MIKOH Corporation Limited

ABN 41 003 218 862

Appendix 4E

PRELIMINARY FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

Period 1 July 2010 to 30 June 2011

(Previous Corresponding Period 1 July 2009 to 30 June 2010)

Appendix 4E

Preliminary Financial Report

Name of entity

MIKOH Corporation Limited

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
41 003 218 862		✓	30 June 2011

Results for Announcement to the Market

Results				$A
Revenues from ordinary activities	Up	151%	to	3,992,930
(Loss) from ordinary activities after tax attributable to members	Down	38%	to	(3,144,780)
Net (Loss) for the period attributable to members	Down	38%	to	(3,144,780)

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

Record date for determining entitlements to the dividend: N/A

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

Note:
This Appendix 4E should be read in conjunction with the Commentary on the Results of the Preliminary Financial Report for the year ended 30 June 2011 and with the accompanying notes to the Appendix 4E.

COMMENTARY ON THE RESULTS

Overview

- **Revenues up 151% to $3,992,931 (*2010: $1,591,439*)**
- **Net loss down 38% to $3,144,780 (*2010: $5,129,233*)**
- **NTA per share up 475% to 0.69 of a cent (*2010: 0.12 of a cent*)**

These results were a considerable improvement on the previous year and are in line with predictions given to the shareholders by the Managing Director earlier this calendar year.

The loss this year of $3,144,780 can be analysed into two categories:

- Loss for the period from continuing operations was $2,160,363; and
- Loss for the period from discontinued operations was $984,417.

The increase in the net tangible asset backing per share of 0.69 of a cent (*2010: 0.12 of a cent*) was due principally to fund raising activities, reduction of operating expenses (especially staff and consulting costs) and the disposal of loss making businesses.

During the year the Company issued 199,446,135 shares as follows:

- 89,722,683 shares for a 19.9% interest in Kollakorn ($2,871,126);
- 41,840,296 shares issued for the SPP issued pre 30 June 2011 ($857,726);
- 12,898,056 shares issued as share based payments principally to past directors, employees and consultants ($525,691);
- 54,985,100 shares placed for cash ($1,918,224).

AVI/EVR

The AVI Smart&Secure tag business became profitable as a result of the sale of equipment and an initial stock of 2,000,000 tags to Kollakorn. The revenue for the period from this activity was $3,761,408 (*2010: $521,036*) giving a gross profit for the period of $1,072,001. After deducting staff and consultant costs and settlements (many of which will not reoccur in the next financial year), travel, marketing and development in other countries, this business segment contributed net profit of $128,295 (*2010: net loss $87,541*).

It is expected that now that all the equipment has been purchased there will be a slowdown in revenue from Kollakorn as the equipment is installed and commissioned. Further, Kollakorn now holds stocks of 2,000,000 tags which will most likely fulfil tag sale requirements for 2012 as the marketing programme for the sale of tags in Thailand is ramped up.

For the above reasons, MIKOH is expecting revenues from AVI/EVR to be significantly less for the 2012 financial year. This will however be counteracted by the Company’s 19.9% share of the profits being generated within Kollakorn.

Printer Manufacturing and Subscribe Labels

In line with announcements made by the Managing Director, the Subscribe label business and the Printer manufacturing business were respectively sold and discontinued.

The revenue from these two businesses for the year was $231,522 while the loss was $984,417. As previously advised, these businesses were not making profits and were draining valuable cash resources funding the losses.

USA

As previously reported, the marketing operations in the USA have been significantly scaled down and now only two employees remain in the USA, Peter Atherton and David Rodriguez.

Peter Atherton continues to remain closely involved with the Company's operations and is currently developing a new generation Smart&Secure tag which will be patented worldwide. Peter is also continuing with the development of the CertainID product, while David Rodriguez assists Peter Atherton and has the added responsibility of overseeing the manufacture of our Smart&Secure tags.

Funding

Funding has been a big issue for MIKOH since November 2010 when the funds raised by the previous management ran perilously low. Fund raising activities were hampered as shareholders lost confidence in the previous management and the GFC took its toll on share markets around the world.

The new management took over a Company with significant debts, little money and an environment where several large and disgruntled shareholders sold shares at any price, causing a downward spiral to occur with the share price. Despite this, the new management raised $2,775,951 in cash to fund operations. Unfortunately a significant amount of this money was expended on paying past debts (relating back, in some cases to the 2009 financial year) and redundancies and claims made by previous consultants and employees in particular.

Prior to, and subsequent to the end of the financial year, MIKOH secured two additional funding lines; a US$800,000 equity funding line with Kodiak Capital Inc. and a US$6,000,000 convertible note arrangement with La Jolla Cove Investors Inc. (still subject to shareholder approval). No funds have been drawn on either of these funding lines which will be used principally to finance the rollout of the Thailand EVR project.

Assets and Liabilities

Within the assets shown in the Segmented Assets and Liabilities (*Note 2*) is included a sum of $2,871,126 which was the purchase price (in shares) for a 19.9% interest in Kollakorn.

The main liability of the Company is the amount of $2,008,750 owing to Federal Signals Inc. for purchases of tags and readers, on-sold to Kollakorn. This amount is matched by the amount of $2,716,434 owing by Kollakorn to the Company.

The next few months will see a significant reduction of both of these amounts as funding lines are advanced to Kollakorn. Simultaneously, this will improve the cash flow of MIKOH by the difference between these two amounts.

Operational Expenses

The expenses by category this year were:

- Administration and General $2,468,277 (2010: $3,028,987);
- Marketing and Sales $512,153 (2010: $1,270,395); and
- Research and Development $389,904 (2010: $484,799).

The largest component of expenses for MIKOH is people. With the discontinuance of the printer business, staff numbers have now been reduced to 7 including the Managing Director.

Employee benefits from continuing operations cost $1,704,116 (*2010: $2,409,089*). Over $400,000 of this amount related to severance pays and redundancy payments. Total employee benefits (including those from discontinued operations) were $2,208,908 (*2010: $3,003,593*).

Towards the Future

MIKOH is now stable, both financially and economically. The new management appointed in December 2010 has delivered on all of its promises:

- Funding;
- Business focus;
- Establishing the path to commercialisation;
- Cost reductions; and
- Divestment of loss making businesses.

The Thailand concession is now poised to commence making returns and the newly acquired ownership of 19.9% of Kollakorn will provide MIKOH with dividends in the coming years. The strategy of purchasing an interest in Kollakorn has provided MIKOH with a valuable asset that has increased in value significantly over its acquisition price.

As explained above, revenue expectations for the coming financial year will be down due to the fact that all of the hardware and the first year's tags have been supplied. Profit will improve markedly with the expectation of eliminating the loss of the previous years. MIKOH is now in a period of low revenue while the reader network is installed and commissioned by Kollakorn. MIKOH will however experience strong cash flow as Kollakorn pays for the tags and readers it acquired on long term settlement dates.

The increased cash flow, together with the new funding lines that have been established, means that it is unlikely that, other than the shares required to be issued for these funding lines, any new shares will be issued.

A strong marketing effort is continuing with the objective of securing a new country rollout in the coming financial year. Also, for the first time in a long time, stronger cash resources will allow for an increased level of research and development. We expect the release of the next generation tag in the coming financial year and work is continuing on the development of CertainID.

The Directors are confident that the turnaround programme for MIKOH has been a success and that the Company is on course with all its strategies and in good heart.

Richard Sealy
Managing Director

Consolidated statement of comprehensive income
for the financial year ended 30 June 2011

	Note	**Year ended 30 June 2011 $**	Year ended 30 June 2010 $
Continuing operations			
Revenue from sale of goods	**3**	**3,761,408**	572,191
Less cost of goods sold		**(2,688,808)**	(539,986)
Gross Profit		**1,072,600**	32,205
Other income	**3**	**29,718**	34,818
Expenses by function:-			
Manufacturing		**-**	-
Administration and general		**(2,468,277)**	(3,028,987)
Marketing and sales		**(512,153)**	(1,270,395)
Research and development		**(389,904)**	(484,799)
Loss before tax from continuing operations	**3**	**(2,268,016)**	(4,717,158)
R&D tax refund		**107,653**	120,150
Loss for the year from continuing operations		**(2,160,363)**	(4,597,008)
Loss for the year from discontinued operations		(984,417)	(456,627)
Net loss for the year		**(3,144,780)**	(5,053,635)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(12,597)**	(75,598)
Total other comprehensive income (loss) for the year		**(12,597)**	(75,598)
Total comprehensive loss for the year		**(3,157,377)**	(5,129,233)
Loss attributable to:			
Owners of the parent		(3,144,780)	(5,053,635)
Total comprehensive loss attributable to:			
Owners of the parent		(3,157,377)	(5,129,233)
Earnings per share			
Basic (cents per share)	**17**	**(0.90)**	(1.73)
Diluted (cents per share)	**17**	**(0.90)**	(1.73)

Notes to the consolidated financial statements are included on pages 6 to 19.

Consolidated statement of financial position
as at 30 June 2011

	Note	30 June 2011 $	30 June 2010 $
Current Assets			
Cash assets		**844,015**	751,845
Trade and other receivables	**4**	**2,800,328**	832,984
Inventories	**5**	**375,712**	210,637
Other assets	**6**	**200,235**	408,197
Total Current Assets		**4,220,290**	2,203,663
Non-Current Assets			
Plant and equipment	**7**	**18,150**	231,476
Intangible assets	**8**	**-**	311,101
Other financial assets	**9**	**2,871,126**	-
Total Non-Current Assets		**2,889,276**	542,577
Total Assets		**7,109,566**	2,746,240
Current Liabilities			
Trade and other payables	**10**	**3,472,925**	1,535,373
Other current liabilities	**11**	**-**	283,190
Provisions	**12**	**75,779**	205,035
Total Current Liabilities		**3,548,704**	2,023,598
Non-Current Liabilities			
Provisions	**13**	**-**	34,588
Total Non-Current Liabilities		**-**	34,588
Total Liabilities		**3,548,704**	2,058,186
Net Assets		**3,560,862**	688,054
Equity			
Issued capital	**14**	**44,549,643**	38,489,385
Reserves	**15**	**1,815,846**	1,858,516
Accumulated losses	**16**	**(42,804,627)**	(39,659,847)
Total Equity		**3,560,862**	688,054
Net tangible asset backing per ordinary security		**0.69 cents**	0.12 cents

Notes to the consolidated financial statements are included on pages 6 to 19.

Consolidated statement of changes in equity

for the year ended 30 June 2011

	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 2009	35,236,603	1,753,643	(23,009)	(34,606,212)	2,361,025
Loss for the year	-	-	-	(5,053,635)	(5,053,635)
Exchange differences arising on translation of foreign operations	-	-	(75,598)	-	(75,598)
Total comprehensive income for the period		-	(75,598)	(5,053,635)	(5,129,233)
Issue of shares	3,457,740	-	-	-	3,457,740
Share issue costs	(204,958)	-	-	-	(204,958)
Recognition of share-based payments	-	203,480	-	-	203,480
Balance at 30 June 2010	38,489,385	1,957,123	(98,607)	(39,659,847)	688,054
Balance at 1 July 2010	38,489,385	1,957,123	(98,607)	(39,659,847)	688,054
Loss for the year	-	-	-	(3,144,780)	(3,144,780)
Exchange differences arising on translation of foreign operations	-	-	(12,597)	-	(12,597)
Total comprehensive income for the period	-	-	(12,597)	(3,144,780)	(3,157,377)
Issue of shares	5,647,076	-	-	-	5,647,076
Share Issue Costs	(133,645)	-	-	-	(133,645)
Transfer to from Employee Benefits Reserve	21,136	(21,136)	-	-	-
Recognition of share-based payments	525,691	(8,937)	-	-	516,754
Balance at 30 June 2011	**44,549,643**	**1,927,050**	**(111,204)**	**(42,804,627)**	**3,560,862**

Notes to the consolidated financial statements are included on pages 6 to 19.

Consolidated statement of cash flows
for the year ended 30 June 2011

	Note	**Year ended 30 June 2011** $	Year ended 30 June 2010 $
Cash Flows from Operating Activities (inclusive of Goods and Services Tax)			
Receipts from Customers		**2,098,079**	972,418
Payments to suppliers and employees		**(4,723,930)**	(4,627,178)
Net cash outflow from operating activities	**18**	**(2,625,851)**	(3,654,760)
Cash Flows from Investing Activities			
Interest received		**3,274**	34,893
Payments for plant and equipment		**-**	(76,609)
Payments for intangible assets		**-**	(358,631)
Net cash inflow from investing activities		**3,274**	(400,347)
Cash Flows from Financing Activities			
Proceeds from the issue of shares		**2,775,951**	3,005,688
Payment for share issue expenses		**(61,446)**	(150,545)
Net cash inflow from financing activities		**2,714,505**	2,855,143
Net decrease in cash held		**91,928**	(1,199,964)
Cash at the beginning of the period		**751,845**	1,944,181
Effects of exchange rate changes on cash		**242**	7,628
Cash at the end of the period		**844,015**	751,845

Notes to the consolidated financial statements are included on pages 6 to 19.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

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

b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalue amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

c) Application of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the consolidated entity include:

- **Amendments to AASB 7**'Financial Instruments: Disclosure'
  (adopted in advance of effective date of 1January 2011)
- **Amendments to AASB 5** 'Non-current Assets Held for Sale and Discontinued Operations'
- **Amendments to AASB 101** 'Presentation of Financial Statements'
  (adopted in advance of effective date of 1 January 2011)
- **Amendments to AASB 107** 'Statement of Cash Flows'

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

c) Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred a loss of $3,144,780 and net cash outflows from operating activities of $2,625,851 for the year ended 30 June 2011. As at the date of this report, the company has sufficient working capital to meet its requirements for the next 6 months based on current trading activity.

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

- Obtain additional finance;
- Secure profitable sales contracts;
- Continue to reduce operating costs in-line with trading activity; and
- Generate sufficient cash flows from operations to enable their obligations to be met.

The company has recently announced the Convertible Note facility with La Jolla Cove Investments Inc which, once approved by Mikoh's shareholders at the EGM to be held in October 2011, will add an additional $1,000,000 in cash flow funding for Mikoh and $5,000,000 in cash flow funding for Kollakorn over the next four years. The directors believe that, should approval be received from shareholders for the Convertible Note facility, the consolidated entity will not be required to raise new capital during the year ending 30 June 2012 to fund its working capital requirements. (Refer details in the subsequent event note).

The company has historically been able to raise equity funding to meet its ongoing working capital requirements. During the year ended 30 June 2011 the company raised $2,775,951 by way of private placements and a Share Purchase Plan. In the prior year ended 30 June 2010 the company raised $2,944,300 by way of private placements and $61,388 from a rights issue to shareholders.

The directors also expect to close additional sales contract orders during the 2012 financial year which will increase operating cash flow. The directors have also taken significant steps to reduce costs and expect to consistently achieve operating costs of below $175,000 per month across the consolidated entity from September 2011 onwards.

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. In the event the company is not able to achieve the matters noted above, significant uncertainty would exist as to whether the company and the consolidated entity will continue as going concerns and therefore, whether it would realise its assets and extinguish its 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 nor to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

2. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the consolidated entity's Managing Director report for the purposes of resource allocation and assessment of performance is more specifically focused on the category of customer for each type of good. The principal categories of customer for these goods are direct sales to major customers, wholesalers, retailers and internet sales. The consolidated entity's reportable segments under AASB 8 are therefore as follows:

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

No revenue was reported for Smart&Secure while market research is undertaken so the technology is modified to correspond to end-user requirements, and targeted to the right organisations and government departments to maximise its market reach. CertainID, MIKOH's bio-authentication technology, also earned no revenue in the period as this technology is still in a developmental stage.

During the financial period, the consolidated entity disposed of two businesses, the Printer business and the Subscribe Labels business. This Subscribe Label business was sold on the 30 April 2011 and was previously owned and operated by Mikoh Imaging Systems Pty Limited, a fully owned subsidiary of Mikoh Corporation Limited based in Melbourne. The sale created a net capital loss of $3,716 on sales to MIKOH. However, with the share in a profit arrangement on a contract which was settled post sale, MIKOH made a small profit on sale of this business. More importantly, the completion of this sale provided a reduction in monthly cash-burn and freed up management's time and financial resources to focus on the growth of the Smart&SecureTM business as well as other new technologies currently undergoing development.

On the 10 June 2011, MIKOH closed down the printer manufacturing business "the Printer business" and transferred the assets and staff to Visy Technology Systems. The cost to MIKOH of closing this business was $557,340. Of this, $165,038 was a cash loss. The balance was a write off of the book value of the assets used in this business. MIKOH is maintaining a 50% profit share agreement on one further contract. The closing of this business meant that MIKOH has ceased a cash drain of over $55,000 per month.

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

Segment revenues and results
The following is an analysis of the consolidated entity's revenue and results by reportable operating segment for the periods under review:

	Segment Revenue		Segment profit/(loss)	
	Year ended		Year ended	
	30 Jun 2011 $	30 Jun 2010 $	30 Jun 2011 $	30 Jun 2010 $
Continuing operations				
AVI	3,761,408	521,036	128,295	(87,541)
Smart&Secure	-	51,155	-	(118,805)
TransitVault & Certain ID	-	-	(358,473)	(111,982)
Total for continuing operations	3,761,408	572,191	(230,178)	(318,328)
Costs not able to be allocated to one operation			(2,037,838)	(4,398,830)
Loss before tax from continuing operations			(2,268,016)	(4,717,158)
R&D tax refund			107,653	120,150
Loss for the period from continuing operations			**(2,160,363)**	**(4,597,008)**
Discontinued operations				
Printers	49,090	634,092	(888,449)	(440,646)
Subscribe Labels	182,432	385,156	(95,968)	(15,981)
Total for discontinued operations	231,522	1,019,248	(984,417)	(456,627)
Loss before tax from discontinued operations			(984,417)	(456,627)
Income tax expense			-	-
Loss for the period from discontinued operations			(984,417)	(456,627)
Consolidated revenue (excluding interest and other revenue) and profit for the year	**3,992,930**	**1,591,439**	**(3,144,780)**	**(5,053,635)**

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

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

Segment assets and liabilities

The following is an analysis of the consolidated entity's assets and liabilities by reportable operating segment for the periods under review:

	Assets		Liabilities	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
	$	$	$	$
AVI	2,520,650	767,411	1,931,647	730,605
Printers	526,420	1,095,216	342,283	253,822
Smart&Secure	-	114,450	214,615	23,201
Subscribe Labels	215,199	72,550	66,459	14,104
TransitVault & Certain ID	75,330	25,139	54,557	563
Total segment assets and liabilities	3,337,599	2,074,766	2,609,561	1,022,295
Unallocated assets and liabilities	3,771,967	671,474	939,143	1,035,891
Consolidated total assets and liabilities	7,109,566	2,746,240	3,548,704	2,058,186

Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Geographical information

The consolidated entity operates in three principal geographical areas – Australia, Thailand and the USA.

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

	Revenue from external customers		Additions to non-current assets	
	Year ended		Year ended	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
	$	$	$	$
Australia	231,523	763,364	-	6,211
USA	19,671	95,506	-	7,518
Thailand	3,741,737	475,055	-	-
Turkey	-	4,774	-	-
Sri Lanka	-	123,086	-	-
Other countries	-	129,654	-	-
	3,992,931	1,591,439	-	13,729

3. Loss from continuing operations

	Consolidated	
(a) Revenue	2011	2010
Revenue consisted of the following items:	$	$
Sale of goods	3,718,327	536,171
Royalties and license fees	43,081	35,871
Total revenues	3,761,408	572,041

(b) Other Income
Other income consisted of the following items:

Interest income	3,274	34,818
Sundry income	26,444	-
Total other income	29,718	34,818

(c) Expenses
The loss before income tax includes the following expenses:

Interest paid to other entities	-	25
Depreciation of plant and equipment	8,141	44,019
Employee benefits	1,704,116	2,409,089
Equity settled share based payments	516,754	655,532
Foreign exchange (gains)/losses	(10,052)	2,273

4. Current trade and other receivables

Trade receivables	2,735,849	795,644
Goods and services tax receivable	36,765	-
Other receivables	27,714	37,340
	2,800,328	832,984

5. Inventories

Raw materials at cost	149,066	123,255
Work in progress at cost	226,646	87,382
	375,712	210,637

6. Other current assets

	Consolidated 2011	2010
Prepayments	84,235	159,551
Accrued R&D tax offset	116,000	226,716
Accrued income	-	21,930
	200,235	408,197

7. Property, plant and equipment

		2011	2010
Leasehold Improvements	Cost	-	197,443
	Accumulated Amortisation	-	(137,581)
		-	59,862
Plant and Equipment	Cost	85,158	518,206
	Accumulated Amortisation	(67,008)	(346,592)
		18,150	171,614
		18,150	231,476

8. Intangible assets

		2011	2010
Licence	Cost	-	358,631
	Accumulated Amortisation	-	(47,530)
		-	311,101

9. Other Financial Assets – Non Current

	2011	2010
Equity Investment	2,871,126	-
	2,871,126	-

The equity investment relates to a 19.9% interest of Kollakorn Co., Ltd (a company incorporated in Thailand) ("Kollakorn"), by the parent entity, Mikoh Corporation Limited. The investment was by way of a share swap which provided for an exchange of shares between Kollakorn and MIKOH and as such no actual cash was generated by the issue of the Mikoh Shares.

As previously noted by the Directors, Kollakorn holds an exclusive 10 year concession from the Government of Thailand ("Concession") (commencing in February 2010) to operate an EVR system throughout the country which requires that Tags be supplied to vehicle owners, hardware be installed in accordance with the terms of the Concession and that throughout the 10 year period, the hardware be maintained by Kollakorn.

MIKOH's current business is the manufacture and the supply of the Smart&Secure™ Tag of which Kollakorn is by far the major customer. The Tags are sold at an agreed mark-up which has been fixed for the first three years of the agreement between MIKOH and Kollakorn. MIKOH did not previously benefit from the revenue that comes from the application systems used within the Project. In order for MIKOH to share in this benefit, MIKOH negotiated an opportunity to acquire a 19.9% interest in Kollakorn in consideration for issuing MIKOH Shares to Kollakorn.

	Consolidated	
	2011	2010
10. Current trade and other payables	$	$
Trade payables	3,027,651	1,014,117
Goods and services tax payable	868	5,788
Sundry creditors and accruals	444,406	515,468
	3,472,925	1,535,373
11. Other current liabilities		
Deferred Revenue	-	283,190
12. Current provisions		
Employee benefits	75,779	205,035
13. Non-current provisions		
Employee benefits	-	34,588

14. Issued capital	**Consolidated**	
	2011	2010
	$	$
513,536,806 fully paid ordinary shares (2010: 314,179,023)	44,549,643	38,489,385

	2011	2011
	Number	$
Fully paid ordinary shares		
Balance as at 30 June 2009	268,884,351	35,236,603
Issue on 7 July 2009	117,572	5,056
Issue on 17 July 2009	1,534,694	61,388
Issue on 3 August 2009	154,054	6,778
Issue on 17 September 2009	22,784,810	1,800,000
Issue on 7 October 2009	142,152	11,998
Issue on 23 December 2009	4,304,050	378,220
Issue on 17 March 2010	4,218,185	210,909
Issue on 17 May 2010	4,064,000	304,800
Issue on 24 May 2010	1,933,334	145,000
Issue on 22 June 2010	1,233,334	92,500
Issue on 29 June 2010	8,026,667	602,000
Costs associated with the issue of shares	-	(204,958)
Treasury shares deemed not issued	(3,218,185)	(160,909)
Total at 30 June 2010	**314,179,018**	**38,489,385**
Issue on 16 July 2010	4,000,000	300,000
Issue on 17 September 2010	259,267	15,245
Issue on 25 October 2010	99,527	4,718
Issue on 4 November 2010	19,447,887	680,676
Issue on 29 November 2010	5,500,000	275,000
Issue on 7 December 2010	1,420,931	56,837
Issue on 21 December 2010	1,450,000	58,000
Issue on 19 January 2011	1,721,888	60,266
Issue on 20 January 2011	4,648,578	162,700
Issue on 31 January 2011	446,443	15,626
Issue on 14 February 2011	900,000	31,500
Issue on 28 March 2011	12,999,999	455,000
Issue on 9 June 2011	2,000,000	40,000
Issue on 16 June 2011	89,722,683	2,871,126
Issue on 28 June 2011	9,352,273	207,620
Issue on 29 June 2011	3,636,363	80,727
Issue on 30 June 2011	41,840,296	857,726
Costs associated with the issue of shares	-	(133,645)
Total shares on issue as at 30 June 2011	**513,625,153**	**44,528,507**
Less: Treasury shares deemed not issued	(88,347)	21,136
Total ordinary shares as at 30 June 2011	**513,536,806**	**44,549,643**

Unlisted Share Options

The consolidated entity has an ownership based remuneration scheme for directors and executives under which share options are issued at the discretion of the Board. The consolidated entity also issued unlisted options in lieu of payment to consultants throughout the year ended 30 June 2011.

	2011 Number	**2010 Number**
Balance at the beginning of the financial year	16,500,000	18,500,000
Granted during the financial year	10,938,507	11,500,000
Exercised during the financial year	-	-
Lapsed during the financial year	(500,000)	(9,500,000)
Expired during the financial year	(500,000)	(4,000,000)
Balance at the end of the financial year	26,438,507	16,500,000

Unlisted share options outstanding as at 30 June 2011 were

Expiry Date	Exercise Price Per Option	Number
31/08/11	15 cents	3,000,000
31/08/11	25 cents	3,000,000
07/12/11	15 cents	5,493,587
10/01/12	30 cents	3,000,000
24/03/12	15 cents	5,444,920
11/05/12	50 cents	1,000,000
11/05/12	80 cents	1,000,000
28/05/12	50 cents	375,000
28/05/12	80 cents	375,000
31/03/13	80 cents	125,000
31/03/13	$1.20	125,000
31/07/14	20 cents	750,000
31/07/14	40 cents	750,000
31/12/14	20 cents	1,000,000
31/12/14	25 cents	1,000,000
		26,438,507

Listed Share Options

The consolidated entity issued listed options to shareholders as a part of the capital raising undertaken throughout the year ended 30 June 2011.

	2011 Number	2010 Number
Balance at the beginning of the financial year	-	-
Granted during the financial year	14,972,500	-
Exercised during the financial year	-	-
Lapsed during the financial year	-	-
Balance at the end of the financial year	14,972,500	-

Listed share options outstanding as at 30 June 2011 were

Expiry Date	Exercise Price Per Option	Number
30/06/12	5 cents	14,972,500
		14,972,500

	Consolidated	
15. Reserves	2011 $	2010 $
Employee equity-settled benefits reserve	1,927,050	1,957,123
Foreign currency translation	(111,204)	(98,607)
	1,815,846	1,858,516

Employee equity-settled benefits reserve		
Balance at the beginning of the financial year	1,957,123	1,753,643
Transfer to Share Capital	(21,136)	-
Share-based payment	2,521	203,480
Options exercised during the financial year	-	-
Options lapsed during the financial year	(11,458)	-
Balance at the end of the financial year	1,927,050	1,957,123

Foreign currency translation		
Balance at the beginning of the financial year	(98,607)	(23,009)
Transfer to Accumulated Losses	-	-
(Deficit)/surplus from translation of financial statements of foreign operations	(12,597)	(75,598)
Balance at the end of the financial year	(111,204)	(98,607)

16. Accumulated Losses

Balance at the beginning of the financial year	(39,659,847)	(34,606,212)
Net profit/(loss) attributable to members of the parent entity	(3,144,780)	(5,053,635)
Transfer from Foreign currency translation	-	-
Balance at the end of the financial year	(42,804,627)	(39,659,847)

17. Earnings per share	2011 Cents per share	2010 Cents per share
Basic earnings per share	(0.90)	(1.73)
Diluted earnings per share	(0.90)	(1.73)
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
Earnings	(3,144,780)	(5,053,635)
Weighted average number of shares	349,323,558	292,869,437

18. Reconciliation of Net Cash provided by Operating Activities to Loss after Income Tax	**Consolidated**	
	2011	2010
	$	$
Profit (Loss) from after income tax	(3,144,780)	(5,053,635)
Add (less) non-cash flows included in loss		
Depreciation & Amortisation of non-current assets	116,466	193,604
Amortisation of intangible asset	60,000	47,529
Loss on disposal of fixed assets	92,244	99,074
Net foreign exchange differences	(8,222)	(69,849)
Equity settled creditor invoices	-	11,834
Impairment of IP purchased	251,102	-
Equity settled salary payments	-	440,218
Equity settled share-based payments	516,754	203,480
Interest income received and receivable	(3,274)	(34,893)
Changes in operating assets and liabilities		
Decrease (increase) in trade and other receivables	(1,967,344)	(752,602)
Decrease (increase) in prepayments	75,316	(30,674)
Decrease (increase) in inventories	(165,075)	252,273
Decrease (increase) in other current assets	132,646	(16,658)
Increase (decrease) in trade and other payables	1,865,352	720,915
Increase (decrease) in other current liabilities	(283,190)	391,298
Increase (decrease) in provisions	(163,846)	(56,675)
Net cash inflow (outflow) from operating activities	(2,625,851)	(3,654,761)

19. Contingent Liabilities

There are no contingent liabilities at the report date.

20. Events Subsequent to the Reporting Date

On the 22nd August 2011, the Board of MIKOH Corporation Limited announced that the Company had signed an agreement with La Jolla Cove Investments Inc (La Jolla) to provide a 4 year convertible note facility for the Company of up to US$6,000,000. In a back to back agreement off this funding, MIKOH will purchase US$5,000,000 of convertible notes from Kollakorn Co. Ltd (a company incorporated in Thailand) ("Kollakorn") that will have the same principal terms as the convertible note issued to La Jolla.

The Directors of MIKOH and Kollakorn believe that this facility represents the turning point for the Thai project; providing finance for the EVR roll-out throughout Thailand. The Company will hold an EGM in early October 2011 to approve:

1. A resolution for the issue of the US$6 million convertible note to La Jolla and approval for the consequential issue of shares on conversion;
2. A resolution to approve the purchase of the US$5 million convertible notes from Kollakorn.