

1. Company details

Name of entity:	Kyckr Limited
ABN:	38 609 323 257
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	36.6% to	1,117,350
Loss from ordinary activities after tax attributable to the owners of Kyckr Limited	up	160.1% to	(5,057,209)
Loss for the half-year attributable to the owners of Kyckr Limited	up	160.1% to	(5,057,209)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$5,057,209 (31 December 2017: \$1,944,195). During the half, Kyckr recorded a non-cash impairment loss on goodwill in the amount of \$3,801,663. The charge was due to the impact of historic delays in converting revenue. Management is confident the strengthening fundamentals of Kyckr, as evidenced by the improvement in revenue and EBITDA during the period, means asset valuations are now appropriate.

Refer to the Review of operations in the Directors' report for further detail.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.57</u>	<u>0.13</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):


The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Kyckr Limited for the half-year ended 31 December 2018 is attached.

12. Signed

Signed _____

Benny Higgins
Chairman
Sydney

Date: 26 February 2019

Kyckr Limited

ABN 38 609 323 257

Interim Report - 31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Kyckr Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

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

Mr Benny Higgins - Non-Executive Chairman
Mr Benjamin Cronin - Executive Director
Mr Robert Leslie - Non-Executive Director
Mr John Van Der Wielen - Non-Executive Director
Ms Karina Kwan - Non-Executive Director (appointed on 19 November 2018)
Ms Jacqueline Kilgour - Non-Executive Director (appointed on 18 February 2019)
Mr Albert YL Wong - Non-Executive Director (resigned on 19 November 2018)

Principal activities

The principal activity of the Group during the period consisted of the provision of data and technology solutions to accelerate customer acquisition and protect against money laundering, fraud and tax evasion. Kyckr's solutions are connected to over 200 regulated primary sources, in over 120 countries, providing real-time company registry information for an estimated 80 million businesses globally. Kyckr provides automated technology solutions to improve the efficiency and effectiveness of Corporate Know Your Client ('KYC') processes.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$5,057,209 (31 December 2017: \$1,944,195).

Enterprise client Bank of Ireland extends service for three years

Kyckr continued to commercialise its relationship with key customers and announced the extension of services to leading Irish bank, Bank of Ireland, for a period of three years to September 2021. The agreement is for a minimum contractual commitment of A\$660k (€405k) over the three-year period.

Bank of Ireland has been an enterprise client of Kyckr since 2015, and the Company delivers services to its customer through the prime contracting party, NTT Services.

Appointment of new Kyckr CEO Ian Henderson

Kyckr strengthened its Executive team with the appointment of Mr Ian Henderson as Chief Executive Officer ('CEO') effective from 1 January 2019. Mr Henderson brings more than 30 years' executive experience in the banking and financial services sectors.

He held former CEO positions at a leading UK-based private and commercial bank, Shawbrook Bank and RBS International, where he drove each firms' profit growth during his tenure.

Mr Henderson is based in London due to the proximity to Kyckr's key geographies and will be integral to the Company's growth as regulatory requirements and anti-money laundering efforts increase globally.

Expertise grows with appointment of Non-Executive Directors

Kyckr announced the appointment of senior compliance executive Jacqueline Kilgour to the Board as Non-Executive Director. Ms Kilgour brings more than 30 years' financial services experience in regulatory compliance, anti-money laundering ('AML') and corporate governance matters. She has successfully dealt with companies and regulators across a number of jurisdictions.

Ms Kilgour previously held the role of Managing Director in Citigroup's Corporate and Investment Banking division in New York where she had responsibility globally for anti-money laundering, and compliance for Global Transaction Services in over 100 countries.

Karina Kwan, based in Sydney, was also appointed Non-Executive Director during the period.

Ms Kwan brings more than 30 years' experience in the financial services industry, most recently as General Manager of Group Support Services Finance at the Commonwealth Bank of Australia. She also held the roles of Chief Financial Officer at Citigroup Australia and New Zealand. Ms Kwan's exceptional expertise in risk and corporate governance, in-depth exposure to international regulation and her established relationships with C-suite compliance personnel, will be a valuable asset to the Company.

As part of the Board changes, Albert Wong stepped down as Non-Executive Director, and Benny Higgins moved into a Non-Executive Chairman role, commencing 1 January 2019.

Senior appointment to support global growth plans

Audrey Weir joined as Chief Commercial Officer, a newly created role based in London.

Ms Weir has a strong background in banking and insurance specifically across risk, regulation and compliance. She has held senior executive roles such as Global Head of Risk and Regulatory Strategy at the multinational finance and insurance corporation AIG.

Expanding Development team to enhance technology

Kyckr made additions to its team to support growth plans in global primary source intelligence. A new Business Analyst and Data Scientist joined the Development team. In a short timeframe, the new members have played a vital role optimising Kyckr's technology and its effective delivery to clients.

New Kyckr platform due for release in early 2019

Kyckr is redesigning its website to provide a richer user experience as the Company continues to grow its brand and market presence. The new website will be developed on an all new platform, with significant investments made to functionality, security and scalability for upcoming new service releases. Powered by Microsoft Azure technology, users can expect improved administration features, usage management tools and improved stability for seamless connectivity to our global network of real-time registries.

Our enhanced API capabilities will allow users to experience our real-time data on our new developer-focused portal.

The new website will also debut an all-new design centred around Kyckr's client needs and behaviours, with quick search dropdowns, dashboard functionality and improved information on Kyckr's range of compliance solutions. The website will include comprehensive information and content for Kyckr's customers to better understand the Company's global positioning in the KYC/AML space.

Annual General Meeting 2018

Kyckr held its Annual General Meeting ('AGM') on 19 November 2018, and all resolutions were passed.

Outlook

Kyckr is focused on delivering technology solutions to support customers meet their KYC/AML obligations. The Company expects strong growth within its global business development pipeline, driving client opportunities across Europe, US and Asia. Australia will also be a key region with Kyckr looking to develop its presence in the country.

Management continues to advance its engagement strategies and organic growth as Kyckr expects to build continued momentum with the launch of its new web-based platform in 1H CY19.

Significant changes in the state of affairs

During the financial half-year, shareholders ratified the issue of securities at the Extraordinary General Meeting held on 6 August 2018. In accordance with the approval by shareholders, the company issued the following securities on 10 August 2018:

- 9,056,271 ordinary shares at a price of \$0.14 per share to institutional and sophisticated investors
- 1,000,000 ordinary shares at a price of \$0.14 per share to Benny Higgins, a Director of the company
- 1,000,000 options exercisable at \$0.20 each, expiring 10 August 2022 vesting immediately to Benny Higgins
- 1,000,000 options exercisable at \$0.26, expiring 10 August 2022 vesting on 1 March 2019 to Benny Higgins

The total proceeds of the issuance of the above securities amounted to \$1,407,878.

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

Matters subsequent to the end of the financial half-year

On 1 January 2019, the following performance rights and options were issued to incoming Chief Executive Officer, Ian Henderson:

- 5,391,063 unlisted performance rights were granted in lieu of the first year's cash salary of £210,000. The performance rights have service-based vesting conditions only. The vesting date is 1 January 2020, expiring 1 April 2020. Once the vesting conditions are met, the performance rights will be exercisable at nil cost.
- 3,000,000 unlisted options exercisable at \$0.1005 expiring 1 January 2023 under the terms of the Long Term Incentive Plan approved by shareholders at the Annual General Meeting held on 30 November 2016. The vesting of these options is conditional on continued employment until the vesting date, being three year from grant date. The exercise price of \$0.1005 was 50% higher than the market price of the shares on the date of grant.

Apart from the above, there are no other matters or circumstances which have arisen since 31 December 2018 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the directors

A handwritten signature in dark ink, appearing to read "B Higgins".

Benny Higgins
Chairman

26 February 2019
Sydney

To the Board of Directors of Kyckr Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

As lead audit partner for the review of the interim financial statements of Kyckr Limited for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely,



Nexia Sydney Partnership



Lester Wills

Partner

Date: 26 February 2019

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Kyckr Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018



		Consolidated	
	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Revenue	5	1,065,889	809,063
Other income	6	1,215,355	83,304
Interest revenue calculated using the effective interest method		51,461	8,869
Expenses			
Direct costs and consumables used		(460,335)	(307,588)
Employee benefits expense		(1,345,103)	(1,354,014)
Share-based payments expense	15	(621,129)	(307,755)
Depreciation and amortisation expense		(31,836)	(28,049)
Impairment of assets	9	(3,801,663)	-
Impairment of receivables		(46,463)	-
Consultancy and professional fees		(358,295)	(226,566)
Occupancy expenses		(51,697)	(72,256)
Travel expenses		(135,355)	(119,229)
Net foreign exchange loss		(2,831)	-
Investor relations, registry and listing expenses		(117,900)	(131,757)
Other expenses		(410,952)	(279,447)
Finance costs		(6,355)	(18,770)
Loss before income tax expense		(5,057,209)	(1,944,195)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Kyckr Limited		(5,057,209)	(1,944,195)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(3,738)	(52,841)
Other comprehensive income for the half-year, net of tax		(3,738)	(52,841)
Total comprehensive income for the half-year attributable to the owners of Kyckr Limited		(5,060,947)	(1,997,036)
		Cents	Cents
Basic earnings per share	16	(3.40)	(1.84)
Diluted earnings per share	16	(3.40)	(1.84)

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

		Consolidated	
	Note	31 Dec 2018	30 Jun 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,737,239	4,575,703
Trade and other receivables	7	444,938	366,612
Other	8	134,155	124,141
Total current assets		<u>4,316,332</u>	<u>5,066,456</u>
Non-current assets			
Property, plant and equipment		66,521	56,670
Intangibles	9	9,199,046	12,565,203
Total non-current assets		<u>9,265,567</u>	<u>12,621,873</u>
Total assets		<u>13,581,899</u>	<u>17,688,329</u>
Liabilities			
Current liabilities			
Trade and other payables	10	854,269	831,299
Employee benefits		13,636	14,843
Contingent consideration	11	871,000	2,080,000
Contract liabilities		263,036	69,800
Total current liabilities		<u>2,001,941</u>	<u>2,995,942</u>
Non-current liabilities			
Employee benefits		6,096	-
Total non-current liabilities		<u>6,096</u>	<u>-</u>
Total liabilities		<u>2,008,037</u>	<u>2,995,942</u>
Net assets		<u>11,573,862</u>	<u>14,692,387</u>
Equity			
Issued capital	12	21,798,633	20,477,340
Reserves		2,558,928	1,941,537
Accumulated losses		<u>(12,783,699)</u>	<u>(7,726,490)</u>
Total equity		<u>11,573,862</u>	<u>14,692,387</u>

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

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	14,897,543	1,570,958	(4,179,045)	12,289,456
Loss after income tax expense for the half-year	-	-	(1,944,195)	(1,944,195)
Other comprehensive income for the half-year, net of tax	-	(52,841)	-	(52,841)
Total comprehensive income for the half-year	-	(52,841)	(1,944,195)	(1,997,036)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,877,000	-	-	1,877,000
Share-based payments	-	307,755	-	307,755
Balance at 31 December 2017	<u>16,774,543</u>	<u>1,825,872</u>	<u>(6,123,240)</u>	<u>12,477,175</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	20,477,340	1,941,537	(7,726,490)	14,692,387
Loss after income tax expense for the half-year	-	-	(5,057,209)	(5,057,209)
Other comprehensive income for the half-year, net of tax	-	(3,738)	-	(3,738)
Total comprehensive income for the half-year	-	(3,738)	(5,057,209)	(5,060,947)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	1,321,293	-	-	1,321,293
Share-based payments	-	621,129	-	621,129
Balance at 31 December 2018	<u>21,798,633</u>	<u>2,558,928</u>	<u>(12,783,699)</u>	<u>11,573,862</u>

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

		Consolidated	
	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,326,083	811,676
Payments to suppliers and employees (inclusive of GST)		(3,057,277)	(2,254,925)
		(1,731,194)	(1,443,249)
Interest received		51,461	8,869
Net cash used in operating activities		(1,679,733)	(1,434,380)
Cash flows from investing activities			
Payments for property, plant and equipment		(25,311)	(26,151)
Payments for intangibles	9	(451,882)	(30,628)
Net cash used in investing activities		(477,193)	(56,779)
Cash flows from financing activities			
Proceeds from issue of shares	12	1,407,878	2,000,000
Share issue transaction costs	12	(86,585)	(123,000)
Net cash from financing activities		1,321,293	1,877,000
Net increase/(decrease) in cash and cash equivalents		(835,633)	385,841
Cash and cash equivalents at the beginning of the financial half-year		4,575,703	2,670,859
Effects of exchange rate changes on cash and cash equivalents		(2,831)	29,075
Cash and cash equivalents at the end of the financial half-year		<u>3,737,239</u>	<u>3,085,775</u>

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

Note 1. General information

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

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

Level 6
36 Grosvenor Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2019.

Note 2. Significant accounting policies

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

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

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

AASB 9 Financial Instruments

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

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2018 and are not expected to have any significant impact for the full financial year ending 30 June 2019.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

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

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

Rendering of services

Revenue from long term contracts is recognised in accordance with the stage of completion of the contract as the customer receives and uses the benefits simultaneously. Revenue is recognised in each accounting period based on the actual services provided to the end of the reporting period as a portion of the total services to be provided.

Interest

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

Other revenue

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

Trade and other receivables

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

Note 2. Significant accounting policies (continued)

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

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

Contract liabilities

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

Note 3. 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.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the 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.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity 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 2. 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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

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.

Note 4. Operating segments

The Group operates in one operating segment, being the provision of Know Your Business customer ('KYB') services. The operating segment identified is based on the internal reports that are reviewed and used by the Directors of the Board (who are identified as the Chief Operating Decision Maker ('CODM') in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews earnings before interest, tax, depreciation and amortisation ('EBITDA'). EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Geographical information

	Sales to external customers		Geographical non-current assets	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	30 Jun 2018
	\$	\$	\$	\$
Australia	-	-	8,460,512	12,255,891
Ireland	1,065,889	809,683	805,055	365,982
	<u>1,065,889</u>	<u>809,683</u>	<u>9,265,567</u>	<u>12,621,873</u>

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.

A reconciliation of the loss after income tax expense to EBITDA is as follows:

Note 4. Operating segments (continued)

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Loss after tax	(5,057,209)	(1,944,195)
add: Depreciation and amortisation	31,836	28,049
add: impairment of assets	3,801,663	-
less: interest revenue	(51,541)	(8,869)
add: finance costs	6,355	18,770
EBITDA	<u>(1,268,896)</u>	<u>(1,906,245)</u>

Note 5. Revenue

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Sales of services	<u>1,065,889</u>	<u>809,063</u>

Disaggregation of revenue

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

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Major product lines		
Online revenue	754,172	435,203
Enterprise revenue	311,717	373,860
	<u>1,065,889</u>	<u>809,063</u>

Refer to note 4 'Operating segments' for analysis of revenue by geographical region.

During the financial half-year ended 31 December 2018 and 31 December 2017, all revenue was recognised based on services provided at a point in time.

Note 6. Other income

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Net foreign exchange gain	-	83,304
Net fair value gain on financial liability (refer to note 14)	1,215,355	-
Other income	<u>1,215,355</u>	<u>83,304</u>

Note 7. Current assets - trade and other receivables

	Consolidated 31 Dec 2018 \$	30 Jun 2018 \$
Trade receivables	392,041	329,289
Less: Allowance for expected credit losses	(56,046)	(8,512)
	<u>335,995</u>	<u>320,777</u>
Other receivables	95,637	15,428
GST receivable	13,306	30,407
	<u>444,938</u>	<u>366,612</u>

Note 8. Current assets - other

	Consolidated 31 Dec 2018 \$	30 Jun 2018 \$
Prepayments	117,969	108,378
Security deposits	16,186	15,763
	<u>134,155</u>	<u>124,141</u>

Note 9. Non-current assets - intangibles

	Consolidated 31 Dec 2018 \$	30 Jun 2018 \$
Goodwill - at cost	12,250,079	12,250,079
Less: Impairment	(3,801,663)	-
	<u>8,448,416</u>	<u>12,250,079</u>
Computer software and development - at cost	850,758	398,876
Less: Accumulated amortisation	(100,128)	(83,752)
	<u>750,630</u>	<u>315,124</u>
	<u>9,199,046</u>	<u>12,565,203</u>

Reconciliations

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

	Goodwill \$	Computer software and development \$	Total \$
Balance at 1 July 2018	12,250,079	315,124	12,565,203
Additions	-	451,882	451,882
Impairment of assets	(3,801,663)	-	(3,801,663)
Amortisation expense	-	(16,376)	(16,376)
Balance at 31 December 2018	<u>8,448,416</u>	<u>750,630</u>	<u>9,199,046</u>

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the one cash generating unit ('CGU'), Kyckr Ireland Limited.

Note 9. Non-current assets - intangibles (continued)

Key assumptions used for value-in-use calculations:

The Group tests whether goodwill has suffered any impairment on at least an annual basis or at each reporting period where an indicator of impairment exists. The loss for the financial half-year ended 31 December 2018 has triggered an indicator of impairment and the Group has performed an impairment test at 31 December 2018. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a two year period. Estimated growth rates and other reasonable assumptions are utilised to further calculate cash flows out to five years from balance date. Cash flows beyond the five year period are extrapolated into perpetuity using estimated terminal growth rates shown below. The following table sets out the key assumptions used for value-in-use calculations:

- Two to five year growth rates 30%
- Long term growth rate 5%
- Weighted average cost of capital 15%

Impairment charge:

Based on the value-in-use calculation methodology and assumptions stated above, an impairment charge of \$3,801,663 was recognised at 31 December 2018.

Note 10. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Trade payables	620,504	517,913
Accrued expenses	166,095	262,427
Other payables	67,670	50,959
	<u>854,269</u>	<u>831,299</u>

Note 11. Current liabilities - contingent consideration

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Contingent consideration	<u>871,000</u>	<u>2,080,000</u>

Contingent consideration relates to the acquisition of Kyckr Ireland Limited on 1 September 2016 and represents 13,000,000 Performance Shares that were issued which will convert to fully paid ordinary shares on a one-for-one basis upon meeting the following vesting conditions:

- 50% of the Performance Shares automatically convert upon the Company achieving a turnover of \$5 million or more as set out in the full year or half-yearly financial statements released to the ASX; and
- 50% of the Performance Shares automatically convert upon the Company achieving a turnover of \$10 million or more as set out in its yearly or half-yearly financial statements released to the ASX.

The Performance Shares expire four years from the date of acquisition in the event that the above vesting conditions are not met.

Refer to note 14 for further information.

Note 12. Equity - issued capital

	31 Dec 2018 Shares	30 Jun 2018 Shares	Consolidated 31 Dec 2018 \$	30 Jun 2018 \$
Ordinary shares - fully paid	<u>150,964,890</u>	<u>140,908,619</u>	<u>21,798,633</u>	<u>20,477,340</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	140,908,619		20,477,340
Share placement	17 October 2018	10,056,271	\$0.14	1,407,878
less share issue costs (net of taxation)		-	\$0.00	(86,585)
Balance	31 December 2018	<u>150,964,890</u>		<u>21,798,633</u>

Ordinary shares

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

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

Note 13. Equity - dividends

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

Note 14. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2018	Level 1 \$	Level 2 \$	Level 3 \$
<i>Liabilities</i>			
Contingent consideration	-	-	871,000
Total liabilities	-	-	<u>871,000</u>

Consolidated - 30 Jun 2018	Level 1 \$	Level 2 \$	Level 3 \$
<i>Liabilities</i>			
Contingent consideration	-	-	2,080,000
Total liabilities	-	-	<u>2,080,000</u>

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 14. Fair value measurement (continued)

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

The fair value of the contingent consideration is estimated based on a probability of meeting all of the vesting conditions relating to these shares under the terms of the Share Purchase Agreement.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

	Contingent consideration \$
Balance at 1 July 2018	2,080,000
Fair value gain on liabilities recognised in profit or loss	(1,215,355)
Unwinding of the discount*	6,355
Balance at 31 December 2018	<u>871,000</u>

* Included as part of finance costs in the Statement of profit or loss and other comprehensive income

Note 15. Share-based payments

	Consolidated 31 Dec 2018 \$	Consolidated 31 Dec 2017 \$
Share-based payments expense	<u>621,129</u>	<u>307,755</u>

The following options were issued during the half year ended 31 December 2018:

- On 10 August 2018, 1,000,000 unlisted options were granted to Benny Higgins, a Director of the company. The exercise price of the options of \$0.20 was 48% higher than the market price of the shares on the date of grant. The options vested immediately and the contractual life of each option is four years.
- On 10 August 2018, 1,000,000 unlisted options were granted to Benny Higgins, a Director of the Company. The exercise price of the options of \$0.26 was 93% higher than the market price of the shares on the date of grant. The options vest on 1 March 2019 and the contractual life of each option is four years.
- On 10 August 2018, 1,000,000 unlisted options were granted to Key Management Personnel. The exercise price of the options of \$0.30 was 122% higher than the market price of the share at the date of the grant. The vesting of these options is conditional on continued employment until the vesting date, being 18 months from grant date. The contractual life of each option is four years.
- On 17 November 2018, the Board of Directors waived the employment condition attaching to performance rights issued to Mr Albert Wong who resigned as a Director of the company. Vesting conditions relating to the turnover of the Company remain with these rights and remain unvested as at 31 December 2018.
- On 3 December 2018, 1,500,000 unlisted options were granted to Key Management Personnel. The exercise price of the options of \$0.129 was 50% higher than the market price of the shares on the date of grant. The vesting of these options is conditional on continued employment until the vesting date, being 3 years from grant date. The contractual life of each option is four years.

Note 16. Earnings per share

	Consolidated 31 Dec 2018 \$	Consolidated 31 Dec 2017 \$
Loss after income tax attributable to the owners of Kyckr Limited	<u>(5,057,209)</u>	<u>(1,944,195)</u>

Note 16. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	148,724,090	105,757,584
Weighted average number of ordinary shares used in calculating diluted earnings per share	148,724,090	105,757,584
	Cents	Cents
Basic earnings per share	(3.40)	(1.84)
Diluted earnings per share	(3.40)	(1.84)

For the purpose calculating the diluted earnings per share the calculation has excluded the number of options as the effect would be anti-dilutive.

Note 17. Events after the reporting period

On 1 January 2019, the following performance rights and options were issued to incoming Chief Executive Officer, Ian Henderson:

- 5,391,063 unlisted performance rights were granted in lieu of the first year's cash salary of £210,000. The performance rights have service-based vesting conditions only. The vesting date is 1 January 2020, expiring 1 April 2020. Once the vesting conditions are met, the performance rights will be exercisable at nil cost.
- 3,000,000 unlisted options exercisable at \$0.1005 expiring 1 January 2023 under the terms of the Long Term Incentive Plan approved by shareholders at the Annual General Meeting held on 30 November 2016. The vesting of these options is conditional on continued employment until the vesting date, being three year from grant date. The exercise price of \$0.1005 was 50% higher than the market price of the shares on the date of grant.

Apart from the above, there are no other matters or circumstances which have arisen since 31 December 2018 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

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

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

On behalf of the directors

A handwritten signature in cursive script, appearing to read "B Higgins", is written over a horizontal line.

Benny Higgins
Chairman

26 February 2019
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KYCKR LIMITED

We have reviewed the accompanying half-year financial report of Kyckr Limited (the 'Company') and Consolidated Entities (the 'Group'), which comprises the consolidated statement of financial position as at 31 December 2018 the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Kyckr Limited.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KYCKR LIMITED

(CONT'D)

Conclusion

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

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



Nexia Sydney Partnership



Lester Wills
Partner

Dated: 26 February 2019

Sydney