KOLLAKORN CORPORATION LIMITED

ABN 41 003 218 862

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

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KOLLAKORN

LETTER FROM THE CHAIRMAN FOR THE YEAR ENDED 30 JUNE 2015

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 2015 as set out in detail in the CEO’s Review.

The year under review was a year of consolidation with significant milestones being achieved. Not only did the contraction of expenditure continue, but the Board was able to negotiate a very significant reduction in the Company’s liabilities by settling the outstanding debt of $912,000 owing to La Jolla Cove Investments Inc. for a payment of $150,000. In addition, a further $285,000 of debt was contracted to be converted to shares on approval by the shareholders at the forthcoming AGM.

A further $527,000 in additional capital was raised by way of a placement and a rights issue to shareholders. The rights issue was well supported with a number of shareholders taking oversubscriptions.

The Directors were also pleased to welcome Charles Hunting to Board as a non-executive director. The existing Managing Director, Richard Sealy retired on 31 March 2015 due to ill health, after serving the Company in that position for nearly 5 years. Mr Sealy did however agree to continue as a Director and interim CEO until the Board could find a replacement.

We would like to thank Mr Sealy for his continued support, dedication and diligence in furthering the affairs of the Company. in spite of his health issues Mr Sealy has worked tirelessly for which we are all grateful. The Board and I am sure all shareholders would extend our sincere thanks to Mr Sealy for all of his efforts.

Yours Sincerely,

KOLLAKORN CORPORATION LIMITED

Mr Riad Tayeh
NON EXECUTIVE CHAIRMAN

MANAGING DIRECTOR'S REVIEW

Overview

Revenues up 102% to $272,204 (*2014: $134,760*)
Net loss down 60% to $644,708 (*2014: $1,615,241*)
NTA per share down 11% to 0.24 of a cent (*2014: 0.27 of a cent*)

Financial Results

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

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

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

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

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

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

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

Operations

RFID with Break on Removal Technology

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

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

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

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

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

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

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

KOLLAKORN CORPORATION LIMITED
MANAGING DIRECTOR'S REVIEW

CertainID

In September 2014 a small placement of 1,500,000 ordinary shares was made by the Directors in order to finance the national phase of International Patent Cooperation Treaty (**PCT**) application PCT/AU2010/000584 of **"A Biometric Identification Method"** and PCT/AU2013/000266 "**A Biometric Authentication System**" (**CertainID**). The PCT is an international patent law treaty that provides a unified procedure for filing patent applications to protect inventions in each of its contracting countries and will give international protection to our CertainID patent.

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

Management

As stated above the Managing Director, Mr Richard Sealy, after nearly 5 years of service, retired on 31 March 2015 due to ill health. This was advised to shareholders at the last Annual General Meeting in November 2014. The Directors have been unable to locate a suitable replacement for Mr Sealy and he has agreed to become Chief Executive Officer and to remain a Director of the Company until a suitable replacement is found.

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

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

Future Strategy

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

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

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

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

There is now a strong pipeline of new projects forming that embrace the Company's new strategic model which should have a significant financial impact on Kollakorn in 2016. Your Directors believe that without the foundations laid in the 2015 financial year the expected successes in the 2016 year will not be possible.

Richard Sealy
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2015

Kollakorn Corporation Limited (the “Company” or “KKL”) is committed to operating effectively and in the best interests of shareholders. The Company had in place appropriate corporate governance policies and practices for the financial year ended 30 June 2015 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council’s Principles and Recommendations and this can be accessed at: www.kollakorn.com

DIRECTORS' REPORT

The Directors of Kollakorn Corporation Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1.1 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 Riad Tayeh B. Econ., CA – Non-executive Chairman

Mr Tayeh was appointed as a non-executive Director on 23 March 2009. He was later appointed as non-executive Chairman on 5 February 2015. 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 Sevag Chalabian (B.Laws, B.Comm, M.Laws) – (Former) Non-executive Chairman

Mr Sevag Chalabian was appointed as the non-executive Chairman on 18 February 2011 and resigned as a director and Chairman of the Company on 5 February 2015. 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.

Former directorships of listed companies in the last 3 years: Land and Mineral Exploration Ltd (2013-current).

Mr Richard Malcolm Sealy (CA, FAICD, GAICD, GIOD (Thailand)) – Director, Chief Executive Officer

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 on 9 December 2010. Mr Richard Sealy resigned as managing director on 24 November 2014 due to ill health but remained as a director on the board. He was subsequently appointed Chief Executive Officer on 31 March 2015. 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 and the Thailand Institute of 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.

Former directorships of listed companies in the last 3 years: None.

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.

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.

Former directorships of listed companies in the last 3 years: None.

Mr Nicholas John Aston B.Bus CA – Non-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.

Mr Charles Hunting B.Info Tech - Non-executive Director

Mr Charles Hunting was appointed a non-executive Director on 10 February 2015. Mr Hunting has more than 20 years of management, executive and director experience across the Asia Pacific region. He has previously filled the role of Managing Director or Chief Executive Officer for the regional business of a number of listed global mutinationals and most recently has and founded a number of exciting ventures in the region. Charles is an advisor to companies in the achievement of transformational change and creating companies to take advantage of technology and innovation.

Mr Hunting also currently serves as the Executive Chairman or Chairman in these ventures including Infitecs, Lan Tian and Tailors Mark.

Former directorships of listed companies in the last 3 years: None.

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

- Mr S Chalabian – resigned 5 February 2015
- Mr C Hunting – was appointed 10 February 2015

1.2 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.

1.3 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.

1.4 Review of operations

Total revenue from ordinary activities for the year ending 30 June 2015 increased by 102% to $272,204. The net loss decreased by 60% to $644,708 from $1.615m in 2014. This is further detailed in the Managing Directors report.

1.4.1 RFID with Break on Removal Technology

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

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

For 1.2 million tags in the Dominican Republic for the purpose of tagging all motor cycles in the country; and

Becoming certified for the mandatory issue of tags with Kollakorn's BOR technology for application to all new vehicles sold in India. As the freeways in India continue to expand there will be extensive retrofitting of tags to existing vehicles ensuring strong royalty payments from both these companies.

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

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

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

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

1.4.2 CertainID

In September 2014 a small placement of 1,500,000 ordinary shares was made by the Company in order to finance the national phase of International Patent Cooperation Treaty (PCT) application PCT/AU2010/000584 of "A Biometric Identification Method" and PCT/AU2013/000266 "A Biometric Authentication System" (CertainID). The PCT is an international patent law treaty that provides a unified procedure for filing patent applications to protect inventions in each of its contracting countries and will give international protection to our CertainID patent.

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

1.5 Financial Position

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

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

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

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

1.6 Subsequent events

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

1.7 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.

1.8 Dividends

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

1.9 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.

1.10 Share options

1.10.1 Share Options Granted to Directors and Executives

During and since the end of the financial year ended 30 June 2015, the following share options were granted to directors and executives of the company (2014: 5,000,000) 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	-	Kollakorn Corporation Limited	22,000,000

1.10.2 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	5,000,000	Ordinary	0.075	14 August 2015
Kollakorn Corporation Limited	4,000,000	Ordinary	0.020	7 March 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.030	7 March 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.040	7 March 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.020	28 May 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.030	28 May 2016
Kollakorn Corporation Limited	4,000,000	Ordinary	0.040	28 May 2016
Kollakorn Corporation Limited	17,000,000	Ordinary	0.020	3 September 2016
Kollakorn Corporation Limited	17,000,000	Ordinary	0.030	3 September 2016
Kollakorn Corporation Limited	17,000,000	Ordinary	0.040	3 September 2016
Kollakorn Corporation Limited	5,000,000	Ordinary	0.075	5 December 2016
Kollakorn Corporation Limited	11,000,000	Ordinary	0.020	5 December 2016
Kollakorn Corporation Limited	11,000,000	Ordinary	0.030	5 December 2016
Kollakorn Corporation Limited	11,000,000	Ordinary	0.040	5 December 2016
	118,000,000			

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.

1.11 Indemnification of Officers and Auditors Incurred as such an Officer or Auditor.

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.

1.12 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, 5 board meetings and 2 audit committee meetings were held.

	Board of directors		Audit committee	
Directors	Held	Attended	Held	Attended
S Chalabian	5	4	-	-
R Tayeh	5	4	-	-
R Sealy	5	5	2	2
N Somapa	5	-	-	-
N Aston	5	5	2	2
C Hunting	-	-	-	-

1.13 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	Share options
S Chalabian	767,318	-
R M Sealy	3,927,187	22,000,000
N Somapa	97,940,868	-
R Tayeh	4,613,740	3,000,000
N J Aston	12,310,000	12,000,000

Mr Richard Sealy resigned as Managing Director of the company on 31 March 2015. As at that date, the company owes Mr Richard Sealy $577,166.68 in unpaid consulting fees. Under an Exit Agreement, approved by the Board of Directors in December 2014, it was agreed by the directors that subject to approval from the Annual General Meeting in November 2015, the Company would issue Mr Richard Sealy 28,571,428 shares at $0.007 per share, for a total value of $200,000 as part of the settlement and the remaining balance would be paid in cash on or before 31 March 2016, see note 19.

Mr Sevag Chalabian resigned as Director and Chairman on 6 February 2015. The company owes Mr Chalabian $168,784 in unpaid consulting fees. Under an Exit Agreement, approved by Board of Directors in January 2015, it was agreed by the Directors that subject to approval from the Annual General Meeting in November 2015, the Company would issue 12,056,000 share to Mr Chalabian at $0.007 per share for a total value of $84,392 as part of the settlement. The remaining balance would be paid in cash on or before 31 March 2016, see note 19.

1.14 Remuneration Report

1.14.1 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) (resigned 5 February 2015)
- R M Sealy (Managing Director) (resigned as Managing director 31 March 2015, appointed as Chief Executive Officer 31 March 2015)
- R Tayeh (Non-Executive Chairman) (appointed as Chairman 6 February 2015)
- C Hunting (Non-Executive Director) (appointed 10 February 2015)
- N Somapa (Non-Executive Director)
- N J Aston (Non-Executive Director)

The Group executives of Kollakorn Corporation Limited were:

- R Sealy (Chief Executive Officer)

1.14.2 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 Directors' retain responsibility for determining and reviewing compensation arrangements for the directors, the Managing Director, and the senior management team. The Directors' assess 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.

(a) 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.

(b) 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.

(c) 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 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	$	$	$	$	$
Revenue	280,924	198,874	618,705	561,096	3,992,930
Net loss before tax	(644,708)	(1,615,241)	(1,325,334)	(2,984,367)	(3,252,433)
Net loss after tax	(644,708)	(1,615,241)	(1,325,334)	(2,907,593)	(3,144,780)

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	$	$	$	$	$
Share price at start of year	0.3 cents	0.6 cents	1.6 cents	2.2 cents	7.0 cents
Share price at end of year	0.6 cents	0.3 cents	0.6 cents	1.6 cents	2.2 cents
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic earnings per share	(0.07) cents	(0.19) cents	(0.16) cents	(0.49) cents	(0.90) cents
Diluted earnings per share	(0.07) cents	(0.19) cents	(0.16) cents	(0.49) cents	(0.90) cents

(d) Director and Executive Remuneration

2015	Short-term employee benefits			Post-employment benefits	Other employee benefits	Termination benefits	Share-based payment	
	Salary & fees	Bonus	Non-monetary	Super-annuation			Equity settled Options & Rights	Total
	$	$	$	$	$	$		$
Non-executive directors								
N Aston	40,000	-	-	-	-	-		40,000
S Chalabian	35,000	-	-	-	-	-		35,000
N Somapa	40,000	-	-	-	-	-		40,000
R Tayeh	48,333	-	-	-	-	-		48,333
C Hunting	16,667	-	-	-	-	-		16,667
Executive officers								
R M Sealy	260,250	-	-	-	-	-		260,250
TOTAL	**440,250**	**-**	**-**	**-**	**-**			**440,250**

2014	Short-term employee benefits			Post-employment benefits	Other employee benefits	Termination benefits	Share-based payment	
	Salary & fees	Bonus	Non-monetary	Super-annuation			Equity settled Options & Rights	Total
	$	$	$	$	$	$		$
Non-executive directors								
N Aston	38,495	-	-	-	-		-	38,495
S Chalabian	60,000	-	-	-	-		-	60,000
N Somapa	40,000	-	-	-	-		-	40,000
R Tayeh	40,000	-	-	-	-		-	40,000
Executive officers							-	
S V Goh	83,205	-	-	-	-		-	83,205
R M Sealy	327,000	-	-	-	-		14,500	341,500
	588,700	**-**	**-**	**-**	**-**		**14,500**	**603,200**

(e) 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 consulting contract with R M Sealy to provide services as Managing Director. The contract contained the following key terms:

Term: Fixed term agreement from 1 March 2014 to 31 March 2015

Consulting fee: $27,250 per month

Other Remuneration: Compensation by way of options

Employee Benefits: Agreed Expenses

Notice Period: Three months by either party

Redundancy: Not applicable due to contractor basis

After 31 March 2015, the Company entered into an consulting contract with R M Sealy to provide services as CEO. The Contract contained the following key terms:

Term: 12 Months

Consulting Fee $5,000 per month

Employee Benefits: Agreed Expenses

Notice Period: Three months by either party

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

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.

(f) **Key Management Personnel Equity**

Fully paid ordinary shares of Kollakorn Corporation Limited

	Balance at 1 July	Granted as compen sation	Received on exercise of options	Net other change	Balance at 30 June	Balance held nominally
	No.	No.	No.	No.	No.	No.
2015						
S Chalabian	767,318	-	-	-	767,318	-
R M Sealy	3,927,187	-	-	-	3,927,187	-
N Somapa	97,940,868	-	-	-	97,940,868	-
R Tayeh	4,613,740	-	-	-	4,613,740	-
N Aston	12,310,000	-	-	-	12,310,000	-
C Hunting	-	-	-	-	-	-
2014						
S Chalabian	767,318	-	-	-	767,318	-
R M Sealy	3,570,170	-	-	-	3,570,170	-
N Somapa	91,940,868	-	-	-	91,940,868	-
R Tayeh	4,194,309	-	-	-	4,194,309	-
N Aston	11,350,000	-	-	(200,000)	11,150,000	-

(g) **Convertible Notes 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.
2015						
S Chalabian	-	-	-	-	-	-
R M Sealy	1	-	-	-	1	-
N Somapa	-	-	-	-	-	-
R Tayeh	1	-	-	-	1	-
N Aston	4	-	-	-	4	-
2014						
S Chalabian	-	-	-	-	-	-
R M Sealy	-	-	-	1	1	-
N Somapa	-	-	-	-	-	-
R Tayeh	-	-	-	1	1	-
N Aston	-	-	-	4	4	-

(h) **Share options of Kollakorn Corporation Limited**

	Balance at 1 July	Granted as compen-sation	Exerc-ised	Net other change	Bal at 30 June	Bal veste d at 30 June	Vested but not exerci-sable	Veste d and exerc isable	Option s vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2015									
S Chalabian	-	-	-	-	-	-	-	-	-
R M Sealy	27,000,000	-	-	(5,000,000)	22,000,000	-	-	-	-
N Somapa	-	-	-	-	-	-	-	-	-
R Tayeh	3,000,000	-	-	-	3,000,000	-	-	-	-
N Aston	12,000,000	-	-	-	12,000,000	-	-	-	-
2014									
S Chalabian	-	-	-	-	-	-	-	-	-
R M Sealy	10,000,000	5,000,000	-	12,000,000	27,000,000	-	-	-	-
N Somapa	-	-	-	-	-	-	-	-	-
R Tayeh	-	-	-	3,000,000	3,000,000	-	-	-	-
N Aston	-	-	-	12,000,000	12,000,000	-	-	-	-

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan or attached to the convertible notes issued to key management personnel. During the financial year no options (2014: nil) were exercised by key management personnel.

(i) **Total liabilities arising from compensation with key management personnel or their related parties:**

	2015 $	2014 $
S Chalabian	174,284	135,784
R M Sealy	587,020	421,779
N Somapa	84,437	56,445
R Tayeh	118,196	65,030
N Aston	86,344	42,344
C Hunting	18,333	-
	1,068,614	721,382

(j) **Other transactions with key management personnel of the consolidated entity:**

Consolidated loss includes the following expenses arising from transactions with key management personnel of the Group or their related parties:	2015 $	2014 $
Accounting expenses	144,000	180,346
	144,000	180,346

Total liabilities arising from transactions other than compensation with key management personnel or their related parties:	**2015 $**	**2014 $**
Current	265,705	195,758
Non-current	-	-
	265,705	195,758

1.15 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.

1.16 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 25 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.

1.17 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

Riad Tayeh
Non-executive Chairman

Richard Sealy
Chief Executive Officer

Sydney, 30 September 2015

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 **F** +61 2 8226 4501

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kollakorn Corporation Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

C J HUME
Partner

Sydney, NSW
Dated: 30 September 2015

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 **F** +61 2 8226 4501

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

KOLLAKORN CORPORATION LIMITED

Report on the Financial Report

We were engaged to audit the accompanying financial report of Kollakorn Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matter described in the Bases for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial 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.

Bases for Disclaimer of Opinion

Going concern

As disclosed in the Note 2 to the financial statements, the company and consolidated entity incurred net losses of $827,707 and $644,708 respectively and the consolidated entity had net cash outflows from operating activities of $538,955 during the year ended 30 June 2015. As at that date the company and consolidated entity had net current liabilities of $2,687,972 and $2,717,849 respectively. The ability of the company and consolidated entity to continue as going concerns is contingent on a number of future events, the most significant of which is the continued support of its creditors and the ability to source sufficient capital or other sources of funding to repay existing creditors and generate revenue streams from the Radio Frequency Identification (RFID) technology. We have been unable to obtain sufficient appropriate audit evidence to support the use of the going concern assumption given the significance of the uncertainty as to whether the company and consolidated entity will be able to raise sufficient capital and successfully generate revenue streams from the RFID technology.

Carrying value of associate

As disclosed in Note 11 to the financial statements, the consolidated entity's investment in Kollakorn Co. Ltd is carried at $5,001,689 in the statement of financial position. This asset represents approximately 90% of the consolidated entity's total assets as at 30 June 2015. The ability to realise the carrying value of this asset is dependent on the associate successfully generating revenue streams from the RFID technology. We were unable to obtain sufficient appropriate audit evidence to support the recoverable amount of the consolidated entity's investment in Kollakorn Co. Ltd. As a result, we were unable to determine whether any adjustments were necessary in respect of the carrying value of investment in associates as at 30 June 2015.

Share of loss of associate

As disclosed in Note 11, the consolidated entity's share of Kollakorn Co. Ltd's net loss of $365,619 for the year ended 30 June 2015 is included in the consolidated entity's statement of comprehensive income. We were unable to obtain sufficient appropriate audit evidence about the consolidated entity's share of Kollakorn Co. Ltd's net loss for the year because the financial statements of Kollakorn Co. Ltd are unaudited as at 30 June 2015. The Kollakorn Co. Ltd's is audited on a calendar financial year. We were unable to perform adequate alternative audit procedures in this regard. Consequently, we were unable to determine whether any adjustments to the share of loss were necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on whether:

(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 2015 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.

RSM Bird Cameron Partners

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

C J HUME
Partner

Sydney, NSW
Dated: 30 September 2015

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 Section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Riad Tayeh
Non-executive Chairman

Richard Sealy
Chief Executive Officer

Sydney, 30 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $	2014 $
Continuing operations			
Revenue from sale of goods	5	18,166	7,957
Revenue from royalties	5	254,038	126,803
Less cost of goods sold		(12,653)	(7,455)
Gross profit		259,551	127,305
Other income	5	738,194	64,114
Expenses by function:			
Administration		(783,023)	(1,021,337)
Amortisation of intangible assets		(87,185)	(87,185)
Finance costs		(175,061)	(115,613)
Foreign exchange losses		(128,521)	(6,702)
Marketing and sales		-	(10,092)
Research and development		(103,044)	(150,907)
Share of losses from associates		(365,619)	(414,824)
Loss before income tax	6	(644,708)	(1,615,241)
Income tax expense	7	-	-
Loss for the year		**(644,708)**	**(1,615,241)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign entities		(30,219)	(4,415)
		(30,219)	(4,415)
Total comprehensive loss for the year		**(674,927)**	**(1,619,656)**

Earnings per share			
From continuing operations			
Basic (cents per share)	18	(0.07)	(0.19)
Diluted (cents per share)	18	(0.07)	(0.19)

Notes to the financial statements are included on pages 25 to 51.

KOLLAKORN CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015 $	2014 $
Current assets			
Cash and cash equivalents		211,009	82,355
Trade and other receivables	8	162,927	161,125
Other assets	9	900	983
Total current assets		374,836	244,463
Non-current assets			
Intangible assets	10	261,556	348,741
Investment in associates	11	5,001,689	5,367,308
Total non-current assets		5,263,245	5,716,049
Total assets		5,638,081	5,960,512
Current liabilities			
Trade and other payables	12	1,621,632	1,284,062
Other current liabilities	13	1,379,276	1,898,327
Provisions	14	91,777	74,824
Total current liabilities		3,092,685	3,257,213
Total liabilities		3,092,685	3,257,213
Net assets		**2,545,396**	**2,703,299**
Equity			
Issued capital	15	50,058,175	49,541,151
Reserves	16	1,784,724	1,814,943
Accumulated losses	17	(49,297,503)	(48,652,795)
Total equity		**2,545,396**	**2,703,299**

Notes to the financial statements are included on pages 25 to 51.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Fully paid ordinary shares	Equity-settled employee benefits reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 July 2013	49,542,726	2,081,630	(276,772)	(47,037,554)	4,310,030
Exchange differences arising on translation of foreign operations	-	-	(4,415)	-	(4,415)
Other comprehensive for the year	-	-	(4,415)	-	(4,415)
Loss for the year	-	-	-	(1,615,241)	(1,615,241)
Total comprehensive income / (loss) for the year	-	-	(4,415)	(1,615,241)	(1,619,656)
Share issue costs	(1,575)	-	-	-	(1,575)
Recognition of share-based payments	-	14,500	-	-	14,500
Balance at 30 June 2014	**49,541,151**	**2,096,130**	**(281,187)**	**(48,652,795)**	**2,703,299**

	Fully paid ordinary shares	Equity-settled employee benefits reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 July 2014	49,541,151	2,096,130	(281,187)	(48,652,795)	2,703,299
Exchange differences arising on translation of foreign operations	-	-	(30,219)	-	(30,219)
Other comprehensive loss for the year	-	-	(30,219)	-	(30,219)
Loss for the year	-	-	-	(644,708)	(644,708)
Total comprehensive loss for the year	-	-	(30,219)	(644,708)	(674,927)
Issue of shares and options	541,908				541,908
Share issue costs	(24,884)	-	-	-	(24,884)
Recognition of share-based payments	-	-	-	-	-
Balance at 30 June 2015	**50,058,175**	**2,096,130**	**(311,406)**	**(49,297,503)**	**2,545,396**

Notes to the financial statements are included on pages 25 to 51.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015 $	2014 $
Cash flows from operating activities:			
Receipts from customers		23,887	2,467
Payments to suppliers and employees		(562,842)	(534,170)
Interest and other costs of finance paid		-	(10,502)
Net cash used in operating activities	21	(538,955)	(542,205)
Cash flows from investing activities:			
Interest received		8,720	10
Royalties and other investment income received		246,515	158,915
Net cash provided by investing activities		255,235	158,925
Cash flows from financing activities:			
Proceeds from issues of shares		541,908	-
Payment for share issue costs		(24,884)	-
Proceeds from the issue of convertible notes		110,393	468,064
Repayment of borrowings		(215,043)	(3,358)
Net cash provided by financing activities		412,374	464,706
Net increase in cash and cash equivalents		128,654	81,426
Cash and cash equivalents at the beginning of the financial year		82,355	929
Cash and cash equivalents at the end of the financial year		**211,009**	**82,355**

Notes to the financial statements are included on pages 25 to 51.

NOTES TO THE ACCOUNTS

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:

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

2. Significant accounting policies

a. 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 2015.

b. 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.

c. 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.

d. Application of new and revised Accounting Standards

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014.

AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements. This amendment does not have any material impact on the consolidated financial statements.
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'. The application of these amendments does not have any material impact on the consolidated financial statements.
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an Investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. To qualify as an investment entity, a reporting entity is required to: • obtain funds from one or more investors for the purpose of providing them with investment management services; • commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and • measure and evaluate performance of substantially all of its investments on a fair value basis. Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for Investment entities. As the Company is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 July 2014), the application of the amendments does not have any material impact on the consolidated financial statements.

AASB 2014-1 'Amendments to Australian Accounting Standards'(Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	The Annual Improvements 2010-2012 has made number of amendments to various AASBs, which are summarised below: • The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for sharebased payment transactions for which the grant date is on or after 1 July 2014. • The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014. • The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. • The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. • The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. • The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

<table>
<tr><td></td><td>The Annual Improvements 2011-2013 has made number of amendments to various AASBs, which are summarised below.
The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.
The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:
the property meets the definition of investment property in terms of AASB 140; and
the transaction meets the definition of a business combination under AASB 3.
The application of these amendments does not have any material impact on the consolidated financial statements.</td></tr>
<tr><td>Interpretation 21 ‘Levies’</td><td>Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

Interpretation 21 has been applied retrospectively. The application of this Interpretation does not have any material impact on the consolidated financial statements.</td></tr>
<tr><td>AASB 1031 ‘Materiality’, AASB 2013-9 ‘Amendments to Australian Accounting Standards’ – Conceptual Framework, Materiality and Financial Instruments’ (Part B: Materiality), AASB 2014-1 ‘Amendments to Australian Accounting Standards’ (Part C: Materiality)</td><td>The revised AASB 1031 is an interim standard that cross - references to other Standards and the ‘Framework for the Preparation and Presentation of Financial Statements’ (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.</td></tr>
</table>

e. 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.

Reference	Title	Application date (financial years beginning)	Expected Impact
AASB 9	*Financial Instruments*	1 January 2018	Unlikely to have a significant impact
AASB 15	*Revenue from contracts with customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*	1 January 2017	Unlikely to have a significant impact
2014-3	*Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016	Unlikely to have a significant impact
2014-4	*Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016	Unlikely to have a significant impact
2014-6	*Amendments to Australian Accounting Standards - Agriculture: Bearer Plants*	1 January 2016	Unlikely to have a significant impact
2014-9	*Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements*	1 January 2016	Unlikely to have a significant impact
2014-10	*Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	1 January 2016	Unlikely to have a significant impact
2015-1	*Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.*	1 January 2016	Unlikely to have a significant impact
2015-2	*Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*	1 January 2016	Unlikely to have a significant impact
2015-3	*Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*	1 July 2015	Unlikely to have a significant impact
2015-4	*Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with Foreign Parent*	1 July 2015	Unlikely to have a significant impact
2015-5	*Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception*	1 January 2016	Unlikely to have a significant impact

f. 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 Company and Consolidated Entity incurred net losses of $827,707 and $644,708.

The ability of the Company and Consolidated Entity to continue as going concerns is dependent on a number of factors, the most significant of which is the continued support of its creditors and the ability to source sufficient capital or other sources of funding to repay existing creditors and generate revenue streams from the RFID technology.

These factors indicate material uncertainty as to whether the Company and Consolidated Entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.T he Directors believe that there are reasonable grounds to believe that the company and consolidated entity will be able to continue as going concerns, after consideration of the following factors:

- The consolidated entity's current position as a result of settlement of its major creditor debt during the year enhances the ability for raising of additional funds during the next 12 months, by means of a share issue should the directors consider it appropriate; and
- The Directors anticipate securing significant sales contracts during the next 12 months which will increase operating cash flow.

Accordingly, the Directors believe that the Company and Consolidated Entity will be able to continue as going concerns 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 Company and Consolidated Entity do not continue as going concerns.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

p. 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.

q. 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.

r. 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.

s. 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 23.

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.

t. 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(f). 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 23. 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 23. 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)
- Smart&Secure
- TransitVault & CertainID

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

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

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

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2014: 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.

Segment assets and liabilities

	Assets		Liabilities	
	2015 $	2014 $	2015 $	2014 $
AVI / EVR	5,056,512	5,373,808	-	44,782
Smart&Secure	337,381	415,815	-	-
TransitVault & Certain ID	-	-	160,592	130,928
Total segment assets and liabilities	5,393,893	5,789,623	160,592	175,710
Unallocated assets and liabilities	244,188	170,889	2,932,093	3,081,503
Consolidated total assets and liabilities	5,638,081	5,960,512	3,092,685	3,257,213

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	
	2015 $	2014 $	2015 $	2014 $
Smart&Secure	87,185	87,185	-	-
Total segment depreciation, amortisation & additions	87,185	87,185	-	-
Unallocated depreciation, amortisation & additions	-	-	-	-
Total depreciation, amortisation & additions	87,185	87,185	-	-

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

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	
	2015 $	2014 $	2015 $	2014 $
USA	148,609	107,301	-	-
Thailand	105,429	27,459	-	-
Other	18,166	-	-	-
	272,204	134,760	-	-

5. Revenue and other revenue

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

	2015 $	2014 $
Continuing operations		
Revenue from the sale of goods	18,166	7,957
Royalty and licence revenue	254,038	126,803
	272,204	134,760
Other revenue		
Interest from third parties	8,719	64,114
Gain on extinguishment of debts	729,475	-
	738,194	64,114

6. Loss from continuing operations

	2015 $	2014 $
Gains and losses		
Revenue included the following items:		
• Interest income received and receivable	8,719	64,114
• Net foreign exchange losses	(128,521)	(6,702)
Expenses		
Loss for the year includes the following expenses:		
• Interest paid to other entities	895	10,502
• Interest accrued on convertible notes	174,166	105,111
	175,061	115,613
Amortisation expense:		
• Amortisation of intangible assets	87,185	87,185
	87,185	87,185
Share-based payments:		
• Equity-settled share-based payments	-	14,500
• Other employee benefits	440,250	588,700
Total employee benefit expense	440,250	603,200

7. Income taxes relating to continuing operations

	2015 $	2014 $
Income tax recognised in profit or loss **Tax income comprises:**		
Current tax	(135,997)	(413,847)
Deferred tax not recognised in the financial statements	135,997	413,847
Total tax expense/(income)	-	-
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:		
Loss before tax from continuing operations	(644,708)	(1,615,241)
Income tax expense/(benefit) calculated at 30%	(193,412)	(484,572)
Effect of amounts that are not (deductible) / taxable in the calculation of taxable income:	57,415	70,725
Effect of tax concessions (research and development and other allowances):-		
Deferred tax asset not recognised	135,997	413,847
Total tax expense/(income)	-	-

	2015 $	2014 $
Unrecognised deferred tax assets		
The following deferred tax assets have not been brought to account as assets:		
Tax losses – revenue	12,774,008	12,259,864
Potential tax benefit at 30%	3,832,202	3,677,959

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. Trade and other receivables

	2015 $	2014 $
Trade receivables	67,979	73,869
Allowance for doubtful debts	-	-
	67,979	73,869
Other receivables	94,948	87,256
	162,927	161,125

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 receivables due but not impaired

	2015 $	2014 $
0-60 days	70,700	59,238
60-90 days	-	-
90-120 days	-	-
120+ days	92,227	101,887
	162,927	161,125

9. Other assets

	2015 $	2014 $
Prepayments	900	983
	900	983

10. Intangible Assets

	2015 $	2014 $
Intellectual property - cost	435,926	435,926
Intellectual property – accumulated amortisation	(174,370)	(87,185)
	261,556	348,741

	Intellectual property	Total
Cost		
Balance at 30 June 2013	435,926	435,926
Additions	-	-
Disposals	-	-
Balance at 30 June 2014	435,926	435,926
Additions	-	-
Disposals	-	-
Balance at 30 June 2015	435,926	435,926
Accumulated amortisation and impairment		
Balance at 30 June 2014	87,185	87,185
Amortisation expense	87,185	87,185
Disposals	-	-
Balance at 30 June 2015	174,370	174,370

11. 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	
			2015	2014
Kollakorn Co Ltd	IT Infrastructure	Thailand	33.23%	33.23%

Kollakorn Corporation Ltd acquired a 19.9% interest in Kollakorn Co., Ltd (**Kollakorn Thailand**) on 30 June 2011, and purchased an additional 8.8% in 2012, 2.49% in 2013 and 2.04% in 2014. The total purchase price for the 33.23% interest in this company to date has been $6,461,652 (2014: $6,461,652). The carrying amount in the statement of financial position of the consolidated equity's interest in Kollakorn Thailand at 30 June 2015 is $5,001,689 (2014: $5,367,308). The company's share of accumulated losses in Kollakorn Thailand at 30 June 2015 is $1,459,963 (2014: $1,094,344).

Pursuant to a resolution passed by the shareholders of Kollakorn Thailand, Kollakorn's Managing Director, Richard Sealy, who was appointed to the board of Kollakorn Thailand has the right to cast 1 vote at board meetings of Kollakorn Thailand, He is 1 of 3 directors of Kollakorn Thailand.

As Kollakorn Corporation Limited holds 33.23% 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:

	2015 $	2014 $
Total assets	7,121,196	6,884,098
Total liabilities	4,331,546	5,300,787
Net assets	2,789,650	1,583,311
Group's share of net assets of associates	**927,001**	**526,135**
Total revenue	33,072	84,847
Total loss for the year	(1,100,267)	(1,248,343)
Group's share of loss of associates	**(365,619)**	**(414,824)**

12. Trade and other payables

	2015 $	2014 $
Trade payables [(i)]	1,380,059	1,091,326
Sundry creditors and accruals	241,573	192,735
	1,621,632	1,284,062

[(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.

13. Other current liabilities

	2015 $	2014 $
Convertible note facility	1,379,276	1,303,847
Convertible note cancellation fee payable	-	594,480
	1,379,276	1,898,327

14. Provisions

	2015 $	2014 $
Current		
Employee benefits	91,777	74,824

15. Issued Capital

	2015 $	2014 $
933,064,152 fully paid ordinary shares (2014: 854,290,086)	50,058,175	49,541,151

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.

	2015		2014	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	856,290,086	49,541,151	854,290,086	49,542,726
Other issues of shares	76,744,066	541,908	2,000,000	-
Share issue costs	-	(24,884)	-	(1,575)
Balance at end of financial year	933,064,152	50,058,175	856,290,086	49,541,151

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:

In accordance with the provisions of the employee share option plan, as at 30 June 2015, executives and directors (including former executives and directors) have options over 22,000,000 ordinary shares, expiring on various dates between 14 August 2015 and 5 December 2016.

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 23 to the financial statements.

Other share options on issue:

During the financial year ending 30 June 2015, there were no options were issued to shareholders as a part of capital raisings undertaken throughout the period.

16. Reserves

	2015 $	2014 $
Equity-settled employee benefits	2,096,130	2,096,130
Foreign currency translation	(311,406)	(281,187)
	1,784,724	1,814,943
Equity-settled employee benefits reserve		
Balance at beginning of financial year	2,096,130	2,081,630
Share-based payment	-	14,500
Balance at end of financial year	2,096,130	2,096,130

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 23 to the financial statements.

	2015 $	2014 $
Foreign currency translation reserve		
Balance at beginning of financial year	(281,187)	(276,772)
Translation of foreign operations	(30,219)	(4,415)
Balance at end of financial year	(311,406)	(281,187)

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.

17. Accumulated Losses

	2015 $	2014 $
Balance at beginning of financial year	(48,652,795)	(47,037,554)
Net Loss attributable to members of the parent entity	(644,708)	(1,615,241)
Balance at end of financial year	(49,297,503)	(48,652,795)

18. Earnings per share

	2015 Cents per share	2014 Cents per share
Basic and diluted earnings per share		
From continuing operations	(0.07)	(0.19)
Total basic earnings per share	(0.07)	(0.19)

Basic and diluted earnings per share

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

	2015 $	2014 $
Net loss	(644,708)	(1,615,241)
Earnings used in the calculation of basic and diluted EPS from continuing operations	(644,708)	(1,615,241)

	2015 No.	2014 No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	882,454,047	854,377,757

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:

	2015 No.	2014 No.
Ordinary share options on issue at end of financial year	118,000,000	135,000,000

19. Contingent liabilities and contingent assets

Richard Sealy resigned as Managing Director of the Company on 31 March 2015. As of that date, the Company owes Mr Sealy $577,166.68 in unpaid consulting fees. Under an Exit Agreement, approved by the Board of Directors in December 2014, it was agreed by the Directors that subject to approval from the Annual General Meeting which is to be held in November 2015, the company would issue 28,571,428 Shares to Mr Sealy at $0.007 per share for a total value of $200,000 as part of settlement of the unpaid consulting fees. Further, the balance of $377,166.68 would be paid in cash on or before 31 March 2016. In the event that Shareholder Approval is not received, the Company shall be obligated to immediately pay to Mr Sealy in cash the greater of:

- The value of the Shares on the date of the General Meeting that should have been issued; or
- The amount of $200,000 plus interest at 7% per annum, from 31 March 2015 to the date that the resolution failed to be passed.

Mr Sevag Chalabian resigned as Director and Chairman on 6 February 2015. The company owes Mr Chalabian $168,784 in unpaid consulting fees. Under an Exit Agreement, approved by Board of Directors in January 2015, it was agreed by the Directors that subject to approval from the Annual General Meeting which is to be held in November 2015, the Company would issue 12,056,000 share to Mr Chalabian at $0.007 per share for a total value of $84,392 as part of the settlement. The remaining balance would be paid in cash on or before 31 March 2016. In the event that Shareholder Approval is not received, the Company shall be obligated to immediately pay to Mr Chalabian in cash the greater of:

- The value of the Shares on the date of the General Meeting that should have been issued; or
- The amount of $84,392 plus interest at 7% per annum, from 31 March 2015 to the date that the resolution failed to be passed.

(2014: nil).

20. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2015 %	2014 %
Parent entity			
Kollakorn Corporation Limited (i)	Australia	-	-
Subsidiaries			
Kollakorn Imaging Systems Pty Limited (ii) (iii)	Australia	100	100
Kollakorn (AVI) Pty Ltd (ii) (iii)	Australia	100	100
Kollakorn (IP) Pty Ltd (ii) (iii)	Australia	100	100
Mikoh Corporation	USA	100	100
Kollakorn Pty Limited (ii) (iii)	Australia	100	100
Kollakorn Technology Pty Limited (ii) (iii)	Australia	100	100

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

21. Notes to the cash flow statement

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

	2015 $	2014 $
Loss for the year	(644,708)	(1,615,241)
Amortisation of intangible assets	87,185	87,185
Gain on extinguishment of debts	(729,475)	
Foreign exchange (gain)/loss	110,856	(16,855)
Equity-settled share-based payment	-	14,500
Convertible note interest accrued	174,165	105,110
Investment revenue recognized in profit & loss	(262,757)	(190,917)
Share of loss of associates	365,619	414,824
Payments for share issue costs included in trade creditors	-	(1,575)
(Increase)/decrease in assets:		
Trade and other receivables	(1,802)	666,291
Less: Equity settled trade debtors	-	(683,409)
Plus: Investment revenue included in trade debtor movement	7,523	31,992
Other current assets	(83)	540
Increase/(decrease) in liabilities:		
Trade and other payables	337,570	374,976
Plus: Equity settled trade creditors	-	271,544
Provisions	16,952	(1,170)
Net cash used in operating activities	(538,955)	(542,205)

22. 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

	2015 $	2014 $
Financial Assets		
Cash and cash equivalents	211,009	82,355
Loans and receivables	162,927	161,125
Financial Liabilities		
Trade and other payables	1,621,632	1,284,062
Convertible note facility	1,379,276	1,898,327

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 $ 44 or increased by $44 (2014: decrease by $412 or increase by $412). 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:

Consolidated

	Assets		Liabilities	
	2015 $	2014 $	2015 $	2014 $
US Dollars	99,896	78,464	123,335	881,770
SG Dollars	-	-	2,400	58,676

Foreign currency sensitivity analysis

The Group is mainly exposed to fluctuations in US Dollars and SG Dollars

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the US Dollar and SG 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	
	2015 $	2014 $
Profit or loss [(i)]	7,500	85,481

	SG Dollar Impact	
	2015 $	2014 $
Profit or loss	232	4,988

(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(f).

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.

Financial Assets	Weighted Ave Effective Interest Rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years	TOTAL
2015	%	$	$	$	$	$	$
Variable interest rate instruments							
Cash and cash equivalents	0.05%	211,009	-	-	-	-	211,009
Non interest bearing instruments							
Trade and other debtors	Nil	3,165	67,979	91,783	-	-	162,927
	0.00%	214,174	67,979	91,783	-	-	373,936
2014							
Variable interest rate instruments							
Cash and cash equivalents	0.05%	82,355	-	-	-	-	82,355
Non interest bearing instruments							
Trade and other debtors	Nil	4,085	73,869	83,171	-	-	161,125
	0.00%	86,440	73,869	83,171	-	-	243,480

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 Ave Effective Interest Rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years	TOTAL
2015	%	$	$	$	$	$	$
Interest Bearing	-	-	-	-	-	-	-
Non interest bearing							
Trade and other payables	N/A	45,688	53,851	1,522,093	-	-	1,621,632
		45,688	53,851	1,522,093	-	-	1,621,632
2014							
Interest Bearing	-	-	-	-	-	-	-
Non interest bearing							
Trade and other payables	N/A	81,799	45,277	1,156,986	-	-	1,284,062
		81,799	45,277	1,156,986	-	-	1,284,062

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.

23. 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 14 August 2012	5,000,000	14/08/2012	14/08/2015	0.075	0.005000
Issued 05 December 2013	5,000,000	05/12/2013	05/12/2016	0.075	0.002900

All options listed have fully vested at the date of this report. There were nil share options granted under the employee share option plan during the year ended 30 June 2015. 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 behavioural 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.

	2015		2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	27,000,000	0.0986	22,000,000	0.1040
Granted during the financial year	-	-	5,000,000	0.0750
Expired during the financial year	(5,000,000)	(0.0044)	-	-
Balance at end of the financial year	22,000,000	0.0942	27,000,000	0.0986
Exercisable at end of the financial year	22,000,000	0.0942	27,000,000	0.0986

a. Exercised during the financial year

No share options were exercised during the financial year.

b. 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 $0.0942 (2014: $0.0986), and a weighted average remaining contractual life of 105 days (2014: 333 days).

24. Key management personnel compensation

The details of the Directors of Kollakorn Corporation Limited were:

- R Tayeh (Non-Executive Director) from 3 June 2011, (Non-Executive Chairman) from 6 February 2015
- R M Sealy (Managing Director) 29 November 2010, (Chief Executive Officer) from 31 March 2015
- S Chalabian (Non-Executive Director) resigned 5 February 2015
- N Somapa (Non-Executive Director) from 3 June 2011
- N J Aston (Non-Executive Director) from 15 July 2013
- C Hunting (Non-Executive Director) from 10 February 2015

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

- N J Aston (Chief Financial Officer) from 1 January 2012
- R Sealy (Chief Executive Officer) from 31 March 2015

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

	2015 $	2014 $
Short-term employee benefits	440,250	588,700
Share-based payment	-	14,500
	440,250	603,200

25. Remuneration of auditor

	2015 $	2014 $
Auditor of the parent entity		
Audit or review of the financial statements	63,000	63,000
	63,000	63,000

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

26. Subsequent events

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

27. Parent entity disclosures

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

FINANCIAL POSITION	2015 $	2014 $
Current assets	244,121	170,883
Non-current assets	4,609,804	5,143,612
Total assets	4,853,925	5,314,495
Current liabilities	2,932,093	3,081,504
Non-current liabilities	-	-
Total liabilities	2,932,093	3,081,504
Net assets	**1,921,832**	**2,232,991**
Issued capital	50,058,175	49,541,151
Reserves	2,096,130	2,096,130
Accumulated losses	(50,232,473)	(49,404,290)
Equity	**1,921,832**	**2,232,991**

FINANCIAL PERFORMANCE	2015 $	2014 $
Loss for the year	(827,707)	(1,539,541)
Other comprehensive income	-	-
Total comprehensive loss	(827,707)	(1,539,541)

Contingent liabilities and contingent assets

Contigent liability is disclosed in accordance with note 19 (2014: nil).

SHAREHOLDER INFORMATION

Top Holders Snapshot
Report as at 25-09-2015

Rank	Name	Fully Paid Ordinary Shares	% of Units
1	Kollakorn Company Limited	89,722,683	9.616
2	Terstan Nominees Pty Ltd <Morrows P/L Super Fund A/C>	40,159,082	4.304
3	Davies Nominees Pty Ltd <Super Duper Super Fund A/C>	35,000,000	3.751
4	140 Foot Ventures (Singapore) Pte Ltd	28,571,428	3.062
5	Deancorp Pty Ltd <Jumbo Super Fund A/C>	25,255,206	2.707
6	HSBC Custody Nominees (Australia) Limited	25,245,979	2.706
7	Mr Stuart Turner	20,077,000	2.152
8	Bordoni Holdings Pty Ltd <Peter Brown S/F A/C>	19,809,214	2.123
9	Mrs Christine Quye	17,532,321	1.879
10	Miss Kim Van Netten	12,945,859	1.387
11	Edinburgh Park Stud Pty Ltd	12,222,223	1.310
12	Ronatac Pty Ltd <Master Carpets Hld P/L Super Fund A/C>	12,000,000	1.286
13	Mr Bert Van Netten	11,786,489	1.263
14	Mr Gregory Levvey & Mrs Bronwyn Levvey <Levvey Super Fund A/C>	11,630,095	1.246
15	K B J Investments Pty Ltd <Jarry Family Super Fund A/C>	11,424,016	1.224
16	Deancorp Pty Ltd <Jumbo S/F A/C>	11,226,136	1.203
17	Mr Alex Dell'Anna	9,750,000	1.045
18	Chavoo Pty Ltd <Midhurst Super Fund A/C>	9,674,467	1.037
19	Mr Peter Bailey & Mrs Helen Bailey <Petlen Superannuation A/C>	9,000,000	0.965
20	Fianza Pty Ltd	8,420,000	0.902
Top 20 Holders of Issued Capital		421,452,198	45.17%
Remaining Holders Balance		511,611,954	54.83%
Total Issued Shares		**933,064,152**	**100.00**

Range of Units Snapshot
Issued Capital as at 25-09-2015

Range	Total Holders	Units	% of Issued Capital
1 – 1000	247	79,121	0.008
1,001 - 5,000	414	1,179,899	0.126
5,001 - 10,000	254	1,995,144	0.214
10,001 - 100,000	679	27,569,782	2.955
100,001 +	600	902,240,206	96.696
Total	2,194	933,064,152	100.00%

The number of Shareholders with an Unmarketable Parcel is 1,371.

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 2015.