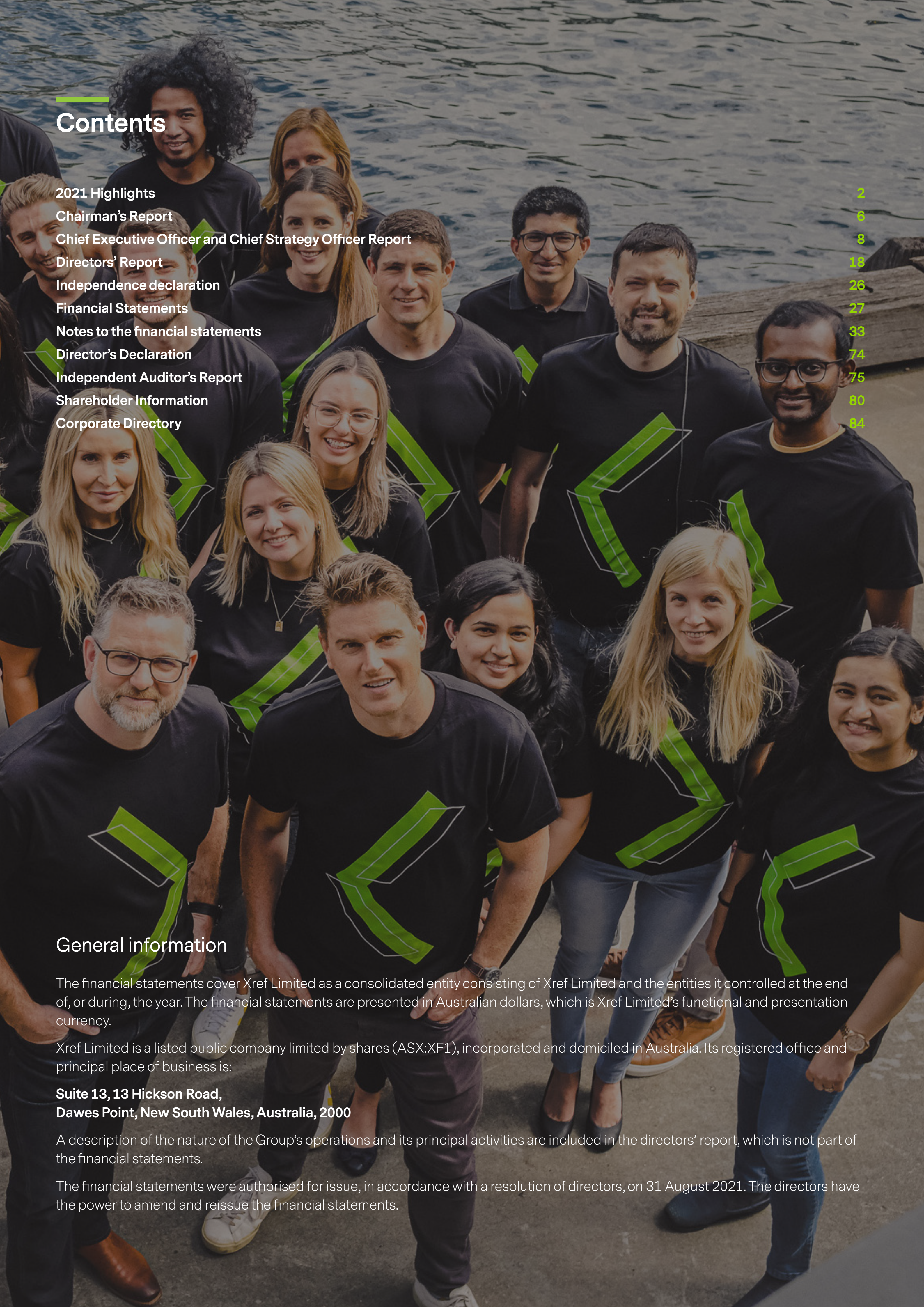
XREF

2021

Annual 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 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 (ASX:XF1), incorporated and domiciled in Australia. Its registered office and principal place of business is:

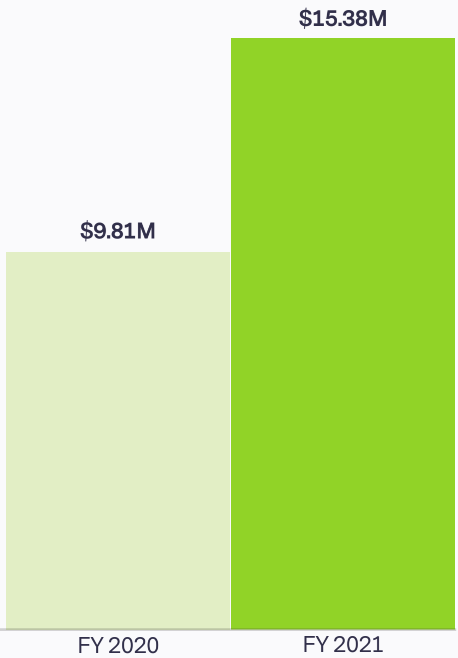
Suite 13, 13 Hickson Road,
Dawes Point, New South Wales, Australia, 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2021. The directors have the power to amend and reissue the financial statements.

2021 Highlights

Total Sales



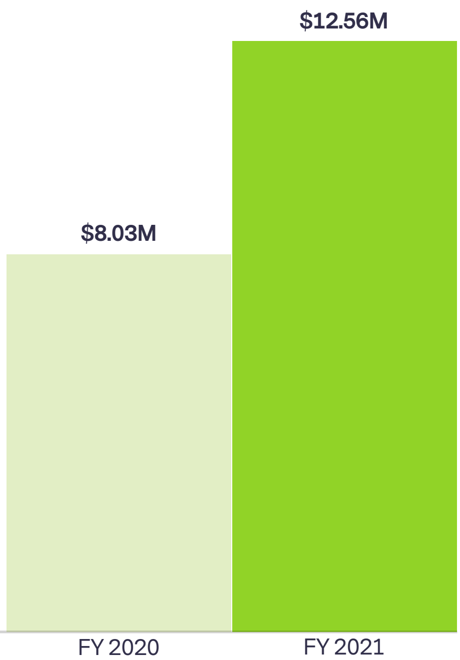
Increase

57%

"The value of Xref credits sold in FY21 grew 34% year-on-year, to $12.5 million, while gross sales for RapidID saw an incredible 513% growth, to $2.9 million representing 19% of Group Sales."

Lee Seymour
CEO, Co-Founder, Exec Director

Recognised Revenue



Increase

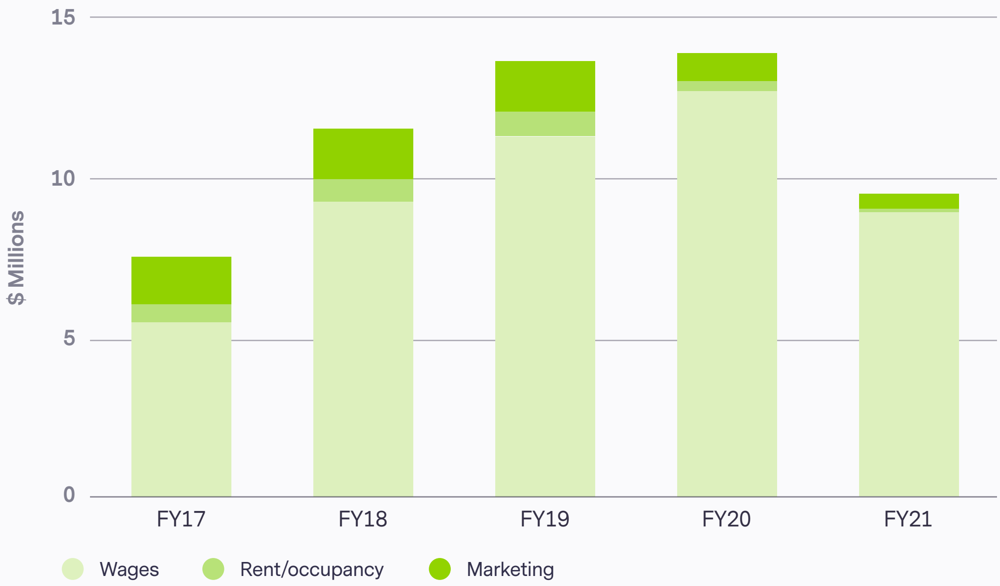
56%

"The steady increase in revenue across each quarter - $2.0 million, $2.7 million, $3.5 million and $4.4 million respectively - saw Xref end the financial year with a record Group revenue result of $12.6 million."

Lee Seymour
CEO, Co-Founder, Exec Director

2021 Highlights

Key Expense Changes

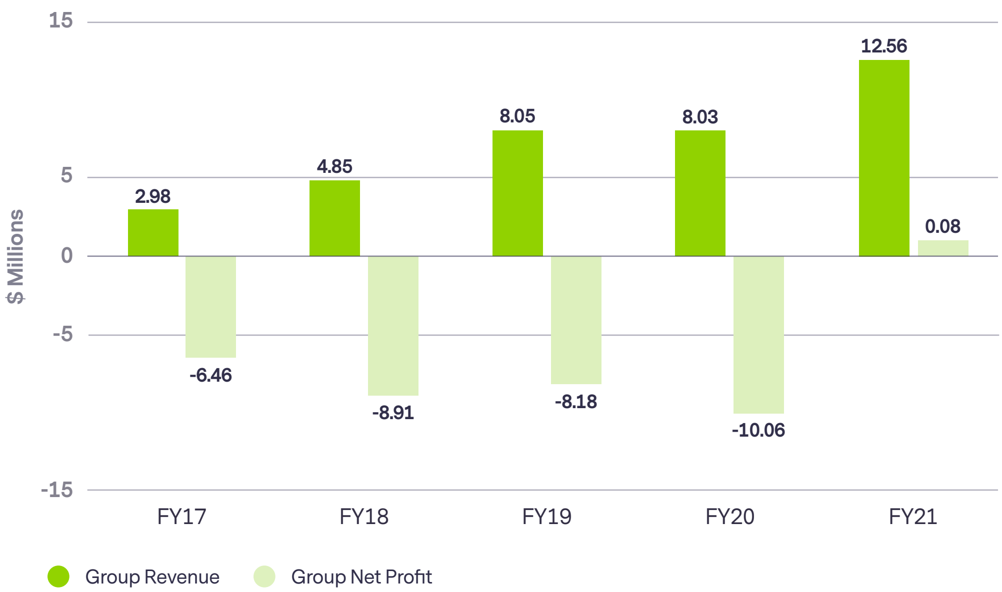


Decrease
30%

"During the course of the financial year, operating expenses across the group reduced 30% when compared to the 2020 Financial Year."

Lee Seymour
CEO, Co-Founder, Exec Director

Group Profitability



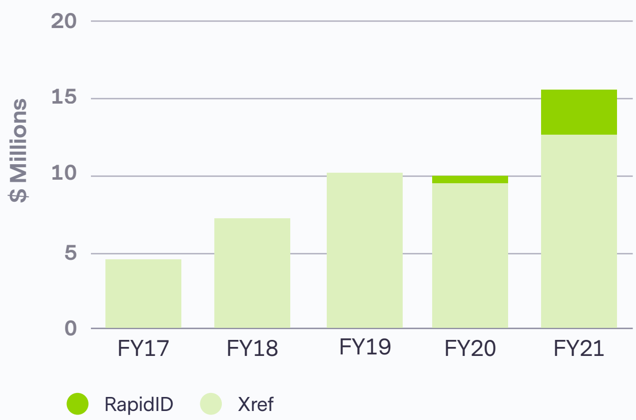
EBITDA
$1M

"Xref achieved its maiden full year cash flow surplus in FY21, as well as a maiden net profit after tax of $78,094 and EBITDA of $1.04m."

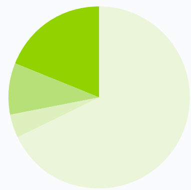
Lee Seymour
CEO, Co-Founder, Exec Director

2021 Highlights

Group Sales Growth

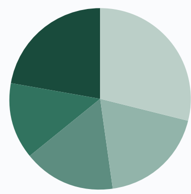


Sales by Region/Segment



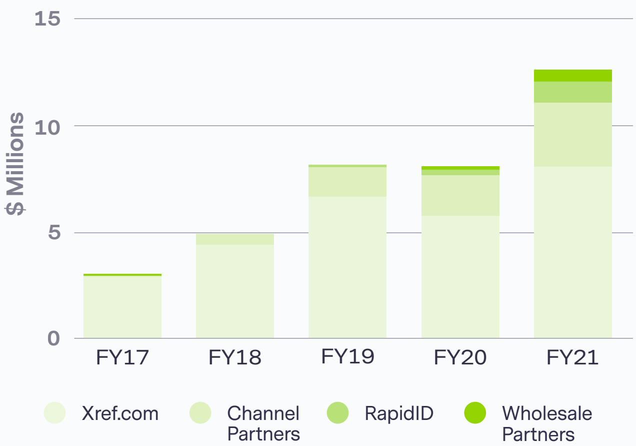
APAC	68.0%
EMEA	4.1%
NA	9.0%
RapidID	18.9%

Sales | Xref Client Cohort

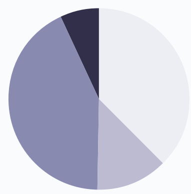


FY21	22.0%
FY20	13.7%
FY19	16.4%
FY18	18.7%
FY14-17	29.1%

Group Revenue Growth

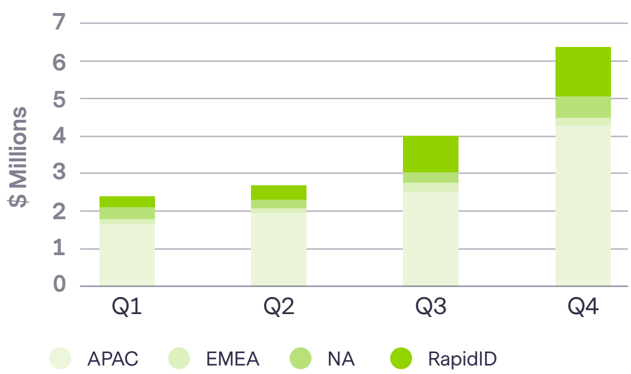


Sales | RapidID Client Cohort

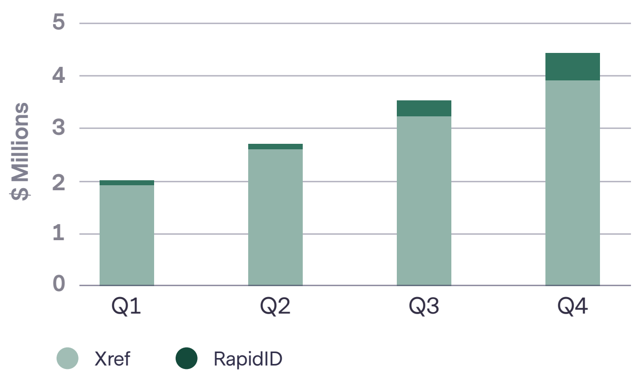


FY21	6.9%
FY20	42.7%
FY19	12.7%
FY18	37.7%

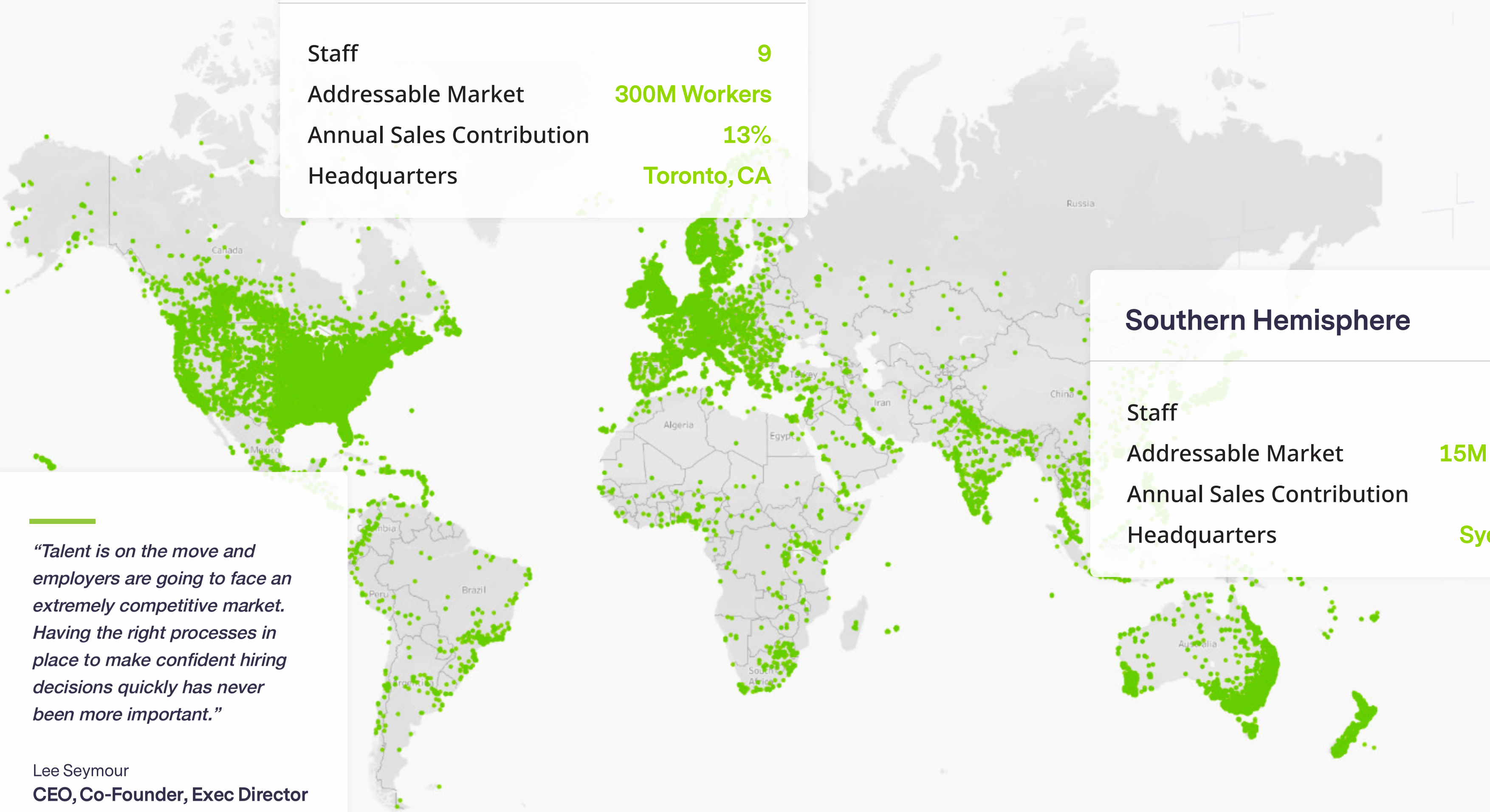
Group Sales | Quarterly FY21



Group Revenue | Quarterly FY21



Global Platform Interaction
1M+ Users exchanging data in FY21



Northern Hemisphere

Staff	9
Addressable Market	300M Workers
Annual Sales Contribution	13%
Headquarters	Toronto, CA

Southern Hemisphere

Staff	52
Addressable Market	15M Workers
Annual Sales Contribution	87%
Headquarters	Sydney, AU

"Talent is on the move and employers are going to face an extremely competitive market. Having the right processes in place to make confident hiring decisions quickly has never been more important."

Lee Seymour
CEO, Co-Founder, Exec Director

Xref office locations | Sydney, Toronto, Auckland, London and Austin, Texas.

Chairman's Report

Presenting the sixth annual Xref report

I am delighted to welcome shareholders to the FY21 Xref annual report.

This year has been marked by change and uncertainty globally. But for Xref, it has been defined by the agility of its platform and people, the ability of its leadership team to make difficult decisions under pressure and an unwavering focus on the future, despite the major distractions in the present.

The result is an incredible story not only of survival but of embracing change and exceeding expectations. It is with great pleasure that I share the results of the company's first profitable year.

Embracing change

Xref was able to weather the first few months of the COVID-19 storm and end FY20 in a strong position providing the platform for the company's success in FY21. This was down to the work that the leadership team did in streamlining operations, preserving cash and pivoting the focus of the marketing function from sales support to online lead generation.

The wider team also demonstrated their ability to adapt to new ways of working, embracing new approaches, getting on board with the decisions and direction outlined by the leadership team and delivering outstanding outcomes as a result.

Exceeding expectations

This year was no different from any other for Xref in the sense that record results were achieved every quarter. However, this year that was true not only in terms of the performance of the core Xref platform, but also the performance of acquired ID verification platform, RapidID.

The value of Xref credits sold in FY21 grew 34% year-on-year, to $12.5 million, while gross sales for RapidID saw an incredible 498% growth, to $2.9 million representing 19% of Group Sales. Newly acquired Xref clients accounted for 27% of Xref sales, while 16% of Xref sales came from Xref's international offices in Europe and North America.

Group revenue was also at an all time high by the end of the year, with Xref revenue totalling $11.6 million and RapidID's net revenue reaching $1.0 million. Xref revenue grew 49% and RapidID's net revenue grew 305%, year-on-year.

Recognising future market needs

The investment of time and resources that has been put into the development of the future Xref platform this year, has demonstrated the ability of the leadership team to see beyond the immediate challenges in the market and recognise and realise the potential future direction of the business.

By working with some of its largest global clients, Xref has been able to expand the platform, to ensure that it continues to add value and support clients' future needs. The enhanced platform will dramatically increase the global addressable market through the provision of additional services, allowing for an entirely digital new client acquisition process and adding a subscription-based ARR to the current credit-based model.

Outlook

Xref enters the new year buoyed by the determination, focus and agility that has carried it confidently to its goals of reaching cash flow break even and profitability and will continue to drive it into it's exciting and prosperous future.

Xref has an impressive ability to continually delight existing clients while acquiring new business, despite the uncertain macroeconomic conditions faced. Now, the business finds itself at a very exciting junction in its journey, where it is positioned well for scale and evolution and with a community of forward thinking organisations around the world, who are ready to come along with it.

Brad Rosser,
Chairman

Chief Executive Officer Report

Coming out on top

At the end of FY20, we felt proud to have made it to the end of the year without suffering too dramatically from the effects of several market challenges, including the bushfires and floods in Australia, and the COVID-19 pandemic globally. It's fair to say that we, like most businesses, had no idea how much longer we would be facing the challenges of COVID-19.

A year later, we see many of the markets we operate in still going in and out of lockdown, we are still unable to travel freely and we still don't know when we'll see a return to "normal"but regardless Xref is positioned to succeed.

The rise of verification

As a result of the many changes that COVID-19 has enforced, a number of new ways of working have emerged. More organisations now allow, or even encourage, remote working, which means that while the domestic talent pool may have dwindled due to a lack of migrant workers, employers are feeling more comfortable hiring remote talent internationally.

With that trend, recruiters and employees have realised the importance of candidate verification. New hires are now found, attracted and recruited from afar, so it has never been more important to find a way to confirm who they are, where they have been and what they have done.

RapidID, the identity verification tool we acquired in July 2019, has also enabled us to be on the forefront of another, rapidly growing industry. Many organisations that have always required stringent verification, such as those in the financial services and insurance sectors, are evolving to turn a traditionally slow process into an efficient, tech-led step in their customer onboarding process. But we are also now seeing the HR community beginning to understand the use and value of ID checks.

A profitable year

Despite the turbulence of this financial year, we never lost sight of the goal set in November 2019, to preserve cash and reach cash flow break even. Although at times it felt less certain than we had hoped, we are delighted to have ended the year cash flow positive and profitable.

The steady increase in revenue across each quarter - $2.0 million, $2.7 million, $3.5 million and $4.4 million respectively - saw Xref end the financial year with a record Group revenue result of $12.6 million.

Xref has been able to dramatically reduce expenses by further refining measures introduced during FY20, including:

- building efficiencies in the acquisition, onboarding, support and growth of clients; and
- redirecting marketing efforts from sales support to online lead generation.

Xref has also actively pursued a reduction in headcount, from 100 in December 2019 to 60 as at 30 June 2021.

Cash at bank on 30 June 2021 was $8.13 million, compared to $2.87 million in June 2020, including receipt of net proceeds from the new convertible debt facility of $4.7 million raised in July 2020. Xref achieved an operating cash surplus of $2.3 million for the year and a maiden full year cash flow surplus of $0.26 million after including all development costs, funding acquisition costs and interest costs.

Reframing the business

As foreshadowed in FY20, this financial year was largely defined by our transition from being sales-led to digital-first and marketing-led. Market conditions have brought candidate verification up the priority list for employers and potential clients are now looking for our services online.

Our increased focus on Xref's online identity and the wealth of resources we have created, including thought leadership content, case studies, guides, video interviews and webinars has enabled us to get in front of employers seeking a more efficient recruitment process.

We have seen a significant rise in inbound leads from, in the most part, channel partner integrations, our improved global digital strategy and the network effect generated through the numerous sectors and global regions Xref is now used in.

Maintaining a market leading position

Research has shown that B2B buyers are becoming increasingly reliant on reviews when considering a software purchase. Our digital-first mentality has ensured an improved online brand salience but we realise their buying journey doesn't stop there. After a prospect finds Xref through their search for candidate verification tools, they will then do their homework and see how Xref performs on various ratings pages.

We have increased our focus on review platforms, such as G2, Capterra and Google My Business, to ensure we are aware of our online perception, encouraging customers to share their feedback and responding to every review posted. While it is nice to acknowledge and thank positive reviewers, we are also careful to quickly respond to any negative reviews. The reason for this is two-fold, first to ensure we deal with any immediate issues the reviewer is having and secondly so that if any potential clients read that review, they can see we have a solution to the issue raised.

We ended the financial year with a 4.7 star rating on G2, Google My Business and Capterra, and a combined total of more than 800 reviews across the three platforms. We also maintained a 'Leader' position in the reference checking category on G2 for three consecutive quarters leading into the end of the year.

A decade of trust

December 2020 marked the 10 year anniversary of Xref and the year leading up to it happened to present the perfect platform to showcase the fruits of our labour for the last decade.

In a turbulent and unpredictable market we demonstrated that we could:

- **Act quickly**
  From our sales and onboarding processes to our messaging in the market, we proved we have the best product and team to pivot and offer new and existing customers solutions, support and information they need, quickly and with ease.
- **Scale**
  The Xref architecture has been built in a way that it is extremely flexible and able to scale up and down to the needs of different clients at any given time. While some industries saw a complete hiring freeze, others had to rapidly increase their recruitment. We were able to confidently scale back and ramp up with our customers as required.
- **Offer unrivaled support**
  Xref has an incredible customer success team who are at the heart of the Xref business. We offer great technology with personable, passionate and knowledgeable support and this is one of the reasons our clients love and stay with us. This has never been more important than during COVID-19, when processes had to be completed efficiently, any issues needed to be resolved quickly and account updates (such as adding new questionnaires or topping up credits) were required at speed.

» **Be trusted**
Candidate verification is ultimately about trust - you need to trust the partners you are bringing into your business so you carry out the verification required. But you can only be confident about the decisions you make if you trust the processes you use to get there. Prior to 2020, we were proud of the trust our customers had in our platform but in the last financial year the type of organisations using Xref has changed. The enterprise clients we had become used to were joined by 'essential services', such as healthcare and aged care providers. It was testament to the team and platform that we became a critical tool for those hiring for positions of trust during that time.

Leaning on leadership

This has been a year of difficult decisions caused by the most challenging business environment. I am so proud we have performed so well and none of it could have been achieved without the support, guidance and expertise of the incredible Xref leadership team.

Our CFO, James Solomons, CTO, Sharon Blesson, and Group Marketing Director, Karina Guerra, were critical to our success and I'm grateful for the leadership group's response to the circumstances. We collaborated, communicated clearly and turned a crisis into a reframed opportunity. As a result, we became marketing-led, achieved fiscal clarity and ensured platform reliability, all of which were key to overall client retention, acquisition and revenue growth.

Talent is in transition

We are on the cusp of a significant migration of talent. According to the UN, there are currently 200 million people unemployed globally. Some have been let go, some are the victims of COVID-19 cuts and some have worked through COVID-19 and are now on the lookout for something new. We also see many "pandemic-proofers" who have demonstrated their ability to apply their skills in new areas when their industry, organisation and role have come to a standstill overnight.

Talent is on the move and employers are going to face an extremely competitive market. Having the right processes in place to make confident hiring decisions, quickly has never been more important.

Product development

Despite our impressive performance during otherwise difficult times, we haven't been resting on our laurels in the last year. Our leadership, commercial, marketing, finance and development teams have been working tirelessly to bring our next product evolution to life.

Our new platform, which will become home to a number of checks that span the length of the employee lifecycle, will launch with exit checks for our largest customers in Q1 FY22. This new offering will support our clients as they move out of the COVID-19 fog, providing them with the tools they need to understand the talent they are bringing into the business, how they can encourage that talent to stay and, ultimately, why they leave and how they can improve retention.

Outlook

I am incredibly proud of the many strategic decisions the team made during FY21, which resulted in Xref emerging from the pressures of the pandemic in our strongest position to date. Our digital-first approach has been vital to our growth in FY21 and Xref's results not only reflect the critical nature and demand for the Xref platform and services but demonstrate the brilliance and professionalism of the Xref team.

We move into the new year with the foundations laid for further success - we have a lean, productive team, world-class leadership and an exciting new platform that tackles very real problems in the market and delivers the convenience, consistency and insights employers need in the future.

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

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Xref Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

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

- Lee-Martin Seymour
- Brad Rosser
- Nigel Heap
- Tim Griffiths (resigned 5 March 2021)
- Lija Wilson (appointed 2 June 2021)

Principal activities

During the financial year, the consolidated entity continued to conduct its core activity which was to develop human resources technology that automates the candidate reference process for employers, It also embarked on significant product evolution, getting the development of a new platform, including additional offerings for the HR industry, underway.

Dividends

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

Review of operations

The profit for the Group after providing for income tax amounted to $78,084 (30 June 2020: a loss of $10,056,090).

Highlights of the financial year included:

- **Success in a challenging market**—COVID-19 continued to present challenges for businesses globally but Xref was able to thrive.
- **Increased market demand**—the conditions presented by COVID-19 resulted in an increased interest in verification tools that can be used to make confident hiring decisions in a remote working environment.
- **Record sales and revenue**—a 56.70% increase in Group sales year-on-year and a 56.45% increase in Group revenue.
- **A profitable result**— having seen a cash burn rate of $5.2 million in FY20, Xref achieved its maiden full year cash flow surplus in FY21. As well as a maiden net profit after tax of $78,084 and EBITDA of $1.04m.
- **A leading online brand**—4.7 star ratings across three major online review sites, G2, Google My Business and Capterra and a leading position in G2's reference checking category.
- **New product development**—the planning and initial development of a new Xref platform designed to meet emerging client needs and significantly increase the addressable market.

Matters subsequent to the end of the financial year

With the fluctuating restrictions enforced by COVID-19 continuing to have an impact on businesses globally, and the virus itself still rife in many markets, its ongoing effect is impossible to predict. As such, it is not viable to put a figure on the impact it has had following the reporting date, particularly since Australian states have seen various levels of lockdown lifted and reintroduced during that time.

On 19 August 2021 the interest rate applicable to the debt funding of $5m provided by Pure Asset Management was renegotiated downwards from 9.95% to 8.50%. This will result in an interest saving of $214,800 for the remainder of the term. In addition, Xref cannot voluntarily repay all or any part of the loan during the period commencing from 19 August 2021 until and including the date that is 12 months after 19 August 2021. All other conditions under the debt funding agreement remain unchanged

No other matter or circumstances have arisen since the end of FY21, which could have had a notable impact on operations.

Likely developments and expected results of operations

The Group anticipates continued growth driven by it's existing reference checking services, as well as additional expected growth from the new platform in development.

The success achieved during COVID-19 to date is expected to continue, given the strength of the company's existing client portfolio, along with the pipeline of opportunities established by marketing-led lead generation during FY22.

Environmental regulation

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

Information on directors

Name:	**Lee-Martin Seymour**
Title:	Managing Director and Chief Executive Officer
Qualifications:	None
Experience and expertise:	Lee-Martin Seymour is a co-founder of Xref. He has 21 years recruitment experience across many geographic and market sectors. For 14 years Lee worked for one of the world's largest specialist recruitment companies. As a result, he understands the demands of the employment market and is passionate about pioneering positive change for the long term. As a serial entrepreneur Lee has identified and successfully leveraged market opportunities to aid innovation in the employment sector.
Date of appointment as a director	18 January 2016
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee (ceased 8 July 2021)
Interests in shares:	31,730,108 ordinary shares
Interests in options:	None
Contractual rights to shares:	None (8,333,333 performance rights expired 20 January 2021)

Name:	**Brad Rosser**
Title:	Chairman
Qualifications:	B.Com, MBA
Experience and expertise:	Brad Rosser is a business builder and entrepreneur who worked for McKinsey and Co from 1992 to 1995 before working directly for Richard Branson as Director of Corporate Development for Virgin from 1995 to 1999, helping to identify and implement start-p businesses. He holds an MBA from Cornell University's Johnson Graduate School of Management and a Bachelor of Commerce (Honours) from the University of Western Australia.
Date of appointment as a director	18 August 2016
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee
Interests in shares:	393,607
Interests in options:	7,000,000 options
Contractual rights to shares:	None

Name:	Nigel Heap
Title:	Non-Executive Director
Qualifications:	LLB, AMP
Experience and expertise:	Nigel Heap is the UK Ireland Managing Director, and Chairment of the Asia Pacific business, of Hays plc, the leasding global professional recruitment group, and a member of the group's management board. He joined Hays in 1988 and over the last 21 years has successfully led the growth of the Asia-Pacific business. He has completed INSEAD's Advanced Management Program and holds a Bachelor of Laws from Manchester University.
Date of appointment as a director	18 August 2016
Other current directorships:	Hays UK Ltd
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Renumeration and Nomination Committee
Interests in shares:	32,103 ordinary shares
Interests in options:	900,000 options
Contractual rights to shares:	None

Name:	Lija Wilson (commenced on 02 June 2021)
Title:	Non-Executive Director
Qualifications:	BCom
Experience and expertise:	Lija Wilson is the CEO and Founder of award-winning digital talent platform, Puffling, which launched in 2017 to design solutions to support diverse hiring and flexible work best practices. Prior to this, she held CMO-level roles at various organisations, including TEDx, Qantas Group and Fairfax Media. She is also a global ambassador for Flexible Work Day. Through her current work in Puffling, Lija has worked as a senior level career coach and advisor, further crediting her passion for developing and mentoring top female talent, particularly in tech.
Date of appointment as a director	2 June 2021
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Became a member of the Renumeration and Nomination Committee on 8 July 2021 and will become a member of the Audit and Risk Committee on September 2021
Interests in shares:	None
Interests in options:	900,000 options
Contractual rights to shares:	Options are proposed to be issued, subject to approval at the 2021 AGM.

Name:	Timothy Griffiths (Resigned on 05 March 2021)
Title:	Chief Strategy Officer
Qualifications:	MBA
Experience and expertise:	Tim Griffiths is a co-founder of Xref. Mr Griffiths, an MBA-qualified technologist, has 24 years' experience advising companies, including Virgin and SkyTV. He worked for Benchmark Capital providing technical diligence for high tech start-up investment and was co-founder of media company a2a plc, which floated on the UK stock market. More recently Tim was CIO for Jcurve Solutions, an Australian cloud NetSuite ERP provider.
Date of appointment as a director	18 January 2016
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	30,930,690 ordinary shares
Interests in options:	None
Contractual rights to shares:	None (8,333,333 performance rights expired 20 January 2021)

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

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

Key Management Personnel

Chief Financial Officer

Mr. James Solomons, BCom, FCA, CTA, GAICD

James is a chartered accountant with over 20 years of experience within the accounting & corporate finance industry. He has held various roles within the sector and has positioned himself as a leader in the accounting technology space brining with him to Xref over 5 years of experiences as Xero Australia's Head of accounting. A successful entrepreneur in his own right James has a deep understanding of the need to find a balance between investing for growth whilst maintaining strong corporate governance processes across the business.

Company Secretary

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

Robert has more than 42 years of experience in financial and corporate roles, including more than 26 years in company secretarial and director roles for ASX-listed companies. He is a director of Oakhill Hamilton Pty Ltd, a company that provides secretarial and corporate advisory services to a range of listed and unlisted companies. He is also the company Secretary of ASX-listed companies Aeris Environmental Ltd, Vectus Biosystems Limited and a director and Company Secretary of ASX-listed company R3D Resources Limited.

Chief Technology Officer

Mrs Sharon Blesson

Recognised for her ability to bridge the gap between IT and business, Sharon has a rich history of program management in both delivery and operational environments. She has developed excellent leadership skills and expertise in managing diverse teams while providing motivation and strategic vision. Prior to joining Xref, Sharon spent over a year as director of the project management office at the Ivy College in Sydney, earlier she was a major corporate client manager at Sqware Peg, and also a IT&T Project Manager for recruitment specialists Hays.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Board meeting held 12	Audit and Risk Committee meeting 2	Remuneration and Nomination Committee meeting 0	Disclosure Committee meetings 0
Directors	Attended	Attended	Attended	Attended
Lee-Martin Seymour *	12	N/A	-	-
Brad Rosser **	11	2	-	-
Nigel Heap ***	12	2	-	N/A
Lija Wilson ****	1	N/A	N/A	N/A
Timothy Griffiths*****	7	1	N/A	-

* Ceased to be a member of the Remuneration and Nomination Committee on 8 July 2021.

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

*** Chairman of the Audit and Risk Committee.

**** Joined the Board on 2 June 2021, joined as a member of the Remuneration and Nomination Committee on 8 July 2021 and will commence as a member of the Audit and Risk Committee in September 2021.

***** Ceased to be a Director on 5 March 2021

Remuneration report (audited)

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

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information

- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

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

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

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

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

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

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

Non-executive directors remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

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

Details of remuneration

Amounts of remuneration

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

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

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

And the Key Management Personnel:

- James Solomons – Chief Financial Officer
- Robert Waring – Company Secretary
- Sharon Blesson – Chief Technology Officer

2021	Short-term benefits Cash salary and fees $	Cash bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled shares $	Equity-settled options $	Total $
Non-Executive Directors:								
Brad Rosser	162,279	-	-	-	-	7,849	-	170,128
Nigel Heap	59,582	-	-	5,660	-	2,539	-	67,781
Lija Wilson*	2,597	-	-	247	-	-	394***	3,238
Executive Directors:								
Lee-Martin Seymour	305,000	-	-	27,075	-	13,154	-	345,229
Timothy Griffiths**	319,827	-	-	25,015	-	13,154	-	357,996
Other Key Management Personnel:								
James Solomons	290,000	-	-	25,650	-	87,461	123,300	526,411
Robert Waring	84,440	-	-	-	-	2,280	1,040	87,760
Sharon Blesson	270,000	-	-	23,750	-	86,538	121,164	501,452
	1,493,725	-	-	107,397	-	212,975	245,898	2,059,995

* Represents remuneration from 02 June 2021 to 30 June 2021

** Represents remuneration from 01 July 2020 to 05 March 2021

*** Options are proposed to be issued, subject to approval at the 2021 AGM

Value of shares issued to Directors & KMP in lieu of forgone salaries as part of an agreed four day working week (April 1st 2020 to June 30th 2020) due to COVID-19. This scheme was applied to all staff within the business. James Solomons and Sharon Blesson includes value of shares awarded on 7 Sept 2020.

2020	Short-term benefits Cash salary and fees $	 Cash bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled options $	 Total $
Non-Executive Directors:							
Brad Rosser	169,845	-	-	-	-	48,787	218,632
Nigel Heap	47,667	-	-	4,528	-	-	52,195
Tim Mahony*	17,215	-	-	1,635	-	-	18,850
Executive Directors:							
Lee-Martin Seymour	292,519	-	-	25,889	-	-	318,408
Timothy Griffiths**	292,519	-	-	25,889	-	-	318,408
Other Key Management Personnel:							
James Solomons	277,738	-	-	24,485	-	27,562	329,785
Robert Waring	72,100	-	-	-	-	-	72,100
	1,169,603	-	-	82,426	-	76,349	1,328,378

*Represents remuneration from 1 July 2019 to 22 November 2019

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

Name	Fixed remuneration 2021	 2020	At risk - STI 2021	 2020	At risk - LTI 2021	 2020
Non-Executive Directors:						
Brad Rosser	100%	100%	-	-	-	-
Nigel Heap	100%	100%	-	-	-	-
Timothy Mahony	-	100%				
Lija Wilson	100%	-	-	-	-	-
Executive Directors:						
Lee-Martin Seymour	100%	100%	-	-	-	-
Timothy Griffiths	100%	100%	-	-	-	-
Other Key Management Personnel:						
James Solomons	100%	100%	-	-	-	-
Robert Waring	100%	100%	-	-	-	-
Sharon Blesson	100%	100%	-	-	-	-

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

Service agreements

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

Name:	**Lee-Martin Seymour**
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	01 July 2019
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2021 of $285,000 p.a. plus superannuation, plus $20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 13 weeks termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non-compete clauses exist.

Name:	**James Solomons**
Title:	Chief Financial Officer
Agreement commenced:	01 July 2019
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2021 of $270,000 p.a. plus superannuation, plus $20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 3 weeks termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non-compete clauses exist.

Name:	**Sharon Blesson**
Title:	Chief Technology Officer
Agreement commenced:	01 November 2019
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2021 of $250,000 p.a. plus superannuation, plus $20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 3 weeks termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non-compete clauses exist.

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

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	No. of Shares Granted 2021	No. of Shares Granted 2020
Nigel Heap	14,103	-
Brad Rosser	43,607	-
Lee-Martin Seymour	73,077	-
Timothy Griffiths*	73,077	-
James Solomons	569,231	-
Sharon Blesson	564,103	-
Robert Waring	12,665	-

*Resigned on 05 March 2021

Options granted carry no dividend or voting rights

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

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

	Number of Options Granted during the year		Number of Options Vested during the year	
Name	2021	2020	2021	2020
James Solomons	2,300,000	-	2,300,000	750,000
Sharon Blesson	2,111,111	-	2,411,111	600,000
Robert Waring	33,543	-	33,543	-
Lija Wilson	900,000*	-	-	-

*Options are proposed to be issued, subject to approval at the 2021 AGM

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Nigel Heap	18,000	14,103	-	-	32,103
Brad Rosser	-	43,607	350,000	-	393,607
Lee-Martin Seymour	31,101,476	73,077	555,555	-	31,730,108
Timothy Griffiths*	30,857,613	73,077	-	-	30,930,690
James Solomons	9,000	569,231	-	-	578,231
Sharon Blesson	16,519	564,103	-	-	580,622
Robert Waring	213,885	12,665	50,000	(200)	276,350
	62,216,493	1,349,863	955,555	(200)	64,521,711

*Resigned on 05 March 2021

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
Options over ordinary shares					
Brad Rosser	7,000,000	-	-	-	7,000,000
Nigel Heap	900,000	-	-	-	900,000
James Solomons	2,500,000	2,300,000	-	(1,000,000)	3,800,000
Sharon Blesson	900,000	2,111,111	-	-	3,011,111
Robert Waring	37,026	33,543	-	-	70,569
Lija Wilson	-	900,000*	-	-	900,000
	11,337,026	5,344,654	-	(1,000,000)	15,681,680

*Options are proposed to be issued, subject to approval at the 2021 AGM

Payments for company secretarial services from Oakhill Hamilton Pty Ltd (related entity of Robert Waring of $84,440 (ex GST) were made.

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

Performance Rights

16,666,666 C Class Performance Rights expired on 20 January 2021 as the relevant Performance Milestone was not achieved.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

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

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

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

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

Rounding of amounts

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

Auditor's independence declaration

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

Corporate Governance

The Group's Corporate Governance Statement and Appenix 4G checklist are released to ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance manual can be found on the Company's website at www.xref.com/investor-centre.

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

On behalf of the directors

Lee-Martin Seymour	**Brad Rosser**
Managing Director	Chairman
31 August 2021	31 August 2021
Sydney	Sydney

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31 August 2021

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

Dear Board Members

Xref Limited

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

As lead audit partner for the audit of the financial report of Xref Limited for the financial year ended 30 June 2021, 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

Financial Statements

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue			
Revenue	8	12,555,708	8,028,306
Total revenue		12,555,708	8,028,306
Expenses			
Employee expenses		(8,838,979)	(12,612,388)
Overheads and administrative expenses	9	(3,852,277)	(5,395,134)
Depreciation		(379,983)	(667,655)
Impairment and amortisation		(60,223)	(1,134)
Total expenses		(13,131,462)	(18,676,311)
Operating profit (loss)		(575,754)	(10,648,005)
Other income	8	653,838	591,915
Loss before income tax		78,084	(10,056,090)
Income tax expense	11	-	-
Profit (Loss) after income tax expense for the year attributable to the owners of Xref Limited		78,084	(10,056,090)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(100,116)	14,858
Other comprehensive income for the year, net of tax		(100,116)	14,858
Total comprehensive income (loss) attributable to the owners of Xref Limited		(22,032)	(10,041,232)
Earnings per share for profit (loss) from continuing operations attributable to the owners of Xref Limited		Cents	Cents
Basic earnings per share	26	0.04	(5.82)
Diluted earnings per share	26	0.04	(5.82)

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 30 June 2021

	Note	Consolidated 2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	12	8,131,072	2,868,794
Trade and other receivables	13	2,021,145	1,374,769
Capitalised commission	14	1,031,498	1,011,918
Prepayments		492,416	566,089
Total current assets		11,676,131	5,821,570
Non current assets			
Rental bonds		54,143	70,254
Property, plant and equipment	15	266,060	314,475
Right of use assets	16	127,316	440,172
Intangibles	17	2,875,582	1,825,074
Total non current assets		3,323,101	2,649,975
Total assets		14,999,232	8,471,545
Liabilities			
Current liabilities			
Trade and other payables	18	1,732,787	1,620,099
Financial liabilities	20	636,425	336,689
Employee entitlements	19	439,695	533,832
Contingent consideration		-	30,240
Unearned revenue	21	8,799,293	7,847,799
Superannuation Payable		165,243	171,163
Total current liabilities		11,773,443	10,539,822

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

Statement of financial position *continued*

As at 30 June 2021

	Note	Consolidated 2021 $	2020 $
Non current liabilities			
Financial liabilities	20	4,048,950	138,820
Employee entitlements	22	185,666	153,166
Contingent consideration		-	43,800
Total non current liabilities		4,234,616	335,786
Total liabilities		16,008,059	10,875,608
Net (liabilities)/assets		(1,008,827)	(2,404,063)
Equity			
Issued capital	23	53,948,230	53,235,226
Reserves	24	(20,939,822)	(21,410,328)
Retained earnings		(34,017,235)	(34,228,961)
Total equity		(1,008,827)	(2,404,063)

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

Statement of changes in equity

For the year ended 30 June 2021

Consolidated	Note	Issued capital $	Warrants $	Share option reserves $	Foreign currency translation reserve $	Consolidation reserve $	Accumulated losses $	Total $
Balance at July 1, 2020		53,235,226	-	1,797,122	(361,629)	(22,845,821)	(34,228,961)	(2,404,063)
Profit after income tax for the year		-	-	-	-	-	78,084	78,084
Other comprehensive income for the year		-	-	-	(100,116)	-	-	(100,116)
Total other comprehensive income for the year		-	-	-	(100,116)	-	78,084	22,032
Transactions with owners in their capacity as owners								
Shares issued during the year		713,004	-	-	-	-	-	713,004
Options Issued		-	-	318,550	-	-	-	318,550
Options Lapsed		-	-	(63,972)	-	-	63,972	-
Options Expired		-	-	(69,670)	-	-	69,670	-
Warrants Issued		-	385,714	-	-	-	-	385,714
Balance at 30 June 2021		53,948,230	385,714	1,982,030	(461,745)	(22,845,821)	(34,017,235)	(1,008,827)

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

Statement of changes in equity *continued*

For the year ended 30 June 2021

Consolidated	Note	Issued capital $	Warrants $	Share option reserves $	Foreign currency translation reserve $	Consolidation reserve $	Retained profits $	Total $
Balance at July 1, 2019		48,832,200	-	1,683,195	(376,487)	(22,845,821)	(24,134,222)	3,158,865
Adjustment for change of accounting policy		-	-	-	-	-	(55,383)	(55,383)
Balance at July 1, 2019 restated		48,832,200	-	1,683,195	(376,487)	(22,845,821)	(24,189,605)	3,103,482
Loss after income tax for the year		-	-	-	-	-	(10,056,090)	(10,056,090)
Other comprehensive income for the year		-	-	-	14,858	-	-	14,858
Total other comprehensive income for the year		-	-	-	14,858	-	(10,056,090)	(10,041,232)
Transactions with owners in their capacity as owners								
Shares issued during the year		4,534,000	-	-	-	-	-	4,534,000
Capital Raising Costs		(130,974)	-	-	-	-	-	(130,974)
Options Issued		-	-	130,661	-	-	-	130,661
Options Lapsed		-	-	(16,734)	-	-	16,734	-
Balance at 30 June 2020		53,235,226	-	1,797,122	(361,629)	(22,845,821)	(34,228,961)	(2,404,063)

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

Statement of cash flows

For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activites			
Receipts from customers (inclusive of GST)		14,804,985	12,108,020
Payments to suppliers and employees (inclusive of GST)		(12,494,391)	(19,791,253)
		2,310,597	(7,683,233)
Interest received		11,779	94,890
Other revenue		-	205,402
Net cash used in operating activities	28	2,322,373	(7,382,941)
Cash flows from investing activites			
Payment for intangibles		(1,110,732)	-
Purchase of property, plant and equipment		(19,501)	(64,676)
Payments for purchase of business		-	(583,944)
Net cash used in investing activities		(1,130,233)	(648,620)
Cash flows from financing activites			
Proceeds from issue of shares		-	3,496,001
Repayments of lease liabilities		(348,566)	-
Proceeds from borrowings		5,000,000	-
Borrowing transaction costs		(209,744)	-
Repayment of financial liabilities		(371,552)	(631,585)
Net cash used in financing activities		4,070,138	2,864,416
Net decrease in cash and cash equivalents held		5,262,278	(5,167,145)
Cash and cash equivalents at beginning of year		2,868,794	8,035,939
Cash and cash equivalents at end of financial year	12	8,131,072	2,868,794

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

Notes to the financial Statements

Note 1. Reporting Entity

Xref Limited is a limited liability company incorporated on 28 January 2003 and as at 21 September 2017 is domiciled in Australia. The address of its registered office is Unit 13, 13 Hickson Road, Dawes Point, New South Wales, Australia 2000. Xref is a human resources technology company that automates the candidate reference process for employers.

Note 2. Basis of Preparation

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

a. Historical cost convention

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

b. Critical accounting estimates

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

Note 3. Significant Accounting Policies

The group 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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

a. Basis of consolidation

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

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

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

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

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

Note 3. Significant Accounting Policies *continued*

If the Group loses control over a subsidiary, it:

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

Interests in subsidiaries are held at cost less impairment in the Parent.

b. Foreign currency translation

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

Foreign currency transactions are translated into the functional currency of the Parent, using exchange rates prevailing at the dates of the transactions (i.e. the spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from measurement of monetary items denominated in foreign currency at year end exchange rates are recognised in the reported profit or loss. Non monetary items measured at historical cost are not re translated at each year end, instead they are only translated once using the exchange rate at the transaction date.

Non monetary items measured at fair value are translated using the exchange rates at the date when the year end fair value was determined.

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

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

Foreign operations

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

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

i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

ii. income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii. all resulting exchange differences are recognised in other comprehensive income.

Note 3. Significant Accounting Policies *continued*

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

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

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

c. Cash and cash equivalents

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

d. Trade debtors and other receivables

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

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

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

e. Contract assets—capitalised 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.

f. Trade creditors and other payables

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

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

g. Contract liabilities—unearned revenue

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

h. Refund liabilities

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

Note 3. Significant Accounting Policies *continued*

i.Property, plant and equipment

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

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

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

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

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

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

The depreciation rates used for each class of depreciable asset are shown below:

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

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

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

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

j. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asst 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, expect 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 asst, whichever is the shorter. Where the Group 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 Group 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 3. Significant Accounting Policies *continued*

k.Intangibles

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

Internally developed intangible assets:

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

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

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

Software

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

Website

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

Domain

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

Patents and trademarks

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

Goodwill

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

Note 3. Significant Accounting Policies *continued*

l. Impairment of non financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

m. Investment and other financial assets

Investments and other financial assts are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classifications. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group 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, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assts at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movement are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Group 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 Group'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.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Note 3. Significant Accounting Policies *continued*

n. Provisions

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

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

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

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

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

o. 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 Group'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 rightof use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

p. Employee benefits

Short term employee benefits

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

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

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

Termination benefits

Termination benefits are recognised as an expense when the Group is committed without realistic possibility of withdrawal, to terminate employment, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Long term benefits

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

Note 3. Significant Accounting Policies *continued*

Share based payments

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

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

q. Revenue

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

Group Sales

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

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

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

Rendering of services

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

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 3. Significant Accounting Policies *continued*

Other income

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

Government Grant—Covid-19 Subsidy

Government grant subsidies in relation to COVID-19 is recognised when it is received or when the right to receive payment is established. These government grant income related to JobKeeper and Cash Boost payments.

r. Income Tax

Current income taxes

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

Deferred tax

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

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

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

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

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

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

s. Goods and services tax (GST)

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

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

t. Share capital

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

Note 3. Significant Accounting Policies *continued*

u. Dividend distribution

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

v. Earnings per share

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

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

w. Segment reporting

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

x. Deficiency in net assets

The financial report is showing a deficiency of net current assets of $97,312 (2020: 4,718,252) and a deficiency of net assets of $1,008,827 (2020: $2,404,063). The deficiency is correlated to the unearned revenue balance of $8,799,293 (2020: $7,847,799). Nonetheless, the financial report has been prepared on the going concern basis which assumes that the company 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 company as they have:

- Prepared a cash flow forecast for the relevant period which includes financial year ended 30 June 2022 which indicates that the Company will have sufficient cash flow to meet its obligations for the foreseeable future.
- The unearned revenue in its entirety is not refundable to customers. The portion refundable relates to the last month of sales which approximates to $2 million.

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.

y. Borrowings

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

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021.

Note 5. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 13, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 17 for further information.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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

Employee benefits provision

As discussed in note 3, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Share-based payment transactions

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

Impairment

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

Determination of variable consideration

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

Internally generated software and research costs

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

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

Deferred tax assets

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

Research and Development Refundable Tax Offset

There were no costs identified in the group in 2021 that were attributable to research and development costs.

Note 6. Group Information

The preliminary consolidated financial statements of the Group include

Name	Principal place of business/ Country of incorporation	2021 %	2020 %
Xref Limited	Australia	100.00	100.00
Xref (AU) Pty Limited	Australia	100.00	100.00
Xref (UK) Limited	United Kingdom	100.00	100.00
Xref Referencing (CA) Limited	Canada	100.00	100.00
Xref AS	Norway	-	100.00
Xref LLC	United State	100.00	100.00
Xref (NZ) Limited	New Zealand	100.00	100.00
Rapid ID Pty Ltd	Australia	100.00	100.00

During the last quarter of the 2020 financial year it was determined by the directors to close the Norway office and transfer management of existing accounts and sales operations to the Europe head office based in London. The subsidiary that operated out of Oslo Norway, Xref AS was wound up in accordance with Norwegian Corporations Law in June 2021. There has been no major impact on the operations in Norway with sales continuing to be made to Norwegian businesses out of Xref UK.

Note 7. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on differences in products and services provided: candidate referencing and ID verification). The disclosures on the face of the statement of comprehensive income to operating loss and the statement of financial position (excluding the items designated for sale) represent the Group's two business segments

Types of products and services

The principal products and services of each of these operating segments are as follows:

Xref	Candidate referencing
Rapid ID	ID verification

Intersegment transactions

Intersegment transactions were made at market rates. Candidate referencing and ID verification are complementary in nature and intersegment transactions arise due to customer needs. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 7. Operating segments *continued*

Operating segment information

	Consolidated 2021		
	Candidate referencing $	ID verification $	Total $
Revenue			
Revenue from external customers	11,555,054	1,000,654	12,555,708
Intersegment sales	4,628	-	4,628
Total earned revenue	11,559,682	1,000,654	12,560,336
Other revenue	612,662	29,397	642,059
Total segment revenue	12,172,344	1,030,051	13,202,395
Intersegment eliminations	-	-	(4,628)
Unallocated revenue:			
Interest revenue			11,779
Total revenue			13,209,546
EBITDA	583,757	453,202	1,036,959
Depreciation and amortisation			(440,205)
Interest revenue			11,779
Finance costs			(530,449)
Profit before income tax expense			78,084
Income tax expense			-
Profit after income tax expense			78,084
Assets			
Segment assets	16,321,739	2,015,808	18,337,547
Intersegment eliminations			(4,672,297)
Unallocated assets:			
Goodwill			1,333,986
Total Assets			14,999,236
Total assets includes:	4,672,297	-	4,672,297
Investments in subsidiaries			
Liabilities			
Segment liabilities	14,469,238	1,542,378	16,011,616
Intersegment eliminations			(3,557)
Total liabilities			16,008,059

Note 7. Operating segments *continued*

	Consolidated 2020 Candidate referencing $	ID verification $	Total $
Revenue			
Revenue from external customers	7,781,197	247,109	8,028,306
Total earned revenue	7,781,197	247,109	8,028,306
Other revenue	534,745	12,016	546,761
Total segment revenue	8,315,942	259,125	8,575,067
Unallocated revenue:			
Interest revenue			45,154
Total revenue			8,620,221
EBITDA	(9,129,482)	(304,106)	(9,433,588)
Depreciation and amortisation			(667,656)
Interest revenue			45,154
Finance costs			-
Profit before income tax expense			(10,056,090)
Income tax expense			-
Profit after income tax expense			(10,056,090)
Assets			
Segment assets	11,206,787	607,635	11,814,422
Intersegment eliminations			(4,676,863)
Unallocated assets:			
Goodwill			1,333,986
Total Assets			8,471,545
Total assets includes:			
Investments in subsidiaries	4,676,863	-	4,676,863
Liabilities			
Segment liabilities	10,341,996	533,687	10,875,683
Intersegment eliminations			(75)
Total liabilities			10,875,608

Note 7. Operating segments *continued*

Geographical information

	Revenue from external customers		Geographical non-current assets	
	2021 $	2020 $	2021 $	2020 $
Australia	9,724,103	7,257,970	3,136,185	2,370,839
Canada	719,695	548,509	180,547	269,683
United Kingdom	683,142	407,665	6,051	8,817
New Zealand	1,011,173	1,020,215	318	636
United States	417,595	299,153	-	-
Norway	-	281,201	-	-
	12,555,708	9,814,713	3,323,101	2,649,975

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 8. Revenue

	Consolidated	
	2021 $	2020 $
Revenue from contracts with customers		
Sales Xref	12,477,129	9,327,638
Less adjustment for unearned revenue	(922,075)	(1,546,441)
	11,555,054	7,781,197
Sales Rapid ID	2,906,269	487,075
Less cost of sales Rapid ID	(1,905,615)	(239,966)
	1,000,654	247,109
Total revenue	12,555,708	8,028,306
Other revenue		
Interest	11,779	45,154
Government subsidies	540,753	527,422
Other revenue	101,306	19,339
	653,838	591,915
Total revenue and other income	13,209,546	8,620,221

Note 8. Revenue *continued*

Disaggregation of revenue

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

	Consolidated 2021		
	Candidate referencing $	ID verification $	Total $
Revenue from customers			
Revenue	11,555,054	1,000,654	12,555,708
	11,555,054	1,000,654	12,555,708
Geographical regions			
Australia	8,732,109	991,995	9,724,104
Canada	719,695	-	719,695
United Kingdom	674,483	8,659	683,142
New Zealand	1,011,173	-	1,011,173
United States	417,594	-	417,594
Norway	-	-	-
	11,555,054	1,000,654	12,555,708
Timing of revenue recognition			
Goods transferred at a point in time	10,719,123	1,000,654	11,719,777
Services transferred over time	835,931	-	835,931
	11,555,054	1,000,654	12,555,708

Note 8. Revenue *continued*

	Consolidated 2020		
	Candidate referencing $	ID verification $	Total $
Revenue from customers			
Revenue	7,781,197	247,109	8,028,306
	7,781,197	247,109	8,028,306
Geographical regions			
Australia	6,155,195	247,109	6,402,304
Canada	509,032	-	509,032
United Kingdom	342,772	-	342,772
New Zealand	452,158	-	452,158
United States	161,446	-	161,446
Norway	160,594	-	160,594
	7,781,197	247,109	8,028,306
Timing of revenue recognition			
Goods transferred at a point in time	7,305,986	247,109	7,553,095
Services transferred over time	475,211	-	475,211
	7,781,197	247,109	8,028,306

There are no customers for the current financial year which are greater than 10% of total revenue.

Note 9. Overheads and administrative expenses

	Consolidated	
	2021 $	2020 $
Accounting and consulting fees	246,842	320,160
Auditing or reviewing the financial report	85,901	90,797
Directors Fees	-	12,675
Legal expenses deductible	177,471	122,652
Marketing fees	468,106	862,200
Consulting and professional fees	269,768	440,765
Share based payment	318,550	130,662
Administration expenses (other)	2,320,023	3,014,063
Foreign exchange loss	(137,340)	89,692
Operating lease payments	102,956	311,468
Administrative expenses	3,852,277	5,395,134

Auditors remuneration

	2021 $	2020 $
Fees charged by Audit Firm		
Financial statement audit and review	85,901	90,797

Note 10. Depreciation, amortisation and impairment expenses

	2021 $	2020 $
Depreciation, amortisation and impairment expenses		
Depreciation	67,916	99,811
Depreciation ROU Asset	312,067	567,844
	379,983	667,655

Note 11. Income tax expense

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

(a). Reconciliation of effective tax rate :

	2021 $	2020 $
Profit (loss) before income tax expense	78,084	(10,056,090)
Tax at the statutory rate of 26% (2020: 27.50%)	20,302	(2,765,425)
Less tax effect of:		
Deferred tax asset not recognised	(211,501)	2,617,925
Permanent differences	5,864	24,309
Adjustment for foreign tax rates	185,335	123,191
Income tax expense for the year	-	-

b. Deferred tax assets and liabilities

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

The company has not yet raised a deferred tax entry as the Group is not certain whether the tax losses carried forward can be utilised in the foreseeable future. The deferred tax asset position of the Group, which has not been brought to account is $7,316,089 (2020: $7,527,590).

Note 12. Current assets—cash and cash equivalents

	2021 $	2020 $
Cash at bank and in hand	8,131,072	2,793,337
Rental Bonds	-	75,457
	8,131,072	2,868,794

Note 13. Current assets—trade and other receivables

	2021 $	2020 $
Current		
Trade receivables	1,885,795	1,196,209
Other receivables	135,350	178,560
Total current trade and other receivables	2,021,145	1,374,769
Movements in the allowance for expected credit losses are as follows:		
Opening balance	-	-
Additional provisions recognised	-	-
Receivables written off during the year as uncollectable	-	-
Balance at end of the year	-	-

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

All receivables are subject to credit risk exposure.

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

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

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

As at 30 June 2021, the ageing analysis of trade receivables post due but not impaired is detailed as follows:

	2021 $	2020 $
0-30 days overdue	1,848,329	1,131,724
30-90 days overdue	21,449	64,485
90 days+ overdue	16,017	-
	1,885,795	1,196,209

Note 14. Current assets—Capitalised Commission

	2021 $	2020 $
Capitalised Commission at cost Credit Sales	1,013,035	990,155
Capitalised Commission at cost Subscriptions	18,373	21,723
Capitalised Commission at cost People Search	90	40
	1,031,498	1,011,918

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

	2021 $	2020 $
Opening Balance	1,011,918	613,757
Additions	1,159,554	1,215,582
Recognition as expenses	(1,140,761)	(770,926)
Balancing adjustment due to forex	787	(46,765)
Closing balance	1,031,498	1,011,918

Note 15. Non current assets—property, plant and equipment

	2021 $	2020 $
Office furniture at cost	96,918	96,387
Less: Accumulated depreciation	(31,774)	(24,651)
	65,144	71,736
Office equipment at cost	146,264	143,771
Less: Accumulated depreciation	(105,759)	(93,525)
	40,505	50,246
Computer equipment at cost	337,182	317,660
Less: Accumulated depreciation	(238,684)	(189,541)
	98,498	128,119
Office fitout	103,027	102,749
Less: Accumulated depreciation	(41,114)	(38,375)
	61,913	64,374
Total property, plant and equipment	266,060	314,475

Note 15. Non current assets—property, plant and equipment *continued*

Reconciliations

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

	Office Furniture $	Office Fitout $	Office Equipment $	Computer Equipment $	Total $
Year ended 30 June 2019	69,002	75,726	62,457	142,425	349,610
Additions	10,752	1,627	5,809	46,488	64,676
Disposals	-	-	-	-	-
Depreciation	(8,018)	(12,979)	(18,020)	(60,794)	(99,811)
Balance at 30 June 2020	71,736	64,374	50,246	128,119	314,475
Additions	272	-	523	18,706	19,501
Disposals	-	-	-	-	-
Depreciation	(6,864)	(2,461)	(10,264)	(48,327)	(67,916)
Balance at 30 June 2021	65,144	61,913	40,505	98,498	266,060

Note 16. Non current assets—right of use assets

	2021 $	2020 $
Right of use assets—Land and Buildings	860,792	1,496,169
Less: Accumulated depreciation	(733,476)	(1,055,997)
Total	127,316	440,172

Additions to the right-of-use assets during the year were $0

The Group leases land and buildings for its offices under agreements which have terms remaining of no longer than 0.5 years as at 30 June 2021. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

One lease was not renegotiated during the year resulting in a reduction of right of use assets.

Note 17. Non current assets—intangible assets

	Consolidated	
	2021 $	2020 $
Goodwill	1,333,986	1,333,986
Less: Impairment	-	-
	1,333,986	1,333,986
Website	325,000	325,000
Less: Accumulated amortisation	(53,722)	-
	271,278	325,000
Patents, trademarks and other rights	10,231	10,231
Less: Accumulated amortisation	(2,267)	(1,134)
	7,964	9,097
Licenses	50,000	50000
	50,000	50000
Domain Names	108,830	106,990
Less: Accumulated amortisation	(5,638)	-
	103,192	106,990
Software development	1,109,162	-
	1,109,162	-
Total intangibles	2,875,582	1,825,073

Note 17. Non current assets—intangible assets *continued*

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

Movements in carrying amounts of intangible assets

Consolidated	Patents, trademarks and other rights $	Licenses $	Domain Names $	Software Development $	Website $	Goodwill $	Total $
Balance at 1 July 2020	10,231	50,000	106,990	-	325,000	1,333,986	1,826,207
Amortisation expense	(1,134)	-	-	-	-	-	(1,134)
Balance at 30 June 2020	9,097	50,000	106,990	-	325,000	1,333,986	1,825,073
Additions	-	-	1,570	1,109,162	-	-	1,110,732
Impairment of assets	-	-	-	-	-	-	-
Amortisation expense	(1,133)	-	(5,368)	-	(53,722)	-	(60,223)
Balance at 30 June 2021	7,964	50,000	103,192	1,109,162	271,278	1,333,986	2,875,582

Xref is preparing for the growth that is anticipated to come from millions of returning workers globally. Xref is working with some of its largest global clients to expand the current platform and support their future requirements. The enhanced platform will dramatically increase the global addressable market through the provision of additional services, allowing for an entirely digital new client acquisition process and add a subscription-based ARR to the current credit-based model.

In addition RapidID is building a significant enhancement which will expand the capability of the existing platform.

As at 30 June the new products for both Xref and RapidID remained in development. After their launch during H1 FY22 the software will be amortised over their respective effective lives.

Note 17. Non current assets—intangible assets *continued*

Impairment testing

Goodwill acquired through business combination has been allocated to the following cash-generating units:

	Consolidated 2021 $	2020 $
RapidID	1,333,986	1,333,986
	1,333,986	1,333,986

The recoverable amount of the consolidated entity's goodwill has been determined as the higher of the asset's value in use and its fair value less cost of disposal using a discounted cash flow model, based on a 5 year projection period approved by management and the board, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for RapidID:

- 17.5% post-tax discount rate;
- 23% per annum average projected revenue growth rate;
- 4% per annum average improvement in gross margin;
- 14% per annum average increase in operating costs and overheads;
- 2.5% terminal value growth rate.

The discount rate of 17.5% post-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for RapidID, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 23% growth in accordance with the acquisition strategy and have no reason to revise this estimation based on current performance.

Synergies achieved following the acquisition of RapidID combined with cost efficient customer acquisition strategies has result in the operational costs budgeted initially being lower than forecast

There were no other key assumptions for RapidID.

Based on the above, the recoverable amount of RapidID exceeded the carrying amount by $1.18m.

Sensitivity

As disclosed in note 5, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Sales would need to decrease by more than14.2% over the forecast period for RapidID before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 1.91% for RapidID before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of RapidID's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Note 18. Current liabilities—trade and other payables

	Note	2021 $	2020 $
Trade payables		471,405	384,362
GST payable		516,614	211,715
Accrued salaries, wages and related costs		364,835	142,182
Non Trade payables and accrued expenses		379,933	881,840
		1,732,787	1,620,099

Refer to note 27 for further information on financial instruments. Trade creditors and other payables are non interest bearing and normally settled on 30 day terms; therefore, their carrying amount approximates their fair value.

Note 19. Current liabilities—employee entitlements

	2021 $	2020 $
Annual leave	439,695	533,832

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

Note 20. Current liabilities—financial liabilities

	2021 $	2020 $
Current		
Lease Liability	138,925	336,689
Borrowing—Pure Asset Management (a)	497,500	-
Total current borrowings	636,425	336,689

	2021 $	2020 $
Non-current		
Lease Liability	3,072	138,820
Borrowing—Pure Asset Management (a)	4,045,878	-
Total non-current borrowings	4,048,950	138,820
Total borrowings	4,685,375	475,509

Note 20. Current liabilities—financial liabilities *continued*

	Note	2021 $
a. Reconciliation		
Loan Facility		5,000,000
Fair value of warrants		(385,714)
Transaction Cost		(209,745)
		4,404,541
Amortisation of finance cost		510,388
Repayment of contractual payment		(371,551)
Closing Balance		4,543,378

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

Note 21. Current liabilities—Unearned Revenue

	2021 $	2020 $
Unearned Revenue		
Balance brought forward	7,847,799	6,262,763
Unearned revenue movement		
Credits sold	12,477,129	9,325,579
Add: Opening conditional credits	1,011,261	1,881,476
Less: Usage	(11,091,879)	(8,651,412)
Less: Closing conditional credits	(1,474,436)	(1,011,261)
	922,075	1,547,525
Opening balance revaluation due to forex	13,426	38,595
Unearned revenue – Rapid ID	15,993	-
Total	8,799,293	7,847,799

Note 21. Current liabilities—Unearned Revenue *continued*

Unsatisfied performance obligations

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

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

Note 22. Non current liabilities—Employee entitlements

	2021 $	2020 $
Long service leave	185,666	153,166

Note 23. Equity—issued capital

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares—fully paid	182,309,247	178,055,751	53,948,230	53,235,226

	Date	Shares	Issued price/ exercise price $	Total $
Balance	1 July 2019	165,578,370	-	48,832,200
Issued for acquisition of Rapid ID		1,583,442	0.57	900,000
Issued under share based remuneration		300,000	0.46	138,000
Issued for cash		10,593,939	0.33	3,496,000
Capital raising costs		-	-	(130,974)
	30 June 2020	178,055,751	-	53,235,226
Issued under share based remuneration		2,878,496	0.18	517,764
Issued under share based remuneration		300,000	0.10	30,240
Issued under share based remuneration		1,000,000	0.15	150,000
Issued under share based remuneration		75,000	0.20	15,000
	30 June 2021	182,309,247	-	53,948,230

Note 23. Equity—issued capital *continued*

Xref issued 2,878,496 shares at $0.18 per share to employees on 8 August 2020 and directors on 12 August 2020, as remuneration for forgone salaries during the period 1 April 2020 and 30 June 2020.

Xref issued 300,000 shares at $0.185 per share to Ashley Hoey, founder of Xref's wholly owned subsidiary, RapidID. These shares had been issued in accordance with his employee contract, which stipulated that the shares be issued on the first anniversary of his commencement date with Xref. These shares are subject to escrow, in accordance with his contract for 12 months from the date of issue.

Xref issued 1,000,000 shares at $0.15 per share to the Chief Financial Officer (500,000 shares) and Chief Technology Officer (500,000 shares), as a bonus in accordance with their employment contracts.

Xref issued 75,000 shares at $0.20 to the General Manager – Global Sales as part of his remuneration compensation.

Capital risk management

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

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

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

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

The Group is in compliance with its loan covenants and expects to meet all covenants at the next review. The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

Note 24. Equity—other equity reserves

	2021 $	2020 $
Foreign currency reserve	(461,745)	(361,629)
Options reserve	1,982,030	1,797,122
Consolidation reserve	(22,845,821)	(22,845,821)
Warrants	385,714	-
	(20,939,822)	(21,410,328)

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.

Note 24. Equity—other equity reserves *continued*

a). Share option reserve

	Issue Date	Expiry Date	Average exercise price in $A per share	Options	Option Reserve $
At 30 June 2017	7/12/2016	25/11/2022	$0.70	2,500,000	357,000
At 30 June 2017	7/12/2016	25/11/2021	$0.70	5,400,000	646,920
Granted	22/09/2017	3/07/2021	$0.59	746,025	166,289
Granted	22/09/2017	3/07/2021	$0.58	95,390	21,444
Granted	22/03/2018	5/02/2022	$0.66	187,661	19,667
Granted	22/03/2018	12/02/2021	$0.70	1,000,000	69,670
Granted	22/03/2018	12/02/2022	$0.70	750,000	69,635
Granted	22/03/2018	12/02/2023	$0.70	750,000	84,022
Granted	4/12/2018	3/09/2021	$0.70	300,000	20,730
Granted	4/12/2018	3/09/2022	$0.70	300,000	28,620
Granted	4/12/2018	3/09/2023	$0.66	300,000	32,850
Granted	4/12/2018	1/08/2022	$0.66	315,664	27,275
Granted	4/12/2018	29/11/2022	$0.70	2,500,000	253,000
Closing Balance		30/06/2020		15,144,740	1,797,122

Note 24. Equity—other equity reserves *continued*

	Issue Date	Expiry Date	Average exercise price in $A per share	Options	Option Reserve $
At 30 June 2017	7/12/2016	25/11/2022	$0.70	2,500,000	357,000
At 30 June 2017	7/12/2016	25/11/2021	$0.70	5,400,000	646,920
Granted	22/09/2017	3/07/2021	$0.59	545,814	121,662
Granted	22/09/2017	3/07/2021	$0.58	95,390	21,444
Granted	22/03/2018	5/02/2022	$0.66	90,021	9,434
Granted	22/03/2018	12/02/2022	$0.70	750,000	69,635
Granted	22/03/2018	12/02/2023	$0.70	750,000	84,023
Granted	4/12/2018	3/09/2021	$0.70	300,000	20,730
Granted	4/12/2018	3/09/2022	$0.70	300,000	28,620
Granted	4/12/2018	3/09/2023	$0.66	300,000	36,570
Granted	4/12/2018	1/08/2022	$0.66	224,255	22,358
Granted	4/12/2018	29/11/2022	$0.70	2,500,000	253,000
Granted	20/07/2020	15/01/2024	$0.35	2,319,336	71,899
Granted	20/07/2020	15/01/2024	$0.35	300,000	9,300
Granted	20/07/2020	15/01/2024	$0.35	33,543	1,040
Granted	7/09/2020	15/01/2024	$0.18	2,000,000	114,000
Granted	7/09/2020	15/01/2024	$0.18	2,000,000	114,000
Granted	14/06/2021	14/06/2024	$0.35	300,000*	395
Granted	14/06/2021	14/06/2025	$0.35	300,000*	-
Granted	14/06/2021	14/06/2026	$0.35	300,000*	-
Closing Balance		30/06/2021		21,308,359	1,982,030

Options Reserve

During the year ended 30/06/2021, 389,260 options lapsed and no options were exercised.

On 20 July 2020, 2,931,099 options were issued to 50 eligible participants under the terms of the Employee Option Plan. Of these, 300,000 options were issued to the COO, and 33,543 were issued to the Company Secretary. These options vest on 15/01/21 and expire on 15/01/24. Prior to 30/06/21, 278,200 options were cancelled due to termination.

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

On 6 November 2020, 107,143 options were issued to the General Manager – Global Sales as part of his remuneration compensation. The options vest on 01/05/21 and will expire on 01/05/24. Prior to 30/06/21, all 107,143 options were cancelled due to termination.

*On 14 June 2021, 300,000 options were issued to Lija Wilson on her appointment to the Board of Directors. 300,000 further options will be issued on the 1st anniversary of her appointment, and a further 300,000 options will be issued on the 2nd anniversary of her appointment. Each parcel is exercisable during the period commencing on the date of issue and expiring on the third anniversary of the date of issue. The options will have an exercise price of $0.35. Options are proposed to be issued, subject to approval at the 2021 AGM.

Note 24. Equity—other equity reserves *continued*

Options vested and therefore exercisable	Expiry Date	2021	2020
Options Vested – Nigel Heap	25/11/2021	900,000	900,000
Options Vested – Brad Rosser	25/11/2021	7,000,000	7,000,000
Options Vested – James Solomons	12/02/2021	-	1,000,000
Options Vested – James Solomons	12/02/2022	750,000	750,000
Options Vested – James Solomons	12/02/2023	750,000	750,000
Options Vested – James Solomons	15/01/2024	2,300,000	-
Options Vested – Employees and Contractors	03/07/2021	641,204	841,415
Options Vested – Employees and Contractors	05/02/2022	90,021	187,661
Options Vested – Employees and Contractors	01/08/2022	224,255	315,664
Options Vested – Sharon Blesson	30/09/2021	300,000	300,000
Options Vested – Sharon Blesson	03/09/2022	300,000	300,000
Options Vested – Sharon Blesson	03/09/2023	300,000	-
Options Vested – Sharon Blesson	15/01/2024	2,111,111	-
Options Vested – Senior Staff	29/11/2022	2,500,000	2,500,000
Options vested – Robert Waring	15/01/2024	33,543	-
Options vested – Employees	15/01/2024	2,208,225	-
		20,408,359	14,844,740

The weighted average share price for the current financial year was $0.22. (2020: $0.234).

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.

Warrant reserve

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

Note 25. Equity—dividends

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

Note 26. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Group recorded a profit for the year ended 30 June 2021 and a loss for the year ended 30 June 2020. The effect of including the share options in the calculation would be anti dilutive. Hence the diluted earnings per share is the same as the basic earnings per share.

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

	2021 $	2020 $
Profit (Loss) after income tax attributable to the owners of Xref Limited	78,084	(10,056,090)
Weighted average number of ordinary shares used in calculating basic earnings per share	181,978,936	172,871,318
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,917,529	172,871,318
	Cents	Cents
Basic earnings per share	0.04	(5.82)
Diluted earnings per share	0.04	(5.82)

Note 27. Financial instruments

a. Classification of financial instruments

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

Group 2021	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Total
Financial assets				
Cash and cash equivalents	8,185,215	-	-	8,185,215
Trade debtors and other receivables	2,021,145	-	-	2,021,145
Total	10,206,360	-	-	10,206,360
Financial liabilities				
Trade creditors and other payables	-	-	1,898,030	1,898,030
Financial liabilities	-	-	4,685,376	4,685,376
Total	-	-	6,583,406	6,583,406

Note 27. Financial instruments *continued*

Group 2020	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Total
Financial assets				
Cash and cash equivalents	2,868,794	-	-	2,868,794
Trade debtors and other receivables	1,374,769	-	-	1,374,769
Total	4,243,563	-	-	4,243,563
Financial liabilities				
Trade creditors and other payables	-	-	1,791,263	1,791,263
Financial liabilities	-	-	475,509	475,509
Total	-	-	2,266,772	2,266,772

b. Financial instrument risk management

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

- Credit risk
- Liquidity Risk
- Market Risk

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

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

i. Credit risk

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

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

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

Further details in relation to the credit quality of financial assets is provided in Note 13.

ii. Liquidity risk

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

During the financial year expenses decreased by 30% compared to 2020, and revenue increased by 56% compared to 2020. The raise of debt funding combined with ongoing strong cost control is enabling adequate management of liquidity risk.

Note 27. Financial instruments *continued*

All amounts shown as current financial liabilities are expected to be paid on demand and without interest. The Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

			Contractual cash-flow maturities				
Group 2021	**Carrying amounts**	**Total contractual cash-flows**	**0-6 months**	**6-12 months**	**1 - 2 years**	**2-5 years**	**Later than 5 years**
Non-derivative financial liabilities	-	-	-	-	-	-	-
Trade creditors and other payables	1,732,787	1,732,787	1,732,787	-	-	-	-
Superannuation payable	165,243	165,243	165,243	-	-	-	-
Financial liabilities	4,577,159	6,617,089	250,795	246,705	497,500	5,622,089	-
Total	6,475,189	8,515,119	2,148,825	246,705	497,500	5,622,089	-

			Contractual cash-flow maturities				
Group 2020	**Carrying amounts**	**Total contractual cash-flows**	**0-6 months**	**6-12 months**	**1 - 2 years**	**2-5 years**	**Later than 5 years**
Non-derivative financial liabilities	-	-	-	-	-	-	-
Trade creditors and other payables	1,620,099	1,620,099	1,620,099	-	-	-	-
Superannuation payable	171,164	171,164	171,164	-	-	-	-
Financial liabilities	475,509	475,509	475,509	-	-	-	-
Total	2,266,772	2,266,772	2,266,772	-	-	-	-

iii. Market risk

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

iv. Foreign exchange risk

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

Note 27. Financial instruments *continued*

The exposure to currencies of the Group is as follows:

	2021 $	2020 $
Canadian Dollars	343,684	130,958
UK Pound Sterling	128,279	103,130
Norwegian Krone	-	74,723
New Zealand Dollars	1,204,091	279,411
United States Dollar	540,635	164,724
Total	2,216,689	752,946

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

Potential Foreign Exchange Rate Fluctuation **Impact on valuation of holding in:**	**5%** **$**	**10%** **$**	**20%** **$**
Canadian Dollars	17,184	34,368	68,737
UK Pound Sterling	6,414	12,828	25,656
New Zealand Dollar	60,205	120,409	240,818
United States Dollar	27,032	54,064	108,127
Total impact of potential change in exchange rate	110,835	221,669	443,338

Foreign exchange risk

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

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

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

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

			Short-term exposure			
30 June 2021 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	7,569,100	194,303	442,033	-	1,317,354	602,428
Financial Liabilities	2,157,948	40,249	208,583	-	127,675	-
Net statements of financial position exposure	5,411,152	154,054	233,450	-	1,189,679	602,428

Note 27. Financial instruments *continued*

Long-term exposure						
30 June 2021 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	34,650	-	19,493	-	-	-
Financial Liabilities	4,045,879	-	3,071	-	-	-
Net statements of financial position exposure	4,080,529	-	22,564	-	-	-

Short-term exposure						
30 June 2020 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	3,189,920	117,939	141,051	74,723	439,116	166,515
Financial Liabilities	1,599,080	79,774	248,804	-	125,568	-
Net statements of financial position exposure	1,590,084	38,165	(107,753)	74,723	313,548	166,515

Long-term exposure						
30 June 2020 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	50,948	-	63,351	-	-	-
Financial Liabilities	33,768	-	105,052	-	-	-
Net statements of financial position exposure	17,180	-	(41,701)	-	-	-

Foreign exchange risk

Sensitivity analysis

The following analysis illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities carried in foreign currencies. It assumes a 3+/-% change in exchange rates for the year ended at 30 June 2021 (2020: 3%).

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

	2021		2020	
Group	**Profit for the year**	**Equity**	**Profit for the year**	**Equity**
3% (2020: 3%) increase in AUD against foreign currencies	59,349	(1,010,926)	(10,142,335)	(2,444,029)
3% (2020: 3%) decrease in AUD against foreign currencies	122,958	(1,006,850)	(10,007,031)	(2,366,425)

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

Note 27. Financial instruments *continued*

Interest rate risk

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

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

Note 28. Cash Flow Information

(a). Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2021 $	2020 $
Operating profit/ (loss)	78,084	(10,056,090)
Non cash flows in profit:		
Unearned income	922,076	1,547,442
Shares based payments	686,196	-
Options expense	318,550	130,611
Foreign exchange	(117,133)	82,498
Depreciation, amortisation and impairment	440,206	667,656
Interest expense on borrowing	525,442	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(646,375)	883,858
(Increase)/decrease in other assets	16,111	39,503
(Increase)/decrease in prepayments	73,672	(105,445)
(Increase)/decrease in contract assets	(19,583)	(398,161)
Increase/(decrease) in trade and other payables	106,767	(414,054)
Increase/(decrease) in employee benefits	(61,640)	239,241
Net cash from (used) in operating activities	2,322,373	(7,382,941)

Note 29. Contingencies

In the opinion of the Directors, the Company did not have any contingent assets or liabilities at 30 June 2021. Prior year contingent consideration relating to the purchase of Rapid ID is no longer payable as Ash Hoey resigned during the financial year.

Note 30. Related Parties

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

	2021 $	2020 $
Key management personnel	84,440	230,802
Total	84,440	230,802

b. Other related party balances

Other related party balances Loans to directors for the year ended 30 June 2021 amounted to $0 (2020: $0).

c. Key management compensation see information below

	2021 $	2020 $
Short term employee benefit	1,493,725	1,169,639
Post employment benefits	107,397	82,427
Share based payments	458,874	76,349
Total	2,059,996	1,328,415

Note 31. Parent entity

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

	2021 $	2020 $
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	(284,684)	(130,661)
Total comprehensive income	(284,684)	(130,661)
Statement of Financial Position		
Assets		
Total non current assets	35,788,942	34,730,398
Total Assets	35,788,942	34,730,398
Liabilities		
Total current liabilities	-	30,240
Total non-current liabilities	-	43,800
Total Liabilities	-	74,040
Equity		
Issued capital	53,948,230	53,235,227
Reserves	2,367,744	1,797,122
Retained profits	(20,527,032)	(20,375,991)
Total Equity	35,788,942	34,656,358

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

There are no guarantees entered into by the parent entity in relation to any of its subsidiaries in 2020 or 2021.

Contingent liabilities

The parent entity had no contingent liabilities in 2021.

Capital commitments Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment in 2021 and 2020

Note 32. Events Occurring After the Reporting Date

With the fluctuating restrictions enforced by COVID-19 continuing to have an impact on businesses globally, and the virus itself still rife in many markets, its ongoing effect is impossible to predict. As such, it is not viable to put a figure on the impact it has had following the reporting date, particularly since Australian states have seen various levels of lockdown lifted and reintroduced during that time.

On 19 August 2021 the interest rate applicable to the debt funding of $5m provided by Pure Asset Management was renegotiated downwards from 9.95% to 8.50%. This will result in an interest saving of $214,800 for the remainder of the term. In addition, Xref cannot voluntarily repay all or any part of the loan during the period commencing from 19 August 2021 until and including the date that is 12 months after 19 August 2021. All other conditions under the debt funding agreement remain unchanged

No other matter or circumstances have arisen since the end of FY21, which could have had a notable impact on operations.

Director’s Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2021 are in accordance with the Corporations Act 2001 and
   a. comply with Accounting Standards, which, as stated in basis of preparation Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view.

3. In the directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

Lee-Martin Seymour
Managing Director
31 August 2021
Sydney

Brad Rosser
Chairman
31 August 2021
Sydney

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Independent Auditor's Report to the Members of Xref Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Xref Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended;

(b) and complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
Software Development Costs	
As per Note 17, the Group has capitalised software development costs of $1,109,162 (2020: $NIL) in accordance with the requirements of AASB 138 Intangible Assets. The capitalised development costs are inclusive of external costs of $368,346, being use of specialists, as well as internal costs (wages) of $740,816 primarily developers employed by Xref Limited. We have determined this to be a key audit matter because of the detailed recognition criteria which needs to be satisfied to capitalise development costs.	We critically analysed management's assessment in accordance with AASB 138 Intangible Assets, including performing the following procedures: a) Reviewed documentation produced by Management which outlined the nature of the development projects, the benefits to the business that the projects would achieve and the timeline for the projects and their introduction to the market. b) Discussed with Management and certain employees their role in the development projects to determine the reasonableness of their input and work performed in order to confirm criteria was satisfied to capitalise certain internal (wage) costs. c) Obtained managements reports, along with timesheets in relation to the internal payroll costs capitalised. Performed detailed tests verifying the amounts capitalised in comparison to the work performed as recorded in timesheets. d) Obtained supporting documentation in relation to external costs capitalised to ensure the scope of work performed by experts was in relation to the development of software. e) Confirmed with management that consideration of redundant technology has been written off. f) Evaluated costs capitalised against the requirements of AASB 138 ensuring the criteria for development was satisfied and any research was expensed in the period.
Goodwill Impairment	
The acquisition of Rapid ID resulted in a recognition of Goodwill on consolidation of $1,333,986 as per Note 17. The Goodwill represents the expected synergies from merging Rapid ID with Xref along with the significant opportunity to increase Rapid ID's revenue through Xref's client base. As per the requirements of AASB 136 Impairment of Assets, an annual review of Goodwill for the cash generating unit (CGU) Rapid ID Pty Limited was performed based on a value in use calculation. Given the materiality of this item and the use of assumptions in the value in use calculation we have determined this to be a key audit matter.	We obtained management's discounted cashflow forecast for the cash generating unit Rapid ID Pty Limited, critically evaluated the key assumptions and estimates used which have been disclosed in Note 17, to ascertain impairment, including performing the following procedures: a) Discussed with management the basis for the significant assumptions and inputs used in the value in use calculation as provided by management and its external expert and challenged its appropriateness. Additionally, assessed the expert's qualifications to provide such input.

Key Audit Matter	How we addressed the Key Audit Matter
	b) Obtained reports of relevant industries to compare to management's growth rates utilised in the calculation. c) Reperformed the discounted cashflow forecast using different inputs as a means to perform a sensitivity analysis. d) Reviewed the disclosures on this item to ensure that they were adequate.
Going Concern Assessment	
The Group had a net deficiency in current assets $97,312 (2020: $4,718,252) and a deficiency in net assets of $1,008,827 (2020: $2,404,063). For this reason, we determined this to be a key audit matter. The deficiency is a direct result of unearned revenue $8,799,293 (2020: $7,847,799). Notwithstanding the net current asset deficiency and net asset deficiency, the financial statements have been prepared on a going concern basis based on the actions undertaken by management as outlined in Note 3(x) of the financial report.	We critically analysed the Group's cashflow forecast, for at least twelve months from the date of this report, including the potential impact of COVID-19, that was used to support the going concern assessment, including performing the following procedures: a) Compared the prior year cash flow forecast prepared by management with the actual cashflows achieved and obtained justification from management on variances in order to evaluate the reliability of management's current forecasting processes. b) Evaluated the reasonableness and appropriateness of management's judgement on the key assumptions used in the cash flow forecast. c) Reperformed sensitivity analysis using different inputs to management.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included on pages 16 to 23 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Xref Limited., for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Crowe Sydney

Ash Pather
Partner

31 August 2021
Sydney

Shareholder Information

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

Substantial Shareholders of the Company as at 6 August 2021, based on Substantial Shareholder Notices received by the ASX and the Company:

Substantial Shareholders	Shareholding
Squirrel Holdings Australia Pty Ltd	30,857,613
West Riding Investments Pty Ltd	30,857,612
National Nominees Ltd ACF Australian Ethical Investment Limited	14,902,422

Based on the market price at 6 August 2021 there were 160 shareholders with less than a marketable parcel of 1,087 shares at a share price of $0.46.

Number of Ordinary Shares Held	Number of Holders	Ordinary Shares	% of Total Issue Capital
1 - 1,000	152	58,160	0.03
1,001 - 5,000	588	1,786,750	0.98
5,001 - 10,000	473	3,616,602	1.98
10,001 - 100,000	688	19,684,004	10.80
100,001 and over	94	157,163,731	86.21
Total	1,995	182,309,247	100.00

Top 20 Holders of Ordinary Shares as at 6 August 2021

Rank	Name of Shareholder	Shares	% of Shares
1	West Riding Investments Pty Ltd <Seymour Family A/C>	30,930,689	16.97
2	Squirrel Holdings Australia Pty Ltd <Griffiths Family A/C>	30,857,613	16.93
3	Netwealth Investments Limited <Wrap Services A/C>	24,513,549	13.45
4	National Nominees Limited	18,023,546	9.89
5	UBS Nominees Pty Ltd	8,718,896	4.78
6	HSBC Custody Nominees (Australia) Limited	6,484,938	3.56
7	Mr Craig Graeme Chapman <Nampac Discretionary A/C>	3,217,718	1.76
8	Citicorp Nominees Pty Limited	2,584,710	1.42
9	Sweet As Developments Pty Ltd <Sweetman McNickle Family A/C>	2,000,000	1.10
10	Mijon Investments Pty Ltd <The Mijon S/F A/C>	1,700,000	0.93
11	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,659,911	0.91
12	Assumo (Nominees) Pty Ltd <Assumo S/Fund A/C>	1,200,000	0.66
13	Daniel P Moses (Nominees) Pty Ltd <Daniel Moses Family A/C>	1,069,938	0.59
14	Mr Craig Graeme Chapman + Mrs Joanne Chapman <Chappo's Super Fund A/C>	1,000,000	0.55
15	Mr Craig Graeme Chapman + Mrs Joanne Chapman <Weevchook Family A/C>	1,000,000	0.55
16	Gang-Gang Pty Ltd <Pippa A/C>	926,605	0.51
17	Schindler Investment Haus Pty Ltd <Schindler Super Fund A/C>	912,500	0.50
18	Hoedog Enterprises Pty Ltd <Hoey Trust A/C>	829,422	0.45
19	Seymour Superannuation Holdings Pty Ltd <Seymour Super Fund A/C>	799,419	0.44
20	INGTBWTS Pty Limited <Alex Gotch Family A/C>	793,166	0.44
	Total of Top 20 Holdings	139,222,620	76.39
	Other Holdings	43,086,627	23.61
	Total Fully Paid Shares Issued	182,309,247	100.00

Options as at 6 August 2021

Name of Option Holder	Shares the Option Holder is Entitled to	Exercise Price	Option Expiry Date
Brad Rosser	4,500,000	$0.70	25 November 2021
Brad Rosser	2,500,000	$0.70	25 November 2022
Nigel Heap	900,000	$0.70	25 November 2021
Six employees (under Employee Option Plan)	47,045	$0.66	5 February 2022
James Solomons (under Employee Option Plan)	750,000	$0.70	12 February 2022
James Solomons (under Employee Option Plan)	750,000	$0.70	12 February 2023
20 employees and contractors (under Employee Option Plan)	193,190	$0.66	1 August 2022
Five senior staff members (under Employee Option Plan)	2,500,000	$0.70	29 November 2022
Sharon Blesson (under Employee Option Plan)	300,000	$0.70	3 September 2021
Sharon Blesson (under Employee Option Plan)	300,000	$0.70	3 September 2022
Sharon Blesson (under Employee Option Plan)	300,000	$0.70	3 September 2023
James Solomons and Sharon Blesson (under Employee Option Plan) – 2,000,000 options each	4,000,000	$0.18	15 January 2024
46 employees and contractors (under Employee Option Plan)	2,652,879	$0.35	15 January 2024
Total	19,693,114		

Warrants as at 6 August 2021

Name of Warrant Holder	Warrants the Holder is Entitled to	Exercise Price	Expiry Date
Pure Asset Management Pty Ltd	14,285,714	$0.35	23 July 2024

Voting Rights

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

On-Market Buy-Back

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

Securities Subject to Voluntary Escrow

The number and class of securities subject to voluntary escrow that are on issue are: Squirrel Holdings Australia Pty Ltd <Griffiths Family A/C> with 30,857,613 ordinary shares and Timothy David Griffiths with 73,077 ordinary shares. The escrow period on these shares ends on 31 March 2022.

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Corporate Directory

PLACE OF BUSINESS

Australia (Head Office and Registered Office)
Suite 13, 13 Hickson Road
Dawes Point, NSW 2000
Tel: +61 2 8244 3099

United Kingdom
Kemp house
152-160 City Road
London

Canada
Suite 202
1 Adelaide Street East
Toronto, Ontario

United States
Suite 500
13809 Research Blvd
Austin, Texas

New Zealand
Level 10
11 Britomart Place
Auckland

DIRECTORS

Brad Rosser
Chairman

Lee-Martin Seymour

Nigel Heap

Lija Wilson

Robert Waring
Company Secretary

LEADERSHIP TEAM

Lee-Martin Seymour
Chief Executive Officer, Co-Founder

James Solomons
Chief Financial Officer

Sharon Blesson
Chief Technology Officer

Karina Guerra
Group Marketing Director

Tracy Murdoch
General Counsel

David Haines
GM RapidID

Website
xref.com

AUDITORS

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

STOCK EXCHANGE

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

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Yarra Falls,
452 Johnston Street
Abbotsford, Victoria
Australia 3067
www.investorcentre.com/au

Tel: 1300 850 505
(within Australia)

Tel: + 61 3 9415 4000
(outside Australia)

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