

ASX ANNOUNCEMENT

27 February 2015

Accounts for the Half Year Ended 31 December 2014

The Directors of Kollakorn Corporation Limited (**ASX: KKL**) ("**Company**") present the half yearly accounts to 31 December 2014. These results are in line with what was expected.

- Revenue increased from the previous comparative period by 4% to \$78,012 (2013: \$75,105) due to increased royalties;
- The Loss after Tax decreased from the previous comparative period by 85% to \$107,253 (Loss 2013: \$710,030) due to the forgiveness of the debt owing to La Jolla;
- Total Assets decreased from the previous period by 5% to \$5,667,078 (30 June 2014: \$5,960,512) and,
- Total Liabilities decreased from the previous period by 12% to \$2,876,950 (30 June 2014: \$3,257,213).

Operational Expenses

Management continued to contract expenses so that cash expenses were down from the previous comparative period from \$626,636 to \$580,551.

Share of Kollakorn Thailand Losses

As Kollakorn Thailand was equity accounted, the share of the Kollakorn Thailand losses attributable to the Company being \$167,659 is therefore accounted for.

Operations

The management of the Company focused its attention fully on commercialising the patents that the Company owns.

Patents

In September 2014, the Directors made a small placement of shares to large long-time shareholders in order to finance the International Patent Cooperation Treaty (PCT) phase of the Biometric ID patent (CertainID™). The PCT is an international patent law treaty that provides a unified procedure for filing patent applications to protect inventions in each of its contracting countries and will give international protection to our patent.

Despite the shares being at 0.03 of a cent (\$0.003) on the ASX at the time, the placement price was made at 1 cent per share and was fully subscribed, showing the confidence that many long-time shareholders have in the management and the expectations of the Company.

The result of this work has been very positive with international patents already being awarded in the USA, Canada, China and Australia.

Revenue

In October 2014, the Company supplied 3,000 tags for phase 1 of a pilot project in Israel which is with the biggest bus Company in Israel. This Company has subsidiaries throughout Israel and Europe. The project will install RFID tags with our break on removal technology for tracking buses and cars in their car washes operating in all of the Israeli company's branches. This month a further 3,000 tags have been ordered for phase 2 of the pilot.

In conjunction with Star RFID, a large contract was won to supply RFID tags with our Break on Removal technology to the Dominican Republic for the purpose of tagging all motor cycles in the country. The initial order was for 1.2 million tags. The first half of this order has been supplied this month.


Royalties

As a result of the significant increase in sales of tags containing our BOR technology by both Star RFID and 3M, royalties in the last quarter increased also and management is expecting further increases this quarter. In the first half of the financial year the Company signed non-exclusive worldwide royalty agreements with both of these companies.

La Jolla Cove Investments Inc.

In November of 2014, the Company successfully raised \$200,000 through a placement of shares at 0.07 of a cent (\$0.007) and applied these funds to negotiating a settlement with La Jolla Cove Investments for their outstanding debt. This resulted in \$729,475 being forgiven with the consequential reduction to the operating losses.

Management believes that this half year will continue to see the development of the Company and the commercialisation of the RFID products particularly in Thailand and other ASEAN nations. With international patent protection having now been secured for CertainID, management is actively searching for a long term partner to develop and commercialise the CertainID™ patent.



Richard Sealy
Managing Director

Kollakorn Corporation Limited
ABN 41 003 218 862

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Appendix 4D

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Period 1 July 2014 to 31 December 2014

(Previous Corresponding Period 1 July 2013 to 31 December 2013)

Appendix 4D

Interim Financial Report

Name of entity

Kollakorn Corporation Limited

ABN or equivalent
company reference

41 003 218 862

Half yearly
(*tick*)



Preliminary
final (*tick*)

☐

Financial half year ended ('current period')

31 December 2014

Results for Announcement to the Market

Results		\$A	
Revenues from ordinary activities	Up	4%	to 78,012
(Loss) from ordinary activities after tax attributable to members	Down	85%	to (107,253)
Net (Loss) for the period attributable to members	Down	85%	to (107,253)
Dividends (distributions)		Amount per security	Franked amount per security
Final dividend		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 4D should be read in conjunction with the Commentary on the Results of the Interim Financial Report for the half-year ended 31 December 2014, with the accompanying notes to the Appendix 4D, and with the most recent annual financial report.			

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2014

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**KOLLAKORN CORPORATION LIMITED
DIRECTORS' REPORT 31 DECEMBER 2014**

The Directors of Kollakorn Corporation Limited submit the financial report of Kollakorn Corporation Limited and its subsidiaries (the consolidated entity) for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

1. Directors and Secretary

The following persons were directors and secretaries of Kollakorn Corporation Limited during the whole of the half-year and up to the date of this report, except where indicated otherwise:

Directors

- Riad Tayeh (Chairman)
- Richard Sealy (Managing Director)
- Namchoke Somapa
- Nicholas Aston

The above named directors held office during and since the end of the half-year except for:

- Sevag Chalabian – Resigned on 6 February 2015
- Charles Hunting – Appointed on 13 February 2015 to fill a casual vacancy as a non-executive director

Secretary

- Tom Bloomfield

2. Review of Operations the Half Year:

For further commentary about the half year accounts please refer to the attached covering letter.

3. Auditor's Independence Declaration under S307C of the *Corporations Act 2001*

The Auditor's independence declaration is included on page 2 of the half year report.

Signed in accordance with a resolution of directors made pursuant to S306 (3) of the *Corporations Act 2001*.



Richard Sealy
Managing Director

Sydney, 27 February 2015

Notes to the consolidated financial statements are included on pages 10 to 14

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Kollakorn Corporation Limited for the half year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM BIRD CAMERON PARTNERS



C J HUME
Partner

Sydney, NSW
Dated: 27 February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

KOLLAKORN CORPORATION LIMITED

Report on the Half-Year Financial Report

We were engaged to review the accompanying half-year financial report of Kollakorn Corporation Limited ("the company") which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on conducting the review in accordance with Australian Auditing Standards. Because of the matters described in the Bases for Disclaimer of Conclusion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for a review conclusion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kollakorn Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Bases for Disclaimer of Conclusion

Going concern

As disclosed in the Note 1 to the financial statements, the consolidated entity incurred net losses of \$107,253 and had net cash outflows from operating activities of \$102,047 during the half year ended 31 December 2014. As at that date the consolidated entity had net current liabilities of \$2,714,669. The ability of the consolidated entity to continue as a going concern is contingent on a number of future events, the most significant of which is the continued support of its creditors and the ability to source sufficient capital or other sources of funding to repay existing creditors and to fund the completion of the development and successful commercialisation of the Radio Frequency Identification (RFID) technology. We have been unable to obtain sufficient appropriate audit evidence

to support the use of the going concern assumption given the significance of the uncertainty as to whether the consolidated entity will be able to raise sufficient capital and successfully commercialise the RFID technology.

Carrying value of associate

As disclosed in Note 3, the consolidated entity's investment in Kollakorn Co. Ltd is carried at \$5,199,649 in the statement of financial position. This asset represents approximately 92% of the consolidated entity's total assets as at 31 December 2014. The ability to realise the carrying value of this asset is dependent on sufficient funds being raised to complete the development and successful commercialisation of its RFID technology. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the consolidated entity's investment in Kollakorn Co. Ltd. As a result, we were unable to determine whether any adjustments were necessary in respect of the carrying value of investment in associates as at 31 December 2014.

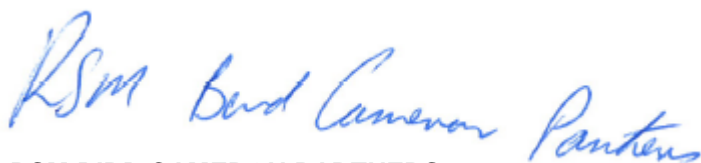
Share of loss of associate

As disclosed in Note 3, the consolidated entity's share of Kollakorn Co. Ltd's net loss of \$167,659 for the half year ended 31 December 2014 is included in the consolidated entity's statement of comprehensive income. We were unable to obtain sufficient appropriate audit evidence about the consolidated entity's share of Kollakorn Co. Ltd's net loss for the year because the financial statements of Kollakorn Co. Ltd are unaudited. We were unable to perform adequate alternative audit procedures in this regard. Consequently, we were unable to determine whether any adjustments to the share of loss were necessary during the half-year ended 31 December 2014.

Disclaimer of Conclusion

Because of the significance of the matters described in the Bases for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion. Accordingly, we do not express a conclusion on whether the half-year financial report of Kollakorn Corporation Limited is in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM BIRD CAMERON PARTNERS



C J HUME

Partner

Sydney, NSW

Dated: 27 February 2015

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes, as set out on pages 6 to 14, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors.

A handwritten signature in black ink, appearing to read 'R. Sealy', with a horizontal line underneath.

Richard Sealy
Managing Director

Sydney, 27 February 2015

Consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2014

	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Continuing operations		
Revenue from sale of goods	5,019	7,957
Royalties received	72,993	67,148
Cost of sales	(2,965)	(7,455)
Gross Profit	<u>75,047</u>	<u>67,650</u>
Other income	8,701	45,755
Debt forgiveness	729,475	-
Expenses by function:-		
Administration and general	(423,818)	(573,355)
Amortisation of intangible assets	(43,593)	-
Finance costs	(91,372)	(13)
Foreign exchange losses	(128,673)	(16,550)
Marketing and sales	(490)	(9,453)
Research and development	(64,871)	(27,265)
Share of loss from associates	<u>(167,659)</u>	<u>(196,799)</u>
Loss before tax from continuing operations	(107,253)	(710,030)
Income tax expense	-	-
Loss for the period from continuing operations	<u>(107,253)</u>	<u>(710,030)</u>
Profit for the period from discontinued operations	<u>-</u>	<u>-</u>
Net operating loss for the period	(107,253)	(710,030)
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Exchange differences arising on translation of foreign operations	(20,918)	6,374
Other comprehensive (loss) / income for the period	(20,918)	6,374
Total comprehensive loss for the period	<u>(128,171)</u>	<u>(703,656)</u>
Loss attributable to:		
Members of the parent entity	<u>(107,253)</u>	<u>(710,030)</u>
Total comprehensive loss attributable to:		
Members of the parent entity	<u>(128,171)</u>	<u>(703,656)</u>
Earnings per share		
Basic (cents per share)	(0.01) cents	(0.09) cents
Diluted (cents per share)	(0.01) cents	(0.09) cents

Notes to the consolidated financial statements are included on pages 10 to 14

Consolidated statement of financial position as at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 \$
Current Assets			
Cash assets		64,784	82,355
Trade and other receivables		97,104	161,125
Other assets		393	983
Total Current Assets		162,281	244,463
Non-Current Assets			
Intangible assets		305,148	348,741
Investment in associates	3	5,199,649	5,367,308
Total Non-Current Assets		5,504,797	5,716,049
Total Assets		5,667,078	5,960,512
Current Liabilities			
Trade and other payables		1,495,419	1,284,062
Other current liabilities	4	1,295,595	1,898,327
Provisions		85,936	74,824
Total Current Liabilities		2,876,950	3,257,213
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
Total Liabilities		2,876,950	3,257,213
Net Assets		2,790,128	2,703,299
Equity			
Issued capital	5	49,756,151	49,541,151
Reserves		1,794,025	1,814,943
Accumulated losses		(48,760,048)	(48,652,795)
Total Equity		2,790,128	2,703,299

Notes to the consolidated financial statements are included on pages 10 to 14

Consolidated statement of changes in equity

for the half-year ended 31 December 2014

	Fully paid ordinary shares	Equity-settled employee benefits reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	49,542,726	2,081,630	(276,772)	(47,037,554)	4,310,030
Loss for the period	-	-	-	(710,030)	(710,030)
Exchange differences arising on translation of foreign operations	-	-	6,374	-	6,374
Total comprehensive income for the period	-	-	6,374	(710,030)	(703,656)
Recognition of share-based payments	-	14,500	-	-	14,500
Balance at 31 December 2013	49,542,726	2,096,130	(270,398)	(47,747,584)	3,620,874
Balance at 1 July 2014	49,541,151	2,096,130	(281,187)	(48,652,795)	2,703,299
Loss for the period	-	-	-	(107,253)	(107,253)
Exchange differences arising on translation of foreign operations	-	-	(20,918)	-	(20,918)
Total comprehensive income for the period	-	-	(20,918)	(107,253)	(128,171)
Issue of shares	215,000	-	-	-	215,000
Balance at 31 December 2014	49,756,151	2,096,130	(302,105)	(48,760,048)	2,790,128

**Consolidated statement of cash flows
for the half-year ended 31 December 2014**

	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	\$	\$
Cash Flows from Operating Activities		
Receipts from Customers	127,252	2,467
Payments to suppliers and employees	(228,411)	(390,958)
Finance costs	(888)	(13)
	<hr/>	<hr/>
Net cash outflow from operating activities	(102,047)	(388,504)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest received	8,701	8
Royalties and other investment income received	-	153,260
	<hr/>	<hr/>
Net cash inflow from investing activities	8,701	153,268
	<hr/>	<hr/>
Cash Flows from Financing Activities		
Proceeds from the issue of shares	215,000	-
Proceeds from the issue of convertible notes	75,819	267,003
Payment for cancellation fees	(215,044)	-
	<hr/>	<hr/>
Net cash inflow from financing activities	75,775	267,003
	<hr/>	<hr/>
Net (decrease)/increase in cash held	(17,571)	31,767
	<hr/>	<hr/>
Cash at the beginning of the period	82,355	929
	<hr/>	<hr/>
Cash at the end of the period	64,784	32,696
	<hr/>	<hr/>

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the half year ended 31 December 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2014 have been prepared in accordance with and are compliant in all other aspects with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Kollakorn Corporation Limited and its controlled entities (referred to as the “consolidated group” or “group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the 30 June 2014 annual report.

b) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

For the half-year reporting period to 31 December 2014, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the group. The adoption of all the new and revised Standards and Interpretations has not resulted in any material changes to the group’s accounting policies and has no effect on the amounts reported for the current or period periods.

c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$107,253 and had net cash outflows from operating activities of \$102,047 for the half year ended 31 December 2014. As at that date the consolidated entity had net current liabilities of \$2,714,669.

These factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The consolidated entity has been successful in raising capital during the period (per note 5) and plans to raise additional funds in the next 12 months;
- The consolidated entity has the ability to continue to raise additional funds on a timely basis, pursuant to the Corporations Act 2001;
- The Directors anticipate to close significant sales contracts during the next 12 months which will increase operating cash flow;
- The consolidated entity has extinguished its debt owing to its largest trade creditor, and royalty revenue is now producing cash inflows on a quarterly basis;
- The consolidated entity has the ability to further scale back certain parts of its activities that are non-essential so as to conserve cash; and
- The directors regularly monitor the Group’s cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available.

Accordingly, the Directors believe that consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the half year ended 31 December 2014

Note 2: Segment Reporting

Operating segments are identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Products and services from which reportable segments derive their revenues

Information reported to the consolidated entity's chief operating decision maker 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 consolidated entity's reportable segments under AASB 8 are therefore as follows:

- AVI (Automated Vehicle Identification)
- Smart&Secure
- 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 this technology is still in a developmental stage.

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

Segment revenues and results

The following is an analysis of the consolidated entity's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment profit/(loss)	
	Half year ended		Half year ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	\$	\$	\$	\$
Continuing operations				
AVI	-	-	(546)	(95,828)
Smart & Secure	78,012	74,577	33,543	66,832
TransitVault & Certain ID	-	528	(469)	(2,673)
Total for continuing operations	78,012	75,105	32,528	(31,669)
Costs not able to be allocated to one operation			(139,781)	(678,361)
Loss before tax from continuing operations			(107,253)	(710,030)
Income tax expense			-	-
Loss for the period from continuing operations			(107,253)	(710,030)
Consolidated revenue (excluding interest and other revenue) and loss for the year	78,012	75,105	(107,253)	(710,030)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment loss represents the loss earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the half year ended 31 December 2014

Note 2. Segment Reporting (continued)

Segment assets and liabilities

The following is an analysis of the consolidated entity's assets and liabilities by reportable operating segment for the periods under review:

	Assets		Liabilities	
	31 Dec 2014	30 June 2014	31 Dec 2014	30 June 2014
	\$	\$	\$	\$
AVI	5,225,648	5,373,808	-	44,782
Smart&Secure	317,645	415,815	-	-
TransitVault & Certain ID	-	-	150,383	130,928
Total segment	5,543,293	5,789,623	150,383	175,710
Unallocated	123,798	170,890	2,726,580	3,081,504
Consolidated total	5,667,091	5,960,512	2,876,963	3,257,214

Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Note 3. Investment in Associates

Details of the Group's associates are as follows.

Name of associate	Principal activity	Place of incorporation and operation
Kollakorn Co Ltd	IT Infrastructure	Thailand

Kollakorn Corporation Ltd acquired a 19.9% interest in Kollakorn Co., Ltd (Kollakorn Thailand) on the 30 June 2011, and purchased an additional 8.8% in 2012, 2.49% in 2013 and 2.04% in 2014. The total purchase price for the 33.23% interest in this company to date has been \$6,461,652 (30 June 2014: \$6,461,652). The carrying amount in the statement of financial position of the consolidated entity's equity interest in Kollakorn Thailand at 31 December 2014 is \$5,199,649 (30 June 2014: \$5,367,308). The company's share of accumulated losses in Kollakorn Thailand at 31 December 2014 is \$1,262,003 (30 June 2014: \$1,094,344).

Pursuant to a resolution passed by the shareholders of Kollakorn Thailand, Kollakorn's Managing Director, Richard Sealy, who was appointed to the Board of Kollakorn Thailand has the right to cast 1 vote at board meetings of Kollakorn Thailand. He is 1 of 5 directors of Kollakorn Thailand.

As Kollakorn Corporation Limited holds 33.23% of the equity shares of Kollakorn Thailand, the directors of Kollakorn Corporation Limited have adopted Australian Accounting Standard AASB 128 – Equity Accounting and equity accounted for the investment in Kollakorn Thailand. The directors of Kollakorn Corporation Limited do not however believe that they have control over the day to day running of Kollakorn.

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the half year ended 31 December 2014

Note 3. Investment in Associates (continued)

Summarised financial information in respect of the Group's associates is set out below.

	31 Dec 2014	30 June 2014
	\$	\$
Total assets	7,626,993	6,884,098
Total liabilities	6,161,273	5,300,787
Net assets	<u>1,465,720</u>	<u>1,583,311</u>
Group's share of net assets of associates	<u>487,059</u>	<u>526,135</u>

	Half-year ended 31 Dec 2014	Half-year ended 31 Dec 2013
	\$	\$
Total revenue	3,051	85,771
Total loss	<u>(504,542)</u>	<u>(630,967)</u>
Group's share of loss of associates	<u>(167,659)</u>	<u>(196,799)</u>

Note 4. Other financial liabilities

The outstanding liability to Convertible Notes holders as at 31 December 2014 was \$1,295,595.

Note 5. Issues, repurchases and repayments of equity securities

Issued capital as at 31 December 2014 amounted to \$49,756,151 (886,361,514 ordinary shares). As a result of capital raisings undertaken throughout the 6 month period, the company issued a total of 30,071,428 shares, raising a total of \$215,000

Note 6. Contingent liabilities

There are no contingent liabilities as at the reporting date.

Note 7. Events subsequent to reporting date

It was agreed that subject to shareholder approval, to issue Richard Sealy, 28,571,428 fully paid ordinary shares at \$0.007 per share which would reduce Richard's outstanding debt by \$200,000.00 and to issue Sevag Chalabian, 12,056,000 fully paid ordinary shares at \$0.007 per share which would reduce Sevag's outstanding debt by \$84,392.00.

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the half year ended 31 December 2014

Note 8. Interest in subsidiaries

Set out below are the Group's subsidiaries at 31 December 2014. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Name of entity	Country of incorporation	Ownership interest	
		2014 %	2013 %
Parent entity			
Kollakorn Corporation Limited (i)	Australia	-	-
Subsidiaries			
Kollakorn Imaging Systems Pty Limited (ii) (iii)	Australia	100	100
Kollakorn (AVI) Pty Ltd (ii) (iii)	Australia	100	100
Kollakorn (IP) Pty Ltd (ii) (iii)	Australia	100	100
Mikoh Corporation	USA	100	100
Kollakorn Pty Limited (ii) (iii)	Australia	100	100
Kollakorn Technology Pty Limited (ii) (iii)	Australia	100	100

- (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.