



**Kollakorn Corporation Limited**

**ABN 41 003 218 862**

**Annual report for the financial year ended 30 June 2013**

## Contents

Chairman's letter	1
Managing Director's review	2
Corporate governance statement	3
Directors' report	8
Auditor's independence declaration	16
Independent auditor's report	17
Directors' declaration	19
Consolidated statement of profit or loss and other comprehensive income	20
Consolidated statement of financial position	21
Consolidated statement of changes in equity	22
Consolidated statement of cash flows	23
Notes to the financial statements	24
Shareholder information	57

## Letter from the Chairman for the Year ended 30 June 2013

Dear Shareholder,

On behalf of the directors of Kollakorn Corporation Limited (“**Kollakorn**”) it gives me great pleasure to advise you of your Company’s activities for the year ending 30 June 2013 as set out in detail in the Managing Director’s Review.

This financial year has again been one of consolidation and building on the turnaround achieved in the previous two financial years. While the Company did not achieve profitability in this financial year as expected, the work done has further reduced the cost to run the Consolidated Group and brought the Company very close to realising revenues. June 2013 represented a new turning point for the Company, where the royalty revenue for that quarter no longer needed to be applied to reduce debts owing to 3M (previously Sirit) incurred by previous management. Royalty revenues received in future will be free cash flow of the Company to assist with working capital requirements.

The Company grew closer to its Thailand associated company Kollakorn Co., Ltd, increasing its shareholding to 31.19%.

Revenue continues in Kollakorn Co., Ltd with the completion of a number of smaller AVI contracts that have been won and the daily payments from tag sales being sold to the owners of the public passenger vans. The reliance by Kollakorn Co., Ltd on receiving funding from the Company has substantially reduced.

In Thailand the EVR system went live last financial year and the speed control system has proven a very big success. At this stage the EVR project in Thailand continued to be limited to passenger vans but the base of those passenger vans expanded. Management has also developed further strategies and channels to market and expand the implementation of RFID technology worldwide and expect that building on these opportunities in the forthcoming financial year will lead the way to profitability of the Company.

Kollakorn is appreciative of the continued support of its shareholders as it strives towards its mandate of maximising its shareholders wealth.

Yours Sincerely,

**KOLLAKORN CORPORATION LIMITED**



Mr Sevag Chalabian

**NON EXECUTIVE CHAIRMAN**

## Managing Director's Review

### Overview

- Revenues up 1% to \$618,705 (2012: \$610,399)
- Net loss down 54% to \$1,325,334 (2012: \$2,907,593)
- NTA per share 0.45 of a cent (2012: 0.45 of a cent)

### Revenue

Revenue this financial year was predominantly from royalties which at \$599,577 was up 58% on last year. Overall revenue was up 1% on last year.

### Royalties

Total royalties received this year amounted to \$599,577. These royalties were received from 3M (formerly Sirit Inc.) for the supply of tags to Taiwan for the Taiwan tolling project.

### Gross Profit

As the bulk of the revenues received in the 2013 financial year were for royalties with no cost of goods sold, they went immediately to the Gross Profit line.

### Operational Expenses

Management continued to contract expenses so that expenses were down from \$3,182,394 to \$1,943,670 (annualised expenses are expected to drop by a further \$500,000 in the coming year). The net loss for the year improved from a loss of \$2,907,593 last year to a loss this year of \$1,325,334 due principally to the further containment of costs by management.

### Share of Kollakorn Thailand Losses

As Kollakorn Thailand was equity accounted, the share of the Kollakorn Thailand losses attributable to the Company being \$385,611 is therefore accounted for.

### Operations

Management continued to pursue all the projects with considerable vigour. The EVR project in Thailand continued to be limited to passenger vans but the base of those passenger vans expanded. No further categories of vehicles were added to the system this year which still continues to manage speed and accidents in the passenger van category. This has proven its worth as a speed deterrent and it is still management's view that the system will be expanded considerably.

Management also started to develop alternative channels to markets and started to build a pipeline of additional opportunities and as can be seen from recent shareholder updates some of these are now coming to fruition. The market for RFID has changed considerably, where Kollakorn was once a lone voice advocating the benefits of RFID more and more people have realised the benefits that can be achieved through the implementation of RFID in applications. Along with this realisation has been a significant increase in competition for Kollakorn and therefore commercial sensitivity requires the Directors to be more circumspect about announcing progress on projects. Shareholders can however be assured that progress is being made on realising the pipeline of projects in Thailand and elsewhere.



Richard Sealy  
Managing Director

## Corporate Governance Statement

This statement summarises the main corporate governance practices of Kollakorn Corporation Limited. Unless otherwise indicated, all practices were in place for the entire year ended 30 June 2013.

The Board of Directors of Kollakorn Corporation Limited is responsible for the corporate governance of the Group. The Board is responsible for protecting the rights and interests of the shareholders through the implementation of sound strategies and action plans and the development of an integrated framework of controls over the Company's resources, functions and assets. This process is achieved through the application of appropriate corporate governance policies and procedures given the size of the company and the scale of its operations. The Board guides and monitors the business and affairs of Kollakorn Corporation Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Kollakorn Corporation Limited supports the principles of good corporate governance and best practice recommendations as set out in the 2nd edition of the ASX Corporate Governance and Recommendations' as issued by the ASX Corporate Governance Council, unless it believes compliance with individual guidelines is not appropriate. The Company is currently complying with all aspects of the 'Corporate Governance Principles and Recommendations' except in two aspects. Firstly, there is no separate Nomination Committee and, secondly, the Remuneration Committee has only two members rather than the recommended three. In each of these cases it is the Board's view, given the scale of the Consolidated Entity and the size of the Board, that committees of the type and size recommended are not appropriate for Kollakorn.

**Kollakorn's Corporate Governance Statement** is structured with reference to the ASX's Corporate Governance Council's Principles and Recommendations, which are as follows:

- Principle 1 - Lay solid foundations for management and oversight
- Principle 2 - Structure the board to add value
- Principle 3 - Promote ethical and responsible decision making
- Principle 4 - Safeguard integrity in financial reporting
- Principle 5 - Make timely and balanced disclosure
- Principle 6 - Respect the rights of shareholders
- Principle 7 - Recognise and manage risk
- Principle 8 - Remunerate fairly and responsibly

### 1. Lay Solid Foundations for Management and Oversight

#### Governance Roles to achieve the Vision

The skills, experience and expertise relevant to the position of director held by each director in office are included each year in the Company's Annual Report to shareholders.

The Board is accountable to the shareholders for the performance of the Company and has overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of corporate strategy and policy initiatives, has been formally delegated by the Board to the Managing Director ("MD").

Key responsibilities of the Board include:

- Approving the strategic direction and related objectives of the Company, and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Company;
- Reviewing the performance of the MD;
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- Ensuring all major business risks are identified and effectively managed;
- Ensuring that the Company meets its legal and statutory obligations; and
- Having regard to the size of the company and the nature of its operations, the full Board carries out the functions that would otherwise be delegated to a nominations committee.

## Role of the Chairman

The role of the Chairman includes:

- **Vision/Strategy:** Ensuring leadership of the Board in setting and reviewing the Company's vision and strategy;
- **Board meetings:** Setting the agenda with the MD and Company Secretary, ensuring directors receive all relevant information, chairing meetings and resolving conflicts;
- **Shareholder Meetings:** Chairing shareholder meetings and ensuring shareholders have an opportunity to speak on relevant matters and ensuring the attendance of the Auditor at the Annual General Meeting each year;
- **External:** Acting as the Spokesperson, with the MD, on company matters;
- **Managing Director:** Acting as the primary point of contact between the Board and the MD ensuring the adequate flow of information between the two, chairing the performance of the MD and providing mentoring;
- **Board:** Reviewing Board and Committee performance, ensuring appropriate composition is maintained and that proper director induction plans are in place.

## Role of the Managing Director

The role of the MD includes:

- **Vision/Strategy:** Formulating with the Board the vision and strategy of the Company.
- **Management team and employees:** Providing leadership, appointing and negotiating terms of employment of senior executives (with Board approval where necessary), developing a succession plan and ensuring procedures are in place for education and training to ensure compliance with laws and policies.
- **Board:** Responsibility for bringing all matters requiring review/approval to the Board, advising on changes in risk profile, providing certification of the half and full year financial statements together with the Chief Financial Officer and reporting to the Board on a monthly basis the performance of the Company.

## Performance Evaluation

The Board will annually review the performance of the MD having regard to performance measures set out at the commencement of each year. These will include financial measures, achievement of strategic objectives and other key performance indicators including compliance. The MD, in turn, evaluates the performance of other key executives in a similar manner and reports as appropriate to the Board on such reviews.

## 2. Structure the Board to Add Value

### Composition and Balance of Skills of Directors

The Directors consider the size and composition of the Board is appropriate given the Company's status and the nature of its operations however, nonetheless, undertake regular reviews and compliance practices to assist including:

- Periodic review either when a vacancy arises or if the Board considers it would benefit from an additional mix of skills and experience based on the strategic demands of the Company at that time.

### Independence of Directors

The Board believes that the best interests of the Company will be served if a majority of the Directors are independent, as defined in the ASX Corporate Governance Principles and Recommendations. All of the directors are considered to be independent directors and free from any business or other relationship that could (or could reasonably be perceived to) materially interfere with the exercise of their unfettered and independent judgment.

The Board regularly reviews the status of each director. The skills, experience and expertise of each director is contained with the Company's 2013 financial report. The structure of the Board complies with the ASX principle for a majority of the Board to be independent.

The status of each director is as follows:

Director:		Appointed	Resigned
S Chalabian – Chairman	Independent	18 February 2011	
R M Sealy - Managing Director	Executive	29 November 2010	
A Snape	Independent	1 December 2010	14 July 2013
N Somapa	Independent	3 June 2011	
R Tayeh	Independent	23 March 2009	
N J Aston	Independent	15 July 2013	

### **Appointment of Directors**

If the Board determines that there is a need to appoint another director the Board will determine the appropriate skills, experience and qualifications required, having regard to those of the existing directors and implement a system of recruitment aimed at locating the most appropriate person to meet the Board's needs.

### **Performance Evaluation**

The Board, through the Chairman, will carry out an evaluation, at least every three years, to:

- review the role of the Board;
- assess the performance of the Board with a view to assisting the Board to better perform its duties;
- review the type and timing of information provided to directors; and
- review the performance and contribution of each of the non-executive directors.

The Board may, from time to time, use an independent adviser to assist in the reviews. The most recent review of the Board and its Committees was conducted in 2011 with significant changes made to the Board at that time. These processes were conducted in accordance with the Company's evaluation processes.

As stated above, the Company does not have a separate Nomination Committee and those functions are undertaken by the Board.

### **Access to Independent Advice**

Directors may obtain independent experts' advice to enable them to fulfil their obligations, at the expense of the Company, after obtaining approval from the Chairman. Deeds of access indemnity and insurance will be entered into with the directors to the extent permitted by law.

## **3. Promote Ethical and Responsible Decision Making**

### **Code of Conduct of Directors**

The Directors are expected to use their skills commensurate with their knowledge and experience to increase the value of the Company.

To meet this obligation Directors must act honestly and should:

- execute due care and diligence including confidentiality;
- not misuse information or their position for their own gain;
- avoid and fully disclose potential conflicts;
- ensure that the market is fully informed of all matters that require disclosure;
- be aware and abide by insider trading laws and strictly adhere to the Company's policies in this respect; and
- actively promote the reputation of the company.

In accordance with the Corporations Act and the Company's constitution, the Directors must keep the Board advised, on an ongoing basis, of any circumstance(s) that have the potential to conflict with those of the Company. Where the Board believes that a conflict exists, the Director concerned will not receive the relevant Board papers, will not be present at the meeting whilst the item is considered and will take no part in any decision.

Directors are to ensure that the financial statements are prepared in compliance with Australian Corporations Law and all relevant Australian and International Accounting Standards.

Directors must also be aware of environmental impacts of the company's business and ensure the health, safety and wellbeing of their employees.

### **Trading in securities**

The Company's policy on trading in its securities only permits trading by directors and management within one month after the day of the Annual General Meeting, and within one month after the day of the release to the ASX of the Company's full year and half-year results, and only after receiving the permission of the Chairman and Company Secretary. Trading is prohibited at anytime while the person is in possession of price sensitive information not disclosed to the market.

All such transactions will be reported to the Board.

This policy relates to Directors' and executives' spouses and other parties over whom they have significant influence.

## **Contracts and Transactions between the Consolidated Entity and its officers**

Any proposed contract between an officer (including associates of the officer) and the Company must be approved by the Board prior to its execution. If the contract involves a director or an associate of a director then the director must abstain from any discussion and vote on the matter.

## **Interaction with the media**

To ensure clear, consistent and accurate messages are conveyed to the general public via the ASX and the media, unless specifically approved otherwise, the Chairman and the MD are the only authorised spokespersons of the company.

## **Diversity**

The Board is responsible for developing policies in relation to a corporate culture that supports diversity and the implementation of measureable diversity objectives.

The Company's strategies may include:

- Recruiting from a diverse range of candidates for all positions including senior executive roles and Board positions
- Ensuring succession planning considers diversity
- Mentoring and professional development programs
- Networking opportunities
- Pay equity to ensure equal pay for equal work across our workforce
- Mentoring and support networks for women who return from maternity leave
- Training and awareness programs to foster a corporate culture that embraces and values diversity

At the date of this report the company has one full time employee, which is Ms Stefanie Goh, General Manager, Asia Pacific Region. At present, no women are currently represented on the Board.

Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the Company grows the board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.

## **4. Safeguarding Integrity in Financial Reporting**

### **Audit Committee**

The Audit Committee, in accordance with its formal charter, monitors the independence, objectivity, effectiveness and scope of the external audit, and reviews the external auditor's findings and recommendations. The committee oversees management's approach in identifying key financial risk areas, and ensures programs are in place to manage identified risks. The committee also reviews the processes governing any non-audit work undertaken by the external auditor to ensure the independence of the external auditor is not affected by conflicts. The Audit Committee is comprised of Riad Tayeh (Chairman) and Mr Nick Aston (Member). Due to the small size of the Board the Board believes it is not beneficial to have an Audit Committee comprising three members, as recommended by the ASX Corporate Governance Council. Both members are independent. The committee meets as required and, in conjunction with the external auditor, to ensure they are satisfied that the reporting systems in place provide an accurate representation of the Consolidated Entity's activities and position. Two meetings of the Audit Committee were held in the 2013 financial year, and an additional meeting held post close of the full year audit, these meetings were attended by both members.

## **5. Make Timely and Balanced Disclosure**

### **Continuous Disclosure**

It is the Company's policy that all shareholders and investors have equal access to material information. The Chairman, the MD and the Company Secretary ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX. The Company maintains a website which is regularly updated to provide the wider community with all information that is released.

## 6. Respect the Rights of Shareholders

### Communication Policy

The aim of the Board is to ensure that shareholders are informed of all major developments affecting the Company.

Information is communicated in the following manner:

- the Annual Report is distributed to all shareholders who have elected to receive a copy;
- the half-yearly report contains summarised financial information and a review of the operations of the Company during the relevant period;
- the ASX quarterly cash reports will contain summarised financial information for the relevant period;
- regular shareholder updates and other disclosures lodged with the ASX;
- notices and explanatory memorandum for all meetings of the Company shareholders; and
- the Company's website, [www.kollakorn.com](http://www.kollakorn.com).

## 7. Recognise and Manage Risk

### Risk Management and Internal Compliance and Control

The Board, in consultation with the MD and the Company's Auditors, determines the Consolidated Entity's risk profile and is responsible for overseeing and approving risk management strategy and policy. This includes:

- establishing and monitoring the Consolidated Entity's strategies, goals and objectives;
- identifying and measuring risks that have the potential to impact upon the achievement of those strategies, goals and objectives;
- formulating risk management strategies to manage the identified risks; and
- monitoring and improving the effectiveness of risks and internal compliance controls.

### Certificate from MD and CFO

Each year, the Managing Director and the Chief Financial officer certify to the Board in writing that:

- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## 8. Remunerate Fairly and Responsibly

### Remuneration Committee

The Board has a separate Remuneration Committee which ensures the implementation and effectiveness of the Company's Remuneration policies.

### Remuneration Policies

#### Non-Executive Directors

Fees including statutory superannuation paid to non-executive directors will be at or around the market average for a Company such as Kollakorn and are disclosed each year in the Company's annual report. Directors are not entitled to retirement benefits.

#### Senior Executives

Remuneration packages will generally be set to be competitive to both retain executives and attract executives to the company. Further information regarding remuneration policies can be found in the Remuneration Report included in the Directors' Report at the end of each financial year.

## Directors' report

The directors of Kollakorn Corporation Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Information about the directors and senior management

The names and particulars of the directors of the company during or since the end of the financial year are:

#### **Mr Sevag Chalabian (B.Laws, B.Comm, M.Laws) - Non-executive Chairman**

Mr Sevag Chalabian was appointed as the non-executive Chairman on 18 February 2011. He is currently on the Remuneration Committee. Mr Sevag Chalabian is a practicing commercial lawyer and adviser with particular specialisation in corporate and commercial transactions in the mining and property industries. Until March 2004, Sevag served as a partner with Phillips Fox Lawyers. In 2004, he established, in partnership, a boutique commercial law practice, Lands Legal. His practice concentrates on mining joint ventures, corporate transactions and property and financing projects.

Sevag acts for a number of companies, investors and developers and has been involved in a number of landmark projects. He also served as Non-Executive Chairman of Apollo Minerals Limited until September 2010 and the Chairman of the Board of Artemis Resources Limited until August 2010. Sevag was also a Non-Executive Director of East Coast Minerals NL until June 2012.

#### **Mr Richard Malcolm Sealy (CA, MFICD, GAICD) - Managing Director**

Mr Richard Sealy was appointed to the board on the 29 November 2010 as a non-executive director. He was subsequently appointed Managing Director of Kollakorn Corporation on 9 December 2010. Mr Richard Sealy has held numerous private and public company directorships in New Zealand, Australia and the United Kingdom over the last 30 years. He has also successfully managed as CEO, a number of financial, manufacturing, real estate and mining companies both private and public.

A chartered accountant and a Fellow and Graduate of the Australian Institute of Company Directors, Richard, is skilled at resolving difficult corporate situations such as companies that are starting-up, restructuring or in financial difficulties; and then growing these companies within a structure of appropriate management, corporate governance and finance.

Richard has considerable experience in South East Asia and has developed businesses in China and Thailand. He is now located in Thailand working on the Company's Thai EVR business and is also an executive director of Kollakorn's Thailand associate.

#### **Mr Anthony Snape - Non-executive Director**

Mr Anthony (Tony) Snape was re-appointed to the Board on a permanent basis on 1st December 2010, after previously filling a casual vacancy during November 2010 and resigned on 14 July 2013. Tony was a member of the audit committee until his resignation.

#### **Mr Namchoke Somapa (MBA, B.Tourism & Hotel) – Non-executive Director**

Mr Namchoke Somapa was appointed a non-executive Director on 3 June 2011. Mr Namchoke Somapa is the founder and CEO of Somapa Information Technology Public Company Limited and the CEO of Kollakorn Co., Ltd, Kollakorn's partner in the Thailand EVR/AVI rollout. Somapa Information Technology PCL owns 51.76% of Kollakorn Thailand. Namchoke's background in marketing and software development enables him to understand both the business and technical aspects of Kollakorn's EVR business in Thailand. Namchoke's vast network of contacts, both in Thailand and internationally, reach as far as the United States, Africa, the Pacific Islands and back to Asia.

Somapa Information Technology PCL, which was founded in 1992, is based in Bangkok, Thailand and provides information technology consulting, planning, designing and training services. The products of the company include Border Control Systems; Intelligent Transport System; e-Library which is an automated library system; and Remote Monitoring Systems. The company also provides application development, call centre services, document imaging services, data entry and research survey services.

Earlier this year Namchoke was awarded the Phra Kinnaree Award in Thailand. This is an Award given to people of good morality and ethics who have had an impact on the community at large and society, in a sustainable manner. These people are good role models and influential forces for Thailand and their actions must have contributed significantly to the development of Thailand and the national unity.

#### **Mr Riad Tayeh B. Econ., CA – Non-executive Director**

Mr Tayeh was appointed a non-executive Director on 23 March 2009, and was appointed Chairman of the Audit Committee on 30 July 2009. Riad began his career at Coopers & Lybrand, moving to Ferrier Hodgson Sydney, and then Ferrier Hodgson Hong Kong. For ten years he specialised in corporate restructure, financial investigation, and turnaround strategy. In the Hong Kong market Riad restructured listed companies, undertook fraud investigations, and provided litigation support. Riad is a Fellow of the Institute of Chartered Accountants.

Riad has assisted various companies in restructuring, equity raisings, building and acquiring businesses, and exit strategies. He joined Antony de Vries in partnership in February 2002, bringing considerable commercial acumen in the formation of de Vries Tayeh.

Riad also undertakes a number of appointments for not for profit organisations. He has been president and chairman of the Turnaround Management Association of Australia, and continues on various committees including various charity committees.

#### **Mr Nicholas John Aston B.Bus CA – Executive Director**

Mr Aston was appointed a non-executive Director on 15 July 2013 and is a member of the Audit Committee.

Nick is a Chartered Accountant and a founding Director of Brentnalls NSW Pty Ltd a Chartered Accountancy firm based in Sydney.

He has over 25 years tax and business services experience across a broad range of clients. Nick was a founding Director and Member of the Self Managed Superannuation Professionals' Association of Australia, and is the current chair of their Audit and Risk Committee.

Nick's other roles have also included Chair of the Brentnalls National Accounting Affiliation together with directorships and company secretarial roles for several successful Australian Companies and Industry Associations.

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

- Mr A Snape – resigned 14 July 2013
- Mr N J Aston – appointed 15 July 2013

#### **Directorships of other listed companies**

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

<u>Name</u>	<u>Company</u>	<u>Period of directorship</u>
Mr S Chalabian	Global Strategic Metals N.L.	2008 - 2012
	Apollo Minerals Ltd	2007 - 2010
	Artemis Resources Ltd	2006 - 2010
	Bisan Ltd	2007 - 2011
Mr R M Sealy	Global Strategic Metals N.L.	2008 - 2010
	Apollo Minerals Ltd	2009 - 2010
	Artemis Resources Ltd	2009 - 2010

#### **Company Secretary**

##### **Mr Tom Bloomfield BA(hons), ACIS, MAICD**

Mr Bloomfield was appointed on 8 July 2011. Mr Bloomfield is an experienced Chartered Company Secretary and Member of the Australian Institute of Company Directors. He has acted as a Company Secretary and Assistant Company Secretary to various ASX listed clients in Australia. Tom is the General Manager of Corporate Secretarial services at Boardroom Limited, Australia.

#### **Principal activities**

The principal activities of the consolidated entity during the financial year consisted of the development, marketing and commercialisation of security oriented identification, authentication and information storage technologies.

#### **Review of operations**

Total revenue for the year ending 30 June 2013 increased by 1% to \$618,705. The net loss was a marked improvement, down 54% to \$1.325m from \$2.908m in 2012. This is further detailed in the Managing Directors report.

#### **Electronic Vehicle Registration (EVR)**

The roll out of the Thailand EVR project continued to be the major focus for management and staff throughout the 2013 financial year however with the move of the Managing Director to Thailand more emphasis was placed on achieving an expansion of the systems into other ASEAN nations.

Considerable progress was made in Thailand with the EVR system finally going live with the speed monitoring part of the business for all the private passenger vans in and around Bangkok. This has been a great success and has boosted the confidence of the Government to move to including other sectors of the vehicle population for tagging.

### Financial Position

The net assets of the consolidated group have increased by \$976,590 from 30 June 2012 to \$4,310,030 in 2013.

### Subsequent events

Kollakorn Corporation Limited has been successful in securing a further \$600,000 in finance through the issue of convertible notes to existing shareholders. \$428,456 of this funding is to be received in the form of cash deposits on a monthly basis throughout the year ending 30 June 2014, with \$171,544 to aid the company's working capital requirements by offsetting the existing debts owed to Brentnalls NSW Pty Ltd (\$100,000) for unpaid invoices for accounting services and to Tony Snape (\$46,544) and Riad Tayeh (\$25,000) for unpaid directors fees.

Subject to shareholder approval at the Annual General Meeting, the above \$171,544 and \$100,000 that is presently included in trade creditors owing to the managing director Richard Sealy will be extinguished through the issue of a convertible note, consistent with the announcement made to the market on 18 April 2013. These transactions will effectively reduce the balance of trade and other payables presented on the statement of financial position by \$271,544.

Subsequent to year end, \$640,539 of the trade receivables balance disclosed at note 9 has been settled and a further convertible notes pursuant to the funding agreement dated 19<sup>th</sup> of August 2011 has been taken up by the Company in Kollakorn Co., Ltd (Thailand). This occurred as the debtor also had a receivable from Somapa Information Technology PCL, which had a receivable from Kollakorn Co., Ltd (Thailand). In Kollakorn Co., Ltd (Thailand)'s books there was a payable relating to Somapa Information Technology PCL, which had a payable relating to the Company's debtor. This payable in Somapa Information Technology PCL was satisfied via the balance receivable to the Company. These loans were offset in Kollakorn Co., Ltd (Thailand)'s books resulting in a payable to the Company of \$640,539. This payable will be converted to equity. This will result in an increase of the Company's equity investment in Kollakorn Co., Ltd (Thailand) subsequent to year end.

### Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

### Dividends

No dividends were paid during the year. The directors do not recommend the payment of a dividend.

### Environmental Regulation

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Share options

#### Share options granted to directors and executives

During and since the end of the financial year ended 30 June 2013, the following share options were granted to directors and executives of the company (2012: 11,000,000) and the consolidated entity as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
R Sealy	5,000,000	Kollakorn Corporation Limited	10,000,000
P Atherton	-	Kollakorn Corporation Limited	3,000,000
S V Goh	-	Kollakorn Corporation Limited	1,000,000

**Shares under option or issued on exercise of options**

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option \$	Expiry date of options
Kollakorn Corporation Limited	750,000	Ordinary	0.20	31 July 2014
Kollakorn Corporation Limited	750,000	Ordinary	0.40	31 July 2014
Kollakorn Corporation Limited	1,000,000	Ordinary	0.20	31 December 2014
Kollakorn Corporation Limited	1,000,000	Ordinary	0.25	31 December 2014
Kollakorn Corporation Limited	13,500,000	Ordinary	0.075	1 December 2014
Kollakorn Corporation Limited	5,000,000	Ordinary	0.075	14 August 2015
Kollakorn Corporation Limited	4,000,000	Ordinary	0.02	7 March 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.03	7 March 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.04	7 March 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.02	28 May 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.03	28 May 2016
Kollakorn Corporation Limited	<u>4,000,000</u>	Ordinary	0.04	28 May 2016
	<u>46,000,000</u>			

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

No shares or interests were issued during or since the end of the financial year as a result of the exercise of an option.

**Indemnification of officers and auditors incurred as such an officer or auditor.**

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability.

Since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

**Directors' meetings**

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 14 board meetings and 2 audit committee meetings were held.

Directors	Board of directors		Audit committee	
	Held	Attended	Held	Attended
S Chalabian	14	13	-	-
R Tayeh	14	12	2	2
R Sealy	14	14	-	-
A Snape	14	13	2	2
N Somapa	14	2	-	-

## Directors' shareholdings

The following table sets out each director's relevant interest (held by the individual and/or representing entity) in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
S Chalabian	767,318	-
R M Sealy	3,570,170	10,000,000
A Snape	30,786,708	2,000,000
N Somapa	91,940,868	-
R Tayeh	4,194,309	-
N J Aston	11,350,000	2,000,000

## Remuneration report

### Director and executive details

The following persons acted as directors of the company during or since the end of the financial year:

- S Chalabian (Non-executive Chairman)
- R M Sealy (Managing Director)
- R Tayeh (Non-Executive Director)
- A Snape (Non-Executive Director) (resigned 14 July 2013)
- N Somapa (Non-Executive Director)
- N J Aston (Executive Director) (appointed 15 July 2013)

The Group executives of Kollakorn Corporation Limited were:

- P S Atherton (Chief Technology Officer)(resigned 30 June 2013)
- S V Goh (General Manager)
- N J Aston (Chief Financial Officer)

### Remuneration policy

The Board formed a separate Remuneration Committee in July 2009. The committee was convened during the year only as required to review specific agreements relating to key executives and management during the year. The Board of Directors retain responsibility for determining and reviewing compensation arrangements for the directors, the Managing Director, and the senior management team. The Board of Directors assesses the appropriateness of the nature and amount of remuneration of directors and senior management on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

### Non-executive directors

The Board seeks to set aggregate remuneration at a level which provides the consolidated entity with the ability to attract and retain directors of the highest calibre, while incurring a cost which is acceptable to shareholders. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Non-executive directors' fees are within the maximum aggregate limit of \$300,000 per annum as agreed to by shareholders at the Annual General Meeting held on 27 November 2009.

Non-executive directors do not receive performance based bonuses, however given the relatively low director's fees paid in cash the board believes that the issue of share options to non-executive directors on occasion more accurately reflects the time and responsibilities of office.

As at the date of this report the non-executive chairman receives \$60,000 per annum, and other non-executive directors receive \$40,000 per annum plus 9.25% statutory superannuation.

#### Executive directors and senior management

The consolidated entity aims to reward executives with a level and mix of remuneration commensurate with their positions and responsibilities and so as to:

- reward executives for consolidated entity and executive performance;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the consolidated entity; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of the following key elements:

- fixed remuneration; and
- performance based remuneration.

The proportion of fixed remuneration and performance-based remuneration is established by contract and provides for annual review by the Board of Directors.

The level of fixed remuneration, which includes base salary and statutory superannuation, is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed in accordance with contract terms by the Board of Directors. The process consists of a review of companywide and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

#### **Relationship between remuneration policy and company performance**

The emphasis of the company's performance based remuneration strategy is to align the goals of management with those of shareholders whilst taking into account the company's current financial circumstances. It is the view of the Board that the most effective way to align management and shareholder goals is through the provision of share option incentives that correlate contingent remuneration to increases in shareholder value. The extent and conditions regarding these incentives are determined by the board on an annual basis with regard to the company's strategic and financial goals, and market benchmarks.

In considering the consolidated entity's performance and benefits for shareholder wealth, the Board has regard to a number of indices, including the following.

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
	\$	\$	\$	\$	\$
Revenue	618,705	561,096	3,992,930	1,652,312	1,291,820
Net loss before tax	(1,325,334)	(2,984,367)	(3,252,433)	(5,173,785)	(4,131,149)
Net loss after tax	(1,325,334)	(2,907,593)	(3,144,780)	(5,053,635)	(4,023,956)

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
	\$	\$	\$	\$	\$
Share price at start of year	1.6 cents	2.2 cents	7.0 cents	4.4 cents	33.5 cents
Share price at end of year	0.6 cents	1.6 cents	2.2 cents	7.0 cents	4.4 cents
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic earnings per share	(0.16) cents	(0.49) cents	(0.90) cents	(1.73) cents	(2.06) cents
Diluted earnings per share	(0.16) cents	(0.49) cents	(0.90) cents	(1.73) cents	(2.06) cents

## Director and executive remuneration

	Short-term employee benefits			Post-employment benefits	Other employee benefits	Termination benefits	Share-based payment			Total
	Salary & fees	Bonus	Non-monetary	Super-annuation			Equity-settled		Cash-settled	
							Shares & units (i)	Options & rights		
2013	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive directors</b>										
S Chalabian	60,000	-	-	-	-	-	-	-	-	60,000
A Snape	40,000	-	-	3,600	-	-	-	-	-	43,600
N Somapa	40,000	-	-	-	-	-	-	-	-	40,000
R Tayeh	40,000	-	-	-	-	-	-	-	-	40,000
<b>Executive officers</b>										
P S Atherton	182,070	-	-	-	-	-	-	-	-	182,070
S V Goh	100,771	-	-	-	-	-	-	-	-	100,771
R M Sealy	327,000	-	-	-	-	-	-	22,780	-	349,780
	789,841	-	-	3,600	-	-	-	22,780	-	816,221

	Short-term employee benefits			Post-employment benefits	Other employee benefits	Termination benefits	Share-based payment			Total
	Salary & fees	Bonus	Non-monetary	Super-annuation			Equity-settled		Cash-settled	
							Shares & units	Options & rights		
2012	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive directors</b>										
S Chalabian	60,000	-	-	-	-	-	-	-	-	60,000
A Snape	40,000	-	-	2,100	-	-	-	-	-	42,100
N Somapa	40,000	-	-	-	-	-	-	-	-	40,000
R Tayeh	40,000	-	-	-	-	-	-	-	-	40,000
<b>Executive officers</b>										
P S Atherton	181,216	-	-	-	-	-	-	35,400	-	216,616
S V Goh	111,172	-	-	-	-	-	-	11,800	-	122,972
S Marks	90,000	-	-	7,888	-	-	-	15,400	-	113,288
R M Sealy	327,000	-	-	-	-	-	-	38,500	-	365,500
	889,388	-	-	9,988	-	-	-	101,100	-	1,000,476

## Key terms of employment contracts

The Chairman and other non-executive directors are paid director's fees and, in the case of those who are Australian based, compulsory superannuation fund contributions are made on their behalf.

The Company had entered into an employment contract with Sealy Consulting Services Pty Limited to have R M Sealy provide services as Managing Director. The contract contained the following key terms:

Term: Fixed term agreement from 1 March 2013 to 31 March 2014  
Annual Salary: \$27,250 per month + GST  
Other Remuneration: Compensation by way of options  
Employee Benefits: Mobile phone  
Notice Period: Three months by either party  
Redundancy: Not applicable due to contractor basis

Nicholas Aston was hired as an external consultant to take the position of Chief Financial Officer from 1 January 2012.

The Chief Technology Officer ("CTO") is employed under an Executive Service Agreement which expired on 30/06/2013. Under the agreement he was remunerated on an agreed salary basis, with annual reviews. He was entitled to the use of a company-provided fully maintained motor vehicle. The company also pays the cost of private medical insurance for the CTO and his wife.

The company has in place an Employee Share Option Plan, under which employees may be granted share options from time to time at the sole discretion of the Board. A Salary Sacrifice Share Plan was also instituted during the year ended 30 June 2009.

### Proceedings on behalf of the company

No person has applied to Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave to the Court under section 237 of the Corporations Act 2001.

### Non-audit services

No amounts were paid to the auditor for non-audit services provided during the year by the auditor.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards

### Auditor's independence declaration

The auditor's independence declaration is included on page 16 of the annual financial report.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



**Sevag Chalabian**  
Non-executive Chairman



**Richard Sealy**  
Managing Director

Sydney, 30 September 2013

### **AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Kollakorn Corporation Limited for the year ended 30 June 2013, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



**RSM BIRD CAMERON PARTNERS**



**C J HUME**  
Partner

Sydney, NSW  
Dated: 30 September 2013

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
KOLLAKORN CORPORATION LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Kollakorn Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Financial Report and our unqualified audit opinion on the Remuneration Report.

*Independence*

In conducting our audit, 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 report.

*Basis for Qualified Opinion*

As disclosed in Note 13, Kollakorn Limited's investment in Kollakorn Co. Ltd, is carried at \$5,098,723 in the statement of financial position as at 30 June 2013, and Kollakorn Limited's share of Kollakorn Co. Ltd's net loss of \$385,611 is included in Kollakorn Limited's statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Kollakorn Limited's investment in Kollakorn Co. Ltd as at 30 June 2013 and Kollakorn Limited's share of Kollakorn Co. Ltd's net loss for the year because the financial statements of Kollakorn Co. Ltd are unaudited and we were unable to perform adequate alternative audit procedures in this regard. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

- (a) the financial report of Kollakorn Corporation Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

*Emphasis of Matter*

Without further qualifying our opinion, we draw attention to Note 2(a) in the financial report, which indicates that the company and consolidated entity incurred net losses of \$1,722,394 and \$1,325,334 respectively and the consolidated entity had net cash outflows from operating activities and investing activities of \$1,531,204 during the year ended 30 June 2013. As at that date the company and consolidated entity had net current liabilities of \$1,872,471 and \$1,224,619 respectively. These conditions, along with other matters as set forth in Note 2(a), indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Kollakorn Corporation Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.



**RSM BIRD CAMERON PARTNERS**



**C J HUME**  
Partner

Sydney, NSW  
Dated: 30 September 2013

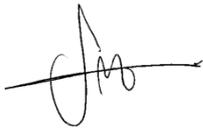
**Directors' declaration**

The directors declare that:

- (a) 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;
- (b) the attached financial statements are in compliance with Australian Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS);
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



**Sevag Chalabian**  
Non-executive Chairman



**Richard Sealy**  
Managing Director

Sydney, 30 September 2013

## Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Continuing operations</b>			
Revenue from sale of goods	5	16,053	79,576
Revenue from royalties	5	599,577	379,156
Less cost of goods sold		(369)	(56,617)
Gross profit		615,261	402,115
Other income	5	3,075	151,667
<b>Expenses by function:</b>			
Administration		(1,233,446)	(1,775,627)
Finance costs		(1,663)	(768,290)
Foreign Exchange Losses		(25,922)	-
Marketing and sales		(114,826)	(109,230)
Research and development		(182,202)	(235,338)
Share of losses from associates		(385,611)	(293,909)
<b>Loss before income tax from continuing operations</b>	6	(1,325,334)	(2,628,612)
R&D income tax refund	7	-	76,775
<b>Loss for the year from continuing operations</b>		(1,325,334)	(2,551,837)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	8	-	(355,756)
<b>Loss for the year</b>		<b>(1,325,334)</b>	<b>(2,907,593)</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign entities		14,496	(180,064)
Total other comprehensive loss for the year		14,496	(180,064)
<b>Total comprehensive loss for the year</b>		<b>(1,310,838)</b>	<b>(3,087,657)</b>
<b>Earnings per share</b>			
From continuing and discontinued operations			
Basic (cents per share)	20	(0.16)	(0.49)
Diluted (cents per share)	20	(0.16)	(0.49)
From continuing operations			
Basic (cents per share)	20	(0.16)	(0.44)
Diluted (cents per share)	20	(0.16)	(0.44)

Notes to the financial statements are included on pages 24 to 56.

**Consolidated statement of financial position  
as at 30 June 2013**

<b>Note</b>	<b>2013</b> \$	<b>2012</b> \$
<b>Current assets</b>		
Cash and cash equivalents	929	368,334
Trade and other receivables	9 827,416	1,623,366
Other assets	10 1,523	201,948
<b>Total current assets</b>	<b>829,868</b>	<b>2,193,648</b>
<b>Non-current assets</b>		
Property, plant and equipment	11 -	9,994
Intangible assets	12 435,926	248,969
Investment in associates	13 5,098,723	4,754,515
<b>Total non-current assets</b>	<b>5,534,649</b>	<b>5,013,478</b>
<b>Total assets</b>	<b>6,364,517</b>	<b>7,207,126</b>
<b>Current liabilities</b>		
Trade and other payables	14 909,086	1,379,293
Other current liabilities	15 1,069,407	2,429,987
Provisions	16 75,994	64,406
<b>Total current liabilities</b>	<b>2,054,487</b>	<b>3,873,686</b>
<b>Total liabilities</b>	<b>2,054,487</b>	<b>3,873,686</b>
<b>Net assets</b>	<b>4,310,030</b>	<b>3,333,440</b>
<b>Equity</b>		
Issued capital	17 49,542,726	47,278,078
Reserves	18 1,804,858	1,767,582
Accumulated losses	19 (47,037,554)	(45,712,220)
<b>Total equity</b>	<b>4,310,030</b>	<b>3,333,440</b>

Notes to the financial statements are included on pages 24 to 56.

**Consolidated statement of changes in equity  
for the financial year ended 30 June 2013**

	Fully paid ordinary shares	Equity- settled employee benefits reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2011	44,549,643	1,927,050	(111,204)	(42,804,627)	3,560,862
Exchange differences arising on translation of foreign operations	-	-	(180,064)	-	(180,064)
<b>Other comprehensive income / (loss) for the year</b>	-	-	(180,064)	-	(180,064)
Loss for the year	-	-	-	(2,907,593)	(2,907,593)
<b>Total comprehensive income / (loss) for the year</b>	-	-	(180,064)	(2,907,593)	(3,087,657)
Issue of shares	2,748,335	-	-	-	2,748,335
Share issue costs	(45,800)	-	-	-	(45,800)
Recognition of share-based payments	25,900	131,800	-	-	157,700
<b>Balance at 30 June 2012</b>	<b>47,278,078</b>	<b>2,058,850</b>	<b>(291,268)</b>	<b>(45,712,220)</b>	<b>3,333,440</b>
Balance at 1 July 2012	47,278,078	2,058,850	(291,268)	(45,712,220)	3,333,440
Exchange differences arising on translation of foreign operations	-	-	14,496	-	14,496
<b>Other comprehensive income / (loss) for the year</b>	-	-	14,496	-	14,496
Loss for the year	-	-	-	(1,325,334)	(1,325,334)
<b>Total comprehensive income / (loss) for the year</b>	-	-	14,496	(1,325,334)	(1,310,838)
Issue of shares	2,284,592	-	-	-	2,284,592
Share issue costs	(19,944)	-	-	-	(19,944)
Recognition of share-based payments	-	22,780	-	-	22,780
<b>Balance at 30 June 2013</b>	<b>49,542,726</b>	<b>2,081,630</b>	<b>(276,772)</b>	<b>(47,037,554)</b>	<b>4,310,030</b>

Notes to the financial statements are included on pages 24 to 56.

**Consolidated statement of cash flows  
for the financial year ended 30 June 2013**

Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	628,588	1,257,361
Receipts of R&D tax offset	192,775	-
Payments to suppliers and employees	(1,655,285)	(3,936,326)
Interest and other costs of finance paid	(1,663)	(29,414)
Net cash used in operating activities	23 (835,585)	(2,708,379)
<b>Cash flows from investing activities</b>		
Interest received	3,075	18,871
Royalties and other investment income received	599,577	379,156
Purchase of investment in associate	(1,111,315)	(1,806,910)
Purchase of intangible assets	(186,956)	(248,969)
Net cash used in investing activities	(695,619)	(1,657,852)
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	1,137,562	2,082,535
Payment for share issue costs	(19,945)	(105,443)
Proceeds from the issue of convertible notes	250,000	2,427,801
Payment for debt issue costs	(40,550)	(16,802)
Payment for cancellation fees	(67,757)	(120,684)
Repayment of borrowings	(95,511)	(376,857)
Net cash provided by financing activities	1,163,799	3,890,550
<b>Net (decrease)/increase in cash and cash equivalents</b>	(367,405)	475,681
<b>Cash and cash equivalents at the beginning of the financial year</b>	368,334	844,015
<b>Cash and cash equivalents at the end of the financial year</b>	<b>929</b>	<b>368,334</b>

Notes to the financial statements are included on pages 24 to 56.

## 1. General information

Kollakorn Corporation Limited is a public company listed on the Australia Securities Exchange (trading under the symbol 'KKL'), incorporated in Australia, and operating in Australia, South East Asia and North America.

Kollakorn Corporation Limited's registered office and its principal place of business are as follows:

<b>Registered office</b>	<b>Principal place of business</b>
L9 / 65 York Street Sydney NSW 2000 Tel: (02) 8252 5555	L9 / 65 York Street Sydney NSW 2000 Tel: (02) 8252 5555

## 2. Significant accounting policies

### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the consolidated financial statements of the Group. The separate financial statements of the parent entity, Kollakorn Corporation Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements of the consolidated entity also comply with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board.

The financial statements were authorised for issue by the directors on 30 September 2013.

### Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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.

### Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of critical judgments in applying the consolidated entity's accounting policies, and key sources of estimation uncertainty.

### Application of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out on page 26.

## 2. Significant accounting policies (continued)

### Standards affecting presentation and disclosure

- *Amendments to AASB 101 'Presentation of Financial Statements'*

The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

(a) items that will not be reclassified subsequently to profit or loss and

(b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

### Standards and Interpretations affecting the reported results or financial position.

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

### Standards and Interpretations adopted with no effect on financial statements

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

## 2. Significant accounting policies (continued)

### Standards and Interpretations in issue not yet adopted

At the date of the authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interest in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'	1 January 2013	30 June 2014
AASB '13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

## 2. Significant accounting policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### (a) 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 \$1,325,334 and had net cash outflows from operating activities and investing activities of \$1,531,204 for the full year ended 30 June 2013. As at that date the consolidated entity had net current liabilities of \$1,224,618.

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);
- The consolidated entity has the ability to continue to raise additional funds on a timely basis, pursuant to the Corporations Act 2001;
- The Directors also 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 ability of the consolidated entity to further scale back certain parts of their 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.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the consolidated entity' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the consolidated entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### (c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

#### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

## 2. Significant accounting policies (continued)

### (e) Financial assets

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

#### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

### (f) Financial instruments issued by the consolidated entity

#### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

#### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## 2. Significant accounting policies (continued)

### (g) Foreign currency

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Kollakorn Corporation Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the consolidated entity's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

### (h) Impairment of other tangible and intangible assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 2. Significant accounting policies (continued)

### (i) Income tax

#### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### Deferred tax

Deferred tax is recognised in respect of temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arose from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, and interests in joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### (j) Intangible assets

#### Research and development costs and licences

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated the:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Intention to complete the intangible asset and use or sell it;
- Ability to use or sell the intangible asset;
- Ability to generate probable future economic benefits;
- Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Ability to measure reliably the expenditure attributable to the intangible asset during its development.

## 2. Significant accounting policies (continued)

### (k) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### (l) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements - The lesser of 3 years or the remaining lease term
- Plant and equipment - 2.5 – 5 years

### (m) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2. Significant accounting policies (continued)

### (n) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- Consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- Consolidated entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- Amount of revenue can be measured reliably;
- Probable economic benefits associated with the transaction will flow to the entity; and
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

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

#### Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

#### Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### (o) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

### (p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables, which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Going concern

The financial statements have been prepared on the assumption that the entity is a going concern. This judgement by the directors has been further explained in note 2(a). If this assumption is not correct there may be material adjustments required to the carrying amounts of assets and liabilities.

#### Share based payments

The entity operates an employee share scheme, which issues options to employees to acquire shares. Details of the share scheme can be found in note 25. The fair value of the options is recognized over the vesting period of the options. The fair value has been calculated using the binomial model, which incorporates many assumptions and estimates, all of which have been detailed in note 25. If any of these assumptions or estimates were to change, this could have an impact on the amounts recognised.

### 4. Segment information

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)
- Printers
- Smart&Secure
- TransitVault & CertainID
- Subscribe Labels

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

During the previous financial period, the consolidated entity disposed of two businesses, the Printer business and the Subscribe Labels business. These businesses were both previously owned and operated by Mikoh Imaging Systems Pty Limited, a fully owned subsidiary of Kollakorn Corporation Limited based in Melbourne. All inventory from both of these business has now been sold and the businesses will have no further income or expenses going forward.

Information regarding the consolidated entity's reportable segments is presented on page 35. The accounting policies of the reportable segments are the same as the Group's accounting policies.

#### 4. Segment information (continued)

##### Segment revenues and results

The following is an analysis of the consolidated entity's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit/(loss)	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Continuing operations</b>				
AVI / EVR	-	48,082	(169,871)	(728,187)
Smart&Secure	609,172	410,650	590,890	407,990
TransitVault & Certain ID	-	-	(95,727)	(198,629)
Other	6,458	-	-	-
Total for continuing operations	615,630	458,732	325,292	(518,826)
Costs not able to be allocated to one operation			(1,650,626)	(2,109,786)
Loss before tax from continuing operations			(1,325,334)	(2,628,612)
Income tax benefit			-	76,775
Loss for the year from continuing operations			(1,325,334)	(2,551,837)
<b>Discontinued operations</b>				
Printers	-	90,087	-	(367,445)
Subscribe Labels	-	12,277	-	11,689
Total for discontinued operations	-	102,364	-	(355,756)
Loss before tax from discontinued operations			-	(355,756)
Income tax expense			-	-
Loss for the year from discontinued operations			-	(355,756)
Consolidated revenue (excluding interest and other revenue) and loss for the year	615,630	561,096	(1,325,334)	(2,907,592)

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2012: Nil).

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.

#### 4. Segment information (continued)

##### Segment assets and liabilities

	Assets		Liabilities	
	2013 \$	2012 \$	2013 \$	2012 \$
AVI / EVR	5,789,775	6,281,612	12,439	659,951
Printers	-	-	-	156,037
Smart&Secure	237,730	70,300	-	-
TransitVault & Certain ID	210,420	132,110	75,994	68,493
Total segment assets and liabilities	6,237,925	6,484,022	88,433	884,481
Unallocated assets and liabilities	126,592	723,104	1,966,054	2,989,205
Consolidated total assets and liabilities	6,364,517	7,207,126	2,054,487	3,873,686

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker may on occasions monitor the value of assets attributable to each segment.

All assets are allocated to reportable segments other than those that are used across multiple segments, or are not segment specific, and which cannot be allocated across segments on any reasonable basis. Assets used jointly by reportable segments are unable to be allocated as there is no logical basis for doing so. The consolidated entity is not an asset intensive business, with very limited physical assets.

For the purpose of measuring segment performance the chief operating decision maker, all liabilities apart from those that cannot be allocated between segments on any reasonable basis are allocated to reportable segments. Liabilities used jointly by reportable segments are only allocated between those segments if there is a rational basis for doing so.

##### Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2013 \$	2012 \$	2013 \$	2012 \$
TransitVault & Certain ID	5,667	5,768	-	-
Total segment depreciation, amortisation & additions	5,667	5,768	-	-
Unallocated depreciation, amortisation & additions	-	2,920	-	-
Total depreciation, amortisation & additions	5,667	8,688	-	-

Besides the depreciation and amortisation reported above, no impairment losses were recognised in respect of plant and equipment.

#### 4. Segment information (continued)

##### 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:

	Revenue from external customers		Additions to non-current assets	
	2013 \$	2012 \$	2013 \$	2012 \$
Australia	11,429	101,724	-	-
USA	602,737	410,650	186,957	248,969
Thailand	1,464	38,107	-	-
India	-	7,628	-	-
Singapore	-	2,987	-	-
	<b>615,630</b>	<b>561,096</b>	<b>186,957</b>	<b>248,969</b>

#### 5. Revenue and other revenue

An analysis of the consolidated entity's revenue for the year from continuing operations is as follows

	2013 \$	2012 \$
<b>Continuing operations</b>		
Revenue from the sale of goods	16,053	79,576
Royalty and licence revenue	599,577	379,156
	<b>615,630</b>	<b>458,732</b>
<b>Other revenue</b>		
Interest from third parties	3,075	33,829
Foreign exchange gain	-	117,838
	<b>3,075</b>	<b>151,667</b>

6. Loss from continuing operations

	2013 \$	2012 \$
<b>(a) Gains and losses</b>		
Revenue included the following items		
Interest income received and receivable	3,075	33,829
Net foreign exchange gains/(losses)	(25,922)	117,838
<b>(b) Expenses</b>		
Loss for the year includes the following expenses:		
Interest paid to other entities	1,663	29,414
Depreciation and amortisation expense		
Depreciation of plant and equipment	5,667	8,688
	5,667	8,688
Share-based payments:		
Equity-settled share-based payments	22,780	157,700
Employee termination benefits	-	29,072
Other employee benefits	662,378	723,601
Total employee benefit expense	685,158	910,373

7. Income taxes relating to continuing operations

Income tax recognised in profit or loss

Tax income comprises:

	2013 \$	2012 \$
Current tax	(399,104)	(745,090)
Deferred tax not recognised in the financial statements	399,104	668,315
Total tax expense/(income)	-	(76,775)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit before tax from continuing operations	(1,325,334)	(2,628,612)
Income tax expense/(benefit) calculated at 30%	(397,600)	(788,583)
Effect of amounts that are not (deductible) / taxable in calculation of taxable income:		
Effect of tax concessions (research and development and other allowances)	-	(76,775)
Deferred tax asset not recognised	399,104	668,315
Total tax expense/(income)	-	(76,775)

Unrecognised deferred tax assets

2013 \$	2012 \$
------------	------------

The following deferred tax assets have not been brought to account as assets:

Tax losses – revenue	10,466,778	9,136,433
Potential tax benefit at 30%	3,140,034	2,740,933

All unused tax losses were incurred by Australian entities. No deferred tax assets have been recognised for these losses due to the uncertainty of future profits against which these losses would be able to be used.

Tax effect relating to each component of other comprehensive income:

There is no tax effect relating to other comprehensive income.

**8. Analysis of loss for the year from discontinued operations**

The combined results of the discontinued operations (i.e. printer and labels businesses) included in the consolidated statement of profit or loss and other comprehensive income are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2013 \$	2012 \$
<b>Loss from discontinued operations</b>		
Revenue	-	102,364
	-	102,364
Other expenses	-	(458,120)
Total expenses	-	(458,120)
Loss before tax	-	(355,756)
Attributable income tax expense	-	-
	-	(355,756)
Profit for the year from discontinued operations (attributable to owners of company)	-	(355,756)
<b>Cash flow from discontinued operations</b>		
Net cash flows from operating activities	-	86,243
Net cash flows	-	86,243

**9. Trade and other receivables**

	2013 \$	2012 \$
Trade receivables	811,105	1,544,050
Allowance for doubtful debts	-	-
	811,105	1,544,050
Other receivables	16,311	79,316
	827,416	1,623,366

The average credit period on sales of goods is in accordance with pre arranged contract terms. An allowance is made, if necessary, for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Ageing of past due but not impaired

	2013 \$	2012 \$
30-60 days	5,078	-
60-90 days	101,449	-
90-120 days	-	-
120+ days	720,889	1,560,385
	827,416	1,560,385

10. Other assets

	2013 \$	2012 \$
Prepayments	1,523	9,174
Accrued research and development tax rebate	-	192,774
	1,523	201,948

11. Property, plant and equipment

	Plant and equipment at cost	Total
	\$	\$
<b>Cost</b>		
<b>Balance at 30 June 2011</b>	85,158	85,158
Additions	-	-
Disposals	(25,194)	(25,194)
Net foreign currency exchange differences	2,377	2,377
<b>Balance at 30 June 2012</b>	62,341	62,341
Additions	-	-
Disposals	(68,498)	(68,498)
Net foreign currency exchange differences	6,157	6,157
<b>Balance at 30 June 2013</b>	-	-
<b>Accumulated depreciation</b>		
<b>Balance at 30 June 2011</b>	67,008	67,008
Disposals	(22,274)	(22,274)
Depreciation expense	8,688	8,688
Net foreign currency exchange differences	(1,075)	(1,075)
<b>Balance at 30 June 2012</b>	52,347	52,347
Disposals	(63,184)	(63,184)
Depreciation expense	5,667	5,667
Net foreign currency exchange differences	5,170	5,170
<b>Balance at 30 June 2013</b>	-	-
<b>Net book value</b>		
As at 30 June 2012	9,994	9,994
As at 30 June 2013	-	-

## 12. Intangible assets

	2013 \$	2012 \$
Intellectual property - cost	435,926	248,969
Intellectual property – accumulated amortisation	-	-
	435,926	248,969

	Intellectual property	Total
<b>Cost</b>		
Balance at 30 June 2011	-	-
Additions	248,969	248,969
Disposals	-	-
Balance at 30 June 2012	248,969	248,969
Additions	186,957	186,957
Disposals	-	-
<b>Balance at 30 June 2013</b>	435,926	435,926

### Accumulated amortisation and impairment

Balance at 30 June 2011	-	-
Amortisation expense	-	-
Disposals	-	-
Balance at 30 June 2012	-	-
Amortisation expense	-	-
Disposals	-	-
<b>Balance at 30 June 2013</b>	-	-

## 13. Investments in associates

Details of the Group's associates are as follows.

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2013	2012
Kollakorn Co Ltd	IT Infrastructure	Thailand	31.19%	28.7%

Kollakorn Corporation Ltd acquired a 19.9% interest in Kollakorn Co., Ltd (**Kollakorn Thailand**) on 30 June 2011, and purchased an additional 8.8% during the year to 30 June 2012 and another 2.49% during the year to 30 June 2013. The total purchase price for 31.19% interest in this company to date has been \$5,778,243 (2012: \$5,048,424). The carrying amount in the statement of financial position of the consolidated equity's interest in Kollakorn Thailand at 30 June 2013 is \$5,098,723 (2012: \$4,754,515). The company's share of accumulated losses in Kollakorn Thailand at 30 June 2013 is \$679,520 (2012: \$293,909).

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.

**13. Investments in associates (continued)**

As Kollakorn Corporation Limited holds 31.19% of the equity shares in Kollakorn Thailand, the directors of Kollakorn Corporation Limited have adopted Australian Accounting Standard AASB128 – 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 Thailand.

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Total assets	8,315,140	8,325,765
Total liabilities	5,456,414	4,679,487
Net assets	2,858,726	3,646,278
Group's share of net assets of associates	<b>891,637</b>	<b>1,046,482</b>
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Total revenue	83,180	133,320
Total loss for the year	(1,236,238)	(1,024,073)
Group's share of loss of associates	<b>(385,611)</b>	<b>(293,909)</b>

**14. Trade and other payables**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Trade payables (i)	714,737	1,081,728
Sundry creditors and accruals	194,349	297,565
	909,086	1,379,293

(i) The credit period on purchases of goods is in accordance with pre arranged contract terms. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

**15. Other current liabilities**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Convertible note facility (i)	465,634	294,379
Convertible note cancellation fee payable (i)	603,773	618,192
Due to Kollakorn Thailand for new capital	-	370,386
Unsecured subordinated notes	-	1,147,030
	1,069,407	2,429,987

(i) \$819,407 of these payables relate to the funding facility which was terminated towards the end of the 2012 financial year as per ASX Announcement.

16. Provisions

	2013 \$	2012 \$
<b>Current</b>		
Employee benefits	75,994	64,406

17. Issued Capital

	2013 \$	2012 \$
854,290,086 fully paid ordinary shares (2012: 678,005,637)	49,542,726	47,278,078

Changes to the then Corporations Law abolished the authorised capital and par value concepts in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2013		2012	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	678,005,637	47,278,078	513,536,806	44,549,643
Other issues of shares	176,284,449	2,284,592	164,468,831	2,774,235
Share issue costs	-	(19,944)	-	(45,800)
Balance at end of financial year	854,290,086	49,542,726	678,005,637	47,278,078

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

No shares carry preferential rights on winding up.

**Share options granted under the employee share option plan:**

**Share options granted under the employee share option plan**

In accordance with the provisions of the employee share option plan, as at 30 June 2013, executives and directors (including former executives and directors) have options over 22,000,000 ordinary shares, expiring on various dates between 1 December 2014 and 14 August 2015.

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 25 to the financial statements.

**Other share options on issue:**

During the financial year ending 30 June 2013, 24,000,000 options were issued to shareholders as a part of capital raisings undertaken throughout the period. Of these options, nil are listed options.

**18. Reserves**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Equity-settled employee benefits	2,081,630	2,058,850
Foreign currency translation	(276,772)	(291,268)
	<u>1,804,858</u>	<u>1,767,582</u>
<b>Equity-settled employee benefits reserve</b>		
Balance at beginning of financial year	2,058,850	1,927,050
Share-based payment	22,780	131,800
Balance at end of financial year	<u>2,081,630</u>	<u>2,058,850</u>

The equity-settled employee benefits reserve arises on the grant of share options to directors, executives and senior employees under the employee share option plan. Further information about share-based payments to directors and employees is made in note 27 to the financial statements.

**Foreign currency translation reserve**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year	(291,268)	(111,204)
Translation of foreign operations	14,496	(180,064)
Balance at end of financial year	<u>(276,772)</u>	<u>(291,268)</u>

Exchange differences relating to the translation from the functional currencies of the consolidated entity's foreign controlled entities into Australian dollars are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

**19. Accumulated Losses**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year	(45,712,220)	(42,804,627)
Net Loss attributable to members of the parent entity	(1,325,334)	(2,907,593)
Balance at end of financial year	<u>(47,037,554)</u>	<u>(45,712,220)</u>

20. Earnings per share

	2013 Cents per share	2012 Cents per share
<b>Basic earnings per share</b>		
From continuing operations	(0.16)	(0.44)
From discontinued operations	(0.00)	(0.05)
Total basic earnings per share	<u>(0.16)</u>	<u>(0.49)</u>
<b>Diluted earnings per share</b>		
From continuing operations	(0.16)	(0.44)
From discontinued operations	(0.00)	(0.05)
Total diluted earnings per share	<u>(0.16)</u>	<u>(0.49)</u>

**Basic earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2013 \$	2012 \$
Net loss	(1,325,334)	(2,907,593)
Earnings used in the calculation of basic EPS from continuing operations	<u>(1,325,334)</u>	<u>(2,907,593)</u>

	2013 No.	2012 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>819,282,502</u>	<u>596,682,802</u>

**Diluted earnings per share**

The earnings used in the calculation of diluted earnings per share is as follows:

	2013 \$	2012 \$
Net loss	(1,325,334)	(2,907,593)
Earnings used in the calculation of diluted EPS from continuing operations	<u>(1,325,334)</u>	<u>(2,907,593)</u>

	2013 No.	2012 No.
Weighted average number of ordinary shares used in the calculation of diluted EPS	<u>822,255,173</u>	<u>596,682,802</u>

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	2013 No.	2012 No.
Ordinary share options on issue at end of financial year	<u>46,000,000</u>	<u>17,250,000</u>

**21. Contingent liabilities and contingent assets**

There are no contingent liabilities at the report date (2012: nil).

**22. Subsidiaries**

Name of entity	Country of incorporation	Ownership interest	
		2013 %	2012 %
<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.

23. Notes to the cash flow statement

Reconciliation of loss for the period to net cash flows from operating activities

	2013 \$	2012 \$
Loss for the year	(1,325,334)	(2,907,593)
Depreciation of non-current assets	5,667	8,688
Loss on disposal of fixed assets	4,250	-
Foreign exchange loss/(gain)	95,788	(192,880)
Equity-settled share-based payment	22,780	157,700
Investment revenue recognized in profit & loss	(602,652)	(412,985)
Interest income receivable	-	14,958
Convertible note cancellation fee recognized in profit & loss	-	738,877
Share of loss of associates	385,611	293,909
Payments for share issue costs included in trade creditors	-	105,443
Debt issue costs included in sundry creditors & accruals	40,550	(40,550)
Debt issue costs included in profit & loss	-	57,352
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	795,949	1,176,962
Prepayments	-	75,061
Inventories	-	375,712
Other current assets	200,425	(76,774)
Increase/(decrease) in liabilities:		
Trade and other payables	(470,206)	(2,093,631)
Provisions	11,587	11,372
Net cash used in operating activities	<u>(835,585)</u>	<u>(2,708,379)</u>

## 24. Financial Instruments

### (a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

### (b) Capital Risk Management

The consolidated entity manages its capital to ensure that entities within the consolidated entity will be able to continue as a going concern.

The capital structure of the consolidated entity includes cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. The consolidated entity has no borrowings.

### (c) Categories of Financial Instruments

	2013 \$	2012 \$
<u>Financial Assets</u>		
Cash and cash equivalents	929	368,334
Loans and receivables	827,416	1,623,366
Equity Investment	5,098,723	4,754,515
<u>Financial Liabilities</u>		
Trade and other payables	909,086	1,379,293

The carrying amount reflected above represents the consolidated entity's maximum exposure to credit risk for such loans and receivables.

### (d) Financial Risk Management Objectives

The consolidated entity's activities expose it to a variety of risks. These risks include market risk, foreign currency risk, credit risk and liquidity risk.

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

### (e) Market Risk

The consolidated entity's only exposure to market risk is the effect of changes in interest rates which would affect interest received, and foreign currency exchange rates. There has been no change to the consolidated entity's exposure to market risks.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's net loss before taxation would have decreased by \$5 or increased by \$5 (2012: decrease by \$1,842 or increase by \$1,842). This is attributable to the consolidated entity's exposure to interest rates on its bank deposits. The consolidated entity's sensitivity to interest rates has decreased during the current period due to the decrease in cash at bank.

### (f) Foreign Currency Risk

The consolidated entity undertakes certain transactions denominated in foreign currencies that are different to the functional currency of the respective entities undertaking the transactions, hence exposure to exchange rate fluctuations arise.

The carrying amount of the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entity holding the monetary assets and liabilities are as follows:

24. Financial Instruments (continued)

Consolidated

	Assets		Liabilities	
	2013 \$	2012 \$	2013 \$	2012 \$
US Dollars	752,989	1,571,329	989,892	1,794,353

**Foreign currency sensitivity analysis**

The Group is mainly exposed to fluctuations in US Dollars.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the US Dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

US Dollar Impact	
2013 \$	2012 \$
23,759	21,665

**Profit or loss** 23,759 21,665 (i)

(i) This is mainly attributable to the exposure outstanding on US Dollar receivables and payables in the Group at the end of the reporting period.

In management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk because the exposure at the end of the reporting period reflects the exposure during the year.

**(g) Liquidity Risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the consolidated entity's short, medium and long term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of the financial assets and liabilities. Refer to going concern note 2(a).

The following table details the consolidated entity's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company anticipates that the cash flow will occur in a different period.

24. Financial Instruments (continued)

(g) Liquidity Risk (continued)

Financial Assets	Weighted Average Effective Interest Rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	TOTAL \$
------------------	--	----------------------	---------------	-----------------------	--------------	-------------	----------

2013

Variable interest rate instruments

Cash and cash equivalents	0.05%	929	-	-	-	-	929
---------------------------	-------	-----	---	---	---	---	-----

Non interest bearing instruments

Trade and other debtors	Nil	4,901	101,449	721,067	-	-	827,416
	0.00%	<b>5,830</b>	<b>101,449</b>	<b>721,067</b>	-	-	<b>828,345</b>

2012

Variable interest rate instruments

Cash and cash equivalents	0.60%	368,334	-	-	-	-	368,334
---------------------------	-------	---------	---	---	---	---	---------

Non interest bearing instruments

Trade and other debtors	Nil	62,981	-	1,560,385	-	-	1,623,366
	0.11%	<b>431,315</b>	-	<b>1,560,385</b>	-	-	<b>1,991,700</b>

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

Financial Liabilities	Weighted Average Effective Interest Rate %	Less than 1 month \$	1-3 Months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	TOTAL \$
-----------------------	--	----------------------	---------------	-----------------------	--------------	-------------	----------

2013

Interest bearing

-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

Non interest bearing

Trade and other payables	N/A	22,321	36,830	849,935	-	-	909,086
		<b>22,321</b>	<b>36,830</b>	<b>849,935</b>	-	-	<b>909,086</b>

2012

Interest bearing

-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

Non interest bearing

Trade and other payables	N/A	431,236	242,801	705,256	-	-	1,379,293
		<b>431,236</b>	<b>242,801</b>	<b>705,256</b>	-	-	<b>1,379,293</b>

## 24. Financial Instruments (continued)

### (h) Fair Value

The carrying amount of the financial assets and financial liabilities represents a reasonable approximation of fair value.

### (i) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Financial instruments which potentially subject the company to credit risk solely consist of trade and other receivables. The carrying amount of the financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk, without taking account of the value of any collateral obtained. The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

## 25. Share based payments

### Employee share option plan

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

Each employee share option converts into one ordinary share of Kollakorn Corporation Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and comparative periods:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Issued 31 March 2008	125,000	31/03/2008	31/03/2013	0.80	0.0717
Issued 31 March 2008	125,000	31/03/2008	31/03/2013	1.20	0.0429
Issued 31 July 2009	750,000	31/07/2009	31/07/2014	0.20	0.0197
Issued 31 July 2009	750,000	31/07/2009	31/07/2014	0.40	0.0106
Issued 24 December 2009	1,000,000	24/12/2009	31/12/2014	0.20	0.01858
Issued 24 December 2009	1,000,000	24/12/2009	31/12/2014	0.25	0.01854
Issued 1 December 2011	13,500,000	01/12/2011	01/12/2014	0.075	0.009763
Issued 14 August 2012	5,000,000	14/08/2012	14/08/2015	0.075	0.005

All options listed have fully vested at the date of this report.

There were 5,000,000 share options granted under the employee share option plan during the year ended 30 June 2013. Options have been priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and directors would exercise the options at the mid-point between vesting and expiry.

There are no specific performance criteria attached to the vesting of the options.

## 25. Share based payments (continued)

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	17,250,000	0.1254	41,411,007	0.1793
Granted during the financial year	29,000,000	0.0378	13,500,000	0.0750
Lapsed during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	(250,000)	1.0000	(37,661,007)	0.1667
Balance at end of the financial year	46,000,000	0.0654	17,250,000	0.1254
Exercisable at end of the financial year	46,000,000	0.0654	17,250,000	0.1254

### (i) Exercised during the financial year

No share options were exercised during the financial year.

### (ii) Balance at the end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.0654 (2012: \$0.1254), and a weighted average remaining contractual life of 807 days (2012: 868 days).

### (iii) Balance at the end of the financial year

During the financial year ended 30 June 2013 24,000,000 options were issued to shareholders of the consolidated entity as a part of convertible notes that were issued to existing shareholders. In accordance with accounting standards, these share options have not been attributed a value.

## 26. Key management personnel compensation

### The details of the Directors of Kollakorn Corporation Limited were:

- S Chalabian (Non-executive Chairman) from 18 February 2011
- R M Sealy (Managing Director) from 29 November 2010
- R Tayeh (Non-Executive Director) from 3 June 2011
- A Snape (Non-Executive Director) resigned 14 July 2013
- N Somapa (Non-Executive Director) from 3 June 2011
- N J Aston (Executive Director) from 15 July 2013

### The details of the Group executives of Kollakorn Corporation Limited were:

- N J Aston (Chief Financial Officer) from 1 January 2012
- P S Atherton (Chief Technology Officer) resigned 30 June 2013
- S V Goh (General Manager)

**26. Key management personnel compensation (continued)**

**Key management personnel compensation**

The aggregate compensation made to directors and other key management personnel of the consolidated entity is set out below:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	793,441	860,316
Post-employment benefits	-	9,988
Share-based payment	22,780	101,100
Termination benefits	-	29,072
	<u>816,221</u>	<u>1,000,476</u>

**27. Related Party Transactions**

**(a) Equity interests in related parties**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

**(b) Transactions with key management personnel**

**i. Key management personnel compensation**

Details of key management personnel compensation are disclosed in note 28 to the financial statements.

**ii. Key management personnel**

No loans receivable from key management personnel in 2013 or 2012 financial years.

27. Related Party Transactions (continued)

iii. Key management personnel equity holdings (held by the individual and/or representing company)

Fully paid ordinary shares of Kollakorn Corporation Limited

	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June	Balance held nominally
	No.	No.	No.	No.	No.	No.
<b>2013</b>						
S Chalabian	627,805	-	-	139,513	767,318	-
R M Sealy	2,031,708	-	-	1,538,462	3,570,170	-
A Snape	29,518,416	-	-	1,268,292	30,786,708	-
N Somapa	91,940,868	-	-	-	91,940,868	-
R Tayeh	3,431,707	-	-	762,602	4,194,309	-
P S Atherton	8,962,948	-	-	-	8,962,948	-
N Aston	11,350,000	-	-	-	11,350,000	-
S Goh	450,000	-	-	100,000	550,000	-
<b>2012</b>						
S Chalabian	140,000	-	-	487,805	627,805	-
R M Sealy	2,031,708	-	-	-	2,031,708	-
A Snape	29,182,319	-	-	336,097	29,518,416	-
N Somapa	91,940,868	-	-	-	91,940,868	-
R Tayeh	2,700,000	-	-	731,707	3,431,707	-
S Marks	627,863	-	-	-	627,863	-
P S Atherton	8,962,948	-	-	-	8,962,948	-
N Aston	10,695,611	-	-	654,389	11,350,000	-
S Goh	200,000	-	-	250,000	450,000	-

Share options of Kollakorn Corporation Limited

	Balance at 1 July	Granted as compensation	Exercised	Net other change	Bal at 30 June	Bal vested at 30 June	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
<b>2013</b>									
S Chalabian	-	-	-	-	-	-	-	-	-
R M Sealy	5,000,000	5,000,000	-	-	10,000,000	-	-	-	-
A Snape	2,000,000	-	-	-	2,000,000	-	-	-	-
N Somapa	-	-	-	-	-	-	-	-	-
R Tayeh	-	-	-	-	-	-	-	-	-
P S Atherton	5,000,000	-	-	-	5,000,000	-	-	-	-
N Aston	-	-	-	-	-	-	-	-	-
S Goh	1,000,000	-	-	-	1,000,000	-	-	-	-

	Balance at 1 July	Granted as compensation	Exercised	Net other change	Bal at 30 June	Bal vested at 30 June	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
<b>2012</b>									
S Chalabian	-	-	-	-	-	-	-	-	-
R M Sealy	-	5,000,000	-	-	5,000,000	-	-	-	-
A Snape	-	-	-	2,000,000	2,000,000	-	-	-	-
N Somapa	-	-	-	-	-	-	-	-	-
R Tayeh	-	-	-	-	-	-	-	-	-
S Marks	-	2,000,000	-	-	2,000,000	-	-	-	-
P S Atherton	5,000,000	3,000,000	-	(3,000,000)	5,000,000	-	-	-	-
N Aston	-	-	-	-	-	-	-	-	-
S Goh	-	1,000,000	-	-	1,000,000	-	-	-	-

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan. During the financial year no options (2012: nil) were exercised by key management personnel.

27. Related Party Transactions (continued)

iv. Other transactions with key management personnel of the consolidated entity

	2013 \$	2012 \$
Consolidated loss includes the following expenses arising from transactions with key management personnel of the Group or their related parties:		
Accounting expenses	187,983	-
	<u>187,983</u>	<u>-</u>
Total liabilities arising from transactions other than compensation with key management personnel or their related parties:		
Current	712,788	-
	<u>712,788</u>	<u>-</u>

(c) Parent entity

The parent entity in the Group is Kollakorn Corporation Limited. Kollakorn Corporation Limited is incorporated in Australia.

28. Remuneration of auditor

	2013 \$	2012 \$
<b>Auditor of the parent entity</b>		
Audit or review of the financial statements	66,825	61,257
<b>Other non-audit services</b>		
Option valuation services	-	1,200
	<u>66,825</u>	<u>62,457</u>

The auditor of Kollakorn Corporation Limited is RSM Bird Cameron Partners.

29. Subsequent events

Kollakorn Corporation Limited has been successful in securing a further \$600,000 in finance through the issue of convertible notes to existing shareholders. \$428,456 of this funding is to be received in the form of cash deposits on a monthly basis throughout the year ending 30 June 2014, with \$171,544 to aid the company's working capital requirements by offsetting the existing debts owed to Brentnalls NSW Pty Ltd (\$100,000) for unpaid invoices for accounting services and to Tony Snape (\$46,544) and Riad Tayeh (\$25,000) for unpaid directors fees.

Subject to shareholder approval at the Annual General Meeting, the above \$171,544 and \$100,000 that is presently included in trade creditors owing to the managing director Richard Sealy will be extinguished through the issue of a convertible note, consistent with the announcement made to the market on 18 April 2013. These transactions will effectively reduce the balance of trade and other payables presented on the statement of financial position by \$271,544.

Subsequent to year end, \$640,539 of the trade receivables balance disclosed at note 9 has been settled and a further convertible notes pursuant to the funding agreement dated 19<sup>th</sup> of August 2011 has been taken up by the Company in Kollakorn Co., Ltd (Thailand). This occurred as the debtor also had a receivable from Somapa Information Technology PCL, which had a receivable from Kollakorn Co., Ltd (Thailand). In Kollakorn Co., Ltd (Thailand)'s books there was a payable relating to Somapa Information Technology PCL, which had a payable relating to the Company's debtor. This payable in Somapa Information Technology PCL was satisfied via the balance receivable to the Company. These loans were offset in Kollakorn Co., Ltd (Thailand)'s books resulting in a payable to the Company of \$640,539. This payable will be converted to equity. This will result in an increase of the Company's equity investment in Kollakorn Co., Ltd (Thailand) subsequent to year end.

**30. Parent entity disclosures**

Set out below is the supplementary information about the parent entity:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Financial position</b>		
Current assets	36,602	431,743
Non-current assets	5,102,734	5,173,146
<b>Total assets</b>	<b>5,139,336</b>	<b>5,604,889</b>
Current liabilities	1,909,073	2,939,660
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>1,909,073</b>	<b>2,939,660</b>
<b>Net assets</b>	<b>3,230,263</b>	<b>2,665,229</b>
Issued capital	49,542,726	47,278,078
Reserves	2,081,630	2,058,850
Accumulated losses	(48,394,093)	(46,671,699)
<b>Equity</b>	<b>3,230,263</b>	<b>2,665,229</b>
<b>Financial performance</b>		
Loss for the year	(1,722,394)	(2,956,941)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(1,722,394)</b>	<b>(2,956,941)</b>
<b>Contingent liabilities and contingent assets</b>		

There are no contingent liabilities at the reporting date (2012: nil).

**Kollakorn Corporation Limited**  
**Top Holders Snapshot Report as at 30-09-2013**

Rank	Name/Address 1	Fully Paid Ordinary Shares	% of Units
1	KOLLAKORN COMPANY LIMITED DEANCORP PTY LTD <JUMBO	89,722,683	10.516
2	SUPER FUND A/C> DAVIES NOMINEES PTY LTD <SUPER DUPER SUPER FUND	25,255,206	2.960
3	A/C> MR TERRENCE GEORGE STANLEY & MRS JANICE MARGARET STANLEY <STANLEY	22,000,000	2.579
4	RETIREMENT FUND A/C>	21,538,461	2.524
5	MR STUART TURNER	20,077,000	2.353
6	DR LEON EUGENE PRETORIUS TERSTAN NOMINEES PTY LTD <MORROWS P/L SUPER FUND	19,107,693	2.240
7	A/C> BORDONI HOLDINGS PTY <PETER BROWNS/F A/C>	17,769,795	2.083
8		15,763,061	1.848
9	MRS CHRISTINE QUYE DEANCORP PTY LTD <JUMBO S/F	14,931,100	1.750
10	A/C>	12,766,136	1.496
11	EDINBURGH PARK STUD PTY LTD	12,222,223	1.433
12	DR LEON EUGENE PRETORIUS RONATAC PTY LTD <MASTER	12,000,000	1.406
13	CARPETS HLDNG S/F A/C> K B J INVESTMENTS PTY LTD <JARRY FAMILY SUPER FUND	12,000,000	1.406
14	A/C> MR GREGORY LEVVEY & MRS BRONWYN LEVVEY <LEVVEY	11,424,016	1.339
15	SUPER FUND A/C>	10,220,386	1.198
16	DR LEON EUGENE PRETORIUS CHAVOO PTY LTD <MIDHURST	9,996,854	1.172
17	SUPER FUND ACCOUNT>	9,674,467	1.134
18	FIANZA PTY LTD MR PETER BAILEY & MRS HELEN BAILEY <PETLEN	8,420,000	0.987
19	SUPERANNUATION A/C> GBR NAPOLI PTY LTD <GBR	7,600,000	0.891
20	SUPERANUATION FUND A/C>	7,500,000	0.879
	<b>Totals: Top 20 Holders of Issued Capital</b>	359,989,081	42.19
	<b>Remaining Holders Balance</b>	<b>493,212,658</b>	57.81
		<b>853,201,739</b>	

**Kollakorn Corporation Limited**  
**Range of Units Snapshot**

**Issued Capital as at 30 Sept 2013**

Range	Total Holders	Units	% of Issued Capital
1 – 1000	242	78,570	0.009%
1,001 - 5,000	427	1,233,492	0.145%
5,001 - 10,000	266	2,094,091	0.245%
10,001 - 100,000	691	25,577,231	2.998%
100,001 +	568	824,218,355	96.603%
<b>Total</b>	<b>2,194</b>	<b>853,201,739</b>	<b>100.00%</b>

--	--	--	--

The number of Shareholders with an Unmarketable Parcel is 168.

**Voting Rights**

On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote. Option holders have no voting rights.

**Restricted Securities and Buy-Back Arrangements**

There are a total of 1,088,347 restricted securities on issue. 588,347 ordinary shares are escrowed until 16 April 2019, 500,000 escrowed pending board approval to the prior CEO, Paul Scully-Power.

There is no on-market buy-back of securities as at 30 September 2013.