



MIKOH Corporation Limited • ABN 41 003 218 862 • [www.mikoh.com](http://www.mikoh.com)



# MIKOH Corporation Limited

## Reporting Information

This financial report covers both MIKOH Corporation Limited as an individual entity and the consolidated entity consisting of MIKOH Corporation Limited and its controlled entities.

MIKOH Corporation Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Managing Director's Report on pages 3 and 4.

Further information is available by reference to the company's web site, [www.mikoh.com](http://www.mikoh.com), or by contacting the company at the address shown below.

## Company Particulars

### Directors

D J Halley  
J M Blomfield  
J S Keniry AM  
R O Holcomb

### Secretary

G M Phipps

### Registered and Principal Office

1/1 Culverlands Street  
HEIDELBERG WEST  
VIC 3081

Email: [mikoh@mikoh.com](mailto:mikoh@mikoh.com)  
Web Site: [www.mikoh.com](http://www.mikoh.com)

### Share Registry

**Computershare Investor Services Pty Limited**  
Level 3  
60 Carrington Street  
SYDNEY NSW 2000  
GPO Box 7045  
SYDNEY NSW 2001

Local enquiries: 1300 85 05 05  
Telephone: +61 2 8234 5000  
Facsimile: +61 2 8235 8150  
Website: [www.computershare.com.au](http://www.computershare.com.au)

### Stock Exchange Listing

Australia Stock Exchange  
ASX Code: MIK

### Auditor

**Deloitte Touche Tohmatsu**  
Grosvenor Place  
225 George Street  
SYDNEY NSW 2000

### Solicitors

**Watson Mangioni**  
Level 13  
50 Carrington Street  
SYDNEY NSW 2000

### Arent Fox

1675 Broadway  
New York, NY 10019-5820  
USA

### Latham & Watkins

555 Eleventh Street, NW  
Suite 1000  
Washington DC 20004-1304

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MIKOH's Smart&Secure  
RFID tag





## Chairman's Letter

2007/2008 was an eventful year for MIKOH. We witnessed the share price rapidly move from 30c to a high of 89c in November 2007, resulting in a market capitalisation of over \$150 million. With stockmarkets dropping around the world following reports of the US sub-prime crisis, our share price dropped by June of 2008 back to around where it started the financial year. Then, as the financial markets deteriorated further, it descended into the teens.

We witnessed this while our strategy was being executed in a well-planned, timely manner, positioning MIKOH to capitalise on the emerging requirement for security in our target RFID market sectors. Successes from this strategy included:

- finalising strategic commercial arrangements with resellers and integrators in the US, Australia and elsewhere around the world;
- bringing to market new products and solutions utilising our Smart&Secure technology;
- identifying new markets for Smart&Secure;
- responding to customer requests – the total value of bid responses during 2007/2008 was in excess of \$US50 million;
- establishing new contract supply and manufacturing relationships to meet the anticipated market demand.

While MIKOH's revenue aspirations were not met during the past year, progress was substantial, and the shortfall was largely due to external influences – in particular the fact that a number of MIKOH's target applications are large-scale, involving a substantial strategic decision on the part of the government or corporate end-user. MIKOH is accustomed to such decisions being political and taking time, especially because the deployment of a new technology is involved, but the delay has been even more protracted than anticipated.

It is important not to confuse MIKOH's prospects with the general state of the stockmarket. While a market downturn may delay take-up in MIKOH's target markets, it does not diminish the validity of our plan or strategy. MIKOH's technologies provide security and certainty – highly compelling drivers, especially in these troubled times. Our solutions are essential for a significant and ever growing number of large-scale applications.

We believe that the burgeoning business opportunities for MIKOH will translate into an order book that will ensure significant growth for your company.

Patience is a well-tested virtue of MIKOH shareholders and your directors remain convinced that this will be rewarded.

Yours sincerely

**Doug Halley**  
Chairman



# Managing Director's Report

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During 2007, MIKOH committed to and implemented a go-to-market strategy for its tamper evident RFID technologies. Indicators confirm that this strategy was, and remains, optimal for MIKOH at this stage of the company's growth.

While the company is disappointed that its projected revenues have taken longer to materialise than anticipated, market conditions are developing broadly as expected. Requirements for MIKOH's patented technology continue to emerge in the company's target markets, where protection against fraud and tampering is an obvious and vital need. Additionally, in what are extremely encouraging signs, other new and substantial markets are emerging and maturing more rapidly than expected. MIKOH is now therefore, more than ever, committed to and confident of its strategy.

Total revenue for the year ending 30 June 2008 was down 9.6% to \$798,322, while operating revenue was down 13.6% to \$674,085. The lower revenue combined with higher indirect expenses, related almost exclusively to the expansion of the company's operations in the US, has meant that the loss for the year increased by 54.0% to \$4.909M.

As a result of MIKOH's target markets taking longer to mature than expected, including delays in large-scale country-wide Electronic Vehicle Registration (EVR) adoption, and as a consequence of the current market climate, MIKOH's RFID revenue dropped by 82.5% from \$393,310 in the prior financial year to \$68,720. The exceptionally low RFID revenue masks real and substantial progress made during the year. The frequency of incoming sales enquiries with a requirement for tamper evidence has increased dramatically since May 2008 to the point where (excluding EVR-based revenues) MIKOH has quotations and tenders outstanding with total sales value exceeding \$US50 million. From the commencement of the US expansion in June 2007 to the date of this report, MIKOH has in excess of \$US100 million in prospective project value across the commercial and government sectors, compared with little more than \$US1 million in June 2007. MIKOH's target markets are now developing positively in all respects.

While there have been some delays with the adoption of EVR within the Americas, a number of end-user countries, such as Brazil and Mexico, are moving forward as are several countries outside of the Americas. MIKOH understands that around 32 countries worldwide are currently considering EVR. Legislation is being finalised and, in some countries, preliminary steps towards compatibility with new systems are being taken. The publicly available return-on-investment numbers coming out of Bermuda (the first country to adopt EVR) are compelling and highly favourable.

Complementing the Memorandum of Understanding signed with 3M Traffic Safety Systems Division this year, MIKOH has been developing relationships with other established RFID integrators to pursue Automated Vehicle Identification (AVI) projects on a global scale. This strategy, combined with MIKOH's patented Smart&Secure technology, establishes and positions MIKOH and its partners as a formidable force against any new entrants to this market.

MIKOH's non-RFID tamper evident business, SubScribe, had another solid year, with revenue increasing by 26.7% from \$240,751 in 2006/2007 to \$305,148. The SubScribe customer base continued to increase across both government and commercial sectors. Further SubScribe revenue increases are expected in 2008/2009 as the technology is marketed more heavily in the US.

Printer revenues increased to \$300,217, a 105.6% increase from the previous year, due primarily to a sale in Sri Lanka for \$125,000. Revenue from servicing of the installed machine base, and the sales of consumables and parts, also increased year on year. The sales of inkjet printers to customers based in Sydney and Turkey missed the year-end cut-off by a matter of weeks, so Printer revenues for the 2008/2009 financial year are expected to comfortably exceed those for 2007/2008.

We go into the new financial year building on the successes of 2008 (many of which are detailed below), and in a stronger position than ever before.

The directors and management of MIKOH are confident in the company's strategy, and in its execution.

We look forward to your continued support.

**Matt Blomfield**  
Managing Director and Chief Executive Officer  
MIKOH Corporation Limited

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## Key Achievements:

The key highlights of 2007/2008 can be summarised as follows:

### Electronic Vehicle Registration

- MIKOH entered into a Memorandum of Understanding with 3M Traffic Safety Systems Division to cooperate on large-scale EVR solutions in the Americas. MIKOH is well positioned for rollout in those countries where a guaranteed one-to-one relationship is required between the electronic registration label and the vehicle.
- MIKOH also developed relationships with other ground transportation integrators involved in the EVR market. There are a number of other EVR/AVI deals that MIKOH is working on, the details of which cannot yet be disclosed.
- There has been some downward pressure on EVR tag prices following development of the EPC 6C RFID standard. This EPC standard may, on the other hand, lead to an increase in market opportunity for MIKOH via more high-volume deployments where security is important.

### Asset Tracking/Chain of Custody

- MIKOH delivered the 1st generation SecureContainer for marketing to prospective end users. This allowed MIKOH to develop an agreement with Pelican™ Products, Inc to retrofit MIKOH's closure mechanism to Pelican's range of ruggedised cases.
- The new 2nd generation SecureContainer solution (which incorporates both MIKOH's technology and technology licensed from the U.S. National Security Agency) opens the door to global market opportunities for MIKOH in Transportation/Logistics, Asset Management, Pharmaceutical, Healthcare, and Government.
- A high-security US Government Agency has ordered a number of SecureContainers ahead of production of the first Pelican-based cases, its purpose being to seed the technology in the US Government. The fact that this order was placed prior to production is a strong indicator of demand for this product within Government Security Agencies. SecureContainer (as with all MIKOH products) can now be sourced via MIKOH's new online ordering system.

### Channel Program and Distribution

MIKOH executed reseller, distribution and sales agent agreements for its products in Australia, the US, India, Tanzania and Egypt. The company also developed strategic relationships with major system integrators to create, develop and implement Smart&Secure solutions in a number of applications that MIKOH plans to roll out globally. New customer-driven solutions that are being planned or developed in conjunction with our partners are designed to:

- prevent theft when transporting valuable items such as art and antiquities;
- prevent theft of cell phones at point of sale;
- prevent theft of motor vehicles at dealerships;
- prevent theft and counterfeiting of high-value wines,
- prevent theft and mismanagement of sensitive and classified documents;
- prevent theft of valuable items in warehouses; and
- ensure a secure chain of custody for computer hard drives.

These diverse applications are indicative of the many and varied range of applications for MIKOH's patented RFID technology.

### Marketing and Public Relations

- MIKOH continued to broadcast its messages into key target markets, including Transportation/Logistics, Asset Management, Pharmaceutical, Healthcare, and Government, as well as more generally within the RFID space.
- In addition, MIKOH attended and exhibited at a number of events including LogiPharma 2007, DoD Seals Conference, RFID Journal Live 2007, and DoD RFID Summit 2008.
- MIKOH was also in attendance at several other events resulting in increased exposure and sales leads.
- This activity, used in conjunction with MIKOH's new feature-rich website, has led to hundreds of additional inquiries for Smart&Secure tamper-evident RFID solutions.

### Production

MIKOH continues to qualify additional Smart&Secure tag manufacturers for supply to global markets.



# Executive Team

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*Dr Peter Atherton, Chief Technology Officer and Founder*

Dr Atherton founded MIKOH in 1993, and has been based in Virginia in the US since 1999. Dr Atherton is responsible for the development and manufacturing of MIKOH's security and digital marking technologies. He has a broad background in science and technology, and has been closely involved in the development of all MIKOH technologies to date.

Before founding the company, Dr Atherton managed optical communications research and development at OTC, where he was responsible for the development of undersea optical fibre cable designs and high-speed long distance optical communications technologies.



*Steven Van Fleet, Vice President, Sales and Business Development*

Steven Van Fleet joined MIKOH in May 2007, is based in New York, and is responsible for establishing critical business relationships on a global basis, and directing sales in the Americas. He brings more than 20 years of experience in RFID product development and sales. He previously served as president and principal of The R and V Group and as a director of technology and operations for International Paper.

At International Paper, Mr Van Fleet managed development and deployment of the first smart shelf system within a major retail superstore chain. His team developed an RFID warehouse tracking system capable of locating a roll of paper within six inches of a 2 million square foot warehouse. Mr Van Fleet holds multiple RFID technology patents and a Bachelor's of Science from Miami University.



*Andrew Strauch, Vice President, Product Marketing and Management*

Andrew Strauch commenced with MIKOH in May 2007, is based in Maryland, USA, and is responsible for all marketing activities including product marketing and management, demand generation, corporate branding, and public relations. He has more than 20 years of experience in product management, product marketing, and engineering. He previously served as a practice lead at inCode Wireless within the company's Enterprise group. In this role, he oversaw the Field Service Practice where he was responsible for product definition, development, delivery and new business development.

Prior to inCode, he held senior-level product marketing and management positions at PEAK Technologies and Aether Systems. Mr Strauch began his career at Xerox Corporation where he served in a variety of product management, engineering and manufacturing positions both domestically and internationally. He holds an MBA from the University of Rochester, an MSEE from the Rochester Institute of Technology, a BSEE from the University of Wisconsin, and has also studied at Osaka University.



*Sal Fazzolari, Vice President, Federal Practice*

Sal Fazzolari commenced with MIKOH in December 2007, is based in Virginia, and is responsible for the launch and sustainment of MIKOH's products and services into the US Federal Government. He brings more than 30 years experience in all aspects of federal business development, program management, and compliance.

Mr Fazzolari has a tremendous track record of sales team leadership, having led teams that have won over US\$1.5B in Federal and State opportunities for companies such as Northrop Grumman, TRW, ICF International, and General Electric.



# Corporate Governance Statement

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

The Board of MIKOH Corporation Limited is committed to complying with the 'Principles of Good Corporate Governance and Best Practice Recommendations' as issued by the ASX Corporate Governance Council, unless it believes compliance with individual guidelines is not appropriate. The Company is currently complying with all aspects of the 'Principles of Good Corporate Governance and Best Practice Recommendations' except for the lack of a Nomination Committee and a Remuneration Committee, and the Audit Committee having only two members rather than the recommended three. In each of these cases it is the Board's view, given the scale of the Consolidated Entity and the size of the Board, that committees of the type and size recommended are impractical.

MIKOH's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1 – Lay solid foundations for management and oversight
- Principle 2 – Structure the board to add value
- Principle 3 – Promote ethical and responsible decision making
- Principle 4 – Safeguard integrity in financial reporting
- Principle 5 – Make timely and balanced disclosure
- Principle 6 – Respect the rights of shareholders
- Principle 7 – Recognise and manage risk
- Principle 8 – Encourage enhanced performance
- Principle 9 – Remunerate fairly and responsibly
- Principle 10 – Recognise the legitimate interests of stakeholders

MIKOH Corporation Limited's corporate governance practices were in place throughout the year ended 30 June 2008.

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evidence on a  
SecureContainer



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# 1. Lay Solid Foundations for Management and Oversight

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## Governance Roles to Achieve the Vision

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the Directors' Report.

The Board will be accountable to the Company shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of corporate strategy and policy initiatives, will be formally delegated by the Board to the Managing Director.

Key responsibilities of the Board will include:

- approving the strategic direction and related objectives of the Company, and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;
- reviewing the performance of the Managing Director;
- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- ensuring all major business risks are identified and effectively managed;
- ensuring that the Company meets its legal and statutory obligations; and
- having regard to the stage of development and the size of the company, the full Board will carry out the functions which would otherwise be delegated to a nominations committee or a remuneration committee.

## Role of the Chairman

The role of the Chairman includes:

- Vision/Strategy: Ensuring leadership in setting and reviewing vision;
- Board meetings: Setting agenda with the Managing Director/Company Secretary, ensuring directors receive all relevant information, chairing meetings and dealing with conflicts;
- Shareholder Meetings: Chairing shareholder meetings and ensuring shareholders as a whole have an opportunity to speak on relevant matters, ensuring audit partner attends the Annual General Meeting;
- External: Spokesperson, with the Managing Director, on company matters;
- Managing Director: Primary point of contact between the Board and the Managing Director, keeping fully informed on major matters by the Managing Director, chairing the performance appraisal of the Managing Director, and providing mentoring;
- Board: Initiating Board and committee performance appraisal, ensuring agreed composition is maintained, and director induction plans are in place.

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## Role of the Managing Director

The role of the Managing Director includes:

- Vision/Strategy:- Formulating with the Board the vision and strategy of the Company, developing action plans to achieve the vision, and reporting regularly to the Board on progress.
- Management team and employees:- Providing leadership, appointing and negotiating terms of employment of senior executives (with Board approval where necessary), developing a succession plan, ensuring procedures are in place for education and training to ensure compliance with laws and policies.
- Board:- Responsible for bringing all matters requiring review/approval to the Board, advising on changes in risk profile, providing certification regarding the financial statements for the half-year and full-year, reporting to the Board on a monthly basis the performance of the Company, and for ensuring education of Directors on relevant matters.
- Delegated authority:- Levels for capital expenditure, sale of assets, etc.

## 2. Structure the Board to Add Value

### Composition and Balance of Skills of Directors

The Directors consider the size and composition of the Board is appropriate given the size and status of the Company. However, the composition of the Board will be subject to review in a number of ways.

- The Company's Constitution provides that at every Annual General Meeting one-third of the directors shall retire from office but may stand for re-election.
- Board composition will also be reviewed periodically either when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board, which should match the strategic demands of the Company. Once it has been agreed that a new director is to be appointed, a search would be undertaken, using the services of external consultants where necessary. Nominations would then be reviewed by the Board.
- The Chief Executive Officer will be a director and will also have the title of Managing Director.

### Independence of Directors

The Board believes that the best interests of the Consolidated Entity will be served if a majority of the Directors are independent, as defined in the ASX Corporate Governance Guidelines. The Chairman is an independent director and non-executive. Directors of MIKOH Corporation Limited are considered to be independent when they are independent of management and free from any business or other relationship that could (or could reasonably be perceived to) materially interfere with the exercise of their unfettered and independent judgement.

The Board will review annually whether or not each director is independent.



The status of each director is as follows:

		Term in Office
D J Halley - Chairman	Independent	Since 12 January 1988
J M Blomfield - Managing Director	Non-independent	Since 1 December 2004
J S Keniry	Independent	Since 11 March 1994
R O Holcomb	Independent	Since 14 June 2006

The definition of independence is that as set out in the ASX Corporate Governance Guidelines.

The Board believes that where services provided by director related entities are at commercial rates, it is in the interests of the Consolidated Entity at this stage of its development to retain director involvement.

The structure of the Board complies with the ASX principle for a majority of the Board to be independent. Mr Halley has a relevant interest in 6.13% of the issued shares of the Company although, by virtue of a joint holding, his ultimate interest is less than 5%. The Board considers that Mr Halley is independent for the purpose of the discharge of his duties and is not compromised by his shareholder interests.

The Board believes in the renewal of Board members to ensure the ongoing vitality of the company. Generally, directors will serve for 10 years and will not seek re-election at the next AGM at which they retire by rotation, unless unanimously agreed otherwise by the other non-executive directors. The best interests of the company at the time will significantly influence any such decision.

### Appointment of Directors

If the Board determines that there is a need to appoint another director for any reason they will:

- determine the appropriate skills, experience, and qualifications required, having regard to those of the existing directors;
- agree the process to seek such a person;
- set a timetable to appoint, having regards to the timing of the AGM and requirements of the Constitution; and
- prepare a short list and meet the candidates.

### Access to Independent Advice

Directors may obtain independent experts' advice to enable them to fulfill their obligations, at the expense of the Consolidated Entity, and after obtaining approval from the Chairman.



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## 3. Promote Ethical and Responsible Decision Making

### Code of Conduct of Directors

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

To meet this obligation they must act honestly and should:

- execute due care and diligence;
- not misuse information or their position for their own gain;
- avoid or fully disclose potential conflicts;
- ensure that the market is fully informed of all matters that require disclosure; and
- actively promote the reputation of the company.

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

Directors must comply with the law on disclosure of benefits and related party transactions. Directors must have access to all relevant information on the company and this is to be sought through the Managing Director or agreed arrangements.

All directors must maintain strict confidentiality in relation to company matters.

Directors must be aware of insider trading laws and strictly abide by the law and company policies.

Directors are to ensure that the financial statements are drawn up to comply with Australian Corporations Law and Accounting Standards.

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

Deeds of access indemnity and insurance will be entered into with the directors to the extent permitted by law.

### Trading in Securities

The Company's constitution permits the Directors to acquire securities in the Company. However the Company policy prohibits directors and senior management from trading the Company's securities at any time whilst in possession of price sensitive information, and for 48 hours after:

- any major announcements;
- the release of the Company's half year or annual results to ASX; and
- the Annual General Meeting.

Directors must advise the Chairman of the Board before buying or selling securities in the Company. All such transactions will be reported to the Board. In accordance with the provisions of the Corporations Act and the ASX Listing Rules, the Company will advise the ASX of any transaction conducted by the Directors in the Company's securities.

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

### Interaction With the Media

To ensure clear and consistent messages to the ASX and media, unless specifically approved otherwise, the Chairman and Managing Director are the only authorised spokespersons of the company.

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## 4. Safeguarding Integrity in Financial Reporting

### Certificate From MD / CFO Equivalent

The Managing Director and the Financial Controller have provided certificates to the Board regarding the financial reports giving a true and fair view and being in accordance with accounting standards.

### Audit Committee

The Audit Committee monitors the independence, objectivity, effectiveness and scope of the external audit, and reviews the external auditor's findings and recommendations. The committee oversees management's approach in identifying key financial risk areas, and ensures programs are in place to manage identified risks. The committee also reviews the processes governing any non-audit work undertaken by the external auditor to ensure the independence of the external auditor is not affected by conflicts.

Members of the committee are John Keniry (Chair) and Doug Halley. Due to the small size of the Board of MIKOH Corporation Limited the Board believes it is not practical to have an Audit Committee comprising three members, as recommended by the ASX Corporate Governance Council.

The committee meets as required and, in conjunction with the external auditor, is satisfied that the reporting systems in place provide accurate and timely reports of the Consolidated Entity's activities and position.

### Contracts and Transactions Between the Consolidated Entity and its Officers

Any proposed contract between an officer (including associates of the officer) and MIKOH Corporation Limited must be approved by the Board prior to its execution.



## 5. Make Timely and Balanced Disclosure

### Continuous Disclosure

The Company has a policy that all Company shareholders and investors have equal access to the Company's information. The Chairman of the Board and the Managing Director ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX.

MIKOH Corporation Limited maintains a website which is regularly updated to provide the wider community with all of the available information that is released.

## 6. Respect the Rights of Shareholders

### Communication Policy

The aim of the Board of Directors is to ensure that Company shareholders are informed of all major developments affecting the Company's state of affairs. Information will be communicated in the following forms:

- the Annual Report will be distributed to all Company shareholders (unless a shareholder has specifically requested not to receive the document);
- the half-yearly report will contain summarised financial information and a review of the operations of the Company during the relevant period;
- the ASX quarterly cash reports will contain summarised financial information for the relevant period;
- regular shareholder updates and other disclosures posted to the ASX website;
- notices and explanatory memorandum for all meetings of the Company shareholders; and
- the Company's website, [www.mikoh.com](http://www.mikoh.com).

It is the Company's policy that the engagement partner of its auditors, Deloitte Touche Tohmatsu, be present at the Annual General Meeting and be available to answer relevant questions.

## 7. Recognise and Manage Risk

### Risk Management and Internal Compliance and Control

The Board determines the Consolidated Entity's risk profile and is responsible for overseeing and approving risk management strategy and policy.

This includes:

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

## Certificate From MD / CFO Equivalent

The Managing Director and the Financial Controller have advised the Board in writing that

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

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## 8. Encourage Enhanced Performance

### Performance Evaluation

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

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

The Board may, from time to time, use an independent adviser to assist in the reviews.

The most recent review was conducted in June 2007.

### Managing Director / Chief Executive Officer

The Board will annually review the performance of the Managing Director having regard to performance measures set out at the commencement of each year. These will include financial measures, achievement of strategic objectives and other key performance indicators, and compliance.

The Managing Director evaluates the performance of other key executives in a similar manner.

## 9. Remunerate Fairly and Responsibly

### Remuneration Policies

#### Non-Executive Directors

Fees including statutory superannuation paid to non-executive directors will generally be around the market average.

Directors will not be entitled to a retirement benefit.

Directors will not participate in share or option plans except with the approval of the shareholders.



Currently, the fee level is \$20,000 per non-executive director per annum and \$40,000 per annum for the Chairman. The total amount that may be payable by the Consolidated Entity by way of directors' fees is subject to approval by shareholders.

#### Senior Executives

Remuneration packages will generally be set to be competitive to both retain executives and attract executives to the company.

Further information regarding remuneration policies can be found in the Remuneration Report included in the Directors' Report.

As stated earlier, the Board does not consider it appropriate given the size of the Consolidated Entity to form a separate Remuneration Committee – the functions of such a committee are performed by the entire Board.

## 10. Recognise the Legitimate Interests of Stakeholders

The Consolidated Entity observes the principles recommended by the ASX Corporate Guidance Council.

The Consolidated Entity acknowledges community and legal standards with respect to anti-discrimination at all levels, particularly with respect to employees and contractors.

The Consolidated Entity acknowledges community and legal standards with respect to occupational health and safety.

Pelican's ruggedised cases are to be fitted with MIKOH's SecureContainer closure mechanism



# Directors' Report

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The directors of MIKOH Corporation Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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



*Mr Douglas James Halley, MBA, B.Com, FAICD, FRT - Chairman*

Mr Halley was appointed a Non-Executive Director of the company on 12 January 1988, and was appointed as Chairman on 24 May 2006. He has held senior executive positions in a number of major companies over the past 25 years (including The Thomson Corporation, IBM, John Fairfax Holdings, Goodman Fielder, Rothschild Australia, Hill Samuel Australia and Philips) covering finance, treasury, business development and general management. He has also held directorships of listed companies, including John Fairfax Holdings and Television & Media Services, and has been a director of the ASX-listed Diversified Utility and Energy Trust since 2006. In addition, Mr Halley is Chairman of Aurora Community Television and Print & Digital Publishing Pty Ltd, and Chairman of the Advisory Board of Australian Enterprise Holdings Pty Ltd. Mr Halley is a member of the Audit Committee.



*Mr James Matthew Blomfield - Managing Director and Chief Executive Officer*

Mr Blomfield was appointed as Chief Executive Officer on 17 November 2004 and as Managing Director on 1 December 2004. Matthew has held senior executive positions with technology companies over the past 20 years including Managing Director of Cadds Man Limited and a director of ISR Holdings Limited. Prior to joining MIKOH Mr Blomfield ran his own consultancy business providing strategic advice to several technology companies in the Asia-Pacific, USA and Europe.



*Dr John Stanley Keniry AM B.Sc PhD FTSE FRACI FAICD - Non-Executive Director*

Dr Keniry was appointed a Non-Executive Director of the company on 11 March 1994, and is Chairman of the Audit Committee. Dr Keniry has extensive experience in business and presently holds a number of directorships in both public and private sector companies, and is a member of the Australian Government's Industrial Research and Development Board. He is a former president of the Australian Chamber of Commerce and Industry, and a former member of the Prime Minister's Science, Engineering and Innovation Council. During the last three years Dr Keniry has also served as a director of the following listed companies:

- Ridley Corporation Limited (since 1990)
- First Opportunity Fund Limited (since 1999)
- Biosignal Limited (since 2004)
- Australian Biodiesel Group Limited (2005-2008)





*Mr Richard Owen Holcomb B.S., M.S. - Non-Executive Director*

Mr Holcomb was appointed a Non-Executive Director on 14 June 2006. Mr Holcomb, the company's first non-Australian director, resides in North Carolina, USA, is founder and chairman of Strikelron, a web services company, and has been founder and director of several successful technology companies. He is currently a venture partner for the Aurora Funds in Durham, North Carolina, and serves on the boards of several local technology companies, both private and public. He also serves on several advisory boards including the NCSU Graduate School Board of Advisors and the Council for Entrepreneurial Development, and is a former appointed member of the North Carolina Information Resource Management Commission, and a former Chairman of the North Carolina Electronics and Information Technology Association.

## Directorships of Other Listed Companies

No director has held a directorship of another listed company in the three years immediately before the end of the financial year, except as disclosed above.

## Company Secretary



*Mr Gary Michael Phipps B.Comm, CPA*

Mr Phipps joined Mikoh Corporation Limited on 12 December 2005 as Financial Controller, and was appointed Company Secretary on 3 March 2006. As Financial Controller and Company Secretary, he is responsible for the corporate administration, financial management and corporate governance practices of the company. Mr Phipps has over 20 years experience in various senior financial management roles in listed and private companies. He has worked across a broad range of industries including transport, health care, entertainment, and communications. Mr Phipps is an Affiliate of Chartered Secretaries Australia and has completed a Graduate Diploma in Applied Corporate Governance.

## Principal Activities

The principal activities of the consolidated entity during the financial year consisted of:

- the development, marketing and commercialisation of security oriented identification, authentication and information storage technologies; and
- the manufacture and sale of digital ink-jet imaging machines for the commercial printing industry

## Review of Operations

Total revenue for the year ending 30 June 2008 was down 9.6% to \$798,322, while operating revenue was down 13.6% to \$674,085. The lower revenue combined with higher indirect expenses, related almost exclusively to the expansion of the company's operations in the US, meant that the loss for the year increased by 54.0% to \$4.909M. This expansion, with the concomitant increase in employee numbers, meant that indirect costs substantially exceeded those of the prior year. The recruitment of new employees, the increased public relations and marketing efforts, and the development of new Smart&Secure manufacturing processes to meet expected future volumes, were all minimum necessary precursors to the flow of deals expected to accelerate in 2008/09.

As a result of the RFID industry taking longer to mature than expected, including delays in large-scale country-wide EVR adoption, and as a consequence of the current market climate, MIKOH's RFID revenue dropped by 82.5% from \$393,310 in the prior financial year to \$68,720. The exceptionally low revenue masks real and substantial progress made during the year, but was nevertheless well below expectations. The company remains committed to and confident of its strategy as outlined at the 2007 Annual General Meeting, with market conditions developing as expected other than in relation to timing. Other markets are being developed, both directly and through the company's expanding number of channel partners, where the company believes substantial additional revenues will materialise in the medium term.

SubScribe had another solid year, with revenue increasing by 26.7% from \$240,751 in 2006/07 to \$305,148. The customer base continued to increase, both within government and commercial ranks. Further revenue increases are expected in 2008/09 as opportunities in the US expand for sales of SubScribe.

Printer revenues increased to \$300,217, a 105.6% increase from the previous year, due primarily to a sale in Sri Lanka for \$125,000. Revenue from servicing of the installed machine base, and the sales of consumables and parts, also increased materially from the prior year. The sales of inkjet printers to customers based in Sydney and Turkey missed the year-end cut-off by a matter of weeks, so printer revenue for the 2008/09 financial year is expected to exceed that of the year just completed. The decision by Note Printing Australia on whether they would incorporate inkjet printing into their next generation currency production was also pushed out to the latter half of 2008.

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## Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or the notes thereto.

## Subsequent Events

As at 30 June 2008 the company had received \$550,000 into its bank account for the placement of 1,571,428 shares to be issued by way of private placement. These shares were allotted on 3 July 2008.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Future Developments

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



## Dividends

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

## Share Options

### Share Options Granted to Directors and Executives

During and since the end of the financial year an aggregate 2,000,000 share options (2007: 13,000,000) were granted to the following directors and executives of the company and the consolidated entity as part of their remuneration:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
D J Halley (i)	1,000,000	MIKOH Corporation Limited	1,000,000
J S Keniry (i)	1,000,000	MIKOH Corporation Limited	1,000,000

(i) These share options were included in the 2007 Directors' Report but were not officially 'granted' until approved by shareholders at the 2007 Annual General Meeting.

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

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

Issuing entity	Number of shares under option	Class of shares	Exercise price of option \$	Expiry date of options
MIKOH Corporation Limited	1,000,000	Ordinary	0.10	31 December 2008
MIKOH Corporation Limited	2,000,000	Ordinary	0.10	31 March 2010
MIKOH Corporation Limited	1,000,000	Ordinary	0.15	31 March 2010
MIKOH Corporation Limited	1,000,000	Ordinary	0.20	31 March 2010
MIKOH Corporation Limited	500,000	Ordinary	0.15	31 August 2011
MIKOH Corporation Limited	500,000	Ordinary	0.25	31 August 2011
MIKOH Corporation Limited	3,000,000	Ordinary	0.15	31 August 2011
MIKOH Corporation Limited	3,000,000	Ordinary	0.25	31 August 2011
MIKOH Corporation Limited	3,000,000	Ordinary	0.30	10 January 2012
MIKOH Corporation Limited	1,000,000	Ordinary	0.50	11 May 2012
MIKOH Corporation Limited	1,000,000	Ordinary	0.80	11 May 2012
MIKOH Corporation Limited	2,125,000	Ordinary	0.50	28 May 2012
MIKOH Corporation Limited	2,125,000	Ordinary	0.80	28 May 2012
MIKOH Corporation Limited	125,000	Ordinary	0.80	31 March 2013
MIKOH Corporation Limited	125,000	Ordinary	1.20	31 March 2013

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

Details of shares or interests issued during or since the end of the financial year as a result of the exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares \$	Amount unpaid on shares \$
MIKOH Corporation Limited	600,000	Ordinary	0.20	-
MIKOH Corporation Limited	500,000	Ordinary	0.10	-
MIKOH Corporation Limited	250,000	Ordinary	0.15	-
MIKOH Corporation Limited	250,000	Ordinary	0.20	-

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## Indemnification of Officers and Auditors

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

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

## Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 board meetings and 2 audit committee meetings were held.

Directors	Board of directors		Audit committee	
	Held	Attended	Held	Attended
D J Halley	11	11	2	2
J M Blomfield	11	11	-	-
J S Keniry	11	10	2	2
R O Holcomb	11	8	-	-



## Directors' Shareholdings

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

Directors	Fully paid ordinary shares Number	Share options Number
D J Halley	11,568,195	1,000,000
J M Blomfield	1,193,132	10,000,000
J S Keniry	1,862,859	1,000,000
R O Holcomb	-	1,000,000

## Remuneration Report

### Director and Executive Details

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

- D J Halley (Chairman)
- J M Blomfield (Managing Director and Chief Executive Officer)
- J S Keniry (Non-Executive Director)
- R O Holcomb (Non-Executive Director)

The Group executives of MIKOH Corporation Limited were:

- P S Atherton (Chief Technology Officer) (MIKOH Corporation)
- G M Phipps (Company Secretary and Financial Controller)
- S R Van Fleet (Vice President Sales and Business Development) (MIKOH Corporation)
- A M Strauch (Vice President Product Marketing and Management) (MIKOH Corporation)

### Remuneration Policy

Due to the relatively small size of the consolidated entity, the Board has decided not to form a separate Remuneration Committee. Instead, the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director, and the senior management team. The Board of Directors assesses the appropriateness of the nature and amount of remuneration of directors and senior management on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

### Non-executive directors

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

Non-executive directors' fees are within the maximum aggregate limit of \$100,000 per annum as agreed to by shareholders at the General Meeting held on 30 May 2005. Non-executive directors do not receive performance based bonuses, however given the relatively low director's fees paid in cash the board believes that the issue of share options to non-executive directors on occasion more accurately reflects the time and responsibilities of office.

As at the date of this report the Chairman receives \$40,000 per annum plus 9% statutory superannuation, and other non-executive directors \$20,000 per annum plus 9% statutory superannuation.

### Executive directors and senior management

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

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

Remuneration consists of the following key elements:

- fixed remuneration; and
- performance based remuneration

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

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

### Relationship Between Remuneration Policy and Company Performance

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



The Vice President Product Marketing and Management is entitled to a quarterly bonus based on the achievement of Key Performance Indicators as dictated each quarter by the Managing Director. The KPIs are selected such that their achievement accords with the achievement of the company's strategic goals, and the Managing Director in his sole discretion determines each quarter if the KPIs have been achieved.

Senior sales positions have a relatively large component of their remuneration package tied to the generation of sales through the existence of commission agreements. In line with the company's strategic and financial goals, this method of performance based remuneration allows the company to increase its sales and marketing efforts whilst preserving a low fixed cost structure.

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

	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
	\$	\$	\$	\$	\$
Revenue	798,322	883,021	641,261	1,657,277	2,287,885
Net profit before tax	(5,002,595)	(3,298,683)	(2,203,755)	(1,557,277)	(737,633)
Net profit after tax	(4,909,314)	(3,187,686)	(2,006,832)	(1,353,682)	(293,429)

	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
Share price at start of year	30.0 cents	9.0 cents	5.4 cents	4.3 cents	5.2 cents
Share price at end of year	33.5 cents	30.0 cents	9.0 cents	5.4 cents	4.3 cents
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic earnings per share	(2.72) cents	(1.94) cents	(1.48) cents	(1.21) cents	(0.32) cents
Diluted earnings per share	(2.72) cents	(1.94) cents	(1.48) cents	(1.21) cents	(0.32) cents

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## Director and Executive Remuneration

	Short-term employee benefits			Post-employment benefits		Other long-term employee benefits \$	Termination benefits \$	Share-based payment			Total \$	
	Salary & fees \$	Bonus \$	Non-monetary \$	Superannuation \$	Other \$			Equity-settled		Cash-settled \$		
								Shares & units \$	Options & rights \$			
<b>2008</b>												
<b>Non-executive directors</b>												
D J Halley (iii)	40,000	-	-	3,600	-	-	-	-	157,896	-	-	201,496
J S Keniry (iii)	20,000	-	-	1,800	-	-	-	-	157,896	-	-	179,696
R O Holcomb	20,000	-	-	1,800	-	-	-	-	-	-	-	21,800
<b>Executive officers</b>												
J M Blomfield (ii)	247,325	-	90,956	22,363	-	-	-	-	21,427	-	-	382,071
P S Atherton	197,412	-	21,485	-	-	-	-	-	-	-	-	218,897
G M Phipps	132,500	-	-	11,925	-	-	-	-	-	-	-	144,425
S R Van Fleet (ii) (iii)	227,826	-	23,248	-	-	-	-	-	113,618	-	-	364,692
A M Strauch (ii) (iii) (iv)	165,893	72,578	24,433	-	-	-	-	-	113,618	-	-	376,522
	1,050,956	72,578	160,122	41,488	-	-	-	-	564,455	-	-	1,889,599

	Short-term employee benefits			Post-employment benefits		Other long-term employee benefits \$	Termination benefits \$	Share-based payment			Total \$
	Salary & fees \$	Bonus \$	Non-monetary \$	Superannuation \$	Other \$			Equity-settled		Cash-settled \$	
								Shares & units \$	Options & rights \$		
<b>2007</b>											
<b>Non-executive directors</b>											
D J Halley (iii)	40,000	-	-	3,600	-	-	-	-	202,850	-	246,450
J S Keniry (iii)	20,000	-	-	1,800	-	-	-	-	202,850	-	224,650
R O Holcomb (iii)	20,000	-	-	1,800	-	-	-	-	21,427	-	43,227
<b>Executive officers</b>											
J M Blomfield (ii)	253,004	-	80,512	12,686	-	-	-	-	107,135	-	453,337
P S Atherton (iii)	215,054	-	18,899	-	-	-	-	-	371,311	-	605,264
G M Phipps	111,250	-	-	10,013	-	-	-	-	-	-	121,263
K A Wannop	76,559	-	-	-	-	-	-	-	-	-	76,559
S R Van Fleet (ii) (iii)	20,285	-	-	-	-	-	-	-	10,963	-	31,248
A M Strauch (ii) (iii) (v)	17,987	18,975	-	-	-	-	-	-	10,963	-	47,925
	774,139	18,975	99,411	29,899	-	-	-	-	927,499	-	1,849,923

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) At 30 June 2008, only 50% of these options had vested. The options expire on 28 May 2012. The maximum possible total value of the grant not yet recognised is \$30,077 per employee; the minimum possible total value of the grant is \$88,434 per employee.

(iii) R O Holcomb and J M Blomfield were granted these share options on 31 August 2006. P S Atherton was granted these share options on 10 January 2007. S R Van Fleet and A M Strauch were granted these share options on 28 May 2007. D J Halley and J S Keniry were issued these share options on 11 May 2007, though the options were not granted until 22 November 2007. Further details of the options granted are contained in notes 24 to 26 of the financial statements.

(iv) In accordance with his employment contract, A M Strauch was paid quarterly bonuses dependent on the achievement of specified criteria, as dictated by the Managing Director.

(v) A M Strauch was granted a cash bonus of \$18,975 on 15 June 2007 in accordance with his employment contract.

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

The following grants of share-based payment compensation to directors and senior management relate to the current financial year.

Name	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
D J Halley	Granted 22 Nov 07	1,000,000	1,000,000	100%	n/a	78.4 %
J S Keniry	Granted 22 Nov 07	1,000,000	1,000,000	100%	n/a	87.9%

During the year, the following directors and senior management exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of MIKOH Corporation Limited.

Name	No. of options exercised	No. of ordinary shares of MIKOH Corporation Limited issued	Amount paid \$	Amount unpaid \$
G M Phipps	1,000,000	1,000,000	137,500	Nil
P S Atherton	100,000	100,000	20,000	Nil

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the directors and senior management:

Name	Value of options granted at the grant date (i) \$	Value of options exercised at the grant date \$	Value of options lapsed at the grant date \$
D J Halley (i)	360,746	-	-
J S Keniry (i)	360,746	-	-
G M Phipps	-	322,500	-
P S Atherton	-	60,000	-

(i) These share options were included in last year's Directors' Report but were not officially 'granted' until approved by shareholders at the 2007 Annual General Meeting.

## Key Terms of Employment Contracts

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

The Company has entered into an employment contract with J M Blomfield as Managing Director and Chief Executive Officer.



The contract contains the following key terms.

Term:	Fixed term agreement expiring 26 September 2010.
Annual Salary:	USD 225,000 with annual reviews
Performance Bonus:	Variable based on financial performance and a range of other key performance indicators.
Notice Period:	Three months by either party
Redundancy:	In the event of the Managing Director being terminated as a result of the Company being taken over, one year's salary

The Chief Technology Officer ("CTO") is employed under an Executive Service Agreement which expires on 31 December 2008. Under the agreement he is remunerated on an agreed salary basis, with annual reviews. He is entitled to the use of a company-provided fully maintained motor vehicle. The company also pays the cost of private medical insurance for the CTO and his wife.

The Vice President Sales and Business Development has an employment contract under which he is remunerated on an agreed salary basis, with annual reviews, as well as sales commissions. He is entitled to participate in the company's US employee benefit plan, covering medical, dental, life and long term disability insurance. There are no specific notice conditions, but he is entitled to 50% of his annual salary if the company terminates his employment without just cause, and to 100% of his annual salary if made redundant in the event of the company being taken over.

The Vice President Product Marketing and Management has an employment contract under which he is remunerated on an agreed salary basis, with annual reviews, as well as an annual bonus of up to US\$75,000, assessed quarterly in arrears against the performance of Key Performance Indicators as agreed with the Managing Director. He is entitled to participate in the company's US employee benefit plan, covering medical, dental, life and long term disability insurance. There are no specific notice conditions, but he is entitled to 50% of his annual salary if the company terminates his employment without just cause, and to 100% of his annual salary if made redundant in the event of the company being taken over.

The Company Secretary and Financial Controller has no formal contract, but operates under standard employment conditions including the requirement for one month's notice by either party of termination of employment.

The company has in place an Employee Share Option Plan, under which employees may be granted share options from time to time at the sole discretion of the Board.

## Proceedings on Behalf of the Company

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

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

## Non-Audit Services


There were no non-audit services provided by the auditor during the year.

## Auditor's Independence Declaration

The auditor's independence declaration is included on page 28 of the annual financial report.

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

On behalf of the Directors



**Doug Halley**  
Chairman

Sydney, 30 September 2008



**Matt Blomfield**  
Managing Director

Sydney, 30 September 2008

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# Auditor's Independence Declaration

**Deloitte.**

30 September 2008

The Board of Directors  
Mikoh Corporation Limited  
Unit 1  
1 Culverlands Street  
Heidelberg West  
VIC 3081

Deloitte Touche Tohmatsu  
ABN 74 490 121 090

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Dear Board Members

**Mikoh Corporation Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Mikoh Corporation Limited.

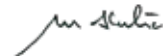
As lead audit partner for the audit of the financial statements of Mikoh Corporation Limited for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Michael Kulic  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of  
Deloitte Touche Tohmatsu

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# Income Statement

for the financial year ended 30 June 2008

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	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Continuing operations					
Revenue	5	674,085	780,089	-	6,361
Cost of sales		(283,751)	(386,854)	-	(62)
Gross profit		390,334	393,235	-	6,299
Other income	5	124,237	102,932	2,213,283	1,379,282
Manufacturing expenses		(309,069)	(174,093)	-	-
Administration expenses		(2,288,993)	(1,838,427)	(7,026,180)	(4,642,372)
Marketing expenses		(2,038,810)	(1,136,175)	(25,074)	(46,106)
Research and development expenses		(880,294)	(646,155)	(131,461)	(89,009)
Loss before tax	6	(5,002,595)	(3,298,683)	(4,969,432)	(3,391,906)
Income tax benefit	7	93,281	110,997	-	-
Loss for the year attributable to members of the parent		(4,909,314)	(3,187,686)	(4,969,432)	(3,391,906)
Earnings per share					
Basic (cents per share)	17	(2.72)	(1.94)		
Diluted (cents per share)	17	(2.72)	(1.94)		

Notes to the financial statements are included on pages 34 to 68.



# Balance Sheet

as at 30 June 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Current assets					
Cash and cash equivalents		2,424,943	3,027,258	2,326,822	2,847,422
Trade and other receivables	8	168,921	74,693	915,028	729,123
Inventories	9	392,858	235,924	-	-
Other	10	370,189	564,820	8,387	97,749
Total current assets		3,356,911	3,902,695	3,250,237	3,674,294
Non-current assets					
Plant and equipment	11	414,923	299,521	25,219	32,123
Total non-current assets		414,923	299,521	25,219	32,123
Total assets		3,771,834	4,202,216	3,275,456	3,706,417
Current liabilities					
Trade and other payables	12	1,025,478	563,901	822,952	172,058
Provisions	13	146,019	87,953	14,991	47,444
Total current liabilities		1,171,497	651,854	837,943	219,502
Non-current liabilities					
Provisions	13	71,421	151,754	847	151,754
Total non-current liabilities		71,421	151,754	847	151,754
Total liabilities		1,242,918	803,608	838,790	371,256
Net assets		2,528,916	3,398,608	2,436,666	3,335,161
Equity					
Issued capital	14	31,455,913	28,019,449	31,455,913	28,019,449
Reserves	15	1,605,086	1,001,928	1,657,827	1,023,354
Accumulated losses	16	(30,532,083)	(25,622,769)	(30,677,074)	(25,707,642)
Total equity attributable to members of the parent		2,528,916	3,398,608	2,436,666	3,335,161

Notes to the financial statements are included on pages 34 to 68.

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# Statement of Changes in Equity

for the financial year ended 30 June 2008

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Consolidated	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 2006	22,130,811	81,221	(29,133)	(22,444,203)	(261,304)
Exchange differences arising on translation of foreign operations	-	-	7,707	-	7,707
Net income recognised directly in equity	-	-	7,707	-	7,707
Loss for the period	-	-	-	(3,187,686)	(3,187,686)
Total recognised income and expense	-	-	7,707	(3,187,686)	(3,179,979)
Issue of shares	6,173,320	-	-	-	6,173,320
Share issue costs	(284,682)	-	-	-	(284,682)
Share options lapsed	-	(9,120)	-	9,120	-
Recognition of share-based payments	-	951,253	-	-	951,253
Balance at 30 June 2007	28,019,449	1,023,354	(21,426)	(25,622,769)	3,398,608
Balance at 1 July 2007	28,019,449	1,023,354	(21,426)	(25,622,769)	3,398,608
Exchange differences arising on translation of foreign operations	-	-	(31,315)	-	(31,315)
Net income recognised directly in equity	-	-	(31,315)	-	(31,315)
Loss for the period	-	-	-	(4,909,314)	(4,909,314)
Total recognised income and expense	-	-	(31,315)	(4,909,314)	(4,940,629)
Issue of shares	3,547,254	-	-	-	3,547,254
Share issue costs	(124,563)	-	-	-	(124,563)
Share options exercised	13,773	(13,773)	-	-	-
Recognition of share-based payments	-	648,246	-	-	648,246
Balance at 30 June 2008	31,455,913	1,657,827	(52,741)	(30,532,083)	2,528,916

Notes to the financial statements are included on pages 34 to 68.



# Statement of Changes in Equity

for the financial year ended 30 June 2008

Company	Fully paid ordinary shares \$	Equity-settled employee benefits reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2006	22,130,811	81,221	(29,133)	(22,324,856)	(141,957)
Exchange differences arising on translation of foreign operations	-	-	29,133	-	29,133
Net income recognised directly in equity	-	-	29,133	-	29,133
Loss for the period	-	-	-	(3,391,906)	(3,391,906)
Total recognised income and expense	-	-	29,133	(3,391,906)	(3,362,773)
Issue of shares	6,173,320	-	-	-	6,173,320
Share issue costs	(284,682)	-	-	-	(284,682)
Share options lapsed	-	(9,120)	-	9,120	-
Recognition of share-based payments	-	951,253	-	-	951,253
Balance at 30 June 2007	28,019,449	1,023,354	-	(25,707,642)	3,335,161
Balance at 1 July 2007	28,019,449	1,023,354	-	(25,707,642)	3,335,161
Exchange differences arising on translation of foreign operations	-	-	-	-	-
Net income recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	-	(4,969,432)	(4,969,432)
Total recognised income and expense	-	-	-	(4,969,432)	(4,969,432)
Issue of shares	3,547,254	-	-	-	3,547,254
Share issue costs	(124,563)	-	-	-	(124,563)
Share options exercised	13,773	(13,773)	-	-	-
Recognition of share-based payments	-	648,246	-	-	648,246
Balance at 30 June 2008	31,455,913	1,657,827	-	(30,677,074)	2,436,666

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Notes to the financial statements are included on pages 34 to 68.

# Cash Flow Statement

for the financial year ended 30 June 2008

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	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Cash flows from operating activities					
Receipts from customers		663,776	742,195	-	6,361
Payments to suppliers and employees		(5,138,706)	(3,550,784)	(1,921,348)	(1,389,666)
Net cash provided by/(used in) operating activities	21	(4,474,930)	(2,808,589)	(1,921,348)	(1,383,305)
Cash flows from investing activities					
Interest received		119,105	24,129	118,559	23,645
Amounts advanced to related parties		-	-	(2,701,216)	(1,678,120)
Proceeds from repayment of related party loans		-	-	-	49,660
Payments for property, plant and equipment		(211,993)	(88,982)	(3,059)	(22,113)
Net cash (used in)/provided by investing activities		(92,888)	(64,853)	(2,585,716)	(1,626,928)
Cash flows from financing activities					
Proceeds from issues of equity securities		4,111,027	6,104,875	4,111,027	6,104,875
Payment for share issue costs		(124,563)	(284,682)	(124,563)	(284,682)
Proceeds from borrowings		-	90,134	-	90,134
Repayment of borrowings		-	(90,134)	-	(90,134)
Net cash used in financing activities		3,986,464	5,820,193	3,986,464	5,820,193
Net increase in cash and cash equivalents		(581,354)	2,946,751	(520,600)	2,809,960
Cash and cash equivalents at the beginning of the financial year		3,027,258	83,594	2,847,422	37,462
Effects of exchange rate changes on the balance of cash held in foreign currencies		(20,961)	(3,087)	-	-
Cash and cash equivalents at the end of the financial year		2,424,943	3,027,258	2,326,822	2,847,422

Notes to the financial statements are included on pages 34 to 68.



# Notes to the Financial Statements

## 1. General Information

MIKOH Corporation Limited (the company) is a public company listed on the Australia Securities Exchange (trading under the symbol 'MIK'), incorporated in Australia, and operating in Australia and North America.

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

### **Registered office**

1/1 Culverlands Street  
Heidelberg West VIC 3081  
Tel: (03) 9458 2075

### **Principal place of business**

1/1 Culverlands Street  
Heidelberg West VIC 3081  
Tel: (03) 9458 2075

## 2. Significant Accounting Policies

### Statement of Compliance

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

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2008.

### Basis of Preparation

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

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

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

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

#### Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)'
- AASB 7 'Financial Instruments: Disclosures'

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective. Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements (revised September 2007)	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations that apply to the Group is not expected to have material impacts on the financial report, nor significantly affect the disclosures presently made in relation to the Group's financial report:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements (revised September 2007)'. 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2009
AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 123 'Borrowing Costs' (revised). AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'.	1 July 2009	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010

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

*(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.

For the reasons described below, there is significant uncertainty whether the company and the consolidated entity will continue as going concerns:

- The consolidated entity has incurred a loss of \$4,909,314 and net cash outflows from operating activities of \$4,474,930 for the current period,
- The company has incurred a loss of \$4,969,432 and net cash outflows from operating activities of \$1,921,348 for the current period,
- Assuming that the company is not successful in generating its forecast sales contracts, the company has sufficient working capital to meet its requirements until at least 1 March 2009. Should the contracts underpinning the cash flow forecasts not eventuate by this stage, the directors are confident that the company will be able to raise additional equity finance to satisfy its working capital requirements.

The ability of the company and consolidated entity to continue as going concerns is dependent on their ability to:

- Generate sufficient cash flows from operations to enable their obligations to be met; and/or,
- Secure profitable sales contracts; and/or,
- Achieve future profitable trading operations; and/or,
- Obtain additional equity finance.

The company has traditionally been able to raise equity funding by way of private placements to meet its ongoing working capital requirements. During the year ending 30 June 2008 the company raised \$3,151,527 by way of private placements and \$959,900 from existing shareholders via a share purchase plan (2007: \$6,104,875 private placements). The directors have no reason to believe that the company will be unable to raise the necessary amounts during the year ending 30 June 2009 to fund its working capital requirements.

At the date of this report and having considered the above factors, the directors are confident that the company and the consolidated entity will be able to continue as going concerns. Notwithstanding this there is significant uncertainty 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 the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(b) *Basis of consolidation*

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(c) *Cash and cash equivalents*

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

(d) *Employee benefits*

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

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

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

*Defined contribution plans*

Contributions to defined contribution superannuation plans are expensed when incurred.

(e) *Financial assets*

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.



Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Effective interest method*

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

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

#### *Loans and receivables*

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

Interest is recognised by applying the effective interest rate.

#### *Impairment of financial assets*

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

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

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

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

(f) *Financial instruments issued by the company*

*Debt and equity instruments*

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

*Financial liabilities*

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

*Financial liabilities at fair value through profit or loss*

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

*Other financial liabilities*

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

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

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

(g) *Foreign currency*

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

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in profit or loss on disposal of the net investment.

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

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

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

*(i) Income tax*

*Current tax*

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

## *Deferred tax*

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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

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

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

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

## *Current and deferred tax for the period*

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

## *Tax consolidation*

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. MIKOH Corporation Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

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*(j) Intangible assets*

*Research and development costs*

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

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

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

*(k) Inventories*

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

*(l) Leased assets*

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

*Group as lessee*

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

*Lease incentives*

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*(m) Plant and equipment*

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

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

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

- Leasehold improvements      1.5 – 3 years
- Plant and equipment            2.5 – 10 years

*(n) Provisions*

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

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

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

*(o) Revenue*

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

*Sale of goods*

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



### *Rendering of services*

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

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

### *Interest revenue*

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

### *(p) Share-based payments*

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 23.

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

### *(q) Goods and services tax*

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

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- 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.

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

### 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

#### Going Concern

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

#### Share Based Payments

The entity operates an employee share option scheme which issues options to acquire shares to employees. Details of the share scheme can be found in note 23. The fair value of the options is recognised over the vesting period of the options. The fair value has been calculated using the binomial model, which incorporates many assumptions and estimates, all of which have been detailed in note 23. If any of these assumptions or estimates were to change, this could have an impact on the amounts recognised.

### 4. Business and Geographical Segments

#### Information on Business Segments

##### Products and services within each business segment

For management purposes, the Group is organised into two major operating divisions – Security Technologies and Digital Marketing Technologies. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

Security Technologies	The production and sale of tamper evident RFID (radio-frequency identification) products, and other tamper evident technologies, within Australia and overseas.
Digital Marketing Technologies	The manufacture, sale and servicing of variable data inkjet printers.

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## Segment Revenues

	External sales		Inter-segment (i)		Other		Total	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Security Technologies	373,868	634,062	-	-	-	-	373,868	634,062
Digital Marketing Technologies	300,217	146,027	-	-	-	-	300,217	146,027
Total of all segments							674,085	780,089

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

## Segment Result

	2008 \$	2007 \$
Continuing operations		
Security Technologies	(812,234)	(489,486)
Digital Marketing Technologies	(534,959)	(322,560)
	(1,347,193)	(812,046)
Unallocated	(3,655,402)	(2,486,637)
Loss before tax	(5,002,595)	(3,298,683)
Income tax benefit	93,281	110,997
Loss for the year from continuing operations	(4,909,314)	(3,187,686)
Loss for the year	(4,909,314)	(3,187,686)

## Segment Assets and Liabilities

	Assets		Liabilities	
	2008 \$	2007 \$	2008 \$	2007 \$
Security Technologies	321,616	207,248	69,300	322,206
Digital Marketing Technologies	859,316	785,097	61,375	16,172
Total of all segments	1,180,932	992,345	130,675	338,378
Unallocated	2,590,902	3,209,871	1,112,243	465,230
Consolidated	3,771,834	4,202,216	1,242,918	803,608

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## Other Segment Information

	Security Technologies		Digital Marketing Technologies	
	2008 \$	2007 \$	2008 \$	2007 \$
Acquisition of segment assets	908	0	42,119	39,799
Depreciation and amortisation of segment assets	3,050	3,027	49,049	48,390

## Information on geographical segments

The Group's two divisions operate in two principal geographical areas – Australia and North America. The composition of each geographical segment is as follows:

Australia	The Group manufactures and sells its non-RFID tamper evident technology as well as its variable data digital inkjet printers.
North America	The Group produces and sells its tamper evident RFID technology, and sells its non-RFID tamper evident technology.

The Group's revenue from external customers and information about its segment assets by geographical location is detailed below:

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Australia	605,365	393,139	3,473,201	3,831,713	105,610	61,911
North America	68,720	386,950	298,633	370,503	106,382	27,071
Total of geographies	674,085	780,089	3,771,834	4,202,216	211,992	88,982

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## 5. Revenue and Other Income

An analysis of the Group's revenue for the year from continuing operations is as follows:

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Continuing operations				
Revenue from the sale of goods	674,085	779,536	-	6,361
Revenue from the rendering of services	-	553	-	-
Royalty and licence revenue	-	-	-	-
	674,085	780,089	-	6,361
Other income				
Interest from third parties	119,105	58,987	118,559	58,503
Interest from controlled entities	-	-	1,099,102	677,578
Export market development grant	5,132	43,945	-	-
Management fees on services provided to controlled entities	-	-	995,622	643,201
	124,237	102,932	2,213,283	1,379,282



## 6. Loss for the Year

### (a) Gains and Losses

Loss for the year has been arrived at after crediting/(charging) the following gains and losses:

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Net foreign exchange gains/(losses)	51	10,637	-	(504,625)

### (b) Other Expenses

Profit for the year includes the following expenses:

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Impairment of trade receivables	-	-	-	-
Impairment of intercompany receivables	-	-	4,606,259	2,659,450
Depreciation of non-current assets	95,998	76,922	9,963	7,918
Operating lease rental expenses – minimum lease payments	159,725	156,990	38,229	25,599
Employee benefit expense				
Post employment benefits:				
Defined contribution plans	64,687	51,537	40,438	15,764
Share-based payments:				
Equity-settled share-based payments	648,246	951,253	648,246	951,253
Other employee benefits	2,451,752	1,396,589	229,012	78,614
	3,164,685	2,399,379	917,696	1,045,631

## 7. Income Taxes

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Income tax recognised in profit or loss				
	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Tax income comprises:				
Current tax income	(986,823)	(476,707)	(303,773)	(566,164)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	42,164	32,138	(1,334,869)	774,717
Deferred tax not recognised in the financial statements	851,378	333,572	1,031,096	(208,553)
Total tax expense/(income)	(93,281)	(110,997)	-	-
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Loss from operations	(5,002,595)	(3,298,683)	(4,969,432)	(3,391,906)
Income tax expense calculated at 30%	(1,500,779)	(989,605)	(1,490,830)	(1,017,572)
Effect of expenses that are not deductible in determining taxable profit	450,339	451,748	459,734	1,226,125
Effect of tax concessions (research and development and other allowances)	105,781	93,288	-	-
Deferred tax asset not recognized	851,378	333,572	1,031,096	(208,553)
	(93,281)	(110,997)	-	-

Unrecognised deferred tax assets				
	Consolidated			
	2008 \$	2007 \$		
The following deferred tax assets have not been brought to account as assets:				
Tax losses – revenue	3,644,185	3,667,436		
Potential tax benefit at 30%	1,093,256	1,100,231		
All unused tax losses were incurred by Australian entities. No deferred tax assets have been recognised for these losses due to the uncertainty of future profits against which these losses would be able to be used.				



## 8. Trade and Other Receivables

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade receivables (i)	93,152	31,549	-	-
Allowance for doubtful debts	-	-	-	-
	93,152	31,549	-	-
Amounts due from wholly controlled entities	-	-	23,990,496	19,194,556
Allowance for doubtful debts	-	-	(23,086,515)	(18,480,256)
	-	-	903,981	714,300
Goods and services tax recoverable	34,877	18,367	8,849	13,674
Other	40,892	24,777	2,198	1,149
	168,921	74,693	915,028	729,123

- (i) The average credit period on sales of goods is 30 days. No interest is charged on trade receivables past due. An allowance is made, if necessary, for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Ageing of past due but not impaired	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
30-60 days	15,179	1,434	-	-
60-90 days	11,021	-	-	-
90-120 days	14,549	-	-	-
120+ days	17,629	-	-	-
	58,378	1,434	-	-

## 9. Inventories

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Raw materials	98,719	115,086	-	-
Work in progress	237,068	-	-	-
Finished goods	57,071	120,838	-	-
	392,858	235,924	-	-

## 10. Other Assets

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Prepayments	101,320	174,691	8,387	62,891
Research and development tax rebate	227,705	294,035	-	-
Accrued income	41,164	61,236	-	-
Accrued interest	-	34,858	-	34,858
	370,189	564,820	8,387	97,749

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## 11. Property, Plant and Equipment

Consolidated	Leasehold	Plant and equipment at cost \$	Total \$
Gross carrying amount			
Balance at 30 June 2006	40,312	1,060,786	1,101,098
Additions	-	88,982	88,982
Disposals	-	-	-
Net foreign currency exchange differences	-	126	126
Balance at 30 June 2007	40,312	1,149,894	1,190,206
Additions	59,525	152,468	211,993
Disposals	-	-	-
Net foreign currency exchange differences	-	(74)	(74)
Balance at 30 June 2008	99,837	1,302,288	1,402,125
Accumulated depreciation			
Balance at 30 June 2006	26,691	787,103	813,794
Disposals	-	-	-
Depreciation expense	9,024	67,898	76,922
Net foreign currency exchange differences	-	(31)	(31)
Balance at 30 June 2007	35,715	854,970	890,685
Disposals	-	-	-
Depreciation expense	4,207	91,791	95,998
Net foreign currency exchange differences	-	519	519
Balance at 30 June 2008	39,922	947,280	987,202
Net book value			
As at 30 June 2007	4,597	294,924	299,521
As at 30 June 2008	59,915	355,008	414,923



Company	Leasehold improvements at cost \$	Plant and equipment at cost \$	Total \$
Gross carrying amount			
Balance at 30 June 2006	-	215,616	215,616
Additions	-	22,113	22,113
Disposals	-	-	-
Balance at 30 June 2007	-	237,729	237,729
Additions	-	3,059	3,059
Disposals	-	-	-
Balance at 30 June 2008	-	240,788	240,788
Accumulated depreciation			
Balance at 30 June 2006	-	197,688	197,688
Disposals	-	-	-
Depreciation expense	-	7,918	7,918
Balance at 30 June 2007	-	205,606	205,606
Disposals	-	-	-
Depreciation expense	-	9,963	9,963
Balance at 30 June 2008	-	215,569	215,569
Net book value			
As at 30 June 2007	-	32,123	32,123
As at 30 June 2008	-	25,219	25,219

## 12. Trade and Other Payables

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade payables (i)	243,326	281,245	126,494	64,935
Sundry creditors and accruals	232,152	282,656	146,458	107,123
Application monies received prior to year end for shares issued subsequent to balance date	550,000	0	550,000	0
	1,025,478	563,901	822,952	172,058

- (i) The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables for the first 60 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 13. Provisions

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Current				
Employee benefits	146,019	87,953	14,991	47,444
Non-current				
Employee benefits	71,421	151,754	847	151,754
	217,440	239,707	15,838	199,198

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## 14. Issued Capital

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
187,168,219 fully paid ordinary shares (2007: 177,648,377)	31,455,913	28,019,449	31,455,913	28,019,449

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

	2008		2007	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	177,648,377	28,019,449	147,233,238	22,130,811
Issue of shares	9,519,842	3,561,027	30,425,139	6,173,320
Share issue costs	-	(124,563)	-	(284,682)
Balance at end of financial year	187,168,219	31,455,913	177,648,377	28,019,449

Fully paid ordinary shares carry one vote per share and carry the right to dividends. No shares carry preferential rights on winding up.

### Share Options Granted Under the Employee Share Option Plan

In accordance with the provisions of the employee share option plan, as at 30 June 2008, executives and directors have options over 24,400,000 ordinary shares (of which 1,500,000 are unvested), expiring on various dates between 25 September 2008 and 28 May 2012. Other employees have options over 1,500,000 ordinary shares (875,000 of which are unvested) which expire on either 28 May 2012 or 31 March 2013. As at 30 June 2007, executives and directors had options over 26,000,000 ordinary shares



(of which 8,000,000 were unvested), expiring on various dates between 25 September 2008 and 28 May 2012. Other employees also have options over 3,250,000 ordinary shares (unvested) which expire on 28 May 2012.

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 23 to the financial statements.

## 15. Reserves

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Equity-settled employee benefits	1,657,827	1,023,354	1,657,827	1,023,354
Foreign currency translation	(52,741)	(21,426)	-	-
	1,605,086	1,001,928	1,657,827	1,023,354
Equity-settled employee benefits reserve				
Balance at beginning of financial year	1,023,354	81,221	1,023,354	81,221
Share-based payment	648,246	951,253	648,246	951,253
Options exercised during the financial year	(13,773)	-	(13,773)	
Options lapsed during the financial year	-	(9,120)	-	(9,120)
Balance at end of financial year	1,657,827	1,023,354	1,657,827	1,023,354
The equity-settled employee benefits reserve arises on the grant of share options to directors, executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to directors and employees is provided in note 23 to the financial statements.				
Foreign currency translation reserve				
Balance at beginning of financial year	(21,426)	(29,133)	-	(29,133)
Translation of foreign operations	(31,315)	7,707	-	29,133
Balance at end of financial year	(52,741)	(21,426)	-	-
Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.				

## 16. Accumulated Losses

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Balance at beginning of financial year	(25,622,769)	(22,444,203)	(25,707,642)	(22,324,856)
Net profit attributable to members of the parent entity	(4,909,314)	(3,187,686)	(4,969,432)	(3,391,906)
Transfer from equity-settled employee benefits reserve	-	9,120	-	9,120
Balance at end of financial year	(30,532,083)	(25,622,769)	(30,677,074)	(25,707,642)

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## 17. Earnings Per Share

	Consolidated	
	2008 Cents per share	2007 Cents per share
<b>Basic earnings per share</b>		
From continuing operations	(2.72)	(1.94)
Diluted earnings per share		
From continuing operations	(2.72)	(1.94)
<b>Basic earnings per share</b>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
	2008 \$	2007 \$
Net loss	(4,909,314)	(3,187,686)
Earnings used in the calculation of basic EPS from continuing operations	(4,909,314)	(3,187,686)
	2008 No.	2007 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	180,763,616	163,952,569
<b>Diluted earnings per share</b>		
The earnings used in the calculation of diluted earnings per share is as follows:		
	2008 \$	2007 \$
Net loss	(4,909,314)	(3,187,686)
Earnings used in the calculation of diluted EPS from continuing operations	(4,909,314)	(3,187,686)
	2008 No.	2007 No.
Weighted average number of ordinary shares used in the calculation of diluted EPS	180,763,616	163,952,569
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:		
	2008 No.'000	2007 No.'000
Ordinary share options	25,900,000	29,250,000



## 18. Contingent Liabilities and Contingent Assets

The company has no contingent liabilities or assets.

## 19. Leases

### Operating Leases

#### Leasing arrangements

Operating leases relate to premises and some office equipment. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

Non-cancellable operating lease commitments				
	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Not longer than 1 year	47,775	18,909	39,600	-
Longer than 1 year and not longer than 5 years	72,650	14,825	66,000	-
	120,425	33,734	105,600	-

## 20. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2008 %	2007 %
Parent entity			
MIKOH Corporation Limited (i)	Australia	-	-
Subsidiaries			
MIKOH Imaging Systems Pty Limited (ii) (iii)	Australia	100	100
MIKOH Corporation	USA	100	100
MIKOH Pty Limited (ii) (iii)	Australia	100	100
MIKOH Technology Pty Limited (ii) (iii)	Australia	100	100

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

## 21. Notes to the Cash Flow Statement

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

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Loss for the year	(4,909,314)	(3,187,686)	(4,969,432)	(3,391,906)
Depreciation	95,998	76,922	9,963	7,918
Foreign exchange loss/(gain)	51	10,637	-	-
Impairment of intercompany balances	-	-	4,606,259	2,659,450
Intercompany management charges and interest	-	-	(2,094,724)	(1,320,778)
Other non-cash intercompany loan movements	-	-	-	29,141
Doubtful debt provision	-	-	-	-
Equity-settled share-based payment	648,246	1,019,698	648,246	1,019,698
Interest income received and receivable	(153,963)	(24,129)	(153,417)	(23,645)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	(94,228)	(18,588)	3,776	(9,742)
Prepayments	73,371	(169,016)	54,504	(59,303)
Inventories	(156,934)	(43,410)	-	-
Other assets	121,260	(207,090)	34,858	(34,858)
Increase/(decrease) in liabilities:				
Trade and other payables	(77,150)	(268,388)	121,979	(259,615)
Provisions	(22,267)	2,461	(183,360)	335
Net cash from operating activities	(4,474,930)	(2,808,589)	(1,921,348)	(1,383,305)

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## 22. Financial Instruments

### (a) Significant Accounting Policies

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



## (b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns.

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

## (c) Categories of Financial Instruments

Consolidated	2008 \$	2007 \$
Financial Assets		
Cash and cash equivalents	2,424,943	3,027,258
Loans and receivables	168,921	74,693
Financial Liabilities		
Trade and other payables	1,025,478	563,901

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

Company	2008 \$	2007 \$
Financial Assets		
Cash and cash equivalents	2,326,822	2,847,422
Loans and receivables	915,028	729,123
Financial Liabilities		
Trade and other payables	822,952	172,058

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

## (d) Financial Risk Management Objectives

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

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

## (e) Market Risk

The company's only exposure to market risk is the effect of changes in interest rates which would affect interest received. There has been no change to the company's exposure to market risks.

## (f) Foreign Currency Risk

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

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

	Assets		Liabilities	
	2008 \$	2007 \$	2008 \$	2007 \$
US Dollars	84,946	182,747	48,360	247,224

## (g) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the 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 the financial assets and liabilities.

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

### Consolidated

Financial Liabilities	Weighted Average Effective Interest Rate %	Less than 1 month \$	1-3 Months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	Total \$
2008							
Interest bearing							
Non interest bearing							
Trade and other payables	N/A	475,478					475,478
Other financial liabilities (i)	N/A	550,000					550,000
		1,025,478					1,025,478
2007							
Interest bearing							
Non interest bearing							
Trade and other payables	N/A	563,901					563,901
		563,901					563,901

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Financial Liabilities	Weighted Average Effective Interest Rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	Total \$
2008							
Interest bearing							
Non interest bearing							
Trade and other payables	N/A	272,952					272,952
Other financial liabilities (i)	N/A	550,000					550,000
		822,952					822,952
2007							
Interest bearing							
Non interest bearing							
Trade and other payables	N/A	172,058					172,058
		172,058					172,058

(i) As at the date of this financial report the consolidated entity and company received \$550,000 into its bank account for the placement of 1,571,428 shares to be issued by way of private placement. The shares were allotted on 3 July 2008.

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

## Consolidated

Financial Assets	Weighted Average Effective Interest Rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	Total \$
2008							
Variable interest rate instruments							
Cash and cash equivalents	5.24%	2,424,943					2,424,943
Non interest bearing instruments							
Trade and other debtors	Nil	168,921					168,921
	4.90%	2,593,864					2,593,864
2007							
Variable interest rate instruments							
Cash and cash equivalents	5.94%	3,027,258					3,027,258
Non interest bearing instruments							
Trade and other debtors	Nil	74,693					74,693
	5.79%	3,101,951					3,101,951

## Company

Financial Assets	Weighted Average Effective Interest Rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	Total \$
2008							
Variable interest rate instruments							
Cash and cash equivalents	5.42%	2,326,822					2,326,822
Non interest bearing instruments							
Trade and other debtors	8.64%	11,047					11,047
	6.33%	2,337,869					2,337,869
2007							
Variable interest rate instruments							
Cash and cash equivalents	6.31%	2,847,422					2,847,422
Non interest bearing instruments							
Trade and other debtors	7.59%	14,823					14,823
	6.57%	2,862,245					2,862,245

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### (h) Fair Value

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

### (i) Credit Risk

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

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



## 23. Share Based Payments

### Employee Share Option Plan

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

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

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

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Issued 12 July 2001	1,666,800	12/07/2001	12/07/2006	0.15	-
Issued 25 September 2003	5,000,000	25/09/2003	25/09/2008	0.20	-
Issued 31 December 2003	1,000,000	31/12/2003	31/12/2008	0.10	-
Issued 31 March 2005	2,500,000	31/03/2005	31/03/2010	0.10	0.0182
Issued 31 March 2005	1,000,000	31/03/2005	31/03/2010	0.15	0.0129
Issued 31 March 2005	1,000,000	31/03/2005	31/03/2010	0.20	0.0090
Issued 31 March 2006	500,000	31/03/2006	31/03/2011	0.10	0.0178
Issued 31 March 2006	250,000	31/03/2006	31/03/2011	0.15	0.0117
Issued 31 March 2006	250,000	31/03/2006	31/03/2011	0.20	0.0078
Issued 31 August 2006	500,000	31/08/2006	31/08/2011	0.15	0.0135
Issued 31 August 2006	500,000	31/08/2006	31/08/2011	0.25	0.0079
Issued 31 August 2006	3,000,000	31/08/2006	31/08/2011	0.15	0.0270
Issued 31 August 2006	3,000,000	31/08/2006	31/08/2011	0.25	0.0159
Issued 10 January 2007	3,000,000	10/01/2007	10/01/2012	0.30	0.1238
Issued 11 May 2007	1,000,000	22/11/2007	11/05/2012	0.50	0.4179
Issued 11 May 2007	1,000,000	22/11/2007	11/05/2012	0.80	0.3036
Issued 28 May 2007*	3,125,000	28/05/2007	28/05/2012	0.50	0.1179
Issued 28 May 2007**	3,125,000	28/05/2007	28/05/2012	0.80	0.0883
Issued 31 March 2008 ***	125,000	31/03/2008	31/03/2013	0.80	0.0717
Issued 31 March 2008 ***	125,000	31/03/2008	31/03/2013	1.20	0.0429

\* 1,000,000 of these options lapsed prior to vesting as the relevant employees left MIKOH's employ before the vesting date of 28 May 2008.

\*\* In accordance with the terms of the share-based arrangement, these options vest on 28 May 2009. 1,000,000 of these options lapsed prior to vesting as the relevant employees have already left MIKOH's employ.

\*\*\* In accordance with the terms of the share-based arrangement, these options vest on 31 March 2009.

All other options are fully vested.

The weighted average fair value of the share options granted during the financial year is \$0.0573 (2007: \$0.0861). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and directors would exercise their options at the mid-point between vesting and expiry.

There are no specific performance criteria attached to the vesting of the options. Options expire one month from the date of termination if the executive or director leaves the employ of MIKOH.

Inputs into the model	Option series			
	22 November 2007	22 November 2007	31 March 2008	31 March 2008
Grant date share price (\$)	0.76	0.76	0.34	0.34
Exercise price (\$)	0.50	0.80	0.80	1.20
Expected volatility	60%	60%	60%	60%
Option life	5 Years	5 Years	5 Years	5 Years
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	6.31%	6.31%	6.18%	6.18%

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

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	29,250,000	0.3231	13,166,800	0.1585
Granted during the financial year	250,000	1.0000	18,250,000	0.4199
Lapsed during the financial year	(2,000,000)	0.6500	(500,000)	0.1000
Exercised during the financial year	(1,600,000)	0.1609	-	-
Expired during the financial year	-	-	(1,666,800)	0.1500
Balance at end of the financial year	25,900,000	0.3144	29,250,000	0.3231
Exercisable at end of the financial year	23,525,000	0.2632	15,000,000	0.1925



### (i) Exercised During the Financial Year

1,600,000 share options were exercised during the financial year.

### (ii) Balance at the End of the Financial Year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.3144 (2007: \$0.3231), and a weighted average remaining contractual life of 943 days (2007: 1,307 days).

## 24. Key Management Personnel Compensation

### Details of Key Management Personnel

The directors and other members of the key management personnel of the Group during the year were:

- D J Halley (Chairman)
- J M Blomfield (Managing Director and Chief Executive Officer)
- J S Keniry (Non-Executive Director)
- R O Holcomb (Non-Executive Director)
- P S Atherton (Chief Technology Officer – MIKOH Corporation)
- G M Phipps (Company Secretary and Financial Controller)
- S R Van Fleet (Vice President Sales - MIKOH Corporation)
- A M Strauch (Vice President Product Management and Marketing - MIKOH Corporation)

The directors and other members of the key management personnel of the Company during the year were:

- D J Halley (Chairman)
- J S Keniry (Non-Executive Director)
- R O Holcomb (Non-Executive Director)
- G M Phipps (Company Secretary and Financial Controller)

### Key management personnel compensation

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

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Short-term employee benefits	1,283,656	892,525	212,500	413,516
Post-employment benefits	41,488	29,899	19,125	19,886
Share-based payment	564,455	927,499	315,792	534,262
	1,889,599	1,849,923	547,417	967,664

## 25. Related Party Transactions

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### (a) Equity Interests in Related Parties

#### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 20 to the financial statements.

### (b) Transactions With Key Management Personnel

#### i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 24 to the financial statements.

#### ii. Loans from key management personnel

Loans from key management personnel	Balance at beginning \$	Loans advanced \$	Interest paid \$	Loans repaid \$	Balance at end \$	Number in group
2008	-	-	-	-	-	-
2007	-	90,134	1,870	(92,004)	-	4

#### iii. Key management personnel equity holdings

*Fully paid ordinary shares of MIKOH Corporation Limited*

	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June	Balance held nominally
	No.	No.	No.	No.	No.	No.
2008						
D J Halley	11,539,623	-	-	28,572	11,568,195	-
J M Blomfield	1,193,132	-	-	-	1,193,132	-
J S Keniry	1,848,573	-	-	14,286	1,862,859	-
R O Holcomb	-	-	-	-	-	-
P S Atherton	8,420,000	-	100,000	(85,714)	8,434,286	-
G M Phipps	640,000	-	1,000,000	-	1,640,000	-
S R Van Fleet	-	-	-	-	-	-
A M Strauch	-	-	-	-	-	-
2007						
D J Halley	11,484,068	-	-	55,555	11,539,623	-
J M Blomfield	1,193,132	-	-	-	1,193,132	-
J S Keniry	1,793,018	-	-	55,555	1,848,573	-
R O Holcomb	-	-	-	-	-	-
P S Atherton	8,420,000	-	-	-	8,420,000	-
G M Phipps	640,000	-	-	-	640,000	-
K A Wannop	921,050	-	-	-	921,050	-
S R Van Fleet	-	-	-	-	-	-
A M Strauch	-	-	-	-	-	-

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All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

During the financial year, 1,100,000 options (2007: nil) were exercised by key management personnel.

Further details of the employee share option plan and of share options granted during the 2008 and 2007 financial years are contained in note 23 to the financial statements.

### (c) Transactions With Other Related Parties

Other related parties include:

- the parent entity
- subsidiaries
- other related parties.

#### **Transactions between MIKOH Corporation Limited and its related parties**

During the financial year, the following transactions occurred between the company and its other related parties:

- MIKOH Corporation Limited provided marketing and administration services to its subsidiaries to the value of \$995,622 (2007: \$643,201) on normal commercial terms and at market rates.
- MIKOH Corporation Limited derived interest revenue from its wholly owned controlled entities totalling \$1,099,102 (2007: \$677,578)

The following balances arising from transactions between the company and its other related parties are outstanding at reporting date:

- Loans totalling \$23,990,496 are receivable from subsidiaries (2007: \$19,194,556). A provision for doubtful debts of \$23,086,515 has been provided against these loans (2007: \$18,480,256).

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities.

The amounts outstanding will be settled in cash. No guarantees have been given or received. An expense of \$4,606,259 (2007: \$2,659,450) has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

### (d) Parent Entities

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

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## 26. Remuneration of Auditor

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Auditor of the parent entity				
Audit or review of the financial report	56,000	55,000	56,000	55,000

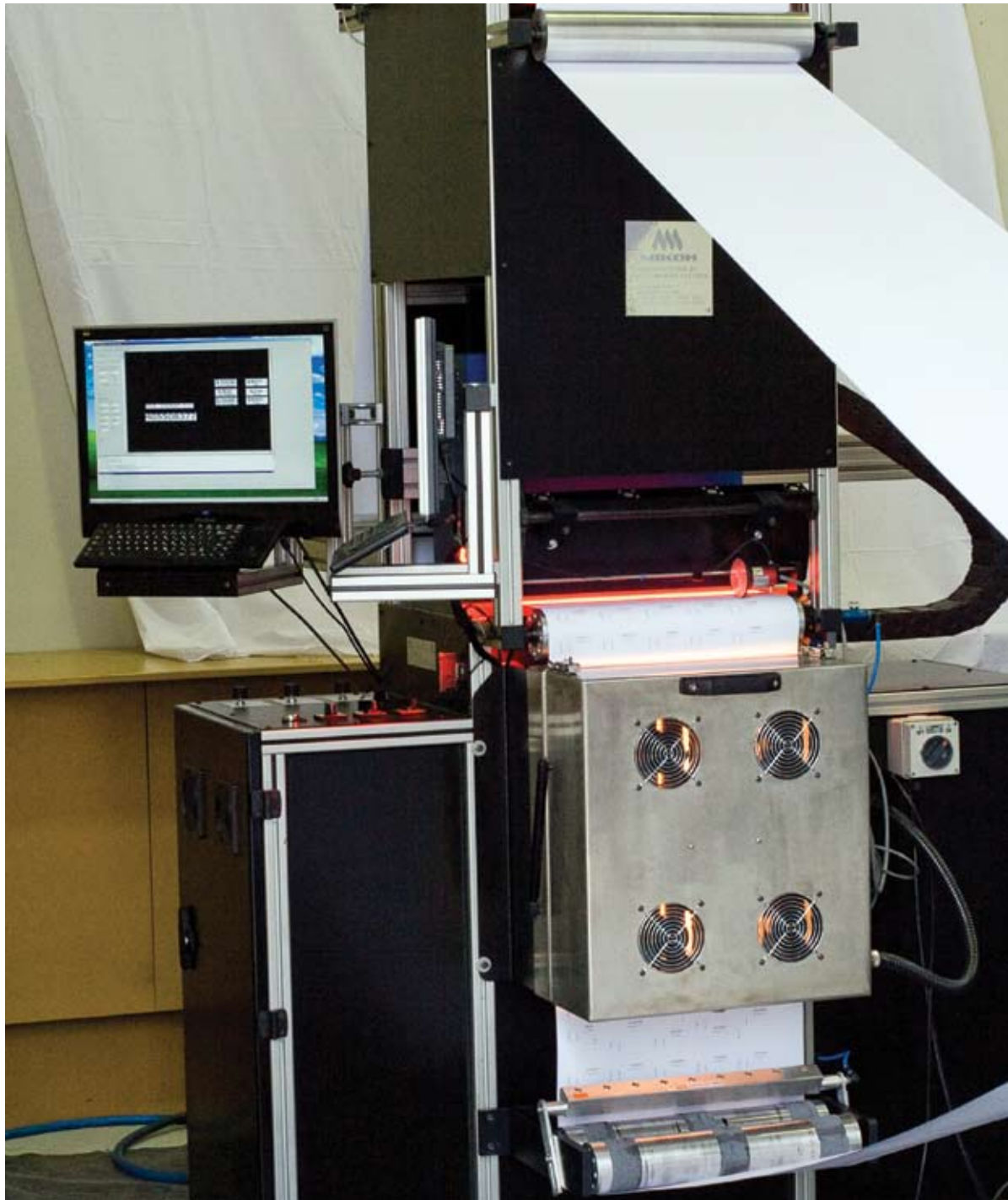
The auditor of MIKOH Corporation Limited is Deloitte Touche Tohmatsu

## 27. Subsequent Events

As at 30 June 2008 the company had received \$550,000 into its bank account for the placement of 1,571,428 shares to be issued by way of a private placement. These shares were allotted on 3 July 2008.

No other 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 its subsidiaries in subsequent accounting periods.

A digital inkjet  
printer sold to a  
European customer



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# Directors' Declaration

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The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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declaration

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

On behalf of the Directors



**Doug Halley**  
Chairman

Sydney, 30 September 2008



**Matt Blomfield**  
Managing Director

Sydney, 30 September 2008



# Independent Auditor's Report

to the shareholders of MIKOH Corporation Limited



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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## Independent Auditor's Report to the Members of Mikoh Corporation Limited

### Report on the Financial Report

We have audited the accompanying financial report of Mikoh Corporation Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 29 to 69.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation

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# Deloitte.

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Mikoh Corporation Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

## *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 2(a) in the financial report which indicates that the consolidated entity incurred a net loss of \$4,909,314 and net cash outflows from operating activities of \$4,474,930 and the company incurred a net loss of \$4,969,432 and net cash outflows from operating activities of \$1,921,348 during the year ended 30 June 2008. These conditions, along with other matters as set forth in Note 2(a), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity and the company to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 20 to 26 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of Mikoh Corporation Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Michael Kulic*

Michael Kulic  
Partner  
Chartered Accountants  
Sydney, 30 September 2008



# Shareholder Information

The following shareholder information was applicable as at 30 September 2008.

## A. Distribution of Equity Securities

	Quoted Ordinary Shares	Unquoted Options
Analysis of numbers of equity security holders by size of holding:		
1 - 1,000	267	
1,001 - 5,000	537	
5,001 - 10,000	361	
10,001 - 100,000	890	
100,001 and over	297	11
Total number of holders	2,352	11
Total securities issued	188,739,642	21,500,000

There were 606 holders of less than a marketable parcel of quoted ordinary shares.

## B. Substantial Shareholders

The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including holdings of their associates), as at 30 September 2008 are as follows:

Name	Number of Ordinary Shares	Percentage of Issued Shares
Davies Nominees Pty Ltd	10,700,000	5.67

## C. Voting Rights

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

## D. Restricted Securities and Buy-back Arrangements

There are no restricted securities on issue.

There is no on-market buy-back of securities as at 30 September 2008.

## E. Twenty Largest Equity Security Holders

The names of the twenty largest holders of quoted ordinary shares as at 30 September 2008 are listed below.

Ordinary Shares		
Name	Number Held	Percentage of Issued Shares
Davies Nominees Pty Ltd	10,700,000	5.67
Fianza Pty Ltd	8,434,286	4.47
Mr Francis Heppingstone & Mrs Danielle Heppingstone	7,172,000	3.80
JJ Holdings (Vic) Pty Ltd	6,233,266	3.30
Midhurst Associates Pty Limited	3,133,909	1.66
Copulos Superannuation Pty Ltd	2,950,000	1.56
Ollies Family Restuarants Pty Ltd	2,836,175	1.50
Ronatac Pty Ltd	2,511,111	1.33
Brian Dunn Investments Pty Ltd	2,000,000	1.06
Yetholm Services Pty Ltd	2,000,000	1.06
Terstan Nominees Pty Ltd	1,929,027	1.02
Mrs Christine Quye	1,911,000	1.01
Mr Jeffrey Mayled & Mrs Delma Mayled	1,818,466	0.96
Madge Pty Ltd	1,767,500	0.94
Mr Richard Whittington	1,700,522	0.90
John Major Enterprises Pty Ltd	1,700,000	0.90
Dunscroft Pty Ltd	1,660,000	0.88
Edinburgh Park Stud Pty Ltd	1,603,000	0.85
Rimbeth Pty Ltd	1,585,000	0.84
Penila Investments Pty Ltd	1,500,000	0.79
	<b>65,145,262</b>	<b>34.50</b>



# MIKOH Corporation Limited

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