

MIKOH Corporation Limited

ABN 41 003 218 862

Appendix 4E

**PRELIMINARY FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

Year of 1 July 2009 to 30 June 2010

(Previous Corresponding Year 1 July 2008 to 30 June 2009)

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Appendix 4E

Preliminary Financial Report

Name of entity

MIKOH Corporation Limited

ABN or equivalent
company reference

41 003 218 862

Half yearly
(tick)

Preliminary
final (tick)

Financial year ended ('current period')

30 June 2010

Results for Announcement to the Market

Results		\$A	
Revenues from ordinary activities	Up	28% to	1,652,312
(Loss) from ordinary activities after tax attributable to members	Up	25% to	(5,053,635)
Net (Loss) for the year attributable to members	Up	25% to	(5,053,635)
Dividends (distributions)		Amount per security	Franked amount per security
Final dividend		NIL	NIL
Previous corresponding period		NIL	NIL
Record date for determining entitlements to the dividend,	N/A		
<p>The Company does not have a dividend reinvestment plan and no dividends are proposed to be declared for the current year.</p>			
<p>Note: This report is based on accounts that are in the process of being audited.</p>			
<p>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 2010 and with the accompanying notes to the Appendix 4E.</p>			

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Commentary on the Results

COMMENTARY ON THE RESULTS

The twelve months to 30 June 2010 were both positive and challenging for the Company. MIKOH has been restructured and is emerging as a security solutions provider with significant contracts in place and new products in the development pipeline. Revenue for the year was approximately \$1.6 million, an increase of 28% on FY09 (*Revenue: \$1.25 million*).

The previous (30 April 2010) revenue guidance of \$1.9 million for FY10 was not quite achieved with a delivery valued at almost \$400,000 being made on 2 July and associated revenue being accordingly held over to FY11 revenue.

MIKOH's loss for the year was \$5.05M compared to \$4.02M in FY09. Most of the increase is once off, non-cash expenses and relate to the shareholder-approved issue of shares to the Chairman and share issues to the incoming CEO, and to MIKOH's Asia-Pacific AVI Partner. MIKOH has also incurred additional non-recurring costs associated with the implementation of the Company's Transition Strategy including the appointment of new management, costs in relinquishing the services of former executives, significant legal costs pertaining thereto, accounting costs associated with transitioning to an operating company (including valuation of previous IP), costs relating to moving the corporate headquarters to Sydney (where all Board members reside) and costs related to capital raising. Expenses were also higher in supporting the sales and orders emanating from the Thailand AVI operations.

Since March 2010, the Company has received purchase orders that exceed US\$3 million in value and as a result the Revenue in 1H FY11 is expected to be higher than any previous *annual* revenue result. The Company also has contracts in place that will deliver in excess of US\$25 million in total revenue for the next three years.

We have had the best year ever in our SubScribe seals, and we have already commenced our efforts to expand the market in the US for SubScribe.

We are also pursuing other applications of Smart&Secure RFID tags to be sold into diverse market areas beyond AVI.

The printer business was slightly down for the year although we have made the first ever sale of a colour digital inkjet printer (due for delivery in Q2 FY11 with revenue recognised at that time), with significant trade interest in this high end product.

MIKOH's unified management team believe the Company has turned the corner and that for the first time in 17 years the outlook for the Company is both positive and profitable. Through MIKOH's contracts and agreements now in place, the forward order book is solid and future growth has been underpinned by contractual revenue. In addition, several cost reduction initiatives have been implemented and a stable platform with a strict ROI focus for future growth has been established.

Dr Paul Scully-Power, AM, DSM
Chief Executive Officer
For and on behalf of the Board

MIKOH Corporation Limited

**Consolidated Statement of Comprehensive Income
for the financial year ended 30 June 2010**

	Note	Year ended 30 June 2010 \$	Year ended 30 June 2009 \$
Revenue from operations	3	1,591,439	1,245,623
Less cost of goods sold		<u>(1,116,927)</u>	<u>(809,719)</u>
Gross Profit		474,512	435,904
Other income	3	60,873	46,197
Expenses by function:-			
Manufacturing		(263,778)	(264,820)
Administration and general		(3,100,890)	(1,724,087)
Marketing and sales		(1,503,105)	(1,790,323)
Research and development		<u>(841,397)</u>	<u>(834,020)</u>
Loss before income tax	3	(5,173,785)	(4,131,149)
Income tax benefit		<u>120,150</u>	<u>107,193</u>
Loss for the year		<u>(5,053,635)</u>	<u>(4,023,956)</u>
Other comprehensive income			
Exchange differences arising on translation of foreign entities		<u>(75,598)</u>	<u>(20,441)</u>
Total other comprehensive income (loss) for the year		<u>(75,598)</u>	<u>(20,441)</u>
Total comprehensive loss for the year		<u>(5,129,233)</u>	<u>(4,044,397)</u>
Loss attributable to:			
Owners of the parent		<u>(5,053,635)</u>	<u>(4,023,956)</u>
Total comprehensive loss attributable to:			
Owners of the parent		<u>(5,129,233)</u>	<u>(4,044,397)</u>
Earnings per share			
Basic (cents per share)	16	(1.73) cents	(2.06) cents
Diluted (cents per share)	16	(1.73) cents	(2.06) cents

MIKOH Corporation Limited

Consolidated Statement of Financial Position
as at 30 June 2010

	Note	30 June 2010 \$	30 June 2009 \$
Current Assets			
Cash assets		751,845	1,944,181
Trade and other receivables	4	832,984	188,490
Inventories	5	210,637	462,910
Other assets	6	408,197	360,865
Total Current Assets		2,203,663	2,956,446
Non-Current Assets			
Property, plant and equipment	7	231,476	506,706
Intangible assets	8	311,101	-
Total Non-Current Assets		542,577	506,706
Total Assets		2,746,240	3,463,152
Current Liabilities			
Trade and other payables	9	1,535,373	805,829
Other current liabilities	10	283,190	-
Provisions	11	205,035	204,282
Total Current Liabilities		2,023,598	1,010,111
Non-Current Liabilities			
Provisions	12	34,588	92,016
Total Non-Current Liabilities		34,588	92,016
Total Liabilities		2,058,186	1,102,127
Net Assets		688,054	2,361,025
Equity			
Issued capital	13	38,489,385	35,236,603
Reserves	14	1,858,516	1,730,634
Accumulated losses	15	(39,659,847)	(34,606,212)
Total Equity		688,054	2,361,025
Net tangible asset backing per ordinary security		0.12 cents	0.88 cents

MIKOH Corporation Limited

Consolidated Statement of Cash Flows for the financial year ended 30 June 2010

	Note	Year ended 30 June 2010 \$	Year ended 30 June 2009 \$
Cash Flows from Operating Activities (inclusive of Goods and Services Tax)			
Receipts from Customers		972,418	1,278,708
Payments to suppliers and employees		<u>(4,985,809)</u>	<u>(4,567,075)</u>
Net cash outflow from operating activities	17	<u>(4,013,391)</u>	<u>(3,288,367)</u>
Cash Flows from Investing Activities			
Interest received		34,893	41,600
Payments for plant and equipment		<u>(76,609)</u>	<u>(187,774)</u>
Net cash outflow from investing activities		<u>(41,716)</u>	<u>(146,174)</u>
Cash Flows from Financing Activities			
Proceeds from the issue of shares		3,005,688	3,029,016
Payment for share issue expenses		<u>(150,545)</u>	<u>(95,123)</u>
Proceeds from borrowings		-	100,000
Repayment of borrowings		<u>-</u>	<u>(100,000)</u>
Net cash inflow from financing activities		<u>2,855,143</u>	<u>2,933,893</u>
Net decrease in cash held		<u>(1,199,964)</u>	<u>(500,648)</u>
Cash at the beginning of the year		1,944,181	2,424,943
Effects of exchange rate changes on cash		<u>7,628</u>	<u>19,886</u>
Cash at the end of the year		<u><u>751,845</u></u>	<u><u>1,944,181</u></u>

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Fully paid ordinary shares \$	Equity- settled employee benefits reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total attributable to members of the parent \$
Balance at 1 July 2008	31,455,913	1,657,827	(52,741)	(30,532,083)	2,528,916
Exchange differences arising on translation of foreign operations	-	-	(20,441)	-	(20,441)
Other comprehensive income for the year	-	-	(20,441)	-	(20,441)
Loss for the year	-	-	-	(4,023,956)	(4,023,956)
Total comprehensive income for the year	-	-	(73,182)	(4,023,956)	(4,044,397)
Transfer to Accumulated Losses	-	-	50,173	(50,173)	-
Issue of shares	3,878,422	-	-	-	3,878,422
Share issue costs	(97,732)	-	-	-	(97,732)
Recognition of share- based payments	-	95,816	-	-	95,816
Balance at 30 June 2009	35,236,603	1,753,643	(23,009)	(34,606,212)	2,361,025
Balance at 1 July 2009	35,236,603	1,753,643	(23,009)	(34,606,212)	2,361,025
Exchange differences arising on translation of foreign operations	-	-	(75,598)	-	(75,598)
Other comprehensive income for the year	-	-	(75,598)	-	(75,598)
Loss for the year	-	-	-	(5,053,635)	(5,053,635)
Total comprehensive income for the year	-	-	(98,607)	(5,053,635)	(5,129,233)
Issue of shares	3,457,740	-	-	-	3,457,740
Share issue costs	(204,958)	-	-	-	(204,958)
Recognition of share- based payments	-	203,480	-	-	203,480
Balance at 30 June 2010	38,489,385	1,957,123	(98,607)	(39,659,847)	688,054

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

BASIS OF PREPARATION OF THE FULL YEAR FINANCIAL REPORT

This preliminary financial report has been prepared in accordance with Listing Rule 4.3A and the disclosure requirement of ASX Appendix 4E. This financial report does not include all notes of the type normally included within the annual financial report. The preliminary financial report should be read in conjunction with the annual report for the year ended 30 June 2009, and public announcements made by MIKOH Corporation Limited during the year ended 30 June 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The principal accounting policies adopted in the preparation of the financial report are set out below. The accounting policies applied are consistent with those applied in the 2009 annual financial statements, unless otherwise stated.

These financial statements have been prepared under the historical cost convention on an accruals basis.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The ability of the company and the consolidated entity to continue as going concerns is dependent on their ability to:

- Obtain additional equity finance;
- Secure profitable sales contracts;
- Expand the scale of existing profitable trading operations; and
- Generate sufficient cash flows from operations to enable its obligations to be met.

The consolidated entity has incurred a loss of \$5,053,635 and net cash outflows from operating activities of \$4,013,391 for the year to 30 June 2010. As at the date of this report, the company has sufficient working capital to meet its requirements until at least 1 October 2010 based on current trading activity. The company also expects to close additional contracts during the 2010/11 financial year which will augment operating cash flow. If these were to be delayed or otherwise negatively impacted, the directors believe that the company will be able to raise additional equity finance to satisfy its working capital requirements. The directors have and will continue to take steps to reduce operating costs.

The company has historically been able to raise equity funding by way of private placements to meet its ongoing working capital requirements. During the year ended 30 June 2010 the company raised \$2,944,300 by way of private placements and \$61,388 from a rights issue to shareholders. In the prior year ended 30 June 2009 the company raised \$1,509,096 by way of private placements and \$2,368,516 from a rights issue to shareholders. The directors believe that the consolidated entity will continue to be able to raise new capital if required during the year ending 30 June 2011 to fund its working capital requirements

At the date of this report and having considered the above factors, the directors are confident that the consolidated entity will be able to continue as a going concern. In the event the company is not able to achieve the matters noted above, significant uncertainty would exist as to whether the company and the consolidated entity will continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

(b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of MIKOH Corporation Limited and its subsidiaries (the consolidated entity). The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, and any unrealised profits arising within the consolidated entity, are eliminated in full.

(c) Cash and cash equivalents

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

(d) Employee Benefits

Provision is made in the financial statements for all employee benefits, including on-costs, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities for salaries and wages (including non-monetary benefits), annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and long service leave expected to be settled more than 12 months from the reporting date are measured as the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to employee superannuation funds are expensed as the contributions are paid or become payable.

(e) Foreign Currency Translation

Transactions

Both the presentation and functional currency of MIKOH Corporation Limited and its Australian subsidiaries is Australian dollars, whereas the functional currency of MIKOH Corporation is US dollars.

Transactions denominated in foreign currencies (currencies other than the functional currency of an entity) are recorded using the exchange rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Non-monetary items measured at fair value in a foreign currency have been translated using the exchange rates ruling when the fair value was determined.

Foreign Entities

Foreign entities' income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of equity. In the consolidated financial statements the balance sheets are translated at the closing rate on the balance sheet date.

(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except

- i. where the amount of GST incurred on a purchase of goods or services is not recoverable from the relevant taxation authority, in which case it is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- ii. for receivables and payables which are recognised inclusive of GST.

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

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

(g) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that the carrying value of those assets has been impaired. Where any such indicator of impairment exists, the recoverable amount of the asset is estimated to determine the extent, if any, of the impairment. Recoverable amount is the greater of fair value less costs to sell, and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the asset does not generate cash inflows that are largely independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(h) Income Tax

Current tax is calculated as the income taxes payable or recoverable in respect of the taxable profit or loss for the period, using tax rates and tax laws enacted or substantively enacted at the reporting date. It includes any adjustment to tax payable or recoverable in respect of previous years.

Deferred tax is provided for using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes, and the amounts used for tax assessment or deduction purposes.

Deferred income tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which deductible temporary differences, and the carry-forward of unused tax losses and unused tax losses can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets or liabilities (other than as a result of a business combination) which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In addition, a deferred tax asset is only recognised in relation to investments in subsidiaries to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

(i) Leased Assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) Trade and Other Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obligated to make future payments resulting from the purchase of goods and services. They are initially recognised at fair value, which is the amount expected to be paid, and subsequently at amortised cost.

(k) Plant & Equipment

Plant and equipment, and leasehold improvements, are stated at cost less accumulated depreciation and any impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the item.

The depreciation of plant and equipment is calculated to write off the net cost of each asset over its expected useful life. Estimates of remaining useful lives for all fixed assets are reviewed at least annually. The expected useful lives for plant and equipment at acquisition are between 3 and 10 years.

Leasehold improvements are depreciated over the shorter of the period of the lease, or the useful life, using the straight-line method.

(l) Research and Development

Expenditure incurred on research and development activities and on patent registration is expensed as incurred on the basis that continuing research is part of the cost of being in business. To the extent that future benefits deriving from development expenditure are expected beyond reasonable doubt to exceed such expenditure, these costs are capitalised and amortised over the period of expected benefit.

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

- Sale of goods - Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which occurs at the time of delivery to the buyer.
- Other revenue - Other revenue, such as licensing fees and consulting fees, is recognised as it is earned. In the case of consulting jobs in process at balance date, revenue is recognised by reference to the stage of completion.

Income received but not earned as at balance date, as it is expected to be earned within twelve months, is deferred, and treated as a current liability.

(n) Share-Based Payments

For equity-settled share-based payments, the fair value at grant date of the equity instrument is charged to the statement of comprehensive income on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will ultimately vest. The corresponding accrued employee entitlement is recorded in the Employee Share Options reserve.

Fair value is measured by an external valuer using a binomial model, which considers the following factors:

- exercise price
- expected life of the award
- current market price of the underlying shares
- expected share price volatility
- expected dividends
- risk-free interest rate

(o) Trade and Other Receivables

Trade receivables, which generally have 14-30 day terms, are recognised initially at fair value, and subsequently at amortised cost, less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2. Business and geographical segments

Adoption of AASB 8 'Operating Segments'

The consolidated entity has adopted AASB 8 'Operating Segments'. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (AASB 114 'Segment Reporting') required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the consolidated entity's reportable segments has changed.

Products and services from which reportable segments derive their revenues

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the consolidated entity's operating divisions. However, information reported to the consolidated entity's chief operating decision maker for the purposes of resource allocation and assessment of performance is more specifically focused on revenue for each type of goods.

The principal categories are primarily product types. The consolidated entity's reportable segments under AASB 8 are, therefore, as follows:

- AVI (Automated Vehicle Identification)
- Printers
- Smart&Secure
- SecureContainer
- Labels

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

- Certain ID

No revenue was reported from SecureContainer while market research was undertaken so the technology could be modified to correspond to end-user requirements, and targeted to the right organisations and government departments to maximise its market reach. Other operations include CertainID, MIKOH's bio-authentication technology, though as this is still in a developmental stage no revenue has been earned to date.

During the financial year, the consolidated entity disposed of no products or businesses.

Information regarding the consolidated entity's reportable segments is presented below. Amounts reported for the previous corresponding period have been restated to conform to the requirements of AASB 8.

Segment revenues and results

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

	Segment revenue		Segment profit/(loss)	
	Year ended 30 June 2010 \$	Year ended 30 June 2009 \$	Year ended 30 June 2010 \$	Year ended 30 June 2009 \$
Continuing operations				
AVI	521,036	57,498	(87,541)	57,498
Printers	634,092	783,325	(440,646)	(381,523)
Smart&Secure	51,155	143,489	(118,805)	(234,921)
SecureContainer	-	2,989	(111,982)	(11,836)
Labels	385,156	258,322	(15,981)	(30,122)
Total for continuing operations	<u>1,591,439</u>	<u>1,245,623</u>	<u>(774,955)</u>	<u>(600,904)</u>
Costs not able to be allocated to one operation			<u>(4,398,830)</u>	<u>(3,530,245)</u>
Loss before tax from continuing operations			(5,173,785)	(4,131,149)
Income tax expense			<u>120,150</u>	<u>107,193</u>
Loss for the year from continuing operations			<u>(5,053,635)</u>	<u>(4,023,956)</u>
Discontinued operations - nil				
Profit before tax from discontinued operations			-	-
Income tax expense			<u>-</u>	<u>-</u>
Profit for the year from discontinued operations			<u>-</u>	<u>-</u>
Consolidated revenue (excluding interest and other revenue) and profit for the year	<u>1,591,439</u>	<u>1,245,623</u>	<u>(5,053,635)</u>	<u>(4,023,956)</u>

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2009: Nil).

The accounting policies of the reportable segments are the same as the consolidated entity's described in note 1. Segment profit represents the profit earned by each segment without the allocation of the majority of indirect costs, where allocation would be purely subjective and hence not deemed by the company to be meaningful. This is the measure reported to the chief operating officer for the purposes of resource allocation and assessment of segment performance.

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

Segment assets and liabilities

	<u>Assets</u>		<u>Liabilities</u>	
	<u>30 June 2010</u>	<u>30 June 2009</u>	<u>30 June 2010</u>	<u>30 June 2009</u>
	\$	\$	\$	\$
AVI	481,644	17,651	730,605	-
Printers	1,095,216	850,572	253,822	168,850
Smart&Secure	114,450	148,637	23,201	6,090
SecureContainer	25,139	89,658	563	1,588
Labels	72,550	79,390	14,104	74,216
Total segment assets and liabilities	1,788,999	1,185,908	1,022,295	250,744
Unallocated assets and liabilities	957,241	2,277,244	1,035,891	851,383
Consolidated total assets and liabilities	2,746,240	3,463,152	2,058,186	1,102,127

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

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

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

Other segment information

	<u>Depreciation and amortisation</u>		<u>Additions to non-current assets</u>	
	<u>Year ended 30 June 2010</u>	<u>Year ended 30 June 2009</u>	<u>Year ended 30 June 2010</u>	<u>Year ended 30 June 2009</u>
	\$	\$	\$	\$
AVI	-	-	-	-
Printers	61,719	29,159	12,113	51,029
Smart&Secure	1,994	796	1,616	-
SecureContainer	27,103	1,624	-	35,401
Labels	2,849	1,970	-	3,068
	93,665	33,549	13,729	89,498

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

Geographical information

The consolidated entity operates in two principal geographical areas – Australia and the USA.

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

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

	Revenue from external customers		Additions to non-current assets	
	Year ended 30 June 2010	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2009
	\$	\$	\$	\$
Australia	763,364	442,523	20,511	207,526
USA	95,506	68,858	7,518	40,781
Thailand	475,055	-	-	-
Turkey	4,774	468,062	-	-
Sri Lanka	123,086	144,151	-	-
Other countries	129,654	122,029	-	-
	1,591,439	1,245,623	28,029	248,307

Revenues from external customers are attributed to individual countries based on the invoiced address for the goods.

Information about major customers

Included in revenues of \$475,055 in the AVI business are revenues of \$470,427 that arose from sales to the consolidated entity's largest customer in the year ended 30 June 2010.

3. Loss from operations

(a) Revenue

Revenue consisted of the following items:

	Consolidated	
	2010	2009
	\$	\$
Sale of goods	1,555,568	1,117,760
Royalties and license fees	35,871	57,498
Consulting fees	-	70,365
Total revenues	1,591,439	1,245,623

(b) Other Income

Other income consisted of the following items:

Interest income	34,893	46,097
Export Market Development Grant	25,980	-
Sundry income	-	100
Total other income	60,873	46,197

(c) Expenses

The loss before income tax includes the following expenses:

	Consolidated	
	2010	2009
Interest paid to other entities	25	1,649
Depreciation of plant and equipment	109,231	123,618
Amortisation of leasehold improvements	84,373	51,523
License amortisation	47,529	-
Employee benefits	3,003,593	2,563,393
Equity settled share based payments	655,532	95,816
Operating lease rental expenses	156,548	184,444
Foreign exchange (gains)/losses	2,273	(5,006)

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

	Consolidated	
	2010	2009
	\$	\$
4. Current trade and other receivables		
Trade receivables	795,644	106,041
Goods and services tax receivable	0	53,188
Other receivables	37,340	29,261
	<u>832,984</u>	<u>188,490</u>
5. Inventories		
Raw materials at cost	123,255	145,599
Work in progress at cost	87,382	317,311
	<u>210,637</u>	<u>462,910</u>
6. Other current assets		
Prepayments	159,551	128,877
Accrued R&D tax offset	226,716	200,474
Accrued income	21,930	31,514
	<u>408,197</u>	<u>360,865</u>
7. Property, plant and equipment		
Leasehold Improvements	Cost 197,443	201,452
	Accumulated Amortisation (137,581)	(60,728)
	<u>59,862</u>	<u>140,724</u>
Plant and Equipment	Cost 518,206	1,408,160
	Accumulated Depreciation (346,592)	(1,042,178)
	<u>171,614</u>	<u>365,982</u>
	<u>231,476</u>	<u>506,706</u>
8. Intangible assets		
Licence	Cost 358,631	0
	Accumulated Amortisation (47,530)	0
	<u>311,101</u>	<u>0</u>
9. Current trade and other payables		
Trade payables	1,014,117	415,036
Goods and services tax payable	5,788	0
Sundry creditors and accruals	515,468	390,793
	<u>1,535,373</u>	<u>805,829</u>

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

	Consolidated	
	2010	2009
10. Other current liabilities		
Deferred revenue	283,190	0
	<hr/>	<hr/>
11. Current provisions		
Employee benefits	205,035	204,282
	<hr/>	<hr/>
12. Non-current provisions		
Employee benefits	34,588	92,016
	<hr/>	<hr/>
13. Issued capital		
	2010	2009
	\$	\$
314,179,023 fully paid ordinary shares (2009: 268,884,351)	38,489,385	35,236,603
	2010	2010
	Number	\$
Fully paid ordinary shares		
Balance as at 30 June 2008	187,168,219	31,455,913
Issue on 3 July 2008	1,571,428	550,000
Issue on 8 December 2008	571,429	45,714
Issue on 2 February 2009	571,429	40,571
Issue on 24 March 2009	4,100,000	164,000
Issue on 6 April 2009	11,250,000	450,000
Issue on 16 April 2009	2,832,726	184,449
Issue on 11 May 2009	1,125,000	45,000
Issue on 22 May 2009	75,429	3,922
Issue on 26 May 2009	405,800	26,250
Issue on 24 June 2009	59,212,891	2,368,516
Costs associated with the issue of shares		(97,732)
Total at 30 June 2009	268,884,351	35,236,603
Issue on 7 July 2009	117,572	5,056
Issue on 17 July 2009	1,534,699	61,388
Issue on 3 August 2009	154,054	6,778
Issue on 17 September 2009	22,784,810	1,800,000
Issue on 7 October 2009	142,152	11,998
Issue on 23 December 2009	4,304,050	378,220
Issue on 17 March 2010	4,218,185	210,909
Issue on 17 May 2010	4,064,000	304,800
Issue on 24 May 2010	1,933,334	145,000
Issue on 22 June 2010	1,233,334	92,500
Issue on 29 June 2010	8,026,667	602,000
Costs associated with the issue of shares		(204,958)
Total shares on issue as at 30 June 2010	<hr/>	<hr/>
	317,397,208	38,650,294
Less: Treasury shares deemed not issued	(3,218,185)	(160,909)
Total ordinary shares as at 30 June 2010	<hr/>	<hr/>
	314,179,023	38,489,385

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

Share Options

The consolidated entity has an ownership based remuneration scheme for directors and executives under which share options are issued at the discretion of the Board.

	2010 Number	2009 Number
Balance at the beginning of the financial year	18,500,000	25,900,000
Granted during the financial year	11,500,000	0
Exercised during the financial year	0	0
Lapsed during the financial year	(13,500,000)	(7,400,000)
Balance at the end of the financial year	<u>16,500,000</u>	<u>18,500,000</u>

Options outstanding as at 30 June 2010 were

<u>Expiry Date</u>	<u>Exercise price per option</u>	<u>Number</u>
31/08/11	15 cents	3,000,000
31/08/11	25 cents	3,000,000
10/01/12	30 cents	3,000,000
11/05/12	50 cents	1,000,000
11/05/12	80 cents	1,000,000
28/05/12	50 cents	375,000
28/05/12	80 cents	375,000
31/03/13	80 cents	125,000
31/03/13	\$1.20	125,000
31/07/14	20 cents	1,250,000
31/07/14	40 cents	1,250,000
31/12/14	20 cents	1,000,000
31/12/14	25 cents	1,000,000
		<u>16,500,000</u>

14. Reserves

	Consolidated	
	2010	2009
Employee equity-settled benefits reserve	\$ 1,957,123	\$ 1,753,643
Foreign currency translation	(98,607)	(23,009)
	<u>1,858,516</u>	<u>1,730,634</u>

Employee equity-settled benefits reserve

Balance at the beginning of the financial year	1,753,643	1,657,827
Share-based payment	203,480	95,816
Options exercised during the financial year	-	-
Options lapsed during the financial year	-	-
Balance at the end of the financial year	<u>1,957,123</u>	<u>1,753,643</u>

MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

	Consolidated 2010	2009
Foreign currency translation	\$	\$
Balance at the beginning of the financial year	(23,009)	(52,741)
Transfer to Accumulated Losses	-	50,173
(Deficit)/surplus from translation of financial statements of foreign operations	(75,598)	(20,441)
Balance at the end of the financial year	(98,607)	(23,009)

15. Accumulated Losses

	\$	\$
Balance at the beginning of the financial year	(34,606,212)	(30,532,083)
Net profit/(loss) attributable to members of the parent entity	(5,053,635)	(4,023,956)
Transfer from Foreign currency translation	-	(50,173)
Balance at the end of the financial year.	(39,659,847)	(34,606,212)

16. Earnings per share

	Consolidated 2010	2009
	Cents per share	Cents per share
Basic earnings per share	(1.73)	(2.06)
Diluted earnings per share	(1.73)	(2.06)

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

Earnings	(5,053,635)	(4,023,956)
Weighted average number of shares	292,869,437	194,978,884

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MIKOH Corporation Limited and Controlled Entities
Notes to Financial Statements for the year ending 30 June 2010

17. Reconciliation of Net Cash provided by Operating Activities to Loss after Income Tax

	Consolidated	
	2010	2009
	\$	\$
Profit (Loss) from after income tax	(5,053,635)	(4,023,956)
Add (less) non-cash flows included in loss		
Depreciation of non-current assets	193,604	175,141
Amortisation of intangible asset	47,529	-
Loss on disposal of fixed assets	99,074	-
Net foreign exchange differences	(69,849)	(5,006)
Equity settled creditor invoices	11,834	26,250
Impairment of IP purchased	-	86,141
Equity settled salary payments	440,218	184,449
Equity settled share-based payments	203,480	95,816
Interest income received and receivable	(34,893)	(41,600)
Changes in operating assets and liabilities		
Decrease (increase) in trade and other receivables	(752,602)	(19,569)
Decrease (increase) in prepayments	(30,674)	(27,557)
Decrease (increase) in inventories	252,273	(70,052)
Decrease (increase) in other current assets	(16,658)	36,881
Decrease (increase) in intangible assets	(358,630)	-
Increase (decrease) in trade and other payables	720,915	215,837
Increase (decrease) in other current liabilities	391,298	-
Increase (decrease) in provisions	(56,675)	78,858
Net cash inflow (outflow) from operating activities	(4,013,391)	(3,288,367)

18. Contingent Liabilities

There are no contingent liabilities.

19. Subsequent Events

Other than the recognition of revenue of \$386,731, and cost of sales of \$350,172, for goods shipped to Thailand on 2 July 2010, no matters or circumstances have arisen since the end of the year that have significantly affected, or may significantly affect, the operations, results of operations, or state of affairs of MIKOH Corporation Limited and subsidiaries in subsequent accounting periods.

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