Kollakorn Corporation Limited

("the Company")

and Controlled Entities

("the Group")

ABN 41 003 218 862

Appendix 4E

PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Period 1 July 2017 to 30 June 2018

(Previous Corresponding Period 1 July 2016 to 30 June 2017)

Appendix 4E

Preliminary Final Report

Name of entity

Kollakorn Corporation Limited

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
41 003 218 862		✓	30 June 2018

Results for Announcement to the Market

Results				**$A**
Revenues from ordinary activities	Down	62.8%	to	72,067
Loss from ordinary activities after tax attributable to members	Up	99.4%	to	2,646,618
Net loss for the year attributable to members	Up	99.4%	to	2,646,618

Dividends (distributions)	**Date Paid / Payable**	**Amount per security**	**Franked amount per security**
Interim dividend	N/A	NIL	NIL
Final dividend	N/A	NIL	NIL
Previous corresponding period		NIL	NIL
Record date for determining entitlements to the dividend		N/A	

The Company does not have a dividend reinvestment plan and no dividends are proposed to be declared for the current year.

Note:
This Appendix 4E should be read in conjunction with the Commentary on the Results of the Preliminary Financial Report for the year ended 30 June 2018 and with the accompanying notes to the Appendix 4E.

During the year ended 30 June 2018 the Company gained control of:

- Isity Global Pte Limited; and
- Isity Global (Shanghai) Co., Ltd.

Control was gained over Isity Global Pte Limited on 19 July 2017 when 100% of its issued share capital was acquired by the Company. Isity Global (Shanghai) Co., Ltd is 100% owned by Isity Global Pte Limited and hence the Company gained control of Isity Global (Shanghai) Co., Ltd when it gained control of Isity Global Pte Limited.

The financial statements are in the process of being audited. The audit report for the year ended 30 June 2018 is likely to contain a disclaimer opinion similar to the audit report issued for the year ended 30 June 2017.

Chief executive officer's review
for the year ended 30 June 2018

Overview

Revenue	Down	62.8%	to	72,067
Loss for the year	Up	99.4%	to	2,646,618
Net tangible assets per share (cents)	Down	16.67%	to	1.25

Financial Results

Operating revenue this financial year decreased by 62.8% to $72,067 (2017: $194,230).

Expenses increased by 79% to $2,715,450 (2017: $1,519,993) with the single largest contributor being the $709,698 Research and Development costs.

Net loss from ordinary activities was up 99.4% to $2,646,618 (2017: $1,327,159).

The Board continue to focus on enhancing the Company's balance sheet with significant debts, ($1,033,079) which included long term liabilities being converted to equity during the year and an increase in net asset position of $2,809,005.

Operations

2018 saw the acquisition of Isity Global by Kollakorn. This transaction was completed on 19th July 2017 with integration commencing immediately. The integration of an acquisition such as this takes considerable effort, which also includes a significant degree of post contract review. Through the twelve months since the acquisition, specifically in the period prior to Christmas 2017, the Board gained a greater understanding of the business and the opportunities and challenges that it faces. In particular we focused on reviewing again the pipeline of projects and revenue, the cash requirements of the business against our budgeted expectations, and the expense base. The acquisition of Isity was always predicated on the cash flow from the expected successful commencement of the Malaysia project and a further fund raising of $1million supporting the consulting activities of Isity whilst we built the capacity to focus on the large Waste to Energy opportunities in China that provided the large pipeline of revenue.

Without the revenue flow from Malaysia and/or the further capital, Management determined that Isity Global's pipeline of projects required further time before we could tackle projects of such size. The business model and strategy were not providing the expected foundations to create the type of business that would be sufficient to cover the ongoing cost base and make the profit levels that we expected without the cashflow risk associated with such large projects. What we required was an adjustment to our execution to ensure that our actions delivered the outcomes we wanted – profitable revenue growth with minimal risk. We determined that we must realign all our business operations to Performance Based outcomes to minimise any cash burden on Kollakorn.

To that end we have rationalised the Isity Business and taken our focus on Waste to Energy opportunities in Australia where the current environment is far more conducive to our strategy and our ability to fund. This also enables the company to focus our limited management resources on a local target market. The significant projects in China, including Changchun (which has been delayed as the local government reviews their approach to the waste streams to be utilised), remain, and are replicated in scale by potential opportunities in Australia. We have commenced conversations with Government and Industry groups, and will be able to give shareholders a more detailed update in the coming weeks as we further drive this strategy.

The Board remains confident that there are growth opportunities in both Sustainable Building Infrastructure and Waste to Energy, and that in the main our Strategy is correct. We implemented a number of key people and operational actions to ensure we realigned our strategic objective to minimise risk, strive for the large opportunities, grow the brand, and manage cost.

Only recently, Paul Beddie, CEO of Isity Global, left the company to pursue a career as a mentor in Sustainable Building Infrastructure. Paul remains a valuable resource for future projects both in Australia and China. Also, Richard Sealy retired from Kollakorn Richard who was employed by Kollakorn for 8 years and was Managing Director for 6 years. Due to a serious illness he stepped down from that position in June 2016 and took on the role of COO. Richard has made himself available to the company on a consulting basis.

We were also excited to be able to finalise arrangements with the CSIRO and enter into a contract with their IT Division, Data61, to ramp up the development of the CertainID™ product. CertainID™ is our patented technology that ensures transactions can be securely made through the internet without the need to release biometric data which could be hacked and compromised.

Data61 specialises in analytical commercialisation and will support us to develop a proof of concept which will include a demonstration unit and improvements to the patent. The engagement by the CSIRO to achieve this result shows its significant interest in the viability of the CertainID™ patent. We have commenced this project with meetings already held, prior to formal commencement on 3 September.

The difficulty in driving the performance of our SmartRFID™ Break on Removal Tag business demonstrates clearly why the Board took the strategic decision to focus on a growth strategy based around Sustainable Building Infrastructure and Waste to Energy. In Malaysia, we have been working diligently to progress the opportunity with our local partner. Elections in May resulted in a change of government and as a result, and not dissimilar to Australia, all government development projects were put on hold until they could be reassessed by the new ministers. This has meant a further delay in the implementation of the project, however we are buoyed by our Malaysian Partner's drive to keep this opportunity alive. We do not currently have a commencement date for the implementation of the project, but there has been no slowdown in the development work and we continue to support our partner in achieving our goal.

In Myanmar, we continue to work with our partner Solutions Hub Co., Ltd ("Solutions Hub") a division of MyanTel Holdings Ltd of Singapore ("MyanTel"). Our partners continue to develop our solution and meet regularly with the Department of Transport. The release of the Request for Proposal to the market by the Government is expected before the end of the year.

Whilst we signed an agreement with XNATIVA Technology, an Argentinian company, in 2017, the progression on the provision of a trial speed monitoring system in a key province has stalled. We do not anticipate it moving forward in the foreseeable future.

The exclusive teaming agreement we signed with Golden Coast International Services Limited ("GCIS") for an exclusive relationship between GCIS and Kollakorn to participate in the implementation of a series of products in several Western African Countries has also stalled and we do not anticipate it moving forward in the foreseeable future.

We also do not see any progress occurring in Thailand for the foreseeable future. We do believe that there should be a resurgence of interest in Thailand once the Border Project in Malaysia and Myanmar are announced.

Other ASEAN opportunities discussed in previous Annual Reports have either stalled or been cancelled.

The Company has continued to diligently pursue the protection of all its patents and to examine a number of potential infringements, whilst deleting from our ownership patents that are no longer viable in order to minimise costs.

We recognise 2018 has been a year of significant change but the board is confident our focus on Australian opportunities through the capabilities gained in the Isity acquisition will drive improved performance in 2019.

David Matthews
Chief Executive Officer

Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2018

	Note	2018 $	2017 $
Continuing operations			
Revenue	5	**71,830**	200,486
Less cost of goods sold		**(3,235)**	(7,671)
Gross profit		**68,595**	192,815
Other revenue	5	**237**	19
Expenses by function			
Administration		**(1,603,110)**	(969,540)
Amortisation of intangible assets		**(87,774)**	(87,185)
Finance costs		**(27,468)**	(98,921)
Foreign exchange losses		**(6,520)**	(5,238)
Research and development		**(709,698)**	(50,746)
Share of (loss) / profit from associates		**(280,880)**	(308,363)
Loss for the year before income tax from continuing operations	6	**(2,646,618)**	(1,327,159)
Income tax expense		**-**	-
Loss for the year from continuing operations		**(2,646,618)**	(1,327,159)
Loss for the year from discontinued operations		**-**	-
Loss for the year		**(2,646,618)**	(1,327,159)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations, net of tax		**(15,939)**	(1,563)
Share of exchange differences arising on translation of foreign associates, net of tax		**-**	(532)
Other comprehensive loss for the year, net of tax		**(15,939)**	(2,095)
Total comprehensive loss for the year		**(2,662,557)**	(1,329,254)
Loss for the year is attributable to:			
Non-controlling interest		**-**	-
Members of the Company		**(2,646,618)**	(1,327,159)
		(2,646,618)	(1,327,159)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		**-**	-
Members of the Company		**(2,662,557)**	(1,329,254)
		(2,662,557)	(1,329,254)
Earnings per share		**Cents**	Cents
Basic earnings per share	27	**(1.41)**	(1.26)
Diluted earnings per share	27	**(1.41)**	(1.26)

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

Consolidated statement of financial position
as at 30 June 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	8	17,655	104,928
Trade and other receivables	9	172,586	149,700
Other current assets		69,983	-
Total current assets		260,224	254,628
Non-current assets			
Intangible assets	10	2,106,622	87,186
Investment in associates	11	4,486,841	4,732,811
Plant and equipment		960	-
Total non-current assets		6,594,423	4,819,997
Total assets		6,854,647	5,074,625
Current liabilities			
Trade and other payables	12	2,209,045	2,045,561
Other financial liabilities	13	-	1,196,197
Employee benefits	14	95,364	91,634
Total current liabilities		2,304,409	3,333,392
Total non-current liabilities		-	-
Total liabilities		2,304,409	3,333,392
Net assets		4,550,238	1,741,233
Equity			
Issued capital	15	56,512,351	51,025,167
Reserves	16	1,960,473	1,992,034
Accumulated losses		(53,922,586)	(51,275,968)
Total equity		4,550,238	1,741,233
		Cents	Cents
Net tangible asset backing per ordinary share		1.45	1.50

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

Consolidated statement of changes in equity
for the year ended 30 June 2018

	Note	Fully paid ordinary shares $	Equity-settled employee benefits reserve $	Foreign currency translation reserve $	Options reserve $	Accumulated losses $	Total equity $
Consolidated							
Balance at 1 July 2016		50,562,667	2,096,130	(318,777)	94,834	(49,948,809)	2,486,045
Loss for the year		-	-	-	-	(1,327,159)	(1,327,159)
Other comprehensive loss for the year, net of tax		-	-	(2,095)	-	-	(2,095)
Total comprehensive loss for the year		-	-	(2,095)	-	(1,327,159)	(1,329,254)
Transactions with owners in their capacity as owners							
Issue of shares and options		367,500	-	-	26,942	-	394,442
Share and option issue costs		95,000	95,000	-	-	-	190,000
Balance at 30 June 2017		51,025,167	2,191,130	(320,872)	121,776	(51,275,968)	1,741,233
Consolidated							
Balance at 1 July 2017		**51,025,167**	**2,191,130**	**(320,872)**	**121,776**	**(51,275,968)**	**1,741,233**
Loss for the year		**-**	**-**	**-**	**-**	**(2,646,618)**	**(2,646,618)**
Other comprehensive loss for the year, net of tax		**-**	**-**	**15,939**	**-**	**-**	**15,939**
Total comprehensive loss for the year		**-**	**-**	**15,939**	**-**	**(2,646,618)**	**(2,630,679)**
Transactions with owners in their capacity as owners							
Issue of shares and options		**5,487,184**	**-**	**-**	**-**	**-**	**5,487,184**
Share and option issue costs		**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**26**	**-**	**(47,500)**	**-**	**-**	**-**	**(47,500)**
Balance at 30 June 2018		**56,512,351**	**2,143,630**	**(304,933)**	**121,776**	**(53,922,586)**	**4,550,238**

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

Consolidated statement of cash flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		**5,607**	6,256
Payments to suppliers and employees		**(507,326)**	(448,519)
Interest and other costs of finance paid		**(27,468)**	(28,250)
Net cash used in operating activities	**25**	**(529,187)**	(470,513)
Cash flows from investing activities			
Interest received		**237**	19
Royalties and other investment income received		**66,223**	211,033
Net cash provided by investing activities		**66,460**	211,052
Cash flows from financing activities			
Proceeds from issue of shares and options		**550,000**	330,000
Net cash provided by financing activities		**550,000**	330,000
Net increase / (decrease) in cash and cash equivalents		**(87,273)**	70,539
Cash and cash equivalents at the beginning of the year		**104,928**	35,149
Effects of exchange rate changes on cash and cash equivalents		**-**	(760)
Cash and cash equivalents at the end of the year		**17,655**	104,928

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

Notes to the financial statements
for the year ended 30 June 2018

1. Parent entity information

General information

The Company, being the parent entity, is a public company listed on the Australian Securities Exchange, trading under the symbol 'KKL', incorporated in Australia and operating in Australia, South East Asia and North America.

The Company's registered office and principal place of business is:

Level 9, 65 York Street
Sydney NSW 2000
Tel: (02) 8252 5555

Supplementary financial information

Set out below is the supplementary information about the Company.

	2018	2017
	$	$
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(2,049,727)**	(1,331,351)
Total comprehensive loss	**(2,015,348)**	(1,331,883)
Statement of financial position		
Total current assets	**130,168**	126,876
Total assets	**6,415,086**	4,168,832
Total current liabilities	**1,994,437**	2,071,853
Total liabilities	**1,994,437**	3,268,051
Equity		
Issued capital	**56,512,351**	51,025,167
Equity-settled employee benefits reserve	**2,143,630**	2,096,130
Foreign currency translation reserve	**34,379**	(532)
Options reserve	**121,776**	121,776
Accumulated losses	**(54,391,487)**	(52,341,760)
Total equity	**4,420,649**	900,781

Guarantees

The Company is not party to any guarantees in relation to its subsidiaries.

Contingent liabilities

The Company had no contingent liabilities as at 30 June 2018 (2017: $nil).

Capital commitments

The Company had no capital commitments as at 30 June 2018 (2017: $nil).

Significant accounting policies

The accounting policies of the Company are consistent with those of the Group as disclosed in Note 2, except investments in subsidiaries which are accounted for at cost, less any impairment, in the Company.

2. Significant accounting policies

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

Notes to the financial statements
for the year ended 30 June 2018

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current year.

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

Basis of preparation

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

The financial statements have been prepared on an accruals basis under the historical cost convention, except for, where applicable, selected financial assets and financial liabilities which are measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in **Note 3**.

Parent entity information

In accordance with the Corporations Act 2001, the financial statements present the results of the Group only. Supplementary information about the Company, being the parent entity, is presented in **Note 1**.

Principals of consolidation

The financial statements incorporate the assets and liabilities as at 30 June 2018, and the results for the year then ended, of the Company and its controlled entities (including special purpose entities). The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity *and* has the ability to affect those returns through its power to direct the activities of the entity.

Controlled entities are consolidated from the date on which control is transferred to the Company. They are deconsolidated when control ceases.

All intra-group transactions, balances, income and expenses, and unrealised gains on intra-group transactions are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Company and the Group.
The acquisition of controlled entities is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Company.

Non-controlling interest in the results and equity of controlled entities are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Business combinations

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

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

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

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

Notes to the financial statements
for the year ended 30 June 2018

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

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

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

Operating segments

Operating segments are presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

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

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised at the point of sale, which is where the customer has taken delivery of the goods and all the significant risks and rewards of ownership of the goods have been transferred.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

The stage of completion of servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold. The stage of completion for time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Notes to the financial statements
for the year ended 30 June 2018

Royalties

Royalty revenue is recognised in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Interest revenue

Interest revenue is recognised as it 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 flows through the expected life of the financial instrument to its net carrying amount.

Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and any adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- deferred income tax assets or liabilities arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profits; or
- taxable temporary differences associated with interests in controlled entities, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Income tax consolidated group

The Company and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The Company and each controlled entity in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each controlled entity in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the Company to the controlled entities nor a distribution by the controlled entities to the Company.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: (1) it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; (2) it is held primarily for the purpose of trading; (3) it is expected to be realised within 12 months after the reporting period; or (4) the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date. All other assets are classified as non-current.

A liability is classified as current when: (1) it is either expected to be settled in the Group's normal operating cycle; (2) it is held primarily for the purpose of trading; or (3) there is no unconditional right to defer settlement of the liability for at least 12 months after the reporting date. All other liabilities are classified as non-current.

Notes to the financial statements
for the year ended 30 June 2018

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equal or exceed its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Other financial assets

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of other financial assets

The Group assesses at the end of each year whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Where it is found that a financial asset is impaired, the carrying amount is reduced by the impairment loss directly through profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the

Notes to the financial statements
for the year ended 30 June 2018

investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The amount of the impairment loss for a financial asset carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Intangible assets

Internally generated intangible assets are initially measured at cost and subsequently at cost less accumulated amortisation and impairment. Gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development costs and licences

Research costs are expensed in the year in which they are incurred. Development costs are capitalised only when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. All other development costs are expensed in the year in which they are incurred.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Capitalised development costs are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Impairment of non-financial assets

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

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

Trade and other payables

Trade and other payables amounts represent liabilities for goods and services provided to the Group prior to the end of the year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Other financial liabilities

Other financial liabilities include convertible notes which are initially measured at fair value of the consideration received, net of transaction costs. Other financial liabilities are subsequently measured on at amortised cost using the effective interest method. The effective interest method allocates the interest expense over the relevant period using the effective interest rate, being the rate that exactly discounts estimated future cash flows through the expected life of the financial liability to its net carrying amount.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Notes to the financial statements
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Other long-term employee benefits

Liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees and others providing similar services to employees.

Equity-settled transactions are awards of shares in exchange for the rendering of services.

The cost of equity-settled share-based payments are measured at fair value on grant date. Fair value is independently determined using the Binomial pricing model, taking into consideration the terms and conditions on which the award was granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details of how the fair value of equity settled share-based payments has been determined can be found in **Note 26**.

The cost of equity-settled share-based payments are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Notes to the financial statements
for the year ended 30 June 2018

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB No.	Title and impact	Application Date (beginning on or after)
9	*Financial instruments* AASB 9 introduces new classification and measurement models for financial assets. A financial shall asset be measured at amortised cost, if it is held within a business model whose objective is to hold assets to collect contractual cash flows, which arise on specified dates and solely principal and interest. For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in other comprehensive income, unless it would create an accounting mismatch. New impairment requirements will use a 12-month 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under the 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. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but its impact is yet to be assessed by the Group.	1-Jan-18

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AASB No.	Title and impact	Application Date (beginning on or after)
15	*Revenue from contracts with customers*	1-Jan-18
2016-3	*Amendments to Australia Accounting Standards – Clarifications to AASB 15* The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be 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. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.	
16	Leases This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). ln 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 lnterest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.	1-Jan-19

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, estimates and assumptions on historical cost 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 year are discussed below.

Notes to the financial statements
for the year ended 30 June 2018

Going concern

The financial statements have been prepared on the assumption the Group is a going concern. Should this assumption be incorrect the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts presented in these financial statements.

Provision for impairment of receivables

The provision for impairment of receivables requires a degree of estimation and judgement. The level of provision is assessed by considering recent sales experience, ageing of receivables, historical collection rates and specific knowledge of individual debtor financial positions.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly because of technical innovations or some other event. The 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.

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

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group 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, each of which incorporate a number of key estimates and assumptions.

Share based payments

The Group operates an employee share scheme, which issues options to employees to acquire shares. Details of the share scheme can be found in **Note 26**. The fair value of options is recognised over the vesting period of the options. Fair value has been calculated using the binomial model, which incorporates many assumptions and estimates, all of which have been detailed in **Note 26**. If any of these assumptions or estimates were to change, this could have a material impact on the amounts recognised.

Employee benefits

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 considered.

4. Operating segments

The Group is organised into three operating segments based on differences in products and services provided. The operating are identified on the basis of internal reports reviewed and used by the chief executive officer, who is the CODM, in order to assess performance and allocate resources. There is no aggregation of operating segments.

Products and services from which reportable segments derive their revenues

Information reported to the Group's CODM for the purposes of resource allocation and assessment of performance is focused on revenue for each type of good. The principal categories of customer for these goods are direct sales to major customers, wholesalers, retailers and internet sales. The Group's reportable segments under AASB 8 are therefore:

- Automated Vehicle Identification ("AVI");
- Smart&Secure; and
- TransitVault & CertainID.

Revenue reported in Smart&Secure relates to royalties received for the use of our Smart&Secure RFID technology by external parties. CertainID, the consolidated entity's bio-authentication technology, earned no revenue in the period as this technology is still in a developmental stage.

Information regarding the Group's reportable segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Notes to the financial statements
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Consolidated – 2018	**AVI** **$**	**Smart& Secure** **$**	**Transit Vault & CertainID** **$**	**Other segments** **$**	**Total** **$**
Revenue					
Sales to external customers	5,607	66,223	-	-	71,830
Total segment revenue	5,607	66,223	-	-	71,830
Unallocated revenue					
Interest revenue					237
Total revenue					72,067
EBITDA	2,075	(487,879)	(1,389)	(1,763,540)	(2,250,733)
Depreciation and amortisation	-	(87,774)	-	-	(87,774)
EBIT	2,075	(575,653)	(1,389)	(1,763,540)	(2,338,507)
Interest revenue					237
Finance costs					(27,468)
Share of loss from associates					(280,880)
Loss for the year before tax					(2,646,618)
Income tax expense					-
Loss for the year					(2,646,618)

Assets					
Segment assets	4,486,968	2,227,866	-	-	6,714,834
Unallocated assets					
Cash and cash equivalents					4,232
Trade and other receivables					135,581
Total assets					6,854,647
Liabilities					
Segment liabilities	-	143,101	166,871	-	309,972
Unallocated liabilities					
Trade and other payables					1,994,437
Other financial liabilities					-
Total liabilities					2,304,409

Revenue reported above represents revenue from external customers. There were no inter-segment sales in the year (2017: $nil).

Segment losses represent the losses incurred by each segment without allocation of central administration costs and directors' salaries, share of profits or associates, investment revenue and finance costs, income tax expenses and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the CODM for the purposes of assessing segment performance and for resource allocation.

Notes to the financial statements
for the year ended 30 June 2018

Consolidated – 2017	**AVI** **$**	**Smart& Secure** **$**	**Transit Vault & CertainID** **$**	**Other segments** **$**	**Total** **$**
Revenue					
Sales to external customers	6,256	194,230	-	-	200,486
Total segment revenue	6,256	194,230			200,486
Unallocated revenue					
Interest revenue					19
Total revenue					200,505
EBITDA	(2,371)	194,230	(5,710)	(1,018,856)	(832,707)
Depreciation and amortisation	-	(87,185)	-	-	(87,185)
EBIT	(2,371)	107,045	(5,710)	(1,018,856)	(919,892)
Interest revenue					19
Finance costs					(98,921)
Share of profit from associates					(308,365)
Loss for the year before tax					(1,327,159)
Income tax expense					-
Loss for the year					(1,327,159)
Assets					
Segment assets	4,809,826	137,923	-	-	4,947,749
Unallocated assets					
Cash and cash equivalents					46,114
Trade and other receivables					80,762
Total assets					5,074,625
Liabilities					
Segment liabilities	-	8,106	160,341	-	168,447
Unallocated liabilities					
Trade and other payables					1,968,748
Other financial liabilities					1,196,197
Total liabilities					3,333,392

For the purposes of assessing segment performance the CODM may, from time to time, review the value of assets and liabilities attributable to each segment.

All assets, and liabilities, are allocated to reportable segments other than those that are used in, or incurred by, multiple segments, or which are not segment specific, and which cannot be allocated across segments on any reasonable basis. Assets used, and liabilities incurred, jointly by reportable segments are unable to be allocated as there is no logical basis for doing so.

No impairment losses have been recognised in respect of non-financial assets during the year (2017: $nil).

Geographical information	**Sales to external customers**		**Geographical non-current assets**	
	2018 **$**	2017 $	**2018** **$**	2017 $
United States of America	**-**	122,239	**-**	87,186
Thailand	**5,607**	71,991	**4,486,841**	4,732,811
Other	**66,223**	6,256	**2,107,582**	-
	71,830	200,486	**6,594,423**	4,819,997

Notes to the financial statements
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Geographical non-current assets reported above exclude, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

5. Revenue

	2018 $	2017 $
Revenue		
Sale of goods	**5,607**	6,256
Royalty and licence revenue	**66,223**	194,230
	71,830	200,486
Other revenue		
Interest	**237**	19
	72,067	200,505

6. Loss for the year before income tax

	2018 $	2017 $
Loss before income tax includes the following specific expenses.		
Net foreign exchange losses		
Net foreign exchange losses	**6,520**	5,238
Finance costs		
Interest accrued on convertible notes	**-**	70,671
Interest paid to other parties	**27,468**	28,250
	27,468	98,921
Amortisation expense		
Amortisation of intangible assets	**87,774**	87,185
Employee benefits expense		
Equity-settled share-based payments	**47,500**	190,000
Other employee benefits	**438,182**	234,315
	485,682	424,315

7. Income tax expense

	2018 $	2017 $
Income tax expense		
Current tax	**(639,207)**	(253,987)
Deferred tax not recognised in the financial statements	**639,207**	253,987
	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	**(2,646,618)**	(1,327,159)
Tax at the statutory rate of 27.5%	**(727,820)**	(398,148)
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Business capital costs	**(1,692)**	(5,419)
Fines and penalties	**-**	71
Share-based employee benefits expense	**13,063**	57,000
Share of loss / (profit) from associates	**77,242**	92,509
Deferred tax assets not recognised	**639,207**	253,987
	-	-

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

Notes to the financial statements
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Unrecognised deferred tax assets
The following deferred tax assets have not been brought to account as assets.

Unrealised foreign exchange losses	**164**	51
Accrued expenses	**27,500**	47,000
Unused tax losses	**15,373,845**	14,556,166
	15,401,509	14,603,217
Potential tax benefit at the statutory rate of 27.5%	**4,235,415**	4,380,965

8. Cash and cash equivalents

	2018	2017
	$	$
Cash at bank	**17,655**	104,928
	17,655	104,928

Reconciliation of cash and cash equivalents at the end of the year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as show in the statement of cash flows as follows:

Cash and cash equivalents as above	**17,655**	104,928
Cash and cash equivalents as per consolidated statement of cash flows	**17,655**	104,928

9. Trade and other receivables

	2018	2017
	$	$
Trade receivables		
Trade receivables	**-**	40,513
Provision for doubtful debts	**-**	(440)
	-	40,073
Other receivables	**172,586**	109,627
	172,586	149,700

Impairment of receivables

The Group has recognised a loss of $Nil (2017: $440) for the year in profit or loss in respect of impairment of trade receivables.

	2018	2017
	$	$
The ageing of the impaired receivables provided for above are as follows.		
0 to 60 days overdue	**-**	-
61 to 90 days overdue	**-**	-
91 to 120 days overdue	**-**	-
Over 120 days overdue	**-**	440
	-	440

Movements in the provision for impairment of receivables are as follows.		
Opening balance	**-**	-
Additional provisions recognised	**-**	440
	-	440

Notes to the financial statements
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Past due but not impaired

	2018	2017
	$	$
The ageing of the impaired receivables provided for above are as follows.		
0 to 60 days overdue	**61,412**	-
61 to 90 days overdue	**-**	-
91 to 120 days overdue	**-**	-
Over 120 days overdue	**111,174**	103,034
	172,586	103,034

10. Intangible assets

	2018	2017
	$	$
Intellectual property	**435,926**	435,926
Less: accumulated depreciation	**(435,926)**	(348,740)
Goodwill	**2,106,622**	-
	2,106,622	87,186

	Intellectual Property	**Total**
	$	**$**
Balance at 1 July 2016	174,371	174,371
Amortisation expense	(87,185)	(87,185)
Balance at 30 June 2017	87,186	87,186
Amortisation expense	(87,186)	(87,186)
Balance at 30 June 2018	-	-

11. Investment in associates

	2018	2017
	$	$
Kollakorn Co., Ltd	**4,486,841**	4,732,811
	4,486,841	4,732,811

Investments in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group is set out below.

		Ownership interest	
	Principal Place of Business /	**2018**	2017
Name	**Country of Incorporation**	**%**	%
Kollakorn Co., Ltd	Thailand	**26.67**	26.67

The Company acquired a 19.9% interest in Kollakorn Co., Ltd ("Kollakorn Thailand") on 30 June 2011, and purchased an additional 8.8% in 2012, 2.49% in 2013 and 2.04% in 2014. Kollakorn Thailand offered all shareholders a pro-rata rights issued in December 2015, however KKL elected not to participate. All other shareholders in Kollakorn Thailand elected to participate and the shares so issued were called as to 25%. The effect on the Company's interest in Kollakorn Thailand was to reduce it to 26.67%. The total purchase price to date of the Company's interest in Kollakorn Thailand has been $6,461,652 (2016: $6,461,652). The carrying amount in the Group's consolidated statement of financial position at 30 June 2018 was $4,486,841 (2017: $4,732,811) and the Group's share of accumulated losses in Kollakorn Thailand for the year then ended was $665,254 (2017: $1,676,418).

Pursuant to a resolution passed by the shareholders of Kollakorn Thailand, the Company's former Managing Director, Richard Sealy, has the right to cast one vote at meetings of the directors of Kollakorn Thailand. He is one of five directors of Kollakorn Thailand.

Notes to the financial statements
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	2018 $	2017 $
Summarised statement of financial position		
Current assets	**374,496**	362,020
Non-current assets	**2,582,554**	3,592,809
Total assets	**2,957,050**	3,954,829
Current liabilities	**2,452**	9,298
Non-current liabilities	**2,179,178**	2,206,098
Total liabilities	**2,181,630**	2,215,396
Net assets	**775,420**	1,739,433
Summarised statement of profit or loss and other comprehensive income		
Revenue	**194,732**	13,857
Expenses	**(859,986)**	(1,170,253)
(Loss) / profit before income tax	**(665,254)**	(1,156,396)
Income tax expense	**-**	-
(Loss) / profit after income tax	**(665,254)**	(1,156,396)
Other comprehensive income	**(-)**	(1,994)
Total comprehensive income	**(665,254)**	(1,158,390)
Reconciliation of the Group's carrying amount		
Opening carrying amount	**4,732,811**	5,041,706
Share of (loss) / profit after income tax	**(280,880)**	(308,363)
Share of other comprehensive loss	**34,910**	(532)
Closing carrying amount	**4,486,841**	4,732,811

Contingent liabilities

At the time of authorising these financial statements for issue, Kollakorn Thailand had no contingent liabilities.

Commitments

At the time of authorising these financial statements for issue, Kollakorn Thailand had no capital or leasing commitments.

12. Trade and other payables

		2018 $	2017 $
Trade payables		**1,791,322**	1,316,872
Other payables			
Sealy Consulting Pty Ltd	(a)	**389,296**	403,176
Accrued expenses		**28,427**	325,513
Total other payables		**417,723**	728,689
Total trade and other payables		**2,209,045**	2,045,561

(a) Sealy Consulting Pty Ltd is an Australian private company controlled by Mr Richard Sealy, the Company's former Management Director. The amount payable to Sealy Consulting Pty Ltd represents unpaid consulting fees and bears interest at a rate of 7% per annum.

Notes to the financial statements
for the year ended 30 June 2018

Refer to **Note 18** for further information on financial instruments.

13. Other financial liabilities

		2018	2017
		$	$
Current			
Convertible notes	(a)	-	1,196,197
		-	1,196,197
Non-current			
Convertible notes	(a)	-	-
		-	-

(a) On 29 February 2016, 44 convertible notes were issued with a face value of $25,000 each in consideration for the note holders agreeing to cancel their pre-existing notes. They have an expiry date of 31 August 2018 and bear interest at a rate of 7% per annum. Interest accrues daily and is payable at the time the principal sum is settled.

As consideration for their agreement to forfeit all interest accrued up to the time of cancellation, the note holders were offered either:

- 1,500,000 shares, and 750,000 options exercisable at $0.0125 per share on or before 31 August 2018; or
- 3,000,000 options exercisable at $0.0075 per share on or before 31 August 2018.

Subsequent to the reporting date, all convertible notes were converted to ordinary shares in accordance with the approval granted by the members of the Company in a general meeting on 30 June 2017. Accordingly, despite the maturity date of the convertible notes being 31 August 2018, which is more than 12 months after the reporting date, they are classified as a current liability at 30 June 2017.

The convertible notes are secured over 10% of the Company's interest in Kollakorn Thailand.

Refer to **Note 18** for further information on financial instruments.

14. Employee benefits

	2018	2017
	$	$
Current		
Provision for annual leave	**95,364**	91,634
	95,364	91,634

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented in current liabilities because the Group does not have an unconditional right to defer settlement for more than 12 months after the reporting date. However, based on past experience, the Group does not expect any employees to take any amount of accrued annual leave or require any payment within the next 12 months.

15. Issued capital

	2018	2017	**2018**	2017
	Shares	Shares	**$**	$
Ordinary shares, fully paid	189,777,191	1,113,310,077	56,512,351	51,025,167
Performance shares	74,999,999	-	5,999,999	-
	264,777,190	1,113,310,077	62,512,350	51,025,167

Notes to the financial statements
for the year ended 30 June 2018

Movements in ordinary share capital		**Date**	**Shares**	**Issue Price $**	**Total $**
Balance		30-Jun-16	1,014,569,980		50,562,667
Issue of shares – capital raising		24-Nov-16	43,750,000	0.0040	155,000
Issue of shares – share-based payments		24-Nov-16	4,439,251	0.0107	47,500
Issue of shares – convertible note interest forfeiture	(a)	12-Dec-16	7,500,000	0.0050	37,500
Issue of shares – share-based payments		16-Dec-16	8,050,846	0.0059	47,500
Issue of shares – capital raising		30-May-17	35,000,000	0.0050	175,000
Share issue transaction costs, net of tax		-	-	-	-
Balance		30-Jun-17	1,113,310,077		51,025,167
Issue of shares – debt to equity	(b)	3-Jul-17	314,404,682	0.008	2,437,184
Consolidation of shares	(c)	12-Jul-17	(1,284,942,877)		
Issue of shares – acquisition of Isity Global	(d)	24-Jul-17	31,250,000	0.08	2,500,000
Issue of shares – share-based payments	(e)	9-Oct-17	5,139,925		
Issue of shares – capital raising	(f)	6-Nov-17	9,615,384	0.052	500,000
Issue of shares – capital raising	(g)	23-Feb-18	1,000,000	0.05	50,000
Share issue transaction costs, net of tax		-	-	-	-
Balance		30-Jun-18	189,777,191	-	56,512,351

(a) As described at **Note 13**, convertible note holders were offered a mix of shares and options in the Company on 29 February 2016 as consideration for their agreement to forfeit accrued interest on cancelled notes. Those shares taken by note holders under the offer were issued on 12 December 2016.

(b) Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 129,134,899 ordinary shares on 3 July 2017 to the holders of 38 Loan Notes at $0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of all 38 Loan Notes valued at $1,033,079 and owed by the Company to the Loan Noteholders.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 16,991,438 ordinary shares on 3 July 2017 to Brentnalls NSW Pty Ltd, a related entity of Nicholas Aston, a director of the Company, at $0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of 5 Loan Notes valued at $135,932 and owed by the Company to Brentnalls NSW Pty Ltd.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 3,398,288 ordinary shares on 3 July 2017 to Mr Riad Tayeh, Chairman of the Company, at $0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of 1 Loan Note valued at $27,186 and owed by the Company to Mr Tayeh.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 86,902,876 ordinary shares on 3 July 2017 to Brentnalls NSW Pty Ltd, a related entity of Nicholas Aston, a director of the Company, at $0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of $695,223 of director fees and accounting fees owed by the Company to Brentnalls NSW Pty Ltd.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 30,587,040 ordinary shares on 3 July 2017 to Mr Riad Tayeh, Chairman of the Company, at $0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of $244,696 of director fees owed by the Company to Mr Tayeh.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 12,833,310 ordinary shares on 3 July 2017 to Mr Charles Hunting, a director of the Company, at $0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of $102,666 of director fees owed by the Company to Mr Hunting.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 25,025,029 ordinary shares on 3 July 2017 to Mr Namchoke Somapa, a former director of the Company, at $0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of $200,200 of director fees owed by the Company to Mr Somapa.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 9,531,772 ordinary shares to Mr David Mathews at $0.008 per share (pre-consolidation value) pursuant to his employment agreement with the Company.

(c) Following approval from shareholders at the General Meeting held on 30 June 2017, the Company carried out a consolidation of its issued share capital and unexpired options on 12 July 2017 on a 10:1 basis with fractional entitlements rounded up to the nearest whole number.

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(d) Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 31,250,000 ordinary shares on 24 July 2017 to the vendors of Isity Global Pte Limited at $0.08 per share (post-consolidation value) as consideration for the acquisition of 100% of the issued share capital of Isity Global Pte Limited.

On 19 July 2017 the Group gained control of Isity Global Pte Limited and Isity Global (Shanghai) Co., Ltd by acquiring of 100% of the issued share capital of Isity Global Pte Limited which owns 100% of the issued share capital of Isity Global (Shanghai) Co., Ltd.

The acquisition brings two potentially very powerful new technologies to the Group along with the ability to fund and operate projects generated from these technologies. Goodwill represents the reciprocal synergistic applications of the Isity Global technologies with the Group's existing businesses which the directors believe will enhance the value and market image of the Group.

The acquisition-date provisional fair value of total consideration transferred comprises:

	Shares	Market value per share $	Total $
Ordinary shares	31,250,000	0.0550	1,718,750
Performance shares	74,999,999	0.0055	412,500
Acquisition date fair value of consideration transferred			2,131,250

The ordinary shares transferred represents non-contingent consideration. The fair value of ordinary shares is derived from the market value on the day of completion being 19 July 2017 and represents non-contingent consideration.

The performance shares represent contingent consideration. Upon attaining certain performance milestones, each performance share entitles the holder to convert for one ordinary share. The fair value of performance shares is derived from the market value of ordinary shares on the day of completion and a probability weighted methodology having regard for the stretch performance milestones attaching to said shares.

The acquisition date provisional fair values of assets acquired and liabilities assumed were as follows:

	Fair value $
Cash and cash equivalents	22,917
Trade and other receivables	2,242
Other current assets	41,686
Property, plant and equipment	1,453
Trade and other payables	(43,670)
Net assets acquired	24,628
Goodwill	2,106,622
Acquisition date provisional fair value of total consideration transferred	2,131,250
Representing:	
Ordinary and performance shares issued to vendor	2,131,250
Cash provided by business combination:	
Acquisition date provisional fair value of total consideration transferred	2,131,250
Less:	
Ordinary and performance shares issued to vendor	(2,131,250)
Cash and cash equivalents acquired	(22,917)
Net cash (provided) by business combination	(22,917)

Notes to the financial statements
for the year ended 30 June 2018

(e) On 9 October 2017, the Company issued 5,139,925 ordinary shares to Mr David Mathews in four parcels pursuant to his employment agreement with the Company. This share issue was ratified by shareholders at the Annual General Meeting held on 27 November 2017.

- 635,026 ordinary shares at $0.0748 per share (post-consolidation value); and
- 830,419 ordinary shares at $0.0572 per share (post-consolidation value); and
- 908,221 ordinary shares at $0.0523 per share (post-consolidation value); and
- 2,766,259 ordinary shares at $0.0536 per share (post-consolidation value).

(f) On 6 November 2017, the Company issued 9,615,384 ordinary shares at $0.052 per share (post-consolidation value) under the Company's 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 28 November 2016

(g) On 23 February, the Company issued 1,000,000 ordinary shares at $0.05 per share (post-consolidation value) under the Company's 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 27 November 2017.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on 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, share have one vote and upon a poll each share shall have one vote.

Performance shares

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 74,999,999 performance shares on 24 July 2017 to the vendors of Isity Global Pte Limited at $0.08 per share (post-consolidation value) as consideration for the acquisition of 100% of the issued share capital of Isity Global Pte Limited. Included within this amount was 20,053,473 performance shares which were issued to Charles Hunting, a director of the Company and participating vendor of Isity Global Pte Limited.

Performance shares are unlisted, non-transferable and do not carry any entitlement to vote, share in dividends or proceeds on winding up of the Company.

Performance shares entitled the holder to convert, subject to meeting the "performance milestones", each performance share into one ordinary share on or before 30 June 2020. The performance milestones are:

1. the Revenue contributed by Isity Global in the financial year ending 30 June 2020 shall be equal to or exceed $100,000,000; and
2. that earnings before interest, taxation, depreciation and amortisation ("EBITDA") in the financial year ending 30 June 2020 shall equal or exceed $30,000,000.

Share buy-back

There is no current on-market share buyback.

Capital risk management

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

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

The capital risk management policy remains unchanged since the prior year.

Notes to the financial statements
for the year ended 30 June 2018

16. Reserves

	2018	2017
	$	$
Equity-settled employee benefits reserve	**2,143,630**	2,191,130
Foreign currency translation reserve	**(304,933)**	(320,872)
Options reserve	**121,776**	121,776
Total reserves	**1,960,473**	1,992,034

	Equity-settled employee benefits reserve	**Foreign currency translation reserve**	**Options reserve**	**Total**
	$	**$**	**$**	**$**
Movements in reserves				
Balance at 1 July 2016	2,096,130	(318,777)	94,834	1,872,187
Issue of options	-	-	26,942	26,942
Share-based payment accruals	95,000	-		95,000
Foreign currency translation	-	(1,563)	-	(1,563)
Share of foreign currency translation of associates	-	(532)	-	(532)
Balance at 30 June 2017	**2,191,130**	**(320,872)**	**121,776**	**1,992,034**
Issue of options	**-**	**-**	**-**	**-**
Share-based payment accruals	**(47,500)**	**-**	**-**	**(47,500)**
Foreign currency translation	**-**	**15,939**	**-**	**15,939**
Share of foreign currency translation of associates	**-**	**-**	**-**	**-**
Balance at 30 June 2018	**2,143,630**	**(304,933)**	**121,776**	**1,960,473**

Equity-settled employee benefits reserve

The equity-settled employee benefits reserve arises on the grant of share options and to directors, executives and senior employees under the employee share option plan. The equity-settled employee benefits reserve also includes share entitlements accruing to David Matthews, the Company's Chief Executive Officer, under the terms of his employment agreement but which are yet to be issued. Further information about share-based payments to directors and employees is provided at **Note 26**.

Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Options reserve

As described at **Note 13**, convertible note holders were offered a mix of shares and options in the Company on 29 February 2016 as consideration for their agreement to forfeit accrued interest on cancelled notes. The options reserve is used to recognise the settlement, in part, of the accrued interest liability as at 29 February 2016.

17. Dividends

No dividends were paid during the year. No dividends have been declared or paid since the reporting date.

Franking credits

At the reporting date, franking credits available for subsequent years were $nil (2017: $nil).

18. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks including market risk, credit risk, and liquidity risk.

Notes to the financial statements
for the year ended 30 June 2018

The Group does not enter into or trade in financial instruments, including derivative financial instruments. The Group's risk management policies are reviewed by the directors at least annually.

Market risk

The Group's exposure to market risk is limited to the effect of changes in interest rates, and foreign currency exchange rates. There has been no change to the Group's exposure to market risk during the year.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign currency exchange rate fluctuations. The directors consider the Group's exposure top foreign currency risk to be immaterial, and hence the Group does not hedge against foreign currency risk.

Foreign exchange risk arises primarily from recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency.

The risk is measured using sensitivity analysis using a sensitivity rate of a 10% increase / decrease in the Australian dollar against risk exposed foreign currencies. 10% represents the directors' assessment of the reasonably possible change in foreign exchange rates taking into account consideration of volatility over the last 6 months of each year. The sensitivity analysis includes external receivables, payables and loans as well as loans to foreign operations where the loan is denominated in currency other than the lender's functional currency.

Foreign currency denominated assets and liabilities

	Assets		**Liabilities**	
	2018	2017	**2018**	2017
	AU$	AU$	**AU$**	AU$
United States Dollars	**30,498**	92,293	**71,506**	74,943
Singapore Dollars	**940**	-	**26,910**	12,387
	31,438	92,293	**98,416**	87,330

Foreign currency sensitivity analysis

		United States Dollars		**Singapore Dollars**	
	Change in	**2018**	2017	**2017**	2017
	AUD	**AU$**	AU$	**AU$**	AU$
Impact on profit / (loss)	+10%	**(1,889)**	(5,835)	**2,446**	1,126
	-10%	**2,310**	7,132	**(2,990)**	(1,376)
Impact on equity	+10%	**(5,618)**	(4,201)	**2,446**	1,126
	-10%	**6,866**	5,135	**(2,990)**	(1,376)

Interest rate risk

The Group's main interest rate risk arises in relation to cash and cash equivalents on deposit with banks. The directors consider the Group's exposure top interest rate risk to be immaterial, and hence the Group does not hedge against interest rate risk.

An official increase in interest rates of 50 basis points would have a favourable effect on profit before tax of $229 (2017: $264), while a decrease in interest rates of 50 basis points would have an unfavourable effect on profit before tax in the amount of $12 (2017: $19).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit including obtaining agency credit information and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment, as disclosed in the consolidated statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has a concentration of credit risk in with one customer in located in the United States of America. As at 30 June 2018, this customer owed the Group a combined total of $30,041, representing 99% of trade receivables (2017: $35,024, representing 99% of trade receivables). These receivables were within their respective terms of trade and no impairment was recognised as at 30 June 2018. There are no guarantees against these receivables but management closely monitors the receivable balances on a monthly basis and is in regular contact with the customers to mitigate risk.

Notes to the financial statements
for the year ended 30 June 2018

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of its financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Consolidated – 2018		**Weighted average effective interest rate %**	**1 month or less $**	**1 to 3 months $**	**3 months to 1 year $**	**1 to 5 years $**	**Over 5 years $**
Non-interest bearing							
Trade payables		**-**	**514,827**	**334,096**	**860,504**	**-**	**-**
Other payables		**-**	**110,322**	**-**	**-**	**-**	**-**
Interest bearing							
Other payables		**7.00**	**-**	**-**	**-**	**389,296**	**-**
Other financial liabilities		**7.00**	**-**	**-**	**-**	**-**	**-**
			625,149	**334,096**	**860,504**	**389,296**	**-**

Consolidated – 2017		Weighted average effective interest rate %	1 month or less $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $
Non-interest bearing							
Trade payables	(a)	-	1,316,872	-	-	-	-
Other payables	(a)	-	278,513	47,000	-	-	-
Interest bearing							
Other payables		7.00	403,176	-	-	-	-
Other financial liabilities	(b)	7.00	-	-	-	1,196,197	-
			1,998,561	47,000	-	1,196,197	-

(a) On 3 July 2017, trade and other payables in the amount of $1,242,785 representing director fees, management fees and accounting fees were converted to ordinary shares.

(b) Other financial liabilities represent convertible notes with a maturity date of 31 August 2018. On 3 July 2017, all convertible notes were converted to ordinary shares.

(c) No other cash flows in the above maturity analysis are expected to occur significantly earlier than contractually disclosed.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Notes to the financial statements
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19. Key management personnel

The following table sets out the aggregate compensation made to directors and other members of key management personnel.

	2018	2017
	$	$
Short-term employee benefits	**390,682**	234,315
Post-employment benefits	**-**	-
Long-term benefits	**-**	-
Share-based payments	**47,500**	190,000
	438,182	424,315

20. Remuneration of auditors

During the year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company, its network firms and unrelated firms.

	2018	2017
	$	$
RSM Australia Partners		
Audit or review of the financial statements	**41,000**	63,500
Independent expert report – Isity Global acquisition	**-**	51,441
	41,000	114,941

21. Contingent liabilities

At the date of approval of this report, neither the Company nor the Group had any contingent liabilities.

22. Related party transactions

The following transactions occurred during the year with related parties. Remuneration of key management personnel, which has been reported at **Note 19**, is excluded from the below.

	2018	2017
	$	$
Payment for goods and services		
Accounting services from Brentnalls NSW Pty Ltd (Director related entity, Nicholas Aston)	**144,000**	144,000
Research & Development from Triangul8 Pty Ltd (Director related entity, Charles Hunting)	**85,250**	-
Current payables		
Brentnalls NSW Pty Ltd (Director related entity, Nicholas Aston)	**219,267**	712,090
Charles Hunting (Director)	**141,442**	106,333
David Matthews (Chief Executive Officer)	**322,956**	112,504
De Vries Tayeh (Director related entity, Riad Tayeh)	**71,500**	250,196
Namchoke Somapa (Director)	**-**	137,419

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

23. Interests in subsidiaries

The financial statements include the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in **Note 2**.

			Ownership interest	
		Principal Place of Business /	**2018**	2017
Name		**Country of Incorporation**	**%**	%
Kollakorn Imaging Systems Pty Limited (ii) (iii)	(a)	Australia	**100**	100
Kollakorn (AVI) Pty Ltd(ii) (iii)	(a)	Australia	**100**	100
Kollakorn (IP) Pty Ltd (ii) (iii)	(a)	Australia	**100**	100
Mikoh Corporation		United States of America	**100**	100
Kollakorn Pty Limited (ii) (iii)	(a)	Australia	**100**	100

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

Notes to the financial statements
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Kollakorn Technology Pty Limited (ii) (iii)	(a)	Australia	**100**	100
Isity Global Pte Limited		Singapore	**100**	-
Isity Global (Shanghai) Co., Ltd		China	**100**	-

(a) These wholly owned subsidiaries are classified as small proprietary companies and, in accordance with the Corporations Act 2001 are relieved from the requirement to prepare and lodge audited financial statements with the Australian Securities and Investment Commission.

(i) Kollakorn Corporation Limited is the head entity within the tax-consolidated group.
(ii) These companies are members of the tax-consolidated group.
(iii) These wholly owned entities are classified as small proprietary entities and, in accordance with the Corporations Act 2001 are relieved from the requirement to prepare and lodge audited financial statements.

24. Events after the reporting period

No matters or circumstances have arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future years.

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

	2018 $	2017 $
Loss for the year	**(2,646,618)**	(1,327,159)
Adjustments for items in profit or loss:		
Amortisation of intangible assets	**87,774**	87,185
Bad debt expense	**-**	440
Equity-settled employee benefits expense	**47,500**	190,000
Finance costs	**27,468**	70,672
Interest revenue	**(237)**	(19)
Royalty revenue	**(66,223)**	(194,230)
Share of loss / (profit) from associates	**280,880**	308,363
Adjustments for changes in operating assets and liabilities:		
(Increase) in trade and other receivables	**22,886**	(978)
(Increase) in other current assets	**-**	-
Increase in trade and other payables	**1,713,653**	397,735
(Decrease) / increase in employee benefits	**3,730**	(3,282)
Effect of foreign exchange rate on cash and cash equivalents	**-**	760
Net cash used in operating activities	**(529,187)**	(470,513)

26. Share-based payments

Chief Executive Officer remuneration package

Under his employment agreement, David Matthews, the Group's Chief Executive Officer, total remuneration of $360,000 from 1 October 2017. Prior to 1 October David's package was $250,000 comprising salary of $60,000 & 190,000 in shares on an annualised basis. A further annual bonus of up to $100,000, subject to satisfying various key performance indicators.

Refer to **Note 16** for further information.

Employee share-option plan

The Group has an ownership-based compensation scheme for directors and executives of the Group. All options granted are subject to approval by the directors.

On exercise, each employee share option converts into one ordinary share of the Company. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor right to vote. Options may be exercised at any time from the date of vesting to the date of expiry. The following share-based payments were in existence during the current and comparative periods.

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2018

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Expired / forfeited	Balance at end of year
			-	-	-	-	-
			-	-	-	-	-
Weighted average exercise price ($)							

2017

Grant date	Expiry date	Exercise price ($)	Balance at start of year	Granted	Exercised	Expired / forfeited	Balance at end of year
5-Dec-13	5-Dec-16	0.0750	5,000,000	-	-	-	-
			5,000,000	-	-	(5,000,000)	-
Weighted average exercise price ($)			0.0750	0.0750	0.0750	0.0750	0.0750

The weighted average remaining contractual life of options at the end of the year was 0 days (2017: 0 days).

No options over shares were granted during the year.

27. Earnings per share

	2018 **$**	2017 $
Loss for the year	**(2,646,618)**	(1,327,159)
Non-controlling interest	**-**	-
Loss for the year attributable to members of the Company	**(2,646,618)**	(1,327,159)

	2018 **Shares**	2017 Shares
Weighted average number of ordinary shares used to calculate basic earnings per share	**189,777,191**	1,053,811,658
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	**-**	-
Weighted average number of ordinary shares used to calculate diluted earnings per share	**189,777,191**	1,053,811,658

	2018 **Cents**	2017 Cents
Basic earnings per share	**(1.41)**	(1.26)
Diluted earnings per share	**(1.41)**	(1.26)

The comparative results for the year ended 30 June 2017 has been adjusted for the 10:1 share capital consolidation carried out by the company on 19 July 2017

Notes to the financial statements
for the year ended 30 June 2018

Distribution of equitable securities

Range	No. holders of ordinary shares	No. ordinary shares in range	% of total ordinary shares issued
1 to 1,000	902	315,691	0.119
1,001 to 5,000	430	1,081,919	0.409
5,001 to 10,000	157	1,236,749	0.467
10,001 to 100,000	387	14,132,257	5.360
100,001 and over	171	172,951,739	93.645
	2,047	189,718,355	100.000
Holding less than a marketable parcel	574	2,065,010	1.864

Twenty largest quoted security holders as at 31 August 2018

	Ordinary shares	
Shareholder	No. shares held	% of total shares issued
140 FOOT VENTURES (SINGAPORE) PTE LTD	17,341,702	9.141%
FENG YUJUAN	10,209,329	5.381%
KOLLAKORN COMPANY LIMITED	8,972,269	4.729%
BRENTNALLS NSW PTY LIMITED	8,690,288	4.581%
THOMAS EVANS INVESTMENTS PTY LTD <THOMAS EVANS HOLDINGS A/C>	7,342,112	3.870%
TERSTAN NOMINEES PTY LTD <MORROWS P/L SUPER FUND A/C>	6,145,566	3.239%
BTC ADVISORY PTY LTD	5,437,430	2.866%
DEANCORP PTY LTD <JUMBO SUPER FUND A/C>	5,244,151	2.764%
K B J INVESTMENTS PTY LTD <JARRY FAMILY SUPER FUND A/C>	4,880,518	2.573%
BORDONI HOLDINGS PTY LTD <PETER BROWNS/F A/C>	4,497,111	2.370%
DAVIES NOMINEES PTY LTD <SUPER DUPER SUPER FUND A/C>	4,329,658	2.282%
BOND STREET CUSTODIANS LIMITED <HPWPL - O19760 A/C>	3,849,862	2.029%
DAVIES NOMINEES PTY LTD <SNAPE FAMILY A/C>	2,863,671	1.509%
MR JAMES PAUL BEDDIE	2,816,438	1.485%
MR JAMES PAUL BEDDIE <THE BEDDIE FAMILY A/C>	2,682,316	1.414%
MR GREGORY LEVVEY & MRS BRONWYN LEVVEY <LEVVEY SUPER FUND A/C>	2,654,502	1.399%
NAMCHOKE SOMAPA	2,502,503	1.319%
RONATAC PTY LTD <MASTER CARPETS HLD PL SF A/C>	2,039,829	1.075%
MR STUART TURNER	2,007,700	1.058%
MR GARY FITZGERALD	1,915,940	1.010%
	106,422,895	56.095%

Unquoted equity securities

	No. issued	No. holders
Options over ordinary shares	8,475,000	13

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