

**Kollakorn Corporation Limited**  
("the Company")  
**and Controlled Entities**  
("the Group")

**ABN 41 003 218 862**

**Appendix 4E**

**PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**

**Period 1 July 2018 to 30 June 2019**  
(Previous Corresponding Period 1 July 2017 to 30 June 2018)

For personal use only

# Appendix 4E

## Preliminary Final Report

Name of entity

**Kollakorn Corporation Limited**

ABN or equivalent  
company reference

Half yearly  
(*tick*)

Preliminary  
final (*tick*)

Financial year ended ('current period')

41 003 218 862

✓

30 June 2019

### Results for Announcement to the Market

Results	\$A			
Revenues from ordinary activities	Down	82.4%	to	12,615
Loss from ordinary activities after tax attributable to members	Up	66.0%	to	4,392,743
Net loss for the year attributable to members	Up	66.0%	to	4,392,743
Dividends (distributions)	Date Paid / Payable	Amount per security	Franked amount per security	
Interim dividend	N/A	NIL	NIL	
Final dividend	N/A	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.				
<b>Note:</b>				
This Appendix 4E should be read in conjunction with the Commentary on the Results of the Preliminary Financial Report for the year ended 30 June 2019 and with the accompanying notes to the Appendix 4E.				
The Financial Statements are currently being audited and are likely to contain a modified opinion in relation to the carrying value of intangible assets and carrying value of financial assets at fair value, as well as a paragraph highlighting material uncertainty related to going concern.				

## Chief executive officer's review for the year ended 30 June 2019

### Overview

Revenue	Down	82.4%	to	12,615
Loss for the year	Up	66.0%	to	4,392,743
Net tangible assets per share (cents)	Down	42.7%	to	0.83

### Financial Results

Operating revenue this financial year decreased by 82.4% to \$12,615 (2018: \$71,830).

Expenses increased by 62% to \$2,715,450 (2018: \$2,715,450) with the single largest contributor being revaluation of \$2,829,004 as a result of a change in accounting policy from equity accounting to fair value through other comprehensive income of investment in Kollakorn Thailand.

Net loss from ordinary activities was up 66.0% to \$4,392,743 (2018: \$2,646,618).

### Operations

2019 has been a year of significant effort by Kollakorn as we continued to support our existing Tags business, develop our CertainID™ Technology, and to further develop our Waste Conversion strategy.

During the year we continued to work with our Malaysian partner to progress that particular opportunity, with particular emphasis on testing our tags for capacity, speed to read, and for the performance of the break on Removal (BOR) technology. Whilst the project itself has not been finalised by the Malaysian Government, our partner remains very confident that a decision will be made shortly. The Company also continued to pursue the opportunities that we had commenced in previous years with partners in Argentina, Myanmar and West Africa. The view that we expressed at the last Annual General Meeting that these three opportunities showed a low probability of progression was borne out during the year. Whilst no headway has been made, we will continue to monitor each opportunity to determine if progress is possible. Regarding the tag business generally, we have continued to strictly manage our patents, including allowing some patents to lapse where our technology has been superseded or is no longer commercially viable, and rigorously pursuing the protection of our BOR patents. Whilst the life of these BOR patents is limited, the Board has continuously reviewed our strategy in managing our patents to maximise their realisable value to our shareholders. Our success in Malaysia remains a fundamental component of our strategy, as is our relationships with our BOR licensees and the agreements that they have with us.

2019 was also a watershed year for CertainID™. After many years of inactivity in attempting to realise the value of CertainID™, this year we were able to engage with the CSIRO to develop this technology. CertainID™ is technology patented by Kollakorn that enables biometric authentication for individuals sending information over the internet, and other potential digital and peer to peer platforms while ensuring the security and privacy of the user's biometric signature. In October 2018 the Company formally engaged CSIRO subsidiary Data61, Australia's leading digital research and development organisation specialising in cybersecurity, to assist Kollakorn in developing a proof of concept and demonstration unit for CertainID™. The work undertaken by Data61 was co-funded through the CSIRO Kick-Start Program, which helps Australian start-ups and SMEs (small and medium-sized enterprises) access facilitation and dollar-matched funding to undertake research and development activities with CSIRO. The project was scheduled to be completed by the end of February, however, was not completed until the end of May as we made the decision jointly to fully explore the integration of our technology with a new patented biometric iris scanning technology. This technology, provided by a Singapore based Australian Company, enables Kollakorn to provide a robust and holistic solution involving both biometric inputs and Kollakorn's biometric authentication. We believe that this end to end solution will provide our Company with a more commercially usable product in the marketplace. We are excitedly awaiting the final Product Report and demonstration software to enable us to present CertainID to potential clients, and to open potential opportunities to extract value from the patents.

Our most significant activity during the year was our continued focus on developing our Waste Conversion capability. As shareholders know, in 2017 the Company acquired Isity Global to leverage a smart cities' strategy as an entry point to waste to energy conversion in Asia Pacific. Through the foundation work Isity had done in North Eastern China, we were able to access cutting edge technology in waste conversion that was being developed for a number of projects in that region. That technology was developed by Bio Carbon Fuels LLC (BCF). BCF is a Californian based, venture-backed, privately held Limited Liability company developing renewable energy and fuel projects, especially in the bioenergy space. The BCF team has decades of experience developing and financing renewable energy projects and has identified and aggregated technology, engineering, and other professional services partners. In late 2018 Kollakorn signed a Licensing and Services Agreement with BCF where Kollakorn has the exclusive Australian license (and Asia Pacific first right of refusal) to the core with patented technology that produces solid engineered fuel from carbon-based feedstocks, and where BCF will provide consulting services to Kollakorn to establish the technology firstly in Australia and then through Asia Pacific. This patented waste conversion technology is a process that takes all waste streams from Municipal Solid Waste ("MSW" - 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 new technology heats, shreds, mixes and compresses MSW into high energy engineered fuel. The fuel comes out of the machine with very low moisture, a high calorific energy, completely sterile and waterproof, with no dust or odour, and easily converted into renewable fuel, electricity, or most exiting for Kollakorn, hydrogen. In late 2018 BCF established an entity in Australia, Bio Carbon Fuels Pty Ltd.


The most important activity during the year has been the research performed by BCF with partner technologies and third-party technical assessors on ensuring the technology generates the greatest yield from the conversion of waste. Waste streams across the world vary greatly in their make-up – with moisture content having a significant impact on energy yields, but other impacts such as the amount of fibrous material in organic waste will significantly affect the performance of waste conversion. This work also included chemical analysis, energy analysis, process analysis and mass balance calculations for maximising energy yields from Australian waste streams. This work was associated with the announcement we made at the AGM that the Company had signed a Letter of Intent with the financier of a significant development in Victoria for the application of our waste conversion technology to meet a specific projects core objective. That analysis and development continues and is critical to demonstrate the environmental and economic value of the technology we were able to license through our Isity acquisition. Pulling all parties and the technologies together to create an end to end solution to waste management has been the focus for the year. Momentum is building with the foundation work we have been doing and our expectations are high for the successful commencement of our first project in the coming months.

Secondly, we continued progressing discussions with large regional councils in Queensland. These councils have the scale and the economic and environmental imperative to maximise the value of our offering, and whilst our discussions have been impacted by the Queensland Governments preparation and release of their Waste Management and Resource Recovery Strategy, we have responded to a number of relevant tenders and continued dialogue with the councils. We have also provided submissions to Infrastructure Victoria on Waste Infrastructure in Victoria, and the Victorian Government Inquiry into Recycling and Waste Management.

It is important that shareholders understand that projects of the nature of Waste Conversion, particularly those requiring significant Local Government and state Regulatory approval, take time. Whilst we consider that we have the environmental and economic solution, there are a multitude of obstacles to be crossed and we have engaged recognised professionals in the field to assist us manage them. As we undertake this work, we continue to make progress on our opportunity in Victoria to provide a demonstration and operating site for our technology.

During the year the company leveraged R&D rebates provided by AusIndustry for the development of our CertainID™ and Waste Conversions technologies. We expect to continue this with Waste Conversion into 2020 as we further develop our technology, and add the production of hydrogen to our process.

2019 has been the year when our change of strategy has commenced gaining traction. The Board is confident that our focus on Australian waste conversion opportunities through the capabilities gained in the Isity acquisition will drive our growth, coupled with the realisation of value from CertainID™ and our BOR Tags.



David Matthews  
**Chief Executive Officer**

## Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>Continuing operations</b>			
Revenue	5	12,615	71,830
Less cost of goods sold		-	(3,235)
Gross profit		12,615	68,595
Other revenue	5	20	237
<b>Expenses by function</b>			
Administration		(1,089,556)	(1,603,110)
Amortisation of intangible assets		(56)	(87,774)
Finance costs		(68,921)	(27,468)
Foreign exchange losses		(1,409)	(6,520)
Research and development		(416,432)	(709,698)
Share of (loss) / gain from associates		-	(280,880)
Increase/decrease in investment		(2,829,004)	-
Loss for the year before income tax from continuing operations	6	(4,392,743)	(2,646,618)
Income tax expense	7	-	-
<b>Loss for the year from continuing operations</b>		<b>(4,392,743)</b>	<b>(2,646,618)</b>
R&D tax benefit		297,644	-
<b>Loss for the year</b>		<b>(4,095,099)</b>	<b>(2,646,618)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations, net of tax		2,138	(15,939)
Share of exchange differences arising on translation of foreign associates, net of tax		-	-
Other comprehensive income for the year, net of tax		2,138	(15,939)
<b>Total comprehensive loss for the year</b>		<b>(4,092,961)</b>	<b>(2,662,557)</b>
Loss for the year is attributable to:			
Non-controlling interest		-	-
Members of the Company		(4,392,743)	(2,646,618)
		<b>(4,392,743)</b>	<b>(2,646,618)</b>
Total comprehensive gain/(loss) for the year is attributable to:			
Non-controlling interest		-	-
Members of the Company		(4,092,961)	(2,662,557)
		<b>(4,092,961)</b>	<b>(2,662,557)</b>
<b>Earnings per share</b>			
Basic earnings per share	27	(1.78)	(1.41)
Diluted earnings per share	27	(1.78)	(1.41)

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 30 June 2019

	Note	2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents	8	9,558	17,655
Trade and other receivables	9	122,106	172,586
Other current assets		96,585	69,983
<b>Total current assets</b>		<b>228,249</b>	260,224
<b>Non-current assets</b>			
Intangible assets	10	2,106,622	2,106,622
Investment in associates	11	-	4,486,841
Financial assets at fair value	11	1,500,000	-
Plant and equipment		295	960
<b>Total non-current assets</b>		<b>3,606,917</b>	6,594,423
<b>Total assets</b>		<b>3,838,166</b>	6,854,647
<b>Current liabilities</b>			
Trade and other payables	12	3,026,384	2,209,045
Employee benefits	14	100,505	95,364
<b>Total current liabilities</b>		<b>3,126,889</b>	2,304,409
<b>Non-current liabilities</b>			
Borrowings	15	126,000	-
<b>Total non-current liabilities</b>		<b>126,000</b>	-
<b>Total liabilities</b>		<b>3,252,889</b>	2,304,409
<b>Net assets</b>		<b>582,277</b>	4,550,238
<b>Equity</b>			
Issued capital	16	56,637,351	56,512,351
Reserves	17	1,962,611	1,960,473
Accumulated losses		(58,017,685)	(53,922,586)
<b>Total equity</b>		<b>582,277</b>	4,550,238
<b>Net tangible asset backing per ordinary share</b>		<b>Cents 0.83</b>	Cents 1.45

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

**Consolidated statement of changes in equity  
for the year ended 30 June 2019**

	Note	Fully paid ordinary shares \$	Equity-settled employee benefits reserve \$	Foreign currency translation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Consolidated Balance at 1 July 2017		51,025,167	2,191,130	(320,872)	121,776	(51,275,968)	1,741,233
Loss for the year		-	-	-	-	(2,646,618)	(2,646,618)
Other comprehensive loss for the year, net of tax		-	-	15,939	-	-	15,939
Total comprehensive loss for the year		-	-	15,939	-	(2,646,618)	(2,630,679)
<i>Transactions with owners in their capacity as owners</i>							
Issue of shares and options		5,487,184	-	-	-	-	5,487,184
Share and option issue costs		-	-	-	-	-	-
Share-based payments	26	-	(47,500)	-	-	-	(47,500)
Balance at 30 June 2018		56,512,351	2,143,630	(304,933)	121,776	(53,922,586)	4,550,238
<b>Consolidated Balance at 1 July 2018</b>		<b>56,512,351</b>	<b>2,143,630</b>	<b>(304,933)</b>	<b>121,776</b>	<b>(53,922,586)</b>	<b>4,550,238</b>
Gain/(Loss) for the year		-	-	-	-	(4,095,099)	(4,095,099)
Other comprehensive gain/(loss) for the year, net of tax		-	-	2,138	-	-	2,138
Total comprehensive gain/(loss) for the year		-	-	2,138	-	(4,095,099)	(4,092,961)
<i>Transactions with owners in their capacity as owners</i>							
Issue of shares and options		125,000	-	-	-	-	125,000
Share and option issue costs		-	-	-	-	-	-
Share-based payments	26	-	-	-	-	-	-
<b>Balance at 30 June 2019</b>		<b>56,637,351</b>	<b>2,143,630</b>	<b>(302,795)</b>	<b>121,776</b>	<b>(58,017,685)</b>	<b>582,277</b>

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

**Consolidated statement of cash flows**  
**for the year ended 30 June 2019**

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		12,615	5,607
Payments to suppliers and employees		(201,913)	(681,872)
Interest and other costs of finance paid		(68,921)	(27,468)
		<hr/>	<hr/>
Net cash used in operating activities	25	(258,219)	(703,733)
<b>Cash flows from investing activities</b>			
Interest received		20	237
Royalties and other investment income received		-	66,223
		<hr/>	<hr/>
Net cash provided by investing activities		20	66,460
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		125,000	550,000
Repayments of borrowings		126,000	-
		<hr/>	<hr/>
Net cash provided by financing activities		251,000	550,000
		<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents		(7,199)	(87,273)
Cash and cash equivalents at the beginning of the year		17,655	104,928
Effects of exchange rate changes on cash and cash equivalents		(898)	-
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		<b>9,558</b>	<b>17,655</b>



## Notes to the financial statements for the year ended 30 June 2019

### 1. Parent entity information

#### General information

The Company, being the parent entity, is a public company listed on the Australian Securities Exchange, trading under the symbol 'KKL', incorporated in Australia and operating in Australia, South East Asia and North America.

The Company's registered office and principal place of business is:

Level 9, 65 York Street  
Sydney NSW 2000  
Tel: (02) 8252 5555

#### Supplementary financial information

Set out below is the supplementary information about the Company.

	2019 \$	2018 \$
<i>Statement of profit or loss and other comprehensive income</i>		
Loss after income tax	<b>(4,039,621)</b>	(2,049,727)
Total comprehensive gain/(loss)	<b>(4,039,621)</b>	(2,015,348)
<i>Statement of financial position</i>		
Total current assets	<b>111,180</b>	130,168
Total assets	<b>3,396,758</b>	6,415,086
Total current liabilities	<b>2,799,108</b>	1,994,437
Total liabilities	<b>2,925,108</b>	1,994,437
Equity		
Issued capital	<b>56,637,352</b>	56,512,351
Equity-settled employee benefits reserve	<b>2,143,630</b>	2,143,630
Foreign currency translation reserve	-	34,379
Options reserve	<b>121,776</b>	121,776
Accumulated losses	<b>(58,431,108)</b>	(54,391,487)
Total equity	<b>471,650</b>	4,420,649

#### Guarantees

The Company is not party to any guarantees in relation to its subsidiaries.

#### Contingent liabilities

The Company had no contingent liabilities as at 30 June 2019 (2018: \$nil).

#### Capital commitments

The Company had no capital commitments as at 30 June 2019 (2018: \$nil).

#### Significant accounting policies

The accounting policies of the Company are consistent with those of the Group as disclosed in Note 2, except investments in subsidiaries which are accounted for at cost, less any impairment, in the Company.

## Notes to the financial statements for the year ended 30 June 2019

### 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current year.

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

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the AASB and the Corporations Act 2001, as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on an accruals basis under the historical cost convention, except for, where applicable, selected financial assets and financial liabilities which are measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in **Note 3**.

#### Parent entity information

In accordance with the Corporations Act 2001, the financial statements present the results of the Group only. Supplementary information about the Company, being the parent entity, is presented in **Note 1**.

#### Principals of consolidation

The financial statements incorporate the assets and liabilities as at 30 June 2018, and the results for the year then ended, of the Company and its controlled entities (including special purpose entities). The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity *and* has the ability to affect those returns through its power to direct the activities of the entity.

Controlled entities are consolidated from the date on which control is transferred to the Company. They are deconsolidated when control ceases.

All intra-group transactions, balances, income and expenses, and unrealised gains on intra-group transactions are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Company and the Group.

The acquisition of controlled entities is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Company.

Non-controlling interest in the results and equity of controlled entities are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

#### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

## Notes to the financial statements for the year ended 30 June 2019

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the Group is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss by the Group on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the Group's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition; or (ii) when the Group receives all the information possible to determine fair value.

### Operating segments

Operating segments are presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Foreign currency translation

The financial statements are presented in Australian dollars, which is Pinnacle Listed Practical Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. 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 at the point of sale, which is where the customer has taken delivery of the goods and all the significant risks and rewards of ownership of the goods have been transferred.

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

## Notes to the financial statements for the year ended 30 June 2019

### *Royalties*

Royalty revenue is recognised in accordance with the substance of the relevant agreement. 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 recognised as it 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 flows through the expected life of the financial instrument to its net carrying amount.

### **Income tax**

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and any adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- deferred income tax assets or liabilities arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profits; or
- taxable temporary differences associated with interests in controlled entities, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### *Income tax consolidated group*

The Company and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The Company and each controlled entity in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each controlled entity in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the Company to the controlled entities nor a distribution by the controlled entities to the Company.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: (1) it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; (2) it is held primarily for the purpose of trading; (3) it is expected to be realised within 12 months after the reporting period; or (4) the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date. All other assets are classified as non-current.

A liability is classified as current when: (1) it is either expected to be settled in the Group's normal operating cycle; (2) it is held primarily for the purpose of trading; or (3) there is no unconditional right to defer settlement of the liability for at least 12 months after the reporting date. All other liabilities are classified as non-current.

## Notes to the financial statements for the year ended 30 June 2019

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### Trade and other receivables

#### Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

#### Other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

### Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equal or exceed its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

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

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

## Notes to the financial statements for the year ended 30 June 2019

### Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

### Intangible assets

Internally generated intangible assets are initially measured at cost and subsequently at cost less accumulated amortisation and impairment. Gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### *Research and development costs and licences*

Research costs are expensed in the year in which they are incurred. Development costs are capitalised only when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. All other development costs are expensed in the year in which they are incurred.

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.

### Impairment of non-financial assets

Intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Trade and other payables

Trade and other payables amounts represent liabilities for goods and services provided to the Group prior to the end of the year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### Other financial liabilities

Other financial liabilities include convertible notes which are initially measured at fair value of the consideration received, net of transaction costs. Other financial liabilities are subsequently measured on at amortised cost using the effective interest method. The effective interest method allocates the interest expense over the relevant period using the effective interest rate, being the rate that exactly discounts estimated future cash flows through the expected life of the financial liability to its net carrying amount.

## Notes to the financial statements for the year ended 30 June 2019

### Employee benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

Liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### Share-based payments

Equity-settled share-based compensation benefits are provided to employees and others providing similar services to employees.

Equity-settled transactions are awards of shares in exchange for the rendering of services.

The cost of equity-settled share-based payments are measured at fair value on grant date. Fair value is independently determined using the Binomial pricing model, taking into consideration the terms and conditions on which the award was granted. 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 of how the fair value of equity settled share-based payments has been determined can be found in **Note 26**.

The cost of equity-settled share-based payments are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

## Notes to the financial statements for the year ended 30 June 2019

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.



## Notes to the financial statements for the year ended 30 June 2019

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

	<b>Application Date (beginning on or after)</b>
16 Leases	1-Jan-19
<p>This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.</p>	

### 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions on historical cost experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next year are discussed below.

#### *Going concern*

The financial statements have been prepared on the assumption the Group is a going concern. Should this assumption be incorrect the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts presented in these financial statements.

#### *Provision for impairment of receivables*

The provision for impairment of receivables requires a degree of estimation and judgement. The level of provision is assessed by considering recent sales experience, ageing of receivables, historical collection rates and specific knowledge of individual debtor financial positions.

#### *Estimation of useful lives of assets*

The Group determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly because of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

## Notes to the financial statements for the year ended 30 June 2019

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, each of which incorporate a number of key estimates and assumptions.

### *Share based payments*

The Group operates an employee share scheme, which issues options to employees to acquire shares. Details of the share scheme can be found in **Note 26**. The fair value of options is recognised over the vesting period of the options. Fair value has been calculated using the binomial model, which incorporates many assumptions and estimates, all of which have been detailed in **Note 26**. If any of these assumptions or estimates were to change, this could have a material impact on the amounts recognised.

### *Employee benefits*

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been considered.

### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

### *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

## 4. Operating segments

The Group is organised into three operating segments based on differences in products and services provided. The operating are identified on the basis of internal reports reviewed and used by the chief executive officer, who is the CODM, in order to assess performance and allocate resources. There is no aggregation of operating segments.

### *Products and services from which reportable segments derive their revenues*

Information reported to the Group's CODM 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 therefore:

- Automated Vehicle Identification ("AVI");
- Waste to Energy; and
- CertainID.

Revenue reported in Waste to Energy 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 Group's reportable segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

**Notes to the financial statements  
for the year ended 30 June 2019**

	AVI \$	Waste to Energy \$	CertainID \$	Other segments \$	Total \$
<i>Consolidated – 2019</i>					
<b>Revenue</b>					
Sales to external customers	12,615	-	-	-	12,615
Total segment revenue	12,615	-	-	-	12,615
<i>Unallocated revenue</i>					
Interest revenue				20	20
Total revenue					12,635
<b>EBITDA</b>					
Depreciation and amortisation	(3,540,265)	(367,089)	(416,432)	-	(4,323,786)
	-	(56)	-	-	(56)
EBIT	(3,540,265)	(367,145)	(416,432)	-	(4,323,842)
Interest revenue				20	20
Finance costs					(68,921)
Share of loss from associates					-
Loss for the year before tax					(4,392,743)
Income tax expense					-
Loss for the year					(4,392,743)
<b>Assets</b>					
Segment assets	1,503,127	2,213,620	-	-	3,716,747
<i>Unallocated assets</i>					
Cash and cash equivalents					8,341
Trade and other receivables					113,078
Total assets					3,838,166
<b>Liabilities</b>					
Segment liabilities	-	151,915	175,866	-	327,781
<i>Unallocated liabilities</i>					
Trade and other payables					2,799,108
Other financial liabilities					126,000
Total liabilities					3,252,889

Revenue reported above represents revenue from external customers. There were no inter-segment sales in the year (2018: \$nil).

Segment losses represent the losses incurred by each segment without allocation of central administration costs and directors' salaries, share of profits or associates, investment revenue and finance costs, income tax expenses and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the CODM for the purposes of assessing segment performance and for resource allocation.

**Notes to the financial statements  
for the year ended 30 June 2019**

	AVI \$	Smart& Secure \$	Transit Vault & CertainID \$	Other segments \$	Total \$
<i>Consolidated – 2018</i>					
<b>Revenue</b>					
Sales to external customers	5,607	66,223	-	-	71,830
Total segment revenue	5,607	66,223	-	-	71,830
<i>Unallocated revenue</i>					
Interest revenue					237
Total revenue					72,067
<b>EBITDA</b>					
Depreciation and amortisation	2,075	(487,879)	(1,389)	(1,763,540)	(2,250,733)
EBIT	-	(87,774)	-	-	(87,774)
Interest revenue	2,075	(575,653)	(1,389)	(1,763,540)	(2,338,507)
Finance costs					237
Share of loss from associates					(27,468)
Loss for the year before tax					(280,880)
Income tax expense					(2,646,618)
Loss for the year					-
					(2,646,618)
<b>Assets</b>					
Segment assets	4,486,968	2,227,866	-	-	6,714,834
<i>Unallocated assets</i>					
Cash and cash equivalents					4,232
Trade and other receivables					135,581
Total assets					6,854,647
<b>Liabilities</b>					
Segment liabilities	-	143,101	166,871	-	309,972
<i>Unallocated liabilities</i>					
Trade and other payables					1,994,437
Total Liabilities					2,304,409

For the purposes of assessing segment performance the CODM may, from time to time, review the value of assets and liabilities attributable to each segment.

All assets, and liabilities, are allocated to reportable segments other than those that are used in, or incurred by, multiple segments, or which are not segment specific, and which cannot be allocated across segments on any reasonable basis. Assets used, and liabilities incurred, jointly by reportable segments are unable to be allocated as there is no logical basis for doing so.

No impairment losses have been recognised in respect of non-financial assets during the year (2018: \$nil).

**Notes to the financial statements  
for the year ended 30 June 2019**

*Geographical information*

	Sales to external customers		Geographical non-current assets	
	2019	2018	2019	2018
	\$	\$	\$	\$
Thailand	-	5,607	1,500,000	4,486,841
Other	12,615	66,223	2,106,917	2,107,582
	<b>12,615</b>	<b>71,830</b>	<b>3,606,917</b>	<b>6,594,423</b>

Geographical non-current assets reported above exclude, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

**5. Revenue**

	2019	2018
	\$	\$
<i>Revenue</i>		
Sale of goods	12,615	5,607
Royalty and licence revenue	-	66,223
	<b>12,615</b>	<b>71,830</b>
<i>Other revenue</i>		
Interest	20	237
	<b>12,635</b>	<b>72,067</b>

**6. Loss for the year before income tax**

	2019	2018
	\$	\$
Loss before income tax includes the following specific expenses.		
<i>Net foreign exchange losses</i>		
Net foreign exchange losses	1,409	6,520
<i>Finance costs</i>		
Interest paid to other parties	68,921	27,468
	<b>68,921</b>	<b>27,468</b>
<i>Amortisation expense</i>		
Amortisation of intangible assets	56	87,774
<i>Employee benefits expense</i>		
Equity-settled share-based payments	-	47,500
Other employee benefits	360,000	438,182
	<b>360,000</b>	<b>485,682</b>

**7. Income tax expense**

	2019	2018
	\$	\$
<i>Income tax expense</i>		
Current tax	(1,208,004)	(639,207)
Deferred tax not recognised in the financial statements	1,208,004	639,207
	-	-

*Numerical reconciliation of income tax expense and tax at the statutory rate*

Loss before income tax expense	(4,392,743)	(2,646,618)
Tax at the statutory rate of 27.5%	(1,208,004)	(727,820)
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Business capital costs	-	(1,692)
Fines and penalties	-	-

**Notes to the financial statements  
for the year ended 30 June 2019**

Share-based employee benefits expense	-	13,063
Share of loss / (profit) from associates	-	77,242
Deferred tax assets not recognised	<b>(1,208,004)</b>	639,207
	<b>-</b>	<b>-</b>

*Unrecognised deferred tax assets*

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

Unrealised foreign exchange losses	757	164
Accrued expenses	87,500	27,500
Unused tax losses	<b>19,766,588</b>	15,373,845
	<b>19,854,845</b>	15,401,509
Potential tax benefit at the statutory rate of 27.5%	<b>5,460,082</b>	4,235,415

**8. Cash and cash equivalents**

	<b>2019</b>	2018
	\$	\$
Cash at bank	<b>9,558</b>	17,655
	<b>9,558</b>	17,655

*Reconciliation of cash and cash equivalents at the end of the year*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as show in the statement of cash flows as follows:

Cash and cash equivalents as above	<b>9,558</b>	17,655
Cash and cash equivalents as per consolidated statement of cash flows	<b>9,558</b>	17,655

**9. Trade and other receivables**

	<b>2019</b>	2018
	\$	\$
Other receivables	<b>122,106</b>	172,586
	<b>122,106</b>	172,586

*Impairment of receivables*

The Group has recognised a loss of \$Nil (2018: \$Nil) for the year in profit or loss in respect of impairment of other receivables.

Other	<b>2019</b>	2018
	\$	\$
The ageing of the impaired receivables considered to be fully recoverable are as follows.		
0 to 60 days overdue	-	61,412
61 to 90 days overdue	-	-
91 to 120 days overdue	-	-
Over 120 days overdue	<b>122,106</b>	111,174
	<b>122,106</b>	172,586

## Notes to the financial statements for the year ended 30 June 2019

### 10. Intangible assets

	2019 \$	2018 \$
Goodwill	2,106,622	2,106,622
	<b>2,106,622</b>	<b>2,106,622</b>

### 11. Investment in associates

	2019 \$	2018 \$
Kollakorn Co., Ltd – recognised via equity	-	4,486,841
Kollakorn Co., Ltd – recognised at fair value through other comprehensive income	1,500,000	-
	<b>1,500,000</b>	<b>4,486,841</b>

Investments in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group is set out below.

Name	Principal Place of Business / Country of Incorporation	Ownership interest	
		2019 %	2018 %
Kollakorn Co., Ltd	Thailand	16.75	26.67

The Company 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. Kollakorn Thailand offered all shareholders a pro-rata rights issued in December 2015, however KKL elected not to participate. All other shareholders in Kollakorn Thailand elected to participate and the shares so issued were called as to 25%. The effect on the Company’s interest in Kollakorn Thailand was to reduce it to 26.67%. In July 2018 Kollakorn Thailand offered all shareholders another pro-rata rights issue, however Kollakorn didn’t elect to participate. The effect on the Company’s interest in Kollakorn Thailand was to reduce it to 16.75%. Kollakorn Thailand is no longer an associate, the investment as at 30 June 2019 has now been accounted for at fair value through other comprehensive income as per Note 2.

Pursuant to a resolution passed by the shareholders of Kollakorn Thailand, the Company’s former Managing Director, Richard Sealy, has the right to cast one vote at meetings of the directors of Kollakorn Thailand. He is one of five directors of Kollakorn Thailand.

	2019 \$	2018 \$
<i>Summarised statement of financial position</i>		
Current assets	-	374,496
Non-current assets	-	2,582,554
Total assets	-	2,957,050
Current liabilities	-	2,452
Non-current liabilities	-	2,179,178
Total liabilities	-	2,181,630
Net assets	-	775,420
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	-	194,732
Expenses	-	(859,986)
(Loss) / profit before income tax	-	(665,254)
Income tax expense	-	-
(Loss) / profit after income tax	-	(665,254)
Other comprehensive income	1,977,811	(-)
Total comprehensive income	1,977,811	(665,254)

## Notes to the financial statements for the year ended 30 June 2019

### Reconciliation of the Group's carrying amount

Opening carrying amount	4,486,841	4,732,811
Share of (loss) / profit after income tax	-	(280,880)
Share of other comprehensive gain/ (loss)	1,977,811	34,910
Closing carrying amount	<u>6,464,652</u>	<u>4,486,841</u>

### 12. Trade and other payables

	2019	2018
	\$	\$
Trade payables	2,434,754	1,791,322
<i>Other payables</i>		
Sealy Consulting Pty Ltd	(a) 417,739	389,296
Accrued expenses	173,891	28,427
Total other payables	<u>591,630</u>	<u>417,723</u>
Total trade and other payables	<u>3,026,384</u>	<u>2,209,045</u>

(a) Sealy Consulting Pty Ltd is an Australian private company controlled by Mr Richard Sealy, the Company's former Management Director. The amount payable to Sealy Consulting Pty Ltd represents unpaid consulting fees and bears interest at a rate of 7% per annum.

Refer to **Note 18** for further information on financial instruments.

### 13. Employee benefits

	2019	2018
	\$	\$
<i>Current</i>		
Provision for annual leave	100,505	95,364
	<u>100,505</u>	<u>95,364</u>

### Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented in current liabilities because the Group does not have an unconditional right to defer settlement for more than 12 months after the reporting date. However, based on past experience, the Group does not expect any employees to take any amount of accrued annual leave or require any payment within the next 12 months.

### 14. Borrowings

	2019	2018
	\$	\$
<i>Non-current</i>		
Loan – Mitchell Asset Management Innovation Finance Fund	126,000	-
	<u>126,000</u>	<u>-</u>

### 15. Issued capital

	2019	2018	2019	2018
	Shares	Shares	\$	\$
Ordinary shares, fully paid	229,777,191	189,777,191	56,637,351	56,512,351
Performance shares	74,999,999	74,999,999	-	-
	<u>304,777,190</u>	<u>264,777,190</u>	<u>56,637,351</u>	<u>56,512,351</u>



## Notes to the financial statements for the year ended 30 June 2019

Balance		30-Jun-17	1,113,310,077		51,025,167
Issue of shares – debt to equity	(a)	3-Jul-17	314,404,682	0.008	2,437,184
Consolidation of shares	(b)	12-Jul-17	(1,284,942,877)		
Issue of shares – acquisition of Isity Global	(c)	24-Jul-17	31,250,000	0.08	2,500,000
Issue of shares – share-based payments	(d)	9-Oct-17	5,139,925		
Issue of shares – capital raising	(e)	6-Nov-17	9,615,384	0.052	500,000
Issue of shares – capital raising	(f)	23-Feb-18	1,000,000	0.05	50,000
Balance		30-Jun-18	189,777,191		56,512,351
Issue of shares – capital raising	(g)	24-Oct-18	20,000,000	0.005	100,000
Issue of shares – capital raising	(h)	16-Jul-19	-	0.0085	25,000
Share issue transaction costs, net of tax		-	-	-	-
Balance		30-Jun-19	209,777,191	-	56,637,351

(a) Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 129,134,899 ordinary shares on 3 July 2017 to the holders of 38 Loan Notes at \$0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of all 38 Loan Notes valued at \$1,033,079 and owed by the Company to the Loan Noteholders.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 16,991,438 ordinary shares on 3 July 2017 to Brentnalls NSW Pty Ltd, a related entity of Nicholas Aston, a director of the Company, at \$0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of 5 Loan Notes valued at \$135,932 and owed by the Company to Brentnalls NSW Pty Ltd.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 3,398,288 ordinary shares on 3 July 2017 to Mr Riad Tayeh, Chairman of the Company, at \$0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of 1 Loan Note valued at \$27,186 and owed by the Company to Mr Tayeh.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 86,902,876 ordinary shares on 3 July 2017 to Brentnalls NSW Pty Ltd, a related entity of Nicholas Aston, a director of the Company, at \$0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of \$695,223 of director fees and accounting fees owed by the Company to Brentnalls NSW Pty Ltd.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 30,587,040 ordinary shares on 3 July 2017 to Mr Riad Tayeh, Chairman of the Company, at \$0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of \$244,696 of director fees owed by the Company to Mr Tayeh.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 12,833,310 ordinary shares on 3 July 2017 to Mr Charles Hunting, a director of the Company, at \$0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of \$102,666 of director fees owed by the Company to Mr Hunting.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 25,025,029 ordinary shares on 3 July 2017 to Mr Namchoke Somapa, a former director of the Company, at \$0.008 per share (pre-consolidation value). The share issue resulted in the extinguishment of \$200,200 of director fees owed by the Company to Mr Somapa.

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 9,531,772 ordinary shares to Mr David Mathews at \$0.008 per share (pre-consolidation value) pursuant to his employment agreement with the Company.

(b) Following approval from shareholders at the General Meeting held on 30 June 2017, the Company carried out a consolidation of its issued share capital and unexpired options on 12 July 2017 on a 10:1 basis with fractional entitlements rounded up to the nearest whole number.

(c) Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 31,250,000 ordinary shares on 24 July 2017 to the vendors of Isity Global Pte Limited at \$0.08 per share (post-consolidation value) as consideration for the acquisition of 100% of the issued share capital of Isity Global Pte Limited.

On 19 July 2017 the Group gained control of Isity Global Pte Limited and Isity Global (Shanghai) Co., Ltd by acquiring of 100% of the issued share capital of Isity Global Pte Limited which owns 100% of the issued share capital of Isity Global (Shanghai) Co., Ltd.

The acquisition brings two potentially very powerful new technologies to the Group along with the ability to fund and operate projects generated from these technologies. Goodwill represents the reciprocal synergistic applications of the Isity Global technologies with the Group's existing businesses which the directors believe will enhance the value and market image of the Group.

**Notes to the financial statements  
for the year ended 30 June 2019**

The acquisition-date provisional fair value of total consideration transferred comprises:

	Shares	Market value per share \$	Total \$
Ordinary shares	31,250,000	0.0550	1,718,750
Performance shares	74,999,999	0.0055	412,500
Acquisition date fair value of consideration transferred			<u>2,131,250</u>

The ordinary shares transferred represents non-contingent consideration. The fair value of ordinary shares is derived from the market value on the day of completion being 19 July 2017 and represents non-contingent consideration.

The performance shares represent contingent consideration. Upon attaining certain performance milestones, each performance share entitles the holder to convert for one ordinary share. The fair value of performance shares is derived from the market value of ordinary shares on the day of completion and a probability weighted methodology having regard for the stretch performance milestones attaching to said shares.

The acquisition date provisional fair values of assets acquired and liabilities assumed were as follows:

	Fair value \$
Cash and cash equivalents	22,917
Trade and other receivables	2,242
Other current assets	41,686
Property, plant and equipment	1,453
Trade and other payables	<u>(43,670)</u>
Net assets acquired	24,628
Goodwill	2,106,622
Acquisition date provisional fair value of total consideration transferred	<u>2,131,250</u>
<i>Representing:</i>	
Ordinary and performance shares issued to vendor	<u>2,131,250</u>
<i>Cash provided by business combination:</i>	
Acquisition date provisional fair value of total consideration transferred	2,131,250
Less:	
Ordinary and performance shares issued to vendor	(2,131,250)
Cash and cash equivalents acquired	<u>(22,917)</u>
Net cash (provided) by business combination	<u>(22,917)</u>

(d) On 9 October 2017, the Company issued 5,139,925 ordinary shares to Mr David Mathews in four parcels pursuant to his employment agreement with the Company. This share issue was ratified by shareholders at the Annual General Meeting held on 27 November 2017.

- 635,026 ordinary shares at \$0.0748 per share (post-consolidation value); and
- 830,419 ordinary shares at \$0.0572 per share (post-consolidation value); and
- 908,221 ordinary shares at \$0.0523 per share (post-consolidation value); and
- 2,766,259 ordinary shares at \$0.0536 per share (post-consolidation value).

(e) On 6 November 2017, the Company issued 9,615,384 ordinary shares at \$0.052 per share (post-consolidation value) under the Company's 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 28 November 2016

## Notes to the financial statements for the year ended 30 June 2019

- (f) On 23 February 2018, the Company issued 1,000,000 ordinary shares at \$0.05 per share (post-consolidation value) under the Company's 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 27 November 2017.
- (g) On 24 October 2018, the Company issued 10,000,000 ordinary shares at \$0.05 per share (post-consolidation value) under the Company's 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 27 November 2017. The company issued 10,000,000 for Nil consideration at the same date which was also approved at the Annual General Meeting held on 27 November 2017.
- (h) On 16 July 2019, the Company issued 8823,528 ordinary shares at \$0.0085 consideration per share (post-consolidation value) under the Company's 10% Placement Facility which was approved by shareholders at the Annual General Meeting held on 29 November 2018. Note, only \$25,000 of the cash was received pre 30 June 2019.

### *Ordinary shares*

Ordinary shares entitle 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, share have one vote and upon a poll each share shall have one vote.

### *Performance shares*

Following approval from shareholders at the General Meeting held on 30 June 2017, the Company issued 74,999,999 performance shares on 24 July 2017 to the vendors of Isity Global Pte Limited at \$0.08 per share (post-consolidation value) as consideration for the acquisition of 100% of the issued share capital of Isity Global Pte Limited. Included within this amount was 20,053,473 performance shares which were issued to Charles Hunting, a director of the Company and participating vendor of Isity Global Pte Limited.

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.

### *Share buy-back*

There is no current on-market share buyback.

### *Capital risk management*

The Group's primary objective when managing capital is to safeguard its ability to continue as a going concern. The Group's secondary capital management objectives are to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The capital risk management policy remains unchanged since the prior year.

## Notes to the financial statements for the year ended 30 June 2019

### 16. Reserves

	2019	2018
	\$	\$
Equity-settled employee benefits reserve	2,143,630	2,143,630
Foreign currency translation reserve	(302,795)	(304,933)
Options reserve	121,776	121,776
Total reserves	<u>1,962,611</u>	<u>1,960,473</u>

	Equity-settled employee benefits reserve \$	Foreign currency translation reserve \$	Options reserve \$	Total \$
<i>Movements in reserves</i>				
Balance at 1 July 2017	2,191,130	(320,872)	121,776	1,992,034
Issue of options	-	-	-	-
Share-based payment accruals	(47,500)	-	-	(47,500)
Foreign currency translation	-	15,939	-	15,939
Share of foreign currency translation of associates	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>2,143,630</b>	<b>(304,933)</b>	<b>121,776</b>	<b>1,960,473</b>
Issue of options	-	-	-	-
Share-based payment accruals	-	-	-	-
Foreign currency translation	-	2,138	-	2,138
Share of foreign currency translation of associates	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>2,143,630</b>	<b>(302,795)</b>	<b>121,776</b>	<b>1,962,611</b>

#### *Equity-settled employee benefits reserve*

The equity-settled employee benefits reserve arises on the grant of share options and to directors, executives and senior employees under the employee share option plan. The equity-settled employee benefits reserve also includes share entitlements accruing to David Matthews, the Company's Chief Executive Officer, under the terms of his employment agreement but which are yet to be issued. Further information about share-based payments to directors and employees is provided at **Note 26**.

#### *Foreign currency translation reserve*

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

#### *Options reserve*

Convertible note holders were offered a mix of shares and options in the Company on 29 February 2016 as consideration for their agreement to forfeit accrued interest on cancelled notes. The options reserve is used to recognise the settlement, in part, of the accrued interest liability as at 29 February 2016.

### 17. Dividends

No dividends were paid during the year. No dividends have been declared or paid since the reporting date.

#### *Franking credits*

At the reporting date, franking credits available for subsequent years were \$nil (2018: \$nil).

### 18. Financial instruments

#### *Financial risk management objectives*

The Group's activities expose it to a variety of financial risks including market risk, credit risk, and liquidity risk.

## Notes to the financial statements for the year ended 30 June 2019

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

### Market risk

The Group's exposure to market risk is limited to the effect of changes in interest rates, and foreign currency exchange rates. There has been no change to the Group's exposure to market risk during the year.

### Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign currency exchange rate fluctuations. The directors consider the Group's exposure to foreign currency risk to be immaterial, and hence the Group does not hedge against foreign currency risk.

Foreign exchange risk arises primarily from recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency.

The risk is measured using sensitivity analysis using a sensitivity rate of a 10% increase / decrease in the Australian dollar against risk exposed foreign currencies. 10% represents the directors' assessment of the reasonably possible change in foreign exchange rates taking into account consideration of volatility over the last 6 months of each year. The sensitivity analysis includes external receivables, payables and loans as well as loans to foreign operations where the loan is denominated in currency other than the lender's functional currency.

### Foreign currency denominated assets and liabilities

	Assets		Liabilities	
	2019 AU\$	2018 AU\$	2019 AU\$	2018 AU\$
United States Dollars	-	30,498	75,306	71,506
Singapore Dollars	-	940	-	143,082
	-	31,438	75,306	214,588

### Foreign currency sensitivity analysis

	Change in AUD	United States Dollars		Singapore Dollars	
		2019 AU\$	2018 AU\$	2019 AU\$	2018 AU\$
Impact on profit / (loss)	+10%	(9)	(1,889)	-	2,446
	-10%	10	2,310	-	(2,990)
Impact on equity	+10%	(3,965)	(5,618)	-	2,446
	-10%	4,846	6,866	-	(2,990)

### Interest rate risk

The Group's main interest rate risk arises in relation to cash and cash equivalents on deposit with banks. The directors consider the Group's exposure to interest rate risk to be immaterial, and hence the Group does not hedge against interest rate risk.

An official increase in interest rates of 50 basis points would have a favourable effect on profit before tax of \$Nil (2018: \$229), while a decrease in interest rates of 50 basis points would have an unfavourable effect on profit before tax in the amount of \$Nil (2018: \$12).

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit including obtaining agency credit information and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment, as disclosed in the consolidated statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has a concentration of credit risk in with one customer in located in the United States of America. As at 30 June 2019, there were Nil debtors owing to the group (2018: \$30,041). These receivables were within their respective terms of trade and no impairment was recognised as at 30 June 2019. There are no guarantees against these receivables but management closely monitors the receivable balances on a monthly basis and is in regular contact with the customers to mitigate risk.

## Notes to the financial statements for the year ended 30 June 2019

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of its financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its 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 Group can be required to pay.

	Weighted average effective interest rate %	1 month or less \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Total \$
<b>Consolidated – 2019</b>						
<i>Non-interest bearing</i>						
Trade payables	-	136,799	379,243	1,777,827	-	2,293,869
Other payables	-	87,500	-	6,031	216,245	309,776
<i>Interest bearing</i>						
Other payables	7.00	-	-	-	422,739	422,739
		<b>224,299</b>	<b>379,243</b>	<b>1,783,858</b>	<b>638,984</b>	<b>3,026,384</b>

	Weighted average effective interest rate %	1 month or less \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Total \$
<b>Consolidated – 2018</b>						
<i>Non-interest bearing</i>						
Trade payables	(a)	514,827	334,096	860,504	-	1,709,427
Other payables	(a)	110,322	-	-	-	110,322
<i>Interest bearing</i>						
Other payables	7.00	-	-	-	389,296	389,296
		<b>625,149</b>	<b>334,096</b>	<b>860,504</b>	<b>389,296</b>	<b>2,209,045</b>

(a) On 3 July 2017, trade and other payables in the amount of \$1,242,785 representing director fees, management fees and accounting fees were converted to ordinary shares.

(b) No other cash flows in the above maturity analysis are expected to occur significantly earlier than contractually disclosed.

### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Notes to the financial statements for the year ended 30 June 2019

### 19. Key management personnel

The following table sets out the aggregate compensation made to directors and other members of key management personnel.

	2019	2018
	\$	\$
Short-term employee benefits	360,000	390,682
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	47,500
	<b>360,000</b>	<b>438,182</b>

### 20. Remuneration of auditors

During the year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company, its network firms and unrelated firms.

	2019	2018
	\$	\$
<i>RSM Australia Partners</i>		
Audit or review of the financial statements	63,500	63,500
	<b>63,500</b>	<b>63,500</b>

### 21. Contingent liabilities

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

### 22. Related party transactions

The following transactions occurred during the year with related parties. Remuneration of key management personnel, which has been reported at **Note 19**, is excluded from the below.

	2019	2018
	\$	\$
<i>Payment for goods and services</i>		
Accounting services from Brentnalls NSW Pty Ltd (Director related entity, Nicholas Aston)	144,000	144,000
Research & Development from Triangul8 Pty Ltd (Director related entity, Charles Hunting)	-	85,250
<i>Current payables</i>		
Brentnalls NSW Pty Ltd (Director related entity, Nicholas Aston)	421,666	219,267
Charles Hunting (Director)	185,441	141,442
David Matthews (Chief Executive Officer)	625,456	322,956
De Vries Tayeh (Director related entity, Riad Tayeh)	137,500	71,500

All transactions were made on normal commercial terms and conditions and at market rates.

## Notes to the financial statements for the year ended 30 June 2019

### 23. Interests in subsidiaries

The financial statements include the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in **Note 2**.

Name		Principal Place of Business / Country of Incorporation	Ownership interest	
			2019 %	2018 %
Kollakorn Imaging Systems Pty Limited (ii) (iii)	(a)	Australia	100	100
Kollakorn (AVI) Pty Ltd(ii) (iii)	(a)	Australia	100	100
Kollakorn (IP) Pty Ltd (ii) (iii)	(a)	Australia	100	100
Mikoh Corporation		United States of America	100	100
Kollakorn Pty Limited (ii) (iii)	(a)	Australia	100	100
Kollakorn Environment Services Pty Limited (ii) (iii)	(a)			
(iv)		Australia	100	100
Isity Global Pte Limited		Singapore	100	100
Isity Global (Shanghai) Co., Ltd		China	100	100

(a) These wholly owned subsidiaries are classified as small proprietary companies and, in accordance with the Corporations Act 2001 are relieved from the requirement to prepare and lodge audited financial statements with the Australian Securities and Investment Commission.

(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.

(iv) Kollakorn Technology Pty Ltd changed its name to Kollakorn Environmental Services Pty Ltd on 21 August 2019.

### 24. Events after the reporting period

No matters or circumstances have arisen since 30 June 2019 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 years.

### 25. Reconciliation of loss after income tax to net cash used in operating activities

	2019 \$	2018 \$
Loss for the year	(4,392,743)	(2,646,618)
<i>Adjustments for items in profit or loss:</i>		
Amortisation of intangible assets	-	87,774
Bad debt expense	-	-
Equity-settled employee benefits expense	-	47,500
Finance costs	68,921	27,468
Interest revenue	(20)	(237)
Royalty revenue	-	(66,223)
Share of loss / (profit) from associates	-	280,880
<i>Adjustments for changes in operating assets and liabilities:</i>		
(Increase) in trade and other receivables	50,480	22,886
(Increase) in other current assets	2,986,841	-
Increase in trade and other payables	1,023,161	1,539,107
(Decrease) / increase in employee benefits	5,141	3,730
Effect of foreign exchange rate on cash and cash equivalents	-	-
Net cash used in operating activities	(258,219)	(703,733)



## Notes to the financial statements for the year ended 30 June 2019

### 26. Share-based payments

#### *Chief Executive Officer remuneration package*

Under his employment agreement, David Matthews, the Group's Chief Executive Officer, total remuneration of \$360,000 from 1 October 2017. Prior to 1 October David's package was \$250,000 comprising salary of \$60,000 & 190,000 in shares on an annualised basis. A further annual bonus of up to \$100,000, subject to satisfying various key performance indicators.

Refer to **Note 16** for further information.

#### *Employee share-option plan*

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

On exercise, each employee share option converts into one ordinary share of the Company. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor right to vote. Options may be exercised at any time from the date of vesting to the date of expiry. There were no share-based payments in existence during the current and comparative periods.

### 27. Earnings per share

	2019	2018
	\$	\$
Loss for the year	(4,392,743)	(2,646,618)
Non-controlling interest	-	-
	<u>(4,392,743)</u>	<u>(2,646,618)</u>

Loss for the year attributable to members of the Company

	2019	2018
	Shares	Shares
Weighted average number of ordinary shares used to calculate basic earnings per share	209,777,191	189,777,191
<i>Adjustments for calculation of diluted earnings per share:</i>		
Options over ordinary shares	-	-
	<u>209,777,191</u>	<u>189,777,191</u>

Weighted average number of ordinary shares used to calculate diluted earnings per share

	2019	2018
	Cents	Cents
Basic earnings per share	(2.09)	(1.41)
Diluted earnings per share	(2.09)	(1.41)

## Notes to the financial statements for the year ended 30 June 2019

### Distribution of equitable securities

Range	No. holders of ordinary shares	No. ordinary shares in range	% of total ordinary shares issued
1 to 1,000	888	309,916	0.148
1,001 to 5,000	421	1,057,492	0.504
5,001 to 10,000	150	1,177,434	0.561
10,001 to 100,000	356	12,752,509	6.079
100,001 and over	172	214,479,840	92.708
	<u>1,987</u>	<u>229,777,191</u>	<u>100.000</u>
Holding less than a marketable parcel	587	90,864	0.042

### Twenty largest quoted security holders as at 30 August 2019

Shareholder	Ordinary shares	
	No. shares held	% of total shares issued
THOMAS EVANS INVESTMENTS PTY LTD <THOMAS EVANS HOLDINGS A/C>	17,342,112	7.201%
140 FOOT VENTURES (SINGAPORE) PTE LTD	17,341,702	7.201%
P & D GARDE PTY LTD <P D G A/C>	13,333,333	5.537%
FENG YUJUAN	10,209,329	4.239%
TERSTAN NOMINEES PTY LTD <MORROWS P/L SUPER FUND A/C>	9,086,742	3.773%
KOLLAKORN COMPANY LIMITED	8,972,269	3.726%
KJ8 PTY LTD	8,888,888	3.691%
BRETNALLS NSW PTY LIMITED	8,690,288	3.609%
BORDONI HOLDINGS PTY LTD <PETER BROWNS/F A/C>	8,508,414	3.533%
BTC ADVISORY PTY LTD	5,437,430	2.258%
DEANCORP PTY LTD <JUMBO SUPER FUND A/C>	5,244,151	2.178%
SARLAND PTY LTD	5,000,000	2.076%
DANIELA LOZEVSKI	5,000,000	2.076%
K B J INVESTMENTS PTY LTD <JARRY FAMILY SUPER FUND A/C>	4,880,518	2.027%
DAVIES NOMINEES PTY LTD <SUPER DUPER SUPER FUND A/C>	4,329,658	1.798%
BOND STREET CUSTODIANS LIMITED <HPWPL - O19760 A/C>	3,849,862	1.599%
MR GREGORY LEVVEY & MRS BRONWYN LEVVEY <LEVVEY SUPER FUND A/C>	3,091,176	1.284%
DAVIES NOMINEES PTY LTD <SNAPE FAMILY A/C>	2,863,671	1.189%
MR JAMES PAUL BEDDIE	2,816,438	1.170%
MR JAMES PAUL BEDDIE <THE BEDDIE FAMILY A/C>	2,682,316	1.114%
	<u>147,568,927</u>	<u>61.277%</u>

### Unquoted equity securities

Options over ordinary shares	No. issued	No. holders
	8,475,000	13