

## ASX Announcement

22 February 2016

### Accounts for the Half Year Ended 31 December 2015

The Directors of Kollakorn Corporation Limited (ASX: KKL) (“Company”) are very pleased to present the half yearly accounts to 31 December 2015.

The financial highlights are:

- Revenue increased from the previous comparative period by 1,068% to \$911,094 (2014: \$78,012). This was due to increased royalties and a share of profits from, Kollakorn Co., Ltd (“**Kollakorn Thailand**”) of \$820,087;
- The consolidated group made a profit after tax for the half year of \$414,735 (2014: Loss \$107,253), an increase from the previous comparative period of 487%;
- Total Assets increased from the previous period by 11% to \$6,277,152 (2014: \$5,638,081) and;
- Total Liabilities decreased from the previous period by 2% to \$3,043,299 (2014: \$3,092,685).

#### Kollakorn Thailand Results

As in previous periods Kollakorn Thailand has been equity accounted. The share of profits attributable to the Company from Kollakorn Thailand for the six month period was \$820,087. Their revenue was \$13,593,214 with a net profit of \$3,075,404.

#### Operations

Management diligently continued to progress all projects, in particular:

- In Thailand the directors believe that the requirement this year for Thailand to change number plates to be ASEAN compliant will be the trigger for the rollout of a national RFID tag for all vehicles in Thailand. Recommendations to this effect have been submitted to the Government;
- In Malaysia there has been informal approval for the use of our RFID tag for the border crossing to be established between Thailand and Malaysia, we are now awaiting formal approval from the Ministry of Transport. This could be the precursor to the use of our RFID tags at 5 other borders crossings;
- Through Kollakorn Thailand, the Company will share in the implementation of a new driver’s licence system and car registration system. The new driver’s licences will contain finger prints of the driver. An exclusive licence has been negotiated with Beijing Hisign Technology Co Ltd for the use of their finger print technology.
- Royalties continue to increase due to sales through our marketing partners 3M and Star RFID to India, Taiwan, USA, Israel and South America.

In Australia:

- Discussions have commenced with the Queensland Government Asset Management. Conversations are ongoing with a view to implementing a pilot project for an asset management system;
- Formal agreements with Infitecs (China and Australia channel) and Isity Global (APAC Smart City) will commence negotiation with the Company as a further channel to market for our RFID tags;

- The Company has been invited to participate in a Food Security opportunity in Tianjin province in China. Discussions will commence in February about the implementation of a pilot.

### **Patents**

The Company has continued to diligently pursue the protection of all its patents and to examine a number of potential infringements of the CertainID and the Break on Removal Patents. The Company has, with the help of its channel partners, carried out examinations of each situation brought to its attention.

### **CertainID**

The lack of funding still continues to hamper the Company's activities with respect to securing a partner for the development of this particularly relevant patent. Despite this, the directors are in discussion with a party to determine whether or not there is an opportunity to amalgamate the Company's patents with other synergistic patents held by another party.

### **Cash Flow**

Short term cash flow continues to be an issue for the Company and the directors are working on several strategies to resolve this issue. Monthly expenditure is very low, therefore the cash on hand plus expected royalties means that the Company will be able to meet its ongoing commitments for the next quarter.

Kollakorn Thailand's obligations to retire bank debt meant that nearly all of the profit from the successful APP project had to be used to meet these obligations and therefore a dividend could not be considered. In addition, Kollakorn Thailand conducted a rights issue in which the Company was unable, due to its own financial position, to participate. The resulting dilution means that the Company now has diluted its interest in Kollakorn Thailand to 26.67%. It is hoped that now that Kollakorn Thailand has significantly reduced debt, that as other projects are completed dividends will flow to the Company.

### **Events Subsequent to Balance Date**

Subsequent to the balance date and as disclosed in note 4, all convertible noteholders have agreed to cancel their existing convertible notes and forfeit the accrued interest and replace these with new convertible notes at the face value of the previous convertible notes. As a result, this new debt obligation expires on 31 August 2018.

Pursuant to this arrangement the Company will be issuing 31,500,000 new shares, 15,750,000 options exercisable at 1.25 cents and 69,000,000 options exercisable at 0.75 of a cent. Issues to any noteholder that is either a director or is an associate of a director will be made after approval from a specially convened General Meeting.

### **Future Prospects**

The prospects for the Company are very good and in particular the prospects of Kollakorn Thailand, which continues to pursue further projects in Asia, justifying the cost of investment in Kollakorn Thailand. The effect of the first major project implemented by Kollakorn Thailand is reflected in this year's financial results.

There has never before been such an excellent pipeline of projects for the Company with such a high probability of implementation. There are still some financial issues to be resolved however the Board remains confident that resolutions to these issues will be found.



Riad Tayeh  
Chairman

Kollakorn Corporation Limited  
ABN 41 003 218 862

# **Kollakorn Corporation Limited**

**ABN 41 003 218 862**

## **Appendix 4D**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**Period 1 July 2015 to 31 December 2015**

**(Previous Corresponding Period 1 July 2014 to 31 December 2014)**

# Appendix 4D

## Interim Financial Report

Name of entity

**Kollakorn Corporation Limited**

ABN or equivalent company reference	Half yearly <i>(tick)</i>	Preliminary final <i>(tick)</i>	Financial half year ended ('current period')
41 003 218 862	<input checked="" type="checkbox"/>	<input type="checkbox"/>	31 December 2015

### Results for Announcement to the Market

Results	\$A		
Revenues from ordinary activities	Up	1,068%	to 911,094
Profit (Loss) from ordinary activities after tax attributable to members	Up	487%	to 414,735
Net Profit (Loss) for the period attributable to members	Up	487%	to 414,735
<b>Dividends (distributions)</b>	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		
<p>The Company does not have a dividend reinvestment plan and no dividends are proposed to be declared for the current year.</p> <p><b>Note:</b>            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 2015, with the accompanying notes to the Appendix 4D, and with the most recent annual financial report.</p>			

**HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2015**

<b>CONTENTS</b>	<b>PAGES</b>
Directors' Report	1
Auditor's Independence Declaration	2
Independent Auditor's Review Report	3-4
Directors' Declaration	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10-14

**KOLLAKORN CORPORATION LIMITED  
DIRECTORS' REPORT 31 DECEMBER 2015**

---

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 2015. 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 (Chief Executive Officer)
- Namchoke Somapa
- Nicholas Aston
- Charles Hunting

**Secretary**

- Tom Bloomfield

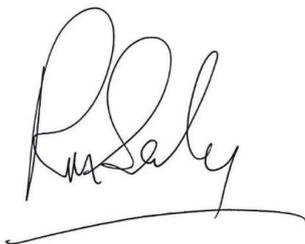
**2. Review of Operations the Half Year:**

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, 22 February 2016

**RSM Australia Partners**

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

F +61 (0) 2 8226 4501

[www.rsm.com.au](http://www.rsm.com.au)

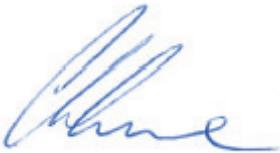
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Kollakorn Corporation Limited for the half year ended 31 December 2015, 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.

A handwritten signature in blue ink, appearing to read "RSM".

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to read "C J Hume".

**C J HUME**  
Partner

Sydney, NSW

Dated: 22 February 2016

## **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 2015, 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 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 made a profit after tax of \$414,735 and had net cash outflows from operating activities of \$119,277 during the half year ended 31 December 2015. As at that date the consolidated entity had net current liabilities of \$2,805,886. 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 generate revenue streams from the Radio Frequency Identification (RFID) technology. We have been unable to obtain sufficient appropriate 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 generate revenue streams from the RFID technology.

#### *Carrying value of associate*

As disclosed in Note 3, the consolidated entity's investment in Kollakorn Co. Ltd is carried at \$5,821,776 in the statement of financial position. This asset represents approximately 90% of the consolidated entity's total assets as at 31 December 2015. The ability to realise the carrying value of this asset is dependent on the associate successfully generating revenue streams from the RFID technology. We were unable to obtain sufficient appropriate 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 2015.

#### *Share of profit of associate*

As disclosed in Note 3, the consolidated entity's share of Kollakorn Co. Ltd's net profit of \$820,087 for the half year ended 31 December 2015 is included in the consolidated entity's statement of comprehensive income. We were unable to obtain sufficient appropriate evidence about the consolidated entity's share of Kollakorn Co. Ltd's net profit for the year because the financial statements of Kollakorn Co. Ltd are unaudited. We were unable to perform adequate alternative procedures in this regard. Consequently, we were unable to determine whether any adjustments to the share of profit were necessary during the half-year ended 31 December 2015.

#### *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 2015 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*.

A handwritten signature in blue ink that reads "RSM".

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink that reads "C J Hume".

**C J HUME**  
Partner

Sydney, NSW  
Dated: 22 February 2016

## 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 2015 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 'Richard Sealy', with a horizontal line underneath.

Richard Sealy  
Managing Director

Sydney, 22 February 2016

**Consolidated statement of profit or loss and other comprehensive income**  
**for the half-year ended 31 December 2015**

	Note	Half-year ended 31 December 2015 \$	Half-year ended 31 December 2014 \$
<b>Continuing operations</b>			
Revenue from sale of goods		-	5,019
Royalties received		91,007	72,993
Cost of sales		-	(2,965)
Gross Profit		<u>91,007</u>	<u>75,047</u>
Share of profit (loss) of associates accounted for using the equity method	3	820,087	(167,659)
Other income		21	8,701
Debt forgiveness		-	729,475
Expenses by function:-			
Administration and general		(303,921)	(423,818)
Amortisation of intangible assets		(43,593)	(43,593)
Finance costs		(85,068)	(91,372)
Foreign exchange gain (loss)		1,653	(128,673)
Marketing and sales		(686)	(490)
Research and development		(64,765)	(64,871)
Profit (loss) before tax from continuing operations		414,735	(107,253)
Income tax expense		-	-
<b>Profit (loss) for the period from continuing operations</b>		<u>414,735</u>	<u>(107,253)</u>
<b>Net operating profit (loss) for the period</b>		414,735	(107,253)
<b>Other comprehensive income</b>			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences arising on translation of foreign operations		(8,032)	(20,918)
Other comprehensive (loss) / income for the period		(8,032)	(20,918)
<b>Total comprehensive income (loss) for the period</b>		<u>406,703</u>	<u>(128,171)</u>
Profit (loss) attributable to:			
Members of the parent entity		<u>414,735</u>	<u>(107,253)</u>
Total comprehensive income (loss) attributable to:			
Members of the parent entity		<u>406,703</u>	<u>(128,171)</u>
<b>Earnings per share</b>			
Basic (cents per share)		0.04 cents	(0.01) cents
Diluted (cents per share)		0.04 cents	(0.01) cents

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

**Consolidated statement of financial position**  
 as at 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
<b>Current Assets</b>			
Cash assets		89,115	211,009
Trade and other receivables		147,938	162,927
Other assets		360	900
<b>Total Current Assets</b>		<u>237,413</u>	<u>374,836</u>
<b>Non-Current Assets</b>			
Intangible assets		217,963	261,556
Investment in associates	3	5,821,776	5,001,689
<b>Total Non-Current Assets</b>		<u>6,039,739</u>	<u>5,263,245</u>
<b>Total Assets</b>		<u>6,277,152</u>	<u>5,638,081</u>
<b>Current Liabilities</b>			
Trade and other payables		1,482,478	1,621,632
Other current liabilities	4	1,464,345	1,379,276
Provisions		96,476	91,777
<b>Total Current Liabilities</b>		<u>3,043,299</u>	<u>3,092,685</u>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>-</u>
<b>Total Liabilities</b>		<u>3,043,299</u>	<u>3,092,685</u>
<b>Net Assets</b>		<u>3,233,853</u>	<u>2,545,396</u>
<b>Equity</b>			
Issued capital	5	50,339,929	50,058,175
Reserves		1,776,692	1,784,724
Accumulated losses		(48,882,768)	(49,297,503)
<b>Total Equity</b>		<u>3,233,853</u>	<u>2,545,396</u>

**Consolidated statement of changes in equity**  
**for the half-year ended 31 December 2015**

	Fully paid ordinary shares	Equity-settled employee benefits reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	49,541,151	2,096,130	(281,187)	(48,652,795)	2,703,299
Profit (Loss) for the period	-	-	-	(107,253)	(107,253)
Exchange differences arising on translation of foreign operations	-	-	(20,918)	-	(20,918)
<b>Total comprehensive income for the period</b>	-	-	(20,918)	(107,253)	(128,171)
Issue of shares	215,000	-	-	-	215,000
<b>Balance at 31 December 2014</b>	<b>49,756,151</b>	<b>2,096,130</b>	<b>(302,105)</b>	<b>(48,760,048)</b>	<b>2,790,128</b>
Balance at 1 July 2015	50,058,175	2,096,130	(311,406)	(49,297,503)	2,545,396
Profit (Loss) for the period	-	-	-	414,735	414,735
Exchange differences arising on translation of foreign operations	-	-	(8,032)	-	(8,032)
<b>Total comprehensive income for the period</b>	-	-	(8,032)	414,735	406,703
Issue of shares	284,392	-	-	-	284,392
Share Issue Costs	(2,638)	-	-	-	(2,638)
<b>Balance at 31 December 2015</b>	<b>50,339,929</b>	<b>2,096,130</b>	<b>(319,438)</b>	<b>(48,882,768)</b>	<b>3,233,853</b>

**Consolidated statement of cash flows  
 for the half-year ended 31 December 2015**

	<b>Half-year ended 31 December 2015</b>	Half-year ended 31 December 2014
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	<b>113,652</b>	127,252
Payments to suppliers and employees	<b>(229,505)</b>	(228,411)
Finance costs	<b>(3,424)</b>	(888)
	<hr/>	<hr/>
Net cash outflow from operating activities	<b>(119,277)</b>	(102,047)
	<hr/>	<hr/>
<b>Cash Flows from Investing Activities</b>		
Interest received	<b>21</b>	8,701
Royalties and other investment income received	<b>-</b>	-
	<hr/>	<hr/>
Net cash inflow from investing activities	<b>21</b>	8,701
	<hr/>	<hr/>
<b>Cash Flows from Financing Activities</b>		
Proceeds from the issue of shares	<b>-</b>	215,000
Proceeds from the issue of convertible notes	<b>-</b>	75,819
Payment for share issue costs	<b>(2,638)</b>	-
Payment for cancellation fees	<b>-</b>	(215,044)
	<hr/>	<hr/>
Net cash (outflow)/inflow from financing activities	<b>(2,638)</b>	75,775
	<hr/>	<hr/>
Net (decrease)/increase in cash held	<b>(121,894)</b>	(17,571)
	<hr/>	<hr/>
Cash at the beginning of the period	<b>211,009</b>	82,355
	<hr/>	<hr/>
Cash at the end of the period	<b>89,115</b>	64,784
	<hr/> <hr/>	<hr/> <hr/>

**Kollakorn Corporation Limited and Controlled Entities**  
Notes to the financial statements for the half year ended 31 December 2015

**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 2015 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 2015, 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 2015 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 2015, 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 prior 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 made a profit of \$414,735 and had net cash outflows from operating activities of \$119,277 for the half year ended 31 December 2015. As at that date the consolidated entity had net current liabilities of \$2,805,886.

The ability of the consolidated entity to continue as a going concern is dependent on a number of factors, 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 generate revenue streams from the RFID technology.

These factors indicate material 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 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 the 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 2015

**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:

	<u>Revenue</u>		<u>Segment profit/(loss)</u>	
	<u>Half year ended</u>		<u>Half year ended</u>	
	<u>31 Dec 2015</u>	<u>31 Dec 2014</u>	<u>31 Dec 2015</u>	<u>31 Dec 2014</u>
	\$	\$	\$	\$
<b>Continuing operations</b>				
AVI	-	-	(145)	(546)
Smart & Secure	91,007	78,012	49,331	33,543
TransitVault & Certain ID	-	-	(1,698)	(469)
Total for continuing operations	91,007	78,012	47,488	32,528
Profit (Costs) not able to be allocated to one operation			367,247	(139,781)
Profit (Loss) before tax from continuing operations			414,735	(107,253)
Income tax expense			-	-
Profit (Loss) for the period from continuing operations			414,735	(107,253)
Consolidated revenue (excluding interest and other revenue) and profit for the period	91,007	78,012	414,735	(107,253)

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

Segment profit/(loss) represents the profit/(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 2015

**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:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>31 Dec 2015</b>	<b>30 June 2015</b>	<b>31 Dec 2015</b>	<b>30 June 2015</b>
	\$	\$	\$	\$
AVI	5,911,727	5,056,512	-	-
Smart&Secure	238,957	337,381	-	-
TransitVault & Certain ID	-	-	168,813	160,592
<b>Total segment</b>	<b>6,150,684</b>	<b>5,393,893</b>	<b>168,813</b>	<b>160,592</b>
Unallocated	126,468	244,188	2,874,486	2,932,093
<b>Consolidated total</b>	<b>6,277,152</b>	<b>5,638,081</b>	<b>3,043,299</b>	<b>3,092,685</b>

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. Kollakorn Co., Limited (Kollakorn Thailand) offered all shareholders a pro rata rights issue in December 2015, however KKL elected not to participate. All other shareholders in Kollakorn Thailand have participated and the shares so issued have been called as to 25%. The effect of KKL's shareholding in Kollakorn Thailand was to reduce it to 26.67% as at 31 December 2015.

The total purchase price for the 26.67% interest in this company to date has been \$6,461,652 (30 June 2015: \$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 2015 is \$5,821,776 (30 June 2015: \$5,001,689). The company's share of accumulated losses in Kollakorn Thailand at 31 December 2015 is \$639,875 (30 June 2015: \$1,459,963).

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 26.67% 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 2015

**NOTE 3. INVESTMENT IN ASSOCIATES (CONTINUED)**

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

	<b>31 Dec 2015</b>	<b>30 June 2015</b>
	\$	\$
Total assets	11,269,311	7,121,196
Total liabilities	6,844,826	4,331,546
Net assets	<u>4,424,485</u>	<u>2,789,650</u>
Group's share of net assets of associates	<u>1,179,877</u>	<u>927,001</u>

	<b>Half-year ended 31 Dec 2015</b>	<b>Half-year ended 31 Dec 2014</b>
	\$	\$
Total revenue	13,593,214	3,051
Total profit (loss)	<u>3,075,404</u>	<u>(504,542)</u>
Group's share of profit (loss) of associates	<u>820,087</u>	<u>(167,659)</u>

**NOTE 4. OTHER FINANCIAL LIABILITIES**

The outstanding liability to convertible notes holders as at 31 December 2015 including interest was \$1,464,345. Subsequent to 31 December 2015 new convertible notes have been issued with an expiry date of 31 August 2018 and the interest due on the previous convertible notes of \$381,364 has been forfeited. Interest on the new convertible notes will be at 7% (previously 15%) accrued and payable on the date of the repayment of the new convertible notes. The new convertible notes will be secured against an aggregate amount of 10% of the shares in Kollakorn Co., Ltd (**Kollakorn Thailand**)

For every \$25,000 reinvested, the new noteholders shall have issued:

- **Alternative 1** - 1,500,000 shares at a valuation of \$0.005 (half a cent); plus 750,000 options exercisable on or before 31 August 2018 at \$0.0125 (1.25 cents); or,
- **Or Alternative 2** - 3,000,000 options exercisable on or before 31 August 2018 at \$0.0075 (three quarters of a cents)

All noteholders have agreed to cancel their existing convertible notes and as a result, this previous debt obligation has been cancelled and a new debt obligation has been created for the face value of the previous convertible notes (excluding interest) expiring 31 August 2018.

Pursuant to this arrangement the Company will be issuing 31,500,000 shares, 15,750,000 options exercisable at 1.25 cents and 69,000,000 options exercisable at 0.75 of a cent.

**NOTE 5. ISSUES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES**

Issued capital as at 31 December 2015 amounted to \$50,339,929 (973,691,580 ordinary shares).

Following approval from shareholders at the Annual General Meeting, the company issued 28,571,428 shares to Mr Richard Sealy at \$0.007 per share, for a total value of \$200,000, which is the consideration paid for converting unpaid consultancy fee owing to Mr Richard Sealy. As a result, the unpaid consultancy fee balance has been reduced to \$376,774.66 as at 31st December 2015.

Following approval from shareholders at the Annual General Meeting, the company issued 12,056,000 shares to Mr Sevag Chalabian at \$0.007 per share for a total value of \$84,392, which is the consideration paid for converting unpaid director fee owing to Mr Sevag Chalabian. As a result, the unpaid director fee balance owing to Mr Sevag Chalabian has been reduced to \$89,892 as at 31st December 2015.

**Kollakorn Corporation Limited and Controlled Entities**  
Notes to the financial statements for the half year ended 31 December 2015

**NOTE 6. CONTINGENT LIABILITIES**

The unpaid consultancy fee of \$376,774.66 owing to Mr Richard Sealy would be paid in cash on or before 31 March 2016.

The unpaid director fees of \$89,892 owing to Mr Sevag Chalabian would be paid in cash on or before 31 March 2016.

Should a balance be outstanding as at 31 March 2016 on either amount owing then it will attract interest at 10% p.a. until paid.

**NOTE 7. EVENTS SUBSEQUENT TO REPORTING DATE**

Apart from the convertible notes being extended to 31 August 2018 and the interest due of \$381,364 being forfeited as disclosed in note 4, no other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**NOTE 8. INTEREST IN SUBSIDIARIES**

Set out below are the Group's subsidiaries at 31 December 2015. 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	
		2015 %	2014 %
<b>Parent entity</b>			
Kollakorn Corporation Limited (i)	Australia	-	-
<b>Subsidiaries</b>			
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.