Kollakorn Corporation Limited
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ASX Announcement

28 February 2019

Accounts for the half-year ended 31 December 2018

The directors of Kollakorn Corporation Limited (**ASX: KKL**) ("the Company") are very pleased to present the half-yearly accounts of the Company and its controlled entities ("the Group") to 31 December 2018.

The highlights are:

- Revenue decreased from the comparative period by 82% to $12,615 (*2017: $69,655*). This was largely due to royalty revenue which declined to $Nil (*2017: $34,151*) for the half-year.
- The Group made a loss after tax for the half-year of $580,278 (*2017: $1,313,400*), a decrease from the previous comparative period of 56%.
- Total liabilities increased from the previous period by 16% to $2,672,916 (*30 June 2018: $2,304,409*) largely due to the increased level of trade creditors.

Kollakorn Thailand Results

- As in previous periods Kollakorn Thailand has been equity accounted. Total revenue and losses of Kollakorn Thailand for the half-year amounted to $11 *(2017: $194,709)* and $123,469 *(2017: $211,099)* respectively. The share of losses attributable to the Company was $123,458 *(2017: $108,302)*.

Operations

Waste Conversion

Our focus during the first half of the year was establishing the foundations of our Waste Conversion Strategy. At the Annual General Meeting ("AGM") held in November 2018, the company explained the efforts made in leveraging our smart cities strategy as the entry point to waste conversion. In particular, we focused on the development of our relationship with Bio Carbon Fuels (BCF) and our success in gaining access to their cutting-edge technologies in waste conversion. BCF granted Kollakorn the exclusive Australian license (and Asia Pacific first right of refusal) to the core patented technology that produces solid engineered fuel from carbon-based feedstocks. This patented Waste Conversion technology is a process that takes all waste streams from Municipal Solid Waste (metals, wood, tires, plastics, foodstuffs, green waste, construction debris, sewage sludge etc) and converts it into an engineered fuel feedstock that provides clean, renewable energy to any gasification or pyrolysis processes. This ground-breaking technology has been validated by major global engineering firms Technip FMC and AECOM. This technology does not rely on incineration or other polluting technologies to create renewable energy. We will NOT be incinerating. All waste streams are converted to clean renewable energy and contain no dioxins, no furans, no polluted water, no residuals, and no ground pollution. There is no need for any dumping of waste into landfill, and all this is done with next to zero emissions.

In addition, we signed a Services Agreement with BCF Global Pty Ltd for them to provide consulting services to us over the next 36 plus months in developing and managing Projects for in-building and utility-scale waste conversion and their associated technologies. We have set very aggressive performance targets directly linked to the issuance to the principles of Share Options. These performance targets focus on the development, contracting, construction, commissioning, and operations of a number of in building and utility-scale waste conversion opportunities over the next 3 years. Through this extended relationship, we have also direct access to world leading EPC engineering support, pyrolysis technology, and energy production technologies.

Kollakorn also signed with BCF, a Heads of Terms for securing the Australian and first right of refusal APAC rights to an 'at source' on-site waste conversion technology that stops the production of Municipal Solid Waste where it is created – in the home and office. This then enables the company to further develop solutions to support our strategy of managing waste streams along the complete waste management spectrum, from the source right through to large industrial scale disposal facilities.

The Board agreed the focus for these technologies in the short term would be large regional councils in Queensland, and a specific project in Victoria that would apply our waste conversion technology to meeting their key project requirements. As we explained in the AGM, these projects require significant time in their development.

CERTAIN ID

During the first half of the financial year and leading into the second half, the company continued to work with CSIRO/Data 61 for developing a proof of concept which will include a demonstration unit and improvements to the Certain ID patent. We have also received additional support from our partner in Singapore with whom we signed a Heads of Agreement in December to provide the biometric input technology to support our authentication process. Our CEO has recently been in Singapore furthering progress on the product and working with our partner to identify our go to market approach.

Break on Removal Tags

The first half of the year saw a continuation in the reduction in royalties from our tags. We have experienced significant delays in the Malaysia project due to changes in government and we do not expect positive movement in the short term. In Myanmar, we continue to work with our partner to provide information to relevant government departments but are still awaiting a decision on the appointment of a consultant by the Government to manage the project tender process. The opportunities we identified in Argentina and West Africa, and also Thailand, also stalled and we do not anticipate forward movement in the foreseeable future.

These developments demonstrate clearly why the Board took the strategic decision to focus on a growth strategy based on Waste Conversion.

Patents

Our IP is critical to our company, and we continue to vigorously protect our patents in the marketplace. This is an expensive but critical exercise for us, and we need to be focussed and pragmatic about how we protect them. We deleted a number of Patents from our portfolio that are no longer relevant or viable. We have also engaged legal counsel to advise the Company on appropriate action against what we believe is a breach of our License by Neology Inc, the company to whom 3M sold their tolling business.

Cash Flow

Reductions in royalty payments due to slower sales have had an impact on cash flow which continues to be an issue for the Company. We have been able to fund the development work we are doing with CSIRO and Waste Conversion through R&D programs and a small share placement in November 2018.

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KOLLAKORN
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Isity

As detailed at the AGM, the Board continues to be confident there are growth opportunities in both Sustainable Building Infrastructure and Waste Conversion. In the first instance we are concentrating our efforts on Waste Conversion opportunities in Australia where the current environment is far more conducive to supporting our strategy. The significant projects in China, remain, and are replicated in scale by potential opportunities in Australia. As we develop our technical capability and business development capacity, we will extend that focus back to Asia Pacific Markets, including the Isity projects based in China.

People Movements

During the year Paul Beddie, CEO of Isity Global, left the company to pursue a career as a mentor in Sustainable Building Infrastructure. Paul remains a valuable resource for future projects both in Australia and China. Also, Richard Sealy retired after over 10 years' service to the Company. His efforts during his time with the Company enabled Kollakorn to survive during very turbulent times, positioning the Company to move into this next phase of its history.

Mr Riad Tayeh
Non-executive chairman

Kollakorn Corporation Limited

ABN 41 003 218 862

Appendix 4D

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Period 1 July 2018 to 31 December 2018

(Previous Corresponding Period 1 July 2017 to 31 December 2017)

Appendix 4D

Interim Financial Report

Name of entity

Kollakorn Corporation Limited

ABN or equivalent company reference	Half-yearly *(tick)*	Preliminary final *(tick)*	Financial half-year ended ('current period')
41 003 218 862	✔		31 December 2018

1. Results for Announcement to the Market

Results				**A$**
Revenues from ordinary activities	Down	82%	to	12,615
Profit (Loss) from ordinary activities after tax attributable to members	Down	56%	to	(580,278)
Net Profit (Loss) for the period attributable to members	Down	56%	to	(580,278)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	NIL	NIL
Previous corresponding period	NIL	NIL

Record date for determining entitlements to the dividend	N/A

The Company does not have a dividend reinvestment plan and no dividends are proposed to be declared for the current year.

Note:
This Appendix 4D should be read in conjunction with the Commentary on the Results of the Interim Financial Report for the half-year ended 31 December 2018, with the accompanying notes to the Appendix 4D, and with the most recent annual financial report.

2. Net Tangible Assets

	Half-year ended 31 December 2018 Cents	Year ended 30 June 2018 Cents
Net tangible assets per ordinary security	1.2321	2.5151

3. Control Gained Over Entities

Not applicable.

4. Loss of Control Over Entities

Not applicable.

5. Details of Associates and Joint Venture Entities

	Reporting entity's percentage holding		**Contribution to profit / (loss)**	
Name of Associate	**Half-year ended 31 December 2018 %**	Half-year ended 31 December 2017 %	**Half-year ended 31 December 2018 $**	Half-year ended 31 December 2017 $
Kollakorn Co., Ltd	**26.67**	26.67	**(123,458)**	(108,302)

6. Audit Qualification or Review

The financial statements were subject to a review by the auditors of the Company. The review report is attached as part of the Interim Financial Report and includes a disclaimer of opinion.

7. Attachments

The Interim Financial Report of the Company for the half-year ended 31 December 2018 is attached.

Kollakorn Corporation Limited
ABN 41 003 218 862

Interim financial report
for the half-year ended 31 December 2018

Kollakorn Corporation Limited
ABN 41 003 218 862

Directors’ report
for the half-year ended 31 December 2018

The directors of Kollakorn Corporation Limited (“the Company”) submit this interim financial report of Kollakorn Corporation Limited and its controlled entities (“the Group”) for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors’ report as follows:

1. Directors and secretary

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

Directors

- Riad Tayeh (Chairman)
- Nicholas Aston
- Charles Hunting

Secretary

- Tom Bloomfield

2. Principal activities

The principal activities of the Group during the half-year consisted of the development, marketing and commercialisation of security oriented identification, authentication and information storage technologies.

3. Review of operations for the half-year

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

4. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the half-year.

5. Auditor’s independence declaration under S307C of the *Corporations Act 2001*

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

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

Riad Tayeh
Chairman

Sydney, 28 February 2019

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Kollakorn Corporation Limited for the half year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

David Talbot
Partner

Sydney, NSW
Dated: 28 February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

KOLLAKORN CORPORATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kollakorn Corporation Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

Independence

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

Bases for Disclaimer of Conclusion

Going concern

As disclosed in the Note 1 to the financial statements, the consolidated entity incurred a loss after tax of $580,278 and had net cash outflows from operating activities of $74,755 during the half year ended 31 December 2018. As at that date the consolidated entity had net current liabilities of $2,410,492. The ability of the consolidated entity to continue as a going concern is contingent on a number of future events, the most significant of which is the ability of the consolidated entity to obtain additional funding to settle the consolidated entity's outstanding current liabilities and complete the development and successful commercialisation of the RFID technology. We have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether the consolidated entity may be able to raise sufficient capital and successfully commercialise the RFID technology and hence remove significant doubt of its ability to continue as a going concern within 12 months of the date of this auditor's report.

Carrying value of associate

As disclosed in Note 3, the consolidated entity's equity-accounted investment in Kollakorn Co. Ltd is carried at $4,994,159 in the consolidated statement of financial position. This asset represents approximately 68% of the consolidated entity's total assets as at 31 December 2018. The ability to realise the carrying value of this investment is dependent on sufficient funds being raised by Kollakorn Co Ltd to complete the development and successful commercialisation of its RFID technology. As a result, we were unable to determine whether any adjustments were necessary in respect of the carrying value of investment in associates as at 31 December 2018.

Share of loss of associate

As disclosed in Note 3, the consolidated entity's share of Kollakorn Co. Ltd's net loss of $123,458 for the half year ended 31 December 2018 is included in the consolidated entity's statement of profit or loss and other comprehensive income. We were unable to obtain sufficient appropriate evidence about the consolidated entity's share of Kollakorn Co. Ltd's net loss for the year because the financial statements of Kollakorn Co. Ltd are unaudited. We were unable to perform adequate alternative procedures in this regard. Consequently, we were unable to determine whether any adjustments to the share of loss were necessary during the half-year ended 31 December 2018.

Carrying value of goodwill

In addition, as disclosed in Note 4, the consolidated entity has recognised goodwill of $2,106,622 in relation to the acquisition of Isity Global Pte Limited and Isity Global (Shanghai) Co., Ltd at 31 December 2018. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Kollakorn Corporation Limited's goodwill as at 31 December 2018. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Disclaimer of Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

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David Talbot

Partner

Sydney, NSW

Dated: 28 February 2019

Directors’ declaration
for the half-year ended 31 December 2018

In the directors’ opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, *Australian Accounting Standard 134: Interim Financial Reporting*, *the Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group’s financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors.

Riad Tayeh
Chairman

Sydney, 28 February 2019

Consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2018

	Note	**Half-year ended 31 December 2018 $**	Half-year ended 31 December 2017 $
Continuing operations			
Royalties received		**-**	34,151
Revenue from services		**-**	29,732
Revenue from sale of goods		**12,615**	5,607
Other revenue		**19**	165
Expenses by function:-			
Administration and general		**(487,407)**	(1,018,595)
Depreciation and amortisation		**-**	(43,850)
Finance costs		**(27,997)**	(14,125)
Foreign exchange loss		**(2,011)**	(7,170)
Research and development		**(249,683)**	(97,272)
Share of loss of associates accounted for using the equity method	**3**	**(123,458)**	(108,302)
Other expenses		**-**	(93,741)
Loss before tax from continuing operations		**(877,922)**	(1,313,400)
R&D tax benefit		**297,644**	-
Loss for the period from continuing operations		**(580,278)**	(1,313,400)
Net operating loss for the period		**(580,278)**	(1,313,400)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences arising on translation of foreign operations		**621,295**	(4,143)
Other comprehensive income/(loss) for the period		**621,295**	(4,143)
Total comprehensive income/(loss) for the period		**41,017**	(1,317,543)
Loss attributable to:			
Members of the parent entity		**(580,278)**	(1,313,400)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		**41,017**	(1,317,543)
Earnings per share			
Basic (cents)		**(0.28)**	(0.75)
Diluted (cents)		**(0.28)**	(0.75)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position
as at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
Current Assets			
Cash assets		**42,940**	17,655
Trade and other receivables		**147,276**	172,586
Other current assets		**72,208**	69,983
Total Current Assets		**262,424**	260,224
Non-Current Assets			
Property, plant and equipment		**966**	960
Intangible assets	**4**	**2,106,622**	2,106,622
Investment in associates	**3**	**4,994,159**	4,486,841
Total Non-Current Assets		**7,101,747**	6,594,423
Total Assets		**7,364,171**	6,854,647
Current Liabilities			
Trade and other payables		**2,573,055**	2,209,045
Provisions		**99,861**	95,364
Total Current Liabilities		**2,672,916**	2,304,409
Non-Current Liabilities			
Total Non-Current Liabilities		**-**	-
Total Liabilities		**2,672,916**	2,304,409
Net Assets		**4,691,255**	4,550,238
Equity			
Issued capital	**6**	**56,612,351**	56,512,351
Reserves	**7**	**2,581,768**	1,960,473
Accumulated losses		**(54,502,864)**	(53,922,586)
Total Equity		**4,691,255**	4,550,238

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity
for the half-year ended 31 December 2018

	Fully paid ordinary shares $	Equity-settled employee benefits reserve $	Foreign currency translation reserve $	Options Reserve $	Accumulated losses $	Total $
Balance at 1 July 2017	51,025,167	2,191,130	(320,872)	121,776	(51,275,968)	1,741,233
Loss for the period	-	-	-	-	(1,313,400)	(1,313,400)
Exchange differences arising on translation of foreign operations	-	-	(4,143)	-	-	(4,143)
Total comprehensive income for the period	-	-	(4,143)	-	(1,313,400)	(1,317,543)
Transactions with owners in their capacity as owners:						
Issue of shares and options	5,487,184	-	-	-	-	5,487,184
Share-based payments	-	(47,500)	-	-	-	(47,500)
Balance at 31 December 2017	56,512,351	2,143,630	(325,015)	121,776	(52,589,368)	5,863,374
Balance at 1 July 2018	**56,512,351**	**2,143,630**	**(304,933)**	**121,776**	**(53,922,586)**	**4,550,238**
Loss for the period	**-**	**-**	**-**	**-**	**(580,278)**	**(580,278)**
Exchange differences arising on translation of foreign operations	**-**	**-**	**621,295**	**-**	**-**	**621,295**
Total comprehensive income for the period	**-**	**-**	**621,295**	**-**	**(580,278)**	**41,017**
Transactions with owners in their capacity as owners:						
Issue of shares and options	**100,000**	**-**	**-**	**-**	**-**	**100,000**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2018	**56,612,351**	**2,143,630**	**316,362**	**121,776**	**(54,502,864)**	**4,691,255**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows
for the half-year ended 31 December 2018

	Note	**Half-year ended 31 December 2018** **$**	Half-year ended 31 December 2017 $
Cash flows from operating activities			
Receipts from customers		**12,615**	55,901
R&D tax benefit		**297,643**	-
Payments to suppliers and employees		**(357,016)**	(591,777)
Finance costs		**(27,997)**	(14,125)
Net cash used by operating activities		**(74,755)**	(550,001)
Cash flows from investing activities			
Net cash provided by business combination		**-**	22,917
Interest received		**19**	165
Royalties received		**-**	44,320
Net cash provided by investing activities		**19**	67,402
Cash flows from financing activities			
Proceeds from the issue of shares		**100,000**	550,000
Net cash provided by financing activities		**100,000**	550,000
Net increase in cash and cash equivalents		**25,264**	67,401
Cash and cash equivalents at the beginning of the half-year		**17,655**	104,928
Effects of exchange rate changes on cash and cash equivalents		**21**	(5,311)
Cash and cash equivalents at the end of the half-year		**42,940**	167,018

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

Note 1: Summary of significant accounting policies

a) Basis of Preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2018 ("the half-year") have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the annual financial statements for the Group for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Accounting Policies

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

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the 30 June 2018 annual report.

b) New or Amended Accounting Standards and Interpretations

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that a mandatory for the current half-year reporting period. The adoption of new or amended Accounting Standards and Interpretations has not resulted in any material changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Notes to the financial statements (continued)

Note 1: Summary of significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

c) Going concern

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

For the half-year ended 31 December 2018 the Group incurred net losses of $580,278 and net cash outflows from operating activities of $74,755. As at 31 December 2018 the Group’s current liabilities exceeded its current assets by $2,410,492.

Notes to the financial statements (continued)

Note 1: Summary of significant accounting policies (continued)

Going concern (continued)

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

These factors indicate material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern and, therefore, the Group may be unable to realised its assets and discharge its liabilities in the normal course of business and at the amounts presented in the financial statements.

The directors believe there are reasonable grounds that the Group will be able to continue as a going concern after consideration of the following factors:

- The Group has the ability to continue to raise additional funds on a timely basis, pursuant to the Corporations Act 2001;
- The directors anticipate to close significant sales contracts during the next 12 months which will increase operating cash flow;
- The Group has the ability to further scale back certain parts of its activities that are non-essential so as to conserve cash.

Accordingly, the directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of this 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 Group does not continue as a going concern.

Notes to the financial statements (continued)

Note 2: Operating segments

Operating segments are identified on the basis of internal reports about components of the Group 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 Group'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 Group's reportable segments under AASB 8 are:

- AVI (Automated Vehicle Identification)
- Smart&Secure
- TransitVault & CertainID

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

Other segments represent the corporate head office activities of the Group.

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

Operating segment revenues and results

The following is an analysis of the Group's revenue and results, and assets by reportable operating segment for the half-year:

31 December 2018	**AVI** **$**	**Smart&Secure** **$**	**TransitVault & CertainID** **$**	**Other segments** **$**	**Total** **$**
Revenue					
Sales to external customers	12,615	-	-	-	12,615
Total segment revenue	12,615	-	-	-	12,615
Unallocated revenue					
Interest revenue					19
Total revenue					12,634
EBITDA	12,555	-	-	(739,041)	(726,486)
Depreciation and amortisation	-	-	-	-	-
	12,555	-	-	(739,041)	(726,486)
Interest revenue					19
Finance costs					(27,997)
Share of loss from associates					(123,458)
Loss before income tax expense					(877,922)
R & D income tax benefit					297,644
Loss after income tax expense					(580,278)

31 December 2018	**AVI** **$**	**Smart&Secure** **$**	**TransitVault & CertainID** **$**	**Other segments** **$**	**Total** **$**
Assets					
Segment assets	4,994,346	2,231,691	-	-	7,226,037
Unallocated assets					
Cash and cash equivalents					29,329
Trade and other receivables					108,805
Total assets					7,364,171

Notes to the financial statements (continued)

Note 2: Operating segments (continued)

31 December 2017	**AVI** **$**	**Smart&Secure** **$**	**TransitVault & CertainID** **$**	**Other segments** **$**	**Total** **$**
Revenue					
Sales to external customers	5,607	63,883	-	-	69,490
Total segment revenue	5,607	63,883	-	-	69,490
Unallocated revenue					
Interest revenue					165
Total revenue					69,655
EBITDA	(5,415)	(444,708)	(1,382)	(695,783)	(1,147,288)
Depreciation and amortisation	-	(43,850)	-	-	(43,850)
	(5,415)	(488,558)	(1,382)	(695,783)	(1,191,138)
Interest revenue					165
Finance costs					(14,152)
Share of loss from associates					(108,302)
Loss before income tax expense					(1,313,400)
Income tax expense					-
Loss after income tax expense					(1,313,400)

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

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

Notes to the financial statements (continued)

Note 3. Investment in Associates

Details of the Group’s associates are as follows.

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

Kollakorn Corporation Ltd acquired a 19.9% interest in Kollakorn Co Ltd (“Kollakorn Thailand”) on 30 June 2011, and purchased an additional 8.8% in 2012, 2.49% in 2013 and 2.04% is 2014. Kollakorn Thailand offered all shareholders a pro rata rights issue in December 2015, however KKL elected not to participate. All other shareholders in Kollakorn Thailand have participated and the shares so issued have been called as to 25%. The effect was to reduce the Group’s shareholding in Kollakorn Thailand to 26.67%.

The total purchase price for the 26.67% interest in this company to date has been $6,461,652 (30 June 2018: $6,461,652). The carrying amount in the statement of financial position of the Group's equity interest in Kollakorn Thailand at 31 December 2018 is $4,994,159 (30 June 2018: $4,486,841). The Group’s share of accumulated losses in Kollakorn Thailand at 31 December 2018 is $1,467,493 (30 June 2018: $1,974,811).

As the Group holds 26.67% of the equity shares of Kollakorn Thailand, the directors of the Company have adopted Australian Accounting Standard AASB 128 – Investments in Associates and Joint Ventures for the investment in Kollakorn Thailand. The directors of the Company 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.

	31 December 2018	30 June 2018
	$	$
Total assets	**2,682,731**	2,957,050
Total liabilities	**(5,223)**	(2,181,630)
Net assets	**2,677,508**	775,420
Group’s share of net assets of associates	**714,091**	206,773

	Half-year ended 31 December 2018	Half-year ended 31 December 2017
	$	$
Total revenue	**11**	194,708
Total loss	**(123,469)**	(211,099)
Group’s share of loss of associates	**(123,458)**	(56,292)

Notes to the financial statements (continued)

Note 4. Intangible assets

	31 December 2018	30 June 2018
	$	$
Intangibles assets	**2,106,622**	2,106,622

Reconciliation of the written down value at the beginning and end of the half-year

	Total
	$
Balance at 1 July 2017	87,186
Acquisition of subsidiary	2,106,622
Amortisation expense	(43,593)
Balance at 31 December 2017	2,150,215
Balance at 1 July 2018	**2,106,622**
Amortisation expense	**-**
Balance at 31 December 2018	**2,106,622**

Note 5. Other liabilities

At the date of this report, neither the Company nor the Group had any Other liabilities.

Note 6. Issued capital

	31 December 2018	30 June 2018	**31 December 2018**	30 June 2018
	#	#	**$**	$
Ordinary shares	**209,777,191**	189,777,191	**56,612,351**	56,512,351
Performance shares	**74,999,999**	74,999,999	**-**	-
	284,777,190	264,777,190	**56,612,351**	56,512,351

Ordinary shares

Ordinary shares entitled the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person, or by proxy, shall have one vote and upon a poll each share shall have one vote.

Performance shares

Performance shares are unlisted, non-transferable and do not carry any entitlement to vote, share in dividends or proceeds on winding up of the Company.

Performance shares entitled the holder to convert, subject to meeting the “performance milestones”, each performance share into one ordinary share on or before 30 June 2020. The performance milestones are:

1. the Revenue contributed by Isity Global in the financial year ending 30 June 2020 shall be equal to or exceed $100,000,000; and
2. that earnings before interest, taxation, depreciation and amortisation (“EBITDA”) in the financial year ending 30 June 2020 shall equal or exceed $30,000,000.

Shares Issued in the Half-Year

On 24 October 2018 there was a capital raise of which 10,000,000 shares were issued at $0.01 per share. The total funds raised was $100,000. 10,000,000 shares were issued for Nil consideration as per the employment contract of David Matthew, CEO of the company.

Notes to the financial statements (continued)

Note 7. Reserves

As at 31 December 2018, reserves comprise:

- equity-settled employee benefits reserve;
- foreign currency translation reserve; and
- options reserve.

Note 8. Contingent liabilities

At the date of this report, neither the Company nor the Group had any contingent liabilities.

Note 9. Events subsequent to reporting date

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 10. Interest in subsidiaries

Set out below are the Group's subsidiaries at 31 December 2018. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

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

		Ownership interest	
	Country of	**2018**	2017
Name of entity	**incorporation**	**%**	%
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
Isity Global Pte Limited	Singapore	**100**	100
Isity Global (Shanghai) Co., Ltd	China	**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.