

Kollakorn Corporation Limited

ABN 41 003 218 862

Appendix 4E

**PRELIMINARY FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

Period 1 July 2014 to 30 June 2015

(Previous Corresponding Period 1 July 2013 to 30 June 2014)

Appendix 4E

Preliminary Financial Report

Name of entity

Kollakorn Corporation Limited

ABN or equivalent
company reference

41 003 218 862

Half yearly
(*tick*)

Preliminary
final (*tick*)

Financial year ended ('current period')

30 June 2015

Results for Announcement to the Market

Results	\$A
Revenues from ordinary activities	Up 41% to 280,924
(Loss) from ordinary activities after tax attributable to members	Down 15% to (1,374,183)
Net (Loss) for the period attributable to members	Down 60% to (644,708)
Dividends (distributions)	
	Amount per security
Final dividend	NIL
Previous corresponding period	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>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 2015 and with the accompanying notes to the Appendix 4E.</p>	

Commentary on the Results

COMMENTARY ON THE RESULTS

Financial Results

Operating revenue this financial year was again, predominantly from royalties which increased by 102% from \$134,760 (2014) to \$272,204.

Expenses continued to contract which, excluding the share of losses from Kollakorn Co., Ltd (**Kollakorn Thailand**) were down 8% from \$1,391,836 (2014) to \$1,276,834.

Net loss from ordinary activities was down 15% to \$1,374,183, however the net loss attributable to shareholders for the year decreased 58% from a loss of \$1,619,656 (2014) to a loss this year of \$674,927. This was primarily due to the debt of US\$737,000 (A\$912,052), owing to La Jolla Cove Investors Inc. being settled by paying the sum of US\$150,000 (A\$192,777). This achievement by the directors greatly enhanced the balance sheet of the Company.

In April 2015 the Company advised that the non-renounceable rights issue of one (1) new fully paid share for every ten (10) existing shares in order to raise \$620,453 had raised \$326,908, which was 47% of the amount sought. The issue was supported by 177 shareholders and resulted in the issue of 46,702,638 new shares. The rights issue together with further shares issued for a total of \$215,000 raised in September and November 2014 increased the number of shares on issue to 933,064,152.

The relative success of the capital raising has meant that for the first time in a while the Company has finished the year with considerably more cash in the bank and due to the write-off of the La Jolla debt, considerably less liabilities than may have been the case if this settlement had not been achieved.

Other factors that occurred in this financial year and that have still to impact the balance sheet are:

- Mr R M Sealy agreed that on his retirement as Managing Director on 31 March 2015 that he would, subject to shareholders approval at the forthcoming AGM, convert \$200,000 of the \$577,166 debt owed to him by the Company into 28,571,428 shares (0.7 of a cent) and the balance of \$377,166 would remain as a creditor of the Company until 31 March 2016.; and
- Mr Sevag Chalabian agreed that on his retirement as Chairman on 1 January 2015 he would, subject to shareholders approval at the forthcoming AGM, convert \$84,392 of the \$168,784 debt owed to him by the Company into 12,056,000 shares (0.7 of a cent) and the balance of \$84,392 would remain as a creditor of the Company until 31 March 2016.

Operations

RFID with Break on Removal Technology

The 2015 financial year was a consolidation year, kicking off with new worldwide, non-exclusive royalty agreements being agreed with 3M and with Star RFID of Thailand. This ensured that these major players in the motor vehicle and tolling RFID markets around the world would be a channel to market for the Company's Break on Removal Technology (**BOR**).

The decision to licence both 3M and Star RFID proved to be a good one for the Company in that these companies marketed our BOR technology in 2015, winning contracts for:

- 1.2 million tags in the Dominican Republic for the purpose of tagging all motor cycles in the country; and
- Becoming certified for the mandatory issue of tags with Kollakorn's BOR technology for application to all new vehicles sold in India. As the freeways in India continue to expand there will be extensive retrofitting of tags to existing vehicles ensuring strong royalty payments from both these companies.

It is now expected that royalty income should be sufficient in the 2016 year to cover operating costs.

In February 2015 the Ministers Council of the Thailand Government approved the use of RFID by the DLT for all registered vehicles in the 5 Southern Provinces (Songkhla, Yala, Pattani, Narathiwat and Satun), and the proposed Regulations were forwarded to the Office of the Juridical Council to be drafted. The regulation states that all vehicles situated in, and entering the Southern Provinces, will need to be registered on the system and have RFID tags.

Since then the Government has announced the establishment of the budget for the Southern States which includes the RFID project and the DLT is now gathering the required information to establish procurement for the RFID project.

These new Regulations will help people in the Southern Provinces to defeat the activities of the criminals and terrorists operating in their territory and across the Malaysian border and to curb the violent incidents involving stolen vehicles or those with fake registration numbers.

CertainID

In September 2014 a small placement of 1,500,000 ordinary shares was made by the Company in order to finance the national phase of International Patent Cooperation Treaty (PCT) application PCT/AU2010/000584 of “**A Biometric Identification Method**” and PCT/AU2013/000266 “**A Biometric Authentication System**” (**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 CertainID patent.

During the year the Company secured patent coverage in many countries including the USA, China, Malaysia, Korea and many European countries. The directors regarded this activity as vitally important in order to ensure that maximisation of the patent’s validity around the world. Also during the year a decision was taken by the directors to aggressively look for a partner to develop the CertainID patent and commercialise it.

Management

As stated above the managing director, Mr Richard Sealy, after 5 years of service, retired on 31 March 2015 due to ill health. This was advised to shareholders at the last Annual General Meeting in November 2014. The directors have been unable to locate a suitable replacement for Mr Sealy and he has agreed to become Chief Executive Officer and to remain a director of the Company until a suitable replacement is found. Mr Sealy has agreed to fulfil this position for a consulting fee of \$5,000 per month plus agreed expenses.

Mr Sevag Chalabian who had been the Chairman of the Company for approximately 4 years resigned due to pressures of work and Mr Riad Tayeh became Chairman of the Board. Mr Tayeh has served on the Kollakorn/MIKOH board for 8 years and the directors are very grateful to Mr Tayeh for stepping up at this time.

The directors were also pleased, in November 2014, to announce the appointment of Charles Hunting to fill a casual vacancy on the board.

Future Strategy

There can be no doubt that the point of difference between our RFID tags and other RFID tags is the patented BOR technology and what has also become evident is the client demand for an RFID tag that cannot be tampered with. This means that the Company is now in a position to reap a much higher margin because of the value add of the BOR patented technology and by going directly to market rather than relying solely on channel partners and royalties. It is the intention of the directors to now focus on strategic markets using this new financial model in order to increase the share of sales of our RFID tags.

CertainID needs to be developed with the same focus in mind. The potential of CertainID is enormous if it becomes a major security tool for protecting a person’s biometric signature. Unlike a password, once hacked a person’s biometric signature is hacked forever therefore exposing it to the internet is not something that should be done lightly. There are potentially millions of transactions a day that could benefit from CertainID and billions of appliances connected to the internet therefore even a very small amount charged to each appliance and for each transaction using CertainID will become a very large sum of money.

The intention is now to pursue projects with our partners Kollakorn Thailand, Somapa Information Technology PCL and some other key partners and to maximise the value of our patents and our technical ability in the security sector the first of which was executed by Kollakorn Thailand recently.

The directors have announced that Kollakorn’s 33.23% associate company Kollakorn Thailand has won a 373 million Baht (approximately USD10.7 million) to supply equipment to Samart Corporation PCL a Thailand listed public company. The equipment is to be used for a new project to supply an Advance Passenger Processing system (“APPS”) to Airports of Thailand (“AOT”). APPS is a system where every airline flying to Thailand must submit passenger information prior to passengers’ departure, arrival or transit through Thailand.

In the last few days a shareholder update was released that shows that there are further new projects that embrace the company’s new strategic model underway which should have a significant financial impact on Kollakorn in 2016. Your directors believe that without the foundations laid in the 2015 financial year the expected successes in the 2016 year will not be possible.



Richard Sealy
Managing Director

Consolidated statement of comprehensive income for the financial year ended 30 June 2015

	Note	Year ended 30 June 2015	Year ended 30 June 2014
		\$	\$
Continuing operations			
Revenue from sale of goods	3	18,166	7,957
Royalty revenue		254,038	126,803
Less cost of goods sold		(12,653)	(7,455)
Gross Profit		259,551	127,305
Other income	3	738,194	64,114
Expenses by function:-			
Administration and general		(783,023)	(1,021,337)
Amortisation of intangible assets		(87,185)	(87,185)
Finance costs		(175,061)	(115,613)
Foreign exchange losses		(128,521)	(6,702)
Marketing and sales		-	(10,092)
Technology costs		(103,044)	(150,907)
Share of losses from associates	7	(365,619)	(414,824)
Loss before tax from continuing operations	3	(644,708)	(1,615,241)
Income tax expense		-	-
Loss for the year from continuing operations		(644,708)	(1,615,241)
Loss for the year from discontinued operations		-	-
Net loss for the year		(644,708)	(1,615,241)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(30,219)	(4,415)
Total other comprehensive loss for the year		(30,219)	(4,415)
Total comprehensive loss for the year		(674,927)	(1,619,656)
Loss attributable to:			
Owners of the parent		(644,708)	(1,615,241)
Total comprehensive loss attributable to:			
Owners of the parent		(674,927)	(1,619,656)
Earnings per share			
Basic (cents per share)	14	(0.07)	(0.19)
Diluted (cents per share)	14	(0.07)	(0.19)

Notes to the consolidated financial statements are included on pages 7 to 17.

Consolidated statement of financial position as at 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
Current Assets			
Cash assets		211,009	82,355
Trade and other receivables	4	162,927	161,125
Other assets	5	900	983
Total Current Assets		374,836	244,463
Non-Current Assets			
Intangible assets	6	261,556	348,741
Investments in associates	7	5,001,689	5,367,308
Total Non-Current Assets		5,263,245	5,716,049
Total Assets		5,638,081	5,960,512
Current Liabilities			
Trade and other payables	8	1,621,632	1,284,062
Other financial liabilities	9	1,379,276	1,898,327
Provisions	10	91,777	74,824
Total Current Liabilities		3,092,685	3,257,213
Total Liabilities		3,092,685	3,257,213
Net Assets		2,545,396	2,703,299
Equity			
Issued capital	11	50,058,175	49,541,151
Reserves	12	1,784,724	1,814,943
Accumulated losses	13	(49,297,503)	(48,652,795)
Total Equity		2,545,396	2,703,299
Net tangible asset backing per ordinary security		0.24 cents	0.27 cents

Notes to the consolidated financial statements are included on pages 7 to 17.

Consolidated statement of changes in equity

for the year ended 30 June 2015

	Fully paid ordinary shares	Equity- settled employee benefits reserve	Foreign currency translation reserve	Accumulated losses	Total attributable to members of the parent
	\$	\$	\$	\$	\$
Balance at 1 July 2013	49,542,726	2,081,630	(276,772)	(47,037,554)	4,310,030
Loss for the year	-	-	-	(1,615,241)	(1,615,241)
Exchange differences arising on translation of foreign operations	-	-	(4,415)	-	(4,415)
Total comprehensive income for the period	-	-	(4,415)	(1,615,241)	(1,619,656)
Issue of shares	-	-	-	-	-
Share Issue Costs	(1,575)	-	-	-	(1,575)
Transfer to from Employee Benefits Reserve	-	-	-	-	-
Recognition of share-based payments	-	14,500	-	-	14,500
Balance at 30 June 2014	49,541,151	2,096,130	(281,187)	(48,652,795)	2,703,299
Balance at 1 July 2014	49,541,151	2,096,130	(281,187)	(48,652,795)	2,703,299
Loss for the year	-	-	-	(644,708)	(644,708)
Exchange differences arising on translation of foreign operations	-	-	(30,219)	-	(30,219)
Total comprehensive income for the period	-	-	(30,219)	(644,708)	(674,927)
Issue of shares and options	541,908	-	-	-	541,908
Share Issue Costs	(24,884)	-	-	-	(24,884)
Recognition of share-based payments	-	-	-	-	-
Balance at 30 June 2015	50,058,175	2,096,130	(311,406)	(49,297,503)	2,545,396

Notes to the consolidated financial statements are included on pages 7 to 17.

Consolidated statement of cash flows for the year ended 30 June 2015

	Note	Year ended 30 June 2015 \$	Year ended 30 June 2014 \$
Cash Flows from Operating Activities (inclusive of Goods and Services Tax)			
Receipts from Customers		23,887	2,467
Receipts of R&D Tax Offset		-	-
Payments to suppliers and employees		(562,842)	(534,170)
Interest and other costs of finance paid		-	(10,502)
Net cash outflow from operating activities	16	<u>(538,955)</u>	<u>(542,205)</u>
Cash Flows from Investing Activities			
Interest received		8,720	10
Royalties and other investment income received		246,515	158,915
Purchase of investment in associate		-	-
Payments for intangible assets		-	-
Net cash inflow from investing activities		<u>255,235</u>	<u>158,925</u>
Cash Flows from Financing Activities			
Proceeds from the issue of shares		541,908	-
Payment for share issue expenses		(24,884)	-
Proceeds from the issue of convertible notes		110,393	468,064
Payment for debt issue costs		-	-
Payment for cancellation fees		-	-
Repayment of borrowings		(215,043)	(3,358)
Net cash inflow from financing activities		<u>412,374</u>	<u>464,706</u>
Net increase/(decrease) in cash held		128,654	81,426
Cash at the beginning of the period		82,355	929
Effects of exchange rate changes on cash		-	-
Cash at the end of the period		<u><u>211,009</u></u>	<u><u>82,355</u></u>

Notes to the consolidated financial statements are included on pages 7 to 17.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements and notes represent those of Kollakorn Corporation Limited and Controlled Entities (the “consolidated group” or “group”).

The separate financial statements of the parent entity, Kollakorn Corporation Limited, have been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 31st August 2015 by the directors of the company.

b) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

c) Application of new and revised Accounting Standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group’s assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

Standard/Interpretation	Application date (financial years beginning on or after)	Expected Impact
AASB 9 ‘Financial Instruments’, and the relevant amending standards	1 January 2018	Unlikely to have a significant impact
AASB 15 ‘Revenue from Contracts with Customers’ and AASB 2014-5 ‘Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017	Unlikely to have a significant impact
AASB 2014-3 ‘Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	Unlikely to have a significant impact
AASB 2014-4 ‘Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	Unlikely to have a significant impact
AASB 2014-6 ‘Amendments to Australian Accounting Standards – Agriculture: Bearer Plants	1 January 2016	Unlikely to have a significant impact

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2015

AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016	Unlikely to have a significant impact
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	Unlikely to have a significant impact
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	Unlikely to have a significant impact
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	Unlikely to have a significant impact
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	Unlikely to have a significant impact
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	1 July 2015	Unlikely to have a significant impact
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	1 January 2016	Unlikely to have a significant impact

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

No revenue was reported for AVI/EVR while market research is undertaken so the technology is modified to correspond to end-user requirements, and targeted to the right organisations and government departments to maximise its market reach. CertainID, Kollakorn's bio-authentication technology, also earned no revenue in the period as 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.

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2015

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>Segment Revenue</u>		<u>Segment profit/(loss)</u>	
	<u>Year ended</u>		<u>Year ended</u>	
	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>
	\$	\$	\$	\$
Continuing operations				
AVI / EVR	18,166	-	17,232	(111,028)
Smart&Secure	254,038	134,232	63,558	39,085
TransitVault & Certain ID	-	528	(603)	(3,465)
Total for continuing operations	<u>272,204</u>	<u>134,760</u>	<u>80,187</u>	<u>(75,408)</u>
Costs not able to be allocated to one operation			<u>(724,895)</u>	<u>(1,539,833)</u>
Loss before tax from continuing operations			(644,708)	(1,615,241)
Income tax expense			-	-
Loss for the period from continuing operations			<u>(644,708)</u>	<u>(1,615,241)</u>
Consolidated revenue (excluding interest and other revenue) and loss for the year	<u>272,204</u>	<u>134,760</u>	<u>(644,708)</u>	<u>(1,615,241)</u>

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, 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 year ended 30 June 2015

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:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>
	\$	\$	\$	\$
AVI / EVR	5,056,512	5,373,808	-	44,782
Smart&Secure	337,381	415,814	-	-
TransitVault & Certain ID	-	-	160,592	130,928
	<hr/>	<hr/>	<hr/>	<hr/>
Total segment assets and liabilities	5,393,893	5,789,622	160,592	175,710
Unallocated assets and liabilities	244,187	170,890	2,932,093	3,081,504
	<hr/>	<hr/>	<hr/>	<hr/>
Consolidated total assets and liabilities	5,638,080	5,960,512	3,092,685	3,257,214

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

Geographical information

The consolidated entity operates in three principal geographical areas – Australia, Thailand and the USA.

The consolidated entity's revenue from external customers and information about its non-current segment assets (plant and equipment, and leasehold improvements) by geographical location are detailed below:

	<u>Revenue from</u>		<u>Non-current assets*</u>	
	<u>external customers</u>		<u>Year ended</u>	
	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>
	\$	\$	\$	\$
USA	148,609	107,301	261,556	348,741
Israel	10,275	-	-	-
Malaysia	7,891	-	-	-
Thailand	105,429	27,459	-	-
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	272,204	134,760	261,556	348,741

*Non-current assets excludes investment in associates

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2015

3. Loss from continuing operations

	Consolidated	
	2015	2014
(a) Revenue	\$	\$
Revenue consisted of the following items:		
Sale of goods	18,166	7,957
Royalties and license fees	254,038	126,803
Total revenues	<u>272,204</u>	<u>134,760</u>

(b) Other Income

Other income consisted of the following items:

Interest Income	8,719	64,114
Gain on extinguishment of debts	729,475	-
Total other income	<u>738,194</u>	<u>64,114</u>

(c) Expenses

The loss before income tax includes the following expenses:

Interest paid to other entities	895	10,502
Interest accrued on convertible notes	174,166	105,111
Employee benefits	440,250	513,828
Equity settled share based payments	-	14,500
Foreign exchange (gains)/losses	128,521	6,702

4. Current trade and other receivables

Trade receivables	67,979	73,869
Goods and services tax receivable	3,165	4,085
Other receivables	91,783	83,171
	<u>162,927</u>	<u>161,125</u>

5. Other current assets

Prepayments	900	983
	<u>900</u>	<u>983</u>

6. Intangible assets

Intangible assets	Cost	435,926	435,926
	Accumulated Amortisation	174,370	87,185
		<u>261,556</u>	<u>348,741</u>

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2015

7. 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 19.90% interest in Kollakorn Co. Ltd (Kollakorn Thailand) on 30 June 2011, purchased an additional 8.80% 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 Group's interest in Kollakorn Thailand at 30 June 2015 is \$5,001,689 (30 June 2014: \$5,367,308).

Pursuant to a resolution passed by the shareholders of Kollakorn, 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 one 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 Ltd do not however believe that they have control over the day to day running of Kollakorn Thailand.

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

	30 Jun 2015	30 Jun 2014
	\$	\$
Total assets	7,121,196	6,884,098
Total liabilities	4,331,546	5,300,787
Net assets	<u>2,789,650</u>	<u>1,583,311</u>
Group's share of net assets of associates	<u>927,001</u>	<u>526,135</u>

	Year ended 30 Jun 2015	Year ended 30 Jun 2014
	\$	\$
Total revenue	33,072	84,847
Total loss for the year	<u>(1,100,267)</u>	<u>(1,248,343)</u>
Group's share of loss of associates	<u>(365,619)</u>	<u>(414,824)</u>

	2015	2014
	\$	\$
8. Current trade and other payables		
Trade payables	1,380,059	1,091,326
Sundry creditors and accruals	241,573	192,736
	<u>1,621,632</u>	<u>1,284,062</u>

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2015

	Consolidated	
	2015	2014
9. Other financial liabilities		
Convertible note facility	1,379,276	1,303,847
Convertible note cancellation fee payable	-	594,480
	1,379,276	1,898,327
10. Current provisions		
Employee benefits	91,777	74,824
11. Issued capital		
	2015	2014
	\$	\$
933,064,152 fully paid ordinary shares (2014: 856,290,086)	50,058,175	49,541,151
	Number	\$
Balance as at 30 June 2013	853,201,739	49,514,076
Issue on 13 June 2014	2,000,000	26,000
Costs associated with the issue of shares	-	(1,575)
Total at 30 June 2014	855,201,739	49,538,501
Add: Shares on escrow	1,088,347	-
Add: Listed options previously issued	-	2,650
Total ordinary shares as at 30 June 2014	856,290,086	49,541,151
Balance as at 30 June 2014	855,201,739	49,538,501
Issue on 30 September 2014	1,500,000	15,000
Issue on 22 November 2014	28,571,428	200,000
Issue on 28 April 2015	43,051,200	301,358
Issue on 22 May 2015	3,651,438	25,550
Costs associated with the issue of shares	-	(24,884)
Total shares on issue as at 30 June 2015	931,975,805	50,055,525
Add: Shares on escrow	1,088,347	-
Add: Listed options previously issued	-	2,650
Total Ordinary shares as at 30 June 2015	933,064,152	50,058,175

11. Issued capital (continued)

Unlisted Share Options

The consolidated entity has an ownership based remuneration scheme for directors and executives under which share options are issued at the discretion of the Board. The consolidated entity also issued unlisted options in accordance with convertible note facility agreements entered into during the year ended 30 June 2015.

	2015 Number	2014 Number
Balance at the beginning of the financial year	135,000,000	46,000,000
Granted during the financial year	-	89,000,000
Exercised during the financial year	-	-
Lapsed during the financial year	-	-
Expired during the financial year	(17,000,000)	-
Balance at the end of the financial year	<u>118,000,000</u>	<u>135,000,000</u>

Unlisted share options outstanding as at 30 June 2015 were

<u>Expiry Date</u>	<u>Exercise Price Per Option</u>	<u>Number</u>
14/08/2015	7.5 cents	5,000,000
7/03/2016	2 cents	4,000,000
7/03/2016	3 cents	4,000,000
7/03/2016	4 cents	4,000,000
28/05/2016	2 cents	4,000,000
28/05/2016	3 cents	4,000,000
28/05/2016	4 cents	4,000,000
03/09/2016	2 cents	17,000,000
03/09/2016	3 cents	17,000,000
03/09/2016	4 cents	17,000,000
05/12/2016	4 cents	5,000,000
05/12/2016	2 cents	11,000,000
05/12/2016	3 cents	11,000,000
05/12/2016	4 cents	11,000,000
		<u>118,000,000</u>

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2015

	Consolidated	
	2015	2014
	\$	\$
12. Reserves		
Employee equity-settled benefits reserve	2,096,130	2,096,130
Foreign currency translation	(311,406)	(281,187)
	1,784,724	1,814,943
 Employee equity-settled benefits reserve		
Balance at the beginning of the financial year	2,096,130	2,081,630
Share-based payment	-	14,500
Balance at the end of the financial year	2,096,130	2,096,130
 Foreign currency translation		
Balance at the beginning of the financial year	(281,187)	(276,772)
(Deficit)/surplus from translation of financial statements of foreign operations	(30,219)	(4,415)
Balance at the end of the financial year	(311,406)	(281,187)
 13. Accumulated Losses		
Balance at the beginning of the financial year	(48,652,795)	(47,037,554)
Net loss attributable to members of the parent entity	(644,708)	(1,615,241)
Balance at the end of the financial year	(49,297,503)	(48,652,795)
 14. Earnings per share		
	Cents per share	Cents per share
Basic earnings per share	(0.07)	(0.19)
Diluted earnings per share	(0.07)	(0.19)
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
Earnings	(644,708)	(1,615,241)
Weighted average number of shares	882,454,047	854,377,757

Kollakorn Corporation Limited and Controlled Entities
Notes to the financial statements for the year ended 30 June 2015

15. Reconciliation of Net Cash provided by Operating Activities to Loss after Income Tax	Consolidated	
	2015	2014
	\$	\$
Loss from operating activities after income tax	(644,708)	(1,615,241)
Add (less) non-cash flows included in loss		
Depreciation & Amortisation of non-current assets	87,185	87,185
Gain on extinguish of debts	(729,475)	
Loss on disposal of fixed assets	-	-
Equity settled share-based payments	-	14,500
Convertible note interest accrued	174,165	105,110
Investment revenue recognised in the profit & loss	(262,757)	(190,917)
Share of losses of associates	365,619	414,824
Payments for share issue costs included in trade creditors	-	(1,575)
Debt issue costs included in sundry creditors and accruals	-	-
Foreign currency (gain)/loss on translation of net assets	110,856	(16,855)
Changes in operating assets and liabilities		
Decrease (increase) in trade and other receivables	(1,802)	666,291
Less: Equity settled trade debtors	-	(683,409)
Add: Investment revenue included in trade debtor movement	7,523	31,992
Decrease (increase) in other current assets	(83)	540
Increase (decrease) in trade and other payables	337,570	374,976
Add: Equity settled trade creditors	-	271,544
Increase (decrease) in provisions	16,952	(1,170)
Net cash outflow from operating activities	(538,955)	(542,205)

16. Contingent Liabilities

There are no contingent liabilities at the report date.

17. Events Subsequent to the Reporting Date

No events have occurred subsequent to the end of the financial reporting period, which requires adjustment in these financial statements.