Kyckr Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Kyckr Limited
ABN:	38 609 323 257
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

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Revenues from ordinary activities	up	4.2%	to	1,164,128
Loss from ordinary activities after tax attributable to the owners of Kyckr Limited	down	55.2%	to	(2,267,407)
Loss for the half-year attributable to the owners of Kyckr Limited	down	55.2%	to	(2,267,407)

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 $2,267,407 (31 December 2018: $5,057,209).

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	1.52	1.57

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.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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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.

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11. Attachments

Details of attachments (if any):

The Interim Report of Kyckr Limited for the half-year ended 31 December 2019 is attached.

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12. Signed

Signed B Higgins ____________________ Date: 28 February 2020

Benny Higgins
Chairman
Sydney

Kyckr Limited

ABN 38 609 323 257

Interim Report - 31 December 2019

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 2019.

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 - Non-Executive Director
Mr John Van Der Wielen - Non-Executive Director
Ms Karina Kwan - Non-Executive Director
Ms Jacqueline Kilgour - Non-Executive Director
Mr Robert Leslie - Non-Executive Director (resigned on 7 October 2019)

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 $2,267,407 (31 December 2018: $5,057,209).

Enterprise
Enterprise reported 1H'20 revenue of $441,888, up 39% on the $317,831 achieved in 1H'19.

Growth in Enterprise revenue for the first half resulted from new revenue from recent client signings, as well as increased data usage from a long-time existing Enterprise payment services provider where the client has expanded the use of Kyckr's global access to corporate identity verification.

The business development resources in London over the past few months have been working on building out pipeline opportunities in the United Kingdom and look forward to closing new deals in the coming half of the year.

Kyckr for Business
The Kyckr for Business division reported revenue of $492,944, a 13% decrease on the prior corresponding period. This was due to one client relationship being terminated by Kyckr following a breach of terms and conditions. Despite the short term revenue implication, this action was taken in Kyckr's long term interests. In addition, one significant global client closed down part of its business with a consequent loss of revenue. Kyckr maintains a good relationship with the client's other business units.

Kyckr is looking to replace this business with higher margin customers, and the Company is in active discussion with a number of leads.

Kyckr.com
One of Kyckr's most notable highlights in 2019 was the launch of the new online Kyckr.com digital portal to enhance the consumer experience and improve customer verification. The platform launch led to increased awareness with a trend in new monthly visitors, resulting in subscriber growth. Growth continued in this division with revenue increasing 7% on the prior corresponding period to $217,917.

Since the launch of Kyckr.com, there have been more than 8,000 new registrations on the platform. This is a strong indicator of increasing awareness in Kyckr's marketplace, ultimately linked to client growth. The new website is expected to play a key role in supporting the Company's strategy to increase leads, users and sales globally.

Corporate
The Company raised $5.2 million via a share placement in July where Mr Richard White, CEO of WiseTech Global, became a cornerstone investor with a 19.6% holding. The funds raised are being used to facilitate Kyckr's commercialisation plans and applied towards delivering technology solutions, specifically Perpetual KYC, and building its sales channels and business development capabilities.

At a Board level, Kyckr underwent some changes with Non-Executive Director Robert Leslie retiring to pursue his other executive responsibilities, while Benjamin Cronin moved from an Executive Director to a Non-Executive Director role at Kyckr.

Outlook
Kyckr's focus will remain on the expansion of current and prospective enterprise clients, whilst establishing strategic partnerships to fast-track and connect to a wider customer base.

The Company has also invested in its Perpetual KYC solution with a number of pilots proposed with major banks and other regulated businesses.

Heavy emphasis will be placed on building stronger engagement with existing customers and new prospects for Kyckr for Business with a number of discussions currently underway.

In addition, efforts will continue to increase market awareness and customer retention from the Kyckr.com digital platform.

Overall, the Company expects a positive trend within its global business development pipeline, driving client opportunities across Europe, North America and Asia, leading to stronger momentum expected in 2H FY20.

Significant changes in the state of affairs
There were no 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
No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

B Higgins

Benny Higgins
Chairman

28 February 2020
Sydney

Nexia Australia

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 2019, 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

Nexia Sydney Partnership

Lester Wills

Partner

Date: 28 February 2020

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Kyckr Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $	31 Dec 2018 $
Revenue	5	1,152,747	1,065,889
Other income	6	-	1,215,355
Interest revenue calculated using the effective interest method		11,381	51,461
Expenses			
Direct costs and consumables used		(490,228)	(460,335)
Software maintenance expenses		(613,191)	-
Employee benefits expense		(1,155,280)	(1,345,103)
Share-based payments expense	15	(68,917)	(621,129)
Depreciation and amortisation expense		(199,623)	(31,836)
Impairment of assets		-	(3,801,663)
Impairment of receivables		-	(46,463)
Net fair value loss on contingent consideration		(143,000)	-
Consultancy and professional fees		(230,495)	(358,295)
Occupancy expenses		(37,849)	(51,697)
Travel expenses		(56,203)	(135,355)
Net foreign exchange gain/(loss)		8,705	(2,831)
Investor relations, registry and listing expenses		(193,563)	(117,900)
Other expenses		(244,183)	(410,952)
Finance costs		(7,708)	(6,355)
Loss before income tax expense		(2,267,407)	(5,057,209)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Kyckr Limited		(2,267,407)	(5,057,209)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(19,080)	(3,738)
Other comprehensive income for the half-year, net of tax		(19,080)	(3,738)
Total comprehensive income for the half-year attributable to the owners of Kyckr Limited		(2,286,487)	(5,060,947)
		Cents	Cents
Basic earnings per share	16	(1.12)	(3.40)
Diluted earnings per share	16	(1.12)	(3.40)

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

	Note	Consolidated 31 Dec 2019 $	30 Jun 2019 $
Assets			
Current assets			
Cash and cash equivalents		4,558,602	1,448,660
Trade and other receivables	7	395,307	418,286
Other	8	75,212	174,934
Total current assets		5,029,121	2,041,880
Non-current assets			
Property, plant and equipment		36,175	49,035
Right-of-use assets		116,597	-
Intangibles	9	9,488,856	9,627,372
Total non-current assets		9,641,628	9,676,407
Total assets		14,670,749	11,718,287
Liabilities			
Current liabilities			
Trade and other payables	10	1,150,684	839,214
Borrowings		-	54,348
Lease liabilities		134,442	-
Employee benefits		19,532	21,434
Contingent consideration	11	357,500	214,500
Contract liabilities		39,975	158,000
Total current liabilities		1,702,133	1,287,496
Non-current liabilities			
Employee benefits		9,102	7,079
Total non-current liabilities		9,102	7,079
Total liabilities		1,711,235	1,294,575
Net assets		12,959,514	10,423,712
Equity			
Issued capital	12	26,552,005	21,798,633
Reserves		2,527,179	2,477,342
Accumulated losses		(16,119,670)	(13,852,263)
Total equity		12,959,514	10,423,712

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 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)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,321,293	-	-	1,321,293
Share-based payments	-	621,129	-	621,129
Balance at 31 December 2018	21,798,633	2,558,928	(12,783,699)	11,573,862

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	21,798,633	2,477,342	(13,852,263)	10,423,712
Loss after income tax expense for the half-year	-	-	(2,267,407)	(2,267,407)
Other comprehensive income for the half-year, net of tax	-	(19,080)	-	(19,080)
Total comprehensive income for the half-year	-	(19,080)	(2,267,407)	(2,286,487)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	4,753,372	-	-	4,753,372
Share-based payments	-	68,917	-	68,917
Balance at 31 December 2019	26,552,005	2,527,179	(16,119,670)	12,959,514

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

Kyckr Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,057,701	1,326,083
Payments to suppliers and employees (inclusive of GST)		(2,606,087)	(3,057,277)
		(1,548,386)	(1,731,194)
Interest received		11,381	51,461
Interest and other finance costs paid		(7,708)	-
Net cash used in operating activities		(1,544,713)	(1,679,733)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(25,311)
Payments for intangibles		-	(451,882)
Net cash used in investing activities		-	(477,193)
Cash flows from financing activities			
Proceeds from issue of shares	12	5,171,110	1,407,878
Share issue transaction costs	12	(417,738)	(86,585)
Repayment of borrowings		(54,348)	-
Repayment of lease liabilities		(44,355)	-
Net cash from financing activities		4,654,669	1,321,293
Net increase/(decrease) in cash and cash equivalents		3,109,956	(835,633)
Cash and cash equivalents at the beginning of the financial half-year		1,448,660	4,575,703
Effects of exchange rate changes on cash and cash equivalents		(14)	(2,831)
Cash and cash equivalents at the end of the financial half-year		4,558,602	3,737,239

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 28 February 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting 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 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted 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:

Interpretation 23 Uncertainty over Income Tax
The consolidated entity has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 ‘Income Taxes’ in circumstances where uncertain tax treatments exists. The interpretation requires: the consolidated entity to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the consolidated entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the consolidated entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

Note 2. Significant accounting policies (continued)

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

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	189,635
Operating lease commitments discount based on the weighted average incremental borrowing rate of 10% (AASB 16)	(15,314)
Right-of-use assets (AASB 16)	174,321
Lease liabilities - current (AASB 16)	(39,508)
Lease liabilities - non-current (AASB 16)	(134,813)
Reduction in opening retained profits as at 1 July 2019	-

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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.

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.

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

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.

AASB 16 was adopted using the modified retrospective approach. As such, the comparatives have not been restated and therefore are not directly comparable.

Geographical information

	Sales to external customers		Geographical non-current assets	
	31 Dec 2019 $	31 Dec 2018 $	31 Dec 2019 $	30 Jun 2019 $
Australia	-	-	8,450,917	8,452,328
Ireland	1,152,747	1,065,889	1,190,711	1,224,079
	1,152,747	1,065,889	9,641,628	9,676,407

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 4. Operating segments (continued)

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

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Loss after tax	(2,267,407)	(5,057,209)
add: Depreciation and amortisation	199,623	31,836
add: impairment of assets	-	3,801,663
less: interest revenue	(11,381)	(51,541)
add: finance costs	7,708	6,355
EBITDA	(2,071,457)	(1,268,896)

Note 5. Revenue

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Sales of services	1,152,747	1,065,889

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

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Major product lines		
Online revenue	710,861	754,172
Enterprise revenue	441,886	311,717
	1,152,747	1,065,889

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

During the financial half-year ended 31 December 2019 and 31 December 2018, all revenue was recognised based on services provided at a point in time.

Note 6. Other income

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Net fair value gain on contingent consideration	-	1,215,355

Note 7. Current assets - trade and other receivables

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Trade receivables	351,717	240,681
Less: Allowance for expected credit losses	(3,198)	(3,241)
	348,519	237,440
Other receivables	31,584	60,351
GST receivable	15,204	120,495
	395,307	418,286

Note 8. Current assets - other

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Prepayments	59,222	158,729
Security deposits	15,990	16,205
	75,212	174,934

Note 9. Non-current assets - intangibles

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Goodwill - at cost	12,250,079	12,250,079
Less: Impairment	(3,801,663)	(3,801,663)
	8,448,416	8,448,416
Computer software and development - at cost	1,288,988	1,292,552
Less: Accumulated amortisation	(248,548)	(113,596)
	1,040,440	1,178,956
	9,488,856	9,627,372

Software was ready for use as at 30 June 2019 and has been amortised from this date. Further expenditure on maintaining the software platform will be expensed as incurred. Total expenditure in relation to this for the half year end December 2019 is $613,191.

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

Consolidated	Goodwill $	Computer software and development $	Total $
Balance at 1 July 2019	8,448,416	1,178,956	9,627,372
Exchange differences	-	(13,953)	(13,953)
Amortisation expense	-	(124,563)	(124,563)
Balance at 31 December 2019	8,448,416	1,040,440	9,488,856

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

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

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 2019 has triggered an indicator of impairment and the Group has performed an impairment test at 31 December 2019. 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 five year period with revenue growth assumptions projected to be between 20% and 130% during this period. Cash flows beyond the five year period are extrapolated into perpetuity using estimated terminal growth rates showing below. The following table sets out the key assumption used for value-in-use calculations:
- 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, no impairment was recognised at 31 December 2019 (31 December 2018: impairment charge of $3,801,663).

Note 10. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Trade payables	741,594	395,289
Accrued expenses	212,284	273,130
GST payable	53,841	-
Other payables	142,965	170,795
	1,150,684	839,214

Note 11. Current liabilities - contingent consideration

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Contingent consideration	357,500	214,500

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

	Consolidated			
	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 $	30 Jun 2019 $
Ordinary shares - fully paid	229,315,049	150,964,890	26,552,005	21,798,633

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2019	150,964,890		21,798,633
Shares issued	7 August 2019	32,350,159	$0.066	2,135,110
Shares issued	19 September 2019	46,000,000	$0.066	3,036,000
less share issue costs (net of taxation)		-	$0.000	(417,738)
Balance	31 December 2019	229,315,049		26,552,005

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 2019	Level 1 $	Level 2 $	Level 3 $
Liabilities			
Contingent consideration	-	-	357,500
Total liabilities	-	-	357,500

Consolidated - 30 Jun 2019	Level 1 $	Level 2 $	Level 3 $
Liabilities			
Contingent consideration	-	-	214,500
Total liabilities	-	-	214,500

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

Note 14. Fair value measurement (continued)

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.

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:

Consolidated	Contingent consideration $
Balance at 1 July 2019	214,500
Fair value loss on contingent consideration recognised in profit or loss	143,000
Balance at 31 December 2019	357,500

Note 15. Share-based payments

	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 $
Share-based payments expense	68,917	621,129

The following options were issued during the half year ended 31 December 2019:
- On 27 November 2019, 279,950 unlisted options were granted to Jacqueline Kilgour, a Director of the company. The exercise price of the options of $0.29 was 87% higher than the market price of the shares on the date of grant. The options vest on 17 November 2020 and the contractual life of each option is four years.
- On 27 November 2019, 279,950 unlisted options were granted to Karina Kwan, a Director of the company. The exercise price of the options of $0.29 was 87% higher than the market price of the shares on the date of grant. The options vest on 17 November 2020 and the contractual life of each option is four years.

Note 16. Earnings per share

	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 $
Loss after income tax attributable to the owners of Kyckr Limited	(2,267,407)	(5,057,209)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	202,665,017	148,724,090
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,665,017	148,724,090
	Cents	**Cents**
Basic earnings per share	(1.12)	(3.40)
Diluted earnings per share	(1.12)	(3.40)

Note 16. Earnings per share (continued)

For the purpose of 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

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

B Higgins

Benny Higgins
Chairman

28 February 2020
Sydney

Nexia Australia

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 2019 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 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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.

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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 2019 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

Nexia Sydney Partnership

Lester Wills
Partner

Dated: 28 February 2020

Sydney