,931	2,258,627
Capitalised Commission	7	768,328	613,757
Prepayments		728,610	399,955
Total current assets		8,283,147	11,308,278
Non-current assets			
Property, plant and equipment	8	355,434	349,610
Right of use assets	9	722,800	-
Intangibles	10	1,919,247	130,678
Rental Bonds		110,931	109,757
Total non-current assets		3,108,412	590,045
Total assets		11,391,559	11,898,323
Current liabilities			
Trade and other payables	11	1,459,424	1,813,560
Employee entitlements	12	442,557	358,092
Contingent consideration liability	19	30,240	-
Superannuation payable		192,720	215,375
Lease liability	13	523,334	-
Unearned revenue	14	7,537,389	6,262,763
Total current liabilities		10,185,664	8,649,790

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

Statement of financial position *continued*

As at 31 December 2019

	Note	Consolidated 31 Dec 19 Unaudited $	Consolidated 30 Jun 19 Audited $
Non-current liabilities			
Employee entitlements	15	114,670	89,668
Contingent consideration liability	19	43,800	-
Lease Liability	13	246,176	-
Total non-current liabilities		404,646	89,668
Total liabilities		10,590,310	8,739,458
Net assets		801,249	3,158,865
Equity			
Issued capital	16	53,235,226	48,832,200
Other equity reserves	17	(21,352,332)	(21,539,113)
Accumulated losses		(31,081,645)	(24,134,222)
Total equity		801,249	3,158,865

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

Statement of changes in equity

For the half year ended 31 December 2019

Audited Consolidated	Share capital $	Performance rights reserve $	Share option reserve $	Foreign Currency Translation reserve $	Consolidation reserve $	Accumulated losses $	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 half-year	-	-	-	-	-	(4,592,778)	(4,592,778)
Other comprehensive loss 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 Issued	-	-	416,360	-	-	-	416,360
Options Lapsed	-	-	(35,670)	-	-	35,670	-
Balance at 31 December 2018	48,147,744	-	1,583,325	(98,548)	(22,845,821)	(20,418,672)	6,368,028

Statement of changes in equity *continued*

For the half year ended 31 December 2019

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

Statement of cash flows

For the half year ended 31 December 2019

	Note	Consolidated 31 Dec 19 Unaudited $	Consolidated 31 Dec 18 Unaudited $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,505,932	5,809,093
Payments to suppliers (inclusive of GST)		(11,277,222)	(8,677,653)
		(4,771,290)	(2,868,560)
Research & Development - Refundable Tax Offset		-	1,453,752
Interest received		33,606	52,916
Net cash used in operating activities	23	(4,737,684)	(1,361,892)
Cash flows from investing activities			
Payments for purchase of business		(583,944)	-
Purchase of intangible assets		(80,155)	-
Payments for property, plant and equipment		(71,066)	(36,586)
Net cash used in investing activities		(735,165)	(36,586)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		3,496,000	8,000,000
Repayment for lease liabilites		(334,812)	-
Payments for Share Raising expenses		-	(518,981)
Proceeds from Options Exercised		-	578,734
Net cash from financing activities		3,161,188	8,059,753
Net increase in cash and cash equivalents		(2,311,661)	6,661,275
Cash and cash equivalents at the beginning of the financial half-year		8,035,939	4,451,896
Cash and cash equivalents at the end of the financial half-year		5,724,278	11,113,171

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 2019 have been prepared in accordance with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Act 2001, as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting , the standard does not substantially change how a lessor accounts for leases.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 1. Significant accounting policies *continued*

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Revenue recognition

Revenue is recognised as follows.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the 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.

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 - Capitalised Commission

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.

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.

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.

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

Going Concern

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

Note 1. Significant accounting policies *continued*

As at 31 December 2019 the consolidated entity had a net current asset deficiency of $1,902,518. However this includes the value of credits sold to but not yet used by clients of $7,537,389. Under the standard terms and conditions of the contracts of Xref, clients are not entitled to refunds of amounts paid for prepaid credits after a 4 week cooling off period has passed. As at the date of these financial statements, no such refunds have eventuated and historically the incidence of refunds within the 4 week cooling off period is insignificant.

For the financial half year ended, the group incurred a loss after tax of $6,892,122 (2018 HY: $4,592,778). The business has focused on streamlining its operations across the globe whilst moving to become a marketing-led business. This has allowed for cost reductions to be achieved whilst not impacting sales growth. As detailed in the release from January 2020 the expected cost base of the business in Quarter 3, 2020 is $4.8m and in Quarter 4, 2020 $4.6m which is a significant reduction to the cost base from Quarters 1 & 2 2020 which were $5.2m and $5.2m. A cash flow forecast has been produced by the Group (unaudited) which demonstrates that if the above outcomes are achieved then the Group will be in a cashflow positive position for the foreseeable future.

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

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

Business combination

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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

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

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

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

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

Note 1. Significant accounting policies *continued*

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

Intangible assets

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

Goodwill

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

Research and development

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

Impact of the adoption of AASB16 "Leases"

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact on opening retained earnings was $55,301. The adoption of AASB 16, recognised right-of-use assets and lease liabilities which have been disclosed as per Note 9 and Note 13, respectively.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 10%. The rates was implicit based on the current lease agreements.

Note 2. Operating segments

Identification of reportable operating segments

There is one significant segment which is candidate referencing for the half year ended 31 December 2019. The disclosures on the face of the statement comprehensive income to operating loss and the statement of financial position (excluding the items designated for sale) represent the Group's one business segment.

	Consolidated	
	31 Dec 19	**31 Dec 18**
Credit sales to external customers		
Australia	3,620, 458	3,405,512
Canada	185,324	360,277
Norway	170,262	176,743
United Kingdom	126,283	223,259
United States	216,269	-
New Zealand	450,899	-
	4,769,495	4,165,791
Revenue from external customers		
Australia	2,648,375	2,370,087
Canada	257,235	302,590
Norway	138,779	60,319
United Kingdom	138,773	108,530
United States	101,948	-
New Zealand	143,936	-
	3,429,046	2,841,526
Revenue from external customers		
Service performed at a point in time	3,290,268	2,798,814
Services transferred over time	138,778	42,712
	3,429,046	2,841,526

Note 2. Operating segments *continued*

	Consolidated	
	31 Dec 19	31 Dec 18
Non-current operating assets		
Global	1,817,814	106,440
Australia	888,658	395,945
Canada	314,320	99,467
Norway	34,321	3,454
United Kingdom	36,480	121,483
United States	-	-
New Zealand	16,819	-
	3,108,412	617,780

Note 3. Revenue and Other Income

	Consolidated	
	31 Dec 19 $	31 Dec 18 $
Sales - Credits Sold in Current Year	4,584,097	4,165,791
Less adjustment for Unearned Revenue	(1,244,511)	(1,324,265)
	3,339,587	2,841,526
Sales - Rapid ID	185,397	-
Less cost of sales Rapid ID	(95,938)	-
	89,459	-
Total Revenue	3,429,046	2,841,526
Research & Development - Refundable Tax Offset	-	71,864
Interest Received	58,610	52,916
Other Income	2,131	12,926
Total Other Income	60,741	137,706

Note 4. Overheads and administrative expenses

	Consolidated	
	31 Dec 19 $	31 Dec 18 $
Audit fees	29,057	26,931
Accounting fees	183,361	80,813
Directors' fees	12,157	72,374
Legal fees	55,019	86,896
Marketing expenses	517,945	547,821
Other consultants	207,030	208,651
Share option expense	113,942	416,360
Administration expense	1,732,857	853,644
Foreign exchange loss	170,336	177,731
Operating lease payments	170,497	356,119
	3,192,201	2,827,340

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Cash at bank	5,606,586	7,960,482
Rental Bond	117,692	75,457
	5,724,278	8,035,939

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

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

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 6. Current assets - trade and other receivables

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Trade receivables	699,780	1,899,415
Related party receivables	1,267	-
Less: Allowance for expected credit losses	-	-
	701,047	1,899,415
Other receivable	80,742	104,074
Research and development incentive grant	205,402	205,402
Interest receivable	74,740	49,736
	360,884	359,212
	1,061,931	2,258,627

Allowance for expected credit losses

The consolidated entity has recognised a loss of $0: (30 June 2019: $0) in profit or loss in respect of the expected credit losses for the half year ended 31 December 2019.

Note 7. Current assets - Capitalised Commission

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Capitalised Commission - at cost - Credit Sales	749,786	604,256
Capitalised Commission - at cost - Subscriptions	18,378	9,180
Capitalised Commission - at cost - People Search	164	321
	768,328	613,757

Note 8. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Office Fitout	101,468	101,122
Less: Accumulated depreciation	(34,859)	(25,396)
	66,609	75,726
Computer equipment - at cost	312,595	266,989
Less: Accumulated depreciation	(155,944)	(124,564)
	156,651	142,425
Office equipment - at cost	148,602	131,865
Less: Accumulated depreciation	(91,795)	(69,408)
	56,807	62,457
Office furniture - at cost	95,847	85,635
Less: Accumulated depreciation	(20,480)	(16,633)
	75,367	69,002
	355,434	349,610

Note 9. Right of use assets

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Right of use assets - Land and buildings	1,608,935	-
Less: Accumulated depreciation	(886,135)	-
	722,800	-

Note 10. Non-current assets - intangibles

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Patents and trademarks - at cost	11,337	11,337
Less: Impairment	(1,678)	(1,106)
	9,659	10,231
Preliminary expenses	93,612	13,457
Goodwill	1,333,986	-
Website Development	325,000	-
License	50,000	-
Domain: Xref.com	106,990	106,990
	481,990	106,990
	1,919,247	130,678

Note 11. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Trade payables	439,644	450,452
Non trade payables and accrued expenses	419,210	246,528
Accrued salaries, wages and related costs	486,283	876,029
GST Payable	114,287	240,551
	1,459,424	1,813,560

Note 12. Current liabilities - Employee Entitlements

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Annual leave	442,557	358,092

Note 13. Lease Liability

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Current lease liability	523,334	-
Non current lease liability	246,176	-

Note 14. Current liabilities - Unearned Revenue

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Unearned Revenue		
Balance Brought Forward	6,262,763	4,268,871
Credits Sold	4,584,097	10,011,929
Add: Opening Conditional Credits	1,881,476	1,445,795
Less: Usage	(4,648,148)	(7,612,488)
Less: Closing Conditional Credits	(572,914)	(1,881,476)
Net Unearned Revenue Movement	1,244,511	1,963,760
Opening Balance Revaluation due to Forex	30,115	30,133
Balance Carried Forward	7,537,389	6,262,763

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 15. Non-current liabilities - Employee entitlements

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Long service leave	114,670	89,668

Note 16. Equity - issued capital

	Consolidated			
	31 Dec 19 Shares	30 Jun 19 Shares	31 Dec 19 $	30 Jun 19 $
Ordinary shares - fully paid	178,055,751	165,578,370	53,235,226	48,832,200

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	**30 Jun 19**	165,578,370		48,832,200
Issued for acquisition of Rapid ID	9/8/19	1,583,442	$0.57	900,000
Issued under share based remuneration	9/8/19	300,000	$0.46	138,000
Issued for cash	16/12/19	10,593,939	$0.33	3,496,000
Capital raising costs		-	$0.00	(130,974)
Balance	**31 Dec 19**	178,055,751		53,235,226

Xref issued 1,583,442 fully paid ordinary shares at $0.568 per share, to the two vendors of Rapid ID Pty Ltd (RapidID) in consideration for the payment of the purchase of Rapid ID and its related technology. The Company also advises that it has issued 300,000 shares to RapidID's Queensland-based founder, Ashley Hoey, who has joined Xref along with his project development team of two staff members.

Xref issued 10,593,939 shares at $0.33 per share to institutions and professional investors on 16 December 2019 with the aim of growth and marketing capability, technology development and working capital requirements, and other general corporate purposes.

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.

Share buy-back

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

Note 17. Equity - Other equity reserves

	Consolidated	
	31 Dec 19 $	30 Jun 19 $
Foreign currency reserve	(303,648)	(376,487)
Options reserve	1,797,137	1,683,195
Consolidation reserve	(22,845,821)	(22,845,821)
	(21,352,332)	(21,539,113)

Note 17. Equity - Other equity reserves *continued*

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.

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

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.

Grant date	20/1/16
Expiry date - Class A	20/7/18
Expiry date - Class B	20/1/18
Expiry date - Class C	20/1/21
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 17. Equity - Other equity reserves *continued*

a) Share option reserve

	Issued Date	Expiry Date	Average exercise price in $A per share	Options	Option Reserve $A
At 30 June 2017 (b)	7/12/16	25/11/22	$0.70	2,500,000	308,214
At 30 June 2017 (a)	7/12/16	25/11/21	$0.70	5,400,000	646,920
Granted (c)	22/9/17	3/7/21	$0.59	811,480	180,879
Granted (d)	22/9/17	3/7/21	$0.58	95,390	21,444
Granted (e)	22/3/18	5/2/22	$0.66	208,116	21,810
Granted (f)	22/3/18	12/2/21	$0.70	1,000,000	69,670
Granted (g)	22/3/18	12/2/22	$0.70	750,000	69,635
Granted (h)	22/3/18	12/2/23	$0.70	750,000	56,460
Granted (i)	4/12/18	3/9/21	$0.70	300,000	20,730
Granted (j)	4/12/18	3/9/22	$0.70	300,000	21,806
Granted (k)	4/12/18	3/9/23	$0.66	300,000	11,904
Granted (l)	4/12/18	1/8/22	$0.66	315,664	27,275
Granted (m)	4/12/18	29/11/22	$0.70	2,500,000	226,448
Closing Balance		30/6/19		15,230,650	1,683,195
At 30 June 2017 (b)	7/12/16	25/11/22	0.70	2,500,000	357,000
At 30 June 2017 (a)	7/12/16	25/11/21	0.70	5,400,000	646,920
Granted (c)	22/9/17	3/7/21	0.59	811,480	180,879
Granted (d)	22/9/17	3/7/21	0.58	95,390	21,444
Granted (e)	22/3/18	5/2/22	0.66	208,116	21,810
Granted (f)	22/3/18	12/2/21	0.70	1,000,000	69,670
Granted (g)	22/3/18	12/2/22	0.70	750,000	69,635
Granted (h)	22/3/18	12/2/23	0.70	750,000	78,802
Granted (i)	4/12/18	3/9/21	0.70	300,000	20,730
Granted (j)	4/12/18	3/9/22	0.70	300,000	28,620
Granted (k)	4/12/18	3/9/23	0.66	300,000	22,434
Granted (l)	4/12/18	1/8/22	0.66	315,664	31,472
Granted (m)	4/12/18	29/11/22	0.70	2,500,000	247,721
Closing Balance		31/12/19		15,230,650	1,797,137

Note 17. 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)	9/2/16
	Price history for volatility determination	2.47 yr
	Grant date	26/11/16
	Measurement date	26/11/16
	Exercise price	$0.70
	Expiry date	25/11/21
	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)	9/2/16
	Price history for volatility determination	5.00 yr
	Grant date	25/11/16
	Measurement date	25/11/16
	Exercise price	$0.70
	Expiry date	25/11/22
	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)	2.70%
	Expected volatility	40%
	Dividends expected on the shares	Nil

Note 17. Equity - Other equity reserves *continued*

c)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	1.63 yr
	Grant date	22/9/17
	Measurement date	22/9/17
	Exercise price	$0.59
	Expiry date	3/7/21
	Life of option	3.77 yr
	Price of underlying shares at measurement date	$0.75
	Risk free rate = 5 year Government Bond (26/11/2016)	2.30%
	Expected volatility	40%
	Dividends expected on the shares	Nil
d)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	1.63 yr
	Grant date	22/9/17
	Measurement date	2/9/17
	Exercise price	$0.58
	Expiry date	3/7/21
	Life of option	3.77 yr
	Price of underlying shares at measurement date	$0.75
	Risk free rate = 5 year Government Bond (26/11/2016)	2.30%
	Expected volatility	40%
	Dividends expected on the shares	Nil
e)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	2.11 yr
	Grant date	22/3/18
	Measurement date	22/3/18
	Exercise price	$0.66
	Expiry date	5/2/22
	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)	2.40%
	Expected volatility	26.37%
	Dividends expected on the shares	Nil

Note 17. Equity - Other equity reserves *continued*

f)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	2.11 yr
	Grant date	22/3/18
	Measurement date	22/3/18
	Exercise price	$0.70
	Expiry date	1/2/21
	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)	2.16%
	Expected volatility	26.30%
	Dividends expected on the shares	Nil
g)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	2.11 yr
	Grant date	22/3/18
	Measurement date	22/3/18
	Exercise price	$0.70
	Expiry date	12/2/22
	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)	2.40%
	Expected volatility	26.34%
	Dividends expected on the shares	Nil
h)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	2.11 yr
	Grant date	22/3/18
	Measurement date	22/3/18
	Exercise price	$0.70
	Expiry date	12/2/23
	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)	2.40%
	Expected volatility	26.35%
	Dividends expected on the shares	Nil

Note 17. Equity - Other equity reserves *continued*

i)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	2.82 yr
	Grant date	4/12/18
	Measurement date	4/12/18
	Exercise price	$0.70
	Expiry date	3/9/21
	Life of option	2.75 yr
	Price of underlying shares at measurement date	$0.48
	Risk free rate = 3 year Government Bond (04/12/2018)	1.99%
	Expected volatility	38.63%
	Dividends expected on the shares	Nil
j)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	2.82 yr
	Grant date	4/12/18
	Measurement date	4/12/18
	Exercise price	$0.70
	Expiry date	3/9/22
	Life of option	3.75 yr
	Price of underlying shares at measurement date	$0.48
	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)	9/2/16
	Price history for volatility determination	2.82 yr
	Grant date	4/12/18
	Measurement date	4/12/18
	Exercise price	$0.70
	Expiry date	3/9/23
	Life of option	4.75 yr
	Price of underlying shares at measurement date	$0.48
	Risk free rate = 5 year Government Bond (04/12/2018)	2.17%
	Expected volatility	40.42%
	Dividends expected on the shares	Nil

Note 17. Equity - Other equity reserves *continued*

l)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	2.82 yr
	Grant date	4/12/18
	Measurement date	4/12/18
	Exercise price	$0.66
	Expiry date	1/8/22
	Life of option	3.66 yr
	Price of underlying shares at measurement date	$0.48
	Risk free rate = 5 year Government Bond (04/12/2018)	2.17%
	Expected volatility	39.23%
	Dividends expected on the shares	Nil
m)	Listing date (re-listing as Xref Limited)	9/2/16
	Price history for volatility determination	2.82 yr
	Grant date	4/12/18
	Measurement date	4/12/18
	Exercise price	$0.70
	Expiry date	29/11/22
	Life of option	3.99 yr
	Price of underlying shares at measurement date	$0.48
	Risk free rate = 5 year Government Bond (04/12/2018)	2.17%
	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.

Note 17. Equity - Other equity reserves *continued*

Option movements for the period

Options vested and therefore exercisable	Expiry Date	31 Dec 19	30 Jun 19
Options Vested – Nigel Heap	25/11/21	900,000	900,000
Options Vested - Brad Rosser	25/11/21	7,000,000	4,500,000
Options Vested – James Solomons	1/2/21	1,750,000	1,750,000
Options Vested - Employees and Contractors	3/7/21	906,870	906,870
Options Vested - Employees and Contractors	5/2/22	208,116	208,116
Options Vested - Employees and Contractors	1/8/22	315,664	-
Options Vested – Sharon Blesson	30/9/21	600,000	300,000
Options Vested – Senior Staff	29/12/22	2,000,000	2,000,000
		13,680,650	10,564,986

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 18. Earnings per share

	Consolidated	
	31 Dec 19 $	31 Dec 18 $
Loss after income tax attributable to the owners of Xref Limited	(6,892,122)	(4,592,778)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	167,687,217	155,557,423
Weighted average number of ordinary shares used in calculating diluted earnings per share	167,687,217	155,557,423
	$	**$**
Basic earnings per share	(0.04)	(0.03)
Diluted earnings per share	(0.04)	(0.03)

Note 19. Business combination

On 9 August 2019 Xref Limited acquired 100% of the ordinary shares of Rapid ID Pty Limited for the total consideration of $1,712,040. Rapid ID is an ID verification and fraud prevention platform which aggregates leading customer verification technologies to offer its clients a flexible and seamless integration for onboarding and risk analysis monitoring. The platform is able to perform GlobalID Checks, AML & KYC Compliance, ID Document Verification and Biometric Verification. It was acquired to offer Xref's clients with an integrated method to verify the identity of the candidates they are working with.

In addition Rapid ID remains as a standalone product servicing the needs of clients outside of the HR sector which opens up opportunities for Xref's platform in new sectors. The goodwill of $1,333,986 represents the expected synergies from merging this business with Xref along with the significant opportunity to increase Rapid ID's revenues through sales to Xref's client base. Rapid ID is built on the same technology as Xref and utilises the same backend applications to manage the business thus providing opportunities to streamline its cost base without any impact to revenue.

The acquired business contributed revenues of $89,459 and loss after tax of $180,832 to the consolidated entity for the period from 9 August 2018 to 31 December 2019. If the acquisition occurred on 1 July 2019, the full half-year contributions would have been revenues of $100,371 and loss after tax of $227,446. The values identified in relation to the acquisition of Rapid ID are final as at 31 December 2019.

Set out below are summaries of options granted under the plan:

31 Dec 19 **Details of the acquisition are as follows:**	**Fair Value** **$**
Cash and cash equivalents	16,056
Trade receivables	14,220
Other receivables	7,399
Prepayments - Checks	60,689
Plant and equipment	1,836
Intangible assets	375,000
Trade payables	(24,737)
Other payables	(15,103)
Employee Expenses	(2,306)
Loans	(55,000)
Net assets acquired	378,054
Goodwill	1,333,986
Acquisition-date fair value for the total consideration transferred	1,712,040

Note 19. Business combination *continued*

31 Dec 19 Details of the acquisition are as follows:	Fair Value $
Representing:	
Cash consideration	600,000
Equity consideration	900,000
Ashley Hoey Tranche 1 Shares	138,000
Ashley Hoey Tranche 2 Shares	30,240
Ashley Hoey Tranche 3 Shares	43,800
Total Consideration	1,712,040
Cash used to aquire business, net of cash aquired:	
Acqusition - date fair value of total consideration transferred	600,000
Less: cash and cash equivalents	(16,056)
Net cash used	583,944

Contingent consideration liability

	Expiry date	Exercise price	The start of the year	Granted	Exercised	The end of the year	Expense $
9/8/19	8/8/20	0.46	-	300,000		300,000	30,240
9/8/19	8/8/21	0.46	-	300,000	-	300,000	43,800
			-	600,000	-	600,000	74,040

RapidID's founder, Ashley Hoey, joined Xref to continue development of the RapidID platform and immediately received 300,000 shares at an issue price of $0.46 per share and a total transactional value of $138,000. On the 1st Anniversary (08/08/2020) of his employment, he will receive another 300,000 shares (Tranche 1) and a further 300,000 shares (Tranche 2) on the 2nd Anniversary (08/08/2021).

Note 20: Fair Value Measurement

The assets and liabilities of the business are measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement being:

1. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
2. Level 2: Inputs other than quotes prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
3. Level 3: Unobservable inputs for the asset or liability

Valuation technique for fair value measurement categorized within level 2 and level 3

The basis of the valuation of the contingent consideration liability is fair value. The contingent consideration liability is the issuance of shares for service periods being completed in subsequent years. Management used the Black & Scholes methodology to evaluate the fair value of the contingent consideration liability. The valuation technique maximized the use of observable market data where it was available and relied as little as possible on entity specific estimates.

Note 21. Operating lease not capitalised

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

	Consolidated	
	31 Dec 19 $	**30 Jun 19 $**
Lease commitments - operating Committed at reporting date but not recognised as liabilities, payable		
Less than one year	-	797,727
Later than one year and not greater than two years	-	345,561
Later than two years and not greater than five years	-	122,558
	-	1,265,846

Note 22. 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.

The following transactions were carried out with related parties

a. Purchase of services

	Consolidated	
	31 Dec 19 $	**30 Jun 19 $**
Key management personnel	146,944	206,479

Note 23. Events after reporting period

No matter or circumstance has arisen sine 31 Deember 2019 that has significantly affected, or may significantly affect the consolidated entity's operations.

Note 24. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	31 Dec 19 $	31 Dec 18 $
Loss after income tax expense for the year	(6,892,122)	(4,592,778)
Adjustments for:		
Depreciation, amortisation and impairment	329,632	40,420
Option expense	113,942	416,360
Foreign exchange	129,489	-
Unearned revenue	1,244,511	1,324,265
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,196,696	2,349,693
Increase in prepayments	(267,967)	(224,783)
Increase in contract assets	(154,571)	(96,063)
Increase in other assets	(1,174)	-
Decrease in trade and other payables	(545,586)	(606,623)
Increase in employee benefits	109,467	68,737
Increase in other operating liabilities	-	(41,120)
Net cash used in operating activities	(4,737,684)	(1,361,892)

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 2019 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

28 February 2020

Sydney

Brad Rosser
Chairman

28 February 2020

Sydney

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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 2019, 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 2019 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 Xref Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2019 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 Sydney

Crowe Sydney

Ash Pather
Partner

Dated at Sydney this 28 day of February 2020

Corporate Directory

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New Zealand
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11 Britomart Place
Auckland

DIRECTORS

Brad Rosser
Chairman

Lee-Martin Seymour

Tim Griffiths

Nigel Heap

LEADERSHIP TEAM

Lee-Martin Seymour
Chief Executive Officer,
Co-Founder

Tim Griffiths
Chief Strategy Officer,
Co-Founder

James Solomons
Chief Financial Officer

Sharon Blesson
Chief Operating Officer

COMPANY SECRETARY

Robert Waring

Website
xref.com

AUDITORS

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Sydney NSW 2000
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STOCK EXCHANGE

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

SHARE REGISTRY

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